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La empresa Safaricom, promotora de los ODS en Kenia. Una historia de éxito

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RESUMEN

Safaricom Kenya Limited es el principal operador de telefonía móvil de Kenia. Se constituyó en 1997 como filial de Telkom Kenia. En mayo de 2000, Vodafone Group Plc, la mayor empresa de telecomunicaciones del mundo, adquirió una participación del 40% y la responsabilidad de la gestión de Safaricom, gracias a su asociación estratégica con líderes mundiales en telefonía móvil, como Linksoft, ha permitido a la empresa acceder a tecnología punta, lo que, a su vez, ha facilitado una diversificación de los servicios y la gama de productos con un coste mínimo para la empresa y, por tanto, a precios competitivos. A lo largo de estos años, Safaricom está consiguiendo su principal objetivo, el de "Transformar vidas", facilitando la creación de oportunidades para que los kenianos tomen las riendas de su desarrollo dotándoles de las herramientas adecuadas para el crecimiento económico del país.

PALABRAS CLAVE

Safaricom, Objetivos de Desarrollo Sostenible, Telecomunicaciones, Innovación

ABSTRACT

Safaricom Kenya Limited is Kenya's leading mobile operator. It was incorporated in 1997 as a subsidiary of Telkom Kenya. In May 2000, Vodafone Group Plc, the world's largest telecommunications company, acquired a 40% stake and management responsibility for Safaricom. Safaricom's strategic partnership with world leaders in mobile telephony, such as Linksoft, has given the company access to state-of-the-art technology, which in turn has facilitated a diversification of services and product range at minimal cost to the company and therefore at competitive prices. Over the years, Safaricom is achieving its main objective of "Transforming Lives" by facilitating the creation of opportunities for Kenyans to take charge of their development by equipping them with the right tools for the economic growth of the country.

KFYWORDS

Safaricom, Sustainable Development Goals, Telecommunications, Innovation

Introduction

Safaricom Kenya Limited is Kenya's leading mobile operator. It was formed in 1997 as a subsidiary of Telkom Kenya to take over the mobile services started under KP&TC in 1992. In May 2000, Vodafone Group Plc (UK), the world's largest telecommunications company, acquired a 40% stake and management responsibility for Safaricom, through its strategic partnership with global leaders in mobile telephony, such as Linksoft, has enabled the company to access state-of-the-art technology, which, in turn, has facilitated a diversification of services and product range at minimal cost to the company and, therefore, at competitive prices (UN, 2008).

The liberalisation of the telecommunications sector has undoubtedly contributed to the spread and adoption of mobile telephony across Africa, but evidence also points to the fact that coverage gaps persist in some places, mainly in rural and remote areas, which are unserved or underserved (Arakpogun et al, 2017).

Safaricom started in 2000 with the objective of "Transforming Lives" by seeking to create opportunities for Kenyans to seize control of their development by empowering them with the right tools for economic growth.

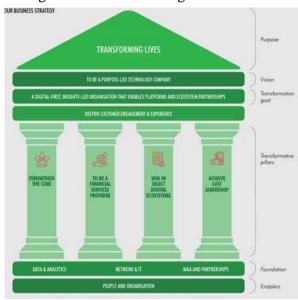


Image 1. Safaricom Business Strategy. **Source:** Sustainable Business Report (Safaricom, 2021)

With this background, Safaricom is one of a group of some 400 companies in Africa with annual revenues in excess of \$1 billion. Many of these companies are pan-African in their operations, and are active in increasingly diverse sectors¹.

Safaricom has also engaged closely with the Kenyan government, even involving itself in the nation's politics, and its marketing campaigns reflect a commitment to promoting the country and its products, adopting a language of "commercial nationalism" portraying Safaricom as a driver of economic growth and development in Kenya (Kensenwa et al., 2013).

Safaricom provides integrated telecommunications services, including mobile phone services, mobile money transfer, consumer electronics, e-commerce, Cloud computing, data, music streaming and fibre optics; most notably M-Pesa, created in 2007 by Vodafone Group plc and Safaricom, an SMS-based mobile banking service offering mobile phone transfer, payments and microfinancing. It has since expanded to Tanzania, Mozambique, Democratic Republic of Congo, Lesotho, Ghana, Egypt, Afghanistan and South Africa, allowing users to deposit, withdraw and transfer money; pay for goods and services, and access credit and savings, all with a mobile device (Saylor, 2012).

Customers can also use M-Pesa to transfer money between accounts at 14 banks. M-Pesa has over 247,869 agents and 39.9 million customers, as well as an online trading platform, Masoko (Swahili for marketplaces), which joins the e-commerce platforms already present in Kenya: Jumia, OLX and Kilimani (Safaricom, 2021).²

Cutting-edge technology helps Safaricom achieve a sustainable competitive advantage, not to mention it being the first telecommunications service provider to adopt 3G+ technology and mobile money transfer services (Kasyoka, 2010).

Safaricom has been able to significantly improve the penetration of mobile and data services, making Kenya one of the best-connected countries in Africa³, accounting for 5.2% of Kenya's GDP by 2021. As a result, the Kenyan market leads the continent in terms of smartphone penetration and Internet usage. Subscriptions currently stand at 91%, surpassing Africa's 80%. Globally, it has the

¹ https://www.safaricom.co.ke/about/about-safaricom/who-we-are/our-story

https://www.businessfrance.fr/kenya-entree-de-safaricom-dans-l-e-commerce

https://www.mandg.com/investments/private-investor/es-es/perspectivas/destacados/pim/hablando-deimpacto-safaricom

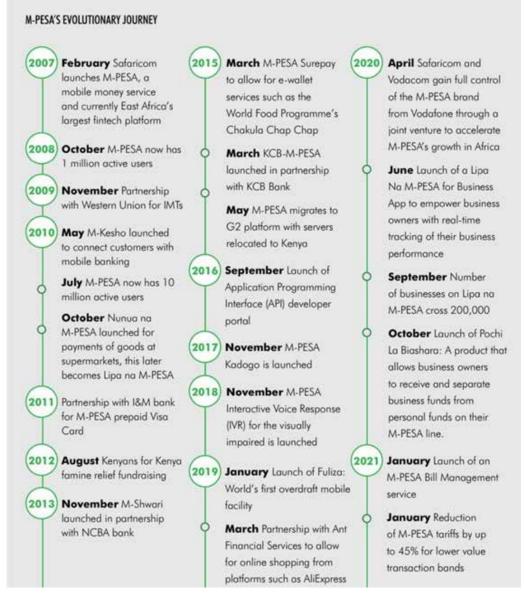


Image 2. M-Pesa. Evolution

Source: Sustainable Business Report (Safaricom, 2021)

highest proportion of mobile Internet usage compared to fixed devices. Improved coverage throughout the country has led to a surge in mobile content in Swahili. For example, the number of mobile apps in that language has increased from 5,000 in 2014 to almost 30,000 in 2017, and mobile money has also contributed, in large part, to the increase in the mobile operator's base across the country. Kenya currently has 47.6 million active accounts which, in 2018, had a transaction value of USD 3.6 billion⁴.

Safaricom's success has been largely attributed to its ability to innovate a competitive strategy under the leadership of a visionary management team, making use of the three components of transformational leadership: inspirational motivation, individualised consideration, and the application of intellectual stimulation (NDISYA, 2016).

But the company's innovation is not only inward-looking, it is also strongly linked to major international strategies, as it has incorporated the Global Sustainable Development Goals into its overall strategy, making an ambitious com-

https://www.icex.es/icex/es/navegacion-principal/todos-nuestros-servicios/informacion-de-mercados/ paiŝes/navegacion-principal/noticias/NEŴ2019825158.html?idPais=KE

mitment to become a zero-emissions company by 2050⁵.

I. How was the business expansion carried out?

Kenya has become the economic and commercial hub of East Africa thanks to its strategic location as a gateway to the entire region, and has been able to diversify its productive structure by opening its market to foreign investment.

The availability of a more qualified workforce, the existence of a relatively sophisticated banking market, and infrastructures capable of turning this country into the main logistical and commercial hub in the area largely explain the growth of interest by foreign investors.

Safaricom has developed in this environment. If its competitiveness is analysed according to the components of Porter's Diamond, this author pointed out that no company in any country can afford not to compete, and competitiveness lies in the business environment of a location where clusters are fundamental (Porter, 1988).

1. Factor conditions. The iHub ecosystem and the like have created a large pool of technical talent in Nairobi, bringing together top-tier firms such as Google, Cisco, Nokia, Siemens and Airtel. Corporations have also established offices in the region to capitalise on the growing talent pool. In 2006, the Kenyan government contributed to the country's Information and Communication Technology (ICT) infrastructure, partnering with the Emirates Telecommunication Establishment (Etisalat) to create its fibre-optic cable network, which improved the speed and reliability of the Internet in the area. Kenya's \$1 billion software hub is home to more than 200 well-established businesspeople and companies, including IBM, Intel and Microsoft. They are trying to address technology challenges from "Silicon Savanna", as Kenya is beginning to be called. Specialised factors contributing to performance include a growing physical infrastructure, significant capital resources, increasingly skilled and specialised human resources (with specific training) and an attractive administrative infrastructure. It has 5,526 network sites, 10,080

- kilometres of fibre optic network in the 47 counties, 4,456 permanent staff, 839 suppliers, 435 active distributors, 247,869 M-Pesa agents; financial partners, such as Alipay, Paypal, Visa, and the Central Bank of Kenya; and partnerships with educational institutions, health institutions, etc. (Safaricom, 2021).
- **2. Demand conditions.** Africa is the world's fastest-growing mobile phone market, with only Asia surpassing it in market size, according to the Global Mobile Operators Association. This is revealed by figures from the latest report from the global mobile operators' association (GSMA). And, while conventional calls and text messaging dominate, there is growing interest in mobile Internet services. Safaricom leads the Kenyan population in network coverage, with 2G at 96%, 3G at 95%, and 4G at 94%; 204,234 residential homes, and 15,300 business customers connected to the fibre optic network, along with 726,100 loT connections.

It is being used to make bank transfers, receive medical results, prevent illness and disseminate election results, which is overcome the isolation of rural areas. Kenya is the world's most mobile-banking country, with more than 18 million regular users. The success of this practice is due to the large size of the unbanked population developing countries, which credit delivery companies like Visa are trying to exploit . Safaricom has 28.3M customers accessing financial services through M- Pesa, and almost 4 million users of M-Shwari, which is a mobile savings and loan service that allows them to operate a bank account through their mobile phones, offered to M-Pesa customers.

3. Company strategy, structure and rivalry. Echoing Arakpogun et al., 2020, institutional factors shape the impact of industry structure and technological factors on firms' propensity to engage in competitive strategies. Regulators and the characteristics of the institutional environment play an important role in incentivising or dis-incentivising firms to cooperate, even if market conditions are not necessarily conducive to cooperative

⁵ https://www.carbontrust.com/es/nuestros-proyectos/safaricom-un-enfoque-estrategico-para-alcanzarcero-emisiones-netas

behaviour. Regulators in the telecommunications sector can, through their interventions, correct market failures or create additional ones. It is valuable to get a demand-side perspective to discover how barriers related to affordability, digital awareness and literacy, a lack of local content, and the digital gender gap might limit the uptake of infrastructure sharing.

In this sector it is worth noting the high level of competition among the multitude of technology companies in Kenya, which are always ready to launch innovative products, such as Angani, a provider of Cloud computing services for public networks; BRCK, a wireless Wi-Fi device; CardPlanet, a mobile payment system; iProcure, software to optimise rural supply chains; Sendy, a courier and home delivery service; BuyMore, an electronic discount card for students; BitPesa, Bitcoin for African remittances, etc.

4. Related and ancillary sectors. Alongside the company, different service providers

OUR PARTNERSHIP ECOSYSTEM Agriculture Digi M-K PAT Education Financial services Health m-tiba

Image 3. Sataricom Partnership. Source: Sustainable Business Report (Safaricom, 2021)

have emerged that even facilitate the acquisition of new customers by providing access to handsets, as is the case of the start-up Mara Phones, which partnered in 2019 with several banks to pre-finance devices for consumers, establishing monthly payments between 4 and 6 dollars for two or three years. This will see an exponential increase, as the number of mobile phone users in sub-Saharan Africa is expected to jump from 477 million to 614 million within five years. Half of these new users will come from just five countries: Nigeria, Ethiopia, Congo, Tanzania and Kenya . In terms of ancillary businesses related to M-Pesa, third party operators such as banks, ATM networks and utilities should be highlighted. M-Pesa also has positive effects, as it reduces churn and helps attract customers in an increasingly competitive mobile phone market that has seen the entry into the market of the multinational telecommunications companies Airtel, Essar, and Orange (Flaming et al., 2011).

II. The secret: the company's international strategy and the key resources in expansion

The new challenge for the internationally active firm is to combine economic efficiency with the ability to adapt to local markets; Bartlett and Choshal (2000) describe the emergence of this new type of organisation, which they call the transnational firm. In order to respond to this challenge, the Ansoff Matrix, also called the Product/Market Expansion Matrix, will be used. The matrix shows four strategies that can be used to help a company grow, and also analyses the risk associated with each one.

Safaricom launched a new corporate strategy in October 2020, which aims to support the transition from a telecommunications company to a technology company by 2025 (Safaricom, 2021).

Market penetration: This focuses on increasing sales of existing products to an existing market, which can be achieved in a number of ways: through a policy of lowering prices to attract and retain new customers, developing promotional campaigns and engaging customers, irrespective of the environment and resources available to them; and by taking ownership of competing

- b. Product development: Focused on the development of new products, this can work based on research, innovation and subsequent development strategies, even establishing alliances with other companies to gain access to their distribution channels, or their brands. For this, Safaricom is expanding in areas such as health and agriculture.
- **c. Market expansion:** With the same products finding new markets and customers, expanding in the same territory or internationally, Safaricom is turning M-Pesa into a global payment platform, going beyond borders through M-Pesa Africa and expanding into new areas under financial services such as wealth creation and insurance. Together with South Africa's Vodacom, the M- Pesa brand, product development and support services were acquired through the new joint venture (M-Pesa Africa). This move will accelerate M-Pesa's growth in Africa by giving both Vodacom and Safaricom full control of the M-Pesa brand, product development and support.
- d. Diversification: Focused on introducing new products in new markets, whether through related or unrelated diversification, which is happening as the company is driving new areas of growth through smart acquisitions, digitization, and operating model transformation, to offer its 39.9 million customers the best value for their money on all its current and future products. Safaricom has partnered with Google to provide access to smartphones through a device financing project known as "Lipa Mdogo Mdogo", which translates from Swahili as "payment in instalments". Of Safaricom's 23.77 million mobile data customers, only about 8.5 million have 4G devices, while 8.2 million have 3G-capable devices. One of the biggest barriers to accessing smart devices has always been the affordability of smartphones.

Not to be overlooked is the Global Partnership for Ethiopia. A country of 110 million people, it has one of the world's last closed telecom markets, but announced the opening of a tender for a telecoms license. Safaricom has been awarded the license for the consortium it leads, together with Participamos Vodacom, Japanese conglomerate Sumitomo, and CDC, the UK sovereign wealth fund. A very important market is opening up for the company.

III. Company expansion versus ethical issues

Safaricom is trying to avert the potential negative effects of its business growth by including in its expansion strategy, since 2016, respect for the Sustainable Development Goals. Under this strategy (Safaricom, 2021), they are committed to providing connectivity and innovative products and services (SDG 9) that deliver unrivalled solutions to meet the needs of Kenyans by enabling access (SDG 10) through proprietary and partner technologies (SDG 17) and exploring opportunities in Health (SDG 3), Education (SDG 4) and Energy (SDG 7), while managing operations in a responsible (SDG 12) and ethical (SDG 16) manner. Achieving all of these Goals will stimulate growth and create value (SDG 8) for business, society and the economy. The main ethical problems could be derived from Safaricom not being an inclusive company, but this is not the case. In fact, its products allow equal access for all citizens thanks to technology, and it is also significant that the company's employment policies are gender mainstreamed, as it has achieved a 50% gender balance among its employees, reaching 34% of senior management positions for women, and with almost 3% of its employees being people with disabilities.

There is a need to work on privacy and data protection, as in the various reports (Safaricom, 2020) and (Safaricom, 2021) there has been an exponential increase in cases investigated related to cybersecurity, and the fight against fraud (focusing on irregular customers, with the review of SIM card outlets, etc.). Identity theft and social engineering fraud have been some of the most common forms of fraud targeting M-Pesa's customers in 2021. Thus, it is critical to continue the customer fraud awareness campaign. According to the Communications Authority, in Kenya's industry statistics report, from July to September 2020 35.1 million cyber-

security incidents were detected, representing an increase of 152.9% compared to the previous similar period.

IV. Can the business model represent an exportable model?

It is necessary to recognise the importance of the quality of business management, on the one hand, and of factors related to the functioning of markets and institutions, on the other, in determining the productivity of firms. The results show that business management practices, institutional quality and the business environment jointly contribute to business productivity (Rico & Cabrer-Borrás, 2021).

The environmental factors that must be taken into account for the success of the company focus on the approach of the strategy. Safaricom is an external observer of the sector to innovate continuously, in addition to having external consultants, a strategic management process, and the capacity to influence its sector, analyse the Environment, comprised of its political, economic, social and technological factors; and the internal analysis or value chain , to determine, in a generic way, the set of activities that must be carried out to meet the needs of customers with the products and services committed. All these factors were taken into account, as recent reports (Safaricom, 2020) (Safaricom, 2021) show, but Safaricom's success does not hinge on its telephony service, but rather on having been able to identify a need among the Kenyan population and to offer them services that traditional banking was not. In many parts of rural Africa, banking services are virtually non-existent. Potential customers tend to have very low incomes and obtain them irregularly and sporadically, and do not have the necessary documentation to be able to open a standard account at a bank (Castro, 2011); hence the importance of the M-Pesa product. Bill Gates himself pointed out that "Kenya's M-Pesa proves that when people are empowered, they will use digital technology to innovate for themselves". In addition, the M-Pesa team reached out to regulatory authorities and found that they were not only careful about ensuring that responsibilities to the financial sector were met, but that they were also willing to explore new ideas, and recognised the mission of expanding access to financial services (OECD, 2010).

M-Pesa has revolutionised access to financial services and has left lessons learned in the area of financial inclusion. It is an example of how innovation in the provision of financial services to even the most marginalised and poorest people is key to empowering citizens .

The company and its employees play a key role in the strategy and innovation of the organization. As employees are not penalised for new ideas they come up with that do not work, Safaricom is continuously involved in activities that have created new markets or increased market share. Management actively seeks innovative ideas and programmes, and project managers promote and support innovative ideas and engage in creative processes, they continuously strive to modify product design to increase product quality, as evidenced in recent financial reports (Safaricom, 2021). New or significantly improved services have been produced, involving employees in continuous training programmes (Mugo, 2021).

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