

# STRATEGIC ORGANIZATION OF IT AND TELECOMMUNICATION SERVICES

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**Abstract:** *The accelerated development of the world services trade fostered the concerns of marketing theorists and practitioners regarding the development of new strategies for adapting existing strategies in order to enhance the beneficial effects at the economic and social level of international transactions. Successful companies in the services sector have a precise, clear, competitive strategy. With a clearly outlined strategy, managers can more easily accept or reject certain initiatives and providers know how to serve customers better. Our study highlights the theories about the strategies in services. Some modalities for organizing IT and telecommunication service delivery are also exemplified.*

**Key words:** *Service, Strategy, Strategic Management.*

## 1. The notion of strategy

A strategy is a pattern or a plan that integrates the organization's major goals, policies and actions in a sequential whole.

The strategy sets out the long-term direction and meaning of the organization, taking into consideration the resource adaptation to environment changes, and particularly to market changes [6].

The importance of the strategy results from highlighting the shortcomings and difficulties caused by its absence.

Thus, without a strategy, strategic differences may occur, especially in today's dynamic and turbulent environment and organizational fragmentations can become weaknesses and threats for the good operation of the business at all levels.

At present, environmental changes are of a great magnitude, including changes in interest rates and inflation, technological

changes etc. The static, simple and secure environment changed into a dynamic and diverse one, characterized by uncertainty and risk. These changes can lead, in the absence of the strategy, to strategic gaps and serious backlogs.

The strategy formulation is important primarily at the level of the organization, both for large and small firms, for those which aim at achieving profit and for voluntary organizations [2].

## 2. Strategic Management

Strategic management involves strategy formulation, evaluation and finally its implementation (by means of planning, organizing, directing, coordinating and controlling). Strategy is developed by several people, namely the top-managers of the organization. Generally, the strategy is developed from the bottom. If it does not contribute to the achievement of some

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tactical results, it means that this strategy is wrong. Clausewitz and Machiavelli have recommended this way which takes reality into account. Thus, in order to formulate a strategy, one should study the tactical situation. If for the management policy both ways are recommended, for the strategy only the bottom-up approach is successful. However, the company's

vision, mission and policy are also taken into account, as a strategy draft can result from them[5].

### 3. Service strategy particularities

Figure 1 shows the elements that should be mastered simultaneously in formulating a strategy.

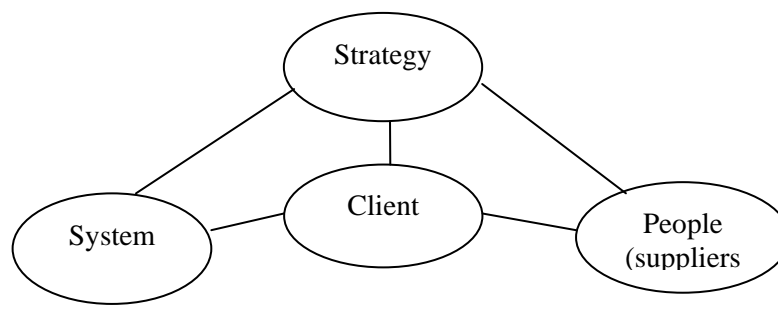


Fig. 1. *Service triad*

The strategy requires understanding of the environment, requirements and customer expectations. Finally, the strategy should identify key issues related to

processes that must be designed, and describe the goals that must be achieved through vision (Figure 2).

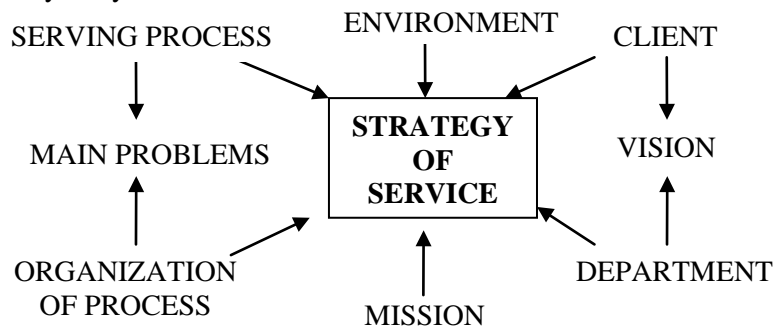


Fig. 2. *Success factors of services*

The impact of the environment includes:

- customer requirements (types of services);
- customer expectations (quality of service);
- prices;

- existing legislation;
- social factors;
- the technology evolution;
- customer demographic evolution;
- economic factors;
- suppliers' performance.

The internal factors of the service providing organization are:

- service quality perceived by customer;
- efficiency of sales;
- costs;
- customer and employee safety;
- employee and customer satisfaction;
- adaptability of the delivery infrastructure;
- management process;
- productivity targets.

After establishing the vision and mission, the main problems of the service provision must be determined. These problems should have following features:

- they are important for the client;
- they create high costs if the quality is poor;
- they occur frequently;
- they have a substantial impact;
- they create significant delays.

Some key issues are common for more services:

- quality- the level of service must increase all the time;
- provision – the access to services for all the customers must be increased;
- security - to ensure the safety of customers and operators;
- cost - operations to be conducted at minimal costs;
- responsibility – must be evident to the served community and to employees;
- relations - development of communication with customers, suppliers, legislators, government agencies (tax);
- customer protection - to ensure that customer property and financial interests are protected;
- willingness - to give clear and comprehensive explanations, to ensure a fair application of laws and regulations.

In the service rendering process, it is important to act in order:

- not to affect the confidence in the organization;
- to provide world-class services;
- to identify opportunities for improvement.

This can be achieved if the process is planned, if proper attention to customers is given, if accurate data and facts are used, if training is performed, if merits are recognized, if people work as a team.

The identification of problems leads to appropriate targets by which the vision is achieved. Examples of objectives for improving the service system are:

- services provision at night and at weekends;
- alternative service systems (telephone, automatic);
- the variety of payment options (cash, credit card etc.).
- forms and clear instructions, simplified procedures.

Defining the service strategy, employees are helped to understand the changes in the system behaviour and embrace the necessary behaviour in order to achieve the vision. By defining specific goals, the responsibilities of each employee are clarified, and this is the first step towards customer satisfaction.

Despite the current trend of improvement, it is noted, however, that there are still services (in the past there were even more) which, with the protectionist laws and regulations, prevent the entrance of new competitors and lead to the creation of monopolies. Sometimes they hide poor activities.

It has been noted that in the field of services, several generic strategies are spread:

- the strategy for using common services (self-service laundries);
- time-sharing strategies (shared time);
- strategies for service continuity (replacing doctors gone on holiday);

□ the system strategy - services are provided by external resources and not by the internal resources of the organization;

□ CHP strategy services.

The specialized literature indicates that, in order to increase the size, organizations can apply different strategies:

a) strategies for multiplying;

b) strategies for collaboration;

c) strategies for diversification.

a) *Strategies for multiplying.* Creating new branches is not random. Their location must be carefully studied. Location assessment involves three factors: the profit which will be obtained, the influence of new branches on existing ones and their influence on the cost of network management.

Creating new branches are judged by the following aspects: legal restrictions, advertising capacity, distance, technical capacity, distribution channels, cultural norms and social behaviour of buyers, the language used, political stability and national synergy.

There are many internal factors that must be overcome when it comes to creating a new branch. For example, a consulting office which is strictly specialized finds competent personnel with difficulty and limits its new branches. Therefore, many active famous consultants in the world belong to a single branch. If staff is important, there should be few branches, but if equipment is important for providing the service, several subsidiaries can be created. Also, in case customers are important, more branches are created near it (fast-food).

b) *Collaboration strategies.* Collaboration can be done by integrating logistics, technology, partnership or franchise. The latter is a method of

providing a service whereby the franchisor grants the recipient the right to work in a market in a prescribed manner, prescribed time period and a specific place. Somehow, the franchisor sells a trademark for a fee and a percentage of initial income. There is a beneficiary obligation to participate in ad spending. Franchise may be monitored, territorial, individual or direct, depending on the control level.

In 1990, McDonald's had 11 300 beneficiaries in 50 countries and 2500 in the U.S.A. Franchise was extended to pharmaceutical sales, but also amusement parks (Disney World is in Florida, California, Japan, France).

c) *Strategies for diversification.* Many organizations prefer to grow by diversifying services. For example, ski resorts that have a seasonal activity use such a strategy. They are turned into holiday resorts or places for conferences. The rooms that can be good for skiers may be satisfactory also for the participants at the conference. Some fast-food restaurants began to also serve quick breakfast.

Diversification can be beneficial but should not lose the original service. Usually, peripheral services are changed. This also allows for price changes (separate price for additional services). Diversification also brings cross benefits (e.g. opening a postal counter in stores attracts new buyers).

The growth of the organization requires new managerial skills, in particular skills in risk management. Any change involves risks which depend on the provision of new services and multiplication sites. It seems that 95% of income is obtained from services provided after selling products.

Also, technology change involves risks (Figure 3). The organization must develop within its own technology.

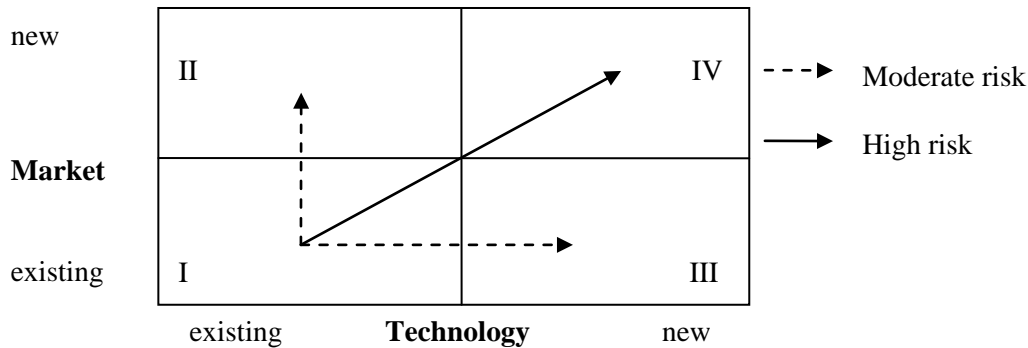


Fig. 3. Risks caused by technology

IBM, which provides services, is located in the first quadrant. A company which diversifies its activities lies in the second quadrant. Moreover, some providers may use the same technology, but for different markets (e.g., an expansion using decentralization of operations and use of retailers services leads to the movement from quadrant I to III). The direct change from quadrant I to IV is very risky (Du Pont, for example, sells its competence in plant maintenance). Thus, the organization is a test laboratory, but also a consultant office or exhibition hall.

Possible strategies (growth, maintenance, disengagement) depend on external and internal factors. An enterprise can compete with its rivals by factors such as price, quality, range of services. Several strategies can be applied in the same environment (e.g., some have the strategy of improving customer relationships, while others reduce them and both can be successful - for example, a car service). The organization structure can be established based on the strategy. Strategies for services can be appreciated by:

- level of understanding the service;
- the way of dealing with competitors;
- the mastery of costs;
- setting the price changes;

- development of new services;
- existence of a profit from strategic operations (purchases/sales of companies) [3-4].

### 5. Organizing service rendering in the company "Lukoil Technology Services Romania"

#### 5.1. Presentation of the company

"Lukoil Technology Services Romania" is a subsidiary of the IT company "LUKOIL-INFORM" from the "LUKOIL" Group.

The main tasks of "Lukoil Technology Services Romania" are:

- to implement, administer and develop integrated information systems to solve business tasks, ensuring the uninterrupted operation of applications, IT and telecommunication equipment and technology.
- to optimize the organizations' business processes in the "LUKOIL" group to achieve strategic goals and increase efficiency in every sector of the oil company.
- to provide global consulting and technology services based on modern technologies, products and solutions.

„Lukoil Technology Services Romania” was founded in August 2005 as a company specialized in IT and telecommunications.

## 5.2. Strategic planning of service delivery

The strategic planning aims to meet the expectations and needs of stakeholders (management, employees, suppliers, customers, community). The strategic planning is based on short-term, medium and long term strategies, and is based on business results. Strategic planning includes the planning of material resources (proposed and approved budgets) and the planning of human resources (the process of training, recruitment, staff evaluation). In terms of company management, strategic planning involves analysing and determining business opportunities and invested capital performance, and in terms of community, stability in business, community relations, including environmental protection. The strategic planning of human resources focuses on understanding the requirements and expectations of employees, including terms of their career development [6].

Within the planning process, the organization determines the following:

- a. the objectives of quality and requirements for project/service software (customer requirements, legal requirements, the organization's own requirements);
- b. the need to assign specific resources;
- c. activities of execution, verification, monitoring, and internal and external validation;
- d. the responsibilities to identify, analyse and treat unconformities at all stages of service delivery;
- e. needed records in order to provide evidences that IT services meet the requirements.

Heads of technical support departments (SAP, IT, HOS, cards) have the authority and the responsibility of organizing and coordinating activities within the IT

support organization; they ensure that the staff involved in these processes are aware of their responsibility for quality.

In addition to customer requirements, the delivery of services takes into account the conditions on security, environment, legal regulations, including elements of political organization.

Within the organization, the following are determined during the planning-development process:

- stages of implementation and content of services;
- analysis and checking of results of each phase;
- responsibilities and functions of the involved functions.

The organization provides the control of communication between different teams involved in services delivery, in order to ensure effective communication and a clear delimitation of responsibilities. Relations between the participating teams are of the type „client-supplier”.

The organization's management uses procedures in order to ensure the efficient and effective operation for both value creation processes, management processes, as well as support processes, so that the organization would be capable of meeting customer requirements from the quality point of view.

The planning of service provisions is consistent with the requirements for other processes of the quality management system.

Quality is a very important process for selling services which comply with predetermined specifications. This activity involves:

- planning process control;
- ensuring process capability;
- monitoring supplied products and services, utilities, and environmental conditions.

The planning of the process control within the organization includes:

- Specifying how to conduct activities by means of documented procedures;
- Evaluating the potential effectiveness of processes;
- Documenting the current activities;
- Identifying verification operations and the methods used.

The organization has implemented a process for the effective and efficient control of internal and external changes in customer requirements, in order to ensure that changes in a software feature/project, or process are understood, meeting stakeholders' needs and expectations and that these changes can be implemented in terms of economic efficiency for the organization.

The variables of the planning process involve several categories of costs, which have a typical content, different from the numbers reflected in the accounting of the organization, allowing them to define the extra costs, namely:

1. labour costs
2. inactivity costs;
3. cost of product/service deficit.

The value for each of these costs can be determined by methods specific to operational management.

When the purchase of products/services necessary to conduct operational processes is planned, the following elements are highlighted:

- a) quantity requirements;
- b) documentation and resources;
- c) the activities of verification, validation, monitoring, inspection and testing of IT services and specific criteria for their acceptance;
- d) records needed to provide proof that the sold products and services meet the requirements.

Outputs of this planning are presented in an acceptable form for organization methods.

### **5.3. Processes related to customer relationship**

Complying with appropriate procedures, the organization has set the rules for conducting the activities of receipt, review, acceptance, registration and change of customer requests:

- a. how to determine the requirements for services;
- b. how to analyse and accept the requirements for services provided before the organization's commitment to accept the contract in order to ensure that:
  - Requirements for services are determined;
  - Requirements of the contract/order, which differ from those previously expressed, are resolved;
- The company has the capability to meet defined requests.
- c. how to communicate with the client regarding:
  - Information services;
  - Treating customer requests;
  - Feedback from the client.

## **6. Strategic options for the company "Lukoil Technology Services Romania"**

Following the presentation and analysis of the process of service delivery by the company "Lukoil Technology Services Romania", suggestions can be outlined about the possible applicable strategies, which will ensure the company's competitiveness on the market.

Thus, considering the subject and nature of the business activity and a pre-established, limited and stable segment of the market (rendering services to the companies from the Lukoil Group),

strategies of product and strategies of human resources can be approached.

Product or service strategies can be classified depending on the following criteria: quality of service, degree of innovation and size of product/service range. For firms operating on multiple markets, there is one more criterion: the approach of local preferences.

Service quality expresses the extent to which the service meets clients' requirements. The way customers perceive quality decisively influences the company's image and that is why quality strategies hold a privileged position in product policy. Differences arising between the promised and actually delivered quality of service, between perceived and received quality, may alter the image of a company.

Depending on its situation at a certain stage, a company may choose one of the following strategies: to adapt, to maintain or to differentiate the quality [7].

a. The qualitative adaptation strategy is achieved by adapting the quality requirements of each segment of consumers and may result in providing service packages adapted to the wishes and needs of each segment.

b. Quality maintaining strategy. When the company has a strong market position, a positive image, maintaining service quality strengthens its market position.

c. Quality differentiation strategy. Differentiation is achieved by adding value to basic services. The most significant differentiation is achieved through high quality services.

In the case of "Lukoil Technology Services Romania", a company which has been operating for nearly five years and has a strong position, the quality differentiation strategy will be adopted, in order to offer a greater value to the

customers and to become stronger and stronger.

Depending on the degree of originality, the strategic options which a firm can choose are the ones of the service development strategy within the Ansoff matrix. Thus, in our case, the following strategies can be applied: new products for markets already served by the company, extending the company's line of services and improvement of services.

Depending on the size of the product mix, the strategies which a firm can choose are: growth, maintenance or restriction of the product mix.

- Product mix growth - involves increasing the number of types of services. It is a strategy used when a company intends to expand its market.
- Maintaining the product mix – means the maintenance of the number of types of services. It is a strategy used when the company is satisfied with the results obtained from exploiting its portfolio of activities.
- Restriction of the product mix - requires the removal of outdated services and those with weak demand and the simplification of the product range [1].

Over the last 10 months, the company has adopted the strategy of growth by purchasing the automation, equipment repair and metrology services from the company "Petrotel-Lukoil". And now the company makes efforts to maintain its range of services.

For the multi-national company "Lukoil Technology Services Romania", operating in multiple markets, there is also the problem of choosing between standardization and adaptation of products to local preferences.

The role of personnel in services is extremely important, since in most cases suppliers of services cannot be separated



from service. Staff quality influences the quality of services in a decisive manner. Therefore, in the field of services, internal marketing is a basic component of the marketing activity.

Internal marketing is "attracting, improving and maintaining employees in functions which will ensure efficient and maximum use of their working ability and also a system of motivations which will allow the meeting of both material needs and professional aspirations of the company personnel".

Internal strategic objectives aim at long term processes which involve company management and employees (e.g. staff motivation), while external policy objectives aim at the relationship between company staff and its customers (e.g. attracting new customers, retain existing customers, etc.). Tactical objectives aim at

processes carried out on the short and medium term.

Based on the goals and careful analysis of the company, it is necessary to outline an internal marketing strategy.

The strategies' target is to attract, develop, motivate and keep the qualified staff. For example, for staff training, the company can choose either a strategy of training the staff within its own system or in specialized units.

The internal marketing strategy of a firm assumes the setting of a long-term plan for the staff behaviour, taking into consideration three aspects: content (objectives, strategies, budget), time and organization.

The strategic objectives of internal marketing that could be considered by the company in order to increase its competitiveness are shown below:

*Strategic objectives of internal marketing*

Table 1

Domain	Orientation of objectives	
	Internal objectives	External objectives
<b>Strategic domain</b>	<ul style="list-style-type: none"> <li>➤ Awareness of client importance</li> <li>➤ Motivation of staff</li> <li>➤ Satisfaction of staff</li> <li>➤ Involvement of staff</li> </ul>	<ul style="list-style-type: none"> <li>➤ Differentiation from competitors</li> <li>➤ Attracting new clients</li> <li>➤ Man to man positive communication</li> </ul>
<b>Tactical domain</b>	<ul style="list-style-type: none"> <li>➤ Employees' know – how of</li> <li>➤ Informational base of staff</li> </ul>	<ul style="list-style-type: none"> <li>➤ Clients' satisfaction</li> <li>➤ The client oriented behaviour of the staff which works with them</li> </ul>

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