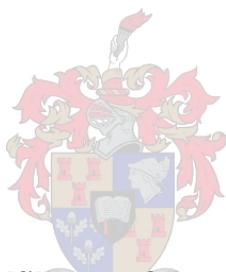


**TESTING THE LIMITS OF INCLUSIVE CAPITALISM: A
CASE STUDY OF THE SOUTH AFRICA HP i-
COMMUNITY**

BY

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Thesis presented in partial fulfillment of the requirements for the degree of
Masters of Philosophy, (Sustainable Development Planning and Management),
at the University of Stellenbosch

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December 2007

DECLARATION

I, the undersigned, hereby declare that the work contained in this thesis is my own original work and that I have not previously in its entirety or in part submitted it at any university for a degree.

Signature..... Date.....

ABSTRACT

In the run-up to the Millennium Development Goals of 2015, the United Nations Global Compact and others are targeting major corporations to play an active leadership role in promoting sustainable development. Increasingly, corporations are encouraged to do so while pursuing profit-making business opportunities yielding social good in developing countries. Beyond **corporate citizenship**, the ideal of “**inclusive capitalism**” is popularized by C.K. Prahalad, who evangelizes to corporations about the benefits of marketing to the untapped market opportunity offered by the 4 billion poor consumers that make up the “**Bottom of the Pyramid**”. **Hewlett Packard**, under former CEO Carly Fiorina embraced this concept; and, supported by President Thabo Mbeki, launched a high profile project to test this proposition at the 2002 UN World Summit on Sustainable Development in Johannesburg. Launched as a three year **Public Private Partnership** between Hewlett-Packard, the Limpopo Province and the Mogalakwena Municipality, the project aimed at “*creating breakthrough models of sustainable development, not altruism, at global replication, not local exclusivity*”. Influenced by the author’s status as an IT industry insider in Africa, this narrative case study draws on privileged access to sources. While a single case study cannot serve to validate or discredit a development model, it can effectively expose tensions and contradictions within a model

The case examines what happened in the company’s search for these “breakthrough models” in South Africa, and reveals how the competing logics between business realities and development imperatives are not easily reconciled. Early language around the inclusive capitalism or BOP discourse emphasizing unlimited business opportunities and poverty eradication through profits may set unrealistic expectations for business executives.

OPSOMMING

In die aanloop tot die Millennium Ontwikkelingsdoelwitte vir 2015, teiken die Verenigde Nasies se Wêreldverdrag en ander groot sakebelange om ‘n aktiewe leierskapsrol te speel om volhoubare ontwikkeling te bevorder. Sakebelange word toenemend aangemoedig om dit te doen terwyl hulle winsmakende sakegeleenthede nastreef wat sosiale welsyn in ontwikkelende lande lewer. Buiten **korporatiewe burgerskap**, is die ideaal van “**inklusiewe kapitalisme**” gepopulariseer deur CK Prahalad, wat aan korporasies verkondig oor die voordele van bemarking aan die onontginde markgeleenthede aangebied deur die vier biljoen arm verbruikers wat die **Bodem van die Piramide**” beslaan. **Hewlett Packard**, onder voormalige HUB, Carley Fiorina, het dié konsep onderskryf; en – ondersteun deur President Thabo Mbeki - ‘n hoë profiel projek geloods om hierdie voorstel in 2002 op die VN Wêreld Spitsberaad oor Volhoubare Ontwikkeling in Johannesburg te toets.

Geloods as ‘n drie-jaar **Openbare-private Venootskap** tussen Hewlett-Packard, die Limpopo Provincie en die Mogalakwena Munisipaliteit, het die projek: “*die skepping van deurbrekende modelle van volhoubare ontwikkeling, nie altruisme, vir wêrelد veelvoud, nie plaaslike eksklusiwiteit nie*” geteiken. Beïnvloed deur die skrywer se status as ‘n IT-nywerheid-ingeligte in Afrika, put hierdie narratiewe gevallestudie uit bevoordeelde toegang tot bronne. Terwyl ‘n enkele gevallestudie nie kan dien tot stawing of diskreditering van ‘n ontwikkelingsmodel nie, kan dit doeltreffend spanninge en teenspraak binne ‘n model blootlê.

Dié studie ondersoek wát in die maatskappy se soeke na hierdie “deurbrekende modelle” in Suid-Afrika plaasvind, en toon hoe die meedingende logikas tussen sake-realiteite en ontwikkelingsimperatiwe nie maklik versoen kan word nie. Vroeë uitinge rondom die inklusiewe kapitalisme of BOP-diskoers, wat onbeperkte sakegeleenthede en armoede-uitwissing deur winste benadruk, mag onrealistiese verwagtinge vir sakehoofde daarstel.

ACKNOWLEDGEMENTS

I wish to recognize and thank

- Dr. Ralph Hamann, my advisor, for his inspiring lectures on Corporate Citizenship and his thoughtful professional guidance over the past year**
- All of the people associated with the history of the HP i-community who agreed to be interviewed; and with special recognition to the remaining HP contractors, who in spite of their own tenuous employment situations continued to strive for better understanding to deliver social good to the community.**
- Asma Hassan and her family in Mokopane for welcoming me to their home and for enriching my background on the area through the stories of their lives.**
- Janet Fraser, Chris Shearly, Wendy Crane, and Alan Fowler, who provided refuge at various stages to allow me to complete my work.**

DEDICATION

This thesis is dedicated to the people of South Africa for allowing me to live with them and learn from them; and, to Peter, Xander, and Nicola Lewis, whose lives have been upside down in support of my quest for a more sustainable future.

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PREFACE

Our footsteps echo on the concrete pavement of the empty courtyard. After navigating through an assortment of keys, Younus finally inserts one that allows us to pull open the heavy door to the former classroom. I never realized that locked doors could be such an important research observation. It is an observation that informs both the empirical and ethnographic methods employed in this study.

PART I - CORPORATE – DRIVEN DEVELOPMENT: TESTING THE LIMITS OF INCLUSIVE CAPITALISM

CHAPTER 1: In Search of Breakthrough Models in Sustainable Development

Introduction: The Emergence of Inclusive Capitalism

“Through the power of collective action, the Global Compact seeks to promote responsible corporate citizenship so that business can be part of the solution to the challenges of globalisation. In this way, the private sector – in partnership with other social actors – can help realize the Secretary-General’s vision: a more sustainable and inclusive global economy” (UN Global Compact, 2006)

Increasingly, major corporations are being targeted to play an active leadership role in promoting sustainable development. Inspired by Kofi Annan’s challenge to business leaders at the 1999 World Economic Forum (UN Global Compact, 2006), the UN Global Compact calls on firms to engage in sustainable best practices. The United Nations Development Program’s (UNDP) Growing Sustainable Business (GSB) Initiative goes further to encourage profit-driven private sector engagements in developing countries that promote “business-led enterprise solutions in advancement of Millennium Development Goals” (UNDP, 2006)

These UN programs promote more than just a business case for philanthropy, but the ideal that corporations can and should find win-win business opportunities in developing markets that address specific development goals as well as satisfy the commercial interests of the firm. Popularizing the term “inclusive capitalism”, C.K. Prahalad promotes the concept in his book and lecture series, *The Fortune at the Bottom of the Pyramid*: The world’s 4 billion people living in poverty at the “Bottom of the Pyramid” (BOP) are not just a vast, but also a growing consumer group and offer a “prodigious opportunity for the wealthiest companies—to seek their fortunes and bring prosperity to the aspiring poor” (Prahalad & Hart, 2002). Prahalad’s collaborator, Stuart Hart, writes:

Sustainable global enterprise thus represents the potential for a new private sector-based approach to development that creates profitable businesses that simultaneously raise the quality of life for the world’s poor, respect cultural diversity, and conserve the ecological integrity of the planet for future generations (2005: xlii)”

As the initial 2015 deadline for achievement of Millennium Development Goals approaches, what do we know about the social and economic returns of inclusive capitalism? How does inclusive capitalism address the competing logics of development imperatives and business realities? What happens when you attempt to marry private interests with the public good? The Mogalakwena HP i-community in rural South Africa has received international recognition¹ as a prominent example of such an initiative. Because of its scope in terms of, *inter alia*, motive, public profile, investment, diverse beneficiaries, partnerships, and duration; it offers a compelling case for testing the limits of the “inclusive capitalism” ideal.

The Hewlett-Packard Company (HP), under the leadership of former CEO, Carly Fiorina strongly embraced the challenge presented by the United Nations and the business case presented in the “inclusive capitalism” ideal:

“I would argue that the winning companies of this century are going to be those that understand that community development objectives are not separate from business objectives; they are fundamental to business objectives.” -Carly Fiorina (2003)

As a testament to Fiorina’s conviction, HP invested tens of millions of dollars during her tenure as CEO in a number of high-profile initiatives directed at underprivileged communities in the U.S. and internationally.

The HP project under evaluation was launched on September 3, 2002 at the UN World Summit on Sustainable Development in Johannesburg, South Africa. It was announced by then CEO, Carly Fiorina and President Thabo Mbeki as a “a three year Public Private Partnership between Hewlett-Packard, the Limpopo Province and the Mogalakwena Municipality aimed at ***creating breakthrough models of sustainable development, not altruism; at global replication, not local exclusivity***” (Hewlett-Packard Company, 2003).

¹ Awards include: World Business Award (2004), presented by the International Chamber of Commerce and the United Nations for the project’s “contribution to alleviating poverty and stimulating development, in line with the United Nations’ Millennium Development Goals”; “Africa Economic Developer Award (2005)” for “significant contributions to the overall development of Africa” presented by NEPAD, and 1st prize by South Africa’s Mail & Guardian’s “Investing in the Future” awards for “corporate best practice” for corporate social investment activities.

HP's stated intention was "to work with the community and use ICT to create breakthrough models of sustainable, scalable social and economic development" and "to be a catalyst in turning a region into a thriving, self-sustaining economic community where information and communication technology (ICT) improves literacy, job creation, income, and access to government, education and healthcare services". The company emphasized that a business case was necessary for success, and that it was driven by commercial interests to 'develop ICT solutions and delivery models specifically designed for traditionally-underserved markets' The project represented an initial \$5 Million commitment from HP over three years ending in October, 2005. From its inception, the project had an exceptionally high profile as a result of support from President Thabo Mbeki, who adhered to his early commitment to visit the project each year.

Formal research into the company's "breakthrough models of sustainable development" has to date not been presented. Evaluated in the context of the "inclusive capitalism" ideal, or its ability meet the dual objectives of profitability for the firm and sustainable development for the community, this study examines what happened in the company's search for these "breakthrough models" in South Africa. It reveals how the competing logics between business realities and development imperatives are not easily reconciled, resulting in unanticipated outcomes.

The findings based on a review of the original three-year engagement by HP in the community and studied at the level of the firm, suggest that some of these competing logics are irreconcilable due to:

- The continued dominance of market liberal, "contractarian" economic views within corporations (Friedman 1970; Struwig, 1994: 42 in David, 2005: 77. Margolis & Walsh, 2003) that limits their willingness to prioritize resources to emerging markets and the BOP sector and shortcuts other stakeholders (Applebome, P., 1996: 10; in, Nederveen-Pieterse, J., 2005: 145) in the pursuit of profit maximization for shareholders.
- The top-down management approach of a high profile corporate and political project that exacerbates classical North-South power dynamics and which conflicts with contemporary people-centered development principles².

² As defined by the Manila Declaration on People's Participation and Sustainable Development 1989. Phillipines: ANGOC.

Notwithstanding HP's good intentions and early efforts to go beyond standard ICT philanthropic efforts in its quest to find sustainable development models, its institutional commitment to inclusive capitalism in this case was ultimately weak in the face of business realities.

The study concludes that early language around the inclusive capitalism or BOP discourse referencing the eradication of poverty through profits or highlighting the unlimited business opportunities may set unrealistic expectations for business executives. Without structural adjustment to markets to allow for long-term investments and sufficient time for the development of appropriate plans and metrics to enable corporations to build on early learning, the Fortunes at the "Bottom of the Pyramid" may elude early adopters of inclusive capitalism.

Overview of the Thesis

The thesis is divided in two parts. The literature review in Part I provides the background and context for the qualitative case study supported by field research to follow. In Chapter 2, "To have or have not" defines the problem area by mapping the political and economic conditions associated with income and social exclusion, as exacerbated by globalisation and failed development policies. Whereas some see multinational corporations as complicit in the growing economic divide between North and South, others argue that big business can deliver the necessary solutions. These ideals promoting "win-win" business solutions to social ills as popularised by C.K. Prahalad and Stuart Hart are presented and critically evaluated in Chapter 3, "The business case for inclusive capitalism".

Part II is the qualitative case study on the Mogalakwena HP i-community designed to inform the debate on inclusive capitalism. Methodology is described in Chapter 4, while the use of "thick description" (Geertz, 1973) in Chapter 5 introduces the reader to the case environment, and forms a critical component of the methodology. Chapter 6 "The Origins of the Mogalakwena HP i-community" outlines the history of the case from the perspective of the firm. Research findings are presented in Chapter 7, "In Search of Breakthrough Models", and Conclusions and Recommendations are summarized in Chapter 8.

CHAPTER 2: To Have or Have Not: Conditions and Development Imperatives Leading to the “Inclusive Capitalism” Agenda

This chapter examines the origins of “inclusive capitalism” in the context of the contemporary market-liberal political and economic landscape and the role played by globalization in fueling the growing gap between haves and have-nots. The anti-globalization movement has implicated multinational corporations (“MNCs”) as beneficiaries of the now-discredited Washington Consensus policies and for their role in further exacerbating North-South economic disparity. As a result, MNCs are increasingly under pressure to demonstrate that they can now deliver solutions to the world’s development problems. Critics warn that the rush to embrace MNCs into development partnerships is a form of “embedded liberalism” which may only widen the poverty gap (Utting & Zammit, 2006: 3).

While income poverty represents the most common exclusion, technological exclusion associated with the so-called “digital divide” has been identified as another form of economic and social exclusion. Technology-driven solutions appeal to the ideology of market-liberal policy-makers, yet rarely succeed, as their implementation commonly conflicts with the imperatives of “people-centered” development.

Rising Poverty

In the inclusive capitalism discourse, the “excluded” refers to the growing number of the world’s population living in poverty. The World Bank defines poverty as living on less than \$2 per day and “absolute or extreme” poverty as living at below \$1 per day (Stiglitz, 2006: 10-11). Forty percent of the world’s population of 6.5 billion people is currently living in poverty, and 877 million of these live in extreme poverty—mostly in Africa. Due to population growth, the number of people living in extreme poverty has nearly doubled, from 164 million to 316 million between 1981 and 2001 (op cit). C.K. Prahalad and Stuart Hart have an expanded definition of the poor when referring to the “Bottom of the Pyramid” to include the world’s 4 billion consumers earning less than \$1500 per year (Prahalad & Hart, 2002: xx). In South Africa, where inequality was

institutionalized through apartheid, 49% percent of households earn less than \$1500, with 1.2 million households living on less than \$1 day (Meltzer; 2006).

Significantly, the poor have become increasingly disenfranchised as inequity between income groups has risen even faster than poverty. In a period of 40 years the income gap between the richest and poorest countries has widened significantly: In 1960, the richest 20 percent accounted for 70.2 percent of global GDP, while the poorest 20 percent controlled 2.3 percent (a ratio of 30:1); by 2000, the richest quintile controlled 85 percent of global GDP, while the poorest only 1.1 percent (a ratio of 80:1) (World Bank Development Report: Hart; 2005: xli). These imbalances exist not only between countries but also within countries: Research by the World Commission on the Social Dimensions of Globalization in 2001 found that 59 percent of people live within countries with growing inequality, while only 5% of countries had declining inequality (Stiglitz, 2006: 8). Global unemployment had increased in all regions of the World (except South East Asia) between 1990-2002 (Stiglitz, 2006, 8) and the poorest countries in the world have had zero or negative economic growth since the 1980s (Easterly; in Hart, 2005: xxxvii).

Concurrent with declines in income, Official Development Assistance (ODA) also declined between 1992 and 1997 by more than 30 percent as donors cut contributions from 0.33 percent to 0.22 percent of GDP and concentrated 60 percent of ODA within only five countries, exacerbating the rise in unemployment and poverty in developing countries (UNCTAD 2005a: Utting, 2006: 6). In 2002, at the International Conference on Financing for Development held in Monterrey, Mexico, heads of state and finance ministers of the advanced industrialized countries committed to increase development assistance to 0.7 percent of GDP (Stiglitz, 2006: 14). However, by 2004, ODA contributions still remained far below commitments with the Organization of Economic Co-operation and Development (OECD) nations contributing only 0.25 percent of GDP, and the United States, Japan, and Italy contributing less than 0.2 percent (OECD, 2005).

Neo-liberal development economics and globalization: Free Trade versus Fair Trade

These grim statistics are now widely accepted as linked to contemporary economic globalization and fifty years of failed development initiatives, most recently associated with the market-liberalization schemes known as the *Washington Consensus* introduced by the World Bank, IMF, and others during the 1980s and 90s (Stiglitz, 2006: 16). The impact of these policies results in globalization, defined by former World Bank Chief Economist, Joseph Stiglitz as “the closer economic integration of countries of the world through the increased flow of goods and services, capital, and even labor” (Stiglitz, 2006: 4).

The politics of globalization during the 1980s and 90s, as influenced by the Washington Consensus, are critical to contemporary development theory. The postwar developmental state was based on the nation state and international institutions following a “universal blueprint” for development based on technology and infrastructure programs (McMichael 1996: 156). During the 1970s, the post-developmental era emerged based on the World Bank’s vision of a global market that required liberalization and were expanded in the 1980s and 90s under the Washington Consensus favoring market-based rather than state-based development policies (op cit). The characteristics of these neo-liberal policies included “deregulation (liberalization, privatization), marketization (unleashing of market forces), financialization and securitization (conversion of assets into tradable financial instruments) accompanied by the ideology of lean government” (Nederveen-Pieterse, 2004: 1).

By the end of the 1990s, NGOs and civil society had recognized the inherent policy injustices and resulting inequalities brought about by the new policy structures promoted by the Bretton Woods institutions and the parallel global expansion of multinational and transnational corporations, which their policies supported and launched the “anti-globalization” movement at the Seattle Meeting of the World Trade Organization (WTO) in 1999, or, “Battle of Seattle”. The WTO, which dictates the terms of trade among countries, has been particularly targeted for the secret and “extraordinary power” it

exercises through unelected bureaucrats that have huge implications on developing world farmers and national sovereignty (McMichael 1996). Under the free trade rules imposed by the World Trade Organization, markets in the South have been required to open their markets to products from the North, where many producers, particularly in agriculture, may be eligible for State subsidies, resulting in what are considered unfair competition for Southern producers (*op cit*).

The United Nations Development Program Human Development Report of 1997 emphasized that managing globalization through “fairer rules and terms” for poor and weak countries is an essential step for eradicating poverty (UNDP, 1997: 115). Yet negotiated agreements for greater North-South trade equity have failed to date, as the latest round of WTO trade talks (the Doha talks, originating in Doha, Qatar in 2001) have stalled, as poor countries begin to question the advantages of opening their markets further (Economist, 2006: 64-65).

As MNCs extended their global reach during the 1990s, they have increasingly made themselves the target of growing anti-globalization sentiments. Large corporations are seen as the major beneficiaries of the market liberal policies and are seen by some as subordinating the development interests of developing countries to institutional and corporate interests of the North (Khor 2001; Thomas 2000; Gray 2002; Bello 2003; Niederveen-Pieterse 2004). During the 1990s, foreign direct investment (FDI) by MNCs overtook official development assistance (ODA) for the first time; and by 2000, it exceeded ODA by more than a factor of 5 (Hart, 2005: xxxix). MNCs account for a quarter of global economic activity, yet they employ less than 1 percent of the world’s labor force and the wealth created by MNCs accrues almost exclusively to a relatively small number of wealthy people in the world (*op cit.* xl).

Alarms are raised about the “growing power and scale of the trans-national banks and corporations” prevalent within market-liberal globalization (McMichael, 1996: 176). Seen as the least transparent of all “democratic” institutions, openly practicing “business secrecy” within their powers to “hire, fire, invest or divest, locate or relocate” and to practice “forms of internal control, which are exceedingly commandist and

authoritarian”, trans-national corporations are seen to pose a threat to democratic rights in the South (Thomas, 2000: 19). Neo-liberalism is seen by some to promote policy frameworks that cultivate business practices that can have perverse developmental impacts: These practices include “subcontracting, fiscal incentives and downsizing or weakening of the state’s regulatory apparatus” (UNRISD, 2003).

In order to overcome the perceived limitations of the State while harnessing the power of the corporations, a hybrid development policy based on Public-Private Partnerships (PPPs) has emerged from the now discredited Washington Consensus. PPPs are defined as “initiatives where public-interest entities, private sector companies and/or civil society organizations enter into an alliance to achieve a common purpose, pool core competencies, and share risks, responsibilities, resources, costs and benefits” (Rein et al, 2005:2, in Utting & Zammit, 2006: 1).

The current ideology follows the “pragmatic turn” in development practice that focuses on “what works” and the notion of good governance (op cit. 2). Globalization and liberalization led to cut backs in state functions, leading to a rise in perceptions that mal-development is a result of “state failure”, not only market failure (op cit. 3). As a result, there has been a growing rationale at the UN that the organization can be more effective by drawing in private sector resources, skills and core competencies.

In recognition of the burden on the weakened State to impose standards on the increasingly powerful MNCs and the public’s concern about the issues surrounding globalization (Prahad, 2004: xx, Utting & Zammit, 2006: 4), United Nations Secretary, Kofi Annan issued his January 1999 appeal for corporations to join the UN Global Compact to ascribe to a set of voluntary global standards and codes of conduct:

...let's choose to unite the powers of markets with the authority of universal ideals. Let us choose to reconcile the creative forces of private entrepreneurship with the needs of the disadvantaged and the requirements of future generations- Kofi Annan

Today, there are growing concerns that the United Nations has rapidly scaled-up PPPs through its various entities, though little is known of their contribution to UN goals towards sustainable development (Utting & Zammit, 2006: 1). The increasing dependence on PPPs are seen to largely reflect attitudes of “embedded liberalism” that have been associated with a change in management practices and perceptions about roles and responsibilities associated with globalization and market liberalization (op cit 3). Rather than mitigate the negative effects of globalization, PPPs are further seen to have further facilitated globalization by supporting the entry of the private sector into developing markets, yet predominantly those with the economies most attractive to business, such as Brazil, China and South Africa (Hoering 2003; in Utting & Zammit, 2006: 6). PPPs are further seen to exacerbate the ongoing tension between “state-led decision making and the institutional or regulatory capture of public institutions by private interests” (Utting & Zammit, 2006:7), or serve as an extension of the hegemony of US or Northern business interests over the South contributing to increased social inequality and reinforcing “neo-colonial relationships” (Clapp & Dauvergne 2005; Niederveen-Pieterse, 2005).

The UN faces criticism that its programs targeted at trans-national corporations (TNC) and multinational corporations (MNC) stack the agenda in favour of large company interests of the North, while disenfranchising the smaller players who contribute most to employment and development in the South (Fox, 2004: 30). The concentration of both the factors of production and communal resources in the hands of corporate management raises fears of unintended or dangerous consequences for government functioning (Reich, 1998; Kahn, 1997: 635; Margolis & Walsh, 2003). Warnings are raised about accountability and democracy when corporations enter too far into social services: “We do not want to live in a world in which unelected entities such as corporations are looked on to provide the basic services of government”, says Ronnie Goldberg, senior vice president for Policy at the US Council for International Business (Maitland 2005).

Inclusive capitalism should look beyond wealth creation at broader institutional issues rather than creating a “smokescreen for increasing corporate dominance of yet untapped markets” (Fox, 2004: 34). Some critics believe the Global Compact should be disbanded for its role in allowing TNCs to weaken regulatory options and dominate public affairs

agenda, suggesting that the Global Compact may do less “to hold corporations accountable to the peoples of the world [than to] help corporations rule the world” (Judith Richter in UNRISD, 2003: 13).

Corporate-driven Development and Technological Determinism

“The Internet is contributing to an ever-widening gap between rich and poor which has now reached grotesque proportions” (UNDP, 1999: 24).

Whereas income poverty represents the most common definition of “exclusion”, a second form of exclusion has particular bearing in this case. Technological exclusion, or the so-called “digital divide” within the globalization discourse, is considered both a cause and affect of poverty. Increasingly, there is consensus that globalization is shaped by technological change, and that Information and Communication Technologies (ICT) forms the infrastructure of globalization in areas such as finance, capital mobility, production, migration, travel, and the interactions of civil society etc. (Nederveen-Pieterse 2004a “Consensus”: 9, Wyatt et al, 2000: 205). Friedman argues that the Internet and worldwide web are front and centre to globalization – you are either connected or you are out (Friedman, 2000; 11-12): “This globalization system is characterized by a single word: the *web*” (op cit 8). By extension, this simplified conclusion extends the possibility that connecting the world’s poor to the Internet will connect them to equal opportunity and rapid development.

Technological change driven by competitive markets has been seen as instrumental in contributing to substantial increases in living standards in the developed world, yet the majority of the world’s population remains excluded from the economic opportunities that technology is perceived to provide (Wyatt et al, 2000). However, there is a distinction between ICT “shaping” globalization, whereby technology is socially imbedded with significance to how it is adopted, and technological determinism, whereby technology drives social change (Nederveen-Pieterse 2004a: 11). With as much as 70 percent of wealth in the world’s wealthiest economies now held in the form of “knowledge-based” assets, some policy-makers have come to the conclusion that more access to ICTs by the world’s poor can boost economic growth and leapfrog developing

countries into the knowledge economy (Gelder, 2006). As a result of the alarming statistics offered by UNDP and others, bridging the digital divide ascended to the agenda for the G8 Summit in 2000 and 2001, during which G8 funds were committed to promote ICTs in Development (APNIC, 2001).

Techno-determinism and Development

Technological determinism plays a critical role in the development ideology of inclusive capitalism as studied here. Neo-liberal market policies are all about access to markets and these policies have not led to the level of diffusion of ICTs and increased prosperity for developing countries as initially promised. The international ICT regime has shifted decisively toward privileging private initiatives, directed by multinational corporations, for whom the alleviation of poverty is not a major goal (Wyatt et al, 2000; Wilson 2004). It remains appealing to policy makers addressing development issues, and forms the basis for programs aimed at bridging the “digital divide”. This techno-centric ideology is based on the assumption that “technology’s internal properties may reshape key aspects of the surrounding societies” and assumes that social impact flows from technological innovation to new attitude and behaviors (Wilson, 2004: 20). Techno-centric perspectives hold that the digital revolution will result in utopian outcomes in a wide range of social parameters from better health care, education, information and diversity, entertainment, news and so on. (Wilson, 2004: 22). New technologies, dazzling “out of the box solutions” and tech buzzwords are seen to pose a risk of luring policy-makers into committing the same errors as in past decades of foreign aid spending, and may result in resources being diverted from efforts that really may help the poor (Gelder, 2006).

Notwithstanding the commitments of the G8 countries and the high expectations on the benefits of technological inclusion, empirical studies, (Wilson 2004, Warschauer, Wyatt et al 2000, IDRC 2003, Paterson 2005) have repeatedly found that techno-centric solutions do not readily address social inequality and advance development. Techno-centric ICT solutions, just as past infrastructure solutions offer governments a potential “quick fix” for development problems, and address the requirements of Northern-based corporations to access more markets. (Wilson, 2004: 23). This ideology persists in spite

of a development history in Africa that includes \$450 billion over 40 years in “infrastructure projects” that have created a wasteland of “vacant steel mills, run-down aluminum smelters and dams that don’t provide reliable electricity supply” and where GDP per capita has decreased over the same period (Gelder, 2006: 32).

Where market-based mechanisms for expanding access to ICT are applied, they are unlikely to reach those people most excluded, as MNCs go to where the markets are. Comparative studies show that technological change is being guided in the directions that favor already affluent people and regions (Wyatt, 2000: 214). Trade and investment — especially in relation to ICTs — continue to be concentrated in Europe, Japan and North America, and with the exception of a small minority of newly industrializing countries, investment and trade flows to the Third World remain marginal (Wyatt et al, 2000: 213). R&D is also carried out in developed countries where large markets are. 95% is carried out in rich Northern OECD countries(Whiston 1993a: 252:a). The share of developing countries in global R&D fell between the mid 1980s and 1990s from 6 per cent to 4 percent (UNDP 1999:6).

Reliance on the market alone is found to be insufficient in many cases: Government intervention is often required to facilitate access or remove institutionalized barriers (Warschauer, 2004: 213). Social inclusion as determined by social context, social purpose, and social organization are critical in efforts to provide meaningful information and communication technology (ICT) access, whether in developed or developing countries, and should be the policy focus rather than overcoming the digital divide (Warschauer, 2004: 201).

In a survey of 36 telecentres in five African countries³, the IDRC concurred that the framework for using ICT in development must be re-directed from an ICT-driven

³ My findings based on field observation with respect to the community center model developed by HP appear consistent with the results of the International Development Research Centre (IDRC) research on community tele-centres (Etta et al, 2003). In IDRC’s research of 36 tele-centres and cyber cafes and 3,586 users in 5 African countries, including South Africa, and offering similar services to HP and also seeking to

development agenda to a “people-centered” framework, whereby “information and development needs of common folk” are the “base point from which to chart a path of transformation in whose service ICTs are applied.” (Etta et al, 2003:168). People-centered development has become the dominant contemporary development theory (Burkey,1993; Korton & Klauus, , 1984, Kotze, 1997, Davids, et al, 2005), and is heavily reliant on public participation (Theron, 2005: 130). In practical terms, yet rarely operationalized, this means that people must participate in all aspects of planning for development activities directed at them, including the debate, philosophy, theory, strategy and policy (Mogale 2003, Davids et al, 2005). As outlined in the principles of people-centered development of the Manila Declaration (1989): “Those that would assist the people with their development must recognize that it is they who are participating in support of the people’s agenda, not the reverse. *The value of the outsider’s contribution will be measured in terms of the enhanced capacity of the people to determine their own future* [italics added].”

These principles, incorporated within the South African Constitution of 1996, have particular meaning to the majority of South Africans, where “development” during apartheid (“separate development”), became a tool of exploitation and dehumanization

address the rural poor, they addressed four major issues: Access, Relevance, Sustainability, and Environments. Principal findings of the IDRC were:

- Usage was low: limited percentage of the population used the facilities, primarily educated, male, and young.
- Most telecentres experienced management problems ranging from poor attitudes, weak management, insufficient technical skills.
- Impediments to use included cost of services, equipment, maintenance and supplies, inadequate facilities, hours of operation, location, publicity, and literacy.
- By far, the main use for telecentres was for social communication, with income generating activities a distant second.
- Only two of 36 centers were financially sustainable.
- High telecommunication costs enforced through monopoly providers and poor or non-existent electricity supplies were considered the greatest ongoing threat to the feasibility of the centers.

Notwithstanding these considerable impediments to breaking the digital divide, the IDRC still found that telecenters have the potential for sustainability, if their institutional and conceptual validity is distinguished from financial sustainability (Etta et al, 2003, 164). Where telecentres had become a vital and integral part of the community social infrastructure, and the community was enthusiastic and involved in management, then at minimum, social and cultural sustainability was within reach (op cit, 164). In the two cases where financial sustainability was found, enthusiastic and robust management was critical, yet in many cases, even when this was present, financial sustainability was undermined by operating and infrastructure costs (op cit, 165).

(Davids et al, 2005: 3). Most often development fails because of the differences between “authentic participation” and “informing, consulting, involving and engagement processes” that masquerade as public participation (Davids et al, 2005: 130). There is substantial research on the many challenges of achieving authentic participation, including amongst others, defining “community”, identifying stakeholders and legitimate representatives, agreeing on processes and so forth (Chambers, 2002; Cook & Kothari, 2001; Ghai & Vivian, 1992).... In the South African context, this challenge is amplified, as a result of “40 years of functioning within a top-down, system-maintaining, rigid culture of non-participation” and the ensuing mentality of dependence that it created (Davids et al, 2005: 129)

Conclusion

This chapter describes the context of development today as framed by critique of top-down market liberal policies imposed by the Washington Consensus, yet the continued emphasis on technology as a solution; and, the tension created between technology as the solution and the challenge in bringing it to the people. Inclusive Capitalism seeks to bridge this tension by trying to link MNCs with high value-added products to local communities. This thesis explores this new avenue and its potential to overcome these tensions and divides. Inclusive Capitalism as presented by C.K. Prahalad and others, and presented in Chapter 3, has evolved as a development model to address this.

CHAPTER 3: Beyond Corporate Citizenship: The Case for “Inclusive Capitalism”

From Philanthropy to Win-win, Pro-Poor Marketing

The concept of “inclusive capitalism” is not entirely new. It reflects the longstanding debate about the validity of the business case for company investment in redressing social ills. The tension lies in the economic theory defining the purpose and obligation of the firm with respect to its fiduciary responsibility to shareholders and originates with what is labelled the “contractarian view of the firm”, dating back to a 1919 Michigan Case (Margolis & Walsh, 2003: 271). In that case, concerning a dispute over withheld dividends (for the purpose of higher employee wages), it was argued that: “A business organization is organized and carried on primarily for the profit of the stockholders” (Dodge Brothers v Ford Motor Company, 1919: 170 N.W. 668; in Margolis & Walsh: 2003: 271). Subsequently, Milton Friedman’s (1970) position that “The social responsibility of business is to increase its profits” has been the dominant reference with continued influence. Business school graduates surveyed in 2002 believed wealth maximization for shareholders is the primary, if not sole, purpose of the firm (Aspen Institute, 2002).

The dominant logic adopted by business has been that social welfare is best addressed through the market by Adam Smith’s “invisible hand”, or through the government as a point of last resort, as corporate managers are considered ill-suited to efficiently deliver social services (Friedman 1970, Easterbrook and Fischel, 1991; Sternberg 1997, Jensen 2002, in Margolis & Walsh, 2003, 272). Social investments are also unlikely to yield returns: Comparative studies between companies who invest in social programs versus those who don’t conclude that, with limited exceptions, that social spending does not pay (Vogel 2005: 26). A review of 127 studies found a limited positive association between corporate social performance (CSP) and corporate financial performance (CFP), or at least no harm done, when activities related to a company’s core business (Margolis & Walsh, 2003). Lacking conclusive findings about the value of social investments over other investments made by firms, focus remains on the “business case” rather than expanding it to a normative discourse (*op cit* : 277-278).

To mitigate the tension between the pressing need for corporate resources to address social challenges and the perceived conflict in fiduciary responsibility towards shareholders, there has been a drive to demonstrate that both priorities can be satisfied simultaneously. Partnering with the United Nations and others, The World Business Council for Sustainable Development, founded by business leaders for the 1992 Rio Earth Summit, has promoted the sustainable development agenda to business (WBCSD, 2007). More recently, C.K. Prahalad (2004) and co-collaborator, Stuart Hart (2005), have catapulted the market-liberal business case for social good out of corporate affairs and into the business mainstream: “Inclusive capitalism” is promoted as offering genuine market and profit opportunities while delivering social rewards. In what he calls the “Great Trade-Off Illusion”, Hart dismisses the proposition that companies inevitably forfeit profits to deliver social good (Hart, 2005: 6).

The Business Case at the “Bottom of the Pyramid”

C.K. Prahalad, of The University of Michigan Business School is widely credited with popularizing the notion of “inclusive capitalism”, resulting in a whole new movement at business schools to examine strategies targeting the world’s poor at “The Bottom of the Pyramid” (BOP). According to Prahalad, the concept arose as a kind of epiphany in the mid-nineties as he contemplated the continued pervasiveness of global poverty and disenfranchisement of the poor in spite of all the available technology, know-how, and investment capacity, primarily available through large-scale private sector. Rather than viewing the poor as wards of the state, the poor should be engaged in co-creating entrepreneurs and consumers: Instead of referring to 4 billion people or 80% of the world’s population living on \$2 a day as “poor”, Prahalad urges that they be viewed as “creative entrepreneurs” and “value-conscious consumers” offering big business a vast new market (Prahalad, 2004:2). By engaging with these “underserved-consumers” at the BOP in market development, Prahalad envisions “entrepreneurship on a massive scale” that will uplift the poor and yield profits to the firms that engage in what becomes a win-win proposition for business and society.

Over the next decade, Prahalad dedicated his career to these ideas and expanded on them in a series of articles and lectures eventually culminating in a book entitled “The Fortune at the Bottom of the Pyramid: Eradicating Poverty through Profits” (2004). In 2005, Stuart Hart, an early collaborator in Prahalad’s work, published a book based on much of the same material with additional focus on environmental solutions, “Capitalism at the Crossroads: The Unlimited Business Opportunities in Solving the World’s Most Difficult Problems.” Both books, as illustrated through their ambitious titles are evangelical and optimistic, focusing on best practice case studies to persuade companies that inclusive capitalism offers a compelling business strategy for “doing well while doing good” (*ibid*: 3-5). Both authors identify managers at Hewlett-Packard as early participants in the BOP discourse (Prahalad, 2004: xviii; Hart, 2005: 73). Hart captures the exuberance of the promise offered in these strategies:

“Sustainable global enterprise thus represents the potential for a new private sector-based approach to development that creates profitable businesses that simultaneously raise the quality of life for the world’s poor, respect cultural diversity, and conserve the ecological integrity of the planet for future generations (xliv)”.

The fundamental business case presented by Prahalad and Hart requires that companies discard their embedded understanding of what constitutes a viable market. Multinational corporations (MNCs) currently focus their efforts on the 75-100 million most affluent consumers (the very top of the pyramid) out of 6 billion available consumers, 4 billion living on below \$2 per day. Prahalad argues that both civil society and MNCs are locked within their own dominant logic that blinds them to the opportunities available in the BOP (Prahalad; 2004: 8-9), instead the BOP has attractive characteristics:

- The poor have money and they already pay higher than market rates for essential services (such as potable water and credit), called a “poverty penalty” (Prahalad & Hammond, 2002); this penalty translates into the margin available to companies entering what has previously been considered a “high risk” market.
- BOPs are accessible markets as the poor are concentrated in urban areas: Corporations can therefore reach a large population of consumers within a

concentrated distribution range. At the same time, the authors emphasize that rural populations also have more money than commonly anticipated, but that reaching these markets requires more technical solutions.

- BOP consumers are brand conscious: As a result, well-known international brands (as offered by MNCs) appeal to the aspirations of the poor.
- They are technically connected; increasingly through cell phones, TV, and now wireless PC connectivity: These facilitate easier market reach than in the past and also hold vendors more accountable for their products.
- They are relatively tech savvy and accept technology readily: Moving these buyers to new technologies offers an opportunity to “leapfrog” past older generations of products (Prahalad, 2004: 10-16). Hart adds to this opportunity to build a case for green technology, as some emerging markets may not have any legacy capital infrastructures that are often very expensive to upgrade (Hart, 2005: 135).

Creating Capacity to Consume

In order to cash in on this market, companies must create the capacity to consume within the BOP segment by adhering to three basic principles of affordability, access and availability. To achieve this, companies will need to re-engineer, develop, or repackaging products at affordable price points; and, develop effective distribution networks that reach the consumer in their neighborhood. To illustrate how this is achieved, both Prahalad and Hart offer examples from Hindustan-Lever Limited (HLL), the Indian subsidiary of global consumer product giant, Unilever. After missing out sales to a local company selling products in individual packages, HLL created single-serve sachets of shampoo and other products, vastly expanding its market penetration, with HLL now owning 60% of the country’s soap market (Prahalad, 2004: 17, 237; Hart, 2005: 136). For higher end products, Casas Bahia a large retailer in Brazil expands the market for

appliances through consumer credit, as does, Mexican cement company, CEMEX, through coordinated savings pools for homebuilders (Prahalad, 2004: 17).

According to the BOP authors, their proposition differs from the status quo in that today MNCs tend to expand into emerging markets by offering the same products they offer worldwide to the affluent consumers of the largest developing markets, a strategy which fails to penetrate the BOP sector in real terms. In order to break into the BOP, companies are advised to innovate from the ground up, based on a deep understanding of the needs and context of the large BOP markets. Prahalad provides a dozen principles to be followed when innovating for the BOP, strategically focused on function over form and recognizing the differences in conditions for product use, as well as, challenges to distribution, training and support. It is worth noting that Prahalad emphasizes the need for technological innovation. On the one hand, he asks us to determine what BOP consumers want, and on the other hand he insists in Principle #2 that their problems cannot be solved with old technology but that “advanced and emerging technologies” are necessary (Prahalad, 2004: 25).

In order to acquire knowledge of these markets, and to have a competitive edge, companies are advised to *experiment* in the markets (Prahalad, 2004: 27-28). Hart calls this process of experimentation, “radical transactiveness” (RT). Given the tendencies for groups to adhere to dominant logic, the process is considered “radical” because it “focuses on gaining access to stakeholders previously considered extreme or fringe, for the express purpose of facilitating disruptive change and creating competitive imagination”. RT is “transactive” because it seeks to engage the firm in a two-way dialogue with “fringe” stakeholders so that each influences and is influenced by the other. These “fringe” stakeholders are typically disconnected from or invisible to the firm and may have little or no connection to the firm’s current business activities. As an example of RT, Hart refers to Hewlett Packard’s i-community in the village of Kuppam in India (a predecessor to the i-community in South Africa established on the same basis as the i-community in South Africa), established to learn about the use of technology in rural India (Hart, 2005: 171).

Sales Development versus Social Development: The Economic Model

The early discourse as presented in Prahalad's book emphasizes the market opportunity and profit potential to be found in the underserved consumer class, yet the link between sales and poverty alleviation is more obtuse. In his chapter entitled "The Ecosystem for Wealth Creation", Prahalad subscribes to a market-liberal development plan with MNCs driving the development process. This market-oriented ecosystem "allows private sector and social actors, often with different traditions and motivations, and of different sizes and areas of influence, to act together and create wealth in a symbiotic relationship" (2004: 65). Prahalad's "ecosystem" model looks like a standard manufacturing and distribution network, but it may also rely on NGOs, Cooperatives, the State and any other necessary actors. Common to the various scenarios is that the MNC plays a central, driving role, as the "nodal firm" (Prahalad, 2004, 68). That the task of leading development as "nodes" should be the province of the MNCs (over other actors) is supported on the basis of their size: They are seen as the only actors with sufficient technical, managerial and financial resources, as well as, global reach, to live up to the task (Hart, 2005: 156-157). "*The private sector, in its desire to leverage resources and gain market coverage, will invent new systems depending on the nature of the market.*" (Prahalad, 2004: 76)

In the BOP model, consumers' lives are to be enhanced through improved standards of living through better products, greater selection and lower prices (a removal of the poverty penalty). Communications and technology features highly in the model's expectation of improved standards as the poor gain access to information, education, and empowerment (Prahalad, 2004: 106). Further, there is an expectation that firms will engage with large numbers of BOP consumers as potential business partners (Prahalad, 2004: 108-112). Hart promotes the ability of MNCs to create new potential to the BOP through **outreach**, providing external distribution channels for developing countries' products, and **in-reach**, in the form of the aforementioned inbound products, services and information for the poor (Hart 2005, 148).

Prahalad identifies two structural weaknesses in a market-based ecosystem outside the direct control of MNCs: rule of law and corruption. In the first case, Prahalad (2004:68) refers to contract law and the requirement for previously disenfranchised consumers and potential business partners to be educated on the need for mutual respect with regards to contracts. Prahalad (2004:84) defines corruption as “a market mechanism for privileged access” and argues that more must be done to enforce laws and reduce corruption in developing countries. Prahalad (2004: 78) refers to the level of transparency and contract enforcement in a country as its “Transaction Governance Capacity (TGC)”, whereby the more removed citizens are from transparent access to the government system in terms of services and information, the higher the prevalence of corruption. While acknowledging that government has a role to play in tackling corruption, Prahalad (2004: 83-95) emphasizes technology solutions offered by MNCs to enable transparency through e-governance solutions.

Sustainable Development of the Affluent: Up-market Migration through Innovation

Aside from the potential of profits to be earned in the BOP marketplace, the authors argue that innovations achieved while developing products and processes for the BOP may serve companies in developed markets as well. Steps to reduce cost (as in packaging) may reduce waste; similarly, the drive for low power requirements, may result in energy efficiency applied elsewhere (Prahalad & Hart, 2002: 12). The principles that Prahalad applies to product and systems innovation for the poor, Hart applies towards environmental solutions: Companies can deploy “greening” which attempts to make existing products and processes more ecologically sustainable, or companies can go “beyond greening” and innovate from the ground up for a reduced footprint, that is not only ecologically sustainable, but more economically sustainable. Hart argues that in the past, corporate leaders viewed sustainable practices as a “trade-off” or obligation, however this has changed in the 1990’s as companies recognized the competitive imperative of sustainable practices.

Hart (2005: 10) charts this shift in a model he describes as “The Path to Inclusive Commerce”. Initially, corporations responded to pollution legislation as a costly obligation. Pollution prevention and product stewardship (“greening”) do not come at the cost of corporate profitability. Pollution prevention led to research that “began to document the situations and contexts in which pollution prevention and product stewardship resulted in superior financial performance”. However, a distinction is made between eco-efficiency, a process that still pollutes but at a slower pace, and eco-effectiveness, which results in environmental improvement rather than degradation. Hart sees the inclusion of the world’s poor as a logical progression. Beyond Greening includes reducing a company’s ecological footprint, and “reaching out to bring the benefits of capitalism to the entire human community of 6.5 billion people” (Hart, 2005: 15).

Hart (2005: 113) believes that the opportunity at the BOP requires a “Great Leap Downward”, which requires disruptive innovation on a large scale. Disruptive innovation is when a larger population of less-skilled or less-wealthy have access to technologies which enables them to do for themselves what was previously done only through skilled intermediaries (2005:114). In these cases, products may *initially* be of an inferior quality or functionality, but result in massive growth of usage and an eventual upgrade of the technology (personal computers are cited as examples of this evolution, as are the introduction of Honda’s motor scooters to post World War Japanese; Galanz microwaves in China).

Assessing the Limitations of the BOP Model

In their writing, BOP authors Prahalad and Hart acknowledge their intentions to optimistically present their case to corporations⁴. Persuasiveness is considered time-critical given the magnitude of the sustainability crisis we are facing, and, as per Hart,

⁴ “This book is concerned about what works. This is not a debate about what is right. I am even less concerned about what may go wrong” – (Prahalad, 2004: xvi). “Optimism underlies all the arguments in Capitalism at the Crossroads.” - Dr.H. Fisk Johnson in his Foreword to the book (Hart, 2005: xxxiii)

failure for corporations to act can result in a global backlash that could lead to the demise of the dominance of Capitalism (Hart, 2005: xli). However, as Utting writes in his appraisal of UN-Business Partnerships including the UN Global Compact, which are based on similar principles of inclusive capitalism, there is a danger that failure to openly debate and conduct critical assessments, may result in a greater backlash down the road, should these initiatives result in legitimising corporate power in favour of private interests over public good (Utting & Zammit, 2006).

Transparent appraisal of the risks and rewards of pursuing BOP strategies should inform decision-makers. Utopian subtitles like “Eradicating Poverty through Profits” (Prahalad, 2004) and “The Unlimited Business Opportunities in Solving the World’s Most Difficult Problems” (Hart, 2005), may set excessive expectations for corporate and social rewards. Early case studies presented in support of inclusive capitalism reveal potential limitations to the application of BOP strategies. The case study in Part II of this thesis is one such case.

BOP Case Study Analysis: Understanding “win-win” models

Prahalad offers readers 12 case studies that he considers to illustrate “win-win” scenarios for the BOP consumer and for the firm, in a “symbiotic” relationship, during which they “co-create value” (2004:114). According to Prahalad, the cases share a common goal of addressing poverty through “a combination of high technology solutions, private enterprise, market-based solutions and involvement of multiple organizations” (2004:xix). While Prahalad’s cases studies provide meaningful examples of outreach to the poor, the cases do not show how they are profitable to MNCs or whether they actually alleviate poverty. Consequently, it can be difficult to discern what constitutes “inclusive capitalism” versus business-as-usual partnerships between the State and private companies.

Business executives will want to measure the return on investment (ROI) of their BOP initiative, yet the case studies are not explicit as to financial outcomes. Only two cases involve a multinational corporation directly, and both involve just one company, Hindustan Lever Limited (Uniliver’s subsidiary) in India. India is already a large target

market for corporations who consider emerging markets in their portfolio and for new entrants, getting to the bottom of the market will not be their priority in the short run.

Other cases were more closely linked to philanthropic or NGO models inappropriate for publicly traded corporations: In the case of Aravind Eye Care Hospital, initial funding was provided by the founder and services were expanded on the back of the philanthropy of staff: “Doctors and staff work longer and harder than in other health-care programs, in large part driven by the spirit of Dr. V’s original commitment” and perform 2,600 surgeries per year compared with the all-India average of 400(Prahala, 2004: 134). In the case of Jaipur Foot, individuals acting in good faith and operating as a non-profit, NGO can produce a prosthetic foot for \$7.68 while consumers in the US pay \$8000. In this case, the Jaipur Foot’s inventors purposefully **did not patent** the 1968 invention in order to ensure its widespread availability. This model is unlikely to be considered by profit-driven MNC in the medical technology or pharmaceutical industry for which intellectual property trademarks and patents are critical.

The inclusion of the Voxiva case in Peru creates confusion as to what constitutes inclusive capitalism. Voxiva is a new US company seeking to provide a technology solution for health provision in Peru. The company’s target is government and donors and its primary fund-raising is in the US. At the same time, the company faces considerable challenges being accepted in Peru where there are an over-abundance of NGOs. Selling products and services to the State or NGOs may represent a business opportunity for many companies, but not a breakthrough in private sector driven development. There is no differentiation in this case from past development initiatives based on the State.

From the social development perspective, with the exception of micro-credit initiatives, there is limited case evidence for interventions leading to wealth creation among the poor. Broadly, interventions fell into the following categories:

- Finance and micro-lending:
 - Where financial products or services were directed to the poor for purposes of capital accumulation or revenue generating activities such as

farming, and distributed through self-help groups (SHGs), there is some evidence to support the “win-win” proposition of inclusive capitalism. ICICI Bank, CEMEX, and E+Co (the company investing in off-grid energy projects) extend credit towards capital.

- By contrast, there is weak evidence that consumer credit can contribute to wealth creation: Casas Bahia in Brazil offers consumers credit which may improve quality of life, but this model was reported at risk of being overrun by credit cards. There is no indication that the savings on consumer interest offered by Casas Bahia in any way led to other income-generating behaviors on the side of customers.
- Information Technology deployment to reduce corruption or waste, where the poor are indirect beneficiaries:
 - Two cases of deployment of IT Kiosks in the agri-business sector argue in favor of the benefits to farmers of gaining more information with respect to commodity prices and the reduced transaction costs achieved through the removal of middle-men on the way to the buyers. However, in both cases, EID Parry and ITC, the objective is to lock-in the relationship between the buyers (the large corporation) and the farmer. In this case, new intermediaries are created under direction of the corporation who benefit from providing the services to the farmers. Data is not provided on whether the farmers are actually securing a higher price for their commodities and how their lives are improving or not outside the relationship.
 - The state of Andhra Pradesh (India), based on the determination of its political leader, invests in various e-government solutions to improve transparency in the provision of services to citizens. The case concludes

that outcomes are yet unknown, but the presumption is that eventually transparency will lead to higher returns to government and lower penalties for citizens in the cost of their transactions.

- Public Private Partnerships for provision of better health driven by commercial interests (excluding the philanthropic Jaipur Foot and Aravind Eye Care):
 - Hindustan Lever Limited (“HLL”, the consumer product giant) collaborates with the government, NGOs and a network of SHGs to advertise the benefits of iodized salt (against mental retardation and goiters) and the use of hand soap (against a variety of diseases and bacteria). In these cases, the company benefits from shared budgets to promote the message to the public, while also promoting the brand in the health message. To differentiate its product, HLL added anti-bacterial agents, a controversial measure which attracted reactions from civil society, as these agents are known to promote more dangerous forms of bacteria (Prahalad, 2004: 239). Whereas increasing hand-washing with soap or the consumption of iodine through iodized salt are justifiably measured as a successful public health outcome, the impacts of consolidating market share to one company may have other consequences not measured. HLL already holds 60% of the soap market in India, yet the social consequences of HLL actions in terms of displacement of other soap companies, who may not benefit from the PPP benefits due to size, and the long-term consequences of market consolidation and health implications are unknown.

The MNC leadership gap

Prahalad’s case studies highlight the inherent mismatch of MNC capabilities to the BOP market requirements. The characteristics of success that are presented in the case

studies are the strengths of the small or local players, rather than MNCs: visionary founders, altruistic inventors, or entrepreneurs and companies with exceptional proximity to the BOP through extended market presence and essential products. Research into 50 cases of successful sustainable enterprises in developing countries by researchers at York University, similarly concluded that success involved informal networks that included business, not-for-profit organizations, local communities and other actors, but that multinational corporations were not the most common anchors in these networks (Wheeler et al, 2005; 33-40).

In recognition of the challenges outlined, there are signs today that the BOP initiative has advanced since the 2004 publication of Prahalad's book. While Prahalad's book focuses on selling the BOP opportunity to MNCs on the basis of their superior resources and technical capabilities, Hart's book published one year later goes further in recognizing that there may be a capacity gap in MNCs for them to be successful in this sector. He describes the leadership skills required: "Imagination, tolerance for ambiguity, stamina, passion, empathy, self-reflection, and courage may be as important as intelligence, analytical skill, and knowledge" (2005: 159). In addition to experimenting with "radical transactiveness", Hart expects companies to develop "native capabilities" by becoming more embedded in local communities, and building competitive advantage "less on protecting proprietary technology or intellectual property and more on developing trust and social capital" (Hart, 2005: 209).

Whether large institutions as in the case of MNCs are the environment to foster these leadership skills is debatable, especially as risk-taking is more likely occur at the entrepreneurial level than in a major corporation. Hart emphasizes the importance of encouraging people within these companies to set aggressive goals in sustainability and inclusiveness and to back these "big, hairy, audacious" goals (BHAG) with an organization, resources, and strategy to support these goals (2005: 227-229). The propensity for organizational structures and formal systems to kill projects and punish the people responsible is a significant problem facing companies today (2005: 228).

Multinational corporations are further hindered in their ability to successfully penetrate the BOP by their tendency to drive through programs from the top down. Rather than

building up from the needs of the market, there is a tendency for MNCs to try and find new markets for existing products and they are thus seen as small incremental markets, often not strategic for the company overall. Correlating with bottoms-up development, there is a necessity to scale the business appropriately, accepting a scale that may not start “big” (Hart,2005: 221). Ironically, Hart has found companies willing to invest in massive—risky projects—while eschewing the smaller-scale, bottom projects required at the bottom of the pyramid (op cit).

BOP Explosion: Base of the Pyramid Protocol and Laboratories

The BOP movement promoted by Prahalad and expanded by Hart extends beyond the academic’s articles and books now include a network of laboratories around the world attempting to identify opportunities for business at the base of the pyramid. To guide companies entering the BOP, Hart established “The base of the Pyramid Protocol” working group which has assembled “The Base of the Pyramid Protocol,” a 37 page instruction guide published on Hart’s websites to direct MNCs towards identifying, developing and profiting from a value chain at the BOP (www.bop-protocol.org and www.bopnetwork.org). The Protocol document includes a list of “BoP Business Principles” to guide companies entering the segment with these divided into nine “Operating Guidelines” and nine “Code of Conduct” items (see Appendix A).

As of December 2006, the Graduate School of Business of the University of Stellenbosch, has received seed funding from the W.F. Kellogg Foundation for a Southern African BOP-Protocol initiative. Following the protocol, it is “guided by the vision of an inclusive capitalism, one in which the corporate sector prospers by engaging local communities in the co-creation of business models that simultaneously generate economic, social and environmental value” (USB Report, March 2007).

Beyond Hart’s BOP websites, there has been an explosion of websites and interest in sustainable development initiatives captioned in BOP terms, as issues of equity and environment begin to grab international headlines. Nevertheless, as stock markets rise and more recently fall, companies will demand more research into the rewards and risks of BOP initiatives. The Mogalakwena HP i-community Case Study presented in Part II

of this thesis adds to the body of knowledge of what happens when a leading corporation seeks to “do well while doing good”.

PART II – The Mogalakwena HP i-community Case Study

CHAPTER 4: The Mogalakwena HP i-community Case Study: Methodology

Rationale for the Study

Having reviewed the literature on BOP and Inclusive Capitalism theories in Part I, we now turn to the study of a critical case, namely, Hewlett Packard's (HP) i-community in Limpopo Province, South Africa. HP was one of the first to make a public commitment, backed by a significant financial investment, to pursue a business case for sustainable development. HP selected South Africa as one of two sites worldwide (the other in Kuppam, India) to promote its vision for developing “breakthrough models of sustainable development” Although this project was not explicitly formulated as a BOP model, it participates in the discourse of inclusive capitalism. The company extensively references BOP terminology in its description of the project, suggesting that it sought to test the inclusive capitalism theories promoted by Prahalad and Hart, and these authors identify HP as a participant in their own work. HP is also a signatory to the UN Global Compact, which is formulated within the framework of inclusive capitalism.

In spite of numerous international awards being conferred on HP for the Mogalakwena project, no independent research had been undertaken on the Mogalakwena HP i-community by the end of its initial three-year partnership commitment ending October 2005. The UN Global Compact and similar initiatives rely on corporations to issue their own reports to measure outcomes. Independent research on corporate efforts is difficult to find in the public domain. There is also a scarcity of research on corporate citizenship and the role of business in development in the African context (Hamann, 2006: 193). Having spent the last 20 years developing business in emerging markets predominantly in Sub-Saharan Africa, I was highly motivated by the potential to fill a research gap in sustainable development within my own industry I felt that through my industry contacts I might have privileged access to sources that might lead to rich research data. The fact that there was no research data available on this high-profile case more than three years after project initiation is consistent with research findings involving Public-Private Partnerships (PPPs). Utting's (2006) research into UN- Business Partnerships finds that PPPs in general and those associated with the UN Global Compact specifically are subjected to a very low level of monitoring, impact and

assessment being carried out (Utting & Zammit, 2006: 20). A survey of UN-business partnerships by Witte and Reinicke (2005:44,50) finds that impact assessment is rare and not conducted consistently. A survey of 70 award applicants and 5 award winners of the Seed award-winners⁵ revealed that only 6 per cent of Seed partnerships conducted impact assessments (Steets 2006,7). Rein et al (2005) analyzed cross-sector partnerships aimed at poverty alleviation in Southern Africa and similarly found little solid research to indicate which partnership models are effective. Instruments are now being developed by the UN Global Compact and the UNDP Nordic Office to ascertain whether, as a result of the level of economic, social and environmental sustainability of a partnership, the effects of the partnership are likely to have a long-term development impact (Utting & Zammit, 2006: 21). Utting cautions against developing a tool that mixes “analytical and promotional purposes” and narrowly confines measurement to those immediately impacted rather than the wider development implications for long-term sustainability (*ibid*; 21-22).

Where little previous research is available and no precise outcome is predicted, qualitative research using the case study method is recommended (Eisner, 1998: 135, in Leedy & Ormond, 2005). The case study is also an appropriate research strategy for understanding dynamics within a single setting (Eisenhardt, 1989: 534), and can be used to accomplish various aims: To provide description, test theory, or generate theory (*op cit*: 535).

The qualitative, case study research on the Mogalakwena HP i-community project aims to be descriptive in its exploration of the history, motivation, learning, and outcomes at the level of the firm. In particular, the study tries to identify the pressure points between stated sustainable development objectives and business objectives, and the conditions under which one overrides the other.

This is not a project or management performance evaluation per se. The project itself has been wound down. The firm did not establish a project plan with clearly defined measurement criteria and therefore cannot be measured against its own objectives. A

⁵The Seed Awards are a biennial competition sponsored by a network of governmental, civil society and NGO institutions hosted by the IUCN, The World Conservation Union. The competition is designed to support “innovative, entrepreneurial partnerships” for sustainable development (www.seedinit.org).

provincial study was to be undertaken, but no one was able to tell me if this had happened and where it could be obtained. Activities were carried out which will have had impact and it may be too soon to evaluate their outcomes. At the same time, my site visit described in Chapter 5 calls into question the relative value of the project. The fact that the project was abandoned by HP is *prima facia* evidence that it was not meeting the company's expectations.

My purpose is not to assess the relative success or failure of the HP i-community as a test for the BOP development model, but rather to explore the tensions or even contradictions within the model that may have led to the project winding down. A single case study cannot serve to validate or discredit a development model as many factors affect outcomes; however it can expose tensions, strengths and weaknesses in a model.

Data Collection and Data Analysis

Case studies typically combine multiple data collection methods (Eisenhardt, 1989: 534) and serve to strengthen findings through triangulation of evidence (*op cit*: 533). Here three focal methods for data collection were deployed:

Category of Data Source	Description
Archival/documentary Sources	Company Publications, Press releases, website articles, magazine, journal and newspaper articles, videos; Memorandum of Understanding
Self-reporting	Semi-structured Interviews with various people (18) associated with the project, including employees (present and former), contractors, prospective partners, and community members (face-to-face, telephone, and email).
Observation	Three day visit to project site and municipality

Documentary Sources

Data collection began in April 2006 with a review of public information on the company website, and was expanded to include company press releases and external press coverage on the Mogalakwena HP i-community from 2002-2005. Thereafter coverage waned as publicity was curtailed during the winding up period. External coverage focuses predominantly on President Thabo Mbeki's annual visits to the project (Mbeki, 2003; Mbeki 2005), with occasional feature stories on the company's efforts appearing in popular media (Harrison, 2005; Haran, 2004; Vegtar, 2003).

One of the sensitivities in the document research is with respect to confidential or semi-confidential documentation. In one case, where confidentiality was specifically requested, my findings have been influenced by the data, but it is understood that the inability to reference can undermine credibility. In a second case, the respondent initially treated the document as confidential, but later acknowledged that it would be public record. Given the perception of confidentiality by the source, I am reluctant to append the document without express approval of the signatories to the document. In the case of the Memorandum of Understanding (MOU) between Hewlett-Packard, Limpopo Province, and Mogalakwena Municipality, I was unable to obtain this document until September 2006 several months after I had requested it and had completed my field research in South Africa. Had the document been made available earlier, my line of questioning may have been influenced by its contents.

Field Interviews: Self Reporting

As the research aimed to explore learning and outcomes at the level of the firm, the original sample targets sources within the firm. The official three-year partnership with the Mogalakwena Municipality and Limpopo Province had recently ended in October 2005 and I anticipated that HP employees and contractors involved in the project would be willing to cooperate in a study reflecting on their past experiences.

Issues of access and budget limitations also influenced respondent sampling. However, once I commenced with interviews within the firm, there were unforeseen organizational dynamics that led me to enlarge my sampling to include more non-firm sources, and to

expand and rely more on observation, secondary sources and verifications through non-employees of the company. Qualitative research is by its very nature flexible and open-ended and therefore the methodology and design tends to evolve more over time (Leedy P. & Ormond J., 2005: 143).

Three types of respondents were included in the sample, with a view to strengthening validity and enable triangulation:

1. Current Employees or Contractors: During the period during which field research was being conducted the project was still operational, though under a transitional model based on a temporary extension for one year. Respondents were identified on the guidance of senior executives within the firm as being knowledgeable and authorized to respond. Clive Smith was identified as the current Project Director and all other internal sources were approached with his approval. Neumann (1997: 351) refers to “gatekeepers” who limit access to information deemed to be confidential, or involving intellectual property; as was the role of the project director in this case. The i-community project director advised me that there were limitations to what the project team members were authorized to share with me due to “intellectual property” considerations, including those tied to social learning. All employees of the project team were required to gain clearance from the project director in regards to the content of their disclosure.
2. Former Employees: Due to significant corporate restructuring in 2005, the initial project leaders were no longer with the firm. Several respondents were directly responsible for the project, while others participated peripherally, but at a senior level. These sources had the highest level of authority on the project, including Maureen Conway, the former Senior Vice President, who reported to the Chief Executive Officer at project inception.
3. External Partners or Observers: Respondents in this group were opportunistically identified and approached in order to follow up on issues identified during the data collection and analysis with the first two groups.

Table of Sources

Name (Alphabetic)	Role/Position at time of Interview	Company	Relevance	Date (& Place) Interviewed
Maureen Conway	Former Vice President, HP Emerging Market Solutions	Hewlett-Packard (retired)	Headed the Initiative; Managed department responsible for implementation	September 17, 2006 (By telephone from New Jersey, USA)
Heloise Emdon	Director	International Development Research Centre (IDRC) South Africa	Organization with significant experience and investment in similar projects in South Africa; offered HP assistance in establishing metrics.	July 15, 2006 (IDRC Office, Midrand, South Africa)
Henry Ferreira	Former Managing Director, HP South Africa	Hewlett-Packard (former); Nokia (current)	Headed HP's South Africa subsidiary during initial 3 years	July 15, 2006 (Dainfern Valley, South Africa)
Faith Gumede	HP Contract Employee	Phapogang Environmental Group	Local hire responsible for maintenance of "Sustainable Livelihoods" projects	July 13, 2006 (MEMC, Mokopane, South Africa)
Asma Hassan	Project Manager (Contractor)	Hewlett-Packard	Local hire responsible for i-community project management; spokesperson	July 8, 2006 (Johannesburg) July 12-13, 2006 (Mokopane) March 19, 2007 (by telephone Johannesburg)
Younus Hassan	Contractor	Hewlett-Packard	Local hire responsible for technical support at project sites	July 13 –14, 2006 (Dipichi and Mokopane, South Africa)
Wendy Howson	HP Project Coordinator (Contractor)	Hewlett-Packard	As former Corporate Affairs Manager for HP South Africa, responsible for early development of the project and on-going management of local project staff	July 7, 2006 (by phone from her office in London, UK)
Alex Kganyango	Computer Technician (Contractor to Limpopo Province)	Limpopo Province	Beneficiary: Hired by Province upon completion of IT training received at HP project to provide technical support.	July 14, 2006 (MEMC, Mokopane, South Africa)
Motsi Leballo	Officer in Charge, Governance Unit	UNDP South Africa	Responsible for evaluating HP i-community to determine appropriateness of UNDP South Africa entering development partnership with HP.	July 14, 2006 (UNDP offices, Pretoria, South Africa)

Name (Alphabetic)	Role/Position at time of Interview	Company	Relevance	Date (& Place) Interviewed
Lynette Chen	Government and Corporate Affairs Manager	HP South Africa	Authorized HP Spokesperson	July 26, 2006 (by telephone from Johannesburg)
Nhlanhla Mabaso	Open Source Centre Manager	Council for Scientific & Industrial Research (CSIR) South Africa	Representative from CSIR responsible for negotiations with HP with respect to CSIR's potential partnership in project.	July 14, 2006 (CSIR offices in Pretoria, South Africa)
Justinus Machochoane	Contractor	Phaphogang Environmental Group	Local contractor hired to maintain Sustainable Livelihoods projects at HP i-community	July 13, 2006 (MEMC – Mokopane, South Africa)
Martha Machochoane	Contractor	Phaphogang Environmental Group	Local contractor hired to maintain Sustainable Livelihoods projects at HP i-community	July 13, 2006 (MEMC – Mokopane, South Africa)
Illana Meltzer	Independent Consultant	Eighty-20 (Market Research firm)	Market research with emphasis on Bottom of the Pyramid data in South Africa; work with HP featured	July 12, 2006 (Presentation in Johannesburg)
Brooke Partridge	Former Director, HP Emerging Market Solutions Group	Previously HP (Palo Alto); Vitalwave Consulting	Operational Head of Department within HP Headquarters responsible for roll-out and implementation of Mogalakwena HP i-community & product development	September 14, 2006 (by telephone from Palo Alto, Calif)
Clive Smith	Director, HP I-community	Hewlett Packard	Project head: Responsible for all local management and implementation of project in South Africa; involved in founding the project at HQ.	July 7, 2006 and July 21, 2006 (HP Offices, Johannesburg) January 23, 2007 (by telephone)
Lyman Smith	Former Director, Services/TSG	HP South Africa	Part of Senior Management Team in South Africa, responsible for sales and services to government during time of project	July 10, 2007 (Johannesburg)
Zelma van der Walt	Journalist	The Bosvelder Newspaper, Mokopane	Journalist assigned to writing about Presidential visits to HP i-community	July 14, 2007 (Newspaper office in Mokopane)

Interview Protocol

For respondents based in South Africa, interviews were conducted during a two week period in July 2006. Additional interviews with U.S.-based respondents were conducted in September 2006. Twelve of the interviews were tape-recorded; however, confidential discussions were not taped. Five telephone interviews were not taped due to technical limitations and an unstructured interview with a local journalist was also not recorded. Follow-up interviews were conducted by telephone between January and March 2007 and included two former directors and a project manager.

The format of the interview was semi-structured around a core list of questions as outlined in Box I. Follow-on questions emerged from these questions or were modified to address specific points that arose during the interview. Qualitative studies allow for adjustments to the interview protocol to take advantage of special opportunities that may be present in a given situation (Eisenhardt, 1989: 539).

For example, due to the effect of the gatekeeper, respondents hesitated to speak openly about their own findings or observations. Once I had transcribed the interviews, I found that there was very little explicit information provided by the project employees which I had not found before or after in external communications and publications. Nevertheless, both the spoken and unspoken responses provided meaningful insight into the case study.

Based on my history in the industry, my role as the interviewer created its own dynamic. While overall, interview respondents were supportive of the research, I received a few comments that indicated a tension or reserve with respect to how the information might be used given my previous industry experience and contacts with company management. According to Shram (2003, p 97 in Leedy, P. & Ormond. J, 2005): “Your task, both derived from and constrained by your presence, is thus inherently interpretive and incomplete. The bottom line is that there is no bottom line: It is not necessary (or feasible) to reach some ultimate truth in order for your study to be credible and useful.”

As a result, findings as presented here are interpretive and reliant on observations of the project as well as on the interview process itself as much as on the interview content.

Observation: Thick Description

Observations made through a field research site visit to the HP i-community project in Mokopane and at Dipichii, conducted from 12th to 14th of July 2006, provided rich research data. During my three-day stay in Mokopane, I also visited the local Chamber of Commerce, the Public Library, the Mogalakwena Municipality Building and the Bosvelder Newspaper, a local English-language daily in an effort to better understand the cultural context in which the project had been placed and to determine whether any signs of the project's potential impact could be found outside the project site. These observations around the visits to the i-communities in Mogalakwena Municipality were critical to data the collection. "Thick Description" is an ethnographic method originating from philosopher Gilbert Ryles and popularised by anthropologist, Clifford Geertz, in *The Interpretation of Cultures* (1973) and refers to the use of a rich narrative, perhaps supported by films, photographs; recordings etc. that would make the reader feel acquainted with the individual cultural context (Rosenbaum & Silber, 2001) Borrowing from this approach, I transcribed field notes and photographs taken during my visit into a narrative, "The Road to Mokopane" expanded upon in Chapter 5. Czarniawska (2000:1) promotes the value of narrative in organizational research. Narrative knowledge has been identified as the main bearer of knowledge in our societies (Lyotard 1979, Bruner 1980,1986; in Czarniawska,2000) and there is no one best method of narrative analysis (Czarniawska,2000: 31).

Review of Findings

While analyzing the research data in September 2006, I was invited to submit a journal article to a conference on corporate citizenship to be held in Accra, Ghana in November 2006: "Is Corporate Citizenship Making a Difference?" co-convened by UNISA Centre for Corporate Citizenship, Marc Lindenberg Center and the United Nations Global Compact. To this end, I wrote a 6,000 word paper entitled "Testing the Limits of

Inclusive Capitalism: The South Africa HP i-community Case Study” around the research included here and presenting the same findings. On October 26, 2006, I forwarded by email a final draft to key participants in the study requesting comments and any corrections. These participants were: Clive Smith (then HP), Asma Hassan (then HP), Maureen Conway (former HP), Brooke Partridge (former HP), Motsi Leballo (then UNDP), Nhlanhla Mabaso (then CSIR), Heloise Emdon (IDRC). Two participants (Maureen Conway, Motsi Leballo) requested corrections associated with their input, and these changes were incorporated and returned to them for final comment. Clive Smith and Asma Hassan confirmed receipt and expressed interest in providing comment, but withheld without further explanation. Following the submission of the final paper to the conference, the article was posted to the Internet and to date no comments or objections have been received to date.

BOX I: Interview Protocol

1. Internal Project Background: What motivated the firm to initiate this project? Who within the corporation initiated the project? Who approved the project? Who was tasked with executing the strategy? What were the stated objectives and measurement criteria?
2. Partnerships: How was the community selected? Who initiated the contact? How were the business partners selected? What was the role of the local and national government and how were they initially engaged?
3. The firm and its partners sought to “create breakthrough models” for sustainable development that could be globally replicated: How do you define “breakthrough models”? What “breakthrough models” were there and were these models realized in the first three years?
4. What surprises were encountered during the implementation (if any)? Were there specific events/experiences that led the firm to change its objectives over the course of the 3-year intervention?
5. Within the engagement, what were the pressure points between stated sustainable development objectives and business research objectives? Under what conditions did one override the other?
6. Did the firm internalise the local project learning at the global corporate level? How so?
7. Are there specific recommendations that the firm would like to feed back to the UN in terms of how similar development projects of this nature should be driven in the future? Who should lead and how?

Chapter 5 : The Road to Mokopane

“The deployment of people, technology and know-how in the i-community will help HP realize both brand value and business value for itself while delivering social and economic value to the community” –WBCSD Case Study

Having conducted all the interviews I could in Johannesburg and paged through stacks of corporate press releases and articles for the previous three months, I was delighted when the day came in July 2006 when I could accompany members of the project management team to Mokopane and Dipichi. The search for a more precise definition of “breakthrough models” that would transcend the public relations material and provide specific metrics of the original company’s expectations versus outcomes was one of the unanticipated challenges of my research so far. I still could not envision or articulate what a “break through model of sustainable development” would look like in this case. Philanthropy had been strictly ruled out, so if the project was to demonstrate win-win inclusive capitalism, then it was critical to understand how the company’s investment of \$5 million would be redeemed through a current or future revenue stream out of the i-community project. It would also be necessary to understand how the intervention would lead to economic growth in the target community.

The Journey of Discovery

HP had just contracted a new technical manager for the i-community and Asma Hassan, the project manager, took this opportunity to invite me to join them on his introductory visit to the project sites in Mokopane and Dipichi. Logistically, I was able to offer transport in my rental car, and so we drove up together on a bright winter morning in July.

Heading North out of Pretoria, the N1 highway gently rises and falls over the hills. As we ascend out of the blanket of Johannesburg’s brown winter smog, the traffic begins to adjust to a more measured tempo in recognition of the long distances still ahead. Here on the high planes, with the brilliant blue sky and waving gold savannah intermittently shadowed by acacia trees, the beauty and humanity of Africa awakens in me fond memories. Midweek, the open road reminds me of safaris past, but this is deceptive:

this stretch of the N1 is considered the busiest highway in Southern Africa, as drivers head north and then branch off East towards Zimbabwe or West towards Botswana.

About 250 km and a half-dozen toll booths North of Johannesburg, we exit the dual carriage way and head several kilometers Northwest on the old main road into the town of Mokopane, known as “Potgietersus” until 2003. The town is anchored on the Southern boundary of Mogalakwena Municipality that covers 6200 square kilometres out of Limpopo Province’s 125,000 square kilometers and is home to 298,000 people (Mokopane Chamber of Business 2006). Situated on a flat plane, Mokopane’s wide streets are arranged in a grid, with an unexpected density of traffic lights (or “robots”), given the low level of traffic flow.

The quiet shaded entry into Mokopane from the Southeast passes through the town’s affluent suburb of low-slung suburban ranch homes. Later that evening, I find my tidy bed and breakfast is situated in one of these homes, and as I stroll through the quiet streets of the neighborhood on my evening walk, I feel as though I am transported back in time to Southern California in the sixties and 70s. The houses are maintained as if in a museum capturing that time period and are without the modern upgrades and high walls with razor wire that distinguish neighborhoods of the same age in Johannesburg.

The attentive tourist will notice that the town’s entrance is devoid of the omnipresent chains of national realty offices that line the streets of South Africa’s picturesque rural towns in recent times. Mokopane appears to have remained off the main radar of the real estate boom that has swept the country in the past 5 years. Although the municipality is seeking to expand its tourism sector, based on hunting, fishing and some notable archeological sites on early man, Mokopane visibly remains very much a working town servicing the agricultural and mining sector.

Ethnically, more than 97% of Limpopo Province are indigenous black Africans and some 2% are Afrikaners, yet 65% of agricultural land is held by whites. With 90% of the population in rural areas, 35 % of the Province’s population and 65% of the Municipalities population live below the poverty line making it the poorest in South Africa.

Within Mogalakwena Municipality, the majority of the population is concentrated in and around the two apartheid-engineered townships, Mahwelereng, on the northwest edge of Mokopane, and Rebone, on the northern border of the municipality. In keeping with the apartheid engineering, another group of citizens were displaced within the town's architecture. As a vibrant agricultural trading center during the last Century, "Potgietersus" had also attracted an active Asian trading and professional community. During the 60s and 70s, the Asians were expelled from their properties in the town center and were redirected to land between the center and the black township. In the process, their property was expropriated and their children were removed from local schools, and redirected to schools some 60 kilometers away where there was a higher concentration of Asians.

While municipal governance has shifted to the black majority, the apartheid legacy remains prominent in Mokopane's physical construct today, with neighborhood lines largely in tact. Of the little news available on the town's past that attracted headlines outside of the area, was the continued refusal of a the local primary school to admit black students in 1994, post-apartheid. Whereas I had not intended to consider race issues in my study, once confronted with overt reality of apartheid's impact on the area, I could not avoid wondering how race issues might have influenced community engagement and public participation on the project. I was compelled to home in on questions about who within HP engaged with members of the community and how.

MEMC- The Mokopane Educational Multipurpose Center

The base of the HP i-community project is located in the Mokopane Educational Multipurpose Center (MEMC), a former teacher training college, adjacent to Mahwelereng, Mokopane's black township. Under South Africa's apartheid regime, black South African's were required to pass through a separate education system. Post-apartheid these training colleges have since been abandoned and common academic qualifications and standards have been adopted for all future educators. As a result, the government now has stock of empty training facilities, and in this case the government uses some of the buildings on the campus for various training programs and workshops.

Limpopo Province donated the use of two wings to the HP i-community, as part of their contribution under the Memorandum of Understanding (MOU) with HP.

To reach the MEMC site, we pass through the town center and continue for several kilometers north and northwest through the industrial area and numerous four-way junctions until we reach a large fenced campus with an imposing gate. In the company of the HP hosts, check-in with the security guard at the gate passes smoothly and we are soon inside the gate. Arriving a few days later on my own, the procedure is more daunting. There are no other visitors in sight and the guards have plenty of time to discharge their duties which involves a review of my identification and a lengthy sign in.

Upon entry to the property, we drive forward past the burnt carcass of an abandoned vehicle on the front lawn to the eerie silence of an empty car park. At the sight of the apparently unoccupied school buildings, I am immediately struck by a familiar emotion that I eventually place back to my memories of fifteen years earlier when I worked in Eastern Europe. Now, as then, system failures had led to a collapse and left imprints from the past regime on the buildings, now struggling for new life.

The Project Scope

HP's injection of investment on the campus had vastly transformed the two wings dedicated to the i-community. The pathways leading to these arms of the building were lined with attractive plants and shrubs, and a large HP sign welcomed visitors to the project. Being a school building, the various projects are located within former classrooms that face into an open courtyard. Extending from behind one wing out to the field behind the building are the outdoor elements of the project, referred to as "Sustainable Livelihoods", including medicinal gardens, drip-irrigation agriculture, solar cooking, and waste management demonstration sites.

Of the twenty-five staff members contracted by HP to support the project, approximately half were based at this site and at Dipichi (the remaining Least Developed Village site), while the balance, including all the top management were based in Johannesburg.

Another project hub at the Rebone Township in the far north of the municipality had been handed off or phased out by the time of my visit.

MEMC – Project Headquarters

Over the next three days of my visit, HP project staff would guide me through the MEMC facility and describe the programs and services which were offered through the HP I-community. On the first day, I would also make the 120 kilometer trip to the satellite I-community at Dipichi.

At MEMC, each of the labs, or transformed classrooms within the two wings of the facility was meticulously outfitted with the latest furnishings, and the full suite of computer technology to accommodate several hundred people simultaneously on site. During this time, I would be briefed on the various programs included in the project, including:

- Community Computer Camp (“C3”): At the campus and through outreach to schools and other public facilities, HP reported that as many as 4000 people (adults and children) received week-long training on basic computer literacy.
- PC Literacy: On an ongoing basis, the center would offer PC literacy courses on common applications such as word processing, spreadsheets and web browsers.
- Advanced PC and application training: Technical courses were offered to enable community members to learn how to support the ICT infrastructure.
- PC Refurbishment: Community members received training on refurbishing old computers for resale.
- Business Resource Centre (“BRC”): The BRC was established to “support schools, community projects and local businesses”, the “BRC is also active in enabling local entrepreneurs to start their own businesses and a New Venture Creation Learnership programme which began in January 2004, focused on the principles of business development”.
- Call Centre and Help Desk: A call center with the capacity for 25 engineers was in place. Training was conducted for 25 ISETT SETA learners and “it’s expected that the call center will also be a major contributor to the long-term sustainability of the HP i-community”.

- Digital Culture: A complete recording and photography studio for “Internet and broadcast radio; audio-video recording and editing; web site design; and digital photography”. Digital culture refers to an initiative that was undertaken to record local musicians, poets, writers and performers, and which was to enable community members to develop material for resale.
- ISETT SETA Learnerships: 100 students (94 graduated) received year long training under accreditation of the ISETT Sector Education Training Authority in technical support, systems development, call center and venture creation courses.
- CSIR Open Source Centre: “Run by experts from the CSIR and some of the ISETT SETA learners, the OSC aims to advocate the benefits of Open Source solutions, offer people new skills and support local organizations and businesses to integrate ICT and Open Source into their operations.”
- HP Multi-user 441 Desktop Solution: “South Africa-and the HP I-community specifically-were chosen as the launch pad for HP’s innovative, cost-effective Open Source computing solution, the first of its kind designed specifically to met the needs of developing economies.” The PC allows four people to work simultaneously and independently on one PC using 4 keyboards and 4 monitors. These were on display in a demonstration room.

HP materials make reference to several other activities that were to have taken place at MEMC, including Sports Training Accreditation (coupled with “PC literacy”), specialized libraries, and demonstrations of “e-services” for government. The company also references workshops with the Municipal government on its ICT implementation and community needs. According to one of the project managers, computers were also provided to the municipality, and the municipal library in Mokopane, among other community sites, to provide working examples of the benefits of IT solutions.

Sustainable Livelihoods

In an effort to make information technology relevant to local communities with no previous exposure to ICTs, the project sought to integrate the use of ICTs into areas of practical relevance to rural populations. As a result, the project featured outdoor demonstration areas with indigenous medicinal gardens, forestation, alternative energy, waste management and sanitation solutions.

Early in the development of the i-community, HP project managers were introduced by the Municipality to a group of young men and women in the Mahwelereng Township who had begun a volunteer initiative focused on cleaning up the township. Headed by Faith Gumede, they call themselves the Phafogang Environmental Group. Originally hired on a casual basis to assist with the setup of the medicinal gardens and drip-irrigation circles (professional consultants had been hired for the setup), the Phafogang Environmental Group were eventually hired on a longer-term contract to maintain the grounds and guide visitors interested in the projects.

As I was a lone visitor, I had the group's full attention. The medicinal gardens were impressive and Faith took pride in describing the medicinal uses of the various plants. A handful of group members idled near the drip-irrigation circles, where I was shown how organic crops are mixed to uphold soil quality, reduce weeds, and minimize water wastage. The crops were neatly displayed in an area of perhaps a half-acre, while the open area of the campus extended on for many acres behind them.

I was shown two large solar cookers where I assured that tea could be boiled within 30 minutes, and asked the group about a brick-pressing machine parked nearby with a few sample bricks on the side. The machine had been sourced for the group by one the HP managers who took interest in how the group could augment their income. As this group had worked within the "sustainable livelihoods" area for three years, I tried to find out how it might have impacted their lives. I wondered whether they had found ways that these livelihoods could be taken up by the local community or whether they knew whether anyone had taken up these activities outside of this setting. Did they or anyone else farm like that? Did anyone use solar cooking? What about the bricks?

For Faith and the Phafogang Environmental Group to have organized and aligned themselves for employment with this high profile HP project gives evidence of their initiative and entrepreneurial drive. Yet my initial expectation, based on years in Kenya, was that given access and inputs to raise crops, I expected the group to have vastly enlarged the farming plot. Yet, for this group from the township, farming may not have been a realistic expectation, as access to land and land-ownership are a complex issue in the South African context. They had interest in expanding the brick production business,

but the brick-pressing machine did not belong to them and they would require a secure property in the township to place the machine, power it, and run their business. They believed that there the solar cooker had sales potential, but that the cookers would need to be demonstrated within the township. The target market for the cookers would not be found coming out to the i-community. We ended up having spirited discussion on how these cookers could be marketed and how the group could shift to sun dried adobe bricks as potential future business ventures.

When I later asked the HP manager who had brought the team into the project about what opportunities she had explored with them, her response was unexpected. She had been instructed that exploring community development options with these contractors was outside the domain of her job and that she was only to interact to the level of maintaining the community site. I was beginning to learn that the project had internal management attitudes of its own that compounded the challenges of working at a community level and within partnerships.

Dipichi – the “Least Developed Village”

Packed into a small sedan of one of the technical managers, four HP contractors and I make the 120 kilometer trip north to Dipichi, where HP was operating a satellite i-community that includes a community access point and a school computer lab. At least 50 kilometers are unpaved and the scenery becomes more rugged and beautiful with each turn of the red road.

In Dipichi, the i-community project is operated out of a converted 40-foot freight container. Similar containers have been placed at the village schools including one adjacent to the community center. While remote and referred to in HP's literature as a “Least Developed Village” (LDV), the village is electrified. In fact, according to Mogalakwena Municipality, by 2006, only 4 villages out of 178 in the Municipality do not have electricity. Nevertheless, there is little evidence of any sources of income in these villages. Mostly the very young and very old were left in the village, while the rest had gone to the larger towns or Johannesburg to look for opportunities.

Upon arrival at Dipichi, we alight in front of one of the colorful modified freight containers, which serve as the HP community centers and classrooms. These containers are furnished with sufficient computers, printers, and learning materials to comfortably train a dozen or more students. In this case, a high chain link fence encircles what appears to be an acre of dry brush, the container, and a brand new, empty cinderblock building. At closer examination, there are signs of furrows and plantings in the dry brush in front of the building, and a woman has returned to water her seedlings.

Just ahead of where we have parked the car is a large garden shaded by trees. Here one finds a replication of the medicinal garden at MEMC and a group of elderly villagers are tending to the eco-circle vegetable and herb plots. I am enthusiastically guided through the site by one of the resident gardeners. She shows me the book where modest sales of vegetables are recorded and informs me that she is delighted with HP's project, as prior to this she had nothing to do at home. When I ask about the other plots within the fence by the building, I am informed that another group of somewhat younger residents has had a falling out with this group and formed their own garden. My tour ends and the group is eager to meet with Asma Hassan. They have a list of additional implements and supplies that they want HP to furnish and she patiently sits with them to discuss how the problem could be alternatively solved through their own efforts.

As we pass through the gate towards the HP container, a security guard approaches from the stoop of the building with an open book for us to all sign in. I am informed that he works for the municipality who has erected the building as a community center for the village residents, an effort undertaken in advance of the last Presidential visit. Wedged vertically between the HP container and the Municipal building, I am confused to spot another brightly painted container, with a different motif and a "USA" logo. In this case, "USA" refers to Universal Services Agency, an NGO that has partnered with the South African government to erect computerized tele-centers across the country. The USA container offers computer access, office services, internet connectivity and telephone access. Other than joking that Dipichi now had the highest PC penetration in South

Africa, HP was reluctant to discuss the USA container case, other than to comment that its placement was “political” and that negotiations were under way to have them disconnected from HPs electric power supply, to which USA had affixed its container.

Inside the HP container, teenagers are attending a software training session and are busy constructing sentences on a word file. Posted to the wall is a list of additional office services available for purchase by the public. HP had planned to partner with a leading cellular provider for telephone access, but this had not been implemented. As a result, the computers were networked to a server but did not have access to the Internet.

Just across the road from the community center is the local primary school. HP had provided an “e-school” laboratory in the same format, but had gone further to provide local language (and multiple language) software with the South African curriculum. I accompanied the engineers to the school container where the engineers needed to do a reboot and installation following a software crash caused by user error the previous day. Maintaining the networks in such remote environments was costly, as engineers had to frequently make the long trip for service interventions. Ensuring that containers were secure and not subject to theft or vandalism was a further barrier and expense to operating the sites. The school lab was also intended to serve as a base for developing computerized school records: This effort had been largely abandoned as the responsibility for collecting, inputting, and maintaining records had not been accepted in the schools culture.

Mokopane Town

Having completed my guided tours of HPs facilities on the second day of my visit to the area, I wanted to explore further the local context of the intervention. With so much publicity about the President’s interest in the project, I felt that some impact should be found in the town center. Though admittedly not qualified to represent the targeted constituency, I tried to approach the town as I imagined a resident might who sought information about where to access computer services and training or information about HP’s project. In spite of income segregation in residential areas, all residents share

essential services in town, and all but one of the people I spoke with were from “previously disadvantaged” ethnic groups.

When entering from the South, the Mokopane Chamber of Business has a prominent sign. I therefore stopped in to find out what they could tell me about where to access computer education, the internet, and finally whether they knew the HP site, what it did and where it was. In the first instance, I was directed to two local internet cafes and office service businesses. The administrator was also able to tell me where the HP i-community was located, but she was not familiar with the services.

I further visited the Public Library, where I asked three librarians at the desk whether they had information about the HP i-community and whether they had local newspapers either on micro-fiche or on computer where I could research what had been written about the President’s visit. I was informed that the library had no computers and that the only newspapers were physical copies stacked on a shelf. When I found that these did not go back far enough to the previous presidential visit, I asked where the Newspaper offices were so that I could find the information there. In this case, I was limited to English language, and was directed to the “Bosvelder” Newspaper which publishes in English and Afrikaans.

At the “Bosvelder”, I tracked down journalist Zelma van der Walt, who had written about the President’s visit. She confirmed that the paper’s contact with HP was rather limited to receiving press releases, inserting periodic ads (with respect to various events), and to attending the Presidential visit on an annual basis. While the paper had been included as a media contact, the intervention did not appear relevant to her community of readers.

Finally on my last day, I phoned and secured a meeting with Staff Tseble, public affairs manager for the Municipality, where I sought to learn how the intervention had been perceived from their side. However, when I reached his office, he had gone out, and although I returned again to the Municipality before my departure, I was unable to find him and my messages were not returned.

Sources at HP later confirmed that both the library and the Municipality had received computers as part of the intervention. While it was known that the Municipality had largely confined the equipment to storage, there was some surprise that the librarians were not aware of the computer equipment, which had been erected in a conference room.

Where is everyone?

With so much capital invested in facilities and hardware, the next question to be added to my protocol (after the impact of race on community participation) was: Where is everyone? Where is the community? How does the public gain access to this place?" There were no visitors to the MEMC site during my three-day visit. With the exception of one woman working on a PC in the "refurbishment center", the facilities were empty. Each room was carefully unlocked and relocked after my tour, with various staff members hunting down the requisite keys: Theft had been a problem over the life of the project, and there was serious attention to security.

Although I was aware that the MOU had lapsed in October 2005 and that the project was in transition (to what not yet determined), the lack of traffic at the project was still unexpected. Perhaps my expectations had been heightened on the basis of all the press material and company documentation.

By way of explanation for why the facilities appeared to be unused: I was advised that during the original three year MOU, HP had pro-actively "pushed" the Province to hold events, particularly prior to Presidential visits; however, this practice had ended during the past year. As a result, I was guided through the unused facilities and provided with descriptions of their intended use. At the time of my visit in July 2006, the only community activity still operational was training conducted in cooperation with the Province and this, I was told, was done offsite during my visit. I was also informed that technical support was also ongoing for schools and sites where PCs had been installed, and that these members of staff were off-site for this reason.

At the MEMC location itself, activities were severely truncated or closed: The ISETT SETA Learnerships had happened over one year out of three, but were not repeated in 2005. Although there were signs on the road from the town center to MEMC advertising the Business Resource Center, this facility was no longer open to the public. HP had closed it after serving 25 clients, citing this as sufficient for capturing data. CSIR had not yet consummated the partnership to run the Opens Systems lab and did not have its experts on site (due to a disagreement about access and accommodation, the first expert resigned before starting). Theft had been an issue and there were strict access limitations for staff as well as the public.

I began to probe staff as to how someone in the community might access the site. Given the apparent distances from the town or township center, the imposing gate and security clearance, the long walk to the buildings, and the locked classrooms, I wondered how inviting the site would be to the excluded populations at the BOP. How can “inclusion” in the form of public access be balanced against security concerns? One interviewee shared with me that a friend from the Township had written his resume on a computer at the BRC, but that he now could not get in to retrieve it. By this time, only formal programs operated in conjunction with the Province or Municipality were open for business. Several of the programs were tied exclusively to President’s Mbeki’s annual review visits, including the call center that was used to track RSVPs for the Presidential visit. The Digital Culture studio was used in a burst running up to a Presidential visit, but there were no guidelines as to how the public could use it thereafter.

By the end of my visit, I was both surprised and disappointed. On the one hand, I was impressed by the financial, technical, and political investment that HP had made into a project with great potential; on the other hand, something had clearly gone wrong. How did HP get into this situation? Chapter 6 explores the history of the project from the perspective of the firm.



Exhibit 5.1: HP demonstrates sustainable product innovation with a 4-4-1 desktop, that allows 4 users with 4 separate monitors and keyboards to operate simultaneously from one central processing unit (CPU).



Exhibit 5.2: Phaphogang Environmental Group maintain Sustainable Livelihoods Demonstration Area at MEMC (Mokopane)



Exhibit 5.3: HP i-community Medicinal Gardens are replicated at Dipichi, a “Least Developed Village”
120 km North of Mokopane



Exhibit 5.4: Village Elders tending to agricultural plots included in the HP i-community’s Sustainable Livelihoods Program at Dipichi seek advice and resources from an HP Program Manager.



Exhibit 5.5: HP i-community at Dipichi is housed in 20' freight container at left; a competitor offers similar services next door from a container attached to HPs power source.



Exhibit 5.6: The HP i-school at Dipichi provides rural students with an on-campus computer lab.



Exhibit 5.7: Rural students are exposed to ICTs and receive classroom instruction at the i-community in Dipichi

Chapter 6: The Origins of the Mogalakwena HP i-community: From Palo Alto to Mokopane

In this chapter, by exploring the origins of the HP i-community project, we can identify where some of the tensions arise. Top-down pressure surfaces as company and political leaders look for success, and assumptions of a technology fix from high up creates competing needs for recognition and political capital against responding to community needs. Ultimately, the ability to pursue an agenda is linked to the personal value system of the leader:

And for HP, in our almost 70 years, global citizenship has always been one of our corporate objectives. Contribution to community has always been one of our corporate values, and now today, we speak of doing well and doing good. (Carly Fiorina, 2003)

One of the legacies of Carly Fiorina's tenure as CEO of HP (from July 1999 to February 2005) was her public engagement and very visible profile in international business and political events, and the phrase "doing well by doing good" was one that she emphasized in her numerous speaking engagements. The i-community concept developed as a progression to three similar projects initially carried out as quasi-philanthropic "e-inclusion" initiatives in the US inspired by President Bill Clinton's appeal for industry to step up and engage to bridge the "digital divide".

The initial three "e-inclusion" projects started at HPs front door in East Palo Alto, with a second California site near San Diego serving 18 Native American tribes, and a third based in Baltimore. Each had a full time HP project manager for three years and were funded with \$5 million over three years⁶. Originally the projects were funded as philanthropic projects and operated by the Corporate Affairs Group under Debra Dunn. Over time, Dunn and the Corporate Affairs Group recognized that the "digital divide" presented an opportunity to sell to governments technology solutions for development purposes (Haran, 2004: 31-32).

⁶ According to Partridge (2006), this \$5 million figure set the bar for the amounts approved for the I-communities in India and South Africa, although the company would not disclose actual figures.

According to Maureen Conway, former Vice-president, e-inclusion and Emerging Marketing Solutions Group (EMSG), in response to September 11, 2001 and with new insight following the first year of the “e-inclusion” projects in the US, senior executives began to seriously reflect on issues at the BOP. They realized that over 90% of the world had never made contact with IT and that this large population included future HP customers. To tap into these markets, the company would need to consider designing products appropriate for the budget and usage requirements of “bottom of the pyramid” consumers.

In order to reach the world’s poorest consumers and learn about the market requirements of this segment, this group of senior executives agreed that the concepts needed to be tested abroad. The initial decision about where to locate the international “e-inclusion” projects was influenced by US-based expatriates from India and South Africa to place the sites in their home countries. The first site was established in Kuppum, Andhra Pradesh, India and was operational by February 2002; the second, followed in Limpopo Province, South Africa under the direction of a US-based Product Engineer of South African origin, Clive Smith. The management team considered Africa to be important if the company wanted to be considered serious about development and as a pre-requisite for attracting development money.

In order to gain the necessary internal R&D focus and budget authorization to pursue market opportunities, the initiative was transferred from Corporate Affairs to a newly formed, Emerging Market Solutions Group (EMSG) to be headed by Conway and reporting directly to Carly Fiorina. With the group aligned under the CEO, it was envisioned that they would have access to a shortened approval process and flexibility needed to experiment in ways that the business units could not. In hindsight, operating outside the company’s established business units ended up having profound consequences.

Several factors conspired to accelerate the entrance to Africa in 2002. According to Conway, Carly Fiorina had met South Africa’s President Thabo Mbeki at the World Economic Forum early that year. Whether by design or accident, the two discussed the i-community project and made each other mutually supportive commitments: HP would

be ready to launch the initiative at the World Summit on Sustainable Development (WSSD) in June, showing support for Mbeki as host of this important conference; and, Mbeki would personally put his weight behind the project and publicly endorse it with a visit every year to follow.

Managed from the Top - Partnership under Pressure

As a consequence of Fiorina and Mbeki's agreements, the project in South Africa had ascended to public prominence before the project had even fully been defined, and the June deadline put the team under pressure to make decisions quickly. Furthermore, the fact that the project was now securely entrenched as a pet project of the CEO of the Corporation on the one hand and the President of South Africa on the other had continued implications during the life of the project. While the original project concept considered that it was to be experimental and help the company learn about appropriate product design for the BOP, there was now significant public relations pressure to show-off success in South Africa under tight, pre-determined deadlines.

The political implications and timing pressures are reflected in the Memorandum of Understandings (MOUs) signed with Limpopo Province and Mogalakwena Municipality. For example, the need for speed is imbedded in the agreement with the Province and demands that the Province: "Fast track all meetings, decision-making and regulatory approvals required to expedite the launch and successful establishment of the i-community in Mogalakwena". The use of language around speed such as "fast", "rapid", and "timely" arises seven times in eight paragraphs. In addition, the contractual conditions include exemptions to prevailing rules and regulations in order to facilitate the project.

With respect to the President's visits there was huge pressure to deliver flashy results, not always so easy to obtain: One guest recalled arriving at 9:00 a.m. for such an event. A large screen had been erected and there was to be a live telecast of a patient being treated in a remote rural hospital by a medical professional from whom treatment would be administered via directions streamed through an Internet connection from a leading specialist in Johannesburg. The patient had been patched through to the audience at the

I-community at 9:00 a.m. and was momentarily seen visible lying on a gurney. The president's arrival was delayed several hours and the same patient was seen again on the gurney at noon, raising fears that the poor patient had lain in waiting for the spectators⁷.

While the above anecdotal event may be extreme, information about the HP I-community is heavily weighted around President Thabo Mbeki's visit and forms a significant part of the memory of the project for those interviewed. As the annual visits were held in September, activities were driven to deliver new outcomes prior to or at these visits. To a significant extent, respondents felt the visits were effective in getting partners to mobilize.

In the month leading up to Thabo Mbeki's second visit to the i-community on September 7, 2003, the UNDP in South Africa was under pressure to sign on as a prospective development partner. As a signatory to the recently established UN Global Compact, UNDP New York was applying pressure on UNDP South Africa to partner with HP. UNDP dispatched a preliminary assessment team to review the project and found that the project exclusively focused on ICT and that sustainable development did not seem to be addressed. Furthermore, the assessment team was concerned about a sustainability or exit strategy in the MOU. The UNDP proposed that HP might benefit from partnering at other sites in South Africa where their technical expertise would add value or offered that HP invest as much as \$1 million more to acquire development project management skills from UNDP. Under pressure to resolve these and several other open issues only days before the President's visit, the UNDP ultimately declined to participate.

Finding Mogalakwena

Having committed to establish the i-community project in South Africa, the Palo Alto team worked with Mbeki's Office of the President and with the HP South Africa office to identify suitable locations that could meet the requirements of both township and Least

⁷ I was unable to verify whether this was a real patient or was being acted out. The guest interpreted it as real.

Developed Village status. From a shortlist of three or four communities, HP selected Mogalakwena as the Premier of Limpopo Province had indicated support and the community was importantly accessible for day trips from Johannesburg.

While HP had had a subsidiary in South Africa staffed by local professionals for more than a decade, the subsidiary had only minimal involvement in the project that was otherwise exclusively driven by HP's Palo Alto headquarters. Executives would fly in directly from California and engage with the partners at the Office of the President, Province and in the Municipality independently of any existing relationships within the local subsidiary. This behavior was perhaps not considered unusual for executives within the MNC based on its global reporting lines within divisions, but it is received differently by the local managers, who described these unexpected encounters with the US visitors at client sites as "awkward". Nevertheless, the local managers report remaining silent as a matter of corporate politics.

Corporate-Driven Visions

To ensure "public participation", one of the first activities organized by HP was a three day "Vision to Action" Session with the local community, to determine community needs. A "graphic reporter" was brought in by HP to facilitate and illustrate the findings. However, prior to conducting the visioning session, HP held several public events to demonstrate ICT and various computer applications in order that the public might even conceive that ICT might form some of their aspirations.



Exhibit : 6.1: *Graphic Artist “maps” Community Vision*

From this workshop, the development plan was formed by the HP i-community team as follows, to quote the company website:

“The i-community team chose to focus on improving information and communication technology infrastructure in Mogalakwena, increasing capacity building and technology training, ensuring cultural preservation and boosting economic development”

The project vision is documented in the Memorandum of Understanding of August 14 that HP concluded with its partners, the Limpopo Province and Mogalakwena Municipality. Through their mutual efforts, Mogalakwena is to become “a thriving, sustainable economic community where ICT solutions significantly improve many facets of the citizen’s lives” and consists of at least 5 components to expand and deliver ICT technologies, infrastructures and services, in a fully accountable, transparent manner respectful of privacy issues.

According to the MOU document, the mission expands beyond ICT related product and services to include the creation of jobs and income opportunities, access to new markets and trade relationships and the building of leadership and capacity in the community. More ambitiously, the mission predicts the establishment of a model worthy of

replication throughout the country, seeks to ensure the broadest possible active inclusion of community constituencies, and seeks to serve as an example to encourage others to experiment in social and economic development.

Sustainable Product Innovations

Notwithstanding HPs commitment to its partners to deliver the development solutions in line with the joint vision, the Emerging Market Solution Group remained committed to developing sustainable products, with the opportunity to migrate their learning into mainstream markets.

Using the i-community as a test environment, the EMSG Group developed and launched a new product called the HP Multi-user 441 desktop solution. HP's solution was targeted at the education market and consisted of one central processing unit (CPU) and four monitors, keyboards and mice. It ran a modified version of Linux that allows four people to simultaneously access the Internet, send email or play multi-media files, exactly as if they were working on four standalone desktops (HP i-community website). Through its configuration which eliminates considerable redundancy, space and power requirements, as well as "open system" software (requiring no recurrent license fees), the solution proved to be both affordable and environmentally sustainable⁸.

Getting the product to market posed a significant challenge to the group headed by Brooke Partridge. Because EMSG worked independently under Maureen Conway and Carly Fiorina and not within one of the established Product Business Units, getting the necessary support to pull it together was a challenge. There was significant reluctance to release a product that allowed four users to access one PC, as the move was seen as a threat to the financial model of the mature markets where profit margins are calculated on a one-to-one PC ratio. (Technically the solution would enable up to 10 users to connect simultaneously, but such a ratio proved to great a threat to be approved). By narrowing the user group and committing the product for educational use only in a remote market, the product came to market in 2005.

⁸ Multi-user PCs have been manufactured to support up to 10 simultaneous users on one CPU. For schools, internet cafes, and other multi-user environments, this offers significant financial and environmental sustainability in terms of packaging, space, and power consumption (Partridge interview, 2006).

Final Presidential Review

By the time Thabo Mbeki conducted his third Presidential review of the project on October 21, 2004, the HP i-community project director reported in an online newsletter that the project had delivered the following successes:

“the training of over 4000 residents in PC literacy and 60 people (including women and pensioners) in business development programmes; the active promotion of 25 small business at the i-Community’s business Resource Centre; a Digital Culture Centre focused on using multimedia to preserve and extend traditional culture and indigenous knowledge; one of the largest and most successful rural ICT learnership programmes run in conjunction with the training authority, ISETT Seta; and the founding of an Open Source software center in conjunction with the CSIR⁹. In addition, a Sustainable Livelihoods area has been created at the i-community headquarters showcasing the innovative solutions for water access, sanitation, waste management and recycling, food security, indigenous medicinal gardens and alternative energy sources.”

Fast Forward – The Final Years

In February 2005, Carly Fiorina was fired as CEO of HP. Having survived the dot.com bust of 2000 and the company’s controversial merger with Compaq Computer Corporation, Fiorina would be held accountable for the lack of upward movement in earnings and share price during her tenure. Her successor, Mark Hurd, joined the company some six weeks later and immediately announced the company would cut 15,000 jobs. The Emerging Market Solutions Group in Palo Alto would be among the first to receive their termination notice. Along with notice of their pending dismissal came the decision to terminate the HP 4-4-1 Desktop which had just begun shipping to South Africa.

Following the termination of the Emerging Market Solutions Group employees in Palo Alto in 2005, the South Africa based contract employees including the HP i-community director, Clive Smith, were retained in order to fulfill the obligations of the partnership

⁹ As of 2006 CSIR had not finalized an agreement to participate in this partnership.

with the South African Government and to finalize the project handover to these partners as from the MOU ending October 2005. The group's reporting lines were redirected from California to Europe and the project was realigned with the interests of the South African subsidiary.

Concurrent with the staff cutbacks in Palo Alto, the South African subsidiary was engaged in evaluating its options for fulfilling Black Economic Empowerment (BEE) requirements mandated by the South African government. BEE guidelines require that local companies have 25.1% black share ownership¹⁰. For globally traded public companies, this remains a challenge, and many companies have put forward equivalency proposals. In this case, HP has put forward an equivalency proposal to the South African Government in which HP formally incorporates the i-community project's people and assets into a new BEE company. There were some encouraging signs that with the prospect of the project being continued in the form of an ongoing local business that attention would shift from the short-term publicity considerations of its high level international profile to more in-depth alignment with community needs.

At the time field research was conducted, HP was awaiting approval from South Africa's Department of Trade and Industry on the company's BEE proposal. While the Department expressed positive interest in the proposal a final ruling was still pending by early 2007, by which time HP had already decided to discontinue its involvement in the project. According to project insiders, a profitable business model for operating the i-community would require additional time. Patience had run out.

On January 31, 2007, HP terminated the employment of all the contractors¹¹, including the director it had employed to support the Mogalkwena HP i-community and "shutdown" the project internally. As a part of its disengagement, assets were transferred to the Province and Municipality respectively and according to sources, the

¹⁰ For the ICT Black Economic Empowerment Charter visit <http://www.ictcharter.org.za/>

¹¹ Approximately 25 employees, according to sources interviewed

Province had begun to effectively assume responsibility for several of the facilities and some of the programs.

According to the departing project team, there was no formal provision for capturing institutional learning from the four years in Mogalakwena. As the company was exiting the project completely, there were no staff members to whom the contracted project managers could hand-off detailed contact information and learning. Four years of files were boxed and moved to storage. The winding up was coordinated by a member of the finance team¹² and it was reported that the focus was primarily on fulfilling financial and legal requirements only. In conclusion, one departing manager reported that it was likely that “all the social learning left the company with the last 25 employees”.

¹² I sent a series of questions about the wind-up to the responsible finance manager, but did not receive reply. I did conduct a post-closure interview with one of the contractors.

Chapter 7: Case Study Findings: In Search of “Breakthrough Models”

As the historical narrative in Chapter 6 has shown, the HP i-community project faced conflicting agendas throughout its life-span, ultimately undermining its efforts to capture “breakthrough models of sustainable development”. Given the company’s withdrawal from the experiment, it would not be fair to conclude that the BOP model did not or cannot work. Nonetheless, the case allows us to identify what may be fundamental tensions or even contradictions within BOP or inclusive capitalism schemes. To be sure, inclusive capitalism is a complex process that requires long-term commitments. While it is accepted that BOP initiatives may take many different forms, the fundamental principles underlying BOP or inclusive capitalism is that you can reconcile MNC interests and local community development. This case illustrates where there are inherent tension between private interests and public good, broadly categorized as:

- 1) Those factors inherent in a market liberal, contractarian view favoring short-term shareholder gains over all other stakeholders;
- 2) Those factors influenced by top-down management approaches incompatible with people-driven development

I. Shareholder over Stakeholders

Three prominent examples arose in the case study which validate the prevalence of contractarian economic thinking, or the promotion of private interest over public good: A general lack of commitment in pursuing pro-poor projects that may not yield quick returns for shareholders; the propensity to minimize not only resources, but also time dedicated to pursuing the public good that inclusive capitalism may offer; and, the pressure to withhold social learning in order to find a profit in intellectual property.

- 1.) **Insufficient corporate commitment to emerging markets:** Notwithstanding many committed employees dedicated to the project, corporate commitment to the i-community project was extremely thin, and some managers reported that it never existed at an institutional level. While the project had a high level of support from the CEO and a narrow group within her circle, the decision to

explore these markets was not part of a broader corporate strategy to pursue the “Bottom of the Pyramid” market. Although benefiting from executive support and the high profile that Carly Fiorina brought to the project from a public relations perspective, the Emerging Market Solutions Group had to battle for resources to bring their 441 PC product to market, as the product divisions on whom EMSG managers were dependent did not have targets attached to the success of the product.

Any notions of corporate “buy-in” to the i-community strategy were dispelled in early 2005, when Carly Fiorina was replaced by the current CEO, Mark Hurd. As part of a sweeping cost cutting initiative to eliminate 15,000 jobs, the Emerging Market Solutions Group employees were, according to the EMSG Director, “among the very first” to receive their employment termination notices. As for the 441 PC, a product which successfully demonstrated economic and environmental sustainability, the company discontinued its distribution. Within the corporation, the product was considered a threat to standard one-to-one PC to user ratios, and the fact that the product was developed by “outsiders” further doomed its future in a “not invented here” competitive culture.

2.) Issues of time: Time considerations were significant at several levels. At a macro level, participants surveyed found that three years was an unrealistic timeframe in which to measure results particularly in terms of social impact. According to one executive, this was the maximum number of years the company was “comfortable with committing” on an experimental basis, and as it turned out, even this was considered too long by new management.

Within the three-year timeframe, the project team was under pressure to deliver fast, visible results at the risk of speed overriding substance. Public participation was limited to one three day “visioning” session, and the province and municipality were required as per the Memorandum of Understanding (MOU) to “fast-track” all meetings, decision-making, and regulatory approvals to

expedite the launch and successful establishment of the i-community. An initial “QUICKSTART” phase put pressure on deliverables within the first 180 days.

In particular, pressure mounted in advance of Presidential visits each September when there was a requirement for progress to be seen. Project managers acknowledged that these high profile visits were necessary for getting local government partners to respond more quickly to getting things done.

3.) Intellectual property over social welfare: As illustrated in Prahalad’s case study on Jaipur Foot, society benefits when solutions for the BOP are made available on a large scale to those needing help, so the product’s inventor did not patent the design. HP publicly announced its quest for models that can be replicated, a point also captured in the company’s MOU with the Partners. Yet, HP remained strictly guarded in its willingness to make its project learning available, not only with respect to this study, but also to potential development partners. This researcher was advised by the project director that there were limitations to what the project team members were authorized to share due to “intellectual property” considerations, including those tied to social learning. All employees of the project team were required to gain clearance from the project director regarding the content of their disclosure and their hesitation to speak openly about their own findings or observations was palpable. The researcher found that there was very little explicit information provided by the project employees which she had not found before or after in external communications and publications.

Early in the project, two separate institutions presented HP with opportunities to establish metrics for measuring social development and these were both declined. In the first case, International Development Research Centre, through its office in South Africa was coordinating a major study on Information Communication Technologies in Africa, published as “The Experience with Community Telecentres” in 2003. A Senior Analyst at the IDRC in Johannesburg held meetings with representatives of the HP i-community project and offered to provide at no cost the research template to enable HP to track its results. The offer was not

accepted and the HP representative broke off contact after a few initial meetings. Whether this was out of reluctance to share findings is not known, however, a second case is more revealing.

In the second case, the UNDP in South Africa had been approached by HP as a potential donor partner during the second year of the project's operation. UNDP found that sustainable development was not being addressed by the project in its current form and that based on its preliminary findings, a redesign of the project preceded by social research, using professional development experts to realign the project with local community development requirements and plans was recommended. The parties subsequently could not reach an agreement on who would own the intellectual property arising from the outcomes of the redesigned project, and where the costs would be incurred. In the end, due to unresolved financial, technical, and developmental issues, neither the partnership nor the project realignment was consummated. The UNDP officer handling the case was conflicted: On the one hand, HP was a signatory of the UN Global Compact and there was pressure from New York to support this highly visible project. On the other hand, HP would not agree to allow the local office to publish research findings in the Human Development Index which measures social development, in this case aided by the agency.

With respect to my study, I was advised that this investment made by HP was experimental with the intention of delivering intellectual property ("IP") to HP enabling it to become a preferred development partner. HP's IP would be used for purposes of replicating its learning ("breakthrough models") as a service to be sold to public or private institutions interested in making a social impact. Protecting IP originating within a company with respect to a specific product design can be evaluated as falling within the norm of MNC behavior. However, the suggestion that social learning obtained in partnership with public agencies can be privatized, as illustrated by the disagreement with UNDP South Africa with respect to publishing results, raises normative questions for the BOP model.

II. Top-Down Management over People-centered Development

The same attributes which successfully earned the HP i-community international public relations recognition also contributed to a considerable weakness in the sustainability of the project. When the CEO of one of the world's largest corporations and the nation's President suddenly take interest in the running of a small town and remote rural village off the beaten tourist path, there are significant implications. Bearing in mind Mokopane's recent apartheid past as the Afrikaner town of Potgietersrus, many subtle issues remain cautiously hidden below the fragile surface. The very notion of supplanting a "living laboratory" (as one executive described the project) into such a complex environment can betray basic notions of people-centered development, if corporate objectives and community needs are not aligned. In this case, the project created a dynamic exemplary of the North-South divide that the project sought to bridge. Examples of how the engagement exacerbated this tension through a top-down approach:

- 1. The corporation defined the project and selected the community based on company and political criteria rather than as a result of community initiative:** The firm acknowledges that the community was selected on the basis of its demographics and accessibility from Johannesburg. Following its three day "visioning" session with the community, the company website describes the outcome as:

*"The i-community team **chose** [emphasis added] to focus on improving information and communication technology infrastructure in Mogalakwena, increasing capacity building and technology training, ensuring cultural preservation and boosting economic development"* (Hewlett Packard Company, 2003)

Both HP's CEO and the Office of the President directed where this project would be based and how it would be carried out. President Mbeki took a keen interest and committed to make it a personal priority by following up every year to measure its progress, and that he would hold local officials accountable for its success. At his departure during one inspection visit to the site, Mbeki is quoted as saying "We will

remain engaged with this process. In the event that somebody drags their feet, we have a big sjambok” (Vegtar, 2003).

2. **The project was directed by “outsiders”, rather than by representative community members:** Although HP has had a subsidiary in South Africa for the past decade, the project group reported directly to Palo Alto, California. While the South African subsidiary benefited from the project’s publicity overall, the parallel relationships between the company and the government were described by one respondent as “awkward”. The project management charged with conducting all local negotiations with the rural community was based in Johannesburg and Palo Alto, and as the project progressed, the staff originating from Mokopane was also increasingly spending more time in Johannesburg¹³.

Local community staff members were not empowered to make many basic decisions at a local level and most questions were referred back to Johannesburg for approved responses. During a three day visit to the main centre, all facilities were locked, with the exception of the PC refurbishment lab. There were no other visitors on site to benefit from the significant resources at hand¹⁴. With all the rooms and labs locked, the local staff was not sure when and under what conditions local community members could access the resources locked within. Earlier in the project, one of the project’s strategic partners had hired someone to run one of the software labs, but ultimately failed to get clear guidance on when the person could access the lab, and therefore had abandoned the project.

Race remains a delicate yet pervasive issue in South Africa. The racial composition of HP’s project management team further raises questions about HPs ability to

¹³ With urban training opportunities, the situation is also indicative of the challenges in rural development, as skills migrate to the cities.

¹⁴ As explanation: Facilities were not in use as the project was “in transition” during 2006 and usage was to be determined by the government partners.

effectively interpret local community needs, given the racial diversity of contemporary South Africa¹⁵.

3. **When matching local capacity with corporate resources, the mismatch leads to concentration of decision-making at the corporation.** Prahalad supports this “nodal” role of the corporation in his Eco-system model, however, social development is not the core capacity of the firm. Although the local Province and Municipality welcomed the investment, research findings indicate that sufficient local capacity was not in place to accommodate the performance demands of the corporation. Frequent government staff turnovers at team meetings, loss of key personnel at a local level, loss of equipment, or lock-up/lock-out of donated equipment, systems crashes etc. and many other factors are indicators that the community was inadequately equipped to support the project. A visit to the Public Library found no signs of computerization, and there were reports that the Municipality had locked away computers at its facilities, presumably for security reasons. Without the tools to overcome these challenges, the company’s efforts could not effectively serve the community.

Review of Findings

The primary interview respondents received a copy of these findings for review in the form of a journal article by the same name in October 2006 and on the basis of their

¹⁵ The project leaders and exclusive negotiators were white, and not originally from the province; local operations managers were town natives of South Asian origin; while the balance of staff were predominantly black. The Ndebele people form the largest group living in the township and surroundings, as per Mokopane Chamber of Commerce information.

reaction, or lack of reaction, it has been assumed that there were no significant disagreements with the findings. In general, there was significant consensus with respect to the first finding around the prevalence of contractarian economic thinking and short-term decision-making. However, it should be noted that the sample of respondents from the firm was biased in favor of those working directly on the project versus company management or employees at large. The project team, whether based in Palo Alto or Mokopane, was highly committed to a successful social outcome and felt strongly that the company could have provided more support and time than they were able to get.

With respect to the importance of intellectual property over social learning, there was not complete consensus on its value to the firm with respect to social indicators. Headquarters management, as represented by Maureen Conway and Brooke Partridge from the Emerging Market Solutions Group, felt that intellectual property concerns were limited around specific product innovations originating from the project. By contrast, Clive Smith, as project director, defined the innovations much broader to include implementation of solutions, including the engagement with government partners. On a day-to-day basis it was the latter interpretation that was followed on the ground and manifested itself in the descriptions included herein.

On the findings pertaining to the tension caused by a top-down management approach, there were no specific reactions to the findings, but an indirect acknowledgment that there were failings in the company's engagement with the government and community. Perhaps best illustrating the tension in the BOP model with respect to reconciling MNC interests (and power dynamics) and community development were some very strong comments by the firm's managers with respect to the frustration they experienced working in a public-private partnership and their perceptions about the public sector's commitment to project delivery. When asked what the company would do differently if they had to do it over, one manager replied: "We would have been better off if we could have implemented the whole project on their own."

Chapter 8: Conclusions and Recommendations

The study shows that whereas the HP i-community project is effective in showcasing a range of technical solutions that might be of interest to excluded communities, the project exposed the limitations of “inclusive capitalism”. The HP i-community project went beyond standard ICT philanthropy in its quest for “breakthrough models” by including useful applications outside the technical application such as waste management, eco-circle agriculture, solar technologies, and multi-lingual curricula for schools, and thousands of local residents were exposed to ICTs and received computer training for the first time. Yet, although the study found that there was no evidence that the provision of these applications, programs, and products would contribute to lasting sustainable social and economic development and yield financial returns to the firm as a private sector initiative, the point here is not to deny the possibility that the model might work, but to show the logical inconsistencies that can make success illusive.

Testing the BOP Model

Prahalad’s model ultimately rests on the notion that MNCs have or can acquire the social knowledge to drive sustainable development. In this case we have seen HP reverted to top-down implementation methods with an expectation of quick returns, ultimately handing down social development responsibilities to the local authorities. As a business model, the project’s financial sustainability was dependent on the sale of the social services to the State (or other potential donors). Consequently, the responsibility for economic and sustainable development is not transferred to private enterprise, but remains with the State.

Many questions are raised on how private corporate interests influence the public agenda when policy defers development to the private sector, and should be considered in future studies. One such question arising from this study, but beyond the scope of the research question was how an “experimental” corporate-driven project such as this may,

notwithstanding its good intentions, divert public resources from more effective interventions. The business case supporting inclusive capitalism inherently supports the notion that the private sector is better at optimizing resources than the public sector. In this case, HP created, at considerable expense and partially supported by public funds, a separate controlled environment for reaching beneficiaries. Had the project been driven from a beneficiary perspective, would the same resources invested in boosting capacity and attendance at the public library or the planting of a medicinal garden in a central park gone further?

Any studies on the effectiveness of “inclusive capitalism” should also consider the development of appropriate metrics for reporting results. As highlighted in the review of Prahalad’s case studies, measuring relative performance of interventions remains illusive when even the definition of inclusive capitalism is poorly defined as cases range from eye operations conducted by non-profit NGOs to shampoo sachets sold by multinational corporations. As exemplified in this case study, reporting outcomes against social metrics was considered important to UNDP and IDRC, yet not considered important by HP, who deferred the responsibility to the State (who also did not pursue it). Consequently, if inclusive capitalism seeks to be considered a development model, then agreement must be reached on how to evaluate its performance.

Finding an operating model that accommodates reaching and empowering employees, contractors, and partners in far-flung localities will require a significant paradigm shift from the top-down approach inherent in large global corporations. At the level of the South African subsidiary, when aligned with self-defined community needs, national priorities and supported by normative and regulatory pressures for Black Economic Empowerment (BEE), the HP project team may have become well positioned to provide further service to the State. The HP project team gained four years of unique exposure to partnering with government and to the challenges faced by government in serving a diverse and oft difficult to reach constituency. By reflecting on its own learning and the findings from similar projects studied, and by reframing its interaction with its stakeholders using a people-centered approach, the firm’s value as a development partner for the State could have been significantly enhanced. However, before the company

could act on this model, the potential rewards were deemed insufficient and the company withdrew its proposal to proceed on this basis when it terminated the project in January 2007.

At the level of the multinational corporation, in spite of the original high level of commitment from HP executives, the company was ultimately not prepared to incorporate the notion of “breakthrough models” of sustainable development into its core strategy, as it cut products, programs and people in pursuit of business-as-usual quarterly profits. The introduction of the HP Desktop 441 was a prominent example of a genuine breakthrough in sustainable development, yielding environmental and social benefits, and marked a brief success in HP i-community story, before it was pulled from the market as a threat to entrenched corporate interests.

For companies seeking their fortune at the Bottom of the Pyramid, they are recommended to refer to Hart’s advice to build the business from the bottom up and that MNCs be prepared to transfer their willingness to make large risky investments (as they do elsewhere) to include those projects targeted at the bottom of the pyramid which cost relatively little by comparison (Hart, 2005:221). Understanding that projects with social content have different requirements, it is further advised by the HP i-community project director, Clive Smith, to allow for sufficient planning time with the community before rushing headlong into execution.

From my observation of this case and field experience in Africa, a bottom-up approach to developing a BOP model should draw on the goldmine of local knowledge found within the subsidiaries of MNCs rather than be parachuted in from corporate headquarters. Irrespective of the logic used to structure some MNCs, most have a substantial cadre of local talent with in-depth knowledge of culture and context in their field offices. These local nationals at the subsidiary level should be adequately resourced, empowered, and targeted with identifying new market opportunities.

In a final follow-up question to Maureen Conway, former EMSG Vice President at HP, to determine what it might take to effectively integrate pro-poor marketing strategies into HP and other multi-national corporations, she responded:

“There needs to be a focus for a five to ten year plan for penetrating emerging markets. While the early years require investment, the future years could yield incredible growth, since the traditional markets would be saturated...The fault some companies have is that they want short term return on investment – as long as that is the goal, the emerging market opportunities will go untapped.”

While Conway had been successful in getting the board under Fiorina to support a long-term strategy, business managers remained aligned to quarterly targets demanded by Wall Street. As a result, the study suggests that unless significant structural changes are imposed to allow for long-term commitments and experimentation, “inclusive capitalism” will remain difficult if not impossible for global companies to embrace.

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Source 2: Heloise Emdon, International Development Research Center, meeting at IDRC offices in Johannesburg to review IDRC funded research into Telecentres in Africa, July 19, 2006.

Source 3: Henry Ferreira, Former Managing Director, HP South Africa, interview in Johannesburg, July 15, 2006

Source 4: Faith Gumede, Phafogang Environmental Group, contractor to HP i-community, interview on site in Mokopane, July 13, 2006.

Source 5: Asma Hassan, HP i-community: Business & Economic Development Project Leader, interviews in Johannesburg, July 8, 2006, in Mokopane July 12 and 13, 2006.10.23

Source 6: Younus Hassan, HP Project Coordinator, interview on site at Mokopane and Dipichii, July 13 and 14, 2006.

Source 7: Wendy Howson, HP Contractor to i-community, former Corporate Affairs Manager, presently residing in London, UK, by phone July 7, 2006.

Source 8: Alex Kganyago, Provincial Office IT Department, graduate of ISETT SETTA Learnership conducted at HP i-community, interview on site at Mokopane, July 14, 2006.

Source 9: Motsi Leballo, Officer in Charge, Governance Unit, UNDP South Africa, interview at UNDP offices in Pretoria, July 14, 2006.

Source 10: Lynette Chen, HP South Africa, Government and Corporate Affairs Manager, telephone interview, July 26, 2006.

Source 11: Nhlanhla Mabaso, Council for Scientific and Industrial Research, Open Source Centre Manager, interview at CSIR offices, Pretoria, July 14, 2006

Source 12: Justinus Machochoane, Phafogang Environmental Group, HP contractor to i-community, interview on site at Mokopane, July 13, 2006

Source 13: Martha Machochoane, Phafogang Environmental Group, HP contractor to i-community, interview on site at Mokopane, July 13, 2006

Source 14: Illana Melzer, Co-founder, Eighty-20, Market Research consultant focused on Bottom of the Pyramid, presentation July 12, 2006.

Source 15: Brooke Partridge, former Director, HP Emerging Market Solutions Group, currently founder Vitalwave Consulting, by telephone, September 14, 2006.

Source 16: Clive Smith, Director, HP i-community, interview at HP offices in Johannesburg on July 7, 2006 and July 21, 2006.

Source 17: Lyman Smith, former Director, Services/TSG, HP South Africa, interview at Johannesburg on July 10, 2006.

Source 18: Zelma van der Walt, Journalist, The Bosvelder Newspaper, Mokopane, meeting in her offices at Mokopane in regards to community awareness and local coverage of i-community project, July 14, 2006.

APPENDIX A – BOP PROTOCOL GUIDELINES

<http://bop-protocol.org/docs/principles.html>

“Operating Guidelines”

- **Suspend Disbelief** – willingness to admit ignorance
- **Put the Last First** – seek out the voices seldom heard
- **Show Respect and Humility** – all parties have something important to contribute
- **Accept and Respect Divergent Views** – there is no one best way
- **Recognize the Positive** – people that survive on \$1 per day must be doing something right
- **Co-Develop Solutions** – mutual learning among MNCs, partners and BoP members
- **Create Mutual Value** – all parties must benefit in terms important to them
- **Start Small** – begin with small pilot tests and scale out in modular fashion
- **Be Patient** – it takes time to grow the ecosystem and win the trust before the business takes off

“Code of Conduct”

- Design businesses that increase earning power, remove constraints, and build potential in the BoP
- Ensure that wealth generated by the business is shared equitably with the local community
- Utilize only the most appropriate – and sustainable – technologies
- Promote the “development” of affected communities as broadly as possibly in ways that defined by local people themselves
- Track the “triple bottom line” impacts associated with the entire BoP business system
- Monitor and address any unintended negative impacts associated with the business model
- Share best practices with local partners to the extent possible
- Report transparently and involve key stakeholders in on-going dialogue
- Commit to increase community value regardless of the business outcome