

Globe Talk: Alluring yet perilous growth

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Until not too long ago, having a domestic telecommunications company was seen as a matter of national security as well as pride, even in some of the most open economies in the world. But as public utilities have largely become privately owned in the majority of industrialized countries, the prospect of losing a national carrier to a foreign competitor may be possible in the not-too-distant future.

Moreover, even the biggest telecommunications groups are stepping up efforts to penetrate markets beyond their base, not only to boost profits but also to ensure survival. While the telecom market had been highly regulated in most countries until recently, the sheer speed and scope of technological advancements has quickly made it one of the most rapidly evolving industry sectors. As a result, even the most well-established carriers are looking at ways to partner up with or simply buy out competitors from other countries, while smaller companies are looking for ways to forge alliances to ensure their survival.

British mobile giant Vodafone has taken the idea of building up ties one step further. Earlier this week the world's biggest wireless carrier announced it had set up a new position to be headed by a former British ambassador as a means to stay ahead of the competition when it comes to networking with the powers that be.

As director of external relations, the 45-year-old Matthew Kirk, who is currently British ambassador to Finland, will be leading the company's "public policy activities and represent the company with governments and key political institutions around the world," Vodafone stated,

underlying its commitment to expand its operations well beyond Britain.

The move has also won over the British diplomatic corps, and it will be adding gravitas to a company that more conservative and traditional business executives as well as government officials might feel uncomfortable with.

"I am delighted that Vodafone -- one of the UK's leading companies -- has chosen one of our leading younger ambassadors to develop its relations with the public sector. The FCO (Foreign and Commonwealth Office) attaches great importance to the exchange of best practice and skills between the private and public sectors, of which appointments such as this one are an excellent example," said Michael Jay, permanent undersecretary of state and head of the diplomatic service.

Other telecommunications groups, meanwhile, are preparing to expand on the more traditional approach of firming up their foothold in overseas markets. Norway's Telenor, for instance, announced this week that it would not only promote key international business positions from within, but also raise the importance of those posts as well. The Scandinavian carrier said it would establish operations in Asia and Eastern Europe as separate units. Furthermore, it said that those heading the Asia and Eastern European divisions would join the company's executive board, headed by Chief Executive Jon Fredrik Baksaas, bringing the total number of members to eight.

"The new group management serves to illustrate the changes that Telenor is undergoing. Asia and Eastern/Central Europe are becoming increasingly important to Telenor. To achieve success, each operation must develop local competitiveness through partnerships and exchange of competence across companies, countries, and regions," Baksaas said.

There is no doubt that hopes are becoming ever higher for

telecommunications groups to expand beyond their countries of origin, with China and India seen as particularly hot. Still, they may be warned to hold off from committing too aggressively even in those countries that seemingly have limitless potential in terms of new subscribers.

Earlier in the week India disappointed analysts as it failed to reach industry targets for subscription growth. The country's Telecom Authority reported that the number of mobile subscribers nationwide at the end of 2005 was around 76 million, far short of the 100 million expected by the authority itself three years ago. Moreover, many industry analysts anticipate that it is unlikely the number of subscribers will reach 200 million by 2007 as initially projected by the Indian government. Similarly, there is growing concern that China's telecommunications market might not be as robust as investors had first banked on.

For now, though, faith in emerging markets when it comes to telecommunications continues only to get stronger on the one hand, while companies are becoming increasingly aware that partnerships or buyouts across borders will increasingly become the norm in what had been one of the most conservative of public utilities until a few years ago.

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