

# Examine the Performance of Telecommunication Company in Malaysia: A Case from Axiata Group SDN BHD

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**Abstract-** As one of Asia's leading telecommunications groups, Axiata has investments in mobile network operations, network infrastructure, and digital internet companies, serving almost 300 million subscribers in 10 countries across the region. In 2015, revenue is USD 5.1 billion, profit after tax USD 0.7 billion. Market capitalization is USD 13.2 billion. They have 275 million subscribers across the nations and employees are 25000. The aim of the study is to investigate the company in term of their business strategy, core competence, competitiveness, the role of technology and management system operation. The study found that One of the important business strategies of Axiata is doing some acquisition of telecommunication companies in several countries which this thing will increase their level of competency, competitiveness and market shares in Asia. In term of the role of technology, Axiata Group also has taken over and built up the strategic companies which those companies knew as a company which based on advanced technology to support Axiata core business such as Edotco and Axiata Digital. Furthermore, in term of management operation the company applying lean system concept which improves operating performance by focusing on the continuous flow of products, materials or services through the value stream by identifies and eliminates all type of waste or non-value-added activities.

Keywords: Axiata, Telecommunications, Competency, Technology, Competitiveness.

## I. INTRODUCTION

Axiata considered being one of the best telecommunications firms in Asia. Axiata was established in Malaysia on 12 June 1992 as a private limited company under the name of Telekom Malaysia International (TMI). TMI changed its name to Axiata Group Berhad on 28 April 2008. After that, its customer number increased from 80 billion to around 275 billion customers across different Asian countries. Axiata group at the moment providing its services in five mobile operators under the brand names of 'Celcom' in Malaysia, 'XL' in Indonesia, 'Dialog' in Sri Lanka, 'Robi' in Bangladesh and 'Smart' in Cambodia, with strategic interests in 'Idea' in India and 'M1' in Singapore and Iran. The Group also having an investment in non-mobile telecommunication activities in Thailand and Pakistan. Moreover, the group providing infrastructure services in six

different countries delivering telecommunications infrastructure services throw out those countries. The group ambition to be one of the best regional tower companies and is obliged to responsible and sustainable business operations. In 2012, Axiata group has started 'Axiata Digital' to be able to better serve the increasing growth in the technology businesses. Three years later, Axiata Digital was having a portfolio of 24 digital brands, providing its services to the growing demands in mobile money, mobile advertising, e-commerce, entertainment, and education.

**Table: Axiata group's main subsidiaries**

Country	Brand	Ownership
Bangladesh	Robi	92.00%
Cambodia	Smart	100%
India	Idea Cellular	19.96%
Nepal	Ncell	60.4%
Indonesia	AXIS	Unknown
Indonesia	XL	66.55%
Malaysia	Celcom	100%
Pakistan	Multinet	89.00%
Singapore	M1	29.12%
Sri Lanka	Dialog	83.32%

Source: Wikipedia, 2016

Axiata's main activities in investment holding and the serving of telecommunication and consultancy services on an international scale. They have an interest to expand their activities in the emerging markets in Asia, some with low mobile penetration in South and Southeast Asia. Due to the constant change in our modern life in terms of technology Axiata tried to find wider opportunities in the field of digital services. In 2015 the group came up with new strategic equity investments in different sectors like digital services in order to provide digital trading, digital advertising, and digital entertainment moreover Axiata have developed its long-term strategy that concerns about the opportunities and challenges in the operating environment, and will take from where they are today as a Regional Champion telecommunications operator to realize our Axiata 3.0 vision and digital enterprise model by 2020.

As a result of the previous events Axiata has recorded a revenue of MR 19.9 billion according to its annual report of 2015 with a revenue growth of 6.26% and profit margin ratio of 13 %

which indicates the efficient strategy that Axiata holding in order to maintain its growth and competitive position. Moreover, Axiata had a number of 275 million subscribers and almost 25000 employees in 2015. Therefore it is very interesting to study further about this company particularly on their business strategy, competency and competitiveness, and also the role of technology in the company to maintain the competitive advantages and their management operation in the company. All of this will be discuss further.

#### **Research Objective:**

According to background above, this study will examine the performance of Telecommunication Company in Malaysia case of Axiata Berhad and it transformed into several research objectives as follow:

- A. To discuss the business strategy of Axiata Group
- B. To assess the competitiveness and competency of Axiata Group
- C. To assess the role of technology in Axiata Group
- D. To discuss the operation management in Axiata Group

## II. STUDY LITERATURE

### **The importance of Business Strategy**

All business organizations are concerned about how they will survive and success in the future. A business strategy is often thought of as a plan or set of intentions that will set the long-term direction of the actions that are needed to ensure future organizational success. The business strategy reflects the vision and the mission of the company and Affects the entire organization by providing direction and adapting the organization's business environment. The idea of using strategy was originated from the military who used it with regard of how a commander might deploy his resources. On another hand, a business organization having strategy has emerged in the 1960s, when the techniques of long-term business planning were first popularized.

A widely accepted definition is business strategy is offered by Johnson et al. (2005), as a long-term plan of action designed to achieve a particular goal or set of goals or objectives that business have. This can be achieved through taking advantage of the changing environment through and configuration of resources with the aim of fulfilling stakeholder expectations. When determination the long-term direction of an organization, the business strategy includes the interaction of three elements: the organization's external environment, its resources, and its objectives to in meeting the expectations of its stakeholders.

### **Competency and Competitiveness in the Company**

A recent study to examine the effects of competitive priorities in the telecom industry (Krajewski et al. 2013) concluded that competitive priorities involve in the low-cost operation, in which a telecommunication company can have its competitive advantages at most in the market to achieve its goals. The study also determined that competitive priorities also involves in both Flexibility and Variety of service, in which customers have the flexibility to use the preferable service among the varieties. It makes the competitive advantages against rivals in the market. Thompson et al (2005) concluded that

sustainable Competitive Advantage depends on the situation when a company attains sustainable competitive advantage when an attractive number of customers desire its products or services over the offerings of rivals and when the choice is durable.

Moreover, Muzamil and Idris (2012) argued that when a company selects lowering cost as its competitive priorities to maintain business strategy, it is actually competing about offering services at the lower market price with its rivals. To decrease cost, firms can minimize manufacturing and resources costs rather they may enhance efficiency and productivity by developing information technology. They also stated that a company can improve its capability by making innovative competitive priorities which may lead to developing existing services and always develop new products or services. Some companies focus on their competitive priorities for producing innovative services due to competition and challenging consumers. These services are really different and unique compared to rivals' services.

In term of competency, Thompson et al (2005) also define the core competence as an important activity with the competitiveness that a company performs well than other core activities. Prahalad et al. (1990) concluded that a Core Competency is the key thing that makes a company capable of delivering unique value to customers. It represents a company's learning, diversified skills, and multiple technologies. Sustainable competitive advantage may arise for a company by a core competence and core Competencies can be benefited for a company's services offer customers.

### **The role of Technology in a Company**

The rapid evolution of technology and globalization of the business environment have forced firms to constantly search for strategies and tactics to stay competitive or gain an advantage over their rivals. The integration of information and communications technologies has significantly changed the operational efficiency and effectiveness of companies and the competitive environment. The internet and web-based technologies allow managers and employees of corporations to conduct business and transfer data across the globe. Marketing and sales personnel are using technology to conduct market research and sell products around the world. Digital and mobile devices are used by business managers and employees to monitor business activities and communicate with business associates from the office or while on the road (Lollar et al, 2010)

Moreover, another study has been done by Jhunjunwala et al (1998) which examine the role of technology in telecom expansion in India stated that the recent technological advances in wireless and fiber-based access technology, such us open interface standards, high-speed digital transmission on the copper loop, and the internet remote access will reduce the cost feasible. Furthermore, another study comes from Powel and Micallef (1997) which investigated the linkage between information technology (IT) and firm performance. The study found that technology alone have not produced sustainable performance advantages in the retail industry, but some firms have gained advantages by using IT to leverage intangible complementary human and business resources.

In term of technological innovation in the firm, the study has been completed by Erturk (2009) which investigated the role

of technology innovation in the firm, the study found that the technological innovation in a firm will increase their competitiveness, market value and profitability. Therefore, it is very important for the firm to develop and applying optimal technology and innovation strategies to increase their level of competitiveness in the market.

### **Operation Management**

According to Wiley and Sons (2010) stated that Operation Management is the commercial enterprise feature this is chargeable for managing and coordinating the sources needed to produce an organization's products and services. The position of OM is to transform organizational inputs into organization's services or products outputs OM is chargeable for a wide range of decisions, ranging from strategic to tactical. Companies may be divided into manufacturing and service agencies, which range in the tangibility of the products or services. Many historical milestones have shaped OM. Some of these are the commercial revolution, clinical control, and the human members of the family motion, management science, and the laptop age. OM is enormously critical function in nowadays dynamic enterprise surroundings.

Most businesses square measure supported by the functions of operations, marketing, and finance (Xin, Pearce & Guanxi, 1996). The major useful areas should act to realize the organization goals. Promoting isn't totally able to meet client desires if they are doing not perceive what operations will manufacture (Davenport & Prusak, 1998). Finance cannot decide the necessity for capital investments if they are doing not perceive operations ideas and desires. Data systems permit the data flow throughout the organization. Human resources should perceive job needs and employee skills. The accounting must take into account inventory management, capability data, and labor standards.

## **III. FINDING AND DISCUSSION**

### **Axiata's Business Strategy**

Axiata's business strategy can be reflected from it is Vision and mission which is to become the finest enterprise in the country through delighting its customers and building a profitable enterprise that maximizes investor returns. Also, The Company's dreaming is to empower, develop and reward their people for becoming Malaysia's preferred employer and maintaining the highest levels of transparency, integrity and professionalism. Finally, Together with all of the stakeholders, they want to make Celcom a premium brand: a brand that symbolizes the spirit of freedom, aspiration, confidence, dynamism, timelessness, universality and globalism, As stated last year 2015 in the business plan of the company Dato' Sri Jamaludin Ibrahim, C.E.O, Operating strategy of Celcom Axiata Berhad. Celcom is part of Axiata Group, one of the largest Asian telecommunication companies. It is currently the Malaysian partner of Vodafone. It focuses on low penetration emerging markets and high growth. Celcom upholds a product differentiation strategy resulting from a strong market orientation, commitment to high quality, and customization of products and services. To accomplish these goals, Celcom has built up a benchmark for progress in three different categories.

First is to use market penetration pricing, where services will be brought to the customers at affordable and reasonable prices. Secondly, by gaining a better understanding of the need and satisfaction of the current customers, they improved the service to encourage re-orders. Finally, their services are to be able to utilize its current technology and knowledge base, and research as well would be conduct on similar products with an eye towards developing the services to a specialty advertising product. (Williams & Ferrell 2007, p. 364) The role of operation strategy of Celcom AXIATA on customer satisfaction. The organization's operations function is concerned with getting things done; producing goods and/or services for customers. However, no matter how grand the operation, or how noble the intention, an organization's operation strategy can only become a meaningful reality, in practice, if it is in line with the business strategy. It is an important to function of the business as it is responsible for the day-to-day activities within the operations function and manages most of the organization's resources. The relationship between an organization's strategy and its operations is a key determinant of its ability to achieve long-term success or even survival.

The marketing strategy of Celcom is to send personal sales representatives to market their products to potential customers and create service concepts for their business or choice of order. This enhances more customer loyalty and relationship with the company. Following the sales strategy developed by their local rivals, Celcom has experienced 16% revenue increase as stated 2015 annual report and has improved their competitive level, through developing many telecommunications feature, providing quality services at a considerable price. As more and more Malaysians look for ways to keep in touch with each other, Celcom's popularity and quality services have helped draw more customers to the company through customer relationship and brand loyalty. It maintains a product differentiation strategy resulting from a strong market orientation, commitment to high quality, and customization of products and services.

The high percentage of sales, 2.4 billion which reported in their financial statement of 2014, suggest a satisfied customer base as well as positive word of mouth, which generates new business per year. On the other hand, being the oldest telecommunications service provider in Malaysia, it has a competitive edge and increased customer's trust and loyalty to the brand. But besides that, Celcom is reactive rather than assertive in its marketing efforts because of its heavy reliance on customer's reaction for product satisfaction. Also, High cost of products and service could alter the buying power of the consumers. Similarly, High cost of products and service would be a competitive advantage to their rivals over customers, through implementing low-cost quality products and services. On another hand, Celcom should consider surveying its current customers and its customers' client to better understand their needs and changing dreams.

In addition, one of the business strategies which applied by Axiata to dominate the market is by acquisition which has done, through their vision in advancing Asia, AXIATA Berhad has taken over several strategic telecommunication companies in several Asia's countries. And also they invest in several strategic telecommunication companies to increase the value of the Group.

### **Graph: Acquisition Spending of Axiata 2011-2015**

*Source: Adopted from Axiata's Annual Report*

#### **Core Competencies and Competitiveness in Axiata**

Celcom is the market leader in Malaysia and its competition, particularly in publicity, is very strong both on the local, regional and national level. It is the key for them to achieve its financial objectives. Raising the sales strategy by their local competitors, Celcom Malaysia has improved the competitive level through improving many telecommunications feature, quality services at a considerable price. The latest introduction of a new telecommunications service provider (U-mobile) came in the market and has made the competition in the telecommunication industry is very high. The good strategy of Celcom is that they have reduced the cost of SMS from 50 cents to 25 cents and reduced the cost of call from 35 cents to 20 cents per minute (Axiata Official Website, 2016)

Even the competition becomes bigger as many other competitive measures are expected to enter the market soon as well. A recent study to examine the effects of competitive priorities in the telecom industry (Krajewski, Ritzman & Ferrellet 2013) concluded that competitive priorities involve in the low-cost operation, in which a telecommunication company can have its competitive advantages at most in the market to achieve its goals. So based on this study, Axiata Berhad Malaysia has the competitive priority as low-cost-operation by reducing its call rate as well as the cost of SMS. Celcom as the oldest and most experienced has many competitive advantages against its main rivals Maxis and Digi.

### **Graph: Sales Revenue of Axiata, Maxis and Digi 2011-2015**

*Source: Adopted from Axiata, Maxis, and Digi Annual Report*

They currently hold the maximum trend in the market share, providing the maximum coverage, various products feature and taking the top customer size in the market of Malaysia. Moreover, the application of many future strategies makes their position as the market leader in the Malaysian market. In addition, Celcom has established competitive measures to sustain their current marketplace and fight off their challenges both now and in the future, these varieties from enjoying their customers with their various service features, rising better customer relationship strategy, applying more societal promotion systems and supporting the government (Axiata Official Website, 2016).

On the other hand, one of the main competitor of Axiata in the region of Asia is Singapore Telecom (SingTel), SingTel is the Singapore based company which owned by the government, SingTel also involves in several investment around Asia, therefore, we would like to make the comparison between these companies particularly in their gross profit margin.

*Source: adopted from www.financial.morningstar.com (2016)*

#### **The Role of Technology in Axiata**

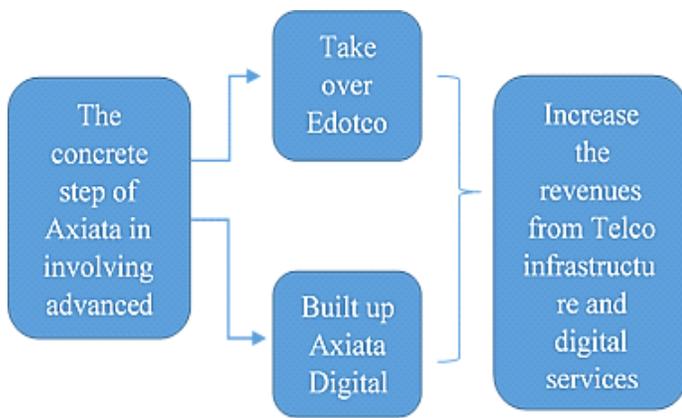
The core of the business of Axiata Group Berhad is telecommunication business which requires advance technology to operate their business. Therefore, the role of technology in the company is very important to maintain their level of competitiveness in the market. As a concrete step which has taken by the company in utilizing the technology to serve the customer is by took over a strategic company such as Edotco and built a new business unit which called as Axiata Digital.

Edotco Group is the first regional and integrated telecommunications infrastructure service company in Asia, and it wholly took over by Axiata in 2012, it providing end-to-end solutions in the tower services sector from tower leasing, co-location, built-to-suit, energy, transmission and operations and maintenance (O&M) with a regional portfolio that includes over 16,000 towers across its core markets, Edotco is now the 14th largest tower company in the world (Axiata Official Website, 2016).

Another new business unit built by Axiata group in 2014 which called as Axiata Digital Services Berhad, the built of Axiata Digital Berhad is a respond of the evolution of the communication industry and the shift of consumer behavior from offline to online. It was set up to focus on driving revenues from digital services such as in entertainment, commerce, money and advertising, and is now operating in four of Axiata's markets. This essentially places Axiata in the same space as OTT service providers, enabling the group to expand its portfolio of services to cater to online customers on smartphones, tablets, and fixed internet. The move opens up new opportunities to capture increased share of customer wallet and reach beyond Axiata's traditional mobile services and own subscribers base of over 240 million (Axiata Official Website, 2016).

Axiata's strategic and measured investments in digital services is important in positioning the Group in the 'Digital World' providing synergies, complementing and evolving its existing business, and paving the way for its transition into new generation telecommunication company in Asia.

### **Graph: The role of technology for Axiata**

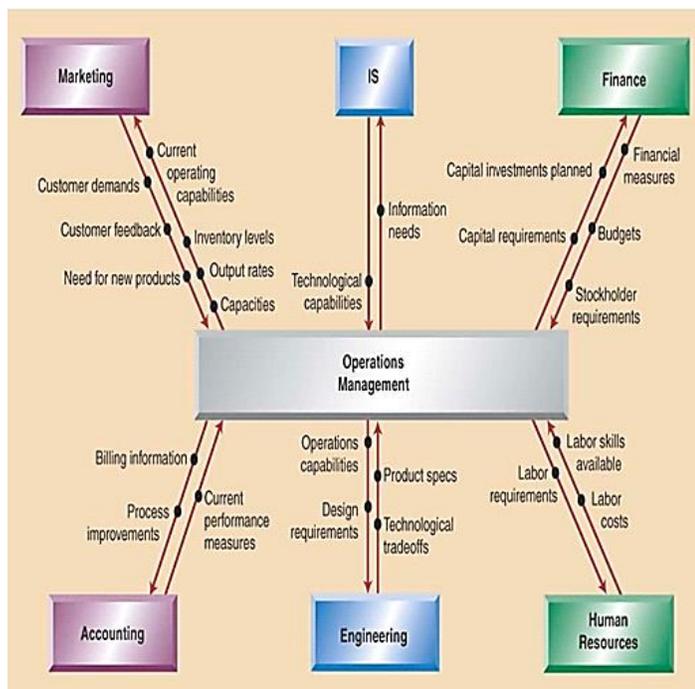


Source: Adopted from Official Website of Axiata

### Management Operation in Axiata

Operation management is not involved with the one department rather all division of the company. They have to work with marketing, finance, human resource, IT department constantly. If they maintain the good feedback efficient challenging environment they can expect to do well in business in the very high competitive market. AXIATA Berhad implements lean system concepts, this concept is a systematic methodology that identifies and eliminates all types of waste or non-value-added activities. Lean emphasizes on the improvements in the whole business process. Lean concepts improve operating performance by focusing on the unceasing flow of products, materials or services through the value stream. To achieve this, the various forms of waste must be identified and eliminated. This company also manage information using ERP and CRM system which is very common in the present operation management. This is a big company where they have to do practice in increasing cross-functional decision making.

### Graph: Operation Management Flow Chart



AXIATA's operation management has the most diverse organizational function. They also manage the transformation process. This company has many faces and names such as; V. P. operations, Director of supply chains, Manufacturing manager, Plant manager, Quality specialists, etc. All business functions need information from OM in order to perform their tasks.

### IV. CONCLUSION

As one of Asia's leading telecommunications groups, Axiata has investments in mobile network operations, network infrastructure, and digital internet companies, serving almost 300 million subscribers in 10 countries across the region. In 2015, revenue is USD 5.1 billion, profit after tax USD 0.7 billion. Market capitalization is USD 13.2 billion. They have 275 million subscribers across the nations and employees are 25000. One of the important business strategies of Axiata is doing some acquisition of telecommunication companies in several countries which this thing will increase their level of competency, competitiveness and market shares in Asia. In term of the role of technology, Axiata Group also has taken over and built up the strategic companies which those companies knew as a company which based on advanced technology to support Axiata core business such as Edotco and Axiata Digital. Furthermore, in term of management operation the company applying lean system concept which improves operating performance by focusing on the continuous flow of products, materials or services through the value stream by identifies and eliminates all type of waste or non-value-added activities.

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