

ESMT Case Study

Vodafone in Egypt: National crises and their implications for multinational corporations (B)

Urs Müller

Shirish Pandit

The internet shutdown

Obedying to the orders of President Mubarak's authorities, most internet traffic into and out of Egypt was shut down at 00:34 a.m. on Friday, January 28, 2011, by the Internet Service Providers (ISPs).^a The internet intelligence company, Renesys^b, observed the virtually simultaneous withdrawal of all routes to Egyptian networks in the Internet's global routing table¹ (see 0). Approximately 3,500 individual BGP (Border Gateway Protocol) routes - the protocol used to

^a There were 10 ISPs in Egypt: Telecom Egypt, LINKdotNET, Etisalat-Misr, Raya Telecom, Internet-Egypt, Noor Data Networks, Vodafone Egypt, Nile Online, EG-AUC, IDSC.

^b Renesys provides internet intelligence for performance management, competitive analysis and network situational awareness.

WINNER OF THE 2014 CASE CENTRE CASE WRITING AWARD "HOT TOPIC: CRISIS AS OPPORTUNITY"

This case study was prepared by Urs Müller and Shirish Pandit of ESMT European School of Management and Technology. Sole responsibility for the content rests with the author(s). It is intended to be used as the basis for class discussion rather than to illustrate either effective or ineffective handling of a management situation. It was prepared from public sources. The correctness of the information in the case is dependent upon the correctness of the information available from these public sources and it could not be ascertained in all instances. The public information sources used are mentioned in the reference sections of the case study and the teaching note.

Copyright 2014 by ESMT European School of Management and Technology, Berlin, Germany, www.esmt.org.

ESMT cases are distributed through Harvard Business Publishing, <http://hbsp.harvard.edu>, and The Case Centre, <http://www.thecasecentre.org>, please contact them to request permission to reproduce materials.

All rights reserved. No part of this publication may be reproduced, stored in a retrieval system, used in a spreadsheet, or transmitted in any form or by any means - electronic, mechanical, photocopying, recording, or otherwise - without the permission of ESMT.

make core routing decisions on the Internet - were withdrawn, leaving no valid paths by which the rest of the world could continue to exchange Internet traffic with Egypt's service providers. Such a shutdown was unprecedented in the history of the Internet, although governments in various countries, such as Burma, China, Thailand, Tunisia, and so forth, had cut off access to news or social media networking sites in the past.² Renesys also reported that the shutdown started taking effect within less than an hour. From this it was construed that the shutdown was a result of the companies receiving phone calls, one after the other, and not a result of an automated system taking off providers all at once.³

Like the other major ISPs - Link Egypt, Telecom Egypt, and Etisalat Misr - Vodafone/Raya conformed to the government order to shut down internet access. Only one out of the 10 ISPs, Noor Data Networks, appeared to be largely unaffected, as it connected to the outside world via an undersea cable operated by Telecom Italia.⁴

Google and Twitter joined efforts to offer a "Speak To Tweet" service. Google stated in its official blog, that the goal of the service was to assist Egyptian protesters in staying connected during the Internet shutdown. Users could call up a toll-free number and leave a voice message, which would then be converted into a tweet using the hashtag #Egypt. These tweets could then be accessed without an Internet connection by dialing the same designated phone numbers, while those with Internet access could listen to the tweets by visiting www.twitter.com/speak2tweet⁵ (see 0).

Shutdown of mobile networks and sending of pro-government SMS messages

On the morning of that same Friday, January 28, 2011, the telecom operators in Egypt - Vodafone, Etisalat, and Mobinil - shut down the mobile networks in specified areas, including Tahrir Square, the center of the ongoing protest action. This pre-emptive move was aimed at weakening the ability of the protesters to get themselves organized on an even larger scale during the time of the Friday afternoon prayers. Due to the powers bestowed upon them by the Emergency Law - still prevalent in Egypt - the Egyptian authorities were legally in a position to enforce such an order. The sanctions of non-compliance included imprisonment of the telecom operators' management, as well as suspension of their license to operate the networks. Furthermore, the Egyptian authorities also possessed the technical capability to close down the network themselves, in case the telecom operators refused to comply with the orders.⁶

The next day, Saturday, January 29, the Egyptian authorities ordered the above-mentioned telecom companies to send out an SMS message. Having ordered the shutdown of mobile networks on January 28, the authorities ordered the networks to be switched back on the next day, although allegedly, this was solely in order for them to be able to send the pro-Mubarak messages through the mobile operators. Three days later, on February 1, the authorities ordered the sending out of a series of three such messages. The sanctions in case of non-compliance with

these orders would, as above, have been imprisonment, and the loss of license. The pro-Mubarak messages characterized protesters as disloyal, and called upon recipients to confront them. A message on February 1 said, "the Armed Forces urge Egypt's loyal men to confront the traitors and the criminals and to protect our families, our honor and our precious Egypt"⁷ (see **0**).

Vodafone conformed to all the above orders. It shut off the network in the selected areas on January 28, and sent the SMS messages on January 29 and February 1. In the case of the last message which it was asked to send out on February 3, Vodafone declined to let the message be sent in its name, and limited its circulation. Vodafone later described the order to send SMS messages as, "unacceptable," and accused the Egyptian Government of using the Vodafone network to send unattributed text messages supporting the government. It added that, "these messages are not scripted by any of the mobile network operators and we do not have the ability to respond to the authorities on their content."⁸

However, it soon became public that Vodafone Egypt's competitor Mobinil reacted slightly differently to the government's requests. Mobinil added a short, "From the Ministry of Interior," to all the text messages that were sent to its subscribers (see **Exhibit 4**).

Criticism of Vodafone

Sharp criticism against Vodafone came up immediately, for example, from Amnesty International's secretary general Salil Shetty. In an interview with the German newspaper Handelsblatt, Salil Shetty stated, "Vodafone's willingness to close down its network is simply beyond belief."⁹ A number of human rights organizations, various influential media outlets,¹⁰ and international supporters of the political movements in Egypt also publicly criticized Vodafone.

In August 2011, almost half a year after the Egyptian protest actions had subsided, the UK Telegraph reported that Vodafone's handling of the situation during the protests had led to an 80 percent drop in its growth rates in the country, and that it had lost millions, in terms of both customers and revenues.¹¹ The reaction of some of Vodafone Egypt's customers can be seen on webpages, such as <http://www.ihatevodafoneegypt.com>. The owner of the webpage explicitly refers to the events in January 2011 to justify the webpage (see **Exhibit 5**):

- "Vodafone Egypt liars.
- Vodafone Egypt didn't start/fuse/sparked the glorious Egyptian Revolution January 25.
- Vodafone Egypt jeopardizes our life & love ones shutting down mobile coverage & Internet during the glorious Egyptian Revolution.
- Vodafone Egypt network was not 'hijacked' by Egyptian Government nor the ousted Mubarak, but by its CEO Hatem Dowidar."

Vodafone's response in defense of its actions

Responding to criticism of its actions of network closure, and sending propaganda SMS, Vodafone maintained from the beginning, that it had no option but to carry out these actions, and that by complying with the authorities, Vodafone's employees and customers would be 'least badly served' under those circumstances.¹² About three weeks after the incidents related to the Internet shutdown, and the sending of propaganda SMS in Egypt, the parent company Vodafone Group PLC issued an official statement in relation to the actions of its mobile network operations in Egypt. In the statement, Vodafone asserted that at all times during the crisis its decisions were based on how it could best balance the needs and safety of its employees on the ground in Egypt, its customers, and the broader population of Egypt.¹³ It also presented a compilation of its statements related to its actions in Egypt, starting on January 28, 2011 (see **Exhibit 6**). In the subsequent sustainability report, Vodafone also discussed the events in Egypt at various different points and added a specific box on page 10¹⁴ (see **Exhibit 7**).

Development of political events after January 28, 2011

Despite the disconnection of voice, text, and internet services, the demonstrations on January 28, 2011, were bigger than all others before – and finally turned into open violence. The Egyptian Government announced a night curfew after violent fights between police and protestors in the early afternoon, but this curfew was mostly ignored by the protestors. In the evening, protestors set fire to the Headquarters of the National Democratic Party. Later, the army moved into Cairo with armored vehicles, in an attempt to secure strategically important points and buildings, including the state-run TV, and the Egyptian Museum. In a televised address, President Hosni Mubarak apologized for the violence of the security forces and announced a government reshuffle. He also announced democratic and economic reforms, but refused to step down as president. Protests continued throughout the night – in total at least 35 people were killed during the protests on Friday and through the night to Saturday (media reported up to hundred killed and thousand injured).

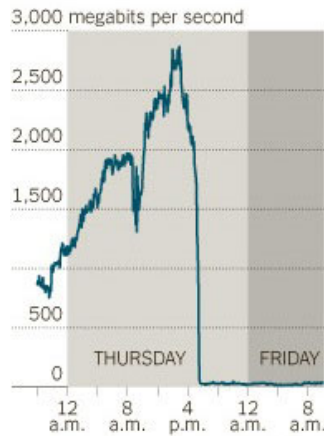
What became then known as the, "Egyptian Revolution," ended on February 11, 2011, when Mubarak's resignation from office was officially announced – but protests continued for quite some time, even after February.

On June 2, 2012, Hosni Mubarak was found guilty of complicity in the murder of protestors, and sentenced to life imprisonment. But the sentence against Mubarak was later overturned on appeal.

On June 24, 2012, Mohammed Morsi was officially announced as winner of the presidential election. His inauguration as 5th President of Egypt took place on June 30, 2012.

Exhibit 1: Drop in Internet traffic on January 27, 2011

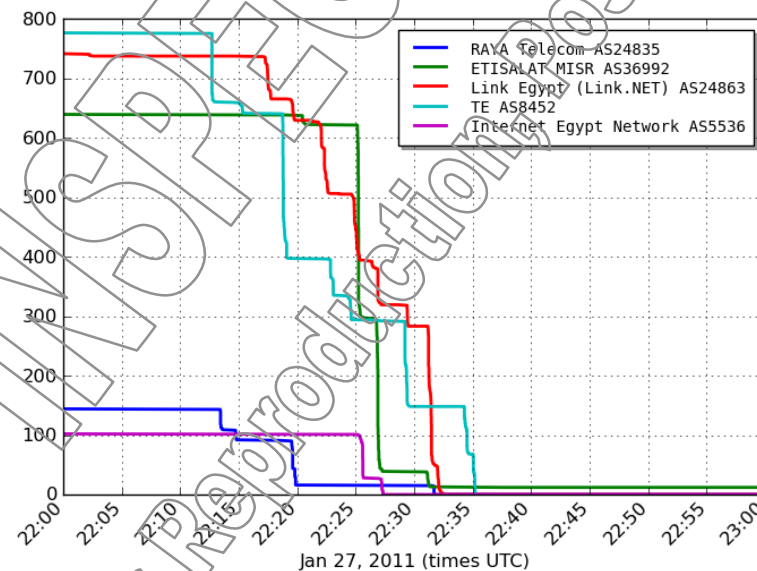
Internet traffic to and from Egypt



Note: Graph is based on U.S. Eastern Standard Time (EST); local time in Egypt is EST + 8 hours.

Source: Arbor networks, Egypt loses the Internet, <http://www.arbornetworks.com/asert/2011/01/egypt-loses-the-internet/> (accessed January 24, 2014).

Globally reachable Egyptian networks (January 2011)

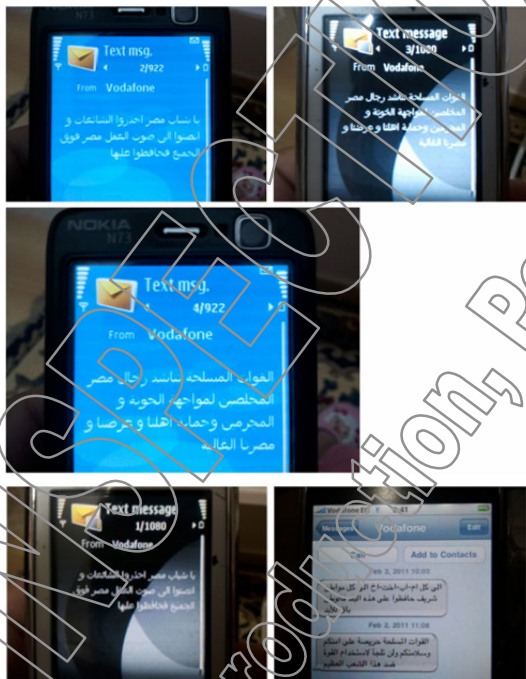


Note: Graph is based on Coordinated Universal Time (UTC); local time in Egypt is UTC + 2 hours.

Source: Renesys, Egypt leaves the Internet, Globally reachable Egyptian networks (January 2011), <http://www.renesity.com/2011/01/egypt-leaves-the-internet/> (accessed January 24, 2014).

Exhibit 2: Speak to Tweet

Source: Speak to tweet, <https://twitter.com/speak2tweet> (accessed January 24, 2014).

Exhibit 3: Screenshots of pro-government text messages from Vodafone Egypt

"Youth of Egypt, beware rumors and listen to the sound of reason - Egypt is above all so preserve it."

"The Armed Forces asks Egypt's honest and loyal men to confront the traitors and criminals, and protect our people and honor, and our precious Egypt."

"Youth of Egypt, beware rumors and listen to the sound of reason - Egypt is above all so preserve it."

First text: "To every mother-father-sister-brother, to every honest citizen preserve this country as the nation is forever." - Second text: "The Armed Forces cares for your safety and well-being and will not resort to using force against this great nation."

"The Armed Forces asks Egypt's honest and loyal men to confront the traitors and criminals and protect our people and honor and our precious Egypt."

Source: Flickr, Vodafone texts, Credit to Riham Nabil (Riham Farouk), pictures and translations: <http://www.flickr.com/photos/59098813@N06/sets/72157625964108236/> (accessed January 24, 2014).

Exhibit 4: Screenshots of pro-government text messages from Mobinil



"From the Ministry of Interior: Our dealings from this day on will be with nothing but truthfulness, honesty and the sovereignty of the law."

"From the Ministry of Interior: Police men are back on the streets to protect citizens and their safety please cooperate with them."

"From the Ministry of Interior: Police will be for nothing but serving the people and protecting them."

Source: Flickr, Mobinil texts, Credit to Riham Nabil (Riham Farouk), pictures and translations: <http://www.flickr.com/photos/59098813@N06/sets/72157625887782717/> (accessed January 24, 2014).

Exhibit 5: Criticism of Vodafone Egypt

Source: iHateVodafoneEgypt, About me, <http://www.ihatevodafoneegypt.com/about-me/> (accessed January 24, 2014).

Exhibit 6: Vodafone's statements regarding its actions in Egypt*Thursday 3 February 2011*

Under the emergency powers provisions of the Telecoms Act, the Egyptian authorities can instruct the mobile networks of Mobinil, Etisalat and Vodafone to send messages to the people of Egypt. They have used this since the start of the protests. These messages are not scripted by any of the mobile network operators and we do not have the ability to respond to the authorities on their content.

Vodafone Group has protested to the authorities that the current situation regarding these messages is unacceptable. We have made clear that all messages should be transparent and clearly attributable to the originator.

Wednesday 2 February 2011

Vodafone is pleased to confirm that it has been able to reinstate data services in Egypt this morning, enabling our customers to access all internet sites. We are actively lobbying to reactivate SMS services as quickly as possible for our customers.

Saturday 29 January 2011

Vodafone restored voice services to our customers in Egypt this morning, as soon as we were able.

We would like to make it clear that the authorities in Egypt have the technical capability to close our network, and if they had done so it would have taken much longer to restore services to our customers.

It has been clear to us that there were no legal or practical options open to Vodafone, or any of the mobile operators in Egypt, but to comply with the demands of the authorities.

Moreover, our other priority is the safety of our employees and any actions we take in Egypt will be judged in light of their continuing wellbeing.

Friday 28 January 2011

All mobile operators in Egypt have been instructed to suspend services in selected areas. Under Egyptian legislation the authorities have the right to issue such an order and we are obliged to comply with it. The Egyptian authorities will be clarifying the situation in due course.

Source: Archived Vodafone website, press statement, May 21, 2013, http://www.vodafone.com/content/index/media/press_statements/statement_on_egypt.html. (accessed January 24, 2014).

Exhibit 7: Response to political upheaval in Egypt


In January 2011, authorities issued a legally enforceable demand to telecoms operators to shut down their mobile networks in specified areas during protests in Egypt. Vodafone, along with all other telecoms operators, complied with the request because we judged this to be in the best interests of our employees – to ensure their safety – and our customers. Non-compliance could have resulted in imprisonment of employees or suspension of our operating licence. It was also likely that the government would have taken direct action to switch off mobile networks as they had the technical capability to do this, which would have meant that restoring communications would have taken much longer. Retaining technical control of the network was therefore an important consideration in protecting our customers' ability to communicate. In the event, we were able to restore voice communications the following day, and data and texts within a few days.

Vodafone and other operators also complied with government requests to send a series of SMS messages. However, in the case of the last message transmitted about a pro-Mubarak march, we declined to let the message be sent in Vodafone's name and limited its circulation. We then formally informed the Egyptian authorities that any future instructions to send SMS messages must clearly show the authority requiring the message to be sent.

We have engaged with a wide range of NGOs to explain our decisions, including the Global Network Initiative.

Source: Vodafone sustainability report, http://www.vodafone.com/content/dam/vodafone/about/sustainability/reports/2010-11_vodafone_sustainability_report.pdf (accessed January 24, 2014).

Endnotes

- ¹ Renesys, Egypt leaves the Internet, <http://www.renesys.com/2011/01/egypt-leaves-the-internet> (accessed January 24, 2014).
- ² Williams, C. (2011). How Egypt shut down the Internet, The Telegraph, January 28. <http://www.telegraph.co.uk/news/worldnews/africaandindianocean/egypt/8288163/How-Egypt-shut-down-the-internet.html> (accessed January 24, 2014).
- ³ Renesys, Egypt leaves the Internet.
- ⁴ Williams, C. (2011). How Egypt shut down the Internet.
- ⁵ Some weekend work that will (hopefully) enable more Egyptians to be heard, <http://googleblog.blogspot.de/2011/01/some-weekend-work-that-will-hopefully.html> (accessed January 24, 2014).
- ⁶ Vodafone press Release, Response on issues relating to mobile network operations in Egypt, February 22, 2011, <https://www.accessnow.org/blog/vodafone-response-on-issues-relating-to-mobile-network-operations-in-egypt> (accessed January 24, 2014).
- ⁷ Browning, J. (2011). Vodafone says it was instructed to send pro-Mubarak messages to customers, February 3. <http://www.bloomberg.com/news/2011-02-03/vodafone-ordered-to-send-egyptian-government-messages-update1-.html> (accessed January 24, 2014).
- ⁸ Vodafone network 'hijacked' by Egypt, BBC News, February 3, 2011. <http://www.bbc.co.uk/news/business-12357694> (accessed January 24, 2014).
- ⁹ Interview with Secretary General of Amnesty International, Salil Shetty, published January 29, 2011 (see <http://www.handelsblatt.com/unternehmen/it-medien/proteste-in-aegypten-amnesty-greift-vodafone-an/3818490.html>) (accessed January 24, 2014).
- ¹⁰ Aufruhr in Ägypten: Vodafone verteilte Pro-Mubarak-Propaganda, Der Spiegel, February 3, 2011. <http://www.spiegel.de/netzwelt/netzpolitik/aufruhr-in-aegypten-vodafone-verteilte-pro-mubarak-propaganda-a-743366.html> (accessed January 24, 2014).
- ¹¹ Rushton, K. (2011). Egyptian riots put dent in Vodafone's growth, The Telegraph, August 08.
- ¹² Ibid.
- ¹³ Vodafone press Release, Response on issues relating to mobile network operations in Egypt.
- ¹⁴ Vodafone Group (2011). Sustainability Report for the year ending 31 March 2011. http://www.vodafone.com/content/dam/vodafone/about/sustainability/reports/2010-11_vodafone_sustainability_report.pdf (accessed January 24, 2014).