

Vodafone Ghana

On December 9, 2011, the case writers met with Kyle Whitehill, chief executive officer of Vodafone Ghana (formerly Ghana Telecommunications Ltd.), the subsidiary of Vodafone in Ghana, in his office in Accra. Kyle reported to the regional CEO in charge of Africa, the Middle East and Asia. He had a long track record in Africa, where he had also worked in Kenya and Tanzania and, prior to that, in India. Sub-Saharan Africa was a priority area for Vodafone and, in order to secure a strong position there in the future, Kyle and Vodafone's top management had agreed on some key aspects to consider: investment in infrastructure, innovation, understanding the customer and key alliances, with the objective of sustaining profitable growth.

Telecommunications Industry in Ghana

The telecommunications industry in Ghana was on a very progressive journey and was able to cover a great distance in a very short period of time. Previously, very few people had private telephones that worked. As at 1996, the telephone density of Ghana was 0.26%, meaning that there were 2.6 telephone lines for every 1,000 people, including 35 pay phones in the entire country, 32 of which were located in Accra. This was one of the lowest rates in Africa. In 2007, there was one phone for every four Ghanaians and, in 2011, the number was over 20 million, equivalent to 80% of the population.

This tremendous increase in teledensity was a result of the establishment of the National Telecommunications Authority (NCA) in 1997 and the subsequent deregulation of the telecommunications industry, which brought about the growth of wireless telephony following significant investment by regulators. Deregulation also provided an opportunity for ambitious entrepreneurs and large telecom companies to establish operations in Ghana and

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participate in what was to become the biggest boom in Ghana's recent economic history.¹ In 2011, there were five telecommunication companies in Ghana: MTN, Tigo, Vodafone, Airtel and Expresso, with Glo making plans to join in on the competition.

The Chamber of Telecommunications was registered in 2010 by telecom operators in Ghana to jointly promote the industry. The Chamber was responsible for enabling telecom operators to have a collective input into new policies, provide a platform for discussion of matters of common interest and facilitate the sharing of industry knowledge. The Chamber was also responsible for providing an interface between operators, the National Communication Authority, legislators and the general public on matters affecting the telecommunications industry as a whole.²

The third quarter mobile base published in 2011 by the National Communication Authority indicated that at the end of September Tigo posted 3,998,489 subscribers, representing 19.6% market share, and Vodafone posted 3,890,083 subscribers, representing 19.1% market share. MTN Ghana firmly maintained its lead with 9,894,074 subscribers, representing 48.4% market share. Airtel had 2,432,836 subscribers, representing 11.9%, and Expresso had 204,153 subscribers, representing less than 1% of the market share. The total number of mobile subscriptions in Ghana was 20,419,635, representing 80.5% of Ghana's population, and fixed-line subscriptions were 294,306,³ of which Vodafone had over 30% of the market share.

The Ghana Statistical Service reported in 2010 that the telecommunications industry had been a key driver of economic growth, directly accounting for 7% of investments in Ghana, 10% of government income and 2% of GDP.⁴

Background of Vodafone Ghana

Vodafone Group Plc was making inroads in Africa and had operations in Kenya, South Africa, Tanzania and Mozambique. On July 23, 2008, Vodafone successfully acquired 70% of the shares in Ghana Telecommunications Company (GT) for \$900 million.

GT originated from a company established in Ghana after World War II as a wing of the then Post and Telecommunications Corporation. In order for the company to function as a commercially viable entity, it was split into two autonomous divisions by the Ghanaian government: Ghana Postal Services and Ghana Telecom. Two years after the separation of the two divisions, GT was privatized to G-Com Limited and management was subsequently contracted to Telenor Management Partners (TMP) of Norway. A Ghanaian management team then took over the affairs of the company prior to Vodafone's acquisition.⁵

¹ <http://ghanaweb.com/GhanaHomePage/NewsArchive/artikel.php?ID=133752>.

² <http://www.ghanaweb.com/GhanaHomePage/business/artikel.php?ID=208982>.

³ <http://business.myjoyonline.com/pages/news/201110/75150.php>.

⁴ <http://www.ghanaweb.com/GhanaHomePage/features/artikel.php?ID=221578>.

⁵ <http://www.vodafone.com.gh/About-Us/Vodafone-Ghana.aspx>.



The sale agreement provoked intense debate between the then incumbent Kufuor-led administration, NPP, and the NDC-led opposition, with the latter promising to review it when it came into power. In August 2008, an inter-ministerial committee was set up to review the 70% sale of GT to Vodafone. Based on the recommendations of the inter-ministerial committee, the government of Ghana decided to reengage Vodafone UK over the 70% sale of GT. This, the government felt, was in the best interest of the country. In 2009, the minister of communications, Haruna Iddrisu, explained that while the government was not interested in reviewing the entire sales and purchase agreement, portions of the agreement were not in the interest of the country and the government intended to correct them. The communications minister welcomed calls for investigations and an audit into the management of GT by the Telenor/Telecom management partners and the interim management committee led by Engineer Dickson Oduro Nyaning. Though the government duly received the \$900 million from Vodafone for the 70% shares of GT, a chunk of the amount had gone into the payment of debts and other liabilities prior to the sale.⁶

There were concerns about Vodafone's ability to handle fixed-line operations in Ghana, since it was believed that the company did not have experience in that area. However, this was disputed by Vodafone.⁷

In July 2009, the Communications Workers Union expressed displeasure at Vodafone's decision to go public about details of a redundancy package being offered to workers that was under negotiation. Nine hundred and fifty workers were to be laid off by December 2009 as part of a restructuring process to improve services. Vodafone workers had been offered a voluntary retirement package earlier that year that offered three months' salary per each year served in the company. About 900 employees took that option. In December 2009, the last group of workers affected by the downsizing exercise, who had stayed on from the former Ghana Telecom after Vodafone acquired the national telecom provider, were expected to end their tenure. A significant number had already left by the end of November, with only the remaining 140 due to exit. The officials of Vodafone explained that most of the retrenched workers had already been reengaged as workers with companies and contractors that provided various services to Vodafone. The final batch of retrenchment brought the number of workers who had been affected by the downsizing either voluntarily or compulsorily to about 2,000. When Vodafone took over, the company was making losses; at one point the company was said to be making losses of about GH¢35 million a month.⁸

By July 2011, Vodafone Ghana had posted a strong service revenue growth of 27.1% to push the second quarter revenue growth of the Vodafone Group up by 3.5% to \$18.8 billion.⁹

⁶ <http://business.myjoyonline.com/pages/news/200911/37285.php>.

⁷ <http://edition.myjoyonline.com/pages/news/200807/18849.php>.

⁸ <http://news.myjoyonline.com/business/201012/57603.asp>.

⁹ <http://news.myjoyonline.com/business/201107/69786.asp>.