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# Telecommunications in Portugal: An Analysis of Portugal Telecom

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## ABSTRACT

This paper provides an assessment of the telecommunications industry in Portugal, with a focus on the leading telecommunications company in the country, Portugal Telecom (PT). The purpose of this paper is to examine the current strategy of Portugal Telecom in order to gain insight on its position within the market. This paper also provides recommendations on future strategies for PT to sustain its business and facilitate growth. An evaluation of the global telecommunications industry is conducted through the use of Porter's Five Forces Model, providing a further understanding of the attractiveness of the industry. A SWOT (Strengths, Weaknesses, Opportunities, and Threats) analysis determines the internal and external factors affecting the future of the company. Using the results of this analysis, this paper presents some implications that PT's operations have on managers in the industry. Further, this paper ultimately concludes that PT should make improvements to its current human resource policies, re-focus its efforts to concentrate on penetrating developing markets, and improve its sustainability practices on a smaller, micro-level scale.

## INTRODUCTION

The telecommunications industry plays a vital role in today's globalized world. Society relies on telecommunications services to communicate through a wide range of networks all over the world. The utilization of these services will continue in the future and the industry is constantly innovating and providing new technologies for end users. In Portugal, the telecommunications industry has experienced tremendous growth over the last few years. As one of the highest contributors to gross domestic product (GDP) in the European Union (EU) (BuddeComm, 2011), the telecommunications market in Portugal is a vital component of the country's economy. Competition amongst key players is intense, and companies are constantly competing to capture more customers and a larger market share. The industry's leading company, Portugal Telecom (PT), is the market leader in every segment of the telecommunications sector. PT has evolved into an international company that is focused on pursuing growth and offering innovative products and services. An assessment of the company provides an overview of its current position within the market, its core strategies, and some recommendations for it to maintain its position as market leader while continuing to grow and create value for its shareholders. Managers can use PT's strategy as a benchmark and can identify key industry structures and the future shape of the telecommunications industry.

## HISTORY OF TELECOMMUNICATIONS IN PORTUGAL AND THE CREATION OF PORTUGAL TELECOM

In 1877, just one year after Alexander Graham Bell's invention of the telephone, the first telephone experiments appeared in Portugal. In 1882, the Edison Gower-Bell Company established two telephone networks in the country's primary cities, Lisbon and Porto. A few years later, the concession for these

networks was transferred to the Anglo Portuguese Telephone Company (APTC). After the company's contract ran out in 1901, a new company was formed to support an increase in demand for telephone service. This company, Correios e Telecomunicações de Portugal (CTT), was an expansion of Portugal's existing postal and telegraph department. In addition to Lisbon and Porto, CTT built a continental telephone network that extended to the Madeira and Azores Islands and some of the country's African colonies (Portugal Telecom, 2011).

As a result of the overthrow of the monarchy in 1910, plans for the development of the country's intercontinental telephone connection were discontinued. Instead, the new government decided to allow for a private operator: Companhia Portuguesa Rádio Marconi (CPRM), which began operations in 1925. However, CPRM had trouble keeping up with the high costs of rapid technological developments. It also faced competition from submarine-based international cable systems and illegal wireless transmissions conducted through the Portuguese Navy. The APTC renewed its contract in 1928 and served as another form of competition, although it faced the same challenges as CPRM (Funding Universe, 2004).

When Salazar became Prime Minister in 1932, he saw Portugal's telecommunications industry as a means of maintaining control of the country's colonies. Consequently, the success of CPRM became the government's primary focus and it worked to abolish the illegal wireless activity throughout the 1930s and 1940s before renewing the company's contract in 1966. While APTC had continued its investments in networks in Lisbon and Porto, it was forced to lapse in 1967 when the government denied the renewal of its contract (Funding Universe, 2004). Instead, the government took control of the APTC's operations and formed a new state-owned company in the following year, Telefones de Lisboa e Porto (TLP). Consequently, CTT also transformed into a state-owned corporation. However, in 1992, the Portuguese government and the Public Service Television Corporation wanted to separate the transmitter network, which resulted in the creation of a state-owned company, Teledifusão de Portugal (TDP) (BuddeComm, 2011). In the same year, CTT separated its postal and telecommunications operations and the latter was renamed Telecom Portugal. The government commissioned the formation of a holding company, Comunicações Nacionais, SPGS, SA (CN), to manage all state activity within the sector: CTT, Telecom Portugal, TLP, CPRM, and TDP. However, two years later, fusion of the companies within the CN portfolio resulted in the birth of Portugal Telecom SGPS, SA (PT). PT enjoyed a monopoly until the mid 1990s with the liberalization of the Portuguese telecommunications market. The company had grown to become the most privatized of all European telecommunications companies as a result of the government selling all but 500 golden shares of the company by the end of the 21<sup>st</sup> century (Funding Universe, 2004).

Throughout the 2000s, PT made significant investments in new technology while expanding its networks within Portugal. It also began to expand internationally and commenced operations in the Brazilian market. In 1998, PT partnered with Telefonica Moviles and acquired a controlling stake in Telesp Celular, the leading wireless operator in São Paulo state that represents a major share of Brazil's economy. This led to the launch of what would eventually grow to be Brazil's top mobile operator, Vivo, in 2003 (McKinsey Quarterly, 2011). In 2010, PT sold its stake in Vivo and partnered with Telemar Norte Leste (more commonly known as "Oi"), one of the largest telecommunications operators in Brazil (Investment U, 2011).

## **PORTUGAL TELECOM TODAY**

Portugal Telecom is a global company that is widely recognized as the Portuguese organization with the largest national and international presence. It operates in the areas of fixed mobile, multimedia communications, information systems, research and development, satellite communications, and

international investments. The company provides a wide range of services, such as local, long distance and international telephone services, hiring of circuits, mobile, data and Internet communications, cable television, information systems and contents, the sale of telecommunications equipment, corporate solutions, and entertainment. In addition, it also offers Internet protocol television and direct-to-home satellite pay-TV services. With its headquarters in Lisbon, Portugal, PT also has a large presence in Brazil and parts of Africa, including Morocco, Mozambique, Timor, Angola, Kenya, São Tomé & Príncipe, and Namibia. PT is one of the most traded stocks in Euronext Lisboa Index and is also listed on the New York Stock Exchange (Portugal Telecom, 2011).

Portugal Telecom is the national industry leader in each sector that it operates. It positions itself as an innovative, customer-oriented company with a strong brand image. PT has a commitment to sustainability and is a member of the Dow Jones Sustainability World Index. Its key competitors include Vodafone, Colt, Sonaecom, *Embratel Participações*, *Vivo Participações*, and *ZON Multimedia* (Business Monitor International, 2011).

## PORTER'S FIVE FORCES MODEL

To provide insight into the competitiveness of the telecommunications industry on a global scale, I will conduct an analysis using Porter's Five Forces Model (1979). The elements of this model that will be discussed are: the threat of new entrants, the threat of substitutes, the bargaining power of buyers, the bargaining power of suppliers, and the degree of rivalry amongst the industry competitors.

The first of Porter's Five Forces is the threat of new entrants. In the telecommunications industry, the risk of new players entering the market is low because it is a capital-intensive industry and high fixed costs are a barrier to entry. If new competitors were to enter the market, they would lose time establishing a high quality network and infrastructure. Due to the oligopolistic nature of the market, the key players have strong, established brands and a loyal customer base. This makes it difficult for a new company to gain market share. In addition, acquiring a license to operate is costly and time consuming.

The threat of substitutes is high, as there are a number of alternative products and services that consumers can choose from. These are mainly between different segments in the industry; for instance, cable television and satellite operators are a means of competition, and programs such as Skype offer cheap alternatives to telephone services (Santos, 2011).

The bargaining power of buyers is also relatively high due to the large selection of products and services that consumers can choose from. Also, because of the widespread nature of basic services within the industry, these products and services are treated as a commodity. This means that consumers seek low prices and want the most value for their money. However, with regards to switching costs, these are minimal for individual consumers but can increase for large businesses. This can become an important factor if the business relies on customized products or services.

Supplier bargaining power is low, as it is diffused between the numerous manufacturers of telecommunications equipment. In addition, these manufacturers have little power in deciding which technology is introduced to the market and they are reliant on large telecommunications companies as a means of distribution. For instance, suppliers in the industry made large investments in research and development (R&D) in Voice over Internet Protocol (VoIP) technology because it was believed to be a substitute for mobile communication. However, mobile service providers believed VoIP technology to be a threat because it was a cheaper alternative. As a result, VoIP products did not sell well and suppliers struggled to make up for the large fixed costs associated with the investments. This causes the suppliers

to comply with buyers' price negotiations on telecommunications equipment (as it is often bought in large volumes) in order to keep sales volumes high (BuddeComm, 2011).

In the de-regulated telecommunications industry, rivalry among competitors is high. As it is an industry characterized by a necessity for new technological developments and innovations, companies are constantly competing in the development and delivery of new products and services. Competition to gain market share and a wide customer base is intense; in addition, each competitor is highly likely to remain in operation due to high exit costs. These costs are primarily associated with specialized equipment, as it is an asset that does not have other uses and it is difficult to liquidate.

## SWOT ANALYSIS

The following SWOT analysis will determine the strengths, weaknesses, opportunities, and threats of Portugal Telecom.

### Strengths

Portugal Telecom has proved to be highly successful in development of innovative technology. For example, it developed an original pre-paid business model and provided the first pre-paid mobile service in the world (Pitta, 2009). In addition, the company is actively implementing the recent trend of Fibre-To-The-Home (FTTH) networks in Portugal. It has already covered one million homes with FTTH and is seeking to cover 600,000 additional homes by the end of 2011. This earned the company an Innovation Award, "Deployment and Operation of FTTH networks," by the FTTH Council Europe (Portugal Telecom, 2011).

Not only is PT one of the leaders in the industry for developing innovative technology, it has also succeeded in cultivating a company culture based on innovation: "PT owes its remarkable success to a strategy of fostering innovation across the company and using clear metrics to guide each employee's contribution" (Pitta, 2009). The company has achieved this by actively encouraging creativity across the company through the analysis, evaluation, and consideration of ideas. Portugal Telecom Chief Executive Officer (CEO), Zeinal Bava, described a creative challenge that is given to employees every two months. The challenge poses a question: for instance, how can PT work more closely with youth and with social media? Or, how can PT reduce waste and paper? From there, employees across the company invest in the generated ideas with a fictional currency, called "Opens". If an individual invests in an idea that fails, he or she loses the investment. However, if several people invest in the same idea, it gains value and the investment becomes a vote of confidence. This ensures that employees make thoughtful investments and view them as having consequences. From there, the most highly valued ideas are presented to management for review. If they are feasible, they are implemented (Bava, 2011). The concept of rewards plays a central role in this investment system, as employees can earn Opens and redeem them for prizes. PT makes an effort to offer valuable prizes to serve as a source of motivation and

**Figure 1: CEO Bava presenting at Universidade Catolica Portuguesa in Lisbon, Portugal (Bava,**



productivity. For example, a courtesy room at the 2004 European Football Championships was offered in exchange for Opens (Pitta, 2009). PT's investment system is successful in cultivating an innovative company culture because it creates a shared interest that focuses on both processes and outcomes. By reviewing ideas and selecting which ideas to invest in, all employees are involved in the formation of innovation – not just those who generate the ideas. In addition, the notion of making a tangible investment through the Opens facilitates commitment and widespread contribution.

Another strength held by Portugal Telecom is its strong brand image. The company has successfully developed a prominent logo that is associated with its respected reputation: “brand image is something that PT views with high sense of responsibility, bearing in mind that it mirrors the committed and rational relationship that the company establishes with society” (Portugal Telecom, 2011). The company has a number of initiatives that foster the development and maintenance of the PT brand. For instance, the company monitors its brand image and records brand awareness by distributing annual market surveys to the public. To maintain consistency, it has a set of brand guidelines that include rules and recommendations for the correct application of PT Group brands. This includes the institutional, commercial, segment, convergent product, and instrumental brands (Portugal Telecom, 2011). According to Teresa Salema, Vice President of Sustainability at Portugal Telecom, the company's code of conduct also plays a role in upholding PT's brand image. For example, PT has a “Social Media Code of Conduct” that contains guidelines on how to effectively use the PT brand through social media (Salema, 2011).

## Weaknesses

One of PT's weaknesses involves the company's human resource (HR) policies and procedures. Portugal Telecom practices Human Asset Management based on an Individual Performance Analysis model. The company highlights the fact that it is an equal opportunity employer, offers flexible schedules, and values the health and safety of employees (Portugal Telecom, 2011). Although these are important principles, there is significant room for improvement and a number of additional programs that the company could implement. PT will encounter difficulty in recruiting new talent if it does not offer competitive incentives and benefits to potential employees.

PT has a heavy reliance on the domestic market for the majority of its revenue. With the current debt crisis facing Portugal and many parts of Europe, the Portuguese economy is extremely weak. In April 2011, Portugal requested a bailout package from the EU and the International Monetary Fund (IMF). The country is expected to suffer a negative GDP of 1.5% in 2011 and 0.5% in 2012 (Business Monitor International, 2011). This has a negative impact on the success of the company, as its stability – including its profitability, growth rate, and overall financial position – is largely dependent on consumer demand for its products and services. By having a large portion of its activity concentrated in a weak economy, PT's business risk is high and there is limited growth potential. Although the company has a considerable amount of its operations overseas, it still generated 85.5% of its revenues in Portugal in 2010. Of the remaining amount, 7% was represented by Brazil and 7.5% was represented by Africa (Bloomberg Businessweek, 2011). By comparison, two of PT's key competitors, Vodafone and Telefonica (a large-scale Spanish telecommunications company), generate a significantly larger amount of revenue from their international operations (DataMonitor, 2011).

## Opportunities

The recent increase in worldwide data consumption is a potential opportunity for Portugal Telecom. This is largely due to the improved capacity of terminal equipment, which enables higher connectivity

(Portugal Telecom, 2011). The company can take advantage of this trend by offering a new set of products and services that cater to the change in consumer preferences.

In addition to worldwide data consumption, the broadband market in Portugal has considerable growth potential. By the end of 2010, market penetration was only 19.5 per 100 people. By 2015, broadband users in Portugal are expected to reach approximately 7 million. Currently, PT provides triple and quintuple-play offers in the broadband market, including Pay-TV, fixed and mobile broadband, voice, and video-on-demand. This enabled the company to gain a market share of 46.8% (DataMonitor, 2011), placing it in a good position to experience the expected gains from the growth in the market.

Another opportunity for PT is the increase in demand for telecommunications services in developing countries. As markets in developed nations are already highly saturated, many companies within the industry are beginning to seek out new markets in developing countries. Markets in this segment have grown twice as fast as developed countries and offer a new source of potential customers (Garbacz & Thompson, 2007). For these countries, the growth of telecommunications networks and services are fundamental to social and economic growth. This provides an opportunity for PT to reap the benefits of an untapped market, for it can gain significant market share and even obtain first-mover advantage.

The worldwide demand for cloud computing services is expected to increase in the next few years. Cloud computing involves sharing computing resources to obtain high-performance computing power, enabling the delivery of software-as-a-service. Cloud computing is desirable for companies because it enables them to reduce expenses such as royalty and licensing payments, investments in hardware, and several other operating expenses. The market for cloud computing services recorded a growth of approximately 16% in 2010, and is expected to grow at a compound annual growth rate of 20% (DataMonitor, 2011). These factors, along with an improvement in overall connectivity and higher access speeds, means that telecommunications companies will be launching new products and services that provide a means for users to access a multitude of services, such as music, video, photos, applications, and retail. Not only are cloud-based services emerging in personal and residential segments, but they are also in demand by small businesses and large corporations (Portugal Telecom, 2011). Portugal Telecom has recently re-focused its efforts on the development of cloud computing services and has recognized it as a key growth driver. Since the end of 2010, the company has launched a number of cloud computing-based initiatives. In September of that year, it partnered with Cisco, the leading manufacturer of network equipment worldwide. The two companies developed and launched new cloud computing services, including virtual services and unified communications that help companies adopt more efficient business models (DataMonitor, 2011). In addition, the company began construction of a new data center located in Covilha, Portugal, in early 2011. This data center will have an installation capacity for over 50,000 servers and will focus on providing cloud computing services and data storage capacity to customers outside of Portugal (Portugal Telecom, 2011). The company's increased activity within the cloud computing market will provide generous revenue and a wider customer base.

## Threats

Portugal Telecom is subjected to a number of laws, regulations, and government policies that have a significant effect on its operations. For instance, the Portuguese telecommunications regulator, ANACOM, inflicted price controls on interconnection rates for the termination of calls on mobile networks. This had a direct impact on the revenues of PT's mobile group, *Telecomunicações Móveis Nacionais (TMN)*. Imposed regulations by the European Commission are also a threat to PT, for its review of roaming charges can cause a decline in mobile revenues (DataMonitor, 2011). In addition, the company provides a considerable portion of products and services under a concession granted by the Portuguese government, which is effective until 2025. This concession is also under licenses and

authorizations granted by ANACOM. The government can revoke this concession if it is in the public interest, and it can also terminate the concession if the company does not meet its terms and conditions (DataMonitor, 2011). Not only is PT subject to regulations in Portugal, but also in Brazil. Local telecommunications providers are faced with restrictions and obligations with regards to licenses, competition, taxes, and service rates. The Brazilian telecommunications operator in which PT has a stake in (Oi), is restricted from increasing the rates charged on its services if a devaluation in currency or an increase in interest rates causes the company's costs to increase (Businesswire, 2011). These unfavourable rules and regulations affect PT's ability to stay competitive and will adversely affect its business.

Another threat facing the company is the additional risk resulting from changes in foreign currencies. For instance, fluctuations in exchange rates can significantly impact PT's revenue from its Brazilian investments. Exchange rate risk is also present with regards to debt denominated in foreign currencies that are different from PT companies' functional currencies (Investment U, 2011).

Portugal Telecom is faced with intense competition by companies within the industry, for they are hoping to gain its position of market leader. This is occurring in several segments within the industry. For instance, PT's wireline business is being challenged by the emergence of new fixed-line operators and mobile telephone service providers. The main competitors in this segment are Vodafone and Optimus. In the wireline voice, data communications, and Internet services segments, PT's competitors include ZON Multimedia, Sonaecom, Oni Telecom-InfoComunicoes, Cabovisao, AR Telecom, and Colt. In the mobile sector, PT's subsidiary TMN competes with Vodafone and Optimus. In Brazil, Oi is facing competition in the mobile sector from Vivo, TIM, and Telecom Americas Group. In addition, Nextel Brazil obtained licenses to provide 3G<sup>1</sup> services throughout the country in December 2010 and is expected to launch commercial services on its 3G network at the end of 2011 (DataMonitor, 2011). With increasing competition in both Portugal and Brazil, PT might be forced to compete on price in order to retain its market share and continue to be profitable.

## IMPLICATIONS FOR MANAGEMENT

There are a number of factors that have contributed to the success of Portugal Telecom. First, the company has excelled at identifying one of its core competencies – innovation – and has successfully turned it into a source of competitive advantage. PT makes significant investments in the ongoing development of new technology and perceives creativity as a powerful tool for driving business. By being able to recognize and capitalize on its strengths, PT has fostered unison throughout the company and has created a commitment to innovation. In addition, the company has developed a strong brand that is widely recognized. In Portugal, the PT logo is highly visible in many areas throughout the country. For instance, there is an abundance of telephone booths bearing the company logo scattered throughout downtown Lisbon. In this way, PT has established itself as a prominent brand. As evident by the company's dominance of the market, a strong, well-developed brand is crucial for capturing new customers. Further, Portugal Telecom has proved that it is always cognizant of – and subsequently pursues – potential opportunities to expand its business. The company's active pursuit of growth opportunities is one of the driving forces behind its rapid success. PT CEO Zeinal Bava touched on this notion in an interview with McKinsey Quarterly (2011): “by doing less than our best, we avoid learning what our true potential is”. An example of the company's constant drive for new opportunities can be seen by its rapid expansion into Brazil. Its strategic partnership with Vivo, followed by its partnership with Oi, quickly grew to be an important source of revenue and the company is still seeking new methods for broadening its operations in the Brazilian market. Overall, Portugal Telecom is an

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<sup>1</sup> The term “3G” is a reference to the third-generation mobile network.

illustration of a company that has managed to establish itself as one of the leading companies in its sector and is actively continuing on a path towards additional success and rewards. The company's ability to exploit its strengths, its established brand image, and its continuous pursuit of growth opportunities can be assessed and used as a reference by managers within the industry. Managers can adapt these factors as necessary and apply them to their own firm. In this way, PT's strategic objectives can be used for managers to maximize the potential of and add value to their firm.

## RECOMMENDATIONS

After completing my analysis, I have formulated a few recommendations for PT that will help the company sustain itself in the short and long term. Firstly, I believe that it is necessary for the company to make improvements to its current human resource (HR) practices. As indicated earlier in this paper, the company has been extremely successful in fostering a company culture based on innovation. However, by enhancing PT's current HR policies and implementing new ones, the company can develop a workplace culture that is also focused on the importance of people and collaboration. This will result in loyal employees who take pride in their work and in the company, which will enhance overall productivity. This is especially important with regards to the current European debt crisis. Due to a lack of job opportunities, most college and university graduates will likely be seeking employment out of the region. For example, the company can show that it values its employees by offering benefits such as a competitive compensation package or stock option plan. Furthermore, employees are not simply seeking a job that allows them to make a living, but they are also seeking a role that provides opportunities for personal and professional development. By offering new programs for employees based on career and skill development, PT will be able to distinguish itself as a top employer and retain the best talent in the industry. For example, PT can offer workshops or seminars based on leadership development.

Another recommendation for Portugal Telecom is to focus its efforts on penetrating developing markets. As noted by Bava:

*In developing markets, people understand the value of education. I wouldn't be surprised if we'll see a disproportionate allocation of disposable income to technology in developing markets because it opens the doors to knowledge and establishes a level playing field for everyone (McKinsey Quarterly, 2011).*

In the telecommunications industry, international expansion is an important means of value creation. Developing nations can serve as a source of growth for PT because they offer a wide range of investment opportunities. The company can use its core competencies to capture new markets. For instance, Brazil is a strategic market with one of the most important emerging economies after India and China. The poorer population has seen an increase in purchasing power, resulting in a change in consumer trends (Investment U, 2011). According to Business Monitor International (2011), Brazil's economy has the most potential for growth in the mobile telecommunications industry in Latin America. Although its GDP in 2011 is approximately half of what it was in 2010, mobile phone subscriptions still increased by 1.67% from July to August. Between 2010 and 2015, the number of mobile phone subscriptions is expected to increase by 39%. In addition, the increasing widespread use of smart phones throughout the country is the reason behind a near 400% increase of 3G subscribers (DataMonitor, 2011). Portugal Telecom already has a large presence within Brazil, which has allowed the company to gain knowledge of cultural, political, and market factors within the country. This gives the company a significant advantage, and it should leverage on its presence to focus its efforts on penetrating additional market segments within the country.

Portugal Telecom is a sector reference in sustainability. It is one of the top nine telecommunications companies worldwide with the best practices in terms of sustainability, along with AT&T (United States), British Telecom (UK), Koninklijke KPN (Netherlands), KT (South Korea), Telecom Italia (Italy), Telefonica (Spain), Telus (Canada), and Verizon (United States) (Salema, 2011). PT was included in the Dow Jones Sustainability World Index for the second consecutive year and has recently improved its position. Sustainability is a strategic priority for PT in an economic, social, and environmental capacity. It is included as one of the three pillars of PT's strategy, along with innovation and execution (Portugal Telecom, 2011). According to Salema (2011), the company's sustainability strategy is the supporting factor behind the innovation and execution strategies through the principles of business ethics, environmental preservation, and positive social impacts. In addition, the company has a Sustainability Committee to approve strategies at the Board level. Despite all of the recognition and commitment that PT has for its sustainable initiatives, these efforts are at a macro level and are mostly company wide. As a TMN customer myself, I have noticed a number of ways that the company can improve its activities to be more sustainable. When I purchased a mobile phone, it came in a large blue plastic box and was delivered in a paper shopping bag. I felt that this was not environmentally friendly and the company could utilize alternative methods, such as condensing the packaging. In addition, I have been given numerous documents, papers, and business cards each time I visit a TMN outlet to add more money onto my pre-paid phone, a process that is also not environmentally friendly and seems quite unnecessary. To the average user, it appears that the company is not as committed to sustainability as its numerous awards reflect. For these reasons, I believe that PT should focus its sustainable initiatives on a smaller scale in addition to its current large-scale initiatives.

## CONCLUSION

With the increasing interconnectivity of people and information across the globe, companies within the telecommunications industry are shifting their business models to be able to provide users with a continuous sequence of new, updated products and services. Portugal Telecom has enjoyed remarkable success since its formation in the early 1990s, and it is still continuing to strive for further growth opportunities. Its position as market leader in every segment that it operates can be attributed to its ability to foster the principle of delivering innovative products and services as a company-wide value. It has also developed a strong brand image and is successfully capturing new business opportunities as they arise. In order to stay competitive in the future, PT should adapt its current HR policies to have a larger focus on its employees by providing a wider range of benefits, rewards, and career development programs. This is especially important for retaining potential college and university graduates. Further, the company should focus on penetrating developing markets, specifically the Brazilian market. Brazil is an attractive market because its economy is growing and the company already has extensive knowledge of the local market. Lastly, Portugal Telecom should complement its current large-scale, macro-level sustainable initiatives by focusing on sustainability on a smaller scale.

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