

Analysis of the somalian telecommunication industry



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Telecommunication industry of Somalia is a rapid evolution of technology in Somalia and people access to it comes as several telecommunication companies here jockey for customers amid the absence of strong government-regulated phone and internet access. The competition to supply phone service has stocked the nascent revival of Somalis shattered economy and it shows that business can thrive even in one of Africa latest developed markets.

Backed by expertise from China, Korea and Europe and funded from their own pockets Somali telecom entrepreneurs are providing in expensive mobile phone service. Users can conduct money transfers via mobile phones and gain internet access, both wireless functions that aren't widely available in many other parts of Africa.

The success of Somalia's telecom sector is not all that unusual for a war - shattered economy, experts say. In countries with shaky economic foundation, such as Afghanistan and the democratic republic of Congo, telecommunication is missing infrastructure.

The first private telecommunications company to operate in Somalia after Somali government collapsed in 1991, was Telecom Somalia in 1994, Hormud Telecom in 2002 and Nationlink Telecom in 1997, they all offers all telecommunication services, the three companies signed an alliance and interconnection deal in 2005 that allows them to set prices and to control the newly other in entrant companies Like Somafone Telecommunication and others.

Hormuud Telecom Somali

Hormud Telecom (HorTel) is a privately held enterprise established in April 2002, its head quarter is in Mogadishu, and it expands south and central of Somalia. more than 600 Somali investors have shared in Hormuud Telecom and its leading telecommunication in southern and central of Somalia, and it employs over 4000 people, comprised of full time and part time staff, dealers, etc.

Hormud Telecom has received numerous awards in recognition of its grass-roots work in developing the local community welfare such as supporting educational institutions , social development and charity , provides a variety of telecommunication service such as Fixed line, GSM service and Data service , E voucher, and Zaad service.

Hormuuds chief executive , Ahmed Mohamed yusuf Started his business selling bread and spaghetti , he later opened a popular supermarket , but like his competitors he saw huge gaps in telecom sector “ everyone wants to get in touch with his brother or sister, whether inside or outside the country, to hear the latest news” says the 50-year old CEO.

In 2002 he pooled money with friends and investors and launched Hormuud Telecom providing telecommunication and later expanded to bank and mobile money transfer and now Hormuud Telecom Inc has a sales of about \$40 million a year.

However Hormuud expands and covers their network all south and central of Somali and they have two trade makers in other parts of Somalia, like

Telesom in northwest and Golis in north east.

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Literature review

Innovation is an idea, product or process that is a new to adopter (Hage and Aiken 1973) and other definition by Damanpour (1991: 556): " Innovation can be a new product or service, a new production process technology, a new structure or administrative system, or a new plan or program pertaining to organizational members.

Innovation is a survival imperative, if organization does not change what it offers the world and the ways in which it creates and delivers it offering it could well be in trouble, and innovation contributes to competitive success in many different ways, it's a strategic resource to getting the organization where it is trying to go whether it is delivering shareholder value for private sector firms, or providing better public services, or enabling the start -up and growth of new enterprises.

But innovation does not happen simply because we hope it will, it a complex process which carries risk and needs careful and systematic management, the core process involves three steps -getting hold of new ideas, selecting the good ones and implementing them.

A competitive advantage is an advantage gained over competitors by offering customers greater value, either through lower prices or by providing additional benefits and service that justify similar, or possibly higher, prices.

A competitive advantage exists when a firm has a product or service that is perceived by its

target market customers as better than that of its competitors.

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Michael Porter, in his book *Competitive Advantage*, identifies five factors that determine the nature and degree of competition in an industry:

Five forces of competitive advantage

1. Bargaining power of buyers
2. Threat of substitutes
3. Bargaining power of suppliers
4. Rivalry among existing competitors
5. Threat of new competitors

The more completely understand the entrepreneurs the underlying forces of competitive pressure the better they will be able to assess the market opportunist's.

So creativity and innovation are intricately linked to competitive advantage:

There is a positive coloration between innovation and creativity and market share so for example Hortel improving their product every year .

Competitors force the introduction of a new product, for example if Hortel did not introduce new product the other competitors like Telecom Somalia or Nationlik would produce

Macro changes push Innovation because there's a lot of new entrants in the telecommunication market in Somali so Hortel faces competition on scale and scope.

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As Michael Porter says in his book “ To achieve a competitive advantage, the firm must perform one or more value creating activities in a way that creates more overall value than do competitors. Superior value is created through lower costs or superior benefits to the consumer (differentiation).”

Hormuud models of innovation for its production

Hormuud Models of innovation and creation to strength its competitive advantage:

Product innovation: the introduction of a new product, or a significant qualitative change in an existing product.

Hormuud telecom doing better by adding value and improve for their product and creating and innovating for something new and completely different with other competitions , like product called Zaad Service which they launched May 2010 , Zaad is a mobile banking system that is challenging the existing traditional remittance operators in Somalia.

This system allowing customers to use their money for transfer cash to friends and relatives or purchase , paying bills and this service remains one of the most interested and fluently in both and telecom remittance , reliving them from the risk of carrying huge wads of the money

Process innovation is the introduction of a new process for making or delivering goods and services so Its clearly the relationship between product innovation and process innovation , the company cannot developed or improve their product with out investing in process technology of production or service, so Hormuud Telecom updated their service and the way they

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serving for their customer they innovated the process , so they invested new service and installed to their mobile programs.

And the ways of making and doing things, can arise from the use of new combinations of tangible and intangible inputs.

Since its formation, Hormuud Telecom's focus and commitment to excellence in customer care and quality of service has ensured year on year growth and Hormuud Telecom is now the nation's number one operator in terms of subscribers and service.

Generating idea includes the generating of options in answer to an open ended or invitational statement of the problem, this stage contains both generating and focusing phase, during generating phase the organization do fluent thinking , flexible thinking , original thinking , elaborative thinking. In focusing phase of generating idea provides an opportunity for examining , reviewing, clustering and selecting promising options .

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Finding

There is serious criticism revolving around the security of this service. These might initially be dismissed as the kind of criticism that might be expected for anything new; however, the continued success of this and other similar services depends on the adoption of the community for such services.

However the most problem having with hormuud is really the did create a lot of innovation and development through their technology and bringing still

the latest idea and generating it to better improvements but the tackle that challenging is lack of education and example senior people not trusting and and not know their innovation for example by using Zaad service they having these challenges , other side the people if they get educated to these technology are also sever because carrying a huge amount of money is risk in somali because of robbers and gangs , so Hormuud is avoiding them to that risk

Hormuud's money transfer system works with U. S. dollars, rather than the Somali shilling, and users can transfer up to \$3, 000 a day throughout southern and central Somalia" They can send and receive cash through this system locally," Hormuud's spokesman Abdirashid Ali Aynaanshe told Reuters by phone from Mogadishu " The system is safe, and the probability this cash can be in danger is less than carrying cash or checks in the pockets or bags while traveling in the country," he said

And the finding is a environment issue, it's a lack of stable government in Somalia thers a lot of changes , means no continuous regulation, the political instability makes it hard to project on the growth of users. One day you can have a subscribers but the following day they could be gone.

The lack of a stable government means there is no regulation. There are four mobile-phone companies in the country and competition is stiff, which is good for subscribers because the costs remain low

Recommendation

In spite of this tremendous innovation and improvements of Hormuud

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If the customers or the people are not familiar to the development and they are scaring by using these technology, innovation becoming useless , so The management of Hormud will have to focus on educating the masses on the merits of this service like giving them training and seminars about using online banking and mobile transfers and also how they can use it to improve their businesses or benefit from it as consumers to maximize their profit

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Conclusion

The investment in telecom businesses is one of the clearest signs that Somalia's economy has continued to grow amid the ruins of war. The telecom sector has become among the country's biggest revenue generators.

The service is especially seen as a utility to facilitate micro-financing and related services which are held to be the main solution to tackle poverty issue