

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

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“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)

Introduction

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.”

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).

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.

In search of “Breakthrough Models of Sustainable Development”

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).

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

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.

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, studied at the level of the firm, suggest that some of these competing logics are irreconcilable, due to:

1. The continued dominance of market liberal, “contractarian” economic views within corporations (Friedman 1970; Struwig, 1994: 42 in David, I., 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.
2. 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 the limitations in reconciling business and development, the study finds that HP went beyond standard ICT philanthropic efforts in its quest to find sustainable development models. Paradoxically, with the recent reduction in high profile exposure and with management objectives now linked to South Africa country priorities and normative and regulatory pressures for Black Economic Empowerment (BEE), the company may have the opportunity to reframe its project in a people-centered approach to address the sustainable development imperatives not addressed in the initial three years.

Theoretical overview of the “Inclusive Capitalism” Ideal in the Corporate Citizenship Debate:

“Inclusive capitalism” is linked to the continued debate about the validity of the “business case” for company investment in redressing social ills. Although the magnitude of the world’s social and environmental problems is undisputed, the tension lies in the economic theory defining the purpose and obligation of the firm. Within liberal market economies in recent decades there has been a shift from stakeholder to shareholder capitalism: “stakeholder values (of employees, suppliers, creditors, customers, communities) are short cut in order to increase shareholder value” (Applebome, P., 1996: 10; in, Nederveen-Pieterse, J., 2005: 145)

Historically, this tension with regards to corporate responsibilities originates with what is labelled the “contractarian view of the firm”, dating back to a 1919 Michigan Case (Dodge Brothers v Ford Motor Company, 199: 170 N.W. 668; in Margolis & Walsh: 2003), where in respect to a dispute concerning withheld dividends, it was argued that: “A business organization is organized and carried on primarily for the profit of the stockholders” (Margolis & Walsh, 2003: 271). Thereafter, Milton Friedman’s position that “The social responsibility of business is to increase its profits” has had continued influence (Friedman, 1970). Business school graduates surveyed in 2002 believed wealth maximization for shareholders is the primary, if not sole, purpose of the firm (Aspen Institute, 2002; In, Margolis & Walsh, 2003, 271). Social welfare is best addressed through the market by Adam Smith’s “invisible hand”, or through the government as a point of last resort (Friedman 1970, Easterbrook and Fischel, 1991; Sternberg 1997; Jensen 2002) as corporate managers are considered ill-suited to efficiently deliver social services (Margolis & Walsh, 2003, 272).

From Philanthropy to Win-win or “Pro-poor” Business

This tension between the urgent need for corporate resources to address social challenges and the perceived conflict with the fiduciary responsibility towards shareholders has resulted in the drive to demonstrate that both priorities can be satisfied simultaneously (Margolis & Walsh 2003). The World Business Council for Sustainable Development argues for the business benefits of CSR including: protecting a company’s reputation, encouraging innovation, and for providing “competitive advantage” (Holiday et al, 2002: 22-26). Beyond CSR, “inclusive capitalism” offers a genuine market and profit opportunity for the firm while delivering social rewards (Prahalad & Hart, 2002), and former HP CEO, Carly Fiorina, referred to it as “Doing well while doing good” (Fiorina, 2003).

Empirical evidence for “doing good” (social performance) resulting in “doing well” (financial performance) remains weak. Comparative studies between companies who invest in social programs versus those who don’t, find that social spending does not pay, unless in response to an attack on the company’s reputation (Vogel 2005: 26). At best, in a review of 127 studies, Margolis and Walsh (2003) reported a positive association between corporate social performance (CSP) and corporate financial performance (CFP) and that generally it did no harm, particularly when related to a company’s core business. Nevertheless, without 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* 2003: 277-278).

Development Imperatives: North- South Tension

One view widely accepted in the South is the notion that inclusive capitalism serves 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). Market liberalization as the foundation of Postdevelopmentalism forms the basis for a rich discourse on the globalization agenda, with its economic model aligned to the “growing power and scale of the trans-national banks and corporations” (McMichael, 1996: 176). Seen as the least transparent of all “democratic” institutions, openly practising “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).

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 players who contribute most to employment and development in the South (Fox, 2004: 30). Consumers at the bottom of the pyramid are served by entrepreneurs in the small-and medium business sectors in developing markets (Prahalad & Hart, 2003); and small companies contribute more than multinational corporations to the diffusion of ICT (Wilson 2004).

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”, 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).

Public Participation and Development

“Public Participation has become a key underpinning of the development agenda” (Davids, I. et al, 2005:130).

After decades of failed development approaches, the current approach is people-centred development, within the context-specific reality of people. (Burkey 1993, Kortton & Klaus 1984, Kotze 1997, Davids et al 2005). 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).

Within people-centered development, and as outlined in the Manila Declaration (1989), the depth and integrity of public participation becomes the metric for evaluating the corporation as a development specialist: “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].” The South African Constitution of 1996 incorporates these principles, as during apartheid (“separate development”) “development” became a tool of exploitation and dehumanization (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). Research acknowledges the difficulty and complexity in achieving authentic participation, including such issues as, defining “community”, identifying stakeholders and legitimate representatives, agreeing on processes and so forth (Chambers 2002; Cook & Kothari, 2001; Ghai & Vivian, 1992; Kumar, 2002). In the South African context, these challenges are amplified as a result of “40 years of functioning within a top-down, system-maintaining, rigid culture of non-participation” (Davids et al, 2005: 129).

Theoretical Findings

Whereas “inclusive capitalism” has been promoted as the latest prescription for sustainable development, incompatibilities between business realities and development imperatives are identified. Current market liberal business realities continue to elevate company shareholders over all other stakeholders. When companies do voluntarily engage in social good, their behaviour is insufficiently rewarded by the markets, providing little incentive to explore unfamiliar markets. As development practitioners, corporations may be constrained by hierarchal management practices, corporate secrecy, and techno-centric tendencies that conflict with people-centred development practices. By examining specific interventions as in the case of the Mogalakwena HP i-community, insight into specific pressure points may enable researchers and practitioner’s to move beyond generalities and identify effective methods for private sector engagement towards sustainable development objectives.

Methodology

HP is a signatory to the UN Global Compact and was one of the first to make a public commitment, backed by a significant financial investment, to pursue a business case for sustainable development. 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. As the three-year partnership with the Mogalakwena Municipality and Limpopo Province had recently ended in October 2005, the researcher anticipated that HP might be less constrained by confidentiality agreements³ and more inclined to cooperate in a study probing their past experiences than present business practices. As it turned out, the project continues today under a different model. Nevertheless, there was a high level of interest and support from current and former HP executives and employees involved in the project resulting in rich research data.

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). Data were collected over a period from April to September 2006. Focal methods for data collection were via in-depth, semi-structured interviews⁴ conducted between July and September 2006 with 18 people connected with the project; observations made through site visits to the project and local communities; and, document collection, including internal and external sources, websites, press-release, and articles.

The research is biased to the perspectives reported by the firm, as the researcher did not have the language, culture or ethnicity (nor the budget to acquire this level of research support) to effectively interview a representative sample of the targeted beneficiaries of the development intervention. Due to the limitations of the original sample, largely insiders to the firm, and as a result of the unforeseen organizational dynamics, the research sample was subsequently enlarged to include more non-firm sources, and to expand and rely more on observation, secondary sources and verifications through non-employees of the company.

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. Researchers

³ Based on the researcher's 20 year experience in corporate management and corporate communications.

⁴ 12 of 18 interviews were taped. Telephone interviews were not taped, nor were confidential discussions.

are reminded that respondents' comments should be treated as perceptions rather than fact (Leedy, P. & Ormond, J. 2005: 149), and that there is no singular truth, but that each individual perspective has validity (Creswell, 1998; Guba & Lincoln, 1988).

In this case, many individual perspectives were collected and data was categorized, analyzed and synthesized on the basis its relevance to core research question on the project's ability meet the dual objectives of profitability for the firm and sustainable development for the community, as conditions of "inclusive capitalism".

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

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".

Over time, the Corporate Affairs group running the "e-inclusion" projects recognized that the "digital divide" presented an opportunity to sell to governments technology solutions for development purposes. Post September 11, 2001, senior executives debated a deeper realization that over 90% of the world had never made contact with IT and that these could become 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 first site was established in Kuppum, Andhra Pradesh, India; the second, followed in Limpopo Province, South Africa under the direction of a US-based Product Engineer of South

African origin. In order to gain the necessary 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.

Project Scope

The original project consisted of a combination of physical infrastructure and integrated programs executed in and around Mokopane (formerly “Potgietersus”), a mid-sized agricultural and mining town, in Southern Limpopo Province and the seat for Mogalakwena Municipality. The project is based in a former teacher’s training college in Mahwelereng, an apartheid-engineered township adjacent to Mokopane, with additional satellite programs located in Dipichi, a “Least developed village” (LDV), some 120 km Northwest of Mokopane. In order to engage the province, municipality and broader community, additional access points (computers linked via the internet), were originally installed at almost two dozen sites within schools, post offices, libraries and health clinics, and extended to the municipality’s most northern township, Rebone.

As part of the effort to provide a comprehensive integrated solution, the initiative included a number of programs, conducted by the project team at the community centers or externally. These included ICT and business related training: introductory and advanced computer hardware, application, and refurbishment training; technical support and call center certification courses; software development labs; and, business development counseling. Part of the project sought to demonstrate how ICT might contribute to or tie into other development initiatives, such as: “Digital culture” : A sound studio where the community could record traditional music or capture traditional stories from elders and have it burnt to CD; and, a “Sustainable Livelihoods Area” displaying infrastructure solutions in water, sanitation, waste management, recycling, “food security” (drip irrigation and eco-circle farming), medicinal gardens, forestation, and alternative energy.

Using the i-community as a test environment, HP’s Emerging Market Solution Group also 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 sustainable⁵.

In Search of “Breakthrough Models”: 2002-2005

Given the emphasis that the company communicated in respect to the project delivering “breakthrough models of sustainable development”, the overwhelming research challenge was to determine whether models had emerged in support of the “inclusive capitalism” ideal. Was the HP i-community able to meet the dual objectives of profitability for the firm and sustainable development for the community? The research findings illustrate where business interests conflicted with development imperatives, limiting the project’s social and economic potential during the first three years of the project. Examples of the inherent tension between private interests and public good are categorized in terms of the overall findings:

- 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:** Interviews revealed that corporate commitment to the i-community project, as opposed to individual employee

⁵ 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).

dedication, was extremely thin, and some managers believed 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 clearly 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 the requirement to show progress mounted. 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:** One of the unexpected challenges to surface during the research was the lack of access to the metrics which HP might have used internally to determine whether they had arrived at “breakthrough models”. The 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 Tele-centres” 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.

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.

According to the project leader, the responsibility for metrics was to be assumed by the development partners (the Province and Municipality), whereas HP was the technical implementation partner. However, the researcher was further advised that were such research data available, this would remain HP's intellectual property 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.

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, required betraying basic notions of people-centered development, and 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 tops-down approach:

1.) The corporation defined the project and the community was selected 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* [bold and italics 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”

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” (Vegter, Ivo, 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 Johannesburg⁶.

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 hand⁷. 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

⁶ With urban training opportunities, the situation is also indicative of the challenges in rural development, as skills migrate to the cities.

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 HP's ability to effectively interpret local community needs, given the racial diversity of contemporary South Africa⁸.

3. The capacity gap between corporate resources and government resources was underestimated by the corporation: 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.

Fast Forward: Mogalakwena HP i-community 2006

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 with the South African Government and to finalize the project handover to these partners in October 2005. Although the group now reports to Europe, the project has been 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

⁷ 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.

⁸ 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

mandated by the South African government. BEE guidelines require that local companies have 25.1% black share ownership⁹. 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.

Conclusion

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 did not meet the test 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, 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. There are limited anecdotal accounts of individuals impacted by the intervention; however, by declining the invitation of professional researchers to establish appropriate social metrics, HP lost an important opportunity to acquire meaningful feedback on Carly Fiorina's aspirations for “doing good”. 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.

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

Ndebele people form the largest group living in the township and surroundings, as per Mokopane Chamber of Commerce information.

⁹ For the ICT Black Economic Empowerment Charter visit <http://www.ictcharter.org.za/>

Economic Empowerment (BEE), the HP project team may be 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 will be significantly enhanced. 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: the firm's decision to empower an independent BEE company may provide a suitable model.

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. 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.

The study suggests that “inclusive capitalism” is difficult if not impossible for global companies to embrace given current business realities. Today's market economic systems do not support long-term development strategies. Unless significant structural changes are imposed, it is unlikely that the UN Global Compact and other voluntary initiatives will offer the level of pro-poor engagement required to offset the current downward trajectory of sustainability indicators.

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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: Justinus 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 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 Bosvelders Newspaper, Mokopane, meeting in her offices at Mokopane in regards to community awareness and local coverage of i-community project, July 14, 2006.

