

Strategic Management Failures of “Dialog Axiata” and Recommended Strategic Approaches for Implementation

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Abstract

The purpose of this paper is to evaluate the current service quality and the strategies of Dialog Axiata PLC in Sri Lanka, which have been implemented to achieve their organizational objectives. This research study has analyzed audit findings, survey results, observational research and content analysis in order to identify the current strategic position of the company and environmental analysis of the telecommunication industry. In addition, several strategic management models have employed to identify the company’s potential to maintain long term strategic competitiveness over competitors within the industry. Furthermore, this paper has discussed about the strategic issues, which the company had to face because of the lack of strategic planning and consideration. According to the findings and results, there are several recommendations, which have been mentioned at the end of analysis in order to enhance the quality of the service, which would enable the Dialog Axiata to be competitive in the telecommunication industry further. The paper suggests that the company should reposition its product lines, invest more on R&D capabilities, and review its Human Resource Management practises in order to gain a significant position in the market.

Keywords: Telecommunication, Dialog Axiata, Strategic Competitiveness, Strategic Planning, Competitive Advantage.

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Introduction

Company Profile

Dialog Axiata is one of the biggest companies in Sri Lanka and it is the leading telecommunication service provider in Sri Lanka. It is a subsidiary of Axiata Group Berhad, which is one of the largest telecommunication companies in Asia. Dialog Axiata currently serves 9.4 million subscribers, which is the largest in the industry and as of 2012 it had a market capitalization of Rs.67.6 billion (Telecommunication Regulatory Commission of Sri Lanka, 2014). Dialog has been able to dominate the telecommunication industry for past decade basically due to continuous innovations and utilization of latest technologies in their service package.

History of the Company

Since 1990 Dialog continuing its operations throughout the Sri Lanka, by Dialog GSM, multimedia facilities, worldwide Roaming and as the leading mobile telecommunication service operator. Its current subscribers are more than half of a million. The first, foremost milestone of Dialog Axiata is to receive the ISO 9001 among all service providers in South Asia. After this step dialog stepped into its growing stage by achieving business excellence by winning National Quality Award in 2001, and in 2002 by winning the Asia Pacific Quality Award. The main reason behind winning these awards was widening its operations by connecting to Telekom Malaysia in 1999. Dialog SAT has been the first ever satellite mobile telephony service launched by dialog in 2001. Dialog SAT is able to reach more than three million people by Thuraya Satellite Mobile Telephony services across three continents. Liberalization influenced Dialog Axiata to launch its latest brand called dialog global which running today's international services. After merging with Telekom Malaysia Berhad, Dialog got the power to spread its operations through state of the art technology (Dialog, 2016).

Vision of the Company

“To be the undisputed leader in the provision of multi-sensory connectivity resulting always, in the empowerment and enrichment of Sri Lankan lives and enterprises.” (Dialog, 2016)

The vision of the Dialog clearly indicates the long-term destination of the company. They want to be the leader in the industry by improving and enhancing the Sri Lankans through an arsenal of communication modes.

Mission of the Company

“To lead in the provision of technology enabled connectivity touching multiple human sensors and faculties, through committed adherence to customer-driven, responsive and flexible business processes, and through the delivery of quality service and leading edge technology unparalleled by any other, spurred by an empowered set of dedicated individuals who are driven by an irrepressible desire to work as one towards a common goal in the truest sense of the team spirit.” (Dialog, 2016)

In the mission statement the company addresses about themselves and how they position themselves and differentiate from their rivals. They have addressed key components such as service, market, technology, concern for employees, etc. In addition, they have mentioned about the key values such as team spirit, customer driven business process and delivery of quality service for their customers in the mission statement. It is clearly visible that they plan to differentiate themselves with the improved technology over competitors.

- To give the highest return possible to shareholders and gain a higher recognition in financial markets.
- To provide the best telecommunication experience to customers while being the market leader through quality aspect, and adapting to new technology.
- To be the leader in peoples choice-in terms of heart share and mind share and brand reputation.
- To lead the industry by having most efficient and effective management practices, competitive advantage, high quality resources, strengthen the existing strengths in order to make the company more valuable and reputed.

The Values of the Company

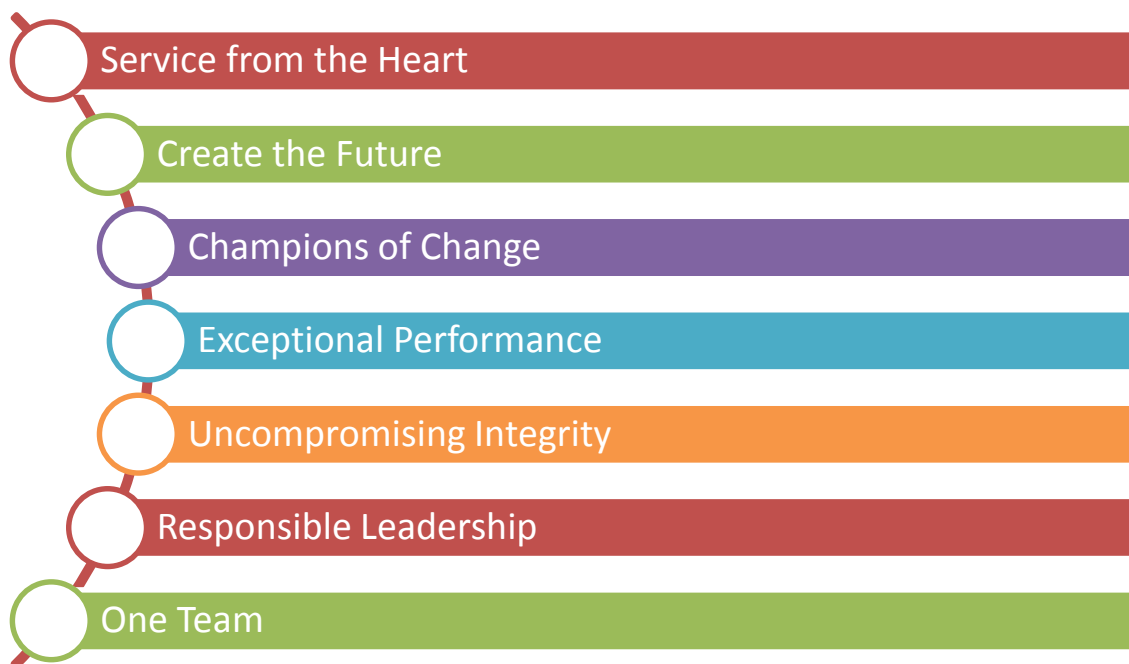


Figure 1 Corporate Values of Dialog Axiata
Source: (Dialog, 2016)

Core Competencies and Competitive Advantages of the Company

Internal Environment Scanning by Mckinsey 7S Model

According to Waterman , Robert, Peters, Thomas , & Philips (1980), McKinsey 7S model can be used to analyse an organization in depth by examining its interrelated elements which can be categorized as soft elements and hard elements.

Strategy

Each and every level of an organization has to undertake strategies in order to be competitive in the market. Strategies of the company not only in corporate level, but also in the managerial and functional level are crystal clear. Dialog Axiata was able to strengthen its operations by acquiring MTT as well as CBNSAT and TV channel called DERANA TV. Cargill's-Dialog can be taken as a strategic alliance recently activated by dialog in order to create more value for customers and to be competitive in the market. The reason behind gaining the competitive advantages and being the market leader throughout the years is Dialog formulates a strategic plan at the beginning of each year and the progress is monitored at the end of each month. Through its highly talented research and development team dialog always tries to bring new technologies to the industry. For that Dialog Axiata established a laboratory in a local university, which always comes up with solutions to local demands. Tsunami pre alert system and Nokia phones with Sinhala language settings are some of the examples of that. Dialog Axiata always gain the competitive advantages over competitors till now mainly because of its innovativeness.

Structure

Organizations' corporate level consists of five non-executive directors and one executive director. These Boards of Directors can be identified as the main pillars of success in Dialog Axiata. The Board has the power to appoint executive directors, including the CEO. Divisional structure can be identified at the company level, but performances of the divisions are measured through different strategic committees.

Systems

Dialog Axiata has been using various systems to be competitive in the market for last few years. Such as ERP (Enterprise Resource Planning), CCBS (Customer Care Billing system) and HRIS (Human Resource Management).

Style

Goals and objectives of the organization have an influence on management style. Sticky deadlines and monitoring system of each and every level in an organization is standardized. Rewards and various get-together events for organizational staff can motivate employees and satisfy them in long run calls for a significant advantage to the company.

Staff

Dialog Axiata currently poses a workforce of approximately 2500. The recruitment planning process of Dialog Axiata is aligned with its business plan process. The skills and abilities required should depend on the tasks and activities needed to perform in a particular position. When it comes to attracting new blood to the company Dialog Axiata follows several policies. The core intention of recruitment policy is finding suitable employees who will contribute to growing profits and at the same time that individuals' career development irrespective of where he/she comes from. According to Dialog (2016), employee training and development cost is 7% of total human resource management cost. The training and development need of the company arises from performance appraisal reviews and annual business plans.

Subordinate Goals

Dialog Axiata can be identified as a place where people work who belongs to different backgrounds, cultures even different nationalities. Dialog Axiata was able to team up all these diversities together to achieve its goals and objectives over the past years. By doing so, Dialog Axiata was able to satisfy their internal employees by guiding and allowing the staff to reach for their own personal goals at the same time.

Skills

One of the main reasons behind dialog success is the talented, motivated, encouraging corporate level, managerial level as well as technical level skills. Dr. Hans Wijesuriya is the CEO of dialog Axiata who is an inspired individual, and with various distinctive qualities respected by the whole nation.

Strategic Positioning of the Company

To gain competitive advantage company has to use some tactics. To implement these tactics or strategies, the company should pose unique resources; which can be tangible or intangible (Porter & Millar, How Information Gives you Competitive Advantage, 1985). Competitive advantage can be gained through using these resources efficiently and effectively (Faulkner & Bowman, 1995). The Cliff Bowman's strategy clock shows the different options a company can have when it comes to gaining competitive advantage. (Figure 2)

First and second options can be considered as a low price strategy. But Dialog Axiata always charges a higher price than other competitors in the industry. Therefore, it can be concluded that Dialog Axiata not using those two routes. Next path is the hybrid strategy. Hybrid strategy is the combination of low cost and differentiation. Since Dialog Axiata doesn't use low cost strategy the hybrid strategy can't take into consideration. Path 4 is the differentiation strategy. Differentiation strategy is identifying your target market and serving them and satisfying them than your competitors in a unique way (David, 1997). Dialog Axiata as the telecommunication leader in the Sri Lankan telecommunication industry is always able to use this strategy in order to be competitive in the industry. Focused differentiation, which is the 5th strategy of Bowman's clock, explains how to

serve to a niche market which other competitors failure to identify or serve. Sixth, seventh and eighth options called as a womb of a mother which are failing. Dialog Axiata always looks for the long term and since they strategically play in the industry, they totally aware of the circumstances of those positions.

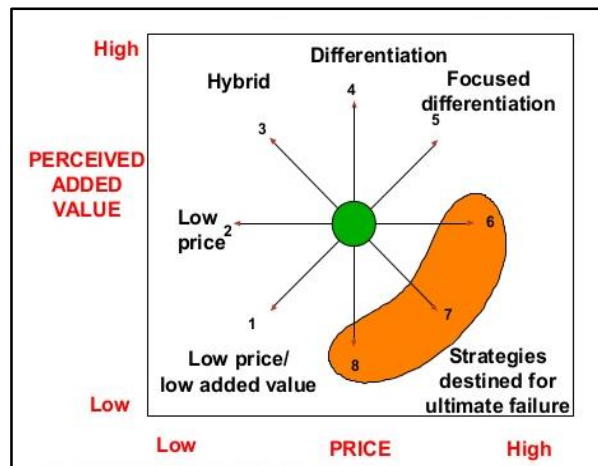


Figure 2 Cliff Bowman's Strategic Options

Source: (Faulkner & Bowman, 1995)

Long term Sustainable Competitive Advantages of the Company

Being able to manage the practises of company strategically than competitors can gain competitive advantages to the company, which make the company significant in the industry (Porter, Competitive Advantage : Creating and Sustaining Superior Performance, 1985; Porter, Competitive Strategy : Techniques for analyzing industries and competitors, 1980). Companies that don't have enough competitive advantages, have a high chance to die within a shorter period. If any company wants gain competitive advantage it can be done through porters' generic strategies, which are cost leadership, differentiation and focus (Porter, Competitive Strategy : Techniques for analyzing industries and competitors, 1980).

Cost Leadership

Cost leadership means develop the service at a lower cost than the competitors do. Since Dialog Axiata charges premium prices for customers, Dialog Axiata doesn't practice cost leadership strategy to be competitive in the market.

Differentiation

This is the strategy where the company provides a unique type of services and activities, which are not being provided by their competitors.

Since the telecommunication industry achieved a significant growth over the past years in Sri Lanka, Dialog Axiata has good potential in the future. With the newest applications

like GPRS (General Pocket Radio Service) introduced in 2001, one of the biggest inventions of dialog 2.5G GSM first step towards 3G, higher data speeds, multimedia messaging system, and 24/7 customer care service programs Dialog always tries to attract potential customers and as well as differentiation enables the company to hunt the customers who are currently using the competitor's services.

On the other hand, differentiation strategy has helped Dialog Axiata to develop their corporate image in the industry over the past decades. To undertake a differentiation strategy any company needs to come up with innovative and creative ideas and as well as a considerable amount of technological investments. This process needs to be supported by the employees and as well as to make the employees more compatible with the differentiation strategy; the company needs to undertake proper training and development processes.

Focus

This is basically coming up with "Niche" concept where the company focuses on market segments, which have been ignored by the rest of the main players. The main advantage of being the focus strategy is that there will not be any competition in the selected segment since others have ignored it. On the other hand, the company could get more profits in these segments where the company could obtain higher margins since there are no substitutes.

Strategic Issues faced by the Company

The Sri Lankan telecommunication industry has now been in its maturity stage (Dharmawardena, 2004). Dialog had a majority of market position (50% of market share) and all other competitors such as Mobitel, Etisalat, Airtel and Hutch shared the rest of the market in 2008 (Jain, Hatt, & Wills, 2013). As a result of privatization all these competitors' market shares began to increase gradually. After introducing dialog GSM to the market dialog was able to make more profits than ever before and was able to maintain his position as the market leader. At that time another 3 competitors (Mobitel, Hutch and Etisalat) were not competitors of Dialog anymore, because of dialogs unbeatable market position so they started to compete with each other while making a considerable amount of profit.

After 2009 telecommunication industry in Sri Lanka faced two significant changes. One reason was the launching of Airtel with the huge customer base like 1 million just in less than 6 months. Another one was Emirates Telecommunication Corporation bought over Tigo. After these incidents the market share of Dialog Axiata began to decline up to 38% (Jain, Hatt, & Wills, 2013) (Figure 3). Since the products are similar and because of intense competition value added services also becoming better and similar when compare with each other service provider. Even Dialog has known for best innovator, other competitors were able to follow the same easily. Not only that, but also other competitors was able to provide a wide signal coverage all over the island therefor dialog wasn't the only one anymore. Because of these reasons, new customer acquisition and retaining them in the long term were big challenges for Dialog Axiata. To attain sustainability it is necessary to attract new customers as well as keep them in the long run. Since these are

no big changes in the product and service there is a high chance that customers switch from one to another if you are not able to satisfy him. Therefore, in this case customer loyalty has a big role to play with.

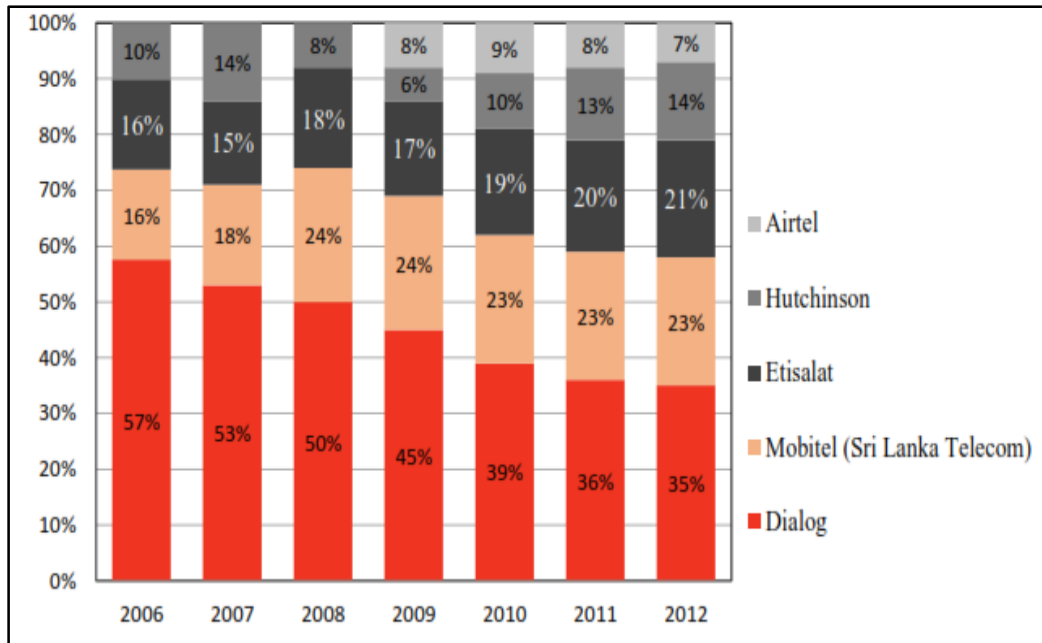


Figure 3 Evolution of Mobile Operators Market Share
 Source: GSMA Intelligence, MDI Analysis

When it comes to Sri Lankan telecommunication industry all the service operators must be creative and must provide a valuable service which is worthy for the money spend with customers in order to survive in the market since the competition is relatively higher than other countries. In order to maximize profits, organizations must attract new customers and at the same time it has to reduce churn and retain customers by increasing customer loyalty. For that it is necessary to maintain a good relationship with customers, which ultimately leads that customer end up spreading positive word of mouth about the service. But maintaining a solid relationship with customer, highly influenced by organizations customer care service and Frontline staff. Because in any organization they are the first contact point that customers dealing with. After them supporting employees who are ever involved with resolving customer problems, handling customer complaints and assisting technical issues have to make sure that they are in favourable with customers since it can affect customer loyalty in the long term. Providing an excellent service always necessary in this kind of an industry where competition is so high since the customers can switch with less effort and no cost at all.

Recommendations and Suggestions to Improve Internal Strategic Position

Expand current activities via Growth Strategy

Since the current product lines of dialog have real growth potential they can expand their activities just to increase their profits. Not only that, but also they can follow a vertical growth strategy and take the benefits of the value chain convergence.

Stability Strategy

Dialog Axiata can continue its current value added services without any changes since they add profits to the company. But at the same time Dialog Axiata can use pause strategy, which means currently holding the services till the weaknesses of the company overcome. Dialog Axiata should stabilize the company which they couldn't able to do because of major acquisitions and innovations they have done in past years. Therefore, this is the time to get back the internal employee moral by stabilizing the company as it was before.

According to the current situation of Dialog Axiata the recommendation is first stabilizing the company. Because of heavy work, and the significant changes it had past few years the work force of the Dialog Axiata now in a tough condition. Therefor it is highly recommended that dialog must first give them their breathing space since employees are the boundary line between the organization and customers. If the employees are confused and not satisfied it highly affect on customer satisfaction (Johnson, Scholes, & Whittington, 2005). After sometime they can move on to growth strategy and can reach to its potential.

Focus on current strategy of Differentiation as Competitive Strategy

Each of Dialogs' Strategic Business Units has to come up with unique value added services. (E.g. DTV, DBN) For this, company can charge a higher price for the services are unique and competitors cannot adapt so easily.

Consider undertaking Cost leadership Strategy

The switching behaviour of customers from Dialog to Mobitel is cannot be seen much in urban areas like Colombo, Galle, Kandy since these value added services of Dialog are popular with people who live in those areas. But people who are using Dialog for communication like calls/SMS, there is a high chance for switching from dialog to another service operator since most of them are cost conscious and currently Mobitel Pvt Ltd is also able to provide wide network coverage. Therefor if Mobitel Pvt Ltd is able to enhance its VAS it will be a huge risk to Dialog Axiata.

Normally differentiation strategy can costs you than a cost leadership strategy (Crittenden & Crittenden, 2008). But the chances to generate profits are higher in differentiation strategy than cost leadership strategy. Therefor according to the current scenario, it will be more successful if dialog Axiata can undertake focus, differentiation strategy in those areas people highly as value added services, and cost leadership strategy in those rural areas in the island before other competitors take over the market.

Modifications on current Marketing Strategy

When it comes to marketing strategies currently Dialog Axiata does excellently. But to grow more and earn more profits dialog can improve its pull marketing strategy and as well as it can introduce new value added services to attract more customers. But dialog

has to continue its promotional and advertising strategies as before to remind its customers who use dialog purely for calls and SMS.

Invest more on R & D capabilities

Dialog Axiata can be identified as the technological leader in the Sri Lankan telecommunication industry. This is a result of strategic alliances dialog undertook over the last few years, mainly with supermarkets and banking industry. In order to be more competitive it is recommended that if it can expand into insurance companies, fast food chains and etc. Since those industries practising latest technologies it can be beneficial to both parties.

Review programs and procedures of Human Resource Management

Hire the right people

Today, Dialog maintains low skilful and temporary sales force, which tries to cover their sales target. They are not focusing on company's long-term trust and consumer's loyalty. The highly skilful and expertise workforce should be recruited with a proper evaluation procedure.

Enable Dialogs People

After recruiting new skilful workforce, they should have the ability to work with high performance. Prior workforce should have proper understanding about the company and its services. Especially technical employees should have proper knowledge about new telecommunication technology.

Motivate and Energize dialog's people

Dialog should design a reward procedure to reduce employee turnover and to increase commitment and performances. Dialog has island wide intermediaries such as communications, phone shops. So dialog should provide proper rewards to motivate the sales related employees. This reward system would generate a higher sales growth.

Outsourcing Legal, IT infrastructure support and Advertising

Mentioned areas do not pose any kind of competitive advantage to the company. Therefore, outsourcing would be better than incurring higher cost of doing it by themselves.

BCG Matrix to reposition product lines

BCG matrix is the model, which states the situational position of each service segment provided by the company (Boston Consulting Group (BCG), 1973). Dialog Axiata could use this model to identify the required strategies need to be undertaken in order to enhance or maintain standard of each service. (Figure 4)

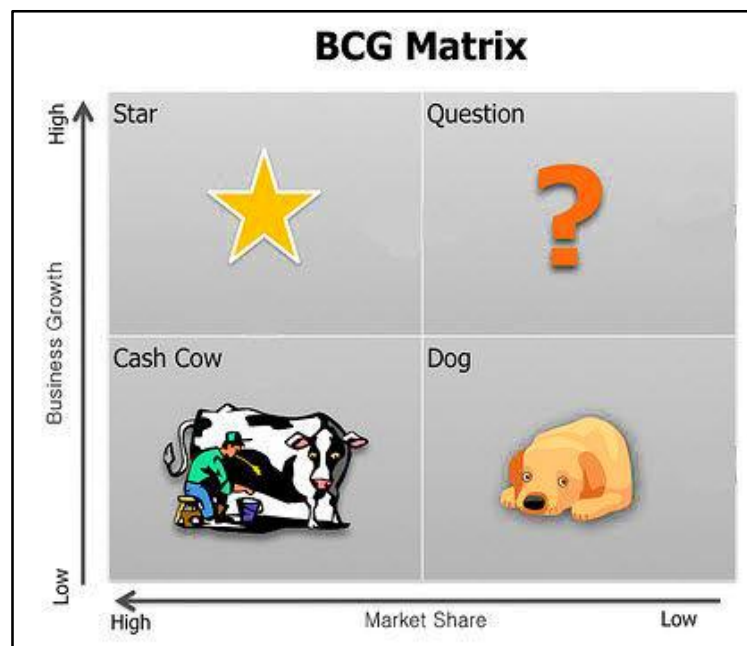


Figure 4 BCG Matrix
Source: (Boston Consulting Group (BCG), 1973)

Star

Star product is having a higher market share and as well as higher growth in the business, which means with the star product the company, has higher levels of potential.

Dialog Television and Broadband segment-Mobile and Dialog Broadband Network (DBN) could be considered as “Star” product of the company. Where dialog Axiata would be the market leader in particular products, even though they charge premium prices. On the other hand dialog TV has become a trend in Sri Lankan society where it earns higher levels of growth in business.

To maintain the Star quality of this Dialog TV need to undertake certain kinds of activities. Otherwise Dialog will lose the market share and competitors like PEO TV will gain the competitive advantage over Dialog. For that Dialog needs to invest more on that segment and needs to provide “Value Added Service” for that segment to maintain the existing attraction for the segment. This will enable Dialog to earn higher levels of revenue and be profitable within the market.

Cash Cow

This is a service segment, which has the lowest level of growth in business, but which is having a higher level of market share. The most important thing about this is company could use the extra revenue generated by Cash cow for the development in other service segment offerings (Ansoff, 1976).

SMS service could be considered as the cash cow of Dialog where the SMS service is dying within the market due to the enhancement of Internet uses such as WhatsApp, Facebook, Skype and Twitter. But with the “Additional Service Offerings” regarding the SMS services has become most profitable segment for the company. Since the SMS services are not increasing in the industry Dialog does not need to undertake further investments in the SMS service and to invest the cash generated from SMS to other potential services like Dialog TV, Internet packages and Value Added Services such as cricket news.

Question Mark / Problem Child

Question Mark is the segment where it has lower level of market share but it has a higher potential in the future with the highest growth in the business. Since it has a lower level of market share, the service generates lesser contribution to the company’s profitability (Armstrong & Brodie, 1994). But the positive factor here is the business industry has higher growth in terms of the size and it creates a big room for the company to grow up. Fortunately, there is no product or service in Dialog Axiata performs as Question mark in BCG Matrix.

Dog

Dog is a service category, which has lower level of growth in business and lower level of market share. Fixed wireless telecommunication of dialog can be considered as “DOG” services in Dialog. This is where due to the development in technological enhancements in the industry. On the other hand Dialog is having a lower market share in those services where it does not have a competitive advantage over the recent competitors. So it is recommended Dialog to divest in DBN service where the company could save additional cost and invests it over the Star of Problem child service. That will contribute more on to the sustainability of the company.

Conclusion

In order to achieve the set-up goals and objectives any organization has to follow strategic management practises. Therefore, strategic management not only brings theoretical advantages, but also regularly practices in the real world. Strategic management practises implemented by the organization must be monitored in standardized intervals to make sure that the company is in the correct path in its way to its vision and mission (Collis & Montgomery, 1998). Strategic management can be identified as a serious investment to consider in today’s competitive business environment. This paper is internal analytical review of Dialog Axiata PLC and present recommendations to practise strategic management amicably within the company to grow better in the future.

Even though Dialog Axiata performs well in the market today, with the technology improvements of competitors and due to some major factors, including price, it seems that Dialog Axiata is not in control of its current market position any more. In order to gain the significant position, Dialog Axiata has to undertake strategies like to expand current activities, invest more in R&D, review programs of HRM, and reposition product lines, which will assure that the company, is in its right direction.

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