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Final Dissertation in Fulfillment of Master Degree in Commercial Sciences

Option: Organizations Management

THEME

Strategic Analysis of the Landline Phone Activity

Case Study: ALGERIE TELECOM

Presented by:

Mr. Chaker Ahmed BACHIRI

Supervisor:

Dr. Réda T.T.M. GOURINE

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Summary

CHAPTER 03: STRATEGIC MANAGEMENT ANALYSIS

List of tables

List of figures

ملخص:

يعتبر سوق الاتصالات في الجزائر أحد أكبر و أهم الأسواق وطنيا, وقد عرف هذا السوق تطورا كبيرا في العشر سنوات الفارطة. هذا التطور كان له أثر على أول نشاط في الاتصالات و هو الهاتف الثابت. لهذا السبب سوف نحاول أن نفهم الأسباب وراء هذا التراجع في عائدات هذا النشاط, عن طريق التشخيص الإستراتيجي للمؤسسة و بيئتها, و تحليل القرارات و الإجراءات التي أتبعتها المؤسسة للتعامل مع هذا التراجع. في الأخير قمنا بأجراء تقييم و باقتراح بعض التعديلات و التحسينات حول القرارات و الإجراءات المتبعة من طرف المؤسسة لأجل استكمال و استغلال أحسن في إستراتيجيتها المتبعة.

كلمات مفتاحية: خط الهاتف الثابت, الاتصالات, التشخيص, الإستراتيجية.

Résumé:

Le marché des télécommunications en Algérie est l'un des plus grands et des plus importants du pays. Il a enregistré une importante évolution ces dix dernières années ; une évolution qui ne s’est pas faite sans affecter la première activité dans le domaine, à savoir celle de la ligne de téléphonie fixe. Pour cette raison, nous avons tenté de comprendre pourquoi le chiffre d'affaire de ce segment diminue, et ce par l'élaboration d'un diagnostic stratégique de l'environnement et l'entreprise, en parallèle à une analyse des actions et des décisions stratégiques prises par l'entreprise pour traiter ce déclin. Enfin, nous proposons dans la limite de nos connaissances quelques actions que nous aurons jugées utiles pour que l'entreprise puisse améliorer et optimiser sa stratégie.

Mots clés: ligne de téléphonie fixe, télécommunications, diagnostic, stratégie.

Abstract:

The telecommunications market in Algeria is one of the biggest and most important markets in the country. It has recorded a great evolution the last 10 years, and this evolution affected the first activity in the field that is the land line phone business. For this reason we are going to try to understand why this segment was declining in revenues, by conducting a strategic diagnosis for the environment and the company, analyze the strategic actions and decisions taken by the company to deal with this decline and evaluate the strategy. At the end we propose some actions that the company must consider to enhance and make the most of its strategy.

Key words: fixed-line phones, telecommunications, diagnosis, strategy.

GENERAL INTRODUCTION

GENERAL INTRODUCTION

In the world of telecommunication business, the exponential and rapid progress of technology has its massive and profound impact whether in a positive or negative way. The sooner a company adapts to that fact the better are its chances to survive and succeed. These technological changes consisting in the emergence of new technologies like mobile phones, WIFI, wireless networks and VoIP affected one of the most basic activities in the telecommunication business: the land line phones. The latter started to lose ground in favor of these brand new services.

The main goal of this study is to understand why landline phones are losing profits in a strategic prospective, through understanding market and environment changes, and then to understand and analyze what is the company doing to save it. Most of the previous studies on the activity were on the operational levels (financial or technical), and the company was smaller with only one activity to manage. That changed, the company becomes a group, with a portfolio of activities making the management challenging.

So we strive, through this paper, to find sound answers to the following main question:

Is the corporate strategy of ALGÉRIE TÉLÉCOM effective to maintain and improve the landline phone activity?

To answer this main question, we need to go through much more detailed and deeper questions:

- Can the company continue to pursue its current business or corporate-level strategy profitably?
- Can it develop new functional, business, or corporate strategies to accomplish the proper changes?
- What kind of strategy should ALGÉRIE TÉLÉCOM take to improve its use of the landline phone activity?

To fulfill this study, we build our research on two main hypotheses:

- *Hypotheses 01:* The corporate strategy offers services that do not address and satisfy the changing and evolving needs of market.
- *Hypotheses 02:* The market of landline phone has reached maturity and it is not profitable any more.

This study will be structured in 03 chapters:

The first chapter will deal with market definition because understanding the market power is a critical step.

As recent as 20 years ago the telecommunications market was much easier to define. It involved primarily landline telephone services for the majority of the population. Currently, telecommunication services can much less be grouped within a single market. The predominance of mobile telecommunications services, broadband, satellite, and cable has clouded the market which made market definition much more complex.

The comprehension of the business is necessary for identifying telecom problems, and more interestingly, for issuing the strategies that telecom operators should pursue in order to survive the turmoil.

The second chapter deals with the company that the internship took place in.

Even though there are a good number of players in the telecommunication business providing a diversity of services, in this study, we are more interested in Algérie Télécom, a public company which holds a position of monopole in the landline phone business activity.

In this chapter we conduct the second step, which is to study the company; its position, goals, structure and power. Making it easier to visualize and understand the status of the company, the reasons behind the decline of the activity, as well as to understand the nature of business in the past, and what has been changed recently.

In the third chapter we will try to understand the new strategy through analyzing the latest offers issued by the company, which will not be as simple as in traditional business. And see whether there is a relationship of collaboration between the wider ranges of services in order to cope with the change. This project will focus on identifying the feasible and sustainable strategies which could revive fixed line phones operator from the crash. Afterwards, the strategies will be evaluated by the methods seen best based on the information at our disposal in order to prove the possibilities and robustness of the strategies.

The logic behind creating the chapters by this order is:

Understand the market and background of telecom business; monopoly, political, economical climate, changes of business environment due to regulations, competition and technology and the response of incumbents.

Analyze and understand the company's position through identifying the company's power of negotiation, strengths and weaknesses. To identify the problems that collapse fixed line phone business.

Analyze the sustainable strategy taken by the company to revive fixed phone business.

Evaluate those strategic actions along with the overall strategy implementation control.

CHAPTER 01

TELECOMMUNICATIONS

SECTION 01: RESEARCH METHODOLOGY

The notion of strategy has become very important and critical to the survival of any company, Strategic management activities transform the static plan into a system that provides strategic performance feedback to decision making and enables the plan to evolve and grow as requirements and other circumstances change.

There are many different frameworks and methodologies for strategic diagnosis, while there is no absolute rule regarding the right framework. Most of these frameworks follow a similar pattern and have common attributes.

Every company and every activity is diagnosed based on the data needed and available at the time. In this section, we will represent the interest and the goal of this work and the methods used to obtain the Data and information that are adequate and efficient to conduct a valid diagnosis.

"One reaction frequently heard is 'I don't have enough Information.' In reality strategists never have enough Information because some information is not available and some is too costly."[1]- William Glueck

1 Purpose of the study

Since the evolution of telecommunication market and with it the diversity yet the similarity of services competing in different markets, the main goal of this study is get an overview on the regional (African) and the national market and study the environment in which the company of ALGERIE TELECOM operates in focusing of its effect and relations to the business of landline phones that is the basic activity of the company. To analyze ALGERIE TELECOM strategy and compare it to the environment and market forces, the government plan and actions toward the state owned company, to analyze and evaluate the current strategy of the company and whether it's adequate to the reality of the market or not, and then propose solutions and adjustments to this strategy and actions.

[1] Fred R. David, 2011, "Strategic Management, CONCEPTS AND CASES", , Edition of Prentice Hall, 13th edition

2 Interest of the study

The business of landline phones was never addressed before in a strategic view and actions due to the lack of competition and substitute services, the company never bothered to give it much thought in terms of time and the dimension of actions and offers.

This study will offer a better understanding of the main elements affecting the activity like the growing threat of substitute and the radical change in consumer behavior among other elements, so the business will be reviewed in a strategic manner to address its main issues in the analysis that is seen most proper and fit .

3 Delimitation of the study

The field of strategy and its application is very vast and on so many levels, also the company of ALGERIE TELECOM has a portfolio of several activities. Each one with its own business and market, the scope of the study was restricted to focus only on the activity of landline telephony as the representative of the segment, also because of the monopolistic nature.

The only interest we will give to other activities is only through their impact and relation to this activity. Also the dissertation reflects only our subject understanding and analysis of the company's strategy through its actions and offers not that of the company managers' view.

4 Investigative tools

The strategic diagnosis and choices analysis can't be obtained directly. The gathering and assessment of the main elements included literature review, theoretical studies, data analysis and industry expert interviews. It is important to report that the analysis is not an in-depth evaluation, since the data concerning the subject is sensitive and well protected by the company:

a) The literature review

Literature study consisted of various company publications, books and chapters, international and national reports, press releases, industry white papers and academic articles, Scan Tables of Contents from key journals. Industry news from different portals and channels were also followed during the research and information cross-checked for better consistency of the present industry status and forces driving the change in the landline phone segment. Also the library of Algiers' School of Management (ENSM) was of great help as well as the library of the national school of statistics and applied economics (ENSSEA, ex: INPS).

b) The interview survey

There weren't many interviews conducted with ALGERIE TELECOM employees, but the main interview that was the most important to the study was with the strategy director in ALGERIE TELCOM. An informal interview conducted with the customer relation manager and a final interview with operational worker on the technical support to cross-check the pace and consistence between the decisions and their application on the field.

5 Difficulties of research

The biggest and most important difficulty was the access to information and availability of up to date data, since the field of strategy is very sensitive for any company, the company was very protective on terms of financial, operational and quantitative data.

Moreover, the access to different departments in the company was very difficult, and most of the employees were very conservative. Because of the Algerian employee culture, they are very suspicious and protective even in terms of regular data or approving to simple interviews in a formal way. This is why we found ourselves also depending on outside resources, web searches, press releases and informal interviews through dialogue and exchange.

SECTION 02: TELECOMMUNICATIONS

It is commonly called the sector of telecommunications (in plural), due to the diversity of used communication channels.

1 Definitions

"The science and technology of sending and receiving information such as sound, visual images, or computer data over long distances through the use of electrical, radio or light signals, using electronic devices to encode the information as signals and to decode the signals as information."[1]

Definition of landline phone:

1. According to **World Bank**: landlines are fixed telephone lines that connect a subscriber's terminal equipment to the public switched telephone network and that have a port on a telephone exchange. Integrated services digital network channels and fixed wireless subscribers are also included.

2 Business Background

Telecommunications was regarded as the dream business: high profit margin, high barriers of entry and the monopolistic characteristics of this particular business especially in under development countries.

Telecom business evolved from low growth monopoly business with only a few cash cow services under regulations and monopoly (usually the government) to a multi trillion dollar global hi-tech business with annual dramatic growth, with a very competitive market in which investors have to think twice before participating.

The telecommunications industry almost never fits the perfect competition market paradigm; however, it is possible for the telecommunications industry to exhibit efficient, or effective, competition.

[1] http://dictionary.reference.com/browse/telecommunications accessed 26/04/2014

The usual and most common situation is the case where no solo supplier in the market can individually influence the market price in considerable way, due to some distinguishing market characteristics:

- The pervasive presence of fixed (sunk) costs[1].
- The telecommunications industry comprises a wide array of very different services, ranging from conventional local or long distance voice telephony to high-speed internet access. For some of these services, in particular those which are provided with mature technologies, the fixed costs problem is properly taken into account. For others, however, the rapid pace of technological change means that quite often competition takes place through dimensions other than price (for example the introduction of new services with improved performance). In those instances, the framework of static oligopoly is established, which is the case in the mobile business in Algeria.
- Buyers have access to alternative sellers for the products they desire (or for reasonable substitutes) at prices they are willing to pay,
- "Differences in prices charged by different firms (and paid by different consumers) reflect only differences in cost or product quality/attributes."[2]

In Europe and most part of the world, telecommunication infrastructure was firstly invested by government bodies, except in the US where telecommunications sector was dominated by private companies. Since telecom infrastructure required vast amounts of investment beforehand, governments decided to foster the business by issuing the regulations and licenses. Regulations created two major concerns which are availability and prices. National operators – the incumbents – need to adhere to universal service concept and provide basic infrastructure throughout the countries, no matter how profitable the areas are. The restrictions were issued as to make sure that basic telecom services are

[1] Gual, Jordi. "4. Market definition in the telecoms industry." *The Economics of Antitrust and Regulation in Telecommunications: Perspectives for the New European Regulatory Framework* (2004): 45.

[2] Gual, Jordi. Ibid

available to everyone; otherwise TELCOS[1] would invest only for cream market in urban areas and left rural areas underdeveloped.

In return, TELCOS were ensured by governments that their investment in infrastructure would not be reaped by other players for a limited period. The second concern, service pricing, must be controlled under price cap regulation and rate of return regulation. Rate of return regulation is a double-edged sword, TELCOS cannot overcharge customers; on the other hand, they are guaranteed for satisfied margins. Without competitors, incumbent TELCOS enjoyed being the only players in telecom business and collect substantial return from their cash cow – fixed line telephony.

However those golden days did not last, with the evolution of technologies the market has changed profoundly, mobile phones and internet has changed the game.

The mobile phones provided the same service, but without the limitation of staying fixed in one location, it was the beginning of a new era of challenges for fixed phone providers.

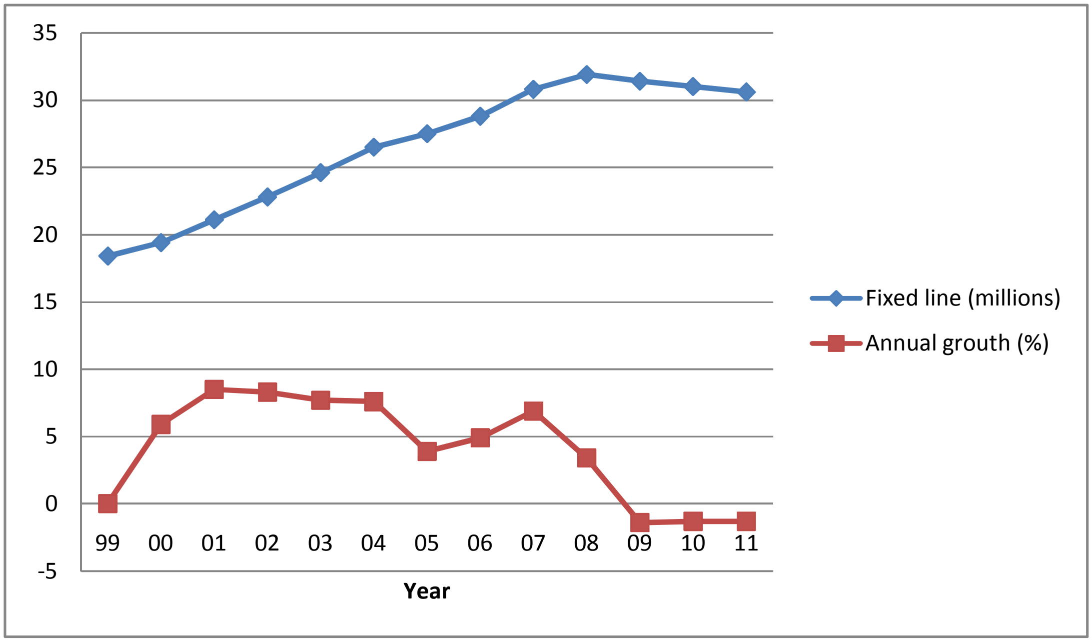
3 The African market

The telecommunications market in Africa is considered the world's most rapidly growing market for mobile telephony, also home to the fastest growing fixed-line markets in the world. More than a third of all countries on the continent saw double or triple digit growth rates in the fixed-line sector in 2010, a total of 30 markets had positive growth. The difficulties of rolling out fixed-line networks across its vast land mass have meant that in mid-2011 mobile users constituted around 90% of all African telephone subscribers. However, as lower income groups are being targeted, a price-sensitive market for lower-cost fixed or limited-mobility services has emerged. A surge in demand for Internet access and broadband capabilities is accelerating this fixed-line renaissance, but problems with

[1] Telecommunication operators

vandalism and copper theft have lead many operators to substitute traditional fixed lines with fixed-wireless solutions for both voice and data services.(buddecomm report)[1]

Figure 01: FIXED LINES IN AFRICA AND ANNUAL GROWTH 1999 – 2011



Source: author’s own creation (Annex 03)

International **submarine fiber optic cables** have reached several African countries for the first time in 2009 and 2010 or have brought competition in this sector to an incumbent monopoly provider, with more cables to go online in 2011 and 2012. This has started to revolutionize the market by drastically improving the supply and lowering the cost of international bandwidth. Many countries are rolling out national fiber backbone networks to take the new bandwidth beyond the capital cities to population centers in the interior. However, satellite will continue to play a significant role in reaching Africa's extensive rural and remote areas. Foreign investors are scrambling for positions in this very lucrative market as liberalization continues, national TELCOS (operators) are being privatized and new operating licenses issued.

[1] BuddeComm research and consultancy company report, African Fixed-line and Fiber Telecoms Markets and Infrastructure, 2011.

Most African countries now have commercial DSL services, but their growth is limited by the poor geographical reach of the fixed-line networks. Improvements in Internet access have therefore been mostly confined to the capital cities so far. However, the rapid spread of mobile data and third-generation (3G) broadband services is changing this, with the mobile networks bringing Internet access to many areas outside of the main cities for the first time.

Fibers to the Home (FttH) services have been deployed in some African cities. And also traditional copper fixed lines and DSL have seen a renaissance in some markets on the back of an increasing demand for broadband access. However many fixed-line incumbents have reacted by rolling out fixed-wireless access networks to expand their geographical reach. The technology of choice has been **CDMA-2000** which supports broadband data rates with an upgrade to **EV-DO** standard. **WiMAX** technology, however, offers higher data rates and has gained ground in Africa with well over 100 networks already in operation[1].

4 Algerian Market

The telecommunication services in Algeria are growing fast , the number of telephony users (fixed and mobile) has grow from 38.68 million users in 2011 to 40.82 million users scoring a progress of 5.5%, With a fixed-line penetration of around 8% and mobile penetration close to 100%, Algeria has one of the highest Tele-densities in Africa. The country's relatively well developed infrastructure includes a national fiber backbone and one of Africa's first **FttP** deployments. According to the ministry, the market of communication and information Technologies (TIC) accounts for "4% GDP, within sight of the national aim which is to contribute to the growth, on behalf of telecommunications to reach 8% of the GDP ". According to the same source, the market knew a new era of growth since the year 2004 after a long scourging even though the field suffered from a delay of five years compared to the French market because of the monopoly and the absence and government interference.

[1] BuddeComm report op.cit

Nevertheless, the market generated around 5,5 billion dollars (this figure includes all the operators in the market) of sales turnover and has employed more than 120.000 People according to the posts information technologies and communication (MPTIC).

a) Operators

- In this sector there are:
- One operator in the fixed phone market segment: ALGÉRIE TELECOM,
- 3 operators of mobile phone segment: Orascome, Mobilies, Ooredoo.
- Several operators of VoIP and in few Suppliers of access and services Internet in hardly 10 years.

However, the monopolistic character of the sector is predominant because of the obligatory passage of the potential investors by the authority of regulation which fixes the conditions of entry, and ALGERIE TELECOM which holds the monopoly of basic infrastructures.

Table 01: SUMMARY OF THE NUMBER OF OPERATORS AND PROVIDERS IN ALGERIA

Operators and service	Year 2011	Year 2012
Fixed phone	1	1
Mobile phone GSM	3	3
VSAT	3	3
GMPCS	3	3
VoIP	3	3
ISP	19	19
Audiotex	7	6
Call centers	75	71

Source: ARPT report of 2012.

b) Market shares

A fixed line phone market that is characterized by a lack of **effective competition** (defined in terms of the existence of a dominant market actor or actors with Significant Market Power) as it's the case for ALGÉRIE TELECOM.

The data of the authority of regulation of the post office and telecoms (ARPT) indicates a non representative number of fixe phone lines in the telecom density of 3,059,336 subscribers.

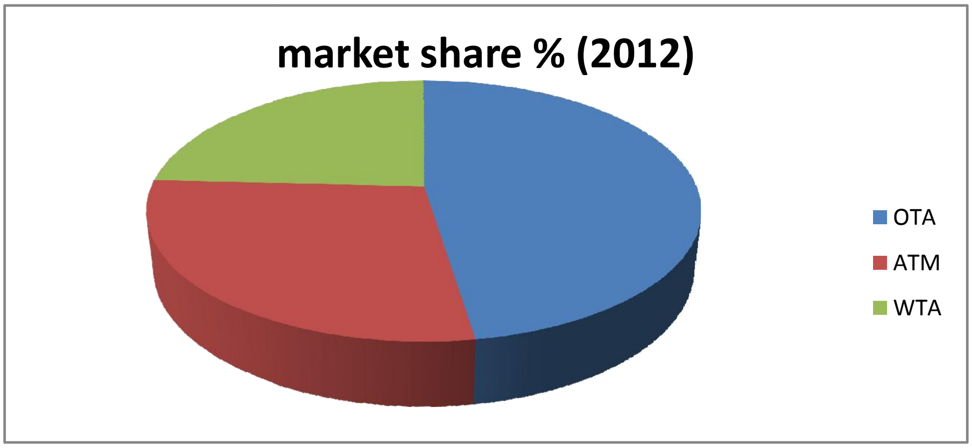
A total number of mobile subscriptions of 37.5 million, with 11 million subscriber of the mobile telephony for the undeniable leader **Orascom Telecom Algeria** with more than 47.55% market share, than **ALGÉRIE TELECOM** with its subsidiary **Mobilis** who occupies the second place in the market of mobile telephony with 10,6 million subscribers and 28,31% market share; followed by **WTA** Telecom **OoredoO** with 24,14% of market share.

Table 02: MARKET SHARES FOR THE MOBILE SEGMENT

Market share	2010	2011	2012
OTA	46,03%	46,59%	47,55%
ATM	28,82%	29,53%	28,31%
WTA	25,16%	23,88%	24,16%

Source: ARPT report of 2012

Figure 02: MARKET SHARES FOR MOBILE



Source: author's own creation

Indeed according to ARPT'S, around 37,5 million Algerian have a mobile phone in 2012 representing an access rate of 100% of the population, making the country one of the most attractive markets of the Maghreb region.

CHAPTER 02

ALGERIE TELECOM

SECTION 01: PRESENTING THE COMPANY

A convenient way to investigate how a company's past strategy and structure affect it in the present is to chart the critical incidents in its history—that is, the events that were the most unusual or the most essential for its development into the company it is today. Some of the events have to do with its founding, its initial products, how it makes new-product market decisions, and how it developed and chose functional competencies to pursue. Its entry into new businesses and shifts in its main lines of business are also important milestones to consider.

1 History and evolution

ALGERIE TELECOM is a joint stock company with public capital operating on the market of the networks and services of telecommunications. The company was created from the scission of the market for posts and telecommunications. By the law of 5 August 2000, in order to separates in particular the Postal's activities from those of telecommunications. It started to operate since January 2003with an authorized capital of 50,000,000,000 DA[1].

Due to the nature of its creation, It is related directly to the ministry of posts information technologies and telecommunications (MPTIC) to which it must fulfill its' main goals: Profitability, Effectiveness and Quality of service. This company is also under the monitoring of an authority of regulation (ARPT) which confers a lawful framework on its activity. It acquired the historical name of operator because of its detachment to the ministry.

However this public status brought some negative sides, indeed, it inherited the Algerian public administration culture, which focuses on **means** and not of **result**. the old methods of inflexible management as well as significant number of manpower, administrators who lack competences (more than 21 000) all of it that could be considered

[1] KABECHE Samia, "L'INTEGRATION DES RESSOURCES HUMAINES A LA STRATEGIE DE L'ENTREPRISE CAS : ALGERIE TELECOM", école nationale supérieure de management ENSM Alger, 2013

as extra human resources that drugs the company down and complicate managerial and operational actions and decisions.

2 Goals and missions

The company's ambition is to have a high level of technical, economic, and social performance to maintain leader in the field durably, and to play an effective and major role in the improvement of the information and communication filed.

a) The major activities of the company

- Provide the flow and exchange of voice, text messages, digital data and audio-visual information.
- Develop, exploit and manage public and private telecommunications networks.
- Establish, operate and manage the interconnections with all network operators.
- Increase the supply of telephone services and facilitate access to telecommunications services to the largest number possible of users, particularly in rural areas.
- To increase the quality of services offered and the range of services provided and increase competitiveness between the services of telecommunications.
- Develop a reliable national telecommunications network that is connected to the information high flows.[1]

b) Responsibilities

- Toward Shareholders: the company must earn and keep their support by growing their shares.
- Toward Customers: it must anticipate and fulfill their needs by providing them with products and quality services to gain and maintain their trust.
- Staff: it must meet their expectations by organizing conditions for professional development for the success of ALGERIETELECOM depends on the commitment of all.

[1] based on the company's web site: www.algerietelecom.dz

3 Organization of Algeria Telecom

ALGERIE TELECOM is organized in Central Departments, Regional and Operational Divisions in all Directions of Wilaya to provide its main services, in addition there is extra functions of network support.

With this structure there are added a mobile subsidiary company (MOBILIS), and two Directions of Projects in charge one of the Internet (ATI Djaweb) and the other charge with Space Telecommunications (ATS REVSAT).

a) Areas of activity

Till 2005, the main activity of ALGERIE TELCOM was the fixed line phones, providing it in to different segments of clients:

- home-users,
- privet companies,
- government institutions
- KMS (Kiosque of multi-services).

After 2005, and with diversity of activities, the areas of activities by the technology used, not just the clients segment.

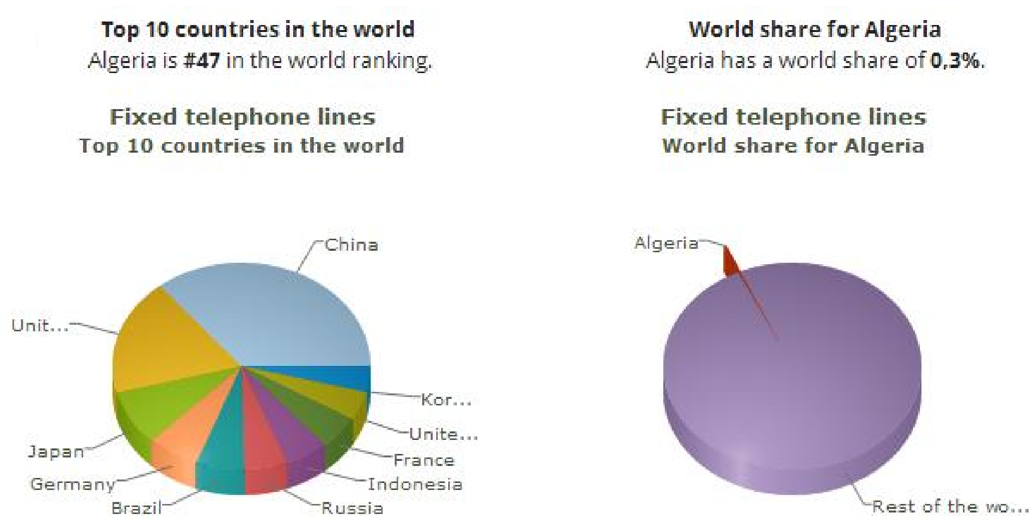
The areas of activities become:

- Fixed telephony: with more than 3 million lines in service and a full WLL network Expansion.
- Mobile Phones: activity through a subsidiary Mobilis.
- Data: activity data networks for businesses (LL, X25).
- Internet access through Djaweb: ANIS, FAWRI and EASY ADSL.
- Satellite network for telecommunications services based on VSAT, INMARSATET the THURAYA network.

SECTION 02: THE FIXED LINE PHONE MARKET

Algeria has a world share of fixed phone lines of 0.3%, and it's number 47 in the world ranking according to the world bank rankings as shown in the following graphs:

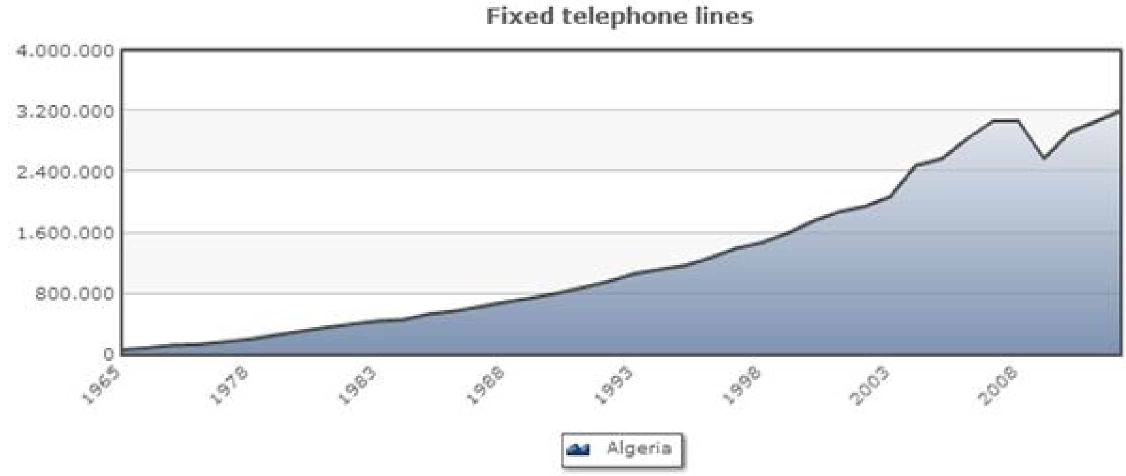
Figure 03: WORLD SHARE AND RANK OF ALGERIA IN THE FIXED TELEPHONY



Source: factfish.com

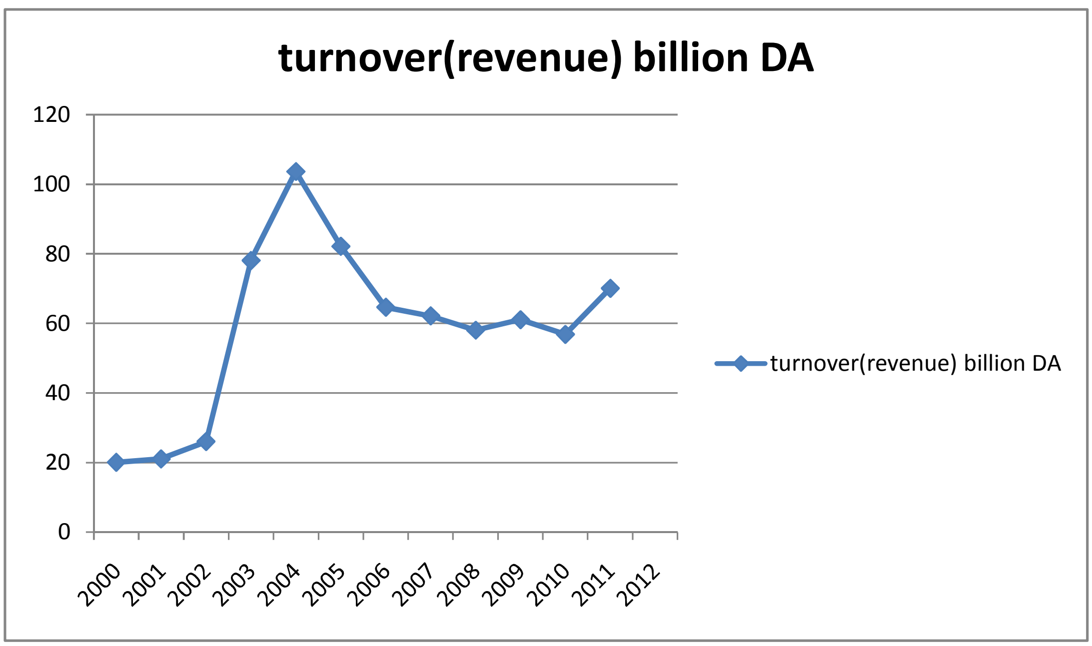
Since ALGERIE TELECOM is the only player, we will only focus on analyzing the changes in the number of subscribers, revenues, and the relation between the two.

Figure 04: COSTUMERS EVOLUTION OF FIXED LINE PHONES



Source: factfish.com (Annex 01)

Figure 05: TURNOVER EVOLUTION OF FIXED LINE PHONES



Source: author's own creation

1 Commentary and analysis

we notice the steady incline of fixed phone line subscribers since 1965, the year of lunching in the country till the year 2008 when it reached its highest levels of 3.06 million users, after that pick a scary drop down in subscribers was noticeable with the percentage of 18% (2.5 m in 2009).

Impressively the number increased again in 2011 to gain almost the same number of subscribers. However, that did not mean a recover in the activity revenues as we see in the turnovers (C.A) graph Figure 05.

In terms of Turnover the fixed phone activity saw it’s golden days of revenues in 2005 as the pick, up till 2006 and early 2007, after that the decline was noticeable even with increase of number of subscribers as seen in the subscribers graph.

Based on THE REPORT Algeria[1] we also notice:

- Fixed penetration rates are down over the medium term; per-capita penetration stood at 7.92% in 2011, down from 8.97% in 2008.
- The 2011 household penetration rate of 37.31% was down from 42% in 2008.
- The average number of minute/subscriber usage fall from 116 in 2008, 113 in 2010, to 95 in 2011(a drop of 16%);
- A drop in average revenue/user from a peak of 3426 DA in 2005 to a 1783 in 2011.

2 Reasons behind the decline

There are so many reasons behind the drop and decline of the business revenues and service image with it, these are only few of those reasons:

- The mobile services have aggressively captured the urban and also penetrated into the rural market luring customers with attractive tariff packages targeting different classes of a society. An individual’s needs of boosting his personality can associate

[1] Oxford business group 2013

himself better with a branded mobile instrument with facilities starting from camera to radio, 3g internet has made many customers forget about their land line connections.

- Up keeping landline connections by ALGERIE TELCOM is not up to the mark and customers who's often complain of high disconnections rate (fault rate/repeat fault). With aging of existing cable network. The faults rates are going up.
- Very slow pace of repair and maintenance work, ALGERIE TELECOM infrastructure has traditionally been hard to maintain with demand regularly outpacing supply. This is affecting the quality of network leading to a decline customer's satisfaction. Jointing of cable is of inferior quality and does not stand up the quality and performance that is desired in these days.
- Rampant civil works often damage phone cables which need to be protected, causing Massive damage by digging activities done by various agencies often due to lack of coordination and supervision.
- Poor quality of materials that are still used in most internal national areas results frequent faults and it is affecting image of land line.
- Disruption caused by the theft of telephone cables, because of the copper used in the cables. The large space of the country make it difficult to monitor the overall infrastructure
- Shortage of skilled man power, cable works it is done by hired/contract labors. The absence or low qualities of skill affect the time and quality of maintenance, on top of the effective number of training provided to the workers by the company.
- Non paying customers with huge amounts of debt, like government institutions and some business owners who will just pay new that are considered a lose to the business.

CHAPTER 02

STRATEGIC MANAGEMENT ANALYSIS

SECTION 01: ENVIRONMENT ANALYSIS

The analysis process is a detailed complex way for identifying certain materials or phenomenon. To analyze is to break a whole topic and put it in its own part to explain the topic in simple and understandable terms.

1 Definitions

The strategic analysis can be defined and viewed by many ways:

- *"… The process of conducting research on the business environment within which an organization operates and on the organization itself, in order to formulate strategy*." (BNET Business Dictionary)

- "… *A theoretically informed understanding of the environment in which an organization is operating, together with an understanding of the organization's interaction with its environment in order to improve organizational efficiency and effectiveness by increasing the organization's capacity to deploy and redeploy its resources intelligently*."[1] (Professor Les Worrall, Wolverhampton Business School)

- *"Strategic Analysis is a process you can use to determine the best way to achieve the result you or your organization desire, by choosing the path of least resistance to bring about change. By doing a Strategic Analysis, your team will create alternatives to bring about the desired result by emphasizing the driving forces, and lessening the resistant ones."*[2]

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[1] Fred R. David op.cit

[2] http://erc.msh.org/quality/ittools/itstrat.cfm accessed on 11:06 15/08/2014

2 P.E.S.T.E.L analysis

Knowing the main actors and operators is not enough to get a good grasp of the market. In fact, understanding the surrounding environment is critical; risks and opportunities are in every element in the environment.

The environment has so many dimensions that managers must take into account to make better decisions. Most of those elements can be grouped into main categories using the PESTEL analysis: Political, Economical, Technological, Sociological, Ecological and legal.

a) How to perform the analysis[1]?

The process of carrying out PESTEL analysis should involve as many managers as possible to get the best results. It includes the following steps:

- **Step 1:** Gathering information about political, economic, social, technological, ecological and legal changes + any other factor(s).
- **Step 2:** Identifying which of the PESTEL factors represent opportunities or threats.

b) Political environment

Political influences usually refer to the role of public authorities (government stability, labor law, policy change, protectionist measures contained in the laws of finance, regulation of transfers (remittances) profit, tax ... etc).

Since the 90s Algeria has undertaken a liberalization policy by the adoption of the market economy and the establishment of a new legislative framework designed to support domestic private investors and enable the call to foreign investors. In order to prove its commitment to help, the authorities put at their disposal all the material and human resources that can support the business climate in the country. This strong political determination lead on the one the hand to a good inflow of foreign direct investment (FDI)

[1] http://www.strategicmanagementinsight.com/tools/pest-pestel-analysis.html. Accessed 30/04/2014.

in many areas that used to be exclusively reserved to the government such as agriculture, chemicals, pharmaceuticals and of course telecommunications, and on the other hand, to the improvement of Algeria's image at the international private level. Indeed, in 2002, Algeria was ranked first in Maghreb and third in Africa host country of FDI.

In addition, the report Doing Business 2013 of the International Finance Corporation (IFC)1, "Doing business in a more transparent world", ranked Algeria 153th in a 183 countries studied, thereby recording a loss of six places compared to the year before**.**

This clearly indicates that the business environment in Algeria is not improving despite government promises and efforts which caused a decline in foreign direct investment (FDI). This situation does not stem from the security situation that improved significantly, but is rather due to several causes: on the one hand, legal uncertainty, political hesitation and the modest contribution of investment in the development of the economy; and on the other hand, excessive currency repatriation of profits from foreign companies working in Algeria. It is in these terms that new provisions were enacted in the Financial law 2009 (amending and supplementing by improving the law of 2001) which was supposed to create specific measures that affect both foreign and national investment by imposing new conditions questioning the principle of a free market.

On top of those restrictions, companies have to face other challenges that represent major problems for doing business in Algeria, such as: restricted financial access, government bureaucracy, disorganization and corruption, tax control, unskilled labor, restrictive work rules making the country less attractive in times when the economy has the greatest need to create jobs and growth.

On the up side, the investment plan of government (2010-2014) is nearly 286 billion dollars that will be spent over five years developing the country in all sectors. The investment program which amounts to 2 billion dollars just for the telecom sector and new technologies.

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[1] IFC is a member of the *World Bank* Group. It finances and provides advice for private sector ventures and projects in developing countries.

c) Economic environment

The purchasing power of the Algerian consumer is increased through raising the minimum wage (the national guaranteed minimum wage) from 12000 to 18000 DA which will indirectly increase household consumption that means more revenue in the telecom sector.

That action kind of reassured a little bit the foreign companies on the creditworthiness of the country and encourages them to reinvest their profits. Algeria's GDP reached 108.5 billion USD in 2006 and 116 billion USD in 2007, 146 billion USD in 2010, 168.8 billion USD in 2011, while earning in recent years large budget surpluses, but it is marked by a relatively low growth rate of 5.3 % in 2004, 5.1% in 2005, 5.3% in 2006, 5 % in 2007 and about 2.7 % in 2009, and persistently high unemployment continues to be worse, essentially a social category that includes university graduates who are unemployed.

Along with this structural adjustment effects, enhancing export potential of oil, the Algerian finances allowed to view actual performance with a balanced budget, a balance of the positive balance of payments and reserves changes in steady growth (USD 78 billion in 2006, USD 98 billion in 2007 and 136 billion in 2008, 147 billion in 2009, $ 160 billion in February 2011. Foreign exchange reserves were only $ 2.6 billion in 1994.

The U.S. consulting firm and risk assessment for investment, IHS Global Insight, said the growth rate of Algeria to 3.5% in 2011 and 3.6% between 2012 and 2014. Ditto for GDP is expected to rise, according to the same source, 194.7 billion in 2012 to 215.6 billion USD in 2013 and 235.3 billion in 2014. This growing curve of GDP, should also take up GDP per capita would also an upward trajectory with 4424 dollars / capita in 2009 to increase to U.S. $ 4,570 in 2010 to 4,864 in 2011 dollars to 5337 dollars in 2012, in 5823 dollars 2013 and 6266 dollars 2014.the same research center has provided in its report dated February 2010 positive economic outlook for Algeria medium and long term. Thus, despite the slump of the world economy, Algeria should see positive macroeconomic trends in the coming years, including a resumption of growth in the hydrocarbon sector as well as a decline in inflation and unemployment on the coming years.

Along with this, we note some negative factors that affect the sector; on one hand, the ban on the provision of consumer credit by the government as Stipulated in Article 75. To limit household debt will penalize low-income and significantly reduce their contributions in the case of the sector. On the other hand, the Algerian foreign trade, despite the fact that the trade balance is positive thanks to oil exports, is still characterized by a high dependence on external markets for many products Algeria is able to produce.

d) Socio-cultural environment

According to the latest statistics provided by the National Statistics Office (NSO), at 1 January 2012 the Algerian population count 37.1 million against 29.2 million inhabitants in 1998, the statistics agency estimated the rate of natural increase (RNI) is 1.17 %. With a life expectancy approaching 75.5 years according to 2009 statistics, it does not cease to grow through more effective and more accessible medicine to everyone, particularly with preventive medicine.

With these figures, the population of working age is estimated between 18-59 years that represents the most important part by about 64.4 % and seniors (60 and over) by 7.4%. This indicates that the Algerian population is very young therefore their behavior will remain favorable to ICT.

The year 2010 has marked primarily a significant increase in the number of births estimated by 888,000 live births, a slight decrease in the overall volume of deaths to 157000 deaths and a moderate increase in marriages that reached 345,000 weddings. These demographic indicators lead to projection assuming of a population about 45 million inhabitants in 2020.

However, the distribution of the Algerian population in the territory is uneven, it is estimated that 96% of the population lives on 17 % of the territory, mainly in the north which will affect the strategic deployment of telecommunications investments.

Since independence, Algeria has known a rising in the level of education per capita. The Algerian literacy rate is on the increase, it is estimated by over 70% of the population.

After the black decade safety gradually was restored, mobility in the country became increasingly large. Which lead to an increase in lots of services especially telecommunications, which change opened interesting perspectives for the near future (continuous growth).

However, in recent years there has been a growing inflationary trend from 2006 around 4.4 % on average to come to 5.7% in 2009 due to speculation and the prices soar in main raw materials, its consequence to the impoverishment of a large segment of society and the gradual disappearance of the middle level layer at the expense of the lower level layer. This will have a direct impact on the income of operators' class communications.

e) Technological environment

At the technological level, the telecommunications sector has undergone significant changes related to changing technologies.

Technological changes can radically affect the management of certain activities and determines the competitiveness of a company, especially in the field of telecommunication. The delay in introducing a new technology can damage the competitive position of a company. It creates uncertainty, and with it a huge change in the competitive game.

In Algeria, mobile telephony and internet usage has grown in recent years, associated with a rapid development in technology. even if that pace has not yet reached that of Europe or the United States of America , but we still found a need for these technologies, such as: smart phones, 3G, and recently the LTE 4G in the near future ; The mobile and 3G services is marketed in Algeria by two operators : OoredoO and Mobilis , the 4G also will be launched for the first time in Algeria by ALGERIE TELECOM.

A converting in landline infrastructure toward CDMA2000 1X WLL network, which is based on the most advanced CDMA2000 1X RTT technology. This system will smoothly merge into the existing PSTN network. Besides the existing PSTN services, high speed data wireless services will be provided to boost the network value.

Due to the delay in the launch of 3G, it enabled the two mobile operators to master perfectly. Once given the green light for the launch of 3G by the Algerian government, they had no trouble optimizing its use and thus offer deals and services of high quality.

The telecom sector and new technologies are changing very rapidly evolving from GSM (2g) in 1999 via UMTS then the (3G) in 2004 (developed not lunched) till the lunch of LTE (4G) project in 2010. Operators who are not up to speed or lagging behind in terms of technology use are doomed to failure. However, these technologies are very expensive, and sometimes operators wait for years to acquire and even forge partnerships for appropriating a good platform, since an illustrative LTE platform costs 2 billion dollars.

f) The legal environment

Legal environment is defined by legal regulatory authority. In Algeria, this authority is known as ARPT (The Regulatory Authority for Post and Telecommunications). It was created to control and monitor the postal market and telecommunications.

The company is steeped in a legal environment where it cannot influence or change. The law manages everything related to companies whatever their nature. The threat of legal factors is very high on the Algerian telecommunication market. The constant change of law in the field of telecommunications makes the legal environment instable not allowing a good visibility to the market future.

Although the Algerian government opts for opening up the market to competition it does not remain without consumer protection. To this end, the ARPT is considered a crazy guard.

g) Ecological environment

Environmental influences identified by environmental concerns: pollution, recycling, global warming. Even with some dangerous in the mobile usage, the Algerian government is not strict on applying safety in studying locations of investments, health effects and ecological impacts.

Since the technology and the use of fixed line phones doesn't have much impact on the environment. The ecological environment is not significant to the strategy analysis or strategic decision making.

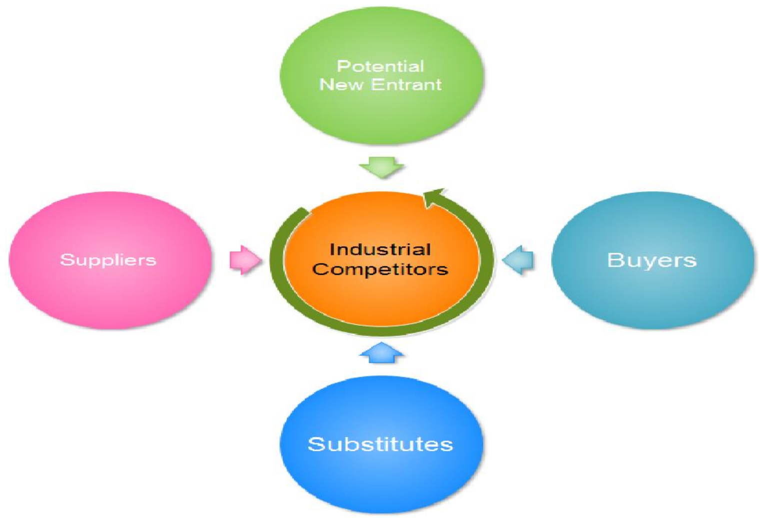
3 Five Competitive Forces analysis:

Understanding the dynamics of competitors within an industry is critical for several reasons. First, it can help to assess the potential opportunities and threats, particularly important if you are in mature market. It is a critical step to better differentiate oneself from others that offer similar products and services. Especially in the telecommunication market where services are different in kind but very close in nature.

"Porter's Five Forces attempts to realistically assess potential levels of profitability, opportunity and risk based on five key factors within an industry. This model may be used as a tool to better develop a strategic advantage over competing firms within an industry in a competitive and healthy environment. It identifies five forces that determine the long-run profitability of a market or market segment"[1].

[1] http://articles.bplans.com/porters-five-forces/#ixzz33ZctxwGp accessed on 25/04/2014

Figure 06: PORTER'S FIVE FORCES FOR FIXED PHONE BUSINESS



Source: author's own creation

a) Bargaining power of buyers

In today's telecommunication market the use of bargaining power of buyers to lower services prices is not a chosen option, but rather a reality to adapt with, since buyers' choices of services are more diversified in very competitive market.

The growing wireless data traffic, declining voice revenues and diffusion of mobile data flat-rate pricing are some of the main factors behind the general telecommunications services price erosion; As one of the main challenges faced by mobile operators in developed markets (Mölleryd and al)[1] introduce the ***revenue gap*** arguing that mobile data may generate 80% of the traffic while only contributing with 2% to the revenues. One of the main factors increasing the bargaining power of buyers is the substitutability nature of services. Network availability and service quality are critical factors for the operator.

ALGERIE TELECOM still holds a strong position as a monopole in the internet sector, yet the service of fixed line phones turnover is declining, the buyers possess strong

[1] Mölleryd, Bengt G., Jan Markendahl, and Östen Mäkitalo. "Spectrum valuation derived from network deployment and strategic positioning with different levels of spectrum in 800 MHz." *Proceedings of 8th Biennial and Silver Anniversary ITS Conference, Tokyo*. 2010.

bargaining power especially government institutions due to the large and valuable consumption volumes, these same institutions are in debt toward ALGERIE TELECOM and hasn't paid yet. The culture of from the government to the government is still shading the financial operations between government entities. Furthermore, the market in itself reached the limit of maturity long time ago.

b) Rivalry among existing firms

Since AT holds the monopole in its field, because it's privileged with the protection of the government and the regulation authority (ARPT), there is no rivalry in its main activities: internet service and fixed line phones.

c) Threat of new entrants

In 2005, Algerian telecommunication consortium (CAT) a 50/50 joined venture between ORASCOM Telecom and Telecom Egypt that was marketing itself by the name of LACOM, was granted a 15 year license to operate in the fixed phone market services, it started operation in 2007 using WLL technology gaining several thousand subscribers, however due to financial difficulties the firm ceased operating just the following year. With that dies the only threat of new entrants.

d) Bargaining power of supplier

ALGERIE TELECOM plans to modern and enhance the infrastructure; with a program to connect all regions with a population that exceeds 1,000 people to the telephone network using optical fibers. In another project, ALGERIE TELECOM introduces other technologies for rural regions and very dense areas where it is difficult to have the traditional landlines. These technologies includes: WLL CDMA 2000-1X systems, LTE and MSAN.

Since there are attractive and innovative alternatives in both landline telephony and Internet broadband, the disposal for materials is critical for execution of the program, increasing the bargaining power of the supplier.

ALGERIE TELECOM dedicated a large budget for these new technologies from the basic infrastructure to high level services. This investments attracted many leader companies in telecommunication technologies such as:

- **Huawei**: as the strategic partner to construct its CDMA2000 1X WLL network.
- **Nokia Siemens:** as solo provider for LTE (4G) technology.

On terms of the internet processors suppliers, they are not just considered as suppliers but as partners also, they are:

- **ZTE** for the network EASY.
- **ALCATEL** for the network ANIS.
- **HUAWEI** for the network FAWRI.

There is a big miss understanding in the market among costumers on the nature of the three services as different services, while they are different **networks**.

Finally, for the fixed phone line processors, **ERICSSON** has been selected as sole supplier and systems integrator for ALGERIE TELECOM, for the company is on the verge of a turning point in this particular segment.

e) Threat of substitute products or services:

ALGERIE TELECOM should explore new ways other than traditional technologies to support the traffic explosion, especially in densely populated areas and indoor locations. as newer technology develops and new industries can reduce the need for traditional fixed phones.

In the past, mobile phone services did not pose an attractive alternative to fixed service. Given its high relative price, cellular service was truly a luxury, not a substitute for fixed lines, but with the continually drop of costs of mobile services, prices are falling and quality is rising, mobile becomes an increasingly attractive alternative to fixed-line service.

Mobile is a substitute because users can place and receive voice calls just as they do with fixed service.

On top of that the deployment of mobile infrastructure takes less time, and the maintenance is easier than fixed phone structure.

A Korean study (Kim and Lee)[1] find that the number of Korean mobile subscribers is positively correlated with the number of fixed-line disconnects.

There is also the service of Voice over Internet Protocol, though it might sound like a high-tech solution, (VoIP) providers offer top-quality solutions and incredibly low rates. In Algeria the VoIP market was opened to competition in the year 2004, the ARPT allowed three providers: ANAWAR Net, ICOSNET and SMART Link Communication. However the ARPT treated the service in unusual way, not like in other countries. that made the service not much of threat to the fixed line phones.

However the raison behind this unusual treatment to the VoIP technology is that ALGERIE TELECOM is planning to use it for their own which will show later in their news strategic actions.

From what we saw in the previous analysis of the situation, we can conduct the following estimation for the five forces in the following table:

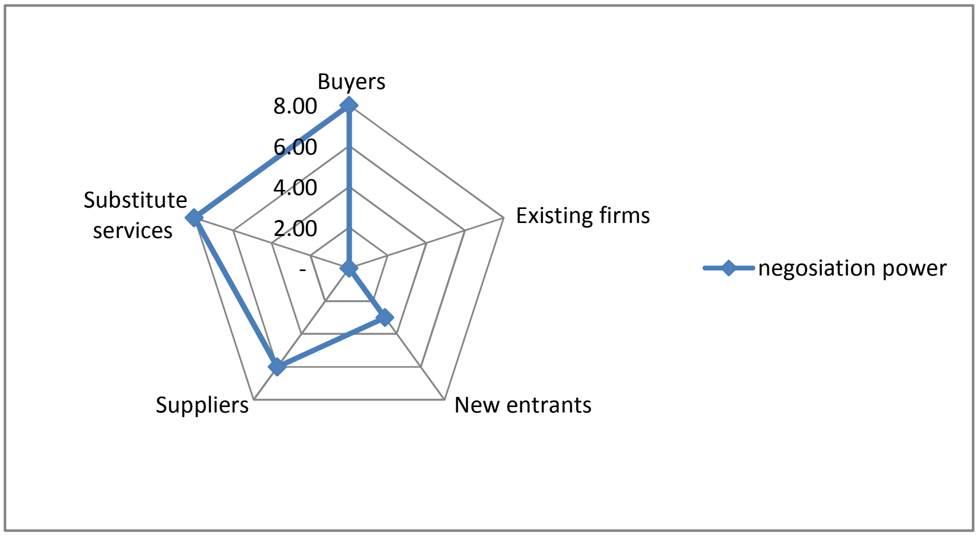
Table 03: NEGOTIATION POWER ESTIMATION

Basic actors	Estimated negotiation power
Buyers	8/10
Existing firms	0/10
New entrants	3/10
Suppliers	6/10
Substitute services	8/10

Source: author’s own creation

[1] Kim, Moon-Koo, Myeong-Cheol Park, and Dong-Heon Jeong. "The effects of customer satisfaction and switching barrier on customer loyalty in Korean mobile telecommunication services." *Telecommunications policy* 28.2 (2004).

Figure 07: NEGOTIATION POWER OF EACH ACTOR



Source: author's own creation

SECTION 02: ANALYZING CURRENT STRATEGIC ACTIONS

1 Creation of Algérie Télécom

The creation of ALGERIE TELECOM can be classified under **Ownership strategy**, specifically the **Corporatization strategy** (Noam & Kramer)[1] taken by the government.

Corporatization: is the transformation of the PTT in to semi-autonomous structure, which may still be state owned, but control its own in terms of managerial and administrative functions, as the case here. Even though the close link with the government is severed, the monopoly status is not affected by corporatization.

The corporatized entity may be called or described as “private” firm, in the sense of its organization under private law provisions, however the reality of control is still very much governmental.

This state is often sought to raise investment capital outside of government borrowing ceilings. It also may be driven from the public desired to inject new life into static monopoly bureaucracies. Yet this loosens of government direct control is usually accompanied with the strengthening of government regularity mechanisms like ARPT in this particular case.

2 Government strategy: empower the infrastructure

Fiber-optic networks are likely to be preferred as backbone wired infrastructure for high volume users, but these must be complemented by rapidly evolving wireless (terrestrial and satellite) infrastructure that will provide more bandwidth more economically as technology develops. Algeria in terms of geography, topology and existing infrastructure, and satellite services will continue to be very important in serving the lowest-density areas, due to the high costs of deploying terrestrial technologies. Moreover, it examines specific

[1] Noam, E., & Kramer, R. (1994). Telecommunications strategies in the developed world: a hundred flowers blooming or old wine in new bottles. *Telecommunications in Transition: Polices, Services and Technologies in the European Community*. Sage.

areas for the design of next-generation networks and wireless Broadband infrastructure that is of particular significance to the country specially the remote areas.

3 ALGERIE TELECOM corporate level analysis

Corporate strategy describes a company's overall direction in terms of its general attitude and goals toward growth and the management of its various businesses and product lines and services. Corporate strategies typically fit within the three main categories of: stability, growth, and retrenchment.

The corporate strategy of ALGERIE TELECOM declared by Mr. Mehmel the CEO of the company saying that "*Algeria Telecom has engaged, in May 2013, a process of transformation of the business from a **network operator** to an **operator of services*** ".

We can conclude that the strategy of the company is focused on **growth** and **stability**, which can be reflected by its new actions and improvement in services on the business level as we will see.

4 ALGERIE TELECOM Business level analysis

Business strategy usually occurs at the business unit or product level, it may be a division, a product line or a service. It focuses less about coordination between units and emphasizes more about improvement of the competitive position of a corporation's products or services in the specific industry or market segment served by that business unit. Business strategies may fit within the two overall categories, competitive and cooperative strategies.

If we classify unites by services, we can identify three strategic business units (SBU):

- Fixed line telephony
- ADSL internet
- 4G LTE service

a) Fixed lines: new offers and new technology

The survival of landline telephony depends on how fast ALGERIE TELECOM can align its products and services to the market expectation, Algeria Telecom is becoming more customer-focused and more committed to continue its efforts for the development and modernization of the network, and improve the quality of services, through investing in the implementation of the WLL cdma2000 -1x systems.

To retain the existing land line customers, to sustain its Fixed-line Subscribers and to compete with the other services of substitution, ALGERIE TELECOME has tried offers with innovative tariff packages, the prepaid offer of **IDOOM**(see annex 03) with unlimited calls to the same network (fixed lines), same tariff regime for mobile calls till 30 %. The offer is very suitable for different income levels[1].

The offer IDOOM for fixed telephony can be classified as a **lifting,** since the life cycle of the service is declining, the company used this move just to squeeze some more profit out of this service.

b) ADSL internet service: improve the quality and speed

Since the internet installation for any home or business is conditioned with the existence of a land line installation, the offer **IDOOM** for the internet will be a great score point for keeping and improving the number of subscribers, even the offer has the same name of the fixed line telephony, they are not on one package, the offer is separate and it present an increase in the speed and quality of internet services with the same old price ranges.

These offers are within the framework of the new strategy to develop offers that meet the expectations of its customers, whether in fixed telephony or internet.

On top of those new offers ALGERIE TELECOM is investing in establishing a new system to merge the internet and the fixed telephony in one processors, using the new edge technology of **multi-service access node** MSAN that's considered the latest technology, it is

[1] Compared to the minimum wage in PESTEL analysis

a device typically installed in a telephone exchange that connects customers' telephone lines to the core network, to provide telephone, and broadband such as DSL all from a single platform.

While ALGERIE TELECOM revenues from land-based subscribers have declined, they won't necessarily lose those subscribers; instead they will just convert them to wireless subscribers instead. So perhaps the company is right not to be concerned about the drop-off in landlines. Since the landscape is undoubtedly changing, the true advantage is in the technological investment of the infrastructure.

c) The new 4G offer: new service, new technology

Concerning the 4G/LTE use for stationary and fixed use, it could be called exceptional because, as the name suggests this is primarily a Mobile Technology. But this can be justified by a palliative or temporary use as in the case of an immediate or urgent need, to adapt with the new market needs.

Even though the announcement of the launch of 4G in such a way that could be described as opportunist. And very advantages to ALGERIE TELECOM, given the timing and the method used to announce it, a delay in the launch of the 3G till December 2013 by the Ministry of Post and ICT, and then the offer of 4G was released in less than a month after.

Algeria Telecom is a fixed line operator who engages in a mobile business but with a fixed activity license. Engaging on the adventure of investing in the "4G/LTE fixed ", even that it does not fall within its terms of fixed telephony operator license, law limits and boundaries. But with the protection of the government the company is already ahead with the new service.

This new service allow users to connect to the internet with a very high speed (up to 150 mbps), and will allow the access to VOLTE voice system in the beginning of 2015.

SECTION 03: EVALUATION AND PROPOSITIONS

Since all the offers and actions are new, and with the lack of critical data (financial and internal processes), we can't maser and evaluate the effectiveness of these services now, but we can conduct a module of evaluation to help stair the strategy in the future and adjust it if needed.

1 Evaluation of the strategy

The final stage in strategic management is strategy evaluation and control, It ensures that a company is achieving what it set out to Accomplish by comparing performance with desired results and provides the feedback necessary. All strategies are subject to future modification because internal and external factors are constantly changing. In the strategy evaluation process managers determine whether the chosen strategy is achieving the organization's objectives, evaluate the results and take corrective action.

"*Strategy evaluation must make it as easy as possible for managers to revise their plans and reach quick agreement on the changes*".[1] Dale McConkey.

The evaluation is the last stage in the strategic management process as illustrated in **Figure 08.**

In many organizations, strategy evaluation is simply an assessment of the degree of the organization's performance. Have the firm's assets increased? Has there been an increase in profitability? Have sales increased? Have productivity levels increased? Have profit margin, return on investment increased?

Some firms argue that their strategy must have been correct if the answers to these types of questions are affirmative. Well, the strategy or strategies may have been correct, but this kind of reasoning can be misleading because strategy evaluation must have both a

[1] David, Fred R. (2001). "Strategic management: Concepts and cases." Pearson Education.

long-run and short-run focus. Strategies often do not have the operating results in the short term until it is too late to make the necessary changes[1]

Figure 08: STRATEGIC MANAGEMENT STAGES

Source: author's own creation

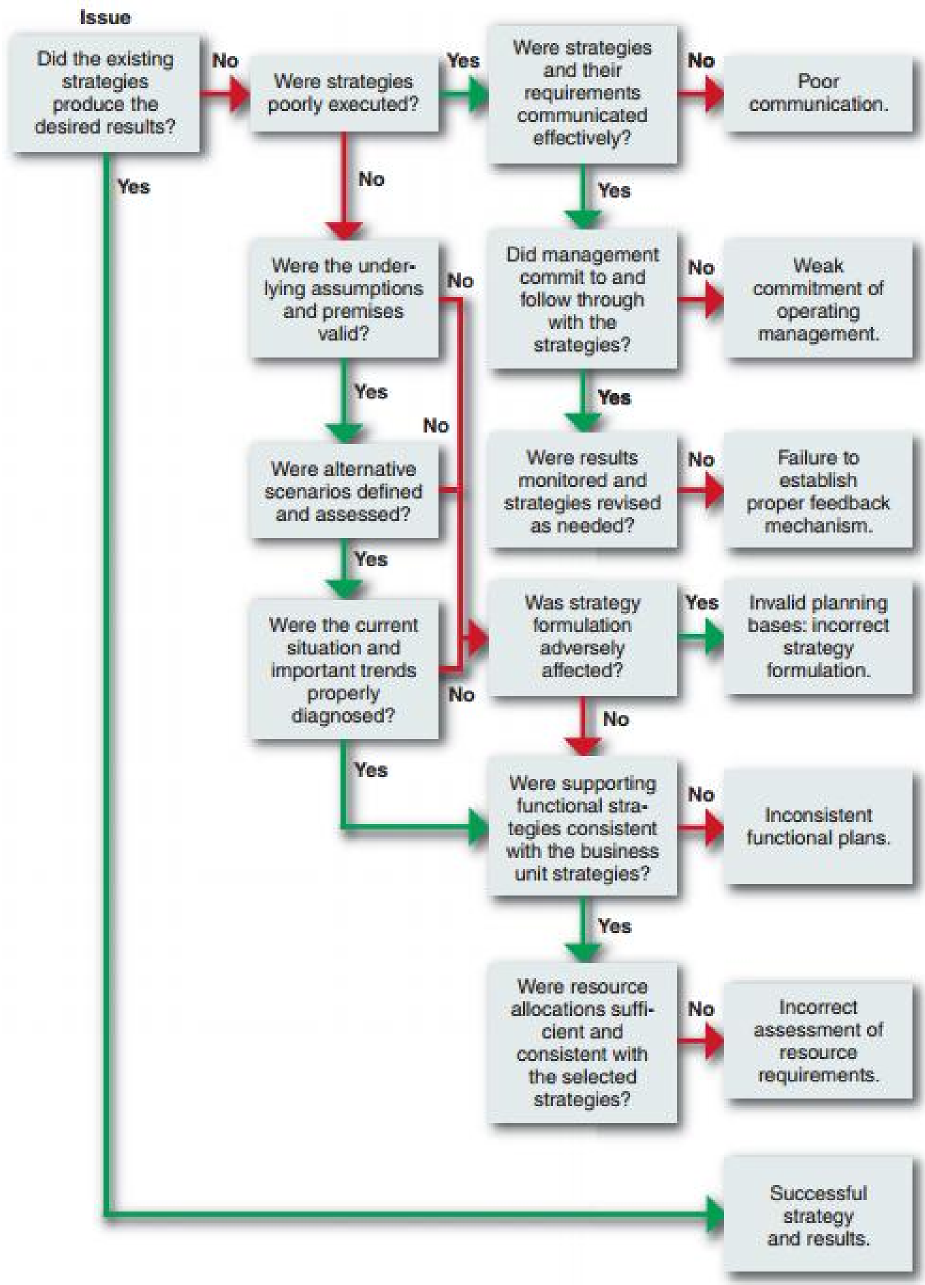
Strategy evaluation success is based on the information quality and timing of feedback, and with it the type of evaluation itself.

a) Evaluation measures and types

- Return on investment (ROI) and earnings per share (EPS): they are used to evaluate the profitability of the company, but it happens after profits are calculated and totaled.
- Activity-based costing (ABC): method for allocating indirect and fixed costs to individual products or product lines based on the value-added activities going into that product[2].
- Enterprise Risk Management (ERM): integrated process for managing the uncertainties that could negatively or positively influence the achievement of the corporation's objectives. It goes through three steeps: Identify the risks using scenario analysis or brainstorming or by performing risk self assessments, Rank the risks and finally Measure the risks.
- balanced scorecard and dash boards: instead of using just financial measures this two methods can includes non-financial as well as financial measures

[1] David, Fred R. Ibid
[2] Wheelen. Op.tic

Figure 09: EVALUATING AN IMPLEMENTED STRATEGY



Source: Wheelen (2005), Strategic Management and Business Policy 13th edition, p 331.

The evaluation processes escort the implementation step by step. Evaluation methods depends on the what kind of data available and the type of service or product.

For the fixed line phone service we will use the evaluation tool that we saw most appropriate to the service and the type of information, and that is the **strategic dashboards**, it translate the organization's strategy into objectives for better communication, easier understanding and increase the visibility of the strategy.

Table 04: STRATEGIC DASHBOARD FOR THE FIXED PHONE BUSINESS

Strategic objective	Strategic indicator	Strategic project
Improve the infrastructure and service quality	Invest in the latest reliable technology in the service	• Convert to MSAN systems • Implementation of wireless hardware.
	Improve the quality	Change the backbone fibers to optical fibers
Sustain the business position and revenues	Develop new innovative service packages	Creating the offer IDOOM for fixed phones
Cooperate with other SBU services	The migration from traditional circuit-switched networks towards all-IP network environments and IP-based communications	Implementation of MSAN system to merge the internet with fixed phones to establish "all-IP"

Source: author's own creation

This will help the organization to take **corrective actions**, if either the actions or the results are not consistent preconceived or planned achievements, then corrective actions are needed.

Some corrective actions that can be considered[1]:

- Alter the firm's structure.
- Replace one or more key individuals.
- Divest a division.
- Alter the firm's vision and/or mission.
- Revise objectives.
- Alter strategies.
- Devise new policies.
- Install new performance incentives.

2 Propositions

- Regulators and governments are under a growing pressure to release more licensed spectrum for next generation networks in order to accommodate the wireless traffic growth. It is yet uncertain how the governments will tackle the spectrum shortage if wireless traffic continues its exponential growth, so just investing in the backbone structure in the country is not enough. The geographical advantage of the country can make it the main supplier for the African Mediterranean coast, adapting the strategy of **Transnationalization[2]**, this type of strategy aims to expand beyond national market, making the country a back bone cable provider to north and middle African countries.
- "Prevention is better than cure" to Massive cable damage by various agencies is a threat for fixed phone business image and quality of service. It is required to formulate the policy and develop some strategies to offer instant cooperation between government institutions in constrictions, civil works and the realization of new projects, since the country is a massive workshop[3].
- Another concern is regulation of broadband access, services and applications. A new vision is needed of reduced regulatory burdens, innovative incentives, and

[1] David, Fred R. op.cit
[2] Noam & Kramer op.cit
[3] The government program for developing infrastructures till 2019

coordinated efforts by all links in the broadband value chain, in order to unleash opportunities for commercial deployments.

- Improving current offers by synergy between unites and offers through coordination in the corporate strategy level, the 4G offer puts competition with its own subsidiaries: Djaweb that provides ADSL and Mobilis with 3G++ professional deals. Mobilis already begun to compete with Algeria Telecom with its offer Darynet that allows a 3G++ connection from a fixed modem.
- **Building scenarios**: through crossing the most critical industry uncertainties. Those uncertainties are selected by the industry structure, they are typically found on PESTEL analyses to provide the key drivers for change, but do not offer a single forecast of how the environment will change. This step is taken for constructing plausible alternative views of how the business environment might develop in the future to create the best strategies that fit or at list adapt to those scenarios. According to Porter formulating strategy based on this approach an organization must consider aspects of scenario probability, the width of the resource gap between the present and future scenario industry structures, and the consequences of adversity. Then Bet on the most probable scenario strategy, which is to choose a scenario expected to occur with higher probability than other scenarios.

  Example: the four different scenarios developed by the European Foundation for the Improvement of Living and Working Conditions, 2005 for future development in the European telecoms sector up in to 2010.

CONCLUSION

CONCLUSION

During our internship, the main goal of our research was to answer the following question:

“Is the corporate strategy of ALGERIE TELECOM effective enough to maintain and improve the fixed line phone business?”

We have tried throughout our empirical study to identify the basic background and concepts of the field of telecommunications along with the general environment of this sector in Algeria. We have then been analyzing the strategic dimension of the current offers of ALGÉRIE TÉLÉCOM through interviews with the project director of the company and the customer relation manager, along with some technical workers. We have examined a set of internal documents, and fulfilled this research by direct interactions with different layers of the organization.

We started the work by understanding the telecommunication market, its background and evolution of the business. Especially that the activity this study is interested with is the first activity in the business. Then we started to scope the work by describing the African market and the investments and new technologies introduced in the neighbor areas, which helped in identifying the opportunities on the regional level and pace of investment to compare with. After that we presented the Algerian telecommunication market, its main actors and market shares to have a good idea on the current situation.

Then, in the second chapter, we presented the company of ALGÉRIE TÉLÉCOM: structure, goals, missions and main activities. In the second section of the chapter we presented an analysis of the fixed phone line market presided by an explanation of the decline in the business.

To analyze the current actions of ALGÉRIE TÉLÉCOM and strategic dimension behind it, and After understanding the current state of the activity, we preside by understanding the diagnosis and the changes in the environment of the telecommunication market in Algeria using P.E.S.T.E.L analysis, after that we focused the diagnosis on the fixed line phone business using Porter’s model of the five forces to understand the position of the company in this specific service and its position towards different actors who have direct influence on the activity.

In the third chapter, we finished the work by analyzing the strategic dimension behind the government decisions and the corporate level decisions and offers of the company, and in the third section we provided an evaluation method of the strategy and proposed some critics and developments on those decisions to maximize their effect.

Therefore, the main and most important aspects to conclude on the current strategy of ALGÉRIE TÉLÉCOM, is:

- ALGÉRIE TÉLÉCOM has set too many strategic goals which will put so much pressure to meet all of them at once, focusing on too many goals, will hold some of them fixed, that means one or two of their strategic goals will not be fulfilled (law of diminishing returns).
- The landline phone activity as we know it will no longer exist; the technological evolving has change the priority of the company. The new goal of changing to **all-IP** will **merge** the two activities, making the landline phone service a **complimentary** service to the internet service (the new MSAN system).
- There is no synergy between the subsidiaries of the group ALGERIE TELECOM; the management of the company is too weak to cooperate between the companies of the group especially the mobile subsidiary MOBILIS.
- The technology plays the most important role in the telecommunication filled, however obtaining the technology doesn't necessarily means the optimal usage of it, the qualified skills and the effective management is as crucial and important as the technology itself. ALGERIE TELECOM lacks those two elements in their strategy plan.

There for, it is very important at the end of our study to clarify and emphasis that telecommunication industry is changing profoundly, so the operators need to change their strategic perspective with it. The markets are saturated, and revenue margins are falling rapidly, it is no longer about getting new customers as the main goal, it's now about keeping them. The focus must change from **volume** to **efficiency** on all levels; from strategic to the functional and operational level. Customer focus must be established through listening, interacting and quick responding to their demand. That will help the company to adjust its strategy and create a long term competitive advantage that will bring loyalty and with it profit.

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APPENDIX

APPENDIX 01:

Interview Guideline

Questions:

I. Organization of the company:

- What is the organization of the company ?
- Is the organization of the company considered in the creation of the Strategy?
- What are the classifications of activities in ALGERIE TELECOM?
- How did the classification changed through time? And on what bases ?

II. Telecommunication:

- Can you explain how the fixed line phones network works?
- What is the difference between the fixed phone network and the mobile network?
- What is the difficulties the company is having with the fixed phone lines infrastructure ?
- What are the actions to change that?

III. Strategy:

- Does the company have a strategic plan?
- What is the place of the fixed line phone business in that plan?
- Is the company putting in consideration the environment of the business?
- Why the company along with the government are very interested in the infrastructure in particular?
- Explain the contradiction between the company plan and the one of its subsidiary Mobilis ?
- Why there is no synergy between activities?
- Why the company plan is not considering the benefits and opportunities in the international level?

With the technical worker:

- How do the fixed line phones work exactly?
- Do you have any idea about the notion of strategy?
- What do you know about the strategy of the company you are working at?
- What do you know about the new investments of the company?
- Do you have an idea about the materials suppliers?
- Can you tell me about the technical problems in this activity?
- What's the company's actions to prevent them?
- How can you describe the communication with upper management?

Appendix 02: Costumers evolution of fixed line phones See

Date	Subscribers	Date	Subscribers
2012	3.202.000	1988	697.209
2011	3.059.336	1987	634.859
2010	2.922.731	1986	578.571
2009	2.576.165	1985	537.056
2008	3.069.140	1984	465.309
2007	3.068.409	1983	445.779
2006	2.841.297	1982	408.211
2005	2.572.000	1981	362.900
2004	2.486.720	1980	311.400
2003	2.079.464	1979	260.400
2002	1.950.000	1978	207.000
2001	1.880.000	1977	172.400
2000	1.761.327	1976	140.723
1999	1.600.000	1975	128.900
1998	1.477.000	1970	95.800
1997	1.400.343	1965	72.700
1996	1.278.142		
1995	1.176.316		
1994	1.122.409		
1993	1.068.094		
1992	962.247		
1991	883.120		
1990	812.000		
1989	749.851		

Appendix 03: Fixed lines in Africa and annual growth – 1999 – 2011

Year	Fixed lines (million)	Annual growth
1999	18.4	n/a
2000	19.4	5.9%
2001	21.1	8.5%
2002	22.8	8.3%
2003	24.6	7.7%
2004	26.5	7.6%
2005	27.5	3.9%
2006	28.8	4.9%
2007	30.8	6.9%
2008	31.9	3.4%
2009	31.4	-1.4%
2010	31.0	-1.3%
2011 (e)	30.6	-1.3%

(Source: BuddeComm based on ITU, company and industry data)

Appendix 04: the offers of IDOOM