The globalization of telecommunications markets is of primary concern for today’s large telecommunications carriers. International business telecommunications is growing at a rate twice that of domestic traffic. Multi-national customers with offices around the world are demanding integrated solutions to their telecommunications needs. As telecommunication carriers respond to these customers’ needs, the carriers are beginning to expand outside their national boundaries. This paper identifies the dominant telecommunications carriers and the major markets. Then, it describes the regulatory environment in the major markets of Japan, the United States and Western Europe and analyzes how the dominant carriers are implementing their globalization strategies. Based on the analysis, AT&T and British Telecom emerge as having the highest potential for continued globalization.

The globalization of markets is a primary concern for the large telecommunications carriers (British Telecom, 1990; AT&T, 1991). These carriers are seeing their domestic profit growth slow or decline because of increased local competition (“Called Together,” 1991). Meanwhile, international business telecommunications is growing at twice the rate of domestic traffic (Keller, 1991). The carriers are further driven by the globalization of their major customers. As customers expand, so does the need for rapid, reliable international telecommunications. While existing standards for telecommunications services support international calling, the outdated, overworked phone systems in many countries make international telecommunications services expensive and often unreliable. The solution for many firms has been to implement private networks (Eckerson, 1991; Freeman, 1991; Lalich, 1989). This has often been successful, but these firms have had to build large, highly skilled telecommunications staffs to deal with both the basic technology and the different technical standards and regulatory environments found throughout the world. Many other firms, not wanting to develop this expertise, are looking to the carriers for the management of their international networks (Crockett, 1991; Gantz, 1992; Horwitt, 1992). This paper looks at competition and strategies of telecommunications carriers in providing global services. First, the components of the telecommunications industry are presented. The major markets and the dominant players in those markets are then identified. The markets analyzed are Japan, the United States and the Western European countries of Great Britain, France and Germany. The regulatory environment in these markets and the international market
penetration strategies of the dominant carriers are then presented. These discussions lead to a model that combines the degree of deregulation in major markets with the globalization progress of the dominant carriers. We conclude with a discussion of the challenges facing carriers in global telecommunications services and areas for future research.

The Telecommunications Industry

The telecommunications industry is composed of carriers, equipment manufacturers, and network facility providers.

The telecommunications carriers offer services to multi-national corporations, businesses, individuals, and government. These services are of three types: POTS (plain old telephone service), enhanced services and substitutes. POTS include local wire access and national and international long distance service. Enhanced services or VANS (value added network services) include private data networks, video conferencing services, special telephone calling features (e.g., call forwarding and speed dialing), integrated services digital network (ISDN) and Broadband-ISDN. Substitutes are those technologies that can supplant all or a portion of POTS as the supplier of residential and business telecommunications. Examples are CATV (cable television), cellular telephone systems, paging systems, private satellite and microwave systems and CT2, an extension to the cordless telephone concept.

Telecommunications equipment manufacturers produce customer premise equipment (CPE), switching equipment and transmission equipment. Customer premise equipment could be telephones, private branch exchanges, data terminals, or other equipment. Switching equipment are the digital and analog switches that are installed in the carriers’ central and loop offices. Transmission equipment includes repeaters, digital access cross connects, multiplexers, and other equipment that are used to send traffic across the network facilities.

Network facility providers produce the transmission medium. These include copper wires, coaxial wires, fiber optic cables, satellite links, or microwave radios. These facilities are interconnected using the telecommunications equipment to produce a telecommunications network.

The telecommunications carriers integrate the facilities and equipment with appropriate software and hardware to produce services that satisfy the demands of the end-users. Examples of services are: 800 services, T-1 service, Digital Data Service, International Call Direct Service, or cellular telephones.

Often, a company, may be involved in more than one of the three businesses of telecommunications services, equipment manufacture, and network facility manufacture. An example is AT&T which does all three.

Competition in Global Telecommunications Services

Deregulation in the major markets has changed the features of international telecommunications services (Woodrow, 1989). These services were offered originally as a result of cooperative technical and administrative arrangements among carriers. Now, these services are being subject to increasingly fierce competition among the carriers.

The structure of competition for global telecommunications services can be viewed in the context of Porter’s five forces (Porter, 1990). The existing competitors are the large carriers and those firms offering the more complete range of enhanced services. It could also be argued that in “global” telecommunications services, there are no existing competitors and all are new entrants. Suppliers are the manufacturers of telecommunications equipment and buyers are the residences and businesses using the services. Both the suppliers and the buyers in the case of multi-national firms are potential sources of competition; however, there is little evidence that either is rushing to become a service provider. Finally, competition from known substitutes exists, with the range of competitors expanding to include the existing carriers themselves. This view of competition has to be augmented to account for the significant influence of each government. The governments dictate the rules foreign firms must follow to compete in their market and the rules their local carrier must follow to compete both at home and abroad. Government influence is discussed later; the major carriers and markets for telecommunications services are introduced below.

The Carriers

Carriers that rank among Business Week’s Global 1000 are listed in Table 1 along with their 1990 market value and revenue. Included also is their ranking against other global corporations and their ranking among all corporations within their own country. These carriers are the dominant forces in the largest telecommunications markets in the world.
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