



Managing investment capital in building telecommunications infrastructure: Perspectives from foreign telecommunication groups and corporations experience

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Abstract

The number of telecommunications companies in a nation is often minimal, each of these groups and corporations has, up to the present, a lengthy period of existence and growth with numerous ups and downs. Consequently, they have a lot of valuable knowledge in managing investment capital for the development of their production and commercial operation information infrastructure. Therefore, investigating these groups and corporations will provide significant lessons learned for our country's telecommunications corporations in light of managing their investment capital.

Keywords: Investment Capital, Telecommunications Infrastructure, Managing Investment Capital

Introduction

1. Experience in managing investment capital to construct the telecommunications infrastructure of some foreign telecommunications groups and corporations

China Telecom Corp., Ltd. - China

China Telecom is the world's third-largest mobile operator, only after Vodafone Air Touch of the United Kingdom and NTT DoCoMo of Japan. One of the measures that the group uses to achieve its strategic objectives is focusing on expanding network coverage and increasing network capacity. In order to extend the network, the group has been relatively proactive and successful in managing the investment and construction of its own transmission infrastructure in some areas where transmission equipment has not been placed, as follows:

- Concentrating on the development of investment strategies and project plans: At China Telecom, all infrastructure construction investment projects must be in the approved strategy and plan that have been approved to invest.
- Improve project appraisal: The infrastructure construction investment projects at China Telecom must be completed through all the processes of the pre-feasibility and feasibility studies. The group's finance and planning department must then evaluate the pre-feasibility study and feasibility study findings.
- Strengthening inspection and oversight of the use of investment money in projects: At China Telecom, the goal of monitoring the use of investment capital is to guarantee that the investment is for the right purpose, in the right project, properly and effectively. The group project management department also allocates personnel to regularly oversee (for investors and contractors) the capital utilization of projects in compliance with the law and group.

KT Corporation - Korea

KT Corporation is Korea's largest telecommunications group. During the last 10 years, the group has invested heavily in research and development (R&D) by developing a series of TDX and ATM switchboard systems (these switchboards regulate and restrict the installation of numerous telephone subscriber numbers, manage extension calls, control mobile and international calls, and make internal extension calls comfortable without postal costs), multimedia services and F-O transmission equipment, developing the

IMT-2000 system and the DBMS information system theme to upgraded Korea's telecommunications technology. During that process, the group has also applied many effective measures to effectively manage investment capital for infrastructure construction:

- Effective screening of infrastructure construction investment projects: The group planning department has completed the screening role for infrastructure construction investment projects well. This department is responsible for generating feasibility studies for infrastructure investment construction projects. It is also accountable for evaluating, authorising, and choosing whether to reject or advance investment ideas to the feasibility study stage. The purpose of this is to guarantee that the investment money is concentrated and effective.
- Promoting creativity in investment capital management: The group encourages officers and employees to provide ideas, solutions, and recommendations on the economical and effective utilisation of investment funds in infrastructure development projects. The group also has a clear reward mechanism for approved solutions, in order to create motivation to promote effective implementation of thrift practices, waste reduction, and ensure that investment spending is continuously monitored and carefully evaluated.
- Strengthen the detection of signs of violations in the management and use of infrastructure construction investment through frequent monitoring to evaluate and identify the situation, the development of inspection programmes and plans, and targeted monitoring. The officer in charge of inspection of the Inspection group diligently sought information from several sources in order to get accurate data... Based on the collected information, the inspection staff arranged, screening to analyse, and identify objects and content with signs of violation accurately and in a timely manner.

NTT DoCoMo, Inc - Japan

NTT DoCoMo, Inc. is the largest mobile telecommunications service provider in Japan and one of the leading telecommunications groups in the world. In investing in building infrastructure to serve production and business activities, the group has taken many effective measures as follows:

- Focusing on the quality of construction investment capital planning and capital allocation: The group infrastructure construction investment capital strategy prioritises projects with a direct influence on service quality and customer service capability. Investment money is allocated and arranged in accordance with the project timetable. Due to the features of infrastructure construction investment activities, which include a lengthy construction time, incomplete volume, and an investment cycle that does not correspond with the fiscal year, the group has allocated investment resources according to the medium and long term.
- Well-perform in contractor selection: In preparing bidding documents, the group promulgates clear and standard criteria. Each project has specific and public bidding criteria. The review and review of contractors to properly assess their capacity to make the right decision to choose the right contractor.
- Strengthening the inspection, supervision, and prevention of loss - waste of investment capital: The

group has mandated that each department of capital management must have particular methods and rules to supervise at work. The group develops a plan for periodic and ad hoc inspection and supervision of entities managing investment capital in infrastructure construction and makes the evaluations public in order to have a clear classification and stance regarding the quality of investment activities in infrastructure construction.

Telstra Corporation Limited - Australia

Telstra Corporation Limited is a state-owned enterprise that builds and operates telecommunications networks and markets voice, mobile, internet access, pay television and other products and services. In investing in building infrastructure for business activities, the company has taken many effective measures:

- Establishing a reasonable investment structure: As a state-owned corporation, Telstra's infrastructure investment capital management involves a number of complexities. The company has actively developed an investment plan with a reasonable investment structure management, focusing on key projects that are decisive/important to the company's ability to serve customers, in order to ensure that the investment capital is used effectively, effectively serving the company's business activities in the context of limited capital. The non-essential projects have been redirected towards renting rather than receiving funding for execution.
- Accelerate the speed of site preparation for construction projects: The firm has collaborated closely with the local government where the project is situated in order to advertise the compensation policy mechanism and enhance the publicity effort. Promote and organise in order to get the support of the people.
- Ensure the rigorous implementation of the investment process for the project, comprising the following phases: investment planning; making the investment; completing construction; and putting the project into operation and usage.

AT&T - USA

AT&T is currently the second-largest mobile telecommunications service provider in the US, behind Verizon. In investing in building infrastructure for business activities, the group has taken many effective measures:

- Reasonable allocation of investment money: The group often prioritises providing investment funds to projects with rapid development in order to complete and accelerate investment implementation. The group also maximize the restriction of capital that dispersion and endures for years. The layout of the investment capital plan has a reasonable structure in order to generate a source for accelerating the investment preparation phase, where the emphasis is on management capital for site clearance.
- Enhance the management of investment expenses in construction: Cost control is carried out in stages such as reasonable construction organization, building a system of norms and assigning norms to save on material waste; control prices and inputs of indirect cost items in the construction process simultaneously with the activities to control the process of timely payment and settlement, to ensure that the realized values are fully liquidated and

other controls such as arising, arising during the performance of the contract.

- Provide a reward and penalty mechanism in investment management: The basis for the group to implement rewards and penalties is the assessed level of investment efficiency. Funds for bonus payment may be deducted from a certain percentage of the project's investment capital to form the bonus and penalty fund for the level of investment efficiency; revenue from fines for inefficient investment and other sources (if any). Reward and punishment objects include investment project owners, units, and persons inside the group's investment capital management apparatus.

2. Lessons learned for corporations and Vietnam's telecommunications corporations

- *Firstly, focus on planning for the use of investment capital:* This issue has been focused by most foreign telecommunications corporations and corporations and placed first in the management of investment capital in the construction of telecommunications infrastructure. Accordingly, the work of planning the use of investment capital for projects should be carried out seriously. In the analysis and forecasting process, the plan must be appraised and approved in a timely manner, synchronously, coherently, and appropriately, avoiding overlapping. The plan should have a long-term vision, associated with the general development strategy of the group and the corporation.
- *Secondly, invest in prioritizing and key projects, avoid spreading investment:* According to the experience of KT Corporation - Korea in concentrating on screening investment projects and Telstra Corporation Limited - Australia in determining the investment structure, there is a vital need for Vietnam corporations and telecommunications corporations to focus on approving and allocating capital for their infrastructure construction investment projects. It is also important to ensure the right concentration, focus, and prioritize investment in projects and works that are crucial to service quality, customer service capacity, or, in other means, the company's competitiveness.
- *-Thirdly, improve efficiency in site clearance:* According to the experience of Telstra Corporation Limited - Australia and AT&T - USA, Vietnam telecommunications groups and corporations need to closely coordinate with the local authorities where the project is located to speed up the progress and remove obstacles in the implementation of site clearance for the project.
- *Fourthly, finalize the allocation of the investment capital plan:* According to the experience of NTT DoCoMo, Inc - Japan and AT&T - USA, there is a need for telecommunications corporations and corporations in Vietnam to ensure the requirements in this phrase. There is a high demand for publicity, transparency, fairness and efficiency, so it must follow clear principles, criteria and norms. On the other hand, it is necessary to combine and integrate many projects so as not to overlap or omit, to have a clear view of anti-dispersal, and to overcome rampant plan transfer. Besides, corporations need to develop conditions for capital allocation by determining principles, criteria and appropriate levels of investment capital capacity of the group and the corporation as well

as arrange capital for completed projects but not yet approved for final settlement of completed projects and transitional projects. Additionally, concentrating capital for key projects and avoiding the situation of spreading capital, causing capital backlog is also suggested to consider.

- *Fifthly, complete the bidding and contractor selection:* According to the experience of NTT DoCoMo, Inc - Japan, in the bidding process, corporations and telecommunications corporations in Vietnam need to make an exact assessment on the technical capacity and financial capacity of the contractor. In particular, corporations should not choose the contractor from the lowest bidder. It is also necessary to strictly regulate the conditions of limited bidding and appoint contractors, and at the same time provide strict sanctions to handle cases of deliberate implementation when there are no conditions to apply. Besides, the application of public bidding form is important to avoid a closed situation in contractor selection. The information of the bid solicitor must be published fully and publicly in newspapers or online so that potential bidders have equal opportunities to access information.
- *Sixthly, improve control over the use of investment capital:* The issue is also focused by most foreign telecommunications corporations and corporations. Accordingly, telecommunications corporations and corporations in Vietnam should note:

In the project supervision and implementation phase, groups and corporations must comply with each step of project evaluation and monitoring.

+ It is important for groups and corporations to build a project monitoring and evaluation system. This will contribute to overcoming weaknesses in the project implementation process and effectively managing investment capital to achieve the setting goals.

There is a need for groups and corporations to regularly monitor and evaluate projects, this must be considered a periodical activity in each phase of the project from project formulation, project implementation, and project completion to the evaluation of the project effectiveness. The monitoring and evaluation of the project must be reviewed and implemented in a systematic, objective manner and may include a sudden assessment when necessary.

Groups and corporations are also recommended to develop and issue a "Regulation on inspection, supervision and evaluation of the implementation of investment projects on construction of telecommunications infrastructure" in a reasonable manner. This regulation allows the establishment of a unified monitoring system for project implementation from the design stage to the process of organizing the implementation and ending the investment; from that, putting it into operation and thereby promptly detecting the project difficulties. The regulation on inspection, monitoring and evaluation of project implementation requires to specify the functions, duties and responsibilities of each participating agency and organization; and at the same time specify how to carry out regular, irregular or periodic inspection, monitoring and evaluation.

It is vital for groups and corporations to strengthen inspection and examination of payment disbursement for projects to assess, detect and promptly prevent violations of the law, resolutely export accounting for expenditures for wrong

purposes, incorrect volumes, unit prices, estimates... to strengthen the project's asset management.

In addition, groups and corporations need to constantly improve the quality of employees in charge of inspection and supervision through training, organizing seminars, thematic reports, and exchange of learning experiences... Employee training tasks must be carried out in both aspects of quality in project management and implementation as well as inspecting, monitoring and evaluating the implementation of investment projects' skills. This is necessary because if employees' quality resources do not in line with the good inspection, supervision and evaluation regulation has been issued, the inspection and supervision shall not be well performed. This will significantly affect the quality and efficiency of the management and implementation of investment projects.

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