

Strategic Renewal of Europe's Largest Telecom Operators (1992–2001): A Reply to Curwen

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If a published paper is confronted with a critical rejoinder regarding the research question and findings, this may indicate various possibilities. First, the paper is (partly) incorrect. As we will argue this is not so in the case of our paper. Second, the paper's message is not clearly communicated, which is always to some extent the case. Third, the author of the rejoinder simply takes another perspective as opposed to the one used in the paper. Subsequently he starts criticizing the paper from the point of view that his perspective and the associated references, analysis and results are really missing and, therefore, the paper provides no new insights.

We believe the rejoinder primarily belongs to this third category. Without explicitly emphasizing his perspective, Dr. Curwen seems to take a descriptive approach and uses the industry as the main level of analysis. Our paper uses theoretical frameworks aimed at explanation and focuses on a firm level of analysis. Our paper's aim is, therefore, *not to provide a rich description* but to use theory-driven frameworks aimed at *explaining firm behavior*. Dr. Curwen, however, does not say a single word about our theoretical framework but starts immediately ridiculing our research question and findings. In doing so, he does not provide empirical evidence regarding our research question or theoretical arguments to support his view, apart from a reference to those who are 'fully conversant with the telecommunications industry in the 1990s (Curwen, 2004, last page of his rejoinder).

Remarkably, Dr. Curwen used a similar attack on another paper about the telecom industry published in this journal (Curwen, 2001). In their reply, the authors of that paper emphasized that Dr. Curwen based his comments largely on (1) misreading their paper ('Misconception of the Purpose'), on (2) inappropriate analysis, and on (3) not providing an empirical refutation of their paper 'because he bases his claims on weak evidence.' (Jamison and Chan-Olmsted, 2002:96). In our reply we will address these three issues as well.

We will first elaborate on the obvious point that using different perspectives produces different results. Second, we will reflect on the main issues raised in the rejoinder. Finally, we will conclude by emphasizing that industry experts, as Dr. Curwen claims to be, do not possess any kind of monopoly on understanding 'their' industry. On the contrary, we and many other scholars believe that the scientific understanding of phenomena like the strategic renewal of established firms make real progress by both *respecting other scientific approaches* and by trying to reconcile the insights gained. In doing so, they may really help managers, employees, and other stakeholders.

Misreading the Paper

As explicitly stated in our paper, the purpose is to investigate how Europe's five largest incumbent

telecommunications operators have responded to the increase in turbulence in their industry (1992–2001). Addressing this issue, we use two complementary *theoretical lenses* in our paper. The institutional theory lens views strategic renewal as determined by institutional forces. In this connection, Scott (2001) distinguishes three institutional forces. First, regulative systems in which rules, laws and sanctions regarding, for example, liberalization, exert coercive power in strategic renewal. Second, normative systems, including both values and norms, impose constraints on strategic renewal. Third, cultural-cognitive systems highlight shared conceptions and a common frame of reference regarding e.g. the possibility of strategic renewal. These three institutional forces elicit three related bases of legitimacy for organizations. To the extent that these institutional forces operate at industry level, this theoretical lens predicts that the strategic renewal trajectories of, in particular, large established incumbents, will be relatively similar in their endeavor to maintain their legitimacy. In contrast to a dominant focus of institutional theory on an outside-in approach (Greenwood and Hinings, 1996), a strategic choice perspective allows for incorporating an inside-out approach as well. This perspective tries to explain the conditions for firm specific strategic renewal journeys (Flier *et al.*, 2003; Rodrigues and Child, 2003). In our paper these two theoretical perspectives are illustrated in a conceptual framework depicting four idealized strategic renewal journeys (Volberda *et al.*, 2001a).

Research, from a strategic management perspective, into the telecoms industry and telecoms firms does take place in the major journals in the field, albeit not frequently. Table 1 provides some key examples. These papers range from an *industry level* of analysis,

e.g. the third paper in Table 1, to a *firm level* of any analysis, e.g. the paper of Rodrigues and Child (2003). They investigated a major Brazilian telecoms firm (Telemig) in a detailed and longitudinal study. These authors examine the extent to which co-evolution can take place in an institutionalized environment, taking into account the strategic choice of the firm involved. The studies in Table 1 emphasize, as in our paper, the necessity to use theories and theoretical frameworks to increase the understanding of firm behavior.

Table 1 also shows that papers on organizational change and renewal primarily focus on particular ways of renewal i.e. by merging (Baroncelli, 1998) or by entering alliances (Joshi *et al.*, 1998). In our paper, we aimed at a more *encompassing approach of renewal* by focusing on the context-, content-, and process dimensions. In such an approach, strategic renewal includes mergers and alliances, but is not limited to these specific strategic actions. For that reason, we designed a new research methodology aimed at getting a richer picture of strategic renewal and the associated metrics. As mentioned in our paper, this research methodology is described elsewhere, including issues like intercoder reliability and the pro's and con's regarding other methods, and the issue of weighting the strategic renewal actions (Volberda *et al.*, 2001 b). Regarding the latter issue, due to data limitations in cross-country investigations, this was not possible.

Having briefly indicated the purpose, focus and research approach of our paper, we will now reflect on Dr. Curwen's comments that are based on a misreading of the paper. First, the *scope* of the paper is criticized as unclear: is it the industry, incumbents,

Table 1 Examples of Investigations into the Telecom Industry and Telecom Firms in Scientific Journals in the Strategy Field (1994–2003)

Author(s) (year)	Journal	Topic
Kashlak and Joshi (1994)	Strategic Management Journal	Core business regulation and dual diversification patterns of U.S. Regional Bell Operating Companies.
Smith and Zeithaml (1996)	Organization Science	Garbage cans and advancing hypercompetition: The creation and exploitation of new capabilities and strategic flexibility in two U.S. Regional Bell Operating Companies.
Genschel (1997)	Organization Studies	How fragmentation can improve co-ordination: Setting standards in international telecommunications.
Baroncelli (1998)	Long Range Planning	Telecom Italia: Merging five companies into one.
Joshi <i>et al.</i> (1998)	Long Range Planning	How alliances are reshaping telecommunications. A study into the alliance activities of 21 U.S. telecom service firms.
Majumdar (1998)	Strategic Management Journal	On the utilization of resources: Perspectives from the U.S. telecommunications industry.
Majumdar and Venkataraman (1998)	Strategic Management Journal	Network effects and the adoption of new technology: Evidence from the U.S. telecommunications industry.
Rodrigues and Child (2003)	Journal of Management Studies	Co-evolution in an institutionalized environment. A detailed case study of a major Brazilian telecommunications company.

Source: Based on a literature scan involving six scientific journals (the five mentioned in the Table and AMJ) during the period 1994–2003

or new entrants? As the title of the paper already highlights, and the exposition above made clear, we focus on the largest telecoms firms and try to explain their strategic renewal behavior at firm level. Second, we are criticized for not being clear about 'Internet based voice calling' at the end of the *section on liberalization*. Unfortunately, we have no section on liberalization, but on three forces at industry level, liberalization being one of these forces.

Third, Dr. Curwen criticizes our remark about the economies of scale in mobile telephony and illustrates his argument by referring to developments that took place after (!) our period of investigation (1999–2001). In our remark, however, we only pointed out in our paper that 'A strong customer base in the home country market is no longer sufficient to offer mobile services cost-effectiveness.' (p. 275). We do not argue – like Dr. Curwen suggests we do – that operators are obliged to set up networks abroad in order to achieve economies of scale. Creating economies of scale and scope are more encompassing than going abroad. Telecom incumbents regularly discuss the various sources of economies of scale and scope in their annual reports (see e.g. BT's Annual Report 2001). See also [Balsinde et al. \(2000\)](#) for economies of scale in purchasing, IT and overhead in the context of the telecom industry. Fourth, the paper is criticized in terms of 'the almost complete absence of "politics"', meaning that privatization often takes place with the State retaining controlling shares. This is another example of misreading the paper. The use of institutional theory deliberately takes into account regulation and the normative institutional pressures associated with governmental agencies. See also the next section in which we emphasize it is not the purpose of the paper to provide rich descriptions.

Fifth, [Dr. Curwen \(2004, rejoinder\)](#) suggested: 'that the database was chosen in such a way as to predetermine to a considerable degree the conclusion that the five companies studied would behave in a similar way.' We simply do not understand this comment: we have not chosen a database. In previous publications we introduced a research methodology to capture in an encompassing way the strategic renewal phenomenon. The research methodology is, of course, open for scientific discussion which is, by the way, not the case in the opinions expressed by Dr. Curwen such as: 'After all, it does not take much imagination to appreciate that incumbent telcos controlled by the State will behave in a pretty similar manner.' (Curwen, 2004, rejoinder).

Analysis Based on Theoretical Frameworks Versus Rich Descriptions

The majority of Dr. Curwen's comments relate to criticizing our paper for providing not enough details,

proper names of technologies, timing of technologies, partitioning these technologies in particular generations etc. These comments provide the opportunity to highlight another difference in approach and, therefore, also another example of misreading the paper. Our paper does not aim at providing a rich contextual description of either the telecoms industry, technological development or the incumbents. This is well done by [Curwen \(2002\)](#) in his book on *The Future of Mobile Communication*. He aims to investigate 'the prospects for mobile communications in the new millennium' by providing several mainly descriptive chapters and a case study.

But rich description needs theoretical lenses to explain why things happen as they happen. And that is exactly our purpose, as is more than clear in our paper. So, if our paper contains about 30 sentences to briefly indicate the technological forces we are more than aware they do not do justice to a rich description. One interesting comment is related to the full name of GPRS: Dr. Curwen mentioned that this refers to General Packet Radio Service while we, like e.g. [Barnett et al. \(2000\)](#), used General Packet Radio System. In this connection, we would like to refer to [Curwen \(2002: XXII\)](#) pointing out: 'there is a surprising amount of discrepancy in the naming of organizations/technologies'. Indeed, we are aware of this.

The Necessity of Taking Research Questions Seriously

Our paper addresses a research question: To what extent do the strategic renewal journeys of incumbents result from similar selection forces at industry level or do these journeys result from strategic choice? This question highlights a central problem in the strategy field: Are firms driven by the environment or do firm idiosyncratic factors (like specific competences) and actors (like management) also matter? In a more encompassing co-evolutionary approach regarding this central problem, not performed in our paper, firm behavior like strategic renewal is explained as the joint outcome of managerial intentionality, environmental and institutional forces ([Lewin and Volberda, 1999](#); [Volberda and Lewin, 2003](#)). This central problem is relevant for all industries, not only the telecom industry. See for example [Canals' \(1998\)](#) contribution in this journal concerning the need for corporate renewal in the banking industry. Indeed, contrary to rich description of a particular industry, scientific questions are generic and are intended to explain phenomena beyond the specific boundaries of a particular industry.

If [Dr. Curwen \(2004, rejoinder\)](#) points out in a comment that our paper 'claims that the findings can be generalized to all regulated industries during

the same period' he is absolutely wrong. We do not make such a claim, we only suggest that the research question, the theory-driven frameworks and the insights gained may be used for analyzing strategic renewal of incumbents in other industries as well. Theories, research questions related to theories and frameworks, and research methodologies can and do, in principle, cross industry boundaries.

Is answering our research question obvious? According to Dr. Curwen's rejoinder it is. Without any theoretical or empirical evidence related to the research question he is simply of the opinion 'that large incumbents had similar trajectories' of strategic renewal. Although such an opinion is nice in personal conversations, it lacks the prerequisites for scientific discussions. In his rejoinder, Dr. Curwen does not refer to strategic renewal trajectories and the key attributes mentioned in our paper of the incumbents investigated, nor to the theories used that underpin the research question and analysis. What is more, as a result of his rich description approach, his statements about the question of similar trajectories seem to contradict each other. Dr. Curwen points out, for example: '... incumbents controlled by the State (France Télécom and Deutsche Telekom) behaved differently from the others ... (because) ... they became the world's most indebted telcos.'

Taking into account that the five incumbents entered the period of investigation from a different position, possessed different administrative heritages and path dependencies, and operated in different national institutional environments and associated governance structures, we think answering our research question is not obvious and certainly not easy. We suggested using key attributes of strategic renewal journeys (see Table 4 in our paper) to empirically assess to what extent the strategic renewal actions differ. Of course, this is a first step in a more encompassing investigation of the research question. Comments provided by Dr. Curwen regarding looking more closely at technological developments, and to the involvement of governments in incumbent telecoms firms are, therefore, helpful suggestions for future research.

Conclusion

In our reply we have addressed the main comments by first briefly summarizing the research question, theoretical background, research question, and research methodology and, second, by showing that Dr. Curwen's comments result from a misreading of our paper. This misreading, we argue, is due to taking another approach contrary to what we have chosen in our paper, without explicitly making this clear in the rejoinder. Our paper's aim is not to provide a rich description of the telecoms industry

as Dr. Curwen's comments suggest, but to use theory driven frameworks that try to explain the strategic renewal behavior of incumbent firms.

Dr. Curwen does not say a single word about theories but starts immediately ridiculing our research question and findings. He does not provide empirical evidence regarding the strategic renewal trajectories of the incumbents. At least five times, Dr. Curwen mentions or refers to 'knowledge of the telecoms industry' as a prerequisite for doing research into the telecoms industry. We suggest that using interesting research questions, proper theory-driven frameworks and research methodologies aimed at explanation are even more important for 'telecommunications practitioners/academics.' (Curwen, rejoinder). Finally, we believe that the scientific understanding of complex organizational and managerial phenomena, like the strategic renewal of incumbent firms, deserves contribution from various scientific disciplines, including rich descriptions of industries, to really make progress.

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