Regulating Mobile Services: 
An Institution-Based View

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ABSTRACT

While the development of mobile services is experiencing a spectacular growth in many countries worldwide, existing regulatory regimes are ill equipped for dealing with them. In this paper, the authors use qualitative evidence to investigate the manner in which institutional regulatory factors, including legal, societal, and economic factors, can impact mobile services in the Australian mobile telecommunications industry. These factors are important as they shape both the nature of emerging mobile services and their diffusion trajectory. The investigation culminates with an innovative institutional regulatory framework that includes factors such as consumer and intellectual property protection, market and resources access. The authors argue that co-regulation, a mixture of direct monitoring and intervention of regulators through legislation and complete industry self-regulation, is an effective approach for regulating the mobile telecommunications industry. Given the complex and dynamic nature of this industry, co-regulation can minimize monitoring costs and enhance compliance.

Keywords: Co-Regulation, Institution-Based View, Mobile Services, Mobile Telecommunications, Qualitative Research, Regulation

INTRODUCTION

Mobile technologies and services are heralded to create a tremendous spectrum of business opportunities (Liu, Huang & Chen, 2008). The rapid proliferation of mobile devices, including mobile phones, PDAs, and handheld computers, is considered to be a driving force for next-generation m-commerce (Bouwman et al., 2007; Carlsson, Walden & Bouwman, 2006; Lin & Liu, 2009; Tsai, Lo & Chou, 2009). Many markets have surpassed the 100% handset penetration and in those markets mobile users are attracted to new and compelling mobile services (Mylonopoulos & Sideris, 2006; Steinbock, 2005). These market conditions provide a conducive environment for delivering increasingly sophisticated mobile services which constitute a substantial source of revenue growth for the mobile telecommunications industry (Massey, Khatri & Ramesh, 2005; Rao Hill & Troshani, 2010; Troshani & Rao Hill, 2009a).

A mobile service can be defined as an activity or series of intangible activities that occur when mobile consumers interact with systems or service provider employees with the support of a mobile telecommunications network (Bouwman, Haaker & De Vos, 2007). Examples of mobile services include mobile e-mail, SMS and MMS services, content

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downloads, mobile ticket reservations, mobile stock trading, and mobile TV (Bina & Giaglis, 2005). Delivering mobile services requires the integration of diverse technological and organizational resources which typically cannot be found within individual organizations. Consequently, the knowledge necessary for developing and deploying these services may involve several heterogeneous stakeholders that are often embedded in various technological, economic, and social settings. In order to succeed, these stakeholders must interact with each other while complying with institutional requirements including legal and societal requirements that balance their diverging interests, motivations, and needs (Camponovo & Pigneur, 2003; Rao Hill & Troshani, 2010; Troshani & Rao Hill, 2009a). These requirements constitute a regulatory regime which can operate at either industrial, national or international levels and can influence, direct, limit or prohibit any activity undertaken by stakeholders operating in the mobile industry (Yoo, Lyytinen & Yang, 2005). Typically, regulatory regimes are set by regulatory and legislative authorities including government agencies, industry and consumer associations.

Combined with the complexity of stakeholder interactions, regulation has the potential to affect the offerings and the uptake of mobile services (Kijl et al., 2005; Sangwan & Pau, 2005). Credible and transparent regulatory rules can boost investments in the industry, promote public confidence and the development of innovative and affordable mobile services while stimulating industry research and development efforts (Verikoukis et al., 2006). However, regulation can also impact the industry in a negative way. Increasing regulatory compliance fees for stakeholders can increase the overall cost of operation (Tongia, 2007). Furthermore, excessive regulation can act as a barrier by hampering innovations that technological development can make possible (Fisher & Harindranath, 2004; Folger, 2001).

It is not until a technology has been commercialized that its originators realize the problems that the technology poses to society in general (MacInnes, 2005). However, “one needs to be concerned with societal, legal, and general economic factors” (MacInnes, 2005, p. 7) when a service technology has reached minimum standard of performance and reliability. This is a stage that is generally overlooked. That is, solutions are needed for potential legal, societal, and general economic concerns that mobile services may introduce (MacInnes, 2005). Even though regulation has been attracting the attention of policy makers and consumer advocacy groups as the mobile services industry matures (Woolfson, 2005), regulatory regimes around the globe are ill equipped for dealing with technologies such as mobile services. However, there is agreement that extant telecommunications policy frameworks that are inherited from specific national and international settings are “not well-placed to deal with contemporary communications technologies that blur the boundaries among these” (Goggin & Spurgeon, 2005, p. 181).

Previous studies have not investigated regulatory issues as they apply to the mobile telecommunications realm in depth (Grzybowski, 2005; Oh et al., 2008; Tallberg et al., 2007). In fact, many scholars argue that research in this area is lacking (Gelenbe, 2003; Killström et al., 2006; Pitkänen, 2006; Ubacht, 2004). Furthermore, practitioners believe that a healthy regulatory environment is essential for the growth of the mobile telecommunications industry (Chen, 2008; Goggin & Spurgeon, 2005; Informa, 2005b; Verikoukis et al., 2006; Woolfson, 2005). With this study, we attempt to address these concerns by developing an institutional regulatory framework. Our objective is to leverage on extant literature with a focus on the institution-based view and use qualitative evidence to explore how regulation can affect the mobile services industry. The study culminates with an institutional regulatory framework which is validated using the Australian mobile services industry as a research setting.

This paper is structured as follows. First, we examine the institution-based view after which we discuss the research method. We then explain the interactions of stakeholders
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