Contents

List of illustrations xi
Preface xiii
Acknowledgements xv
List of abbreviations xvii

1 Structural overview **1**
Introduction 1
Ranking the companies 2
Effects upon market values 8
Strategic issues 12
Conclusions 20

2 Strategic models **22**
Introduction 22
SWOT analysis 23
Growth share matrix 25
Scenario planning 27
Value chain analysis 30
Porter's Five Forces 34
The flagship firm 36
Strategic states model 39
Leadership and culture 43
Accounting issues 46

PART I
Illustrative application of strategic modelling I **51**

3 British Telecommunications (BT) **55**
Introduction 55
Accumulating debts and restructuring 56
The BT Group stands alone 67

The BT Group tries to deliver 71
mmO2's less than glorious year 72
Conclusions 75

4 AT&T **78**

Introduction 78
Background 78
The Concert episode 80
The new millennium brings restructuring 82
AT&T Wireless launches 86
Valuing AT&T 88
Taking stock 91
2002 in practice 93
2003 dawns 96
Conclusions 98

5 Telecom Italia **100**

Background 100
The first contest for Telecom Italia 101
Post-merger restructuring 104
Seat-Tin.it 107
An audit of the Colaninno reign 108
The tables are turned 109
The proposed strategy 111
Subsequent events 114
Conclusions 121

PART II
Illustrative application of strategic modelling II **125**

6 Vodafone **129**

Background 129
Growth via acquisition 130
Re-branding 135
Tidying up the structure 136
Share price woes 143
A need to reconsider the strategy 145
Conclusions 152

7 WorldCom **154**

Introduction 154
Background 154
A strategic U-turn is needed 157

Smoke and mirrors 159
In Chapter 11 164
Conclusions 169

PART III
Illustrative application of strategic modelling III 173

8 Vivendi Universal 177
Background 177
Early struggles 179
Causes for concern 184
The plot unravels 186
Let the fire sale begin 189
Back to basics in 2003 193
Conclusions 198

9 AOL Time Warner 200
Introduction 200
Multimedia and convergence 201
Background 202
Musical chairs 205
Regulatory skirmishes 206
Post-merger tribulations 210
The restructuring of Time Warner Entertainment 213
Personnel and other matters 214
What was joined shall be parted 217
Conclusions 220

10 The KirchGruppe 223
Introduction 223
Background 223
The KirchGruppe structure in 2002 225
The crisis unfolds 227
The impact of the KirchMedia insolvency 230
Towards resolution 232
Conclusions 238

PART IV
Illustrative application of strategic modelling IV 241

11 Cable & Wireless 245
Introduction 245
Background 245

No longer cabled 248
Strategic issues 249
The good times roll 252
A new decade dawns 253
Annus horribilis I 255
Annus horribilis II 257
Out of the woods in 2003? 260
Conclusions 263

12 Marconi **265**

Introduction 265
Background 266
Matters of high finance 268
Abandoning ship 270
The new strategy unfolds 275
Arise Marconi Corporation 280
Conclusions 281

Glossary 284
Notes 287
References 307
Index 308

Illustrations

Figures

2.1	Pro-forma for a SWOT analysis	23
2.2	Growth share matrix	26
2.3	Subscriber vs. ARPU growth rate scenarios	29
2.4	The generic value chain	31
2.5	The value system	32
2.6	Forces driving industry competition	34
2.7	The flagship firm and its business network	36
2.8	Strategic states model: dimensions and strategies	40
2.9	Crucial competitive edges within the strategic states model	41
2.10	Business strategy development of companies operating telecommunications networks in the UK and Sweden	42
3.1	mmO_2 share price, 2002–2003 (pence)	66
3.2	BT Group share price, 2002–2003 (pence)	70
4.1	AT&T Corporation share price, 1993–2003 (dollars)	79
4.2	AT&T Wireless Services share price, 2001–2003 (dollars)	87
5.1	Telecom Italia share price, 1999–2003 (euros)	112
5.2	Olivetti share price, January 1999–January 2003 (euros)	112
5.3	Pirelli share price, 1999–2003 (euros)	113
5.4	TIM share price, 1999–2003 (euros)	113
6.1	Vodafone Group share price, 1994–2003 (pence)	131
7.1	WorldCom Inc. GA New share price, 1993–2002 (dollars)	156
7.2	WorldCom Inc. WorldCom Group share price, December 2002–November 2003 (dollars)	170
III	Business strategy development	176
8.1	Vivendi Universal share price, 1999–2003 (euros)	180
9.1	AOL Time Warner share price, January 1998–January 2003 (dollars)	201
10.1	KirchGruppe linkages, October 2003	225
10.2	The KirchGruppe organization chart	226
11.1	Cable & Wireless share price, 1993–2003 (pence)	246
11.2	Cable & Wireless share price, 2003 (pence)	261
12.1	The Simpson effect	266

12.2 Marconi plc share price, 2000–2002 (pence) 266
12.3 Marconi Corporation share price, 2003 (pence) 281

Tables

1.1 Telecommunications companies in the FT500, December 1997–March 2003 4–7
1.2 Telecommunications and related companies' capital values, 31 December 1998–28 March 2003 10–11
1.3 Illustrative recent major mergers and acquisitions 15–17
1.4 Illustrative major write-downs 19
1.5 Goodwill on balance sheet, March 2003 ($ million) 19
2.1 Steps in short- and long-term SWOT analysis 25
2.2 Eight steps to end-states 30
2.3 Strategic leadership approaches 43
3.1 BT's strategic choices to reduce debt 58
3.2 Contributions to debt reduction, 2001–2002 ($ million) 62
3.3 Directors' merry-go-round – BT and BT Group 67
3.4 BT Group, five-year financial summary, year ending 31 March (£ million) 73
3.5 mmO_2 financial summary, year ending 31 March (£ million) 74
4.1 Long-distance traffic, year-over-year change (%) 80
4.2 AT&T consolidated accounts, year ending 31 December ($ million) 95
5.1 Competing strategies 103
5.2 Chinese boxes 110
5.3 Consolidated accounts of Olivetti Group, year to December 2002 (€ million) 117
5.4 Main equity investment acquisitions and disposals 2002, Telecom Italia/TIM (€ million) 118
6.1 Vodafone Group operations in Western Europe, 30 June 2003 137
6.2 Other Vodafone Group holdings, 30 June 2003 140
6.3 Five-year summary of consolidated results, year ending 31 March (£ million) 149
8.1 Vivendi Universal financial summary, year ending 31 December (€ million) 185
8.2 Vivendi Universal on the block, August 2002–February 2003 190
9.1 AOLTW holdings 204
9.2 New company structure 215
9.3 AOLTW balance sheet 2001 and 2002, year ending 31 December ($ million) 215
11.1 Seven-year financial record, year ending 31 March (£ million) 254
12.1 Five-year summary of consolidated results, year ending 31 March (£ million) 271
12.2 Directors' merry-go-round 272
12.3 Main asset purchases and disposals, December 2000–April 2003 276