การสร้างพันธมิตรของ AT&T ก่อนปี ค.ศ. 2000

The American Telephone and Telegraph Company (AT&T)'s Strategic Alliances before 2000

ดร. บุษยา วงษ์ชวลิตกุล[1]

Dr. Busaya Vongchavalitkul

บทคัดย่อ

การสร้างพันธมิตรเป็นเครื่องมือที่สำคัญของธุรกิจการสื่อสารระหว่างประเทศ เพราะกฎระเบียบของธุรกิจเหล่านี้จะแตกต่างกันไปในแต่ละประเทศ และบริษัทต่างประเทศที่ดำเนินการเกี่ยวกับธุรกิจการสื่อสารสามารถสร้างพันธมิตรกับเครือข่ายการสื่อสารของบริษัทในท้องถิ่นได้ง่าย ดังนั้น บริษัทเหล่านี้ควรศึกษาประวัติของการพัฒนาการสร้างพันธมิตร และประวัติการสลายของความสัมพันธ์ของพันธมิตร การศึกษานี้กล่าวถึงรูปแบบการสร้างพันธมิตรของเครือข่ายระหว่างประเทศ อันมีผลต่อแนวทางการสร้างพันธมิตรของธุรกิจการสื่อสารระหว่างประเทศ ในปัจจุบัน และจะเน้นการศึกษาความสัมพันธ์ที่มีการเปลี่ยนแปลง อันเป็นประโยชน์ต่อผู้บริหารที่จะสร้างพันธมิตรในโอกาสต่อไป

Abstract

Strategic alliances have been an important tool to internationalize telecommunications because the rules that regulate and govern telecommunication and its services very from country to courtry. In addition, it eases to access domestic networks for telecommunication in foreign countries. Thus, telecommunication companies have a history of forming and developing strategic alliances, and sometimes even breaking the relationship, usually with other telecommunication companies. This study points out some of the complications of forming strategic alliances in International networks. There needs to be some basic criteria to consider when forming a strategic alliance in the international network of the telecommunication industry. Because forming a strategic alliance in an international world often entails breaking other alliances, this discussion assesses the interaction between formation of new strategic alliances and changes in existing ones. Using the network approach and focusing on changing relationships, networks, and their interaction or top managers must have knowledge of the networks in order to decide on the choice of strategic alliances.

Key Words: Strategic Alliance and telecommunication industry.

---

[1] คณบดีบัณฑิตวิทยาลัย มหาวิทยาลัยวงษ์ชวลิตกุล

Introduction

Strategic alliances are innovative and interesting forms of relationships between organizations (Parkhe, 1993). Tully and Marshall (2005) provides some evidences to suggest that companies relying on strategic alliances are more profitable than their vertically integrated counterparts. In effect, strategic alliances provide an effective means to improve both the economies of scale and diversity offered by traditional models of organization.

Telecommunication conditions have changed because many countries have deregulated their concerning rules and regulations. The manufacturing industry has developed its own international network of distributors, sales, and production subsidiaries. For telecommunication companies, these changes have brought about increasing demands on existing strategic alliances and an intensive search for new alliances in order to form a more integrated international network for telecommunication (Carlson, 2005)

This study points out some of the complications of forming strategic alliances in international networks. There needs to be some basic criteria to consider when forming a strategic alliance in the international network of the telecommunication industry. Because forming a strategic alliance in an international world often entails breaking other alliances, this discussion assesses the interaction between formation of new strategic alliances and changes in existing ones.

Research purposes

This study uses the industrial-network approach and focuses on its importance for international strategic alliances. The formation of strategic alliances is seen as a process of change for the organizations involved in the international network. In this process, the organizations involved in the strategic alliance are dependent both on each other and on the structure of the overall network.

A strategic alliance is defined here as a link facet of the business of two or more firms. This link is a trading partnership that enhances the effectiveness of the competitive strategies of the participating firms by providing for the beneficial trade of technologies, skills or products based upon them. An alliance can take a variety of forms which range from an arm's length contract to a joint venture. (Yoshino & Rangan, 1995). This relationship has some impact on the total network of the industry and will lead to changes in the network positions of the organizations involved in the strategic alliance.

Internationalization according to the network approach

The focus in this paper is on industrial network. The exchange is assumed to include economic elements and to take place in the relationships of connected organizations (Axelsson and Easton, 1992; Johanson and Mattsson, 1987). Axelsson and Easton (1992) pointed out that the "industrial network approach differs from other network approaches in terms of its scope. It is concerned with understanding the totality of relationships among firms engaged in production, distribution and the use of goods and services in what might best be described as an industrial system". Since organizations are assumed to be heterogeneous in their resources and activities, the exchange relationships are complementary. An industrial network of organizations might be analyzed from three different perspectives: the single organization, the relationship between organizations, in the total network. In line with this, internationalization in networks is based on changes in single organizations, in the relationships among them, and the total network.

Based on human behavior and organization behavior, people can work as individuals, teams and intergroups (Gordon, 1995). In line with this, internationalization in networks is based on changes in single organizations, in the relationships among them and in the total network. According to the network model (Johanson and Mattsson, 1987), the internationalization of the firm means that the firm establishes and develops in relation to counterparts in foreign networks. This definition of internationalization allows inclusion of both the home-country resources and transferable resources, as well as of the resources controlled directly via ventures is often mentioned (Gomes-Casseres, 1997, 2003; Singh and Kogut, 1989) as an important tool for increased extension and seen as an alternative mode of entry into countries of high risk of restricted foreign ownership.

Telecommunication companies internationalize through organizing and controlling communication systems between the home market and a foreign country, between foreign countries, or within a foreign country. In such systems, interdependence is high and therefore, coordination plays an important role. Two companies controlling an international communication system are normally mutual representatives since they are both producing and marketing the same system but focusing on different directions such as exports or imports. For instance, in order to access the $128 billion Western European telecommunications market, AT&T has chosen to team with Unisource, a consortium of Swedish, Dutch and other (Swiss PTTs, SITA, Telefonica, Singapore Telecom and KDD Telecom (Japan)). This alliance increases the companies' interdependence.

The concept of integration is basic since the very existence of a telecommunication system assumes a certain degree of integration. Changes in integration are vital when studying dynamics from a network perspective. Thus, this paper focuses on international integration so that extension will be taken into consideration only as a result of changes in integration.

Relationship changes

Changes at the relationship level involve single pair relationships, while changes at the net level concern changes in several relationships. Several researchers (Dwyer, Schurr, and Oh, 1987; Fontenot and Wilson, 1997; Gadde and Mattsson, 1987; Gadde, 2004) who have been noted on patterns of internationalization, showed a single relationship developed by involving phases of establishment, expansion, and dissolution. The empirical studies of Gadde and Mattsson (1987) showed that negative changes in an existing relationship appear unclear and thus, more difficult to follow. In addition, they found that there was seldom a direct change from a single supplier to a new single supplier. Instead, the new suppliers assumed more and more activities over time and the old relationship diminished to the point of dissolution. Since the phases of dissolution are phases of divestment, the resources involved will influence both the cost and the time required for change. This will have an impact on the viability of the change process.

Gadde and Mattsson (1987) argued that not only direct but also indirect relationships have to be taken into account in order to understand the changes occurring within a relationship. The impact of indirect relationship increasing with growing international interdependencies is an important reason for studying a wider context of organizations in order to understand the changes going on in strategic alliances.

Changes in networks

The basic changes at the network seem to concern either changing the size of the net and/or the cooperation between and within the relationships of the network. In the process of international development, it was possible for industrial companies to change step-by-step, newly established, continuing and disrupted relationships by adding relationships one at a time. The existing network was said to be “established” for new relationships and the size of the network increased over time as more representatives and countries were added. For example, with the breakup of AT&T from its Regional Bell Operating Companies, major realignments have occurred in the telecommunications field, resulting in the phenomena of linking partners in telecommunications, publishing, computers and banking. During 1988-1989, AT&T, devoid of its subsidiaries, has joined domestically with Wang and others (GTS, CBS, Knight Ridder, Coleco and EDS) and internationally with Philips and Olivetti to preserve its market strength (Lynch, 1991).

Many industrial companies, customers, suppliers, and so on have become internationalized and are therefore already engaged in international relations. International integration has increased in importance such as in the information technology industry (Rai, Borah & Ramaprasad, 1996) also in telecommunications. As a result, companies cannot easily be separated from their international networks. The typical sequence has changed from established to continuing expansion. For telecommunication companies, this became very visible during the 1980s, the decade of acquisitions, joint ventures, and alliances. For example, Philips, the European electronics giant, faced with development cost to design and manufacture a new generation of telephone equipment chose to team up with AT&T, who had the technology and eagerly sought access to the overseas market

(Lynch, 1991). Rosenberg and Hirschman (1980) suggested technologies be linked not just in the sense that one innovation leads to the introduction of other but in the sense that their continued functioning is possible only by virtue of an ongoing symbiotic relationship. In 1984, AT&T and Philips established an equally owned joint venture to manufacture and market Telecommunications equipment (Yoshino & Rangan, 1995; 1996).

In this early continuing phase, there is a transition to closer operations between the companies, which increases the effectiveness and efficiency of the relationship. In this phase, new system design, new ideas, new communication systems and so on are developed and used in other service areas within the existing relationships. For example, Lotus Development Corp. and Intel Corp. have formed a joint development and marketing agreement for video-conferencing and computer data products. Under the agreement, Lotus will base its Lotus Notes products on Intel's Pro Share personal conferencing technology. The IntelPro Share system will add video and audio functionality to Lotus Notes for true multimedia workgroup Technology (Carison, 1996).

After the early continuing phase, Astleyand Schaeva (1984) called it the "closure of a net" which leads to higher interdependence between organizations and highly complementary networks. It will be increasingly difficult for new organizations to assess the network. In addition, successful designs and ideas are spread into other relationships and, in the process, form new relationships between existing companies on the network. This would increase network integration as well as the net's effectiveness. This will include an increase in the numbers of direct relationships between core companies in the network as well as breaking relationships with more distant companies, thus decreasing the number of actors in the network. The companies, which are no longer in a position presently on the network, could break away from the network. The next section will demonstrate the international changes and strategic alliances in telecommunication and multimedia industries.

AT&T'S Alliances

By selecting strong, local, independent companies in diverse countries, AT&T can create a network that could compete with the largest multinational Telecommunication companies. Historically, to trace AT&T's history, in 1984, the Justice Department found that the Anti-competitive drawbacks of continuing the AT&T monopoly outweighed the monopoly advantages. It broke up the AT&T monopoly in 1984 and formed seven Regional Baby Bell Operating Companies (RBOCs or Baby Bells) with geographical service regions. The Bells included Ameritech, Bell Atlantic, NYNEX, Bell south, Pacific Bell, Southwestern Bell, and US West. (Roger, 1994). Since the breakup, AT&T has concentrated on learning how to operate in competitive markets. This has required restructuring the remaining corporate divisions and exploring new unregulated businesses.

The core of AT&T's alliance strategy is to deliver the traffic generated from alliance partners and customers onto an AT&T owned network. AT&T generates demand for its network by increasing the number of devices that can use its network. Since AT&T owns the world's largest network, with 80 million callers spending $40 billion annually, there is a good chance that new traffic will find its way onto an AT&T network. By forming strategic alliances with equipment providers, AT&T locks in traffic from that equipment maker. The idea is to turn the AT&T network into a hosting environment for alliance partners' equipment, software and services, and provide telecommunications services to end-users (Carison, 1996). In its 1993 annual report, AT&T's CEO explained that the company hopes to dominate the convergence of communications, computers and video technologies by cross-breeding new products from its various business units. According to AT&T's annual report in 1994, AT&T had owned a 33% ($3.7 billion) stake in McCaw Cellular Communications, while negotiating with McCaw and the Justice Department for acquisition approval. In late 1994, AT&T agreed to a purchase price of $10.6 trillion and the Justice Department approved the deal.

Historically, the AT&T network had grown from 1984 through the 1990s, in both the number of services, and the number of countries covered in Europe and elsewhere. During this period, AT&T expanded through establishing a number of relationships in different countries offering services, to large companies for which telecommunication was a marginal service. AT&T has created innovative networks connecting our customers and the world. And with breakthroughs that span from the telephone to fiber-optic networking, AT&T has continued to set the standard across the communications industry.

However, Lotus Development Corp. and Intel Corp. have formed a joint development and marketing agreement, Lotus will base its Lotus Notes products on Intel's Pro Share personal conferencing technology. The Intel Pro Share system will add video and audio functionality to Lotus Notes for true multimedia workgroup technology. As a result of the above agreement, Lotus Development had to leave the strategic alliance. The workgroup functionality of Intel's Pro Share competes against AT&T's Telemedia Personal Video System (Carison, 1996).

What happened in terms of relationship changes and network changes for (1) AT&Tand Lotus Development (2) Lotus Development and Intel Corp. and be interpreted as follows:

1. AT&T and Lotus Development

Relationship changes: Starting up relations → closer cooperation → ending cooperation.

Network changes: Opening up → closer cooperation → severing network.

2. Lotus Development and Intel Corp

Relationship changes: Starting up relations → closer cooperation → close up.

Network changes: Opening up → closer cooperation → attempts to close up.

Analysis

The cases of AT&T show that the manner of relationships and the network of relationships seem to be repeated over time. However, as AT&T grew in size, and became more integrated, it became more a case of joining a network than of gradual changes in opening up new alliances. When AT&T and Lotus Development formed their alliance, their networks were in an early stage of development. They then expanded the networks, adding more relationships to create the large exclusive international network.

When Lotus Development joined Intel Corp network, the dependence and independence situation was also different. The concerning point here is with the size and degree of integration of the existing net. People see the first stage in the pattern of relationship and in the network development manner as a critical aspect. The first degree of integration at the relationship and network level is a critical factor in the commitment needed and the risk for the companies involved.

Costs and economies of scale

The AT&T cases reveal that these companies had to terminate a large number of relationships in order to form new alliance group. The combination of severing and establishing new relationships resulted in very high costs for all the parties involved. An important cost during these phases was the decrease in effectiveness and efficiency. It takes time to sever existing relationships and time to establish new relationships. The new network integrates their activities, and takes advantage of possible economies of scale and scope.

One of the reasons for AT&T and Lotus Development to become part of the network was closer cooperation that was also more active in telecommunications. In this way, they increased the economies of scale by increasing the volumes in existing communication systems, thereby encouraging investment in new communication systems, terminals, and the like. Other important economies were found in the utilization of marketing resources, since the costs are high and many customers are diversified, and geographically dispersed.

Both gains and losses in economies of scale and scope are important in the formation of an alliance since, in an international network, companies often have to break existing alliances in order to from new ones. We should consider how much time a network takes to break up and the time before scale economies are gained in the new strategic alliance. This is critical in the cost and formation of an alliance.

Second phase

The companies in the network had to be prepared to invest in new telecommunication system designs, new communication systems, new types of services and other developments, which meant creating attractive intangible assets and competitive advantages exclusively for their groups.

The attempt to get the member companies to leave their old alliances and join new ones is not easy. This engendered distrust among the members. One of the reasons for such distrust is the risk that the new design and development of new services cold be transferred and copied by competing groups. The availability and protection of intangible assets such as organizational learning, knowledge are cited as important reasons for the formation. Thus, the critical point here is the attractiveness of intangible assets and the extent to which the company or network wold gain access to them and could protect their intangibles from learning to other organizations.

Conclusion

Using the network approach and focusing on changing relationships, networks, and their interaction, this research found that:

1. The interdependence of international companies is high. Partners, customers and suppliers involved in the enterprise are tied to more integrated international networks.
2. The costs of forming a new alliance will have to include the costs of breaking the old ones. Thus, one must foresee the total cost and investment necessary to form strategic alliances.
3. It is time consuming for companies to find out how the relationships and networks are related and changing internationally.
4. When forming strategic alliances that result in more integrated international networks, complexity increases over time. Thus, top managers must have knowledge of the networks in order to decide on the choice of strategic alliances.

Based on the basic criteria for choosing a strategic alliance, the researchers might apply this research to textile industry, automobile and airline industry or high tech small and medium sized firms in Thaialnd and Asia.

Reference

Gadde, L. and Mattsson, L. (Mar, 1987). Stability and change in network relationships. International Journal of Research in Marketing. 4(1), p. 29-41

Gomes-Casseres, B. (Feb, 1997). Alliance strategies of small firms. Small Business Economics. 9(1), p. 33-45.

Johanson, J. and Mattsson, L. (Spring, 1987). Interorganizational relations in Industrial Systems: A Network Approach Compared with the Transaction-Cost Approach. International Studies of Management & Organization. 17(1), p 34-49.