

ANALYSIS OF ZAMNET COMMUNICATION SYSTEMS
[AN INTERNET SERVICE PROVIDER]

ACKNOWLEDGEMENTS

Firstly, I thank the Lord God Almighty for being my pillar in everything I do. He has paved ways where things were extremely difficult and preserved my life in order for me to be able to accomplish this work and my studies generally. Thank you Lord for being a God to me, I will live to praise your Holy Name. Amen!

Secondly, heartfelt thanks go to my Supervisor, **Professor John Thava**, for his supervision and guidance without which, it would not have been possible to put up this scholarly work.

ACRONYMS AND DEFINITIONS

ICT	-	Information Communication Technology
Safaricom		Kenya's premier Internet Service Provider Company
7S	-	Strategy, Structure, Systems, Staff, Shared Values, Style and Skill
ZICTA	-	Zambia Information Communication Technology Authority

LIST OF FIGURES

Figure 1	McKinsey 7S Model.....	02
Figure 2	Grand Strategy Model.....	10
Figure 3	ZAMNET Growth Pattern.....	18
Figure 4	BCG Matrix.....	19

TABLES

Table 1:	ZAMNET Subscribers (March 2004).....	12
Table 2:	Market Share for Internet Subscription(ZICTA).....	14
Table 3:	Internet Subscriptions (December 2011)......	16

TAB LE OF CONTENTS

CONTENT	PAGE
Analysis of ZAMNET Communication Systems.....	i
Acknowledgements.....	ii
Acronyms and Definitions.....	iii
List of Figures.....	iii
List of Tables.....	iii
Table of Contents.....	iv
CHAPTER ONE.....	01
1.0 BACKGROUND.....	01
1.1 ZAMNET PHASE ONE (1994 – 1998).....	02
1.2 INTERNAL ANALYSIS OF ZAMNET.....	02
1.3 APPLICATION OF McKinsey 7S TO ZAMNET.....	03
1.4 EXTERNAL ANALYSIS OF ZAMNET.....	07

CHAPTER TWO:	10
2.0 ZAMNET PHASE TWO (1999-2006).....	10
2.1 REVIVAL STRATEGIES FOR ZAMNET.....	10
CHAPTER THREE	14
3.0 ZAMNET PHASE THREE (CURRENT STATE 2007 – 2012).....	14
3.1 APPLICATION OF LEWIN MODEL TO ZAMNET.....	17
CHAPTER FOUR	19
4.0 RECOMMENDED STRATEGIES FOR ZAMNET.....	19
4.1 GROWING THE WIRELESS INTERNET BUSINESS.....	20
4.2 EQUITY PARTNER INVESTMENT.....	20
4.3 FOCUSING ON ONLINE APPLICATIONS.....	21
4.4 OPENING-UP RURAL ZAMBIAN PROVINCES.....	21
BIBLIOGRAPHY	22

CHAPTER ONE

1.0 BACKGROUND

ZAMNET Communication Systems was established as the first Internet Service Provider (ISP) in Zambia in 1994 and was located at the University of Zambia. The reason for this location was in order to facilitate research and higher education in the University. This strategic location was also meant to facilitate research collaboration between the University of Zambia and other higher learning institutions world-wide. ZAMNET Communications Systems operated using a Very Small Aperture Terminal (VSAT) which was 24m wide providing an internet bandwidth of 128mbps its customers in Zambia. During this time the company had only 200 broadband corporate customers and 800 dial-up customers countrywide. Internet was not well understood in Zambia and its value was severely enshrouded in terms and technologies that made it appear as a tool for the elite not even Government. Internet was being explained on televisions and radios in relation to the education sector and so all other sectors did not see the benefits of having it.

Furthermore, according to ZAMNET Technical Manager; Mr. Raphael Maseko, the management of ZAMNET was not left out in the mist of internet. Management of ZAMNET did not also fully understand the wider application and use of internet at the time. They had a narrow view of internet and so they could not strategise to reposition the company in the market and bring in customer value management¹. ZAMNET management were largely expected to unwrap the internet so that would-be customers understood its wider application and benefit. This, they failed to do. These factors severely dealt a blow to the growth of internet in Zambia and ZAMNET management clearly understood the gaps which were required to be sealed. It was, therefore, imperative for ZAMNET to develop a business strategy² which would ensure that internet found its growth curve in Zambia.

In order to fully understand the operations of ZAMNET Communication Systems from its beginning up to now, I have elected to use the three periods when there had been different managements in the company. These three periods have seen different and diverse strategies being pursued in the company some of which worked while some did not work.

¹ Rong-Da L.,and Jun-Shu Z.,2011. The effect of service interaction orientation on customer satisfaction and behavioral intention.The moderating effect of dining frequency [e-journal] 24(1)p.3 Available through: Emerald Group Publishing Limited [accessed 27 February 2012]

² John, A.P. and Richard B.R.,2011. Strategic Management. Formulation, Implementation and Control. 12th ed. Singapore: McGraw Hill p.235

This document will therefore analyse the reasons why some of these strategies worked and why the others failed to work. This analysis shall be done by the application of various management and corporate strategy tools. It shall conclude by providing strategic recommendations which should lift the company from where it is currently.

1.1 ZAMNET PHASE ONE [1994 - 1998]

1.2 INTERNAL ANALYSIS OF ZAMNET COMMUNICATION SYSTEMS

During this period, ZAMNET Communication Systems introduced internet business in Zambia and was credited as the First Movers.³ It was expected that, being First Movers, they would be able to attract a lot of customers and grow their business to a great height. **However, strange enough, this did not happen in its first five (5years) of existence** owing to a number of internal and external factors. In order to understand the internal factors that negated the growth of ZAMNET Communication Systems in its first five years of existence, I shall deploy the McKinsey 7S Model⁴. The McKinsey 7S model was developed in the early 1980s by Tom Peters and Robert Waterman, two consultants working at the McKinsey & Company consulting firm. The basic premise of the model is that there are seven internal aspects of an organization that need to be aligned in order to make it successful.

Figure 1: The McKinsey 7S Model

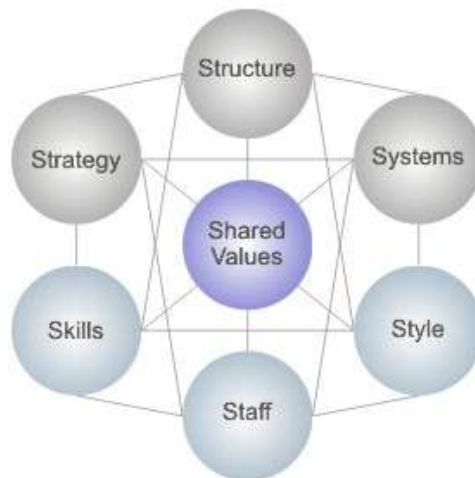


Figure 1: McKinsey 7S Model

³ A form of competitive advantage that a company earns by being the first to enter a specific market or industry. Being the first allows a company to acquire superior brand recognition and customer loyalty. The company also has more time to perfect its product or service.

⁴ http://www.mindtools.com/pages/article/newSTR_91.htm visited on 5th February, 2012

1.3 APPLICATION OF THE MCKINSEY 7S MODEL TO ZAMNET

S - Strategy

ZAMNET Communication Systems did not have a sound strategy for growing the internet⁵ market in Zambia. In the early stages, they struggled very much to attract customers even when they were the **first movers** and did not have **competitors**. They believed that since they were a Government owned company located in the largest University, it would be easier for customers to flock to them. They worked on the premise that as long as they announced availability of this modern technology: The internet; customers would flock to them. However, surprisingly, customers did not respond favourably because they lacked clear understanding of the meaning and implications of internet for business and personal development even if they had seen it in various parts of the world. ZAMNET's advertising models made the internet appear as though it was for elite Professors at the University of Zambia since the advertisements emphasized on internet for research and collaboration, accessibility to learning materials, accessibility to foreign electronic libraries and all other educational-related benefits.

Furthermore, the location of Zambia's first Internet Service Provider (ISP) in a University setting made the situation even worse because it carried a notion that ZAMNET Communication Systems was meant to support the University of Zambia and not really to offer internet services to the rest of the corporate world. University of Zambia vehicles were all littered with stickers of ZAMNET Communication Systems. No other corporate client vehicle had a sticker for ZAMNET Communication Systems. This strategy created a negative impression of the company in the minds of the customer. While adverts were accelerated by the company, they did little to help in changing the image of the organization. The reasons were simple. Their advertisements were full of technical jargon which was completely new to the Zambian people. **No one understood the meaning of Virtual Private Network, dial-up, email address, website and let alone internet itself.** ZAMNET Communication Systems did very little to unbundle this jargon so that it can be clearly understood by a common person.

Organisational communication⁶ strategy of ZAMNET Communication Systems to would-be customers was not right. They advised customers to go to Zambia Telecommunication Company (a company that owns telecommunication infrastructure in Zambia) to open a telephone line and then visit ZAMNET for subscription to their dial-up internet system. This phrasing, though simple, made customers very confused because some did not know why

⁵ Niall P.,2012. Positive and negative cross-channel shopping behaviour [e-journal] 30(1)p.1 Available through: Emerald Group Publishing Limited [accessed 25 February, 2012]

⁶ Markus J.M., Helen T., and Sara W.,2009. Words not actions! The ideological role of sustainable development reporting [e-journal] 22(8)p.7 Available through: Emerald Group Publishing Limited [accessed 27 February 2012]

they should visit Zambia Telecommunications Company when all they wanted was internet from ZAMNET. Furthermore, the processes and procedures of opening a telephone line from ZAMTEL were very complicated and one needed to fill-in several forms while standing in long and winding queues. It took a considerable 3-5 weeks with persistent visitations in order to have the telephone line opened up. ZAMNET Communication Systems did not even bother to have a partnership with Zambia Telecommunications Company for a smooth customer service. Each of these companies operated independently. Customers of ZAMNET got frustrated because of the process and hence did not see the need to subscribe for internet connectivity.

S - Structure

When organizations are formed or change their strategies, structures, roles, and functions should necessarily be realigned with the new objectives. This doesn't always happen, with the result that responsibilities can be overlooked, staffing can be inappropriate, and people — and even functions — can work against each other. It is also a pity since structure dictates the relationship of roles in an organization, and therefore, how people function. An outdated structure can result in unnecessary ambiguity and confusion and often a lack of accountability.⁷ ZAMNET Communication System structure was not fully aligned and balanced to address the objectives⁸ of the company. This is because it had several accountants managing various accounts areas and only three ICT Professionals with only one business development manager responsible for marketing activities. The structure was clearly weak as it did not address the core business of the company and customer support functionalities. There was no business development structure, customer research as well as core technological base for the support of changing customer needs through emerging technologies.⁹

S - Systems

According to the McKinsey 7S model, systems refer to the procedures, processes and routines that characterize how the work should be done: financial systems; recruiting, promotion and performance appraisal systems as well as organizational information systems. In the early stages of ZAMNET Communication Systems, the company did not have well defined and clearly streamlined corporate operational processes and procedures. Technical work was

⁷ Gill Corkindale., 2011. The Importance of Organizational Design and Structure. HBR Blog Network, 11th February, 2011. Available at: http://blogs.hbr.org/corkindale/2011/02/the_importance_of_organization.html [accessed 5 February 2012].

⁸ Arthur, A.T. and Strickland A.J.,2003. Strategic Management, Concepts and Cases. 13th ed. New Delhi : Tata McGraw-Hill. p.47

⁹ Arthur, A.T. and Strickland A.J.,2003. Strategic Management, Concepts and Cases. 13th ed. New Delhi : Tata McGraw-Hill. p.172

carried out according to individual thoughts and not according to a professional approach. This resulted in different methodologies of installation and configurations on customer premises. This skewed approach brought about a situation where some customers were better serviced while others were poorly serviced. As expected those who were poorly serviced were pretty many resulting in numerous customer complaints. The technical department did not have a well defined methodology on how to undertake various work assignments. There was no uniformity in handling customer requests. It also reflected a disorderly and unstable company. This was the case in ZAMNET Communication Systems.

Human resource operational procedures and processes were also not well defined and so most workers worked without having a well defined job description thus causing overlaps in operations. ZAMNET Communication Systems did not have computer automated systems for the management of human resources, customer relationships and business development. They only had an Accounting Package called Pastel which was being used mainly for salaries and other accounting functionalities only. Arising from the fact that there was no coordination between the Pastel Accounting System and the works in the sales department, reports from these two departments were always different thus making management fail to clearly understand how the company was operating. This confusion often resulted in the management making **wrong decisions** because they did not have reliable data on which to base their decisions.

S - Shared values

According to McKinsey 7S model, Shared Values or Superordinate Goals refer to what an organisation stands for and believes in. This includes things like its charitable ideals, or its core business guiding principles. In the 7S model, the shared values are placed in the centre of the model to signify that they should be the basis on which all other functional areas should depend. These shared values should be visible in the corporate strategy, structure, systems as well as in the style of management. They basically serve as a barometer to keep the organization focused and afloat. ZAMNET Communications Systems was operating **without shared values** that were clearly defined for all members of staff to understand. This, therefore, made the company fail to aspire to anything. There was no performance standard to which members of staff could look up to and so everyone operated as they pleased. Quality assurance standards were therefore severely missing as a result of lacking shared values thus degrading operational efficiency and effectiveness.

S - Skills

Skill here refers to the actual occupational roles¹⁰ of the employees working for the company. In its organizational structure, ZAMNET Communication Systems had only three members of staff in the ICT Department. Two of these members of staff were ICT support officers whose daily routine was mainly to support customers. The company severely lacked critical skills required for the smooth operations of an Internet Service Provider. An internet service

¹⁰ Janne J.,2009. Shifting NPM agendas and management accountants' occupational identities[e-journal]22(8)p.4.Available through: Emerald Group Publishing Limited [accessed 27 February 2012]

provider requires skills in Wide Area and Local Area Network management, Server Operating System management both for Windows Server and Linux environment, Wireless networking skills required to set up wireless infrastructure for customers, Virtual Private Network which is required for connecting remote customer offices, Virtualisation technologies which are critical for optimizing Server resources such that one Server can house several artificial Servers, Fibre Optics cable installation and configurations, customer account management software, internet bandwidth management software skills, firewall security skills to manage customer privacy, computer forensic skills which are necessary for auditing systems and detecting malicious activities on the network etc.

These skills were severely missing and so rendered a severe compromise on quality of service to the customer and their satisfaction.¹¹ Skills are required for the delivery of quality service to the customers and so dealt a severe blow to the smooth operations of ZAMNET Communication Systems. Owing to this situation, the company opted for outsourcing in order to mitigate the negative impact created by the lack of skills in the company.

S - Style

This refers to the style of leadership adopted by the company. The style of leadership that was being followed in these early stages of ZAMNET also impacted negatively on the company. The company was run through instilling fear in the members of staff. Members of staff had to always work under fear of being fired and so they had to show loyalty to the superiors as a way of safeguarding their employment. The style of leadership was that of secrecy such that only a few people understood what was happening in the organization. Members of staff felt that there was a huge gap between them and the management and this created an attitude of, **“them and us.”** This kind of situation resulted in several unstructured groupings and increased the culture of gossip in the company. Members of staff, therefore, worked only in the presence of the boss and when the boss was out of the office, they relaxed. The style of operation in ZAMNET Communication Systems seriously affected worker morale and left most customers bewildered to the detriment of the company.

S - Staff

ZAMNET Communication System did not have sufficient numbers of qualified staff to offer quality internet services to customers. The current staff they had did not have multitasking capabilities and this left most of the work assignments undone to the frustration of customers.

¹¹ Pablo A. Javier H. Carlos L.,and Crawford S.,2009. Social disclosure, legitimacy theory and the role of the state [e-journal]Available through: Emerald Group Publishing Limited [accessed 27 February 2012]

1.4 EXTERNAL ANALYSIS of ZAMNET

(Porter's Five Forces Model)

Porter's Five Forces Analysis tool assumes that there are five important forces that determine competitive power in a business situation.¹² These include competitive rivalry, supplier power, buyer power, Threat of New Entrants and Substitute products.

1.5 APPLYING POTER'S FIVE FORCES MODEL TO ZAMNET COMMUNICATION SYSTEMS

Supplier Power: Suppliers of ZAMNET Communication Systems were monopolistic because they were the only ones supplying computer networking components and devices to the company. Genesis Zambia Limited was set up for the sole purpose of supplying cables ranging from fibre optics, shielded twisted pairs as well as network devices. Other products they supplied to the Zambian market included Cisco switches, routers, firewalls, computer servers and wireless broadband radios. They represented big multilateral companies in Zambia. ZAMNET and other telecommunication companies were getting their internet technology supplies from Genesis Zambia limited. Being a monopoly in Zambia, the prices of Genesis on its products were very high thus affecting ZAMNET Communications Limited. Owing to the high prices on communication devices from the supplier, ZAMNET had therefore to pass the cost to the customers thus making its internet services very expensive and unaffordable by most Zambians. Internet services were therefore a preserve for the elite and it became a status symbol.

Switching costs were also very high. This is because if ZAMNET Communication Systems was to source network equipment from other suppliers, it meant sourcing from Europe and this was not an option then because the costs would even become higher due to taxes, freight and other hidden costs. Sourcing networking equipment from East Africa was also not an option because of challenges of the distribution channels. This, therefore reinforced the position of Genesis as a sole supplier of telecommunication and internet devices in Zambia and ZAMNET had to endure as a result.

Buyer power

Internet was still new in Zambia and ZAMNET Communication System was the pioneer of internet services in the country. While ZAMNET was the first-mover in the provision of internet connectivity in Zambia, it did not attract sufficient numbers of customers in its early stages owing to the fact that most would-be customers did not fully understand the need for them to have internet connectivity. Internet was viewed as a tool for students and lecturers in

¹² Efraim Turan.,David King., Jae Lee., Ting-Peng Liang., Deborrah Turban Electronic Commerce 2010: A Management Perspective(Pearson), [2010], 6th ed. P.123.

Universities. Therefore, only a skeleton of customers who ventured into experimenting the internet through a dial-up connection from ZAMNET Communication Systems. Furthermore, most Zambians viewed internet as luxury and it was associated with the elite in society. In addition, internet services were very expensive and virtually beyond the reach of most Zambian companies and individuals.

New Entrants into Internet Market

By the early 1996, two new Internet Service Providers were established in the Zambian market providing faster, affordable and reliable internet services. These were copperNET Solutions and ZAMTEL. The Zambia Telecommunication Company (ZAMTEL) decided to extend its telecommunication services to include internet provision. The cost of entry into the Zambian internet business was pretty low. The requirements then were that a company should pay US\$ 5,000 to the Communication Authority in order to set up internet services in Zambia. Furthermore, ZAMTEL already owned a comprehensive nation-wide telecommunication infrastructure which it utilized as a distribution channel to offer and extend services to the customers. ZAMNET on the other hand was dependent on Zambia Telecommunication Company to deliver services to its customers. ZAMTEL, together with copperNET Solutions introduced broadband internet solutions in the Zambian market much to the amazement of the customers. This product sparked the internet revolution in Zambia. ZAMNET Communication System was heavily affected and almost went into receivership. The internet products and services from copperNET Solutions and ZAMTEL were far more superior compared with the dial-up internet service from ZAMNET. There was a clear distinction between the products from ZAMNET and those provided by the new entrants. Retaliation from ZAMNET Communication System was less because of inferior products.

Threat of Substitutes products and services

Substitute products or services are viewed by consumers as alternatives for other products or services.¹³ The substitution can vary depending on various parameters which include price, quality, availability, etc. Substitutes are important because they are an attractive alternative product or service, which customers can easily shift to if there are low switching costs. Substitute products and services invite customers to make price, quality and performance comparisons. ZAMNET Communication Systems suffered from several substitute products and services. Arising from the fact that users understood internet as a tool for communication, they heavily opted to go for the ordinary telephone line as opposed to having internet connectivity. They observed that this was a better substitute and alternative for better communication. Furthermore, the cost of dial-up internet connectivity was five times higher than having an ordinary telephone line. This dealt a heavy blow on ZAMNET Communication System.

¹³ <http://www.venturenavigator.co.uk/content/139> visited on 6th February, 2012

However, 80% of the population did not see the need of having either an ordinary telephone line or a dial-up internet connection.

Competitive Rivalry

This describes the intensity of competition between existing firms in an industry. Highly competitive industries generally earn low returns because the cost of competition is high. A highly competitive market might result from many players of about the same size and a mature industry with very little growth; companies can only grow by stealing customers away from competitors¹⁴

Owing to the fact that there were already two more players in the internet market in Zambia, ZAMNET Communication Systems started to heavily struggle for customers. There was already some heavy rivalry that started as a result. The slow internet market growth did not help matters as competitors worked hard to win the hearts of the customers. CopperNET Solutions started breaking its internet services and products into affordable segments to satisfy various sectors and segments of customers. This segmentation strategy helped many people identify themselves with a particular product depending on whether they were a home user, Small and Medium Enterprise (SME) or Large Corporate Enterprise. Pricing was differentiated according to the type of product a customer needed.

This rivalry severely affected the operations of ZAMNET Communication Systems. Switching costs were very low and most dial-up customers opted to go for broadband internet which was priced at the same level as dial-up connectivity. The home user broadband internet was priced at the same level as ZAMNET's dial-up service. Due to the fact that entry into this market was easy, more Internet Service Providers emerged to further fuel rivalry among the providers. The other new entrants were iConnect Zambia Limited, Microlink Zambia Limited and Realtime®. This was by the end of 1998. ZAMNET Communication System was now in need of re-investment and was talking about selling 75% shares.

¹⁴ <http://www.scribd.com/doc/49629998/1/COMPETITIVE-RIVALRY-WITHIN-AN-THE-INDUSTRY> visited on 6th February, 2012

CHAPTER TWO

2.0 ZAMNET PHASE TWO [1999 – 2006]

2.1 REVIVAL STRATEGIES DEVELOPED FOR ZAMNET

Arising from the analysis and results of ZAMNET above, the Board used the grand strategy cluster to map the direction that the company should take. **It was very clear from the above analysis that the company had a very weak competitive position in a rapid growing market.**

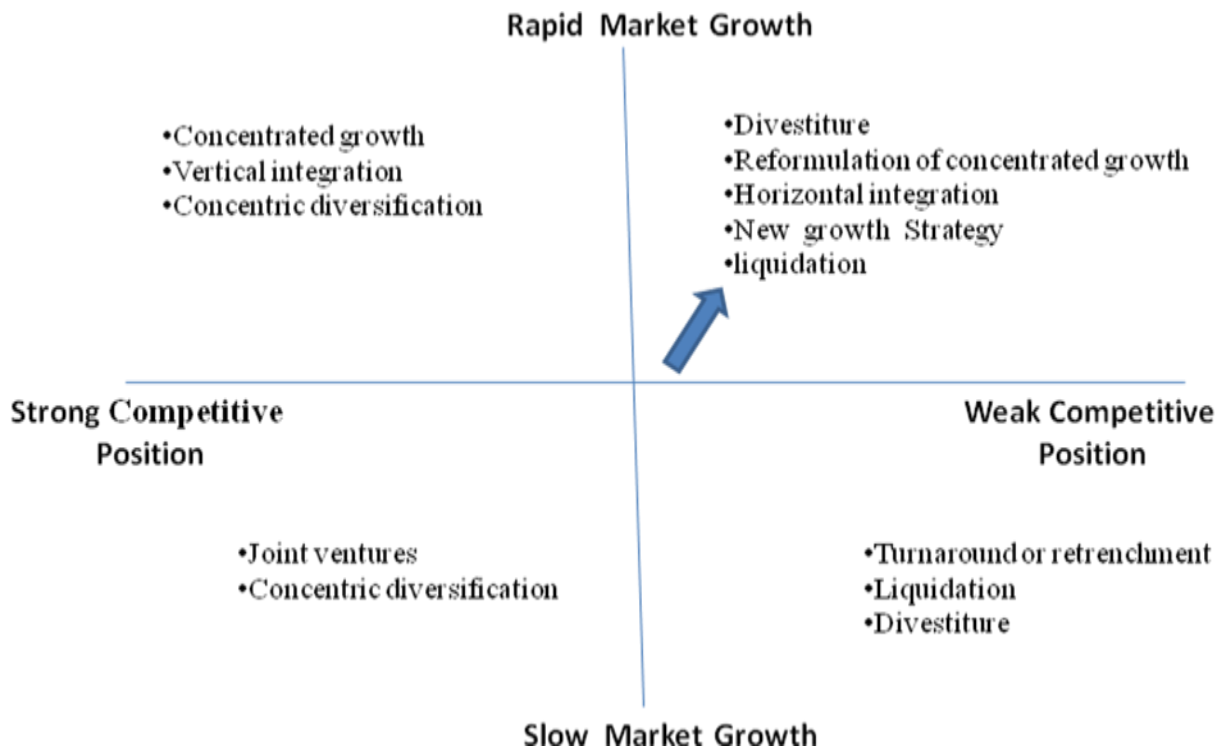


Figure 2: Grand strategy cluster

The Board and Management of ZAMNET undertook several strategic decisions which were aimed at repositioning ZAMNET in the Zambian internet market and grow the internet customer base. One of the strategic moves undertaken by the ZAMNET Board of Directors was to replace the Managing Director. The new ZAMNET Management worked very hard to revitalize the company to the extent that it grew its customer base to 3,654 for all the services they offered. ZAMNET Communication Systems became the market leader in internet service provision in Zambia. How did ZAMNET skyrocket to such great success?

Capital Injection

ZAMNET Communication Systems is a fully Government owned company and so the new management capitalized on this fact to lobby the Government to heavily recapitalize the company. After several protracted meetings with government, the company finally received the cash injection it needed. This money was in form of long term financing without interests. Through this funding, ZAMNET Communication Systems invested in modern internet technologies which included voice over internet protocol (VoIP), Data over Power lines, Fibre Rings in the cities, wireless cities and non-line of sight devices for home and Small Medium Enterprises.

Twining with Safaricom

Leveraging technology more effectively during planning and development initiatives enables companies to more likely improve their overall competitive position, enhance buy-in, and reduce conflicts.¹⁵ These technologies were easy to identify because the government of Zambia brokered a working relationship between Safaricom of Kenya and ZAMNET Communication Systems. Through this business relationship, ZAMNET was able to learn modern internet technologies for introduction in Zambia. These new technologies had the ability to integrate voice, video and data (multimedia) thus making them look very attractive in the sight of the customers. Zambians abandoned old technologies that used only one type of traffic. Owing to the lack of technical skills, ZAMNET Communication Systems had an opportunity to have its technical team trained in modern technologies affordably. The trainings were mostly approached from a mixture of theory and hands-on practicals with the later being emphasized. After the trainings in Kenya, the ZAMNET engineers were then given an attachment at Safaricom in order to practice their newly acquired skills in the field. They worked for Safaricom for close to six (06) months.

Furthermore, upon completion of their attachment at Safaricom, the engineers were given some technical tools which they were to use in network monitoring, customer support as well as bandwidth management. These tools made ZAMNET Communication System the most efficient Internet Service Provider in Zambia because customer challenges were resolved before the customer noticed them. They were able to monitor all the network devices in real-time and if a particular device had some challenges, an automated message would be sent to both the mobile phone and email of the engineer. Such was the efficiency and effectiveness of these information communication technology tools. During complex

¹⁵ Mike S., Tish M., Rodger., Dennis R. S., 2008. Enhancing development and planning efforts: benefits of leveraging technology [e-journal] 9(4) p.4 Available through: Emerald Group Publishing Limited [accessed 9 February 2012]

technical installations, engineers from Safaricom and ZAMNET worked together. Safaricom was using this relationship to understand both the Zambian and SADC markets for its internet service expansion plans.

Access to Government Businesses

The mental model by which a firm approaches strategy can shape what organization members, especially executives consider ethically acceptable.¹⁶ ZAMNET Communication System management ventured further into another untapped zone. Being a government owned company, they requested that government Ministries and Departments should experiment the benefits of the internet for service delivery to the citizenry. This move was welcomed by the government of Zambia and all government internet services were outsourced to ZAMNET Communication Systems under the guise of experimentation. ZAMNET Communications Systems, therefore basked in heavy government business to the extent that in 2002, the Company had managed to clear the loan it obtained from the government.

Service Description	Active Subscribers as at 30 th December 2003	New Customers (January – March 2004)	Totals
Dial-up Internet	5,879	65	5,884
C-Band VSAT Broadband internet	700	194	894
DSL and Fibre Internet	501	102	603
Non-Line of Sight (Wireless) internet	1003	233	1,236

Table 1: ZAMNET Subscribers (march 2004) (Zamnet Board Report 2004)

Relationship with the media

ZAMNET Communication Systems developed a sound relationship with both the print and electronic media by entering into partnerships whereby media houses developed the advertisements on behalf of the company and these were aired every day before the news bulletin. In return ZAMNET Communication Systems provided free broadband internet connectivity. However, the cost-benefit analysis revealed that the company was gaining more

¹⁶ Fred H., Michele S., 2006: The ethics of Business Strategy [e-journal] p.4 Available through: Emerald Group Publishing Limited [accessed 9 February 2012]

that it was spending on the provision of internet services to the National Broadcaster and print media. These advertisements were structured to capture customers from all sectors. The adverts focused on how to improve agricultural marketing through internet, telemedicine application to help mitigate the critical shortage of Doctors and other medical personnel, creation of entrepreneurs through access to entrepreneurial information on internet, effective and efficient banking services, fighting corruption through ICTs as well as the delivery of government services through ICTs etc. Through these advertisements, ZAMNET Communication Systems grew its customer base to a skyrocketing figure of 11,008 by the year 2005.

Leadership

The new ZAMNET management furthermore created a cordial working environment which promoted the concept of, “**my own boss**.” With this concept, members of staff took steps to be innovative and do work on their own without waiting to be supervised by anyone. Members who had new ideas were free to advise management at all times. There was no structure called management per-se because all members of staff were fully participating in company decision-making processes. The Managing Director further enjoyed sitting and working closely with staff on technical matters.

In 2006, some of the shares were sold to ZAMNET members of staff. This sale of shares brought in staff ownership of the company and further strengthened their watch-care over the company. Other strategies adopted by the new ZAMNET management included:-

- Massive country-wide awareness on the importance of internet under the theme “**internet for me; internet for you; internet for us**”.
- **Free trial runs** for would-be corporate customers and government departments
- Technical staff were also sent to Europe to train in various technical areas aimed at improving the skill base
- Apart from Genesis Zambia Limited, three more suppliers were brought on-board to offer services to ZAMNET Communication Systems.

Successful turnaround clearly implies strategic management patterns. Corporate strategy is an ongoing executive process targeting sustainable, competitive advantage; it involves not only top-management’s own view, but also key stakeholders’ perspectives, the impact of other external influencing forces.¹⁷

¹⁷ Christian B., 2009: Sustainable performance increase and strategic turnaround management: current corporate restructuring experiences in the Romanian market [e-journal] 10(6) p.1 Available through: Emerald Group Publishing Limited [accessed 9 February 2012]

CHAPTER THREE

3.0 CURRENT STATE (2007 – 2012)

ZAMNET Communication System has now lost its internet service market leadership and is now wallowing at the bottom half of twelve Internet Service Providers after losing its marketing effectiveness.¹⁸ Customers now look at ZAMNET as a high risk company. Perceived risk is an important construct in marketing, especially in explaining and understanding consumer evaluation, choice and buying behavior.¹⁹

Internet Service Provider	Total Subscription	Market Share
ZAMTEL	12693	60.8%
Africonnect	4352	20.8%
Coppernet Solutions	566	0.027%
Pronet Africa	265	0.012%
Real Time	230	0.011%
MTN Business	201	0.0096%
Quick Edge	138	0.0066%
ZAMNET Comms	134	0.0062%
Preworx*	80	0.0038
Postlink	73	0.0034%
TOTAL	20,875	100

Table 2: Market Share for Internet Subscription (ZICTA, 2011)²⁰

¹⁸ Luu T.T.,2011. Marketing effectiveness and its precursors[e-journal] 24(1)p.2 Available through: Emerald Group Publishing Limited [accessed 26 February 2012]

¹⁹ Ho H.T., and Svein O.O.,2011. Certainty, risk and knowledge in the satisfaction-purchase intention relationship in a new product experiment[e-journal] 14(1)p.11 Available through: Emerald Group Publishing Limited [accessed 26 February 2012]

²⁰ http://www.zicta.zm/index.php?option=com_content&view=article&id=165:ict-sector-statistics-for-period-ending-december-2011&catid=22:er&Itemid=41 visited on 12th February, 2012

What went wrong? The challenges of ZAMNET Communication Systems started after the separation with Safaricom of Kenya in 2004. The situation was further compounded by the resignation of the Managing Director as well as two Managers in a space of two years. The new leaders²¹ did not fully understand the vision and mission of the company as well as its shared values and objectives. The creativity that existed in the previous years died completely and the company failed to create new products as required by the market. Tacit knowledge²² was not preserved as a strategic investment and shared and so the company started degenerating.

*Creativity requires whole-brain thinking; right-brain imagination, artistry and intuition, plus left-brain logic and planning.*²³

This, therefore made the strategic direction to tilt and the company failed to focus on its previous good practices. Furthermore, the company failed to reinvest in equipment and allowed a **total degradation and collapse of their infrastructure** which was one of the secrets of customer service and support. Most of their equipment had outlived its usefulness and needed a complete overhaul in order to serve customers better. This, they did not do thus severely affecting the quality of service to customers. Most of their customers started to desert them leaving a skeleton of loyal customers. The intellectual capital of the company is based on the “net” of social relations and organizational arrangements that catches the individual knowledge and skill of the staff and other stakeholders.²⁴

During its peak years, ZAMNET Communication Systems did not plan its human resources very well because it had a bloated structure and were receiving hefty salaries which severely contributed to the depletion of cash reserves over a period of time. ZAMNET Communication Systems was well known to have the best conditions of service in Zambia and their employees were driving posh cars and living in luxurious houses. The company was also known to have a strong corporate social responsibility. Huge financial resources were spent. While it is good to have a corporate social responsibility and plough back to the society, it is crucially imperative that these are well planned and structured so that they do not injure the company.

“The company is owed a lot of money amounting to K6 Billion (US\$ 1,132,075.47) from various corporate and government departments. These colossal sums of

²¹ John A., 2009. Not Bosses but leaders, How to lead the way to success.3rd ed. London : kogan page. P.46

²² Usha C.H., and George T.H.,2006. The logic of Chinese business strategy: East versus West: part II,[e-journal] 27(2)p.3 Available through: <http://www.emeraldinsight.com> [accessed 25 February, 2012]

²³ Joseph P. E., 2005.Business incubation as strategy: Business strategy series,[e-journal]10(3)p.5 Available through: <http://www.emeraldinsight.com> [accessed 9 February, 2012]

²⁴ Carmen C., Tauno K., 2008: Managing intellectual capital in small ITC companies [e-journal] 9 (4) p.4 Available through: Emerald Group Publishing Limited [accessed 9 February 2012]

money are lying idle there because we do not have a strategy to collect it. If this money was collected, it would help in re-equipping the company.” said Serah Hamwila Sales and Marketing Manager. Most subscribers have deserted the company leaving only a few loyal customers.

Service Description	Active Subscribers as at 30 th September 2011	New Customers (October – December 2011)	Totals
Dial-up Internet	500	18	518
C-Band VSAT Broadband internet	77	09	86
DSL and Fibre Internet	33	03	36
Non-Line of Sight (Wireless) internet	107	33	140

Table 3: Subscriber as at December 2011 (ZAMNET Board 23rd December, 2011)

According to the Technical Manager, Mr. Raphael Maseko; another contributing factor to the decline in ZAMNET Communication System fortunes was the poor supervision from the Board of Directors. The Board did not strictly supervise the company for growth and sustainability. They saw the company deteriorating while they continued receiving sitting allowances with the assumption that the company will pick-up. As a consequence of this rapid deterioration in the company and the continual downfall, most technical engineers joined other up-coming Internet Service Providers leaving less experienced, lowly skilled staff.

Extension of the service business ends by moving into the business of customer support services.²⁵ Customer support activities have now become a real nightmare thus allowing numerous complaints from customers. The previous efficiency and good practices on customer support were not well documented and evaporated with the exodus of staff. **Currently the company is looking for an equity partner to invest in the company.**

²⁵ Heiko G., Thomas F., Elgar., 2009: Management policies of Swiss product-manufacturing companies: critical factors in international competition (Part 1) [e-journal] 10(3) p.5 Available through: Emerald Group Publishing Limited [accessed 9 February 2012]

3.1 APPLICATION OF LEWIN MODEL

During the early stages(1994 – 1998) of ZAMNET Communication Systems, the company was in a freeze state. Being the First Movers, the company should have seized the opportunity for speedy growth. This they failed to do. They felt very easy and thought all was well and its members of staff had a relaxed docile attitude. They did not think of strategizing to capture the market but continued wallowing into routine activities thus allowing the company to seriously slump in its growth. This was the state of being **frozen** according to Kurt Lewin.²⁶ Talking about the future was rarely enough to move them from this ‘frozen’ state and significant work was required to ‘**unfreeze**’ them and get them moving. This generally required creating some discomfort and a sense of fear. The new managers used the ‘*Push and Pull*’ methods of leadership to unfreeze the staff. The results of applying heat to these frozen staff was the creation of ‘**change ready**’ people. This was what happened in the second phase (1999 – 2006) of the company.

The second phase was the state of **unfreezing** where the new management of ZAMNET Communication Systems rekindled the growth prospects of the company. Members of staff were given specific assignments which they had to execute mutually²⁷ within a specific time frame for the survival of the company. Those who were lazy and routine-oriented were laid off. Innovation was encouraged as well as customer relationship development. All members of staff arose from their slumber and saw things different and realized that it was either they jacked-up their work rate or risked closure of their company which will eventually end up in having their jobs lost to the detriment of their families. The company took off very well commanding significant market shares. Thereafter, the company went into a **refreeze** state to reassure members of staff of stability and continuity. Workers, thus took the company as their own and consequently profits were realized and growth continued. Members of staff even bought shares in the company. They operated normally and they were in full control.

²⁶ <http://wisewolfalking.com/2009/06/15/the-simplest-modelof-change-lewins-freeze-phases/> visited on 12th February, 2012

²⁷ Fiona C.,2006. Mutuality Invaluable lessons from a classic model.[e-journal]22(2)p.1 Available through: Emerald Group Publishing Limited [accessed 27 February 2012]

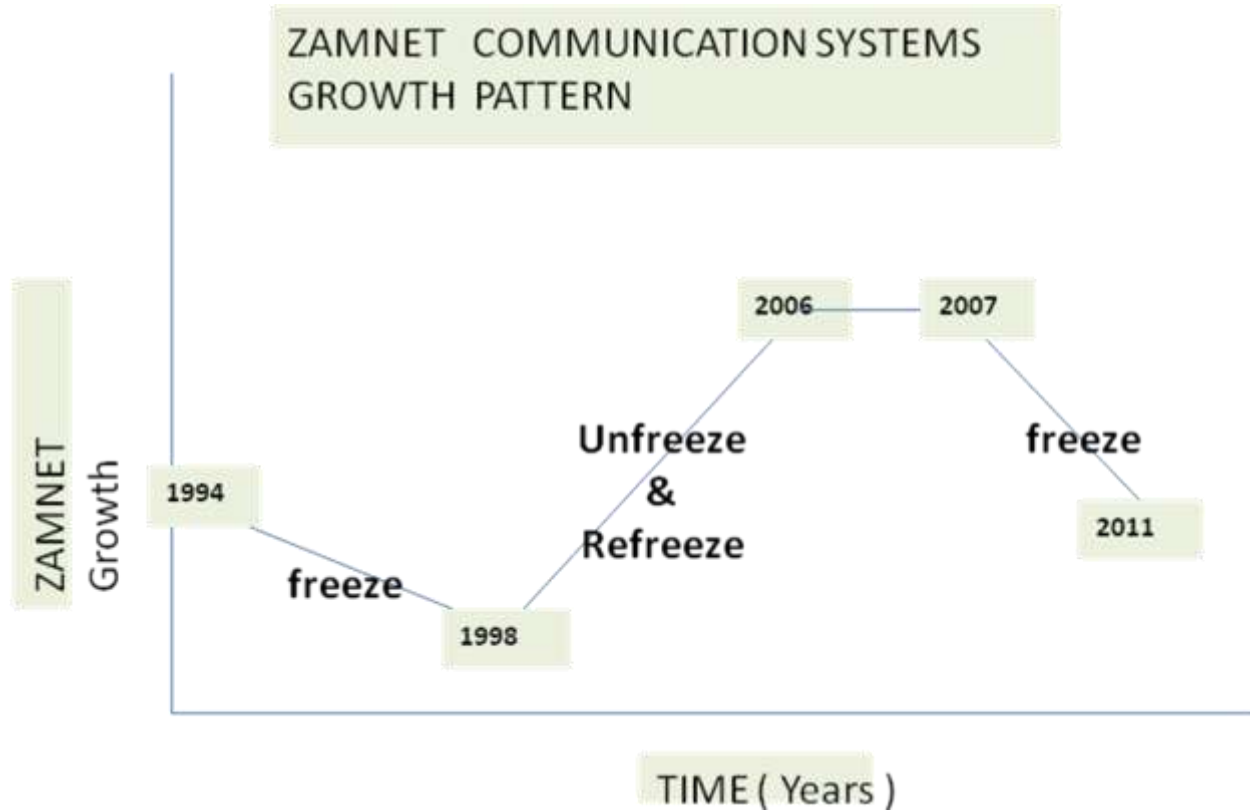


Figure 3: ZAMNET Growth Pattern

However, instead of the company continuing on its growth path (refreeze stage), the current state of ZAMNET Communication Systems reveals the fact that the company lost its strategic resilience²⁸ and has gone back into the **freeze** state. Operations have once again become routine without a clear growth strategy. The previous vision, mission and objectives were lost. The current members of staff are cold once again and do not see that they are in a sinking ship. They seem relaxed and in a state of comfort meanwhile the company is going down. They are very defensive and they feel they are on top of everything. The company has completely lost its market leadership and most customers have switched to its competitors.

²⁸Alfred F., and Martin G.,2011. Preparing for the next crisis: what can organizations do to prepare managers for an uncertain future? [e-journal] 12(2)p.4 Available through: Emerald Group Publishing Limited [accessed 27 February 2012]

CHAPTER FOUR

4.0 RECOMMENDED STRATEGIES FOR ZAMNET

Poor strategy is expensive and bad strategy can be lethal.²⁹ In order to develop a new corporate strategy for ZAMNET Communication Systems, I will use the Boston Consulting Group Matrix.³⁰

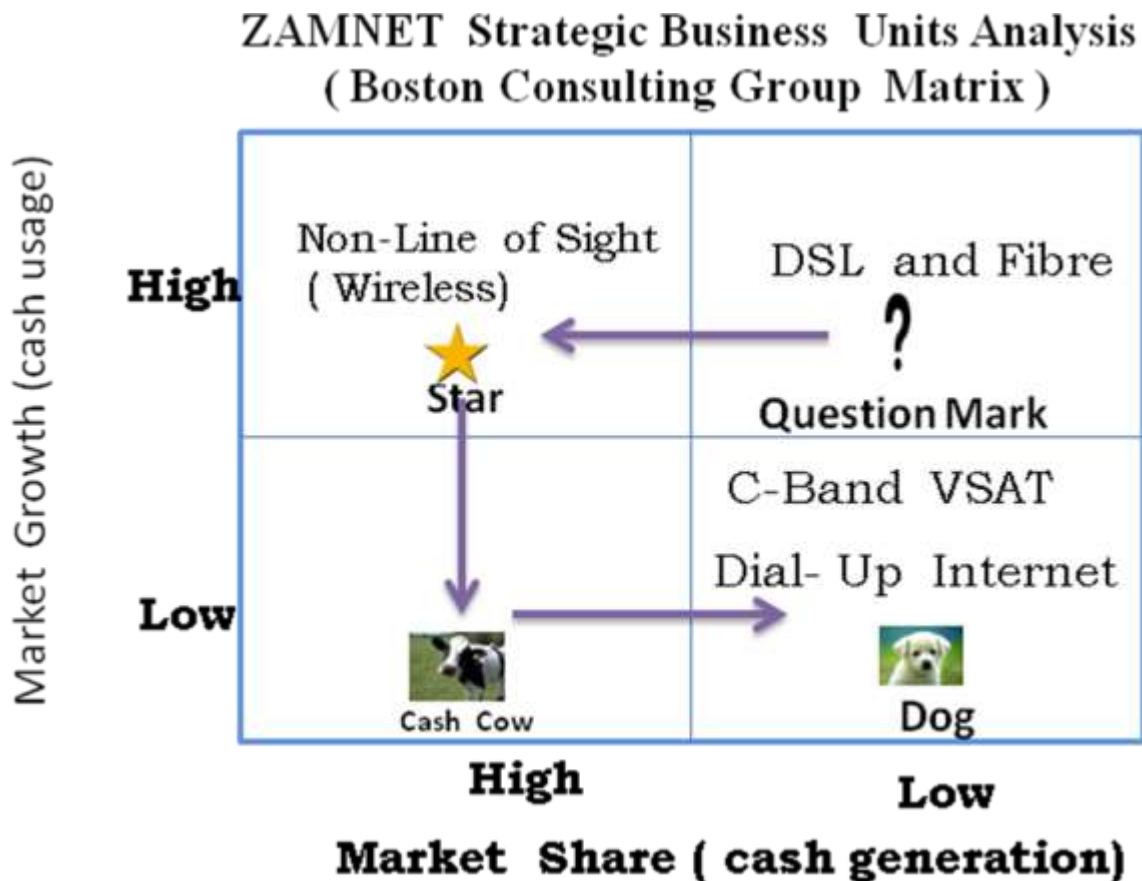


Figure 4: BCG Matrix Strategy Tool

²⁹ John G. S., 2008: Strategically thinking about the subject of Strategy [e-journal] 9(4) p.2 Available through: <http://www.emeraldinsight.com> [accessed 9 February, 2012]

³⁰ http://www.mindtools.com/pages/article/newTED_97.htm visited on 12th February, 2012

Since ZAMNET Communication Systems offers mainly four(04) internet services namely Dial-up internet, Digital Subscriber Line(DSL) and Fibre Broadband internet, C-Band VSAT internet and Non-Line of Sight (Wireless) internet. Using the BCG Matrix, both the C-Band broadband internet and Dial-up internet fall in the dog category because ZAMNET has a low market share and their market growth is low. Zambians are no longer interested in dial-up internet because of its slowness and they are craving for more internet bandwidth in order to access the internet more effectively for e-business and e-commerce activities. Notwithstanding the fact that C-Band VSAT internet is also broadband and offers reliable connectivity, most customers are fast abandoning it opting for the cheaper Wireless and Fibre options thus reducing its market growth. The company should therefore invest less in these two areas and prepare a harvesting strategy before these two areas milk the company.

4.1 GROWING THE WIRELESS INTERNET BUSINESS

Meanwhile ZAMNET Communication Systems has a high market share for the Wireless internet connectivity. The wireless internet connectivity is growing at a very faster pace because of its versatility, ease of installation, affordability and speeds. Therefore it falls under the Star. The demand for wireless broadband internet has tremendously increased but the company has no capacity to expand this area of business.

Furthermore, the DSL and Fibre based internet are growing rapidly in Zambia. This is because of the new Fibre Backbone laid by ZAMTEL country-wide offering stable, faster, high capacity broadband internet to both corporate and home users. However, because of lacking Fibre infrastructure, ZAMNET is failing to take advantage of this fast growing area and are thus having a tremendously low market share. DSL and Fibre based internet falls in the Question Mark box according to the BCG Matrix. ZAMNET will need to seriously invest in this area so as to turn it into a cash cow eventually. Furthermore, they should also create **alliances and partnerships** with telecommunication companies so that they can ride on their Fibre Optics Infrastructure backbones for internet service provision. This will rekindle their broadband business.

4.2 EQUITY PARTNER INVESTMENT

ZAMNET should seek an **equity partner who can heavily invest in the company to rejuvenate its internet business. This investment should be more in its ICT infrastructure.** Since the company is fully owned by Government, they can also visit them to solicit for a grant or loan thus avoiding the high interest rates from the banks and bank guarantees.³¹ This

³¹ Nadine L.,and Bernard P.,2011. Informational intermediation: a tool to assess SMEs' ability to access financing[e-journal] 6(3)p.3 Available through:Emerald Group Publishing Limited [accessed 26 February 2012]

will help them turn the fast growing Non-Line of Sight (Wireless) internet business into a cash cow.

4.3 FOCUSING ON ONLINE APPLICATIONS

With the constant demand for online business transactions, ZAMNET can take advantage of this un entered area by creating online business applications which they can sell to chain stores like Shoprite, Pick and Pay as well many hardware trading stores. Zambians are finding it easier to buy online in order to beat traffic congestion and save on time.

4.4 OPENING-UP RURAL PROVINCES

Furthermore, since four (04) rural Zambian provinces do not have reliable and stable internet connectivity, ZAMNET Communication Systems can strategise to invest there as First Movers. This will help them open up these four provinces to the various markets and establish themselves there because they would have created a brand in the market. Most internet service providers are shunning going rural. In its current position, ZAMNET should avoid focusing on many areas but should rather concentrate to invest their merger resources on one or two lucrative services and develop them to seek market share. Spreading limited financial resources on numerous areas will not bring sufficient desirable results.

Bibliography

Books

John, A.P. and Richard B.R.,2011. Strategic Management. Formulation, Implementation and Control. 12th ed. Singapore: McGraw Hill

Arthur, A.T. and Strickland A.J.,2003. Strategic Management, Concepts and Cases. 13th ed. New Delhi : Tata McGraw-Hill.

Efraim Turan.,David King., Jae Lee., Ting-Peng Liang., Deborah Turban Electronic Commerce 2010: A

Management Perspective(Pearson), [2010], 6th ed.

John A., 2009. Not Bosses but leaders, How to lead the way to success.3rd ed. London : kogan page.

Journals

Mike S., Tish M., Rodger.,and Dennis R. S., 2008. Enhancing development and planning efforts: benefits of leveraging technology [e-journal] 9(4) p.4 Available through: Emerald Group Publishing Limited [accessed 9 February 2012]

Joseph P. E., 2005.Business incubation as strategy: Business strategy series,[e-journal]10(3)p.5 Available through: <http://www.emeraldinsight.com> [accessed 9 February, 2012]

Heiko G., Thomas F., Elgar., 2009: Management policies of Swiss product-manufacturing companies: critical factors in international competition (Part 1) [e-journal] 10(3) p.5 Available through: Emerald Group Publishing Limited [accessed 9 February 2012]

Carmen C., Tauno K., 2008: Managing intellectual capital in small ITC companies [e-journal] 9 (4) p.4 Available through: Emerald Group Publishing Limited [accessed 9 February 2012]

John G. S., 2008: Strategically thinking about the subject of Strategy [e-journal] 9(4) p.2 Available through: Emerald Group Publishing Limited[accessed 9 February, 2012]

Christian B., 2009: Sustainable performance increase and strategic turnaround management: current corporate restructuring experiences in the Romanian market [e-journal] 10(6) p.1 Available through: Emerald Group Publishing Limited [accessed 9 February 2012]

Fred H., Michele S., 2006: The ethics of Business Strategy [e-journal] p.4 Available through: Emerald Group Publishing Limited [accessed 9 February 2012]

Ho H.T., and Svein O.O.,2011. Certainty, risk and knowledge in the satisfaction-purchase intention relationship in a new product experiment[e-journal] 14(1)p.11 Available through: Emerald Group Publishing Limited [accessed 26 February 2012]

Nadine L.,and Bernard P.,2011. Informational intermediation: a tool to assess SMEs' ability to access financing[e-journal] 6(3)p.3 Available through: Emerald Group Publishing Limited [accessed 26 February 2012]

Luu T.T.,2011. Marketing effectiveness and its precursors[e-journal] 24(1)p.2 Available through: Emerald Group Publishing Limited [accessed 26 February 2012]

Fiona C.,2006. Mutuality Invaluable lessons from a classic model.[e-journal]22(2)p.1 Available through: Emerald Group Publishing Limited [accessed 27 February 2012]

Janne J.,2009.Shifting NPM agendas and management accountants' occupational identities[e-journal]22(8)p.4.Available through: Emerald Group Publishing Limited [accessed 27 February 2012]

Pablo A. Javier H. Carlos L.,and Crawford S.,2009. Social disclosure, legitimacy theory and the role of the state [e-journal]Available through: Emerald Group Publishing Limited [accessed 27 February 2012]

Rong-Da L.,and Jun-Shu Z.,2011. The effect of service interaction orientation on customer satisfaction and behavioral intention.The moderating effect of dining frequency [e-journal] 24(1)p.3 Available through: Emerald Group Publishing Limited [accessed 27 February 2012]

Markus J.M., Helen T., and Sara W.,2009. Words not actions! The ideological role of sustainable development reporting [e-journal] 22(8)p.7Available through: Emerald Group Publishing Limited [accessed 27 February 2012]

Alfred F., and Martin G.,2011. Preparing for the next crisis: what can organizations do to prepare managers for an uncertain future? [e-journal] 12(2)p.4 Available through: Emerald Group Publishing Limited [accessed 27 February 2012]

Usha C.H., and George T.H.,2006. The logic of Chinese business strategy: East versus West: part II,[e-journal] 27(2)p.3 Available through: Emerald Group Publishing Limited [accessed 25 February, 2012]

Niall P.,2012. Positive and negative cross-channel shopping behaviour [e-journal] 30(1)p.1 Available through: Emerald Group Publishing Limited [accessed 25 February, 2012]

Blogs

Gill Corkindale., 2011. The Importance of Organizational Design and Structure. HBR Blog Network, 11th February, 2011. Available at: http://blogs.hbr.org/corkindale/2011/02/the_importance_of_organization.html [accessed 5 February 2012].

Websites

<http://www.scribd.com/doc/49629998/1/COMPETITIVE-RIVALRY-WITHIN-AN-THE-INDUSTRY>
http://www.mindtools.com/pages/article/newTED_97.htm
<http://wisewolfstalking.com/2009/06/15/the-simplest-modelof-change-lewins-freeze-phases/>

