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"Succeeding with Mobile Services in Africa"

by Jamie Anderson

Delivering cost-effective network coverage and appropriate marketing and distribution strategies have been recognized as critical elements of success for mobile network operators hoping to expand in Africa. But equally important is the ability to adapt to the institutional context of operating in situations very different from those found in the developed world. In North American and Western Europe institutions have evolved over many decades to provide firms with skilled workers, and the laws and regulations to facilitate exchange between buyers and sellers. In a perfect world, every country would provide these necessary elements for markets to flourish. But this is simply not the case in many parts of Africa where institutions fall well short of the needs of business.

One of the first challenges of serving customers in Africa is recruiting the managers and employees required to develop and implement organizational strategies. In developed markets, companies are provided with a steady flow of well educated recruits from tertiary institutions and vocational academies. The United States alone has more than 500 business schools, and the Master of Business Administration (MBA) degree has become a rite of passage for aspiring managers. In countries such as Japan, South Korea and Germany, academic education is complemented by a long tradition of in-company talent development programs.

But finding management talent in some parts of Africa is not so easy. For example while Africa has approximately 60 MBA programs, there is not a single African business school ranked in the world's top 100. According to George Halley, a former minister of transport in Ghana, a Harvard Business School graduate, and a former faculty member at the University of Ghana's business school. "There are a few MBA programs here, but most are mediocre. The teaching is still too theoretical and relies too heavily on textbooks and lectures. Pedagogy needs to move more toward hands-on consulting experiences and cases. We need more faculty with real-world experience."

Perhaps even more disconcerting, only a handful of universities outside of South Africa are strong in traditional 'foundation' disciplines for business such as economics and engineering. Indeed, many African universities continue to have a strong focus on liberal arts degrees despite a desperate need for technicians and engineers. So while many administrative, clerical and sales positions can be filled with local hires, most technical and managerial positions cannot. According to Marten Pieters, CEO of pan-African mobile network operator Celtel B.V.:"Strategy is the easy part. Our real challenge is finding the people on the ground to implement. When you go into markets such as Sierra Leon, Burkina Faso or DRC [Democratic Republic of Congo] you cannot assume that you will be able to find the kind of managers that you can find in Europe or the US. And it is our policy to promote Africans and minimize the use of expatriates."

Although the company serves Africa and was founded by an African Celtel is based in the Netherlands. According to Terry Rhodes, Chief Strategy Officer: "We are run out of Europe because that's where the bulk of the money, technology and skilled people in our business are." But the task of finding skilled expatriates who are interested in assignments in the developing world – and particularly regions experiencing political conflict or natural catastrophes such as famine, or with healthcare, crime or personal safety concerns - is not always easy.

Several of Celtel's African markets have experienced periods of social upheaval and political instability, with the company having to evacuate its staff from the capital of Sierra Leone when it fell to rebels during the country's civil war. Employees were only able to return with the arrival of a UN peacekeeping force. Sudan, another of Celtel's operating countries, has been the focus of international attention for the humanitarian crisis in the Darfur region. It should be noted, however, that it is not just Africa that poses these kinds of problems for MNOs –parts of Sri Lanka, Pakistan, India, Nepal, Iraq, Afghanistan, Indonesia, the Philippines and many of the former Soviet Socialist Republics have all experienced recent bouts of terrorism or armed conflict. Perhaps even more concerning, violence is frequently targeted at expatriate workers and foreign interests.

To overcome the challenges of filling management positions in its fast-growth markets, Celtel has launched its own corporate university, Celtel Academy, that has an explicit aim of improving the capabilities of local middle and senior management across 13 African countries. The Academy provides training on topics such as strategy, marketing, leadership, finance and operations management. In addition to the activities of its corporate university, Celtel recently sent sixty of its most senior managers through a two-week general management program at London Business School, one of the world's leading graduate management schools. More than three-quarters of the managers who attended the program were Africans from the company's local operating companies. An important compliment to Celtel's management development activities has been work towards an employee retention plan. Celtel recognizes that by investing in talent development it is increasing the attractiveness of its employees to competitors in the mobile phone business, and to other MNCs operating in Africa.

Government practices and policies, as well as societal traditions, can also provide unique challenges for companies trying to deliver mobile services in Africa. As large and small firms alike know all too well, governments in most developing economies function in very different ways to those in the developed world. The state, regulatory authorities and sometimes even individual government ministers or officials are often involved in a broad range of activities that can stifle or kill-off private enterprise.

Dr. Mo Ibrahim, the Sudan-born Chairman and founder of Celtel, has gone to great lengths to build strong ties with governments and institutions across Africa. The company's board members have brought not only financial resources and telecommunications knowledge, but also political contacts. Dr. Salim Salim, who was a board member of Celtel for almost a decade, was former Prime Minister of Tanzania and past Secretary General of the Organization of African Unity. Similarly, the presence of quasi-governmental investors such as the World Bank has supported Celtel with a strong structure of corporate governance and access to the highest ranks of government across the continent. Ibrahim is quick to point out, however, that access does not mean bribery and the company is explicit in its refusal to participate in corruption. Celtel also borrows from banks in its African markets, not just to provide capital but to align its own interests with those of influential local business people, some of whom also serve as non-executive directors on the Boards of Celtel's national operating companies.

Political contacts and networks often need to extend much further down the hierarchy than senior government officials. An absence of political contacts at the tribal or village level can result in long delays and protracted negotiations in markets that can be short of judicial structures to create and enforce commercial contracts. In many of its country operations, Celtel utilizes its local employees and contacts to negotiate rental fees and gain approval for the installation of mobile base stations on tribal land that frequently lacks clear title rights. The theft of diesel fuel used to power generators can also emerge as a problem in areas in which the company has not established local connections, so it is not uncommon for Celtel to work through tribal leaders or village councils to recruit local 'askaris' or watchmen for the company's base station sites.

Some governments in Africa are also slow to keep up with international developments in telecommunications regulation, posing challenges for MNOs so lobbying of government agencies is also important in the developing world. Beyond the cost of per-minute pricing, the total cost of ownership (TCO) for mobile telephony remains high in most emerging markets due to taxes on service fees and handsets. A recent study of fifty developing economies found that there was an average eighteen percent tax burden in the total cost of using a mobile phone, with many countries exceeding thirty percent. Says Omari Issa, Chief Operating Officer of Celtel "in many countries regulators are regulating mobile in the same way they used to regulate fixed. They haven't really come to the realisation that the sector is changing. The market forces are changing. They are trying to change things regardless of what the customer wants. Operators are normally way ahead of the regulatory environment in terms of coverage, tariffs and everything else."

In Tanzania, Celtel pursued a campaign of influencing the government to think of mobile communication as a basic infrastructure that could enhance national development, and was successful in having the excise on airtime reduced from ten percent to five percent. The government also agreed to reduce the interconnect rate from a mobile phone to the government owned land-line network by almost half. In an effort to reduce taxes on and tariffs impacting the uptake usage of mobile telephony in other developing markets, handset and mobile network vendor Nokia has cooperated with operators in Africa such as MTN to lobby governments to recognize the value of mobile telephony in improving productivity and bridging the 'digital divide'.

Beyond lobbying, corporate social responsibility can also be important in supporting a firm's commercial objectives. Some African governments believe that MNOs are more interested in exploiting a country's wealth than contributing to the betterment of society, especially after many have realized the potential value forfeited when initial licenses were issued for free to new entrants. It is therefore important for firms to be seen to be contributing to local economic and social development. The MTN Group operates mobile networks in South Africa, Nigeria and several other sub-Saharan African markets and has worked towards contributing positively towards sustainable development in the countries in which it operates. In Nigeria, the MTN Foundation is committed to improving the quality of life of rural communities in three critical areas of health, education and economic empowerment by investing 1% of the company's profit after tax into development initiatives. The Foundation is governed by a board of directors comprising accomplished and prominent Nigerians from the public and private sectors.

A key project under the MTN Foundation is a community phone initiative whereby women in rural communities are given SIM packs, phones and phone chargers under a micro-credit scheme to enable them to operate mobile payphones. The project has been implemented in rural communities across Nigeria and aims to achieve the dual objective of widening availability to affordable telecommunications, while supporting economic empowerment. The community phone initiative has been applauded by the Nigerian government as "a model for other corporations to follow", and the Director General of the Nigerian National Centre for Women Development has commended MTN for "empowering Nigerian women". Perhaps not surprisingly, MTN describes its relationship as "excellent" with Nigerian government officials and the telecommunications regulator.

Addressing the institutional context of doing business in Africa is critical for the success of mobile network operators. As companies such as Celtel and MTN know all too well, managers cannot assume that there will be an institutional environment in place to facilitate ease of operations. In particular, the critical aspects of talent development and political relationships must be addressed. Without talented management and employees to implement, the best made strategies can come to naught. Similarly, companies who do not work to develop strong relationships with host governments and other political institutions can suffer excessive red-tape, delays and in some cases ejection from the host market.

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