Master thesis

“Strategic marketing planning in the period of market uncertainty”
(MTS Ukraine case study)

Author:
Diana Chernetska  870511-2889

Supervisor: Gabriel Awuah
Examiner: Svante Andersson
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Diana Chernetska
Abstract

Nowadays, the trend towards globalization and internationalization of business has strong impact on companies’ strategy. When a company is thinking about strategy development, it needs to pay attention to variable aspects on micro- and macro-level. This study includes the overview of the factors which need to be considered while developing a strategy. Moreover, a significant emphasize is made on the contemporary deriving challenges at the market. The purpose of the study is to investigate a new approach to the strategic planning, named “Early warning system”. For that purpose, it was conducted qualitative research at the example of the Ukrainian telecommunication company – MTS Ukraine. I identified factors which influence the company and analyzed how company copes with deriving challenges. Moreover, it was found out the company’s strategic planning process is significantly influenced by specific market characteristics such as high level of bureaucracy, specific behavior of some competitors, growing market.

Key words: strategic planning, uncertainty, Early warning system
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1. Introduction

1.1. Background of the problem

The world is moving towards internationalisation and globalisation. Economies of different countries are closely linked. By the 2008 economies of most countries and respectively their markets were on the stage of rapid development. Under such a set of conditions and considering such market situation companies were able to develop their strategies with the focus on the market share and production increasing, as well as active investing (Bryan & Farrell, 2008).

Unexpected reality in the meaning of financial crises arouse rapidly. Even though the crisis begun in the financial sector, it spread over the entire world economy very fast. For corporate companies it reflected in sharp reduction in demand that in accordance to the domino effect caused the list of companies’ bankruptcy. Companies expressing financial problems became the hostages of their insolvency that proved companies inability to cope with difficulties. Such a situation ensured inefficiency of companies’ strategies and forced them to revise their strategies (Szulanski & Amin, 2001).

The world is entering a new stage, the age turbulence. An assumption that it is just temporary situation and sooner or later economies will come back to the stable situation is totally wrong. According to Greenspan (2007) and Grove (1999) continuous uncertainty and therefore turbulence is a new reality the companies ought to adapt themselves to. Considering this situation one can question how should companies act in the age of permanent volatility?

New challenges require businesses to develop new mindset which takes into account rapid changes. All companies are opened for innovations which can reshape the market and change competitive landscape. Therefore, social responsibility and sustainable development issues are coming up. Climate change awareness also increased over last years and it pressures companies through government regulations to reduce negative effect on the environment. And only those who act boldly enjoy significant gains. Focus on the long term result; set of values and sustainable development of the society is turning to be decisive for the company (Davis, 2009).

Previously, the companies dominated at the information environment by spreading the favourable for them information about the brand. Nowadays, the Internet and social media contribute to the customers’ awareness and ability to get important information (Global Trends 2025, 2008). Social media applications influence companies’ decision making process and force them to be more sensitive to customers’ needs through building long-term loyalty. Customers are more sensitive to the results of company’s activity in particular product quality, service and maintenance programs, sales promotion and various additional services (Kotler & Caslione, 2009).

Nowadays managers are running the business in the most uncertain environment since 1930s. It requires a greater level of flexibility regarding strategic and tactic actions to cope with the uncertainty. In this case flexibility means elaborating several options of trigger situations which may occur. This will reduce time for adapting to rapid changes and as a result less loss. Here strategic planning plays crucial role since facilitates to assess plausible outcomes of challenging environment and match them with appropriate company’s reaction (Bryan & Farrell, 2008)
1.2. Definition of the problem

The world enters new economic stage, the turbulence period. Under such circumstances company should change not only the strategy which usually means the rearrange of old way of conducting the business but revise the approach to strategic marketing planning in general.

The notion of strategic marketing planning has been hotly debated by economist over the last few decades. According to Cravens and Piercy (2003) strategic marketing is a process of development, implementation, and managing the marketing programs to meet the value requirements of the customers. In other words, it is a set of values which ensures the company’s strategic competitive positions at the market. Considering the competitive environment one can state that competitors can easily copy company’s certain particular features of production program but they would never be able to copy its strategic positioning. It should facilitate to keep company’s competitive advantage (Porter, 1996).

Positioning is often seen as static. However, to survive during hypercompetitive period positioning must be dynamic to respond quickly to changing market conditions. Besides positioning should be considered as differentiation, that is different from existing products on the market. Companies need clearly define their points of differentiation that is to offer customers a whole new set of values which they obtain from the product. Otherwise there will be no other choice as to set low prices. Each brand has its point of differentiation, which it owes successfully and within its product positioning (Maltseva, 2006).

In a period of rapid market development and increased competition, the success of companies depends largely on the correct formulation of its marketing strategy. However, top managers have a different understanding of the strategy concept. For some it is only a few measures to maximize profits, increase market share or achieve other specific goals. But other companies that seek to maintain the efficient operation of their units have a clearly defined goal, choose a marketing strategy that represents a set of objectives, principles and rules that guide the efforts of the company in marketing, expressed complex factors of marketing, cost, control sales in the time space at different market segments independently or in response to changing environmental conditions and competitive market situation (Skybinsky, 2000).

In the process of developing a marketing strategy is important that the strategy takes into account the current situation within the company and at the market. The important issue is the consideration of the position of competitors and their developed a system of values. If you leave apart features and theoretical aspects, the strategy should be a set of values which will ensure the company's strategic competitive position in the market.

A need to develop corporate strategy instead of just following random short-term goals is increasing last years. First of all let us distinguish between corporate and marketing strategy. According to Cravens and Piercy (2003) corporate strategy is “[…] deciding the scope and purpose of the business, its objectives, and the initiatives and resources necessary to achieve the objectives”. Marketing strategy is about “[…] how, when, and where to compete”. A very close relationship requires examining of strategy development and implementation major steps.

However, the strategy is more than just a list of objectives. This is the kind of business philosophy (Minzberg, 1994). However, companies often lose the connection between strategy (accurate actions designed to achieve clearly defined objectives) and the philosophy of the strategy - ways and approaches to implementation of the tasks (Terry, 2000).
For developing efficient strategy company’s strengths should be adjusted to its market position and market requirements. Even though strategy is long term goal it should be flexible enough to ensure fast adaptation to changing and challenging market realities. By that we mean considering outcomes which were ignored before such as globalization in particular (Bryan & Farrell, 2008).

1.3. Purpose
Purpose of the master thesis is to investigate the new approach to the strategic marketing planning assuming the fact of challenging market volatility.

Research questions
How does strategic marketing planning change due to the market uncertainty?
How do companies cope with deriving challenges?

1.4. Delimitations
Thesis is limited to the investigation of new approach to strategic planning. The other statements of strategic planning such as strategy implementation and control are left aside since there is no such a possibility to track this process within particular company for a long period of time. I claim this aspect to be considered as a space for improvement in terms of future study. Moreover, the analysis is carried out at the example of telecommunication industry where one company was selected for the case study.
2. Literature review

Strategic marketing planning determines the process of the evaluations of the market opportunities and available resources and based on these aspects development and implementation of the plan for company’s development. Moreover it requires continuous control over this process since the marketing environment is always changing. It starts with assessment of current situation and keeps going with considering of arising opportunities. Nevertheless, the system of feedback should provide managers with the reflections about mistakes which were made at the previous stage of the strategic planning process (Figure 1) (Pride & Farrell, 1989).

![Figure 1: Strategic planning process](source: Pride & Farrell (1989), p. 647)

The classical approach to strategic planning imitates the above model. It does not make any emphasizes on the external factors. They are included into the model as a part of it. But last events showed the real significance of these factors. The bar in the model which states “Assessment of opportunities and resources” is missing the point of external challenges.

Assuming new challenges, market volatility and uncertainty it is significantly important to create a system which can facilitate to deal with aspects mentioned above. The importance of the new approach to strategic planning lies behind the idea that turbulence is turning to be a new normality. It is now not solitary instance of some changes or challenges which may occur from time to time. This new normality will remain continuous since the rapid acceleration of its main factors of influence (Figure 2). When these factors are accumulated and reach the highest level, it triggers the existence of turbulence and market volatility. For companies it threatens with uncertainty which they face and basically not ready to cope with (Kotler & Caslione, 2009).
Since the significance of the external factors and deriving uncertainty is obvious and already discussed in many works, let us take into consideration papers in this literature which explain how companies cope with deriving uncertainty.

Profound analysis of uncertainties the company may face was carried out by Miller (1992). The author assumes that company’s performance is determined by three groups of factors: (1) environmental, (2) industry, and (3) firm-specific variables. Among the first group of factors the most important are political instability, government policy instability, macroeconomic uncertainties, social and natural uncertainties. To the second group belong market, product and competitiveness uncertainties. The third group embraces operating, liability, R&D and behavioral uncertainties.

Referring to the factors discussed above the main five strategic reactions derive. Avoidance is typical reaction when managers find the particular uncertainty uncontrollable and unacceptable. Therefore, company may find possible to control particular uncertainties (Miller, 1992; Mascarenhas, 1982). It can be achieved through gaining market power or start with strategic moves to threaten competitors. Cooperation as a way of reducing uncertainty implies setting long-term agreements with interested parties: suppliers or byers in order to disperse the risk and uncertainty which may occur over time (Aaker & Mascarenhas, 1984). Moreover, companies may resort to imitation of rivals’ strategies. It includes follow-the-leader pricing and product strategies within particular industry (Miller, 1992). And the last but not least is increasing of organizational flexibility. Aaker and Mascarenhas (1984) assert flexibility as an extention to which company is able to adapt external changes and uncertainties which make a significant influence on the company.

Competitiveness creates also the variety of challenges as it becomes more difficult to predict competitors’ strategy. Facing that, companies are to change their strategy and it turned to be more often. Moreover, the increasing importance to develop new competitive and dynamic strategies more frequently bring to nought existing and testes method of strategy development (Szulanski & Amin, 2001).

According to Brews and Purohit (2007) the environmental instability increases and so does planning. For the long time environment was assumed to be a moderator for the planning but nowadays its role turned to be controversial. Environment moderated the
type of planning, for example in the stable context formal planning was more efficient while in unstable context instrumentalism was suggested.

The influence of unstable environment on the strategic planning is considered by Engau and Hoffmann (2011) who claim that increasing global and industry regulations make it important for the company to strategically plan to address uncertainty efficiently.

The topic of uncertainty as a notion that influences strategic planning was hotly debated from the point of view of ability to predict uncertainty. Due to the information about external and internal events a company can make some forecast of the possible future events (Hickson et al., 1971). It is considered and presented at the strategic contingencies’ theory. The idea behind is that organization consist of subunits the power of which helps to cope with uncertainty. It can be classified by prevention, by information and by absorption. The same idea is discussed by Jauch and Kraft (1986), who assert that the additionally acquired knowledge facilitates to reduce uncertainty.

Careful observation of the papers suggests consideration and analysis of the one factor only. It is important to know the influence of each of them. But yet the question of the complex approach to the strategic planning remains open. It is considered as a gap which is intended to be filled.

For that purpose, the complex framework will be suggested which takes into consideration classical approach which suggests moving from assessment of opportunities and abilities to strategy development and implementation. Yet significant part of the investigation will be granted to the issue of uncertainty, in particular which types of uncertainty a company might face and how it copes with them. Thus, paying attention to all the factors and complexity of the approach, a new approach to strategic planning is to be suggested. In other words, as an outset of the theoretical analysis will be identification of the point which company should consider as a starting one for changes. Moreover, while developing a new approach to strategic planning the role of uncertainty will be determined. As well it is important to point out in which stage of the planning company should consider these challenges of uncertainty. Thus, the theoretical concept will end up with the framework which will represent a new approach to strategic planning.
3. Theoretical framework

3.1. Strategic inflection point

As was already discussed the main purpose of strategic planning is not just formulating the way a company is heading for but facilitating to cope with uncertainty in the most efficient way. The most challenging issue here is determining the starting point for the developing a new vision. Often managers ask themselves whether this new approach is actually needed. Maybe old strategy works well and some problems the company face are just temporary and company will manage to overcome them soon.

The new approach to strategic marketing planning requires being more precise and aware about the uncertainty. A decade ago it was a way easier to conduct the business since only the market and competitive situations were influencing the way of strategy development.

The existence of turbulence, uncertainty or volatility was already hot discussed by Kotler (2009), Grove (1999), Greenspan (2007). These notions are connected with political, ecological situations with influence the economic one and the business relatively. According to “Global Trends 2025: A Transformed World” (2008) elaborated by US National Intelligence Council, the world is facing the tendency of increasing uncertainty in the near decades. This will force companies to seek for new strategic approaches in order to seize the new opportunities which will arise.

Figure 3: Strategic inflection point
Source: Grove (1999), p.34
According to Grove (1999) nearly all companies will face the problem of crossing strategic inflection points as a variety of external and internal forces will be influencing the companies. It means that the old strategy is not efficient anymore and after this point there are two ways: either further development or bankruptcy. In other words, this is a moment when existing ways of doing business, competitive models, and strategies are out of being important and useful.

The tricky point is that this strategic inflection point is difficult to be captured even when some period of time passes. This is the period of the rearranging the direction in which company moving. Only when the time passes one can make judgments and estimate whether our predictions contradict current situation in the company or not.

According to the Figure 3 suggested by Grove (1999) one of the dimensions which matters in case of strategic changes is the level of uncertainty.

3.2. Levels of uncertainty

As was developed and discussed by Cortney, Kirkland and Vigerue (1997) there are two categories of strategic information. The first one is always easy to obtain and it is, for example, demographic situation, which can give a hint as for the future demand tendencies. The second category embraces factors which are absolutely unknown and difficult to predict but still which have significant influence. With the purpose to take into considerations these factors they were split up into four upcoming groups or let’s say levels of uncertainty which are discussed below:

Level one: A clear enough future

The level of uncertainty is so insignificant that it does not influence the decision making process. In this case managers can use common market research tools and be sure to get maximum precise results of the research. At this stage only one scenario is needed.

Level two: Alternative future

At this level of uncertainty the possible future market situation is presented as one of a few scenarios. The analysis cannot give a precise evaluation of the upcoming results but can facilitate to evaluate the possibilities of these strategic situations (scenarios) occurring. At this stage it is important to develop a few scenarios and elaborate appropriate strategic reaction for each of them. The value of this strategy depends on the value of competitors’ strategies which are difficult to evaluate for that period of time.

Level three: A range of futures

The range of these future forecasts can be explained through the limited number of variables which lay within it. Usually at this level a few scenarios are developed since it arises to be difficult to make some accurate predictions since all the factors can be changed which lead to falling apart the whole developed strategy. Of course, with these scenarios it is possible to outline the extreme points of the expected market development but still they can not claim to be accurate and reliable. So here are three basic rules to deal with this situation: (1) develop only up to four-five scenarios not to get confused with the higher number of them; (2) skip developing scenarios which do not provide unique outcomes; (3) develop a set of scenarios which include possible outcomes but not all probable.
Level four: True ambiguity

Absolute uncertainty makes it impossible to predict or even try to predict possible situations and changes. At this level development of possible scenarios is useless so that decisions are made relying on the inner gut and immediately.

Among all the variety of factors which influence the company managers should succeed to distinguish between those which could be regulated and those which cannot. As for the last category, it could be resource price fluctuations, unexpected market volatility or policy changes regarding particular industry. Obviously, that company cannot change or influence these events but it should be ready to adapt to such fluctuations as soon as possible. But on the other hand, there are factors which could be controlled or managed on the other way and which should not be disregarded by the company. This topic is discussed in the chapter below.

3.3. Regulatory uncertainty

Uncertainty can arise at any time but it can be considered as quite wide notions. Some aspects can be determined and easily managed while another remains difficult to investigate and deal with. Under the condition of market turbulence the main task of the company is to minimise uncertainty. The main result of the turbulence is chaos within the company. It leads to the fact the managers start to make wrong decisions. Kotler and Caslione (2009) distinguish two possible way of behaviour. According to the first one, it could be resource price fluctuations, unexpected market volatility or policy changes regarding particular industry. Obviously, that company cannot change or influence these events but it should be ready to adapt to such fluctuations as soon as possible. But on the other hand, there are factors which could be controlled or managed on the other way and which should not be disregarded by the company. This topic is discussed in the chapter below.

<table>
<thead>
<tr>
<th>Strategy</th>
<th>Description</th>
</tr>
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<tbody>
<tr>
<td>Investigation</td>
<td>Collect additional information; draw on professional expertise to be applied in decision making</td>
</tr>
<tr>
<td>Influencing</td>
<td>Manipulate determining circumstances or actors that constitute uncertainty</td>
</tr>
<tr>
<td>Stabilization</td>
<td>Implement standard procedure or establish long-term contracts</td>
</tr>
<tr>
<td>Integration</td>
<td>Restructure business portfolio through divestitures, acquisition and merger</td>
</tr>
<tr>
<td>Flexibility</td>
<td>Enlarge range of strategic options to increase adaptability</td>
</tr>
<tr>
<td>Internal design</td>
<td>Change organisational design by establishing modular structures, low degree of formalization or decentralization</td>
</tr>
<tr>
<td>Postponement</td>
<td>Defer decisions and wait more certainty</td>
</tr>
<tr>
<td>No-regret moves</td>
<td>Execute activities that are advantageous regardless of how uncertainty resolves</td>
</tr>
<tr>
<td>Substitution</td>
<td>Replace uncertain decision criteria with assumptions derived from comprehensive consideration or detailed analysis</td>
</tr>
<tr>
<td>Simplification</td>
<td>Reduce number of uncertain factors considered in decision making</td>
</tr>
<tr>
<td>Cooperation</td>
<td>Collaborate with suppliers, customers or competitors in research</td>
</tr>
</tbody>
</table>
or production; engage in trade associations

<table>
<thead>
<tr>
<th>Imitation</th>
<th>Examine and copy strategy of competitors</th>
</tr>
</thead>
<tbody>
<tr>
<td>Withdrawal</td>
<td>Exit business in uncertain markets and focus on predictable environments</td>
</tr>
</tbody>
</table>

Table 1. Strategies to cope with regulatory uncertainty


Depending on the level of the regulatory uncertainty Engau and Hoffmann (2011) discuss variety of possible individual strategies to cope with existing uncertainty. They are categorised into four groups according to the background of the origin of uncertainty (Table 1). At the first group uncertainty derives from the lack of information which can be avoided by collecting additional information and marketing research.

Three strategies presented at the second group suggest coping with uncertainty by focusing on the constituent factors. A company can avoid the factors that cause uncertainty or control the uncertainty which arise from other parties involved into the business (Mascarenhas, 1982).

The third group embraces strategies which facilitate to develop resilience to deal with uncontrollable events. favourable flexibility can be achieved through the portfolio diversification at the product or regional market level (Warenfeld & Karnani, 1987). Adaptation of the internal company’s design in the meaning of the vertical or horizontal managerial structure to the current market situation facilitates to react more quickly on the arising challenges. On the other hand the company can postpone making decisions during the uncertain periods (Miller, 1992), and or make no-regret moves.

The last group reflects company’s attempts to avoid pre-established criteria and rely on the own assumptions and consider the possible outcome which is more likely to occur. Moreover, a company can cooperate with interest parties at a new level to establish loyalty and have a side support. It will facilitate to spread the risk across its business partners (Miller, 1992). The other alternative in case of absolutely unfavourable situation is to withdraw from uncertain markets, niches etc.

As was already mentioned regulatory uncertainty may derive from the external events (market, competitors etc) and internal company’s factors and capabilities. Both these notions can be investigated due to PEST and SWOT analysis in order to structure all the important aspects and track their impact and significance.

3.4. Marketing environment and PEST analysis

Marketing environment constantly influences the company’s way of conducting a business. Marketing environment is a set of active subjects and forces operating outside the firm, affecting its strategy and which cannot be directly controled. To operate successfully in the market the company should clearly define the parameters of research environment and change the factors that affect the most significant activity of the company (Prymak, 2004).

Nearly the greatest impact on the company is committed by the political and economic factors. In particular, political instability creates some obstacles to overcome company’s fears and uncertainty of the market entrance and penetration. The way a legislation system is organised influences the stability of economic policy and dependent on these
political risks. Moreover the government creates the investment climate and business environment in general (Yakubovsky, 2002).

Among the economic risks that have a significant impact on the company the most striking is an exchange rates control. The increase of the exchange rate in the country influences the market where the company operates. Exchange rate affects company’s profitability and sales volumes since reduces the purchasing power of consumers and boost the import products price. Local laws and restrictions on import may be aimed to protect domestic producers or the interests of influential people (Cateora & Graham, 2005). The particular emphasis is worth to be made on the regulations concerning the climate change. Depending on the industry this issue can pose direct or indirect influence in terms of green-house emission regulations. According to Kyoto Protocol adopted in 1997 not only countries but also companies were argued to take actions regarding global warming issues (Kolk & Pinkse, 2004).

The evaluation of the main external factors is provided by PEST analysis. It ensures determination of the influence of Political, Economic, Social and Technological factors on the company’s strategy. PEST analysis provides the understanding of company’s market positioning and its potential; direct the company considering external influences at the market. This analysis is appropriate if company operates within the changing market environment (assuming all factors) which requires specific market positioning (Aaker, 1992).

### 3.5. SWOT analysis

SWOT analysis provides the evaluation of company’s internal capacity. SWOT-analysis is often used in marketing planning, market segmentation and segment assessment. The process of a SWOT-analysis embraces three phases: identification of strengths and weaknesses, identifying opportunities and threats and displaying them in terms of strengths and weaknesses of the search for opportunities to act on the edge of the characteristics of the company and its competitors (Lypchuk, 2008).

According to Gilad (2004) the issues below must be determined in the analysis:

- **Competitive assets**: Taking advantages (strengths) for the development of market opportunities (S-O).
- **Competitive liabilities**: Overcoming shortcomings of the company (weaknesses) for mitigating threats (W-T).
- **Exceptional limited opportunities**: Overcoming shortcomings of the company (weaknesses) for the development of market opportunities (W-O).
- **Safety and security**: Taking advantages (strengths) for mitigating threats (S-T).

The analysis shows where the company may find its threats or opportunities as well as its strength and weaknesses. According to Kotler et al (2005) this will help the company to decide where it should focus the attention. Among all strategic alternatives company should choose the most important. Here we can outline: threats priorities which mean a comparison of threats and advantages with market opportunities; as well as development priorities - overcoming weaknesses and comparison the market opportunities with advantages and disadvantages (Kotler et al, 2005).
3.6. Early warning system

When all the factors are considered, managers may start with development of early warning system. It is not just a strategy and a set of scenarios, according to the occurrence of which the company develops specific strategic response. In other words, recognize early warning signals of possible events in order to correct the current outdated strategies and prevention of strategically turning point (Kotler & Caslione, 2009).

Prior to development of the early warning system managers should start with clarifying the most important issues. According to Day and Schoemaker (2006) the factor which can be vital for company’s success can arise at the periphery of the organisational vision. It occurs to be significant in terms of competitors, new market niches, regulations and obstacles. For that purpose it can be worth to refer to past events even though they may not appear to be reliable predictors. The main idea behind this is that some other companies or industries could face the same or similar problems and following their track may be useful nowadays. Theses authors suggest answering the following questions:

- What were company’s blind spots in the past and how is the current situation here now?
- Can the example at the other industry be brought up?
- Is there any other company in the industry which is the most skilled in identifying signals and reacting on them?
- Which signals can be ignored?
- What the outliers try to tell?
- Which other uncertain events could hurt or bring the benefit for the company?
- Which new technologies could change the game rules?
- Is there any unthinkable scenario?

The same issue is discussed by Gilad (2003) who asserts that companies are very narrow in their vision and are not able (since do not want) to observe a few steps ahead. The main idea behind the arising problem is the market reality which occurs to be ahead the company’s strategy. In order to avoid facing challenges the managers should identify the risks, manage them and act regarding to the situation.

Elaborated main scenarios should represent at least three alternatives: the most unfavourable, the most possible and the most optimistic market situations. Scenario development by itself is a strategic planning which is used by companies for making long term plans. Basically it is using the classic approaches but adjusting them to be a way more flexible and able to react on rapid and significant changes. It should consider internal company’s capabilities and regulatory as well as uncontrollable uncertainty. Scenario development procedure is more complex than just planning in case of emergent situations. As for the last one, planning considers only one variable and company’s reaction in case of the change of this variable (Kotler & Caslione, 2009).

According to this new approach to strategic planning companies should choose the most favourable scenario and for each develop appropriate strategic reaction. But it does not mean that only one strategy should be chosen and implemented. The most tricky point here is uncertainty about which scenario will occur. And in case of unexpected turn of the situation company has the list of already developed ways to follow and react (Kotler & Caslione, 2009).
Summarizing the early warning system discussion we can draw the following statements. Company is using early warning system as a new approach to strategic planning which is expected to facilitate recognising of maverick events and adaption of current strategy in accordance to derived changes. If such external signals are ignored company may face significant chaos and turbulence. An Earle warning system model suggested at the Figure 4 below.

Suggested by Kotler and Casloine (2009) early warning system implies the development of a few scenarios and possible strategic reactions according to each particular situation. It starts with determining whether a company crossed its strategic inflection point. If yes and there is a need for a new approach to strategic planning since old strategy is not efficient anymore, the analysis proceeds with evaluation of internal potential of the company and the influence of external factors. Main points of the internal capacity of the company derive from the SWOT analysis. Meanwhile, determining of the external factors is discussed in the PEST analysis. Here we also include the evaluation of unpredictable factors, in other words, we include into research the level of uncertainty.

After the company’s capacity and external influence are asserted the model suggests development of the scenarios. Each scenario reflects possible situation occurring. Moreover, it would be beneficial for the company to develop first the most “optimistic” and the most “pessimistic” scenarios as two extreme points of the strategy. And in between other scenarios can be considered.

For each of the scenario company should develop the set of action or in other words, strategic reaction. It would help the company to remain more flexible and resistant in case any of the scenarios occur. Thus, the model ends up with the choice of strategy according to developed scenarios.
Figure 4: Early warning system as a new approach to strategic marketing planning

Source: Early warning system (Kotler & Caslione, 2009, p.105) modified by the author
4. Methodology

4.1. Research purpose

Before conducting a research, one should ask oneself what exactly should be analysed and accomplished (Neuman, 1991). Yin (1994) distinguished between three purposes of the academic study: explanatory which can be complemented by exploratory and descriptive.

*Exploratory study* means that researcher can explore new issue to be investigated. In case the issue already exists but is little investigated, researcher can choose to make in-depth analysis. For that purpose he/she starts with explanatory approach and then explores the topic by asking more precise and specific questions (Neuman, 1991).

A researcher starts with exploring wide field of research and move on in-depth (Saunders & Lewis, 2007). The outcome rarely appears to be definite. The question behind the research is “what” and due to the fact of limited rules to follow, researcher may fail to provide concrete answer (Neuman, 1991).

*Descriptive study* represents the approach when researcher possesses more developed idea of investigation. According to Neuman (1991) descriptive study provides [...] a picture of the specific details of a situation, social setting, or relationship]. In other words, Maile and Huberman (1994) claim it to make [...] complicated thing understandable by reducing them to their component parts].

This method is focused on “how” and “who” questions. So that researcher does not come up with new issues just describe already existing in more details (Neuman, 1991).

Explanatory study tends to explain why already existing notions are as they are. This approach answers the question “why” and examines the reasons of the phenomena. In this case the researcher is not interested how it works but why it is going like it is (Neuman, 1991). Researcher looking for the factors which can cause an influence on this issue (Yin, 1994).

Considering the aim of this dissertation the research purpose is descriptive. The question behind the research is “How the strategic planning can be developed and adapted for a company”. I start with already existing issue but which is not developed in details for the specific case. First the existing information will be presented but also new findings will be included and clarified.

4.2. Research approach

According to Bryman and Bell (2007) research strategy is a way business research is to be conducted. For this purpose the two distinctive approaches: qualitative and quantitative should be considered.

Quantitative approach to the research implies the analysis of numeric information. Researcher does not influence the analysis process what facilitates to obtain objective results. The information is represented in statistical form and is basically collected using questionnaire or other kind of quantitative survey. This leads to implying statistical forms of analysis (Bruman & Bell, 2007).

On the contrary qualitative approach tends to embrace not only bare facts but also personal attitude, perceptions and opinions of the people. Researcher remains involved into the research process and tends to explain the interactions between individual and participant rather than just external phenomenon (Bryman & Bell, 2007). To understand
this interaction the questions behind the research are “how” and “why” rather than “who” and “how much” (Aaker, Kumar & Day, 2006).

In this case we tend to explain how the approach to strategic marketing planning has changed at the period of market uncertainty. Moreover, chosen qualitative approach is to explain the relationship between theory and research with emphasise on the developing the theory (in this case theoretical model of the new strategic planning, so-called Early warning system). Then this model will be implied to the empirical findings and the outcome generated. Thus, there will derive a chance to explain how the model works in this particular case.

4.3. Research strategy

A research strategy selected by researcher represents a way he/she will be answering the questions selected for the particular case (Saunders et al., 2007). There is a variety of strategies which can be selected. According to Yin (2003) it can be case study, survey, experiment, archival analysis, and history. Depending on the set of conditions which can include (Yin, 2003):

- Type of research question
- The level of control a researcher has over the issue and events
- The degree of focus on contemporary or historical events

These conditions are examined and generalized at the Table 2 below. It represents how each set of them is related to particular research strategy.

<table>
<thead>
<tr>
<th>Strategy</th>
<th>Form of research question</th>
<th>Requires control of behavioural events?</th>
<th>Focuses on contemporary events?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Experiment</td>
<td>How, why?</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Survey</td>
<td>Who, what, where, how many (much)?</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>Archival analysis</td>
<td>Who, what, where, how many (much)?</td>
<td>No</td>
<td>Yes/no</td>
</tr>
<tr>
<td>History</td>
<td>How, why?</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Case study</td>
<td>How, why?</td>
<td>No</td>
<td>Yes</td>
</tr>
</tbody>
</table>

Table 2: Relevant situations for different research strategies


The researcher should distinguish between the situations when all strategies are appropriate and also be able to decide which strategy is more appropriate for the particular situation (Yin, 2003). For the case study as a strategy which was selected for this dissertation the asked questions will be “how” and “why”. At the same time I as a researcher would have no control over behavioural events and the focused will be on contemporary events rather than on historical.

For using case studies as a research tool, one should know how to conduct single- and multiple-case study. If single case is selected it means that researcher is testing already existing theory. Prior theory has already clearly specified set of conditions, so that when the case is implemented the true result can be possibly received. Single case will
facilitate to test and prove the validity of the theory and outline possible improvement and recommendations (Yin, 2003).

On the contrary multiple-case provides the ability to develop a new theory through investigation a range of cases, generalization of received outcome and developing new implications (Yin, 2003).

Considering the fact that only one company will be investigated, I can claim that single case study is used at this dissertation. We would start with already existing theory but with reasonable discussed modifications and improvements. Theoretical chapter ends up with clear theoretical framework which will be implemented to the case. We would work with one case only without any comparison to other cases so that we do not intend to generate some new theory or develop new implications.

4.4. Case selection
For the analysis I decided to choose one mobile communication company – MTS Ukraine. Since the main purpose of the work to investigate the challenges for the strategic planning, it was decided to choose the company which faced significant challenges over the last period. Moreover, company is very sensitive to external changes and market instability. As being a service provider in the competitive market, the company should consider many aspects while developing a strategy.

One important aspect which is assumed to be important while analysing this case is that company is conducted its business at the Ukrainian market which has its specific features.

4.5. Data collection methods
In the field of social studies various methods of analysis and strategies are available to scrupulous critique of all finding in one project. The principal example of different approaches gives access for researcher to improve a quality of study. Scientific tradition of using different methodology has a strong tradition of using primary and secondary data to support personal knowledge. Different sources generate a large amount of scientific and public material about single case, event or process which lasted for many users. The ability of critically choosing sources is extremely important for scientific basement of documentary analysis of any event because of their ability to play with a light which is going to be throws on. The problem of comparability and mixing of different sources can make to come to radically different conclusion and argumentation which is based on different materials not exactly can say what the ‘truth’ is (Yin, 1994).

Indeed, among the list of source a researcher can collect the information Yin (1994) outlined and discussed six sources of evidence. The author also claims that no one source has any significant benefit over all the other and to provide validity of the research the combination of the sources is needed.

For this dissertation we found documentation and interviews as the most appropriate and useful sources of evidence. For that purpose we are not going to go in-depth with discussion of all six sources of evidence just focus on these two selected ones.

The documentation as a source of information can embrace the variety of forms. The researcher should not claim the documentation to be absolutely reliable and unbiased source. In fact, documentation must be carefully used and should not be accepted as literal recordings of event that have taken place. The main importance is that specific details or statistical information can be collected from the documentation (Yin, 1994). I
do not intend to make documentation the main source of the information. Basically, I
will use some specific details to make an emphasize on some aspects without going in-
depth with analysis of statistic information or so.

In addition, a researcher should always first find out the purpose of the document. Not
all documents are to have absolute truth and validity. Some documents can just include
some assumptions which cannot be taken for granted (Yin, 1994).

Descriptive research implies the investigation of the issue by conducting a survey.
According to Aaker, Kumar and Day (2006) there are four survey methods. They are
based on the variety of factors which should be considered while conducting a research.
Here can be distinguished: personal interview, phone interview, mail survey and fax
survey. Basically, the phone and mail surveys are the most common used methods of
data collection. Personal interview implies the personal interaction between the
interviewer and researcher. This suggests that semi-structured interviewing is
appropriate (Mason, 1997).

During the data collection process for this case three interviews were conducted. It was
decided to conduct personal interviewing to gain a better understanding and avoid some
problems of misunderstandings due to some technical aspects. The respondents were:
Mr. Zenyk Pavluk – West Territory marketing expert (interview duration – 39:43 min);
Mrs. Olha Mykhaylyshyn – West Territory Key Account expert (interview duration –
34:15 min); Mrs. Khrystyna Sirko – West Territory Leading Marketing expert
(interview duration – 28:33 min). It was conducted semi-structured interview with open
questions not to limit respondents to some specific aspects. Before the interview I
personally provided respondents with the interview guide and explained what they are
expected to do.

Personal interviews were conducted at the company office in Ukrainian language to
make respondents be concentrated on discussed issues rather on language aspects.

4.6. Data analysis

Data analysis itself represents the way collected data can be interpreted and conclusions
could be drawn (Saunders et al, 2007).

Since in this case we use qualitative data, we would like to proceed with deeper analysis
of it. Qualitative data analysis facilitates to develop theory from the data. It means that
both inductive and deductive approaches can be used to represent relations between
categories (Saunders et al, 2007).

As was mentioned above the analysis can be carried out in either inductive or deductive
perspective. Moreover, when the theoretical framework is devised one can find it not
accurate enough to answer the research question(s). So that deductive approach can be
confirmed with inductive one to provide appropriate and deep analysis (Saunders et al.,
2007). According to Yin (2003) at the theoretical framework the variety of categories,
issues and variables should be determined. But Saunders et al. (2007) suggest
developing a descriptive framework where not only grounded theory is presented but
also researcher’s personal expectations.

Coming back to data analysis approaches a deductive-based analytical procedure and
inductive-based analytical procedure can be outlined. Deductive analytical approach
underpins analytical procedures of qualitative research and is based on devising
theoretical propositions (Yin, 2003). Researcher should determine expected outcome or
in other words dependent variables as an outcome arising from independent variables.
First the theoretical framework is to be developed than through the collected data it will be tested in order to explain findings of the analysis (Saunders et al, 2007).

On the contrary, inductive-based analytical procedure starts with data display and analysis. The idea behind is to develop the theory according to existing reality and this theoretical findings could be “grounded” in this reality. Researcher always starts with clear definition and determination of research questions even if he/she realise they could be altered by the data during the research (Saunders et al., 2007).

For this dissertation due to specific features of the topic and expected outcome the inductive-based analytical procedure was selected. It means that first we start with developing the framework and then applying it to the selected case in order to get the research questions answered and receive significant and appropriate outcome. Besides, referring to Yin’s (2003) and Miles and Huberman’s (1994) arguments we assume that developed framework could fail to provide accurate result and additional analysis could be required. This could be done to provide the validity of the research.

### 4.7. Quality standards

To have the ability to claim the quality of the research, a researcher should take into consideration quality standards. Bryman and Bell (2007) outline the way to ensure the quality of the research by achieving validity and reliability.

*Validity* implies the establishing correct measures for the concepts of the particular research. Even though many researchers found it difficult to develop correct set of measures to collect the data, Yin (1994) argues that by providing three tactics to increase the validity. First is to use multiple sources of evidence to eliminate irrelevant information. Second one is to establish a chain of evidence and the third one tends to have case study report reviewed by key informants.

In this case variables for the data collection and analysis derive from the theoretical model. For the analysis both primary and official secondary data were used to eliminate incorrect information. Moreover, the respondents were asked to review the collected information with the purpose to avoid biases or misunderstandings of the idea behind the answers to the open questions.

*Reliability* ensures that the results of the particular operation of the research in case of being repeated will be the same. In other words, if a researcher follows all the steps of the previous study conducted by another researcher, he/she should achieve the same result (Yin, 1994).

The information collected for the dissertation is not confident and received from official internet site of the company. Meanwhile, the primary information is collected through the interviewing managers of the company. Thus, if the same procedure repeated and the same steps were followed, a researcher may apparently come up with the same outcome.
5. Empirical data

5.1. Company background

MTS Company (“Moblie TeleSystems”) is the largest telecommunication company in Russia and CIS countries. The population leaving in the company’s operating regions makes more than 230 million persons (MTS Russia Official website, 2011).

MTS history traces back 1992 when UMC Company was established. From 1992 till 2007 UMC was focused on the providing cellular communication service. During that time the company was launching the first mobile network of NMT standard. In the last years company switched to GMT standards and every year was improving by searching for the new opportunities to provide a better service (MTS Ukraine Official website, 2011).

In 2007 the UMC Company officially announced about turning to the new brand – MTS. The network of «MTS Ukraine» covers more than 98% of the territory of Ukraine inhabited by 99% of its population. Nowadays, the company provides services to more than 18.28 million subscribers. The company holds the licenses for the provision of mobile (GSM-900/1800, CDMA-450 standard), fixed-line and international / inter-city communication as well as provides international roaming services on five continents (Ibid).

During the last years due to the strategy “National price – premium quality” the company is showing positive dynamics and stability even though it was hit by financial crisis. In 2010 the revenue of the company exceeded 2 billion UAH\(^1\) which means 7% increasing year-to-year.

During the last year the number of the company’s subscribers increased by 1 million persons and in 1quarter 2011 gained 18.3 million subscribers. Such increase in annual equivalent is 5.4%. Relatively, the market share increased by 3% and now is 35.6% in 1quarter 2011 year-to-year (MTS Ukraine Official website, 2011).

5.2. Strategic inflection point

MTS crossed strategic inflection point as a need of significant changes at the company. That was a complex change of the general approach to the conducting a business. Manager of the company emphasized that that was rebranding but not just redesign and logo change. Till that point that was UMC Company.

UMC – former telecommunication company – was perceived as an operator which provided premium quality but expensive service. Such a strategy (premium quality – high prices) is a business-customer oriented. Specific feature of this type of customer is that he is ready to pay a bit more but be always sure in high quality of the services anytime and anyplace.

For some period of time this strategy of business segment orientation was efficient. But over the time the telecommunication penetration extended to significant level and company faced the need of mass customer orientation. MTS was a company which was ready to meet customers’ needs. Its strategy was already mentioned before “National

\(^1\) UAH (Ukrainian hryvnia) – the national currency of Ukraine. Average exchange rate in September 2011 is 1USD/8 UAH.
price – premium connection”. At the same time company was keeping premium standards for business segment customers since MTS remains a leader in this segment. After the financial crisis of 2008 the company lost its leader position in the Ukrainian market (now it is at the second place) thus it still keeps its leadership in the business segment.

Additional emphasis during the period of rebranding was made on the service convergence. For the clear explanation of this notion MTS manager Mr. Pavlyuk brings the following example: “MTS customers should have only one outlet at home where they may have plugged mobile telephone, internet connection cable, mobile internet (modem) and fixed telephone – and this outlet would have MTS logo”.

These two directions of further development turned to be key challenges for the company at this strategic inflection point. At that time the company comes up with two important conclusions: switching to mass customer and moving to providing convergence service with using not one but a few technologies.

If this strategic inflection point was ignored and company kept following the same strategy it would definitely cause decreasing the profitability in the company. Too many factors occurred during a short period of time not only connected with financial crisis but also with internal new changes and needs in this market in Ukraine.

It may be difficult to trace an efficiency of such changes in terms of rebranding since it concurred with the financial crisis and all the indicators of company’s efficiency reflected deterioration. But under no circumstances anyone can claim that it reflects negative effect from the rebranding. In fact, it just reflects post-crisis effect and decreasing in all industries.

5.3. Uncertainty factors

Customers’ demand, competitors’ strategies, government regulation etc. are factors which determine uncertainty for the company. Basically, the change of each of them may cause uncertainty the company should cope with. The main problems are the methods and terms of reaction on changes of these factors. In Ukraine the change of governmental regulation provides the most significant time and thinking over the problem solving. Most of the initiatives which are going to be launched and planning to are dragged on by bureaucracy which provides companies with the time to think over the further steps and reaction on the change.

As for the consumers’ moods: in Ukraine there is a need of a strong catalyst which will facilitate to cardinal change within short period of time. Yet company gets additional time to think over customers’ reaction on the company policy change. Moreover, every month company monitors the consumers’ reaction on newly launched action, tariffs or services, trends, changes in segments etc. Referring to this data company’s management is planning further actions and future strategy.

The most significant emphasis may occur due to competitors’ activity because nowadays in Ukraine exist a large number of communication methods and channels which provide flow of information to consumers in different efficient ways which requires a fast reaction of the company towards such changes. Even though reaction should be instantaneous it also needs to be well considered.
Coming back to Ukrainian market one cannot claim competitive environment being harsh. According to Mr. Pavlyuk “There are no so many competitors but the tools and methods they use are different and require careful analysis”. In the Ukrainian market there are four main players: MTS, Kyivstar, Life and Beeline (now part of Kyivstar Group). As for their market activity, Life already a few years in a row is working with negative balance; moreover, this company is active in launching dumping policy. This causes harsh market situation which pushes companies to compete and look for the ways to solve such competitor action. This can be claimed to be particular feature of this industry in Ukraine: in the market one player possesses investments and resources which help him to dumping due to governmental support. In other words, interests of this mobile operator are lobbied at the parliament.

Everything that gives a time to think over does not create serious uncertainty for the MTS Company. For example, it regards the governmental regulation because the process between the launching a law and its practical use is very prolonged in time in Ukraine. It makes possible for the company to make decisions concerning effect of this law. This is political factor which may cause some uncertainty for the company but managers MTS do not consider it as unclear and challenging.

As for the economic factors, these factors may appear very rapidly and require immediate reaction. Ms. Mykhaylyshyn is coming back to the same example with the customers’ loyalty: “If we do not manage to reestablish loyalty within short period of time, our competitors may do it and steal our customers”. So that this factors appears to be very challenging and important for the companies in Ukraine.

Very efficient way of loyalty reestablishment is to show social responsibility. MTS Company decided to use its technology within the concept of social responsibility. Company found it less useful to maintain some social activities by donating money. For example company is working on the project “Mobile medicine”. The core of the project is based on the idea that at the big regional hospital there are many qualified doctors while at some small provincial hospital there are only a few. Here may often occur a situation that at the provincial hospital doctors need some consultation or other professional support. With that purpose MTS is installing communicational equipment in both hospitals which provides the doctors with the possibility via teleconference connection to negotiate and share important ideas. This reflects direct using of company’s technologies for reaching social responsibility. MTS Company has a strong intention to use further technological improvements and innovation for this purpose. Currently they have an idea to install internet at the schools where it is not available yet.

Therefore, some uncertainty may be connected with the possibility of license obtaining. This process is regulated by special governmental institutions which make this process less transparent and it can take time from a few months to a few years.

5.4. Challenges

For the company the most significant challenges are technology changes and retention of customers’ loyalty and reestablishment of relations with lapsed customers. Previous crisis resulted in lost loyalty and nowadays the main task is to reestablish it. Speaking about telecommunication market it turned to be livelier than after financial crisis but yet did not return to the pre-crisis pace. Now customer turned to be more precise, scrupulous, thrifty, who will take into consideration all the options and make less impulsive decisions.

As for the MTS strategy “National price-premium quality”, company often faces the problem that potential customers do not trust it may be possible even though there is no
any pitfall and the company is really following such a strategy. It stimulates the MTS Company to search for new approach to the customer and the main tools used by MTS Company according to Ms. Mykhaylyshyn are maximum transparent tariffs, creating a positive customers’ experience- actually, it is a new direction in which company is working after the crisis and the main emphasis is made on it. Mainly it is due to the fact that if for example customer received some negative experience from the company it will be extremely difficult to shift it to the positive one. Moreover, one more important tool is loyalty program “Effective CRM”- MTS is tracing consumers’ habits of each and every customer and trying to suggest the most efficient service package at the direction where the customer is the most interested in. It results in both that customer feels loyalty and gains positive customers’ experience. MTS also benefits from it as have a chance to sell a complex service package and receive money for it in advance, not after service is already used.

When it comes to technologies: business unit “Ukraine” which is one of the business units of the MTS Group works according to the GSM standard. GSM standard is a second generation technology which provides qualitative voice service (so called voice traffic) and sms-service but not high speed internet connection. Apparently there is no more space for voice service improvement. In other words, it makes no sense to make it every month less expensive since a few cents difference does not make a big difference for the customer. Basically it is due to the fact of depreciating of the national currency in Ukraine. Despite that, company does not increase its tariffs but on the contrary may decrease in some cases, for example as a response to the dumping actions of the competitors.

This situation in general forces the MTS Company to work on providing other additional services which meet customers’ need about high technologies. It is basically about high speed internet connection everywhere since laptops, notebooks are quite affordable for Ukrainian customers which results in internet service requirements everywhere. Specification of Ukrainian IT-market is the ViFi connection is not so available as in other Western countries. That is why it may occur to be a serious challenge for the company as there are many technological substitutes – W-CDMA, MTS or LTE – third or fourth generation technologies. And company should make important decision in which technologies it is going to work in the next years and develop a strategy based on the using an exact technology. At the same time many factors should be taken into consideration: competitors’ environment, consumers’ expectations and needs in Ukraine, governmental regulation. Now in Ukraine third generation technology license has only one operator which was state owned- UKRtelecom and its subsidiary enterprise- UTEL. For other operators this technology was not available due to the bureaucracy and above mentioned company lobby.

One more tool is internet connection through traditional fixed-line telephony via digital allocated channels. In Ukraine this market opens a great potential because of the small level of penetration. For example in Ukraine this number is 23% while in UK it is 76% (GFK –Ukraine survey). If we compare this indicator to the sim-card penetration level, so in general this indicator exceeds 100% since many people may use more than one sim-card.

Post-crisis situation did not come back to the normal level. During the last year before crisis smart phone sales were growing with the high speed. Nowadays, these sales volume are not so significant. The following question may derive: what influence it has on the MTS as a telecommunication company? The less smart phones operate at the market, the less internet activity it causes. It is obvious that smart phone user will use GPRS internet, MMS service, and any other content services – and exactly these
services are high-margin, in other words the most profitable for the operator. This case indicates the direct connection and influence on the telecommunication operator.

5.5. Strategic planning approach

In the MTS Company strategy is developed for five years with some annual changes and modifications. Strategy is based on the activity of functional (marketing, financial etc departments) directions and macro-regional (business units) activities. At MTS this process works with a specification that each functional department is working on the exact topic investigation and its monitoring while top management is making general strategic decisions.

Every year the MTS Company organizes and holds so called strategic sessions with the participation of the leading managers of all departments. During these sessions all main possible situation which may occur in the near future are considered and referring to the conclusions the strategy is developed or modified. Apparently that it is difficult to consider all the factors but company finds it relative easy to deal with the issues of competitors’ actions and governmental initiatives. At the company they point out that they are not making scenarios but predictions of future events – one option which will definitely occur in the future and referring to which strategy is developed.

Insider information exists and there are ways to get it by buying or using other methods. According to Ms. Sirko: “We do not use it since strategic planning information is difficult to receive. Because it is always connected with serious plans and big money. No one would ever spread it. We are just trying to predict”. Basically, such predictions can be based on the competitors’ previous actions, launching some new services etc. Here Ms. Sirko brings interesting example: “[i]f we take into consideration Life’s policy: last two quarters they were making an emphasis on the international calls. They started with little informational list which were not so eye-catching. So two quarters they were building up this communication by chance. At the same time we were assuming that at the third quarter they will bring up this communication as a main one and they did it”. This indicates the way MTS predicts some competitors’ future actions relying on the external sources. Here the company uses information provided by sales agents, advertising agencies etc. which represent open to general use information.

First of all MTS assesses how efficient launching of the same service to compete with exact competitor is. Coming back to already discussed example with Life the following question derives: how efficient is to compete in the segment of international calls, if Life already possesses stable position there? It might be better to occupy other segment. Usage of international calls is not mass nowadays so that MTS does not see it strategically important to compete for that. Therefore, the company may try to find another segment where it can occupy leader position.

In Ukrainian realities many factors discussed above may appear to be known. For example, in one company a top management has changed. It is easy to trace back its previous activity and make a conclusion about the policy directions, ideas and visions of the managers and referring to this information predict management action in the new company. Moreover, due to the political lobby any company may obtain information about some new future governmental initiatives long before there official announcement.

Local strategy or in other words strategy of micro-units is very important within MTS strategy development. Different regional departments are monitoring market situation
and developing strategy for exact regions since customers differ from each other in different regions. Example brought by Mr. Palyuk can make it more clear: “In Odesa [port city in Southern Ukraine] international sales due to port are very important and developed. Basically goods are imported from China and Russia that makes important of Ukrainian companies to communicate with their counteragents in these countries. For the purpose MTS developed special tariff in this region. Nowadays, strategy is developing for specific regional needs (one such micro-unit may embrace 4-6 administrative regions). Such orientation is perspective since at the company they see positive outcome from this approach already at present time.
6. Analysis

6.1. Strategic inflection point

To start analysis and development of the early warning system for the MTS Ukraine Company let us trace back a few years ago and point out crossing of the strategic inflection point. According to Grove (1999) this point identifies the moment when previous strategy turns not to be efficient anymore. If company keeps following it will obviously end up with business indicator decreasing.

Coming back to the MTS Ukraine Company reached this point in 2007. It pointed out a need of significant changes. Up till that moment UMC – former company – kept the position of being premium quality with relatively higher prices. It was concentrated on the business segment only and it was very profitable since till that time mobile communication was not so popular in Ukraine yet. But with a rapid boost in this service consumption UMC faced a need of significant changes and switching from business to mass customer orientation.

The understanding of threat of following the old strategy pushed company to take actions. With that purpose UMC Company was absolutely rebranded and from that moment in the Ukrainian telecommunication market entered new company – MTS Ukraine- part of the MTS Group.

At this point we can outline two the most vivid factors which made company to go for such changes. They are: a need to move from business segment to mass customer orientation and service convergence. As for the first factor, the company does not intend to give up being a leader in the business segment. In the company they believe that UMC established this high bar for that segment MTS Company may keep it up and remain leader here. Thus, company is putting more efforts on the providing services for the mass customer. Particular feature of Ukrainian market is that people are not ready to pay a high price for this service. So, company should take into consideration a need of keeping balance between service quality and its price.

To assure the business increasing after making significant changes as a reaction on strategic inflection point crossing forced company to bring advanced benefits on the market in order to retain a customer. Even though there still was a possibility to vary with price range, MTS Company took one step further and came up with idea to bring absolutely unified product to the customer which would include not only mobile service but also Internet connection opportunities. Incidentally, the service convergence still remains company’s priority which determines a direction the company is developing its strategy.

6.2. SWOT analysis

According to Mercer (1992) identifying of company’s capability implies a first step of further planning process.

Strength is individual approach to development of tariffs, promo actions depends on the region since not all market players are using such approach. Moreover, MTS is the first company which started with such approach. CDMA products also create benefit for the company as other companies do not possess these products.
Threats for the company that many operators which entering the market nowadays emphasize their attention on the CDMA services (mobile internet access) only but not on the mobile services.

One more threat is that one market player avowedly dumping which forces competitors to react against such actions or not to react as it may lead to profit reduction. But from the other side, it may cause loss of customers.

Weaknesses: second player (till 2005 was leader). Yet the market share is not very significant so that company cannot benefit from “the snowball effect” – the more market share it has, the easier is to increase it.

Opportunities: technologies provide more opportunities for improvements and development. In the period of rapid technological changes companies should operate within some kind of uncertainty about the future technologies that may occur. The only point is that companies should be open to any technological changes as soon as they appear at the market as time plays also important role for the competitiveness.

Also as an opportunities may be considered service convergence. Even though the company already is working in that direction, still it did not achieved appropriate level of the service quality and company has many way of development and improvement in that direction.

After determining of the main points of company’s capacity it is possible to determine the following aspects (Gilad, 2004):

- **Competitive assets**: possessing of CDMA products creates the opportunity of working on the providing the convergence services. Since this opportunity requires technological innovations, company has this benefit as far as it possesses special technological products.
- **Competitive liabilities**: in order to the eliminate threat of new players market entry; the company should keep a leadership position at the market so that it would be difficult for competitors to overcome it.
- **Exceptional limited opportunities**: if the company manages turning to the leadership position, it would facilitate to the profit increasing. Additional financial resource company will be able to invest into buying new technologies to increase the service quality.
- **Safety and security**: even though the company possesses CDMA products which are not available for the other companies, still it is occurring a tendency that new market players enter the market and provide only services based on CDMA products. It might be challenging for the company.

### 6.3. Uncertainty factors and PEST analysis

As was mentioned before uncertainty identifying applies the biggest challenge for the company since embraces the factors which have significant influence on the company but are very difficult to be identified and assessed. So which factors determining the most considerable influence on the company and what level of uncertainty they cause for the company’s strategic planning process?

First of all it is suggested to split these factors into four categories and assess the level of uncertainty for each of them. The consolidated information is presented at the chart below (Table 3):
Table 3: PEST analysis.
Source: Author’s elaboration

Due to the specific of this market in Ukraine generally company does not identifies these factors as those with high level of instability. The most important here is a time factor. If there is a time to think over some market changes, it provides company with a chance to make the most accurate decisions. Thus, on the contrary, a change in factors which demands immediate reaction causes some uncertainty for the company.

In Ukraine political initiatives are considered like those which provide the company with the time for thinking and analyzing. For example, when derives the governmental initiative regarding telecommunication industry it takes a long time from the idea development to pertinent bill launching. This process can take up even more than a year. It is more than enough for the company to adapt to new changes without any external shocks.

Recent financial crisis showed a tendency of customers’ loyalty loss. Even though initially customers lost their trust to financial institutions that tendency spread over all the other company in particular service providers. It caused significant uncertainty for the MTS Company because is doing all its best to retrieve lost loyalty but still customers remain alerted and trying to find some pitfalls in product packages suggested even though they originally do not exist. In order to overcome this tendency, MTS is making their tariff maximum clear and understandable for the customers.

Competitors’ strategies may force company to reconsider its own strategy quite often. Even though there are only four main players in the Ukrainian market, one of them may dump the price due to significant investments possessing. It pushes MTS Company to react on such actions. Of course, company cannot decrease its prices every time on the contrary they try to provide more services with the same price.

Since the issue of social responsibility is turning to be more important nowadays. Company found a way more interesting approach to achieve it. Instead of just donating money, MTS is using its technologies in the way that was never used before. People see a real benefit from such actions and its facilitate company to obtain customers loyalty.

In order to remain efficient and provide customers with better service quality the company should keep its technological products updated. New GMC generations are
coming up to the market rapidly. But sometimes for MTS it may be difficult to obtain a license due to lobby of other mobile operators in the parliament. A clear example here is that the only company which works in GSM-4 standard is state owned company – Ukrtelecom.

According to Cortney, Kirkland and Viguerie (1997) the MTS Company considers level of uncertainty as a clear enough future. It does not see any need to develop scenarios of different market situation occurring. Company can get enough information to predict maximum precise appearing of the future situation.

6.4. Regulatory uncertainty

Yet not all factors are difficult to predict and manage to cope with. According to the reaction on the company on the deriving uncertainty factors, according to Warenfeld and Karnani (1987) the company is adapting the third group of strategies discussed in the theoretical chapter. After monitoring and analyzing the actions of competitors the company is not trying to copy their strategies but first analyze whether it is favorable to do it. MTS is trying to flexible in decision making process. For the resilience remaining, the MTS Company is diversifying at the regional market by searching for individual approach not only to the each customer but also trying to meet regional specific needs of the customers.

As for internal company’s design, the division of the business unit according to the regional level facilitates to monitor and react on the customers’ need in a more efficient way. Each micro-unit is responsible for particular region that helps to cope with arising challenges more quickly (Miller, 1992).

6.5. Strategic planning approach

After identifying the main internal capacity and external challenges of the company we can move to the analysis of the approach to strategic planning. According to elaborated model at the theoretical chapter we came up with the conclusion that early warning system is a new approach to strategic planning since facilitate companies to deal with the uncertainty. Thus, the next step of the research is analysis of the possible scenarios which MTS believes may occur in the market.

Kotler and Casleone (2009) assert scenario as possible situation which may occur due to the influence of the variety of factors. Such a situation is claimed to be possible because influence of some factors remains unknown and nearly impossible to be predicted. Thus, company assumes some outcomes and develops future actions based on that.

Coming back to the MTS Company, they refused developing of few scenarios since is assure in precise predicting of future changes. It sees major factors as those which may be regulated and do not apply uncertainty for the company.

Meanwhile, they are talking about their own approach to strategy development. It is based on the local strategies which each micro-unit is developing. Since Ukrainian market is very big geographically and demographically, there is a need to adapt to customers’ needs more precise in different regions.

To make it more clear let us consider a few examples which are coming next. In the Western Ukraine a significant percentage of the population is working abroad mainly in
Poland, Italy and Spain. That makes international call to these countries more often and in this region company provides special package of tariffs for calls to the countries mentioned above.

On the contrary, Eastern region is more focused - due to some historical and social aspects - on the calls to Russia. Correspondingly, here company comes with another package of special tariffs to this direction. Another situation reveals Southern region where due to the port and intensive goods import and trade derives a need of calls to China and Russia. For that purpose, company developed another appropriate package of services for this region.

Thus, company monitors and predicts possible changes and tendencies in regional customers’ needs and moods. After identification of them, company develops so called “scenarios of actions” for each of them. The point that differ the notion “scenario” in the literature from those which is used by the company in this case that MTS does not assume occurring of different market situation but works with predicted and quite clear factors and situations. In that manner, they claim it is important to satisfy customers’ needs in a better way.

One of the most important specific features of the Ukrainian market in this industry is that there is no need to develop scenarios of appearing this or that market situation. It is enough to plan the future actions based on the received information which is enough considering the market specification.

After considering all the aspects the MTS Company is developing its strategy. Strategy is developed once for five years with annual changes and improvements. For that purpose, strategic sections are organized.

Nowadays, main purpose of the company is to reestablish customers’ loyalty lost after financial crisis. Thus, strategy of the company is “National price – premium quality”. In other words, company is working on the issue of providing the best quality services with relatively reasonable price.

As was already mentioned above, the company is faced on the development of the local strategies. In the future strategy may be more local: for exact cities etc. in order to meet customers’ needs more precisely and efficiently.

### 6.6. Strategic planning model for MTS Company

After taking into consideration all the variables of the early warning system model (Figure 4) we came up to the general consideration of the strategic planning model. After identification of the strategic inflection point and thus perceiving the idea of new approach to strategic planning, the internal potential and external factors were outlined.

According to the considered strategic planning model (Figure 4) the next expected step was development of the main scenarios. But regardless of this model, the MTS Company does not consider as a need to develop scenarios. They believe that there is no importance of them due to the market situation. So instead they develop local strategies for different regions as a way to meet customers’ needs in the more efficient way (Figure 5).
Figure 5: Strategic planning model of the MTS Ukraine Company
Source: Elaborated by the author according to the analysed theoretical framework
7. Conclusions

The aim of the paper was to investigate the challenges of new market reality and identify the importance of the new approach to the strategic planning. For that purpose, it was suggested a framework which might be a model of this approach. The analysis was conducted at the example of the telecommunication company at the Ukrainian market.

Before jumping to the conclusion lets us come back to the research questions which were guiding me as a researcher through the whole process of the dissertation writing. They were: *How the strategic marketing planning is influenced by the market uncertainty? How do companies cope with deriving challenges?*

Apparently, approach to the strategic planning changed over the last years not only due to the financial crisis but also as a response to the new challenging market reality. Customers’ attitude and requirements to the products and services changed. All these factors cause uncertainty for the company. But yet there is one more point which determines level of uncertainty and it is time the company has to solve existing problems. If deriving challenge gives company some time to adapt its strategy and make appropriate decisions, the MTS Company finds them less challenging than those which require immediate response and reaction.

At the MTS Company it was realized that new reality accentuates conducting business since many aspects changed - for example customers turned to be more careful and scrupulous in decision making process – and their influence on the strategic planning is very important.

Moreover, on-stream it was found out that significant influence on the MTS strategic planning and generally business making approach has specific features of Ukrainian market. That aspect brings the same changes to the suggested alternative model of the strategic planning. First of all, the company does not find it useful and appropriate at the particular market under existing circumstances to develop scenarios of possible market situations occurring. At the company it is assert that there all chances to possess the important information about the market changes and just predict further market situations. Scenarios development in this particular case is unfavorable.
8. Implications

In view of market challenges and deriving uncertainty, managers should make decision regarding the company’s approach to strategic planning. This study intends to provide additional alternative approach to strategic planning.

First, after the literature review and identifying the missing complex approach to the discussed issue, the research brings a comprehensive model according to which the analysis was conducted. At the suggested example of the analyzed company manager might get a hint regarding kinds of challenges that may derive and the ways the company cope with them.

Second, due to the theoretical framework managers may find it easy to identify important categories which should be considered while developing a strategy. They may guide managers while developing scenarios. Due to specific feature of the market in this dissertation it remains unclear how company may develop scenarios of possible market situations. Although received conclusions does not allow observing step-by-step strategy development process according to preliminary suggested theoretical framework, the managers might refer to the framework while working on the same issue.

9. Future research

Study was limited to the investigation of the strategic planning in one company only. The outcomes of the study show how company deals with uncertainty and its approaches to strategic planning. Due to the specific features of the Ukrainian market (ability to collect information about the market, monitor trends and changes, parliament lobby and bureaucracy etc) the outcome might be very specific and hardly be generalized. Thus, these factors may determine company approach to strategic planning.

Hence, it would be suggested to conduct research by analysing different companies and different markets. It is assumed the only the outcomes from the analysis of the companies which are conducting their business at the same industries and at the same markets thus facing the same challenges might be generalized.
List of references


