Saudi Telecommunications Company: A Strategy for Sustainable Competitive Advantage
Ayed Shafi Ayed Al-aklabi, Basheer A. Al-Allak
Shaqra University, Saudi Arabia
College Of Graduate Studies (COGS), Universiti Tenaga Nasional (UNITEN), Malaysia
dr.alaklabi@su.edu.sa, alalak_2003@yahoo.com

ABSTRACT
The current study is descriptive in nature as it sheds light on a success story in the telecommunication industry in Saudi Arabia. Saudi Telecommunications Company is renowned for its strategic planning and cohesive analysis, implementation and control. The current paper illustrates how this leading company has managed to plan ahead with the clear objective of realizing the much desired sustainable competitive advantage. The study also investigates and critically shows major threats facing the Saudi Telecommunications Company and how this company has managed to lessen the impact of such threats on its current and future plans.

Keywords: Sustainable competitive advantage; planning; analysis; implementation; control.

1. Introduction

The telecommunications industry has greatly revolutionized the human communication system around the globe in which it greatly benefited almost all aspects in the modern society, especially the business sector of which telecommunication technology have made it more efficient, productive, competitive and accessible to their customers or clienteles. Not only business sector have greatly benefited to the said technological innovation but also governments, non-profit organizations and individuals. “The customer markets, residential and small business markets are arguably the toughest. With literally hundreds of players in the market, competitors rely heavily on price to slog it out for households' monthly checks; success rests largely on brand name strength and heavy investment in efficient billing systems. The corporate market, on the other hand, remains the industry's favorite. Big corporate customers concerned mostly about the quality and reliability of their telephone calls and data delivery are less price-sensitive than residential customers” (Investopedia, 2011). Billions of dollars of revenues are derived from these market segments of which telecommunication companies like Saudi Telecommunications
Company (STC) and its competitors enjoy big market share in their respective countries of operations.

Modernity, globalization of economy and the present age of information the telecommunication industry has become the fastest growing and most profitable form of business to engage in where such phenomenon can be seen in the Middle East and the rest of the globe. It is a fact that the telecommunications have become an innate part of every activity of today’s consumers which offer tremendous opportunities as well as challenges to telecommunication companies to plunge in.

The purpose of this study is to conduct a discussion and analysis on Saudi Telecommunications Company’s Strategic Planning.

2. Methodology

2.1 Saudi Telecommunications Company Strategic Planning

Saudi Telecommunications Company (STC) is a telecommunications company based in Saudi Arabia which offers landline, mobile and internet services (e.g. Internet, Broadband Internet, VOIP, IP VPN, and the like) in Saudi Arabia. It is a publicly traded company also involves in providing telecommunications services in the international markets through its networks and investments on the countries like Turkey, Kuwait, Bahrain, India, Malaysia, South Africa and Indonesia. “STC operates through its five business units: Al Hatif, which includes landline services, card phones, public telephones, prepaid card services and business services; Al Jawal, which offers a range of mobile services, including Family Al Jawal, Sawa, messaging services, business services, data services and roaming services; Saudi Net, an Internet provider, STC Online for electronic bills payment services and Saudi Data, a provider of data solutions” (Zughaibi and Kabbani, 2011). It employs around 21190 personnel. This business organization was established in 1998 after the Council of Minister’s Decree No.213. The company as the biggest telecommunications company in Saudi Arabia has been an important partner of the said nation in providing employment for its citizens and migrant workers. As “the Telecom Sector of Saudi Arabia is undergoing radical changes owing to the liberalization and privatization efforts of the telecom sector by the Government with the development of large telecommunication networks by the private sector and easy access of telecom facility by the public in Saudi Kingdom, Telecom Jobs have also increased. In this section we try to bring the available telecommunication Jobs in Saudi Arabia. These jobs are available for profiles such as Telecom Engineers, Electronics & Telecom Engineer Freshers, Telecom Networking engineers, technicians, Customer service professionals etc. in leading Saudi telecom companies such as Saudi Telecom Company” (NaukriHub, 2011).
2.2 Promising Growth

The company’s growth, expansion and profitability are derived from its adoption of proactive programs that aim to transform its business operations from government system to the conformity of commercial business standards in the international markets. Not to mention the fact that “STC operates one of the region's most advanced telecommunications networks. The network spans all corners of the Kingdom of Saudi Arabia and extends to all neighboring countries in addition to having investments in terabit-size Submarine cable systems that connect 35 countries across North America, Europe, North Africa, Middle East and South East Asia. In addition to traditional mobile and fixed services to its retail customers, STC offers a broad portfolio of services including Voice over IP, Internet access, IP data services, broadband transport, and many value added services. STC’s Wholesale customers include local and regional operators and carriers, wireless service providers, ISPs, content providers and regional enterprises” (Business Wire, 2011). Plus its leadership and management has formulated and implemented strategies that focus on internal re-organization, upgrading of skills and knowledge of its workforce or employee empowerment programs, automation of its business and management processes and conducted intensive market study and research to help improve its business strategies in giving full satisfaction to its existing clients and target markets. “To sustain our success going FORWARD, we have defined our future strategic priorities as a long term plan composed of seven dimensions referred to as FORWARD strategy. Each letter in this word is significant and has a meaningful strategic and important message to achieve the company's goals and objectives. Through the concentrated efforts of translating this strategy into reality, STC will be capable of maintaining its leadership position as preferred choice among customers. Through the concentrated efforts of translating this strategy into reality, STC will be capable of maintaining its leadership position as preferred choice among customers” (STC, 2011a). These statements of its business strategy indicate that the company truly value innovations and that the latter must be integrated on its marketing, leadership and management in order to sustain its dominant position, profitability, survival and expansion.

2.3 Diversification Strategy

Putting its diversified telecommunications services and overall operations in conformity to what its customers expect and to synergize with market competition, demands and trends. “Saudi Telecom Company is the official agency to provide high quality telecom services to its customer needs, contributing successes to their lives and business. Its service showcases a wide variety of services with the most advanced customer service qualities and standards. The services are mainly categorized as Mobile Services, Landline Services, Data Services and Internet Services, all of them contain value added packages to satisfy every class of customers. Saudi Telecom provides ample career opportunities to those who look for innovative and stimulating environment” (NaukriHub, 2011). Also the company has” now embarked on a new project to link major business firms, industries and establishments in various parts of the country using
optical fiber technology. The project will link about 350 sites at a cost of SR250 million,” he said, adding that 180 sites have already been linked. The project offers vast space for users to receive various services including the Internet and high-speed information circuits” according to (Saudia Online, 2011).

It implements the so-called Fulfill Personal Communication Potential that implies “leverage STC’s enlarged footprint and grow the personal communications market by deploying mobile broadband, expanding convergence, content and service offerings, and providing top class customer experience” (STC, 2011a). This service innovation and expansion indicates that STC understands the dynamics and trends of the telecommunications industry today wherein there is significant expansion of utilization of mobile communications and mobile internet which also increasingly converging with other networks from other parts of the globe. Addressing also the fact that much of the mobile communications and internet users of today in Saudi Arabia and other parts of the globe are increasing in numbers of which STC wants to proactively respond to this tremendous opportunities to earn profit, expand, sustain its superb customer service and upgrade itself to the fast changes in the telecommunications trends/industries and technology. In fact “to accommodate the mobile market’s most popular type of device, Saudi Telecom Company (STC) has launched a standalone application for mobile devices and smart phones that support Java based applications, letting them access the world’s largest social network. The number of Saudi users on Facebook is estimated to be around 3.3 million, and the majority of those are still using devices that run Nokia’s aging Symbian operating system. To utilize Facebook’s popularity and increase user interaction on the platform, the telecoms company is providing a fully interactive Java based application that it says is optimized to use as little data as possible while providing the great user experience mobile applications offer” (Al-Shagra, 2011).

2.4 Proper implementation

STC implements Wholesale Services of which it pursues wholesale growth opportunities through increasing its network services and diversification of its services and capabilities in national, regional and international markets where it operates. Like its competitors and counterparts in Europe, U.S. and Asia, STC understands the enormous potentials in earning additional revenues and profit in selling its services in wholesale basis considering the fact that it help save the company in capitalizatio...
"Saudi Telecom has shown interest in taking this opportunity to increase its shares in (NTS) due to the growth prospects in the Indonesian economy” (Saudi Gazette, 2011).

The company strategically implemented the so-called Re-invent Home Communications strategy wherein it speeds up broadband adoption through convergent services offerings and multi-play while driving superb quality deployment and sales effectiveness. Aside from the fact that it also employ strategy that “broaden customer base by expanding sales reach for medium and large businesses and differentiating services and offer tailored integrated managed communications solutions” (STC, 2011a). Targeting small, medium size and corporate clients are the very priorities of the STC in increasing its market share where it operates and in increasing its revenues from these market segments that represent the priority markets that telecommunication company’s must target and prioritize to sustain profitability and expansion. As telephony, mobile communications, internet service and IT infrastructures are already entwined elements of businesses of the 21st century. In fact much of the huge revenues and profits of the telecommunications companies are derived from the business sectors. Also, one of “STC's strategic priorities are to reinvent home communications by accelerating broadband adoption through multi-play and converged offerings. The launch of IPTV has brought STC customers one step closer to the Home of the Future” (Huawei, 2011).

2.5 The Need for External Growth

Achieving external growth is also one of the main priorities of STC which means that it is focusing on regional and international expansion which help create optimum shareholder value of their investments. “Level 3 Communications, Inc. (NASDAQ:LVLT) today announced a strategic long-term agreement with leading Middle East telecommunications operator Saudi Telecom (STC) to enable international IP and content distribution services in Saudi Arabia and across the Middle East. “We’ve worked hard over the years to build out our international connectivity, and this agreement with STC is an important next step in expanding that connectivity even further into a region where we see a lot of potential for growth. The agreement leverages the respective strengths of each company to provide significantly enhanced connectivity and breadth of services to customers connecting to the Middle East. Both US and European CDN customers will have access to a new broadband market in the Middle East and content customers in the Middle East will have the ability to distribute their content across both STC’s and Level 3’s international networks” (Business Wire, 2011). The company truly understands the enormous importance of the investing on the expansion of its infrastructures and network from the Middle East and beyond because in doing so, it enables it to easily expand its international and eventual global expansion. It truly understands that having wide network and reach of services would significantly make the company and its communications services highly competitive as it also make the regional and international market feel its presence.
2.6 Sustainable Competitive Advantage

In order to further maintain its competitive advantage, expansion and profitability, the company is strategically re-aligning its operations and management systems through leveraging new operating model for improved customer experience, implementation of employee empowerment programs and creation of singular visual identity. As it also heavily invest on IT systems that would significantly help improve its service quality and retention of its valuable customers in the Middle East and in other international markets where it operates in fact “software AG, a global leader in business infrastructure software, has announced that it has recently signed a five-year agreement with Saudi Telecom Company (STC), which will enable the leading Saudi telecom provider to use Software AG’s web Methods product suite in developing advanced applications, improving business processes and optimizing the strategic advantages of STC's technology investments. Specifically, Software AG will provide maintenance and support services focusing on Customer Relationship Management (CRM) and billing systems, which will ultimately benefit STC's more than 20 million subscribers through more efficient and superior value-added customer support facilities. The partnership is bound to help STC enhance its relationship with customers” (UEA Today, 2011). This strategic move and investments on IT system that help sustains relationship with its customers, continual superb customer service or service innovations like it CRM reflects the fact that the company truly understands the principle of sustainability and total customer satisfaction that would help it maintain its profitability and competitive advantage.

Such strategy indicates that STC has well-planned allocation of its resources, carefully studied (investment placement) and intertwined with risk management in maximizing its chance to attain success while minimizing risks. It also point out marketing and management strategies that are designed to proactively addressed the challenges in the market wherein it transforms business challenges into opportunities and basis to innovate and become more competitive of which STC clearly benefits from it because it significantly help increase its subscribers and increase its revenues. Having the right kind of business processing means placing equity or capital in a right place, people and time that would help propel the expansion and profitability of the whole organization as it engages in the dog eat dog competition of today. Process Strategy “is the pattern of decisions made in managing processes so that they will achieve their competitive priorities. It involves the use of an organization’s resources to provide something of value” (Pearson Education, 2007). It includes process structure, customer involvement, resource flexibility and capital intensity. As good process strategy establishes sustainable strong relationship with customers resulting from business process structure that is designed to find the ways and means to make the latter fully satisfied with the communications services the company is producing. Also it involves wise placement of resource that ensures profitability and readiness for opportunities that may arise during its business operations in its home country, region and international markets.
2.7 Facing the Challenge: Threats of Competition

These strategic planning and eventual implementations of strategies by Saudi Telecommunication Company is strongly driven by the constant threats of new entrants which may come from its own home country, region, or foreign based and in the other countries which it operates that significantly affect their market share, reformulation of marketing and management strategies to ensure in sustaining their market share and their competitive advantage. As most new entrants are entwined with strategic pricing that are much lower than the existing companies and has more innovative features in terms of products and services plus aggressive promotional or advertising operations to convince subscribers to subscribe their telecommunications services. It is the very reason why STC employs proactive marketing strategy that significantly makes its call rate pricing highly competitive and attractive to its subscribers and to the market where it competes. In fact it “announced the launching of “Sawa International” which offers the cheapest rate per minute for international calls to selected countries for as little as 55 halalas per minute. The STC initiative comes as part of its continuous efforts to provide the best services and special offers that meet the various demands of its customers, said a STC statement. With “Sawa International” STC customers can now make substantially discounted calls to India, Pakistan, Bangladesh, Egypt and Philippines for 55 halalas per minute, while calls to Indonesia, Sri Lanka, Turkey, Sudan, Yemen, Syria, Jordan, Libya, Lebanon and Nepal cost 69 halalas per minute, said a STC statement. This makes it the cheapest international fare for prepaid cards in the Kingdom” (Trade Arabia News Service, 2011). Such recent strategic pricing implementation of STC on its call rates reflects the fact that it truly understands the importance of pricing as determinant for competitiveness and increase revenues.

The reality of threat from New Entrants is legally sanctioned by free-market governments like Saudi Arabia and other markets where it is competing. The bargaining power of suppliers is another reason for its employed management, marketing and business strategies in the markets where it is competing. Due to the fact that the bargaining power of suppliers or sub-cons, as the company like its competitors outsource its technologies, communication devices for its consumers, infrastructure parts, hardware, software and other needed supplies that sustain its communication service operations from suppliers who are reliable, who have high quality products and services, value for money pricing, and favorable payment schemes. This is to ensure their profitability and quality servicing to their respective clients. Not if the suppliers increase their products and services these telecommunications company will have no choice but to increase the price of their services given to its customers. Reliable, high-quality products/services supplied by the suppliers and favorable payment schemes are powerful factors that determine the competitive advantage of telecommunications firms like STC and its competitors. Another reason that drives Saudi Telecom Company (STC) is the market itself or the so-called power of the subscribers or the target markets of telecom industry. As this entity is the very reason for their operations and source of revenues. The demands and or trend of demands from the buyers/ subscribers are powerful determinants in the implementation of
marketing and management strategies of firms involve in telecom industry. “With increased choice of telecom products and services, the bargaining power of buyers is rising. Let's face it; telephone and data services do not vary much, regardless of which companies are selling them. For the most part, basic services are treated as a commodity. This translates into customers seeking low prices from competitors that offer reliable service. At the same time, buyer power can vary somewhat between market segments. While switching costs are relatively low for residential telecom customers, they can get higher for larger business customers, especially those that rely more on customized products and services” (Investopedia, 2011b). There is no doubt however that the bargaining power of the buyers/customers are fully understood and proactively dealt by STC which explains their undeniable competitive advantage in the markets it is engaged with. It is the very reason why the company expands its services, network coverage, and heavy investments in retaining and catching new subscribers in the Middle East region, Asia and Africa. The undeniable evolution of internet technology or information technology, undeniably threatens the revenues of the telecommunications company particularly in their revenues in the conventional telephone system or even in mobile phone communications. The advent of mobile internet technology and smart phones are powerful forms of substitutes that would eventually replace cellular phones and even landline phones-the very service of which telecommunications industry derives huge chunk of their revenues and profits.

The macro-environment of today “the fundamental nature of competition in many of the world’s industries is changing. The pace of this change is relentless and is increasing. Even determining the boundaries of an industry has become very challenging for telecommunications companies. Business firms today according to G. Probst & S. Raisch (2005, p.90) “must adopt a new mind-set that values flexibility, speed, innovation, integration, and the challenges that evolve from constantly changing conditions. The conditions of the competitive landscape result in a perilous business world, one where the investments required to compete on a global scale are enormous and the consequences of failure are severe.” It is undeniable that the present macro-environment and the market it created requires strategies in marketing that continue to produce products or services that fosters value for money, high quality and technologically advanced features to maximized its appeal to its highly demanding customers who are looking for telecommunication services that gives them the said factor entwined with competition. “Competition is "cut throat". The wave of industry deregulation together with the receptive capital markets of the late 1990s paved the way for a rush of new entrants in the telecommunications industry in many regions of the globe including the Middle East region. New technology is prompting a raft of substitute services. Nearly everybody already pays for phone services, so all competitors now must lure customers with lower prices and more exciting services. This tends to drive industry profitability down. In addition to low profits, the telecom industry suffers from high exit barriers, mainly due to its specialized equipment. Networks and billing systems cannot really be used for much else, and their swift obsolescence makes liquidation pretty difficult” (Investopedia, 2011). It means that surviving and succeeding in the communication industry is to innovate in every aspect of operations like implementing
marketing, service/ product strategies and management control systems that would help maximize market share or coverage, or producing mass appeal and maintaining the image of being the very edge of innovation to ensure in sustaining customer patronage of which drives Saudi Telecom Company (STC) to integrated CRM systems and its endless efforts to expand its network and coverage, diversifications of services and innovations.

2.8 Scopes for Improvement

Lean operation or improvement of cost-efficiency in operations is also implemented by the company on its business processes and operations in its home country, regional and international operations. Such strategies significantly help the company to be more cost-efficient which would help the company avoid unnecessary wastage of its financial resources, to enable it maintain its liquidity and stretching its profitability or positive revenue growth. Womack et al. (2003) notes “it ensures quality of the products and services of the firm that aim to improve processes and reduce variations in quality and it gives Data and statistical driven approach to eliminate defects in production, and necessitates organisational change, training and planning. It eliminates poor quality of products or services that help reduce waste of corporate resources such as investments or capitalization.” Lean Six Sigma helps maximized shareholder’s value in achieving the fastest rate of improvement and efficiency in quality, cost, customer satisfaction, and invested capital. The Lean and Six Sigma improvement methods is required because it cannot bring a process under statistical control, Lean Six Sigma alone cannot improve process speed dramatically, reduce invested capital, and enables the reduction of the cost of complexities during business operations. In fact STC “minimize technology risks while protecting its existing investments” (Oracle, 2011).

Another noted strategic planning of the company to be attractive to local and foreign investors as a publicly traded company, STC is in-lining itself with the recent trends in management and leadership systems of its international and global counterparts which apply ethical corporate governance system. “Corporate Governance (CG) has attracted the general attention on local and international level due to : its significance impact on maintaining healthy and safety environment for the companies, its relationship with the concerned parties in particular and the economy in general, its material influence on Companies shares prices and their liquidity status, its abilities to achieve its financial goals in a cost effective manner and the direct link between shortcoming of the CG principles, its implementations and large corporate collapses worldwide. The idea of gathering all STC CG principles in one document was initiated in the beginning of 2004, where it covers worldwide generally accepted Corporate Governance requirements, STC issued resolutions related to corporate governance, laws and its related by-laws issued in Saudi Arabia, because most of principles have been covered in a way or other in the company law, Capital Market law and related by-laws, regulation and resolution, and other related laws” (STC, 2011b). It is not only its telecommunications services are upgrade and conforming to the recent trends and demands in the telecommunications markets but also its
management and leadership systems which are meant to make the company ethically and legally compliant on the global standards of management and leadership systems.

Innovation in the whole management and marketing/ business operations has become an indispensable instrument of every successful business organizations that would help ensure their competitive edge, sustainable survival and success in this fast phase highly demanding and competitive market of today in which Saudi Telecommunications Company (STC) truly understands its implications in attaining success and competitive advantage. "As a major operator, STC is committed to providing its customers superior service. It is clear to us that LTE has evolved to being more than just a promising technology," said Dr. Zeyad Al-Otaibi, STC’s vice president Networks. “As STC and Alcatel-Lucent are both on the edge of innovation, we are confident that this trial will help us fulfill our customers’ needs for innovative mobile broadband services” (IT News Africa, 2011). Partnering with leading technology and telecommunications firm from the West helps STC to become more innovative and upgraded against its competitors in the Middle East, Africa and Asian markets. As “STC continues its commitment to bring the latest in smart phones and tablet PCs to customers providing them with a wide range of choices in order to match their requirements and aspirations, while at the same time customers benefit from STC's comprehensive broadband network that includes wired network and FTTH, in addition to the wireless network which has speeds reaching 42 mega, and the free STC Public Wi Fi network, announcing its latest innovation” according to MENA Business News Network (n.d.)

3. Conclusion & Recommendations

Saudi Telecommunications Company’s strategic planning and its eventual implementations discussed and analyzed above have undeniably propelled its sustainable competitive advantage, profitability and global expansion are undeniably:

1. Factor-driven - exponential growth of subscribers (e.g. individuals, businesses, public institutions), population growth, demographic movements, globalization, economic growth, competition among businesses, and technological development

2. Efficiency-driven- this means that conventional, mobile, internet subscribers are motivated by the quality of service a telecommunication is giving to them. Quality of service, pricing, product and service features, service coverage and convenience are the very factors that dictate the success and competitive advantage of a telecommunication company. Any form of inefficiency on these aspects means failure of business while efficiency means enormous profitability and patronage of today's highly demanding telecommunications client.

3. Innovation-driven- this aspect means that service and product features a telecommunications company is giving to its clients. Like quick and fast connectivity in mobile and internet services, state of the art features like crystal clear voice calls, multi-conferencing, video calls, mobile internet, unique features like free calls, or discounted call rates, and the like.
The indispensability of innovation has its price to pay because it requires financial investment to achieve it like heavy investment on Knowledge Management or Information Management. There is a need for the said company to proactively utilize the trends on the strength or weakness or conditions of the buyers in the market in order to come up with strategies that would help them gain competitive advantage. High sensitivity to the trends and formulation of appropriate strategy are the key factors that would help the said firm succeed. Information derived from Knowledge Management enables Saudi Telecommunications Company (STC) to implement effective cost-cutting strategies. Cost-cutting measures and smaller outlets with have smaller overhead cost maximizes corporate income for the said company. Plus stretching hours of operations also puts the company greater advantage because it maximizes its exposure and availability for the diverse customers. In ensuring that the company’s financial resources and assets are not wasted away the Finance Department empowered with knowledge and information about right resource management conducts regular audit on the financial performance, expenditures, activities and operating expenses of both company owned and franchise outlets. Saudi Telecommunications Company (STC) have sophisticated supply-chain management system that incorporates business intelligence system that help it get the most precise financial data, expenditures, and financial performance of each outlets and the different satellite offices and outlets in other regions where it operates. “In the recent years STC grew beyond its local borders and went global forming a network of business and investments in various Gulf countries, Asia, and Africa” (Alcatel-Lucent, 2011). Achieving market dominance in the countries of operations through innovation is a very challenging task for any business entities like STC. Because it requires highly complex strategies that would create paradigm shifts of the internal and external affairs/ operations/ management of the organization itself as innovation in management, marketing and services serve as the ultimate weapons and shields against the intense highly competitive and demanding international markets which telecommunications firms compete with each other. As it require strategic planning in management, marketing and operations of the company in competing in today’s highly demanding and competitive markets in telecommunications industry.

So, the strategic planning of STC have played significant role in making the company one of the most successful, innovative, profitable and competitive in the world wherein it truly understands the dynamics of the telecommunications industry and market. Plus its sense of timing, strategic placement of resources and efforts have also been major factors that sustain its competitive advantage, cost efficiency, attractiveness to investors and imminent expansions.
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