Taking Prahalad high-tech: the emergence and evolution of global corporate citizenship in the IT industry

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In this paper, I analyse the emergence and evolution of e-Inclusion, HP's flagship global corporate citizenship programme, as a landmark in the history of corporate citizenship in the IT industry. This programme, which existed from 2000 to 2005, was the first explicit attempt by a major high-tech company to operationalise the theories of C.K. Prahalad, by implementing a direct and an indirect bottom-of-the-pyramid (bop) strategy. The first led to the development of pilot programmes that worked directly with the rural poor to test bop products, services and business models and to create new sources of income for project participants. The second strategy saw e-Inclusion establish collaborations with public-sector organisations which until then had been peripheral to HP's business, but were recognised as vital for e-Inclusion's operations and HP's emerging market success. I argue that important lessons can be drawn from this flagship corporate citizenship programme, which can make current IT initiatives more sustainable and meaningful.

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On 16 October 2000, Carly Fiorina, CEO of the Hewlett-Packard Company (HP), announced the launch of the company’s e-Inclusion initiative at the Creating Digital Dividends conference in Seattle.¹ In her keynote address, she argued that companies could not afford to ignore the innovative potential of 4 billion people, nor the growth—in particular in ICT (information and communication technologies) spending—of emerging markets (Fiorina 2000). To tap this potential, HP had:

developed a major new corporate initiative to reach the emerging market economies—or what we could just as easily call the excluded market economies. And we are focusing it directly on the rural poor in Africa, Asia, Latin America and Central Europe (Fiorina 2000).

The 300 people listening to her speech included corporate, government and civil society leaders, from Bill Gates to Jeff Bezos, founder and CEO of Amazon.com; from Chandrababu Naidu, the Chief Minister of the Indian state of Andhra Pradesh, to Mohsen Khalil, the director of the World Bank’s ICT programme; and from Vinton Cerf, the ‘father of the Internet’, to Iqbal Kadir, the co-founder of Grameenphone. Their gathering took place in Seattle less than a year after the same city had been on fire during the meetings of the World Trade Organisation (WTO), which were derailed by an international coalition of diverse groups—environmental advocates, labour unions, human rights activists and ‘anti-globalisation’ networks—which protested against the lack of public accountability of multinational corporations and global institutions such as the WTO. What became known as the ‘Battle of Seattle’ revealed the public wariness of a globalisation driven by corporate and capitalist interests. In response, corporate leaders accelerated their efforts to portray business as a responsible and beneficial force in society and to develop actions and programmes that would give life to this portrayal. The Creating Digital Dividend Conference was the first concerted action of the high-tech industry.

On day two of the conference, C.K. Prahalad presented his ideas about the market opportunities offered by the 4 billion poor of this world. Over the next few years, he popularised these ideas through publications in academic journals, a book and another high-profile conference in San Francisco in December 2004, entitled Eradicating Poverty through Profit.² Fiorina took centre stage here once again, giving the convening keynote in which she presented e-Inclusion’s achievements over the last four years. It was one of her last public appearances, as she was forced to resign two months later. Her successor, Mark Hurd, terminated the programme as part of his cost-cutting measures. In spite of its demise, e-Inclusion, and the IT industry in general, presents a good example to illuminate the brief history of corporate citizenship, for a number of reasons.

First, the increasing centrality of information and communication technologies (ICTs) in our lives has also heightened concerns about the digital divide, which is the gap between those who have access to such technologies and the advantages they offer and those who do not. The high-tech industry has risen to this challenge with what Craig Warren Smith has called ‘digital corporate citizenship’; it is these efforts that make the industry a leader in the corporate citizenship area (Smith 2002). And no other IT company has done more to champion the social engagements of the industry than HP: the

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¹ At the time of its launch, the programme was called World e-Inclusion; world was dropped from the title in 2001.
² During that conference, concerns about the bottom-of-the-pyramid (bop) model included: brain and capital drain to the north, transnational corporations’ (TNCs’) contributions to the growth of strong, local economies and equitable wealth distribution, the creation of an unsustainable consumer culture, the enslavement of the poor to credit and the subsidisation of TNCs to the detriment of local businesses.
company donated its first five dollars to local charities only two years after its founding in 1938; David Packard was laughed at ten years later for telling a gathering of corporate executives that companies had larger civic responsibilities; and HP included ‘good citizenship’ in its first corporate objectives published in 1957 (Collins and Porras 1994; Packard 1995; Willmott 2001; Malone 2007). This makes the company a good place to study the evolution of corporate citizenship.

e-Inclusion continued that tradition; at the time of its launch Fortune magazine called it ‘the most visionary step ever taken by an IT company’ (quoted in Smith 2002: 5). It also was one of the first programmes that made the strategic nature of corporate citizenship initiatives, which aim to do well by doing good, explicit. And it did so by using the ideas of C.K. Prahalad, who commented that ‘because of HP, [the poor] are now a legitimate subject of senior management discussion’ (quoted in Kirkpatrick 2001). He was referring to e-Inclusion, and the following case study of the programme will focus on its use of bop theories, the challenges of their implementation, as well as lessons learned.³ The paper will conclude with an examination of how current digital divide initiatives of IT leaders can benefit from the lessons of this landmark corporate citizenship programme.

Global corporate citizenship at HP

e-Inclusion was HP’s flagship global corporate citizenship programme from 2000 to 2005. Its mission, ‘to close the gap between the technology empowered and the technology excluded communities on our planet by making it profitable to do so’, showed the strategic nature of e-Inclusion, and of corporate citizenship programmes in general. e-Inclusion aimed to achieve its double objective by opening up new markets for the company at the bottom of the pyramid (bop). On the one hand, what I call an indirect bop strategy was focusing greater attention on public-sector institutions, such as multilateral development organisations and developing-country governments, which until then had been peripheral to HP’s business. On the other hand, e-Inclusion also developed a direct bop strategy whereby it worked directly with the poor in pilot projects. The aim was to develop and test new bop products, services and business models, while at the same time providing novel sources of income for project participants.

³ This case study is based on 12 months of ethnographic fieldwork at HP’s headquarters and e-Inclusion implementation sites in 2003. All quotes from HP employees and project participants are based on personal interviews conducted by the authors during that time.
In the spring of 2000, a senior executive who was inspired by Prahalad’s theories about eradicating poverty through profit, which were beginning to circulate on the Internet, took his idea of a programme that would harness HP technologies and business expertise towards this end to Fiorina, who by all accounts immediately liked it. HP managers were also enticed by success stories such as that of Hindustan Lever. As one of the first e-Inclusion employees told me, Hindustan Lever served his group as an example, ‘although I think what we are doing is more significant than soap’.

Fiorina gave orders to Debra Dunn, Senior VP of Corporate Affairs and Global Citizenship, to put together a group, and in June 2000 the company launched e-Inclusion internally. The initial budget was small; actual figures have never been made public because, according to one co-founder, ‘people would have seen that the expenditures were very small compared to the hype and hoopla around the programme’. The budget did allow the co-founders to hire their first employees, and once again they followed Prahalad’s advice to bring together a diverse group of people in ‘skunk work teams that ignore conventional dogma’ (Prahalad and Hammond 2002: 55). Correspondingly, e-Inclusion’s first employees were ‘out-of-the-box’ people who were passionate about changing the world through corporate actions: an organic farmer, a former Peace Corps worker, a self-styled corporate revolutionary.

Because HP wanted to build a new ecosystem around its e-Inclusion work, it recruited James Moore to head the programme’s international advisory board, which included academics, human rights activists and entrepreneurs working in emerging markets. e-Inclusion’s first business plan identified the rural poor, and rural women in particular, as the most needy groups. As traditional small farmer ‘subjects’ of development, the former have for several decades been the target of programmes for efficient agricultural commercialisation (Escobar 1995). Development experts have also focused on women as the best way to improve their families’ lives, and it was Yunus’s microfinance revolution that implemented these ideas on a global scale, with important implications for the social welfare conditions of rural women (Rankin 2001).

In keeping with HP’s foray into the Internet at the time, e-Inclusion wanted to enable the rural poor to use the Internet as a tool to generate income, through accessing information and a variety of e-services, from commerce to banking to health and education. The programme’s first site was Costa Rica, where e-Inclusion partnered with the Costa Rican Foundation for Sustainable Development, led by former President José María Figueres, on the LINCOS project (Braund and Schwittay 2006). LINCOS turned recycled shipping containers into rural Internet access centres, and HP outfitted the first two containers to the cost of US$115,000, in the hope of generating contracts for hundreds more (HP’s Strategic Corporation Agreement of 2000, unpublished).
When these did not materialise, e-Inclusion underwent a strategic reorientation in autumn 2001. The first generation of programme leaders were replaced with more business-oriented people. The programme left Costa Rica for the larger markets of Brazil, India and South Africa and spun off an Emerging Markets Solutions (EMS) Group which was directly responsible for producing a return on HP’s e-Inclusion investment. The main objective of EMS was to develop the programme’s indirect and direct bop strategies.

Working at the bop

The indirect bop strategy—where e-Inclusion worked with public-sector organisations that had, until then, been marginal to the company’s business—was most successfully executed in e-Inclusion’s i-community in Mogalakwena, South Africa. i-communities were:

communities where information and communication technology is strategically deployed for repeatable and sustainable socio-economic development. It provides HP with an emergent markets laboratory for development and piloting of solutions and business models. This new approach balances community values with business objectives and return on investment (Emerging Market Solutions, HP 2003, unpublished document).

i-communities’ definition as ‘inclusive communities’ was reminiscent of Prahalad’s ‘inclusive capitalism’ (Prahalad 2005). Mogalakwena followed e-Inclusion’s first i-community in Kuppam in the Indian state of Andhra Pradesh.

The South African i-community was launched by President Thabo Mbeki during the United Nation’s World Summit on Sustainable Development in Johannesburg in September 2002. HP was also the exclusive worldwide technology partner for the summit, which not only represented a large contract but also earned the company praise from national leaders in front of a worldwide audience. An e-Inclusion promotional video captured Mbeki recounting that when he was checking the preparedness of each venue before the summit, he saw HP computers everywhere. ‘That’s the first time I realised how big [HP’s] contribution was. Thank you Carly and HP, it’s been critical to ensuring the success that everybody is talking about.’ Entering such a high-profile partnership with the United Nations thus brought worldwide publicity for HP, e-Inclusion and the Mogalakwena i-community. As a result, HP was earning ‘goodwill translating into additional business’ from governments and other development organisations (Emerging Market Solutions, HP 2003, unpublished document: 11).

In South Africa, the recognition given to the i-community work by President Thabo Mbeki has positioned the project to have dedicated national, provincial and municipal dollars assigned to it. In Q4 2003 this work was instrumental in the South Africa business team winning a Telkom deal worth $106 million (Emerging Market Solutions, HP 2003, unpublished document: 13).

HP was using its e-Inclusion work to make itself known, as a responsible company, to multilateral development organisations and developing countries’ governments, and was succeeding in translating that recognition into public contracts (Engardio and Smith 2001). 9

8 There were also macro-economic factors causing e-Inclusion’s reorientation, such as the bursting of the dot-com bubble, the events of September 11 and the subsequent slump in the US economy, and the announcement of the Compaq merger.

9 Working with governments can also backfire, as happened in Kuppam, where the main champion of HP’s i-community, Andhra Pradesh’s Chief Minister Chandrababu Naidu, was voted out of office in 2004, with negative effects on HP’s work in Kuppam (Braund et al. 2007).
In sum, the company’s indirect bop strategy resulted from the realisation that support from large public-sector organisations was crucial for the success of e-Inclusion, both in terms of increased business for the company and of the economic sustainability and impact of e-Inclusion. It was through these organisations that e-Inclusion wanted to channel the benefits of its technologies to the poor. As a culmination of these efforts, in early 2004 HP established a global public-sector organisation in addition to its three organisations targeting consumers, enterprise and the small and medium businesses segments.

e-Inclusion’s direct bop strategy was executed through a number of pilot projects that aimed to develop and test new bop products, services and business models using HP’s mobile technologies, while creating novel sources of income for the rural poor. In Costa Rica, the Digital Broker project sent young people door-to-door with PDAs (handheld computers), selling Internet services such as email, searches, printouts, photos and web design to housewives, students and small businesses. The brokers then went to the LINCOS container to fill the orders, for which they charged a small fee. This fee was split between the brokers and the container, and, together with a small HP salary, the brokers were able to make a modest living. The service was well received and used locally, and also judged to have been a success by HP’s project manager, since it made the HP brand known throughout the community and provided market data about rural Internet consumption (Bossinger 2002). A similar project was developed in India around laptop computers, where so-called computer literacy professionals (CLPs) went door to door and provided e-services, ranging from health information to emails.

In another Indian pilot, the company trained rural women as village photographers, who took pictures with HP digital cameras, then printed them on the spot on printers hooked up to solar panels. Each village photographer was given her own suitcase that contained the equipment, and once again travelled door to door, or field to field, offering her services for a small fee. HP’s goal in this project was to develop a bop alternative to its US$30,000 digital photographer studio. The company also wanted to gather information about the use of photography by the rural poor. Project managers were surprised to learn that the women took pictures of dead livestock when proof had to be submitted to an insurance company, of people participating in public works projects to support claims for two bags of rice, and of calendar images of gods for people who could not afford the original. Once again the project was judged to have been successful by all involved (Schwittay 2008).

The termination of all three projects by HP, in ways that left local participants disappointed and frustrated, reveals the power differentials between a multinational, multi-billion-dollar company and rural inhabitants (Schwittay 2008). Ensuring that people do not feel used by companies ‘as guinea pigs’, as one of the CLPs put it, in corporate ‘living labs’ (Dunn and Yamashita 2003) is the first lesson to be learned from e-Inclusion, and other corporate citizenship projects that work directly with marginalised groups (Schwittay 2008). In the second part of this paper I will present additional lessons from e-Inclusion, and their application to current corporate citizenship flagship programmes in the IT industry.

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10 In Mogalakwena, e-Inclusion’s accomplishments included an online portal in three local languages, community technology access centres and technology skills training centres, among others.
Learning from e-Inclusion

e-Inclusion was ended in the summer of 2005 because, as Fiorina’s pet project, its termination was an easy way for her successor to distance himself from her. More importantly, the programme never delivered the social or business values to warrant its continued existence at a time of cost-cutting and corporate restructuring. Although nothing has taken e-Inclusion’s place at HP, other high-tech companies have implemented their own flagship initiatives, which stand to benefit from e-Inclusion’s lessons.

Intel’s World Ahead

Intel’s flagship programme—a billion-dollar initiative ‘to connect the next billion people to uncompromised technology around the world’—most closely approximates e-Inclusion’s personal leadership style. Craig Barrett, Intel’s Chairman, has assumed a high public profile as the Chair of the United Nations’ Global Alliance for ICT and Development (UN-GAID). In that position, he champions the efforts of the UN-GAID, commending its principles to foreign governments and trying to create action around its policy statements. His global travels as both GAID and Intel chairman—from the village of Parintins in the Amazonian rainforest to the National Hospital in the Nigerian capital of Abuja to the Arab-Jewish Center in Haifa, Israel—can be followed on the World Ahead website. Closer to home, in February 2007 Intel hosted the UN-GAID Strategy Council meeting at its headquarters, together with a day-long event on ‘The UN Connecting with Silicon Valley’. Similar to the ways in which Fiorina had used the UN as a platform to showcase HP’s corporate citizenship work, so Barrett will rarely be seen without a piece of Intel technology, most prominently Intel’s Classmate PC.

The danger of such a personalisation is that, when the champion leaves, no matter what the circumstances, the programme might suffer. However, World Ahead is tied closely to Intel’s long-standing commitment to education, and especially teacher training. This not only assures programme support beyond its personal figurehead, but also provides focus and helps to integrate this corporate citizenship activity with Intel’s mainstream businesses.

The lack of such integration was one of the shortcomings of the Kuppam i-community, as acknowledged by Dunn: ‘we were not as successful in aligning the project with HP’s business organisation in India so they never really felt a sense of ownership’ (quoted in Braund et al. 2007: 31). This was in spite of the fact that HP Labs Bangalore had opened shortly after the i-community was set up with the explicit objective of supporting the project (HP 2001).

Employee ownership of corporate citizenship programmes can not only contribute to their sustainability, but can also motivate employees in return.

IBM’s Corporate Service Corps

One of the perceived benefits of corporate citizenship work is employee attraction, motivation and retention (Backhaus et al. 2004; Peterson 2004). During the dark days of the Compaq merger at HP, disillusioned employees would sometimes come to one partic-

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12 The UN-GAID is the successor of the UN’s ICT Taskforce, which was instituted under Kofi Annan. Fiorina shared a seat with John Chambers, CEO of Cisco Systems on its Advisory Board.
13 This is not without risk in the traditionally UN-averse world of Silicon Valley (RiOS Institute 2007).
14 In the beginning, the i-community was managed by a Bangalore employee, who made the four-hour round trip to Kuppam a couple of times a month (Schwittay 2008).
ularly passionate e-Inclusion manager to be inspired by his work stories and his belief in the greatness of HP. However, when the same employee realised that upper management was not genuinely committed to creating social benefits through the programme and instead was just ‘messing with other people’s lives’, he became a very cynical and disappointed ‘warm body’—a far cry from the committed workforce corporate citizenship programmes are said to create.

In addition, passion and good intentions alone are not enough to make a successful ‘corporate broker’ between the company and community organisations (Buhl 1996). Employees need a combination of management expertise, international development experience and technical capabilities, and some companies have set up programmes to provide these skills. One example is IBM’s Corporate Service Corps, which was established in 2007 with the objective to ‘develop leadership skills while addressing socioeconomic challenges in key strategic emerging markets’ (Thompson 2008).

This programme is placing 600 IBM employees with non-governmental organisations (NGOs) that use technology for development purposes in six different countries (News and Observer 2008). There were 5,000 applicants for the first 100 jobs, which came complete with language and cultural training and then sent employees for four weeks to Romania, Turkey, Vietnam, the Philippines, Ghana and Tanzania. IBM hopes to give its employees ‘real-world training’ and ‘a street view of emerging-market business problems’, as well as ‘a more culturally immersed experience’ (News and Observer 2008). This makes the Corporate Service Corps the equivalent of the technology Peace Corps which, according to Prahalad, will give corporate executives a better understanding of emerging-market dynamics (Prahalad 2005).

**AMD’s 50x15**

One objective of giving employees such on-the-ground exposure is to ensure that the products, services or solutions that will be developed and marketed under their leadership will be appropriate to the bop. Evidence that such appropriateness matters abounds, from computers that sit unused because the local electricity supply is unreliable to solar panels turned into tables to mountains of equipment succumbed to heat and wind exposure (Brewer et al. 2006). In fact, e-Inclusion’s first project—the LINCOS recycled shipping container—is a good example of the failure to make ICTs, and the ways in which they are locally installed, meaningful and relevant. This in turn contributed directly to the lack of local ownership of the project and ultimately its demise (Granqvist 2005; Braund and Schwittay 2006). One way to avoid such a disconnect is to partner with local organisations and to pay special attention to issues of design, which AMD is doing in its flagship corporate citizenship programme.

Entitled 50x15, this programme aims to connect 50% of the world’s population to the Internet by 2015. It has been able to build a large ecosystem of local partners around the world. Some of these partnerships are unique, such as the programme’s collaboration with Architects for Humanity (AFH), a non-profit organisation based in Sausalito, California, which uses architecture and design to bring about social change. 50x15 and AFH teamed up to launch an open design competition, and AMD awarded US$250,000 for the design and construction of a site-specific technology access centre in the developing world. The winner, Global Studio of Seattle, was announced in June 2008, and will build a technology media lab and recording studio in Mukuru Kwa Njenga, an informal settlement of 250,000 people in Nairobi, Kenya. Global Studio will be working with

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15 The Service Corps is part of the Global Citizen’s portfolio initiative announced by IBM’s CEO Sam Palmisano in 2007.

In his closing keynote address at the Seattle event, Gates told his audience that the poor most likely need food, clean water and access to medicine before computers will be of use to them. In spite of this caution, high-tech leaders, among them Microsoft, have developed a number of global corporate citizenship initiatives to bring ICTs to unconnected people and places at the bop, thereby also providing them with access to information and electronic services.

C.K. Prahalad’s ideas remain the guiding light of these programmes, which are driven by the search for emerging markets, as well as knowledge about them and products...
and services affordable and appropriate for them. However, as Bruno Lavin, a World Bank economist, has pointed out:

The arithmetic of telecommunications and that of poverty do not necessarily seem to agree. For a poverty fighter, the ‘next billion’ would refer to those who need to be taken out of absolute poverty; for an IT executive, the ‘next billion’ would more spontaneously refer to the next wave of customers that could emerge from developing countries, particularly in the mobile market (Lavin 2005: 15).

All the programmes presented here are aiming more at the ‘next billion’ rather than the ‘bottom billion’, and the gap between the two groups must be acknowledged if corporate citizenship programmes in the high-tech industry are to be sustainable and bring about meaningful change. This is the most important legacy of e-Inclusion.

e-Inclusion was established by HP at a time when corporate citizenship was being embraced in earnest by corporate America, and also marks the beginning of strategic flagship digital divide initiatives in the IT industry. Its study can thus contribute much to our understanding of the emergence and evolution of corporate citizenship.

References


