

STRATEGIC DIAGNOSIS OF RADIOCOM – THE NATIONAL RADIO BROADCASTING COMPANY

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ABSTRACT

Radiocom, the registered trademark of the National Radio Broadcasting Company, is one of the main providers of electronic communication networks and services in Romania and, at the same time, a market leader in broadcasting. Starting from these two fields, broadcasting and telecommunications, Radiocom is striving to evolve continuously and to showcase its maturity and innovation in its ongoing development. Several elements are presented, in order to outline the most significant parts of the activity of the National Radio Broadcasting Company, in order to diagnose the potential this company has in terms of the main fields of analysis. In this sense, an analysis is performed aiming at identifying the internal and external conditions the company operates under, as well as the trends in its environment, in order to identify the opportunities and the threats it is likely to go up against in its future evolution.

KEYWORDS: *strategic analysis, potential, internal diagnosis, external diagnosis, competitiveness*

Company profile

The National Radio Broadcasting Company is active as a provider of communication services, as well as maintenance and exploitation, development and modernization of the national radio broadcasting system.

S.N. Radiocomunicații S.A. is active all across the country and outside it, ensuring the transport and broadcasting of national radio and television programs catered for foreign audiences. Moreover, it provides data transmission and internet services.

Starting with 2005, the company's new brand is RADIOCOM.

The company is 100% public, owned by the Romanian state, represented by the Ministry of Communications and Information Society.

Short historical background and presentation

It all started with Radio Romania – BOD (in 1936).

In 1968, the Regional TV Directorates were established in Bucharest, Cluj, Iași and Timișoara. 23 years later, in 1991, the autonomous Radio Broadcasting Company was established, by reorganizing and dividing RomPostTelecom, while in 1998, based on GD 372/1998, it became a stock company: the National Radio Broadcasting Company Ltd. (Societatea Națională Radiocomunicații S.A.) – a legal entity operating based on economic administration and financial autonomy.

S.N. Radiocomunicații S.A., the main provider of radio communication services across Romania and undisputed leader in the radio communication field, operates and develops the national radio broadcasting system, namely:

- The national SDH digital and analogical radio relay networks for radio-supported data transmission;

- The national networks for the broadcasting and transport of public television programs across Romania and abroad;
- The national networks for the broadcasting and transport of public and local radio programs across Romania and abroad;
- Cheia Ground Station for INTELSAT satellite communications;

The company develops contractual relationships with entities, organizations and economic actors in the country and abroad. Its relationship with the state budget is performed at a centralized level, through the company's own organization.

RADIOCOM, the registered trade mark of the National Radio Broadcasting Company Ltd., is one of the main providers of electronic communication networks and services in Romania and, at the same time, a market leader in the field of broadcasting. Nowadays is undoubtedly a 100% Romanian rising brand, with a history dating back to 1936, the first operation of the radio broadcasting transmitter in Bod. Therefore, RADIOCOM has been a continuous, active presence on the Romanian telecommunications market for over 50 years; 1956 witnessed the first public television broadcast, whereas the first public television broadcaster started operating in Bucharest in 1957.

The wide range of services provided by RADIOCOM is primarily aimed at the business segment: internet, VPN, rented lines, national and international telephone services, integrated communication services - data & internet & telephone, videoconferencing, satellite communication services.

Once it launched its national and international telephone subscriptions, RADIOCOM extended its services to cover the end-user segment as well.

RADIOCOM was awarded by the Romanian Quality Assurance Society (SRAC) the following quality certificates ISO 9001:2000, ISO 14001:2005, OHSAS 18001:2004, ISO 27001:2005, ISO 22000:2005, IQ Net for its Integrated Quality Management, Environment, Health Care and Occupational Safety Management System. This certification reflects the commitment of its management and of the entire organization to providing the best quality in terms of services and products, by using the latest communication technologies.

The internal global strength (Rom.: PGI) of S.N. Radiocomunicații S.A.

In order to assess a company's potential it is necessary to tackle four fields of analysis:

a) The company's commercial capacity (the market shares for the products and services provided, the company's reputation in its field of activity, the effectiveness of its promotion policy, the nature of the sales force employed, the quality of the products and services provided, the price policies used, the innovation of product distribution and sales processes, the volume, structure and territorial spread of the supply, the extent to which the supply covers the existing demand on the market, the price elasticity of demand, etc.);

b) The company's financial capacity (available capital, the profitability of its activity, indebtedness, cash flow, financial stability, long term and short-term financial balance, self-financing ability, etc.);

c) The company's production capacity (production equipment and technologies used, the size of production capacities in various links of the manufacturing process and their correlation, the usage indicators of production means, the level of qualification of the staff, scale economies, the ability to comply with delivery deadlines, etc.);

d) The company's management capacity (the structural and process organization of the company management, its decision-making ability, managerial creativity, the effectiveness of the management system employed, the degree of adaptability, the information system, etc.).

The evaluation of the company's potential entails establishing the degree of significance of every factor in the four fields of analysis. Based on the detailed scrutiny of each factor, taking into account its significance, one appreciates the influence it has on the company's overall activity.

The internal factor evaluation matrix - MEFI can be used in order to diagnose the company's potential. As part of MEFI, every analysis factor is assessed based on a subunit significance coefficient (K_i) and a grade (N_i) ranging from 1 to 4. The factors rated 1 and 2 represent major, respectively minor weaknesses for the field under analysis, while factors rated 3 and 4 are deemed minor, respectively major strengths for the respective field. The **company's internal global strength – PGIF** – is established based on the factors to which the two evaluation elements have been applied, per fields of strategic analysis.

$$PGIF = \sum_{i=1}^n K_i N_i, \quad \sum_{i=1}^n K_i = 1$$

Function of the PGIF level, the company's potential is assessed for every field of strategic analysis, by using the evaluation scale below:

Table 1

PGIF	Company potential
1. between 1 and 2	Low
a) between 1 and 1,5	Very low
b) between 1,5 and 2	low
2. between 2 and 3	Average
a) between 2 and 2,5	Tending towards low
b) between 2,5 and 3	Tending towards high
3. between 3 and 4	High
a) between 3 and 3,5	High
b) between 3,5 and 4	Very high

Following rigorous analysis, an internal factor evaluation matrix can be built up, per fields of strategic analysis as well as overall, in order to identify the PGI of the National Radio Broadcasting Company (S.N. Radiocomunicații S.A.). We have outlined our evaluation in table 2:

Table 2

No.	Fields of strategic analysis and internal factors	K_i	N_i	$K_i N_i$
A.	<i>The company's commercial capacity</i>	1.00		2.80
1	Quality of services provided	0.30	3	0.90
2	Market share	0.15	4	0.60
3	Company image in the field	0.10	2	0.20
4	Contract compliance	0.15	2	0.30
5	Pricing policy	0.25	3	0.75
6	Service promotion	0.05	1	0.05
B.	<i>The company's financial capacity</i>	1.00		2.25
1	Profitableness	0.25	3	0.75
2	Endebtmnt	0.25	1	0.25
3	Cash flow	0.25	3	0.75
4	Self-financing	0.25	2	0.50
C.	<i>The company's production capacity</i>	1.00		2.70
1	Technologies in use	0.25	3	0.75
2	Degree of automatization	0.25	3	0.75

No.	Fields of strategic analysis and internal factors	Ki	Ni	Ki Ni
3	Staff qualification	0.20	2	0.60
4	Staff experience	0.15	2	0.30
5	Organizing improvement activity	0.15	2	0.30
D.	<i>The company's management capacity</i>	1.00		2.30
1	Methodological subsystem	0.15	2	0.30
2	Decision-making subsystem	0.15	3	0.45
3	Information subsystem	0.15	2	0.30
4	Organizational subsystem	0.15	3	0.45
5	Motivational ability	0.25	2	0.50
6	Innovation capacity	0.15	2	0.30
	Overall system capacity	1.00		2.56
A.	<i>Commercial</i>	0.30	2.80	0.84
B.	<i>Financial</i>	0.20	2.25	0.45
C.	<i>Production</i>	0.30	2.70	0.81
D.	<i>Management</i>	0.20	2.30	0.46

Conclusion

The internal global strength of S.N. Radiocomunicații S.A. amounts to 2.56. This indicates a potential between 2.5 and 3, which is rated on the assessment scale as “tending towards high”.

External strategic diagnosis

It aims at investigating all factors outside the company, part of its field of activity, which have direct or indirect bearing on the activity of the respective company. External factors are grouped under two categories:

- ◆ factors that are part of the wide environment (the company's macroenvironment) – they characterize the economic, social, political, technological, demographic, environmental situation, etc. in the area and country where the company under analysis is based, as well as at world level;

- ◆ factor in the competitive environment (the company's microenvironment) – they characterize the status quo of the field where the company under analysis is active, the market, the competition, existing entrance and exit barriers, substitution products, suppliers and customers, as well as other factors defining the field of activity where the company operates.

The external global strength (Romanian: PGE)

In order to diagnose the environment where a company is active, an external factor evaluation matrix can be put together, where every environment factor is given a significance coefficient Ki and an assessment grade Ni ranging from 1 to 4. The **company's external global strength (Romanian: PGEF)** is established for opportunities, threats and overall, by using a similar calculation to that of PGIF.

We have outlined our evaluation of the external factors of S.N. Radiocomunicații S.A. in table 3.

Table 3

Nr.	External factors	Ki	Ni	Ki Ni
A.	<i>Environment opportunities</i>	1.00		2.65
1	Rising demand on the domestic market	0.20	4	0.80
2	Service diversification	0.10	1	0.10
3	Ability to provide service packages	0.10	1	0.10
4	Investment regulations	0.20	3	0.60
5	Use of new technologies	0.25	3	0.75
6	Market extension following the liberalization of the communications market	0.15	2	0.30
B.	<i>Environment threats</i>	1.00		3
1	Degreasing purchasing power	0.15	3	0.45
2	Emergence of new competitors	0.25	3	0.75
3	Promotions undertaken by competitors	0.10	2	0.20
4	Competitors' customer loyalty schemes	0.10	2	0.20
5	Extended access for the competition to licenses for national radio and television broadcasting	0.20	4	0.80
6	Decreasing market share	0.20	3	0.60
	Overall system standing	1.00		2.79
A.	<i>Opportunities</i>	0.60	2.65	1.59
B.	<i>Threats</i>	0.40	3	1.20

Conclusion

The external global strength of S.N. Radiocomunicații S.A. is rated at 2.79. This value points at a significant influence of the external environment on the company's activity, which can be rated as rather high. It is important that the company should increase its domestic market supply in order to develop as fast as possible, while S.N.R. should use advanced technologies in order to provide services of the highest quality possible. Moreover, it should seriously take into account the eventuality that, in a not so distant future, the company may no longer be the only actor with access to broadcasting licenses for national radio and television programs. This may lead to a deteriorating financial status of S.N.R., since most of its income is turned in by this activity; in this case, the company needs to rethink its strategy and to focus on re-launching data transmission activities.

Competitive profile (Romanian: PC)

In order to convey as realistic a picture as possible of the company's ability of acting in its microenvironment, it is necessary to look into its competition position in relation with the other competitors in its field of activity. In this sense, we use the company's competitive profile matrix, for which the competitive strength (PC) is calculated in a similar manner to PGI and PGE, based on Ki significance coefficients and Ni rating grades from 1 to 4.

We have provided our evaluation of the competitive profile of S.N. Radiocomunicații S.A. in table 4.

Table 4

Nr.	Underlying factors of success in the field	Ki	Ni	Ki Ni
1	Quality of services provided	0.20	3	0.60
2	Market share	0.15	4	0.60
3	Company image	0.10	2	0.20
4	Adaptability to customer demand	0.15	2	0.30
5	Prices of provided services	0.20	3	0.60
6	Service promotion	0.05	1	0.05
7	Financial strength	0.15	2	0.30
	<i>Total</i>	1.00		2.65

Conclusion

The assessment shows that S.N. Radiocomunicații S.A. has a relatively high competitive strength but managers should also take into account the PC of the main competitors in the field of communications, in order to be able to make a comparison between the competitive strength of the company under analysis and that of its competition.

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