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From Competition to Cooperation – Co-Opetition: (A Case of Safaricom's Mobile Money Transfer (MPESA) and Commercial Banks in Kenya)

D.K. Kirui[1] P.K. Chepkuto[2] J.G. Tanui[3]
1. Department of Accounting & Finance, Moi University
2. Department of Communication Studies, Moi University
3. Department of Educational Management & Policy Studies, Moi University

Abstract
It has always been common that competitors will always find ways of beating each other and using all resources to succeed and wrestle the competitor but never before have we seen the type of coming together that was witnessed in Kenya recently. Safaricom which is a mobile provider introduced the money transfer service in the year 2007 which has been a preserve of the banks and the banks went up in arms and resisted the move by advising the regulator the Central Bank of Kenya (CBK) not to allow Safaricom the licence. However after a long drawn battle safaricom finally won and was allowed to deal in the money transfer business. Given the volume of money it transacts on a daily basis it was evident that it was really the main transfer service in the country. In this paper we try to show that competing firms can still find a middle ground where both of them can still benefit and resort to a win-win situation. They do not always have to fight with an objective of eliminating the competition. The main theme of this study was that later on the same banks which were fighting Safaricom found a way of using safaricom's success to also make money, the banks quickly moved in and worked with the company to make the customer withdraw the money in **mpesa** (mobile money transfer) through the Automatic Teller Machines, that was the first of the things to follow, they later on worked with Safaricom to allow their members to access their accounts and directly send their money into their accounts. The procedure now is that any customer with a bank account does not have to go to the bank to withdraw the money then convert it into mpesa by going to the mpesa agent, now what the customer does is in the comfort of his sitting room, get his phone, connect to the bank and transfer his money to his or her mpesa and finally send the money to whomsoever he/she needs. The contribution of this paper is that it looks at co-opetition in Kenya where companies have not been working together. The recommendations will go a long way in making companies not compete fiercely thus raising the prices of the products and making consumers suffer by the high prices of the products.
Keywords: Competition, Cooperation and Co-opetition

INTRODUCTION

This paper looks at businesses that turn rivalry into beneficial success by coming together and working for their advantage. It looks at a mobile provider versus commercial banks in Kenya. These are two businesses dealing with very different kinds of products but later on working together, one is a mobile service provider and the others are banks. The Oxford English Dictionary defines competition as: the activity or condition of striving to gain or win something by defeating or establishing superiority over others: for example *there is fierce competition between banks* or *the competition for university places in Kenya is greater than ever this year*. A contest in which people take part in order to establish superiority or supremacy in a particular area. The person or people over whom one is attempting to establish one's supremacy or superiority could be the opposition or in Economic sphere. Rivalry in which every seller tries to get what other sellers are seeking at the same time: sales, profit, and market share by offering the best practicable combination of price, quality, and service. Where the market information flows freely, competition plays a regulatory function in balancing supply. We start by giving the history of Safaricom which is a mobile service provider in Kenya, followed by commercial banks and later looking at how they came together after initially fighting each other but in vain.

HISTORY OF SAFARICOM

Safaricom limited is a mobile telephone service provider in Kenya. Safaricom Limited was incorporated on 3rd April 1997 under the Companies Act as a private limited liability company. It was converted into a public company with limited liability on 16th May 2002. By virtue of the 60% shareholding held by the Government of Kenya (GoK), Safaricom was a state corporation within the meaning of the State Corporations Act (Chapter 446) Laws of Kenya, which defines a State Corporation to include a company incorporated under the Companies Act which is owned or controlled by the Government or a state corporation. Until 20th December 2007, the GoK shares were held by Telkom Kenya Limited ("TKL"), which was a state corporation under the Act. Following the offer and sale of 25% of the issued shares in Safaricom held by the GoK to the public in March 2008, the GoK ceased to have a controlling interest in Safaricom under the State Corporations Act and therefore the provisions of the State

Corporations Act no longer applied to it. In its recently released financial results for 2013, Safaricom posted a 94 per cent growth in full year profits. The company's total revenue grew by 19 per cent to stand at Sh59.1 billion. Mpesa transactions reached 12 billion Euros in the first five years.

COMMERCIAL BANKS

In order to appreciate the concerns of the commercial banks, we start by looking at the role of commercial banks in Kenya. Commercial banks perform certain functions to the community in which they operate. The efficiency with which the function is performed can go far in enhancing economic development. Some of these functions include but are not limited to storing. The function of keeping money safely for customers is the one for which banks are better known especially in rural Africa. It is performed by operating for the customer, savings of the customer's account; it also undertakes to return part of the whole of the deposit of the customer when the need arises. Collecting money; banks usually receive cash, cheques, bills of exchange, promissory notes and dividends on behalf of the customers, these are credited to the accounts of the customer, and these include the use of safe and right deposit facilities. Transferring money; through cheques, credit transfers, standing orders, cheque cards, bank draft and other methods of payment, banks can pay the debt of their customer by transfer into their accounts. The account of the customer is debited with the amount transferred. Current supply: provision of legal cash requirement and foreign exchange for customers, subject to statutory or central bank control. Lending money; this is important in three respects, to the business customer is source of funds that may be used to expand the business or to finance short term shortages of working capital. To the bank, interest and on lent money is a very important component to finance. To the entire economy, bank lending is important for smooth running. Making international (payments), the problem of international payment are considerably reduced by using commercial banks. After finalizing negotiations with the buyer an export usually handover documents including the bill of lending, to a bank in his/her own country. When the bank does not to release the document until the buyer has effected payment. This then enables exporters to be confident that their goods will be paid for by a commercial bank. The financial institution possesses limited liabilities similar to companies that receive money from members of the public and keeps it in different types of accounts. This includes current accounts, from which money may be withdrawn or transferred by means of cheques. Indeed commercial banks as the only financial institutions that provide current account to the customers. The banks earn their profit through lending money and making investments in short term securities. However, due to the fact that all commercial banks exist and operate in an economy. It is worth noting that those in the least developed countries (LDC) for example most of African countries have had to supplement their services by courting creativity and innovativeness in order to beat the odds in the financial market. This has led to banks offering other financial services for example money transfer services from one location to another where they have branches to their clients in order to increase their client base and thus their earnings. Commercial banks are the best known financial institutions. The commercial banks in East Africa are both foreign and indigenous. Foreign banks include Barclays Bank, Stanbic Bank, Bank of Baroda, Standard Chartered Bank and Bank of Africa among others. These are British, American and Middle East owned banks in various cities and towns in East Africa. Indigenous banks include the Kenya Commercial Bank, National Bank, Transnational Bank, Equity Bank etc. All banks in Kenya are under regulation of the Central Bank of Kenya. The Central Bank of Kenya (CBK) for this purpose has classified the banks as whether large, medium and small based on their capital base, branch network and customer base.

THE COOPERATION DYNAMICS

Many studies have looked at the provision of money transfer services, mobile subscribers (Berger et al 2005; Mani A. Nandhi 2012, *Vivienne a. Lawack 2013*, Nixon Kamukama and Sulait Tumwine, 2012. This paper attempts to look at the collaboration aspects of bitter enemies. Competition leads to companies spending so much on marketing and an example is the amount spent by the East African Breweries Limited in the year 2013 which was 11% of its expenditure. In February 2008, mobile banking was introduced into the market in Kenya. This was done by Safaricom Limited in conjunction with Vodafone. This was ten years after it started its services in the country. The introduction was met with lots of resistance from the banks which felt that a mobile provider was about to interfere with their main service provision and transfer of funds. The Central Bank of Kenya turned down a plea from commercial banks' chief executives in 2007 to stop the spread of mobile money service (M-Pesa) by Safaricom. In an excerpt in one of the newspapers in 1997 "CBK governor yesterday revealed that some commercial banks CEOs approached the banking regulator complaining that M-Pesa, offered by Safaricom, would cause a 'financial crisis' in the country. Though the governor did not name the banks that wanted to see M-Pesa dead, the governor said he did not agree with the proposal" (Mwakilishi.com). Many banks were so apprehensive about Safaricom's starting the money transfer service. Later they embraced the idea and found how to make that service beneficial to them instead. The cooperation has been a success to the banks because by allowing customers to transfer their money through the phone they have reduced the number of persons being attended to in their banking halls and this eventually reduces the number of cashiers in the hall. This either leads to less staff or these staff being used elsewhere.

In some years earlier in Kenya, it was very difficult for one to open an account with a bank unless known to the bank managers or having a referee to introduce him or her to the bank for the purpose of being an account holder, in addition one had to have sufficient cash balances to be allowed to become a bank account holder. It is a well-known fact that access to banking services has traditionally been reserved to those who are able to meet the minimum requirement of account ownership, which include the cash for opening an account, and minimum operating balance and a regular income in order to fully utilize such benefit including loans. But the emergence of m-banking only requires one to be a subscriber to the mobile telephone operator which offers the service. Thus largely the m-banking brings with it a host of challenges to the entire banking sector which requires more fact and flexibility for sustained growth of an institution. After banks failing to stop the mobile service provider from providing money transfer services, they then found ways of working with Safaricom to benefit their businesses by using the service to transfer their funds directly through the mobile banking. Mobile banking, (m-banking) defined as an innovative new mobile payment solution that enable customers to complete simple financial transactions by mobile phone posed a great regulatory nightmare in respect to fraud, money laundering, identity, theft and myriad of other security issues. Barely two and a half years since the launch of mobile banking services, there have been continued calls by the players in the banking sector for the regulation of these services in the market which give an impression of unfair competition or value advantage gain by those offering mobile banking services.

Customers can now do their transactions at the comfort of their 'sitting rooms'. The banks are now smiling all the way to their halls with this service that was earlier seen as a serious competitor. The first mobile money transfers services to commence its operations in Kenya are (MPesa) offered by Safaricom, a mobile telephone company. (M-pesa), (m for mobile, pesa is a Swahili word for money) is the product name for mobile phone based money transfer service that was developed by Sagentai for Vodafone (a major shareholder in Safaricom Ltd). The development was initially sponsored by the UK based departments in 2003-2007 for international development.

The initial concept of mobile money transfer (m-pesa) was to create a service that allows microfinance borrowers to conveniently receive and repay loans using the network of safaricom airtime sellers. This would enable microfinance institutions (MFIs) to offer competitive loan rates to their users as there is reduced cost of dealing in cash. The user of the service would gain from the definition of commercial banks it helps in transferring funds from one person to the other. This is also the service that is being provided by Safaricom. Thus the rivalry through being able to track their finances more easily. Initially, the concept of m-pesa had been to provide a service that allows borrowers to conveniently receive and repay loan using the network of safaricom airtime retailers. Mobile money was refocused and launched with different value proposition. Sending remittances home across the country and making payments through m-pesa is a branchless banking service, meaning that it is designed to enable users to complete banking transaction without the need to visit a bank branch. The continuing success of mobile money transfer service in Kenya has been due to the creation of a highly popular, affordable payment service with only limited involvement of a bank. All other money transfer services use the platform such as that of m-pesa in their operations. Since its inception in 2007, the first mobile money transfer service in Kenya, Safaricom's Mpesa has rapidly developed to become one of the most dynamic innovations for delivery of financial services using modern ICT. This innovation makes Kenya a world leader in the use of mobile phone to transact money. To appreciate its rapid growth in popularity and effect on the economy, it is important to note that the number of registered Kenyans using the m-pesa service regularly has grown rapidly to reach close to seven million persons by the end of the year 2014. One clear advantage of mobile money transfer service is that it offers the prospect of providing money transfer service to people who are not in a position to open a bank account. Moreover, these services can be offered in any part of the country where there is mobile phone services. In this way the mobile money transfer service has been able to reach the Kenyans who do not have accounts including those in the marginalized areas where formal banking services are non-existent. Today many Kenyans are using the mobile money transfer service to conveniently transfer money, salary, efficiently and effectively. They use it for paying field staff their allowances and expenses so that they do not need to travel to the head office for payments including a long haul truck driver, money for spare parts, sending money to family members, for customer purchases, school fees payment, sending pocket money to students in schools and sending emergency medical payments among other purposes. A taxi driver wishing to offer prepaid services due to security reasons could request for payment via mobile money transfer services. In many instances today, Kenyans traveling up country deposit cash before the start of the journey to pick it up upon arrival to their destination thus avoiding the risk of loss through theft or robbery that has increased in the Kenyan road highways. There are various constrains which make most of the population unable to access formal banking services. These include and not limited to; lack of security (collateral) in form of fixed assets amongst most Kenyans to allow them to obtain loans from commercial banks thus there is less participation by most Kenyan in services offered by these commercial banks. There is ignorance among majority of Kenyan as to the services rendered by commercial banks and thus are not able to make full use of such services. The development of commercial banks is concentrated in very few areas, mainly urban centers, leaving other areas inadequate served by these commercial banks. The agro-based economics also affected the lending capacity of financial institutions as this area is viewed as risky and as such commercial banks have not been able to offer adequate services to the sector of the economy.

LITERATURE REVIEW:

Nalebuff & Brandenburger (1996) in their book ***Co-opetition*** have observed that High-tech firms in particular are developing close Research & Development relationships with direct competitors, aware that such collaborative arrangements can have favorable effects on firms' technological offerings and innovation capabilities (Ritala & Hurmelinna-Laukkanen 2009:Quintanan-Garcia & Benavides-Velasco 2004). The field of coopetition has received increasing attention from both scholars and practitioners for example Bengtsson, Eriksson & Wincent (2010); Bengtosson & Kock (2000); Lado et al (1997): Brandenburger & Nalebuff (1996). However, cooperation between competitors has not been covered in earlier research widely enough even though competitive arrangements hardly ever succeed (e.g. Draulans, deMan & Volberda 2003). Competition is the reasons why businesses spend too much money in advertising their products and lots of money is spend in Research and Development expenses. The competitive aspect refers to the use of shared knowledge to make private gains in an attempt to outperform the partners (Khanna et al. 1998). In management literature the hybrid behavior comprising competition and cooperation has been named coopetition. Whereas a number of authors; Brandenburger & Nalebuff (1996), Lado, Boyd & Hanlon (1997), Gnyawali & Madhavan (2001) have recently emphasized the increasing importance for today's inter-firm dynamics, scientific investigation on the issue of co-opetition has not gone much further beyond naming, claiming or evoking it.

In an article on *competing responsibly,* Bert van de Ven and Ronald Jeurissen (2005), opine that because competition conditions are determinants of a firm's survivability, managers have a duty to take the competitive conditions of their firm into account in all the strategic decisions that they make, including decisions about corporate social responsibility (CSR) from this, it does not follow, however, that the survivability of the firm should always override other considerations. Sometimes the stakeholders would be better off if a certain business activity were terminated immediately. Paul Klemperer (1995) argues that when firms compete head to head it is less competitive, they continue to say that when firms are artificially differentiated by switching costs, they have less incentive to differentiate themselves in any real way; if firms differentiated their products, some consumers may, in spite of their switching costs, buy from more than one firm in order to increase product variety. These consumers may then be relatively sensitive to price competition; that is a small price cut may persuade these consumers who are anyway patronizing more than one supplier, to move a large part of their business. If, instead, firms offer functionally identical products, then functional differences are never a reason to pay the switching cost of buying from a new firm. A small price cut might induce a few consumers with small switching costs to move all their business to the firm from its rival(s), but no consumer moves only a fraction of his/her purchases. The result may be that prices are higher with identical than with differentiated products, in contrast to the standard argument that differentiating products reduces price competition.

As to whether quality is compromised during coopetition, Rachel E. Kranton (2003) argues that when quality is unobservable to consumers prior to purchase, prince competition can eliminate the profits necessary to induce firms to produce high quality goods. In this case, industry associations may play a role in guaranteeing product quality. How the mobile subscriber succeeds in getting so much business, the objective of trading concerns is to create wealth and profits for their shareholder or owners. The managers are therefore there to make sure that these businesses earn profits. No trading concern is started with an objective to suffer losses. In environments where there are many businesses competing for the same clients, it is usual to have very fierce and cut-throat competition.

METHODOLOGY

The study uses a case study approach and makes use of secondary data. The paper is a confirmatory case study. We seek to confirm that it is possible to compete and co-operate at the same time. Co-opetition is a business strategy based on a combination of cooperation and competition on the understanding that business competitors can benefit where and when they work together.

CONCLUSION

From the study it is evident that businesses do not necessarily have to be on the fighting edge but can come together and save on the marketing expenses by agreeing on how to do their business together. In business therefore, there should not be any enemity between firms because within no time the fierce competition may easily lead to collaborations and partnerships. This is also supported by the fact that many companies are taken over by competitors and therefore if they had discredited the products of each other before take over, they will have to spend lots of money bringing back the confidence of the customers. Thus competition is normally temporary. Further research needs to be done to find out whether the increases in customers for the commercial banks have indeed also increased the customers for mobile subscribers or vice versa.

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Contacts:

Dr. Daniel Kibore Kirui
Department of Accounting and Finance
School of Business and Economics, Moi University, P. O. Box 3900-30100, ELDORET, Kenya

Prof. Paul Kiprop Chepkuto
Department of Communication Studies
School of Human Resource Development, Moi University, P.O. Box 3900-30100, ELDORET, Kenya

Dr. Julius Gordon Tanui
Department of Educational Management & Policy Studies
School of Education, Moi University, P. O. Box 3900-30100, ELDORET, Kenya