

Pride and Prejudice – Business, Aid and Charity

ANNE WELLE-STRAND



Anne Welle-Strand is Professor, Center for Development Studies and Microfinance (MICRO), Norwegian School of Management BI

This article is based on a study of Grameenphone and Telenor's activities in Bangladesh and the effects they have on local social and cultural development. The research was undertaken by MICRO, Centre for Development Studies and Microfinance of the Norwegian School of Management BI, as part of a broader research vision on the role and outcomes of business-oriented aid.

The article familiarizes the reader to the context and research design of the initial study. The motivation, research question and conceptual framework are briefly introduced. The effects of business-oriented aid are indicated by discussing the findings of the study from the technical, political and financial perspectives, and emphasizing the social aspects associated to Grameenphone's activities in Bangladesh. The combination of foreign ownership, local knowledge and competent management is found to have played an important role in the situation analyzed. Furthermore, competence alongside cultural awareness are critical success factors. Future research ought to focus on the area of private investment abroad and its impact on development.

I. Motivation, Research Question and Conceptual Framework

This article is based on a study¹⁾ of Grameenphone and Telenor's activities in Bangladesh, for which data collection was undertaken in July 2007. The purpose of the research was to bring more knowledge about the impact of private business on development in general and in particular to produce insights for a more balanced debate concerning the investments of Norwegian companies abroad.

Motivation

Two sources of inspiration triggered the study – one is theoretical and the other is practical. Firstly, the study is underpinned by the vision to research 'valid development aid'. 'Valid aid' is understood as development in a poor country, resulting in economic growth as well as independence in cultural, intellectual and political matters. The second source of inspiration was practical, but also political – the heated public debate in Norway about Telenor's ownership in Grameenphone, following the award of the Nobel Peace Prize in 2006 to Muhammad Yunus and Grameen Bank. A persistent feature of the debate was the rather strong criticism of Telenor's business success in Bangladesh. Making profits in a poor developing country has been seen as unethical, even as the opposite of development aid – exploitation. It has been claimed that Telenor should 'do the right thing' and hand over majority shareholding to the local partner. One of the leading Norwegian tabloid newspapers fuelled the criticism of Telenor by having a journalist reporting from Bangladesh. I was

visiting Bangladesh at the same time, but had a different impression – indeed, Bangladeshi media, as well as key stakeholders, manifested relative satisfaction with regard to the role of Grameenphone and Telenor in the development of Bangladesh. This observation, together with the theoretical vision regarding valid development aid, prompted the research initiative.

Furthermore, the purpose of the study was to enhance knowledge about the impact of private business on development; in particular, the research aimed at providing insights for a more balanced debate on the topic of Norwegian investments abroad. The social impact, one of the dimensions explored in the analytical framework, is emphasized. This aspect is assumed to be the most relevant in understanding the 'cultural independence' dimension of development aid.

The Norwegian debate lacked focus on key economic and developmental issues, being mainly concerned about the ethical dimension of profits and aid. The debate was unaware of Grameenphone's already strong social role, of how the capabilities created by the company could be utilised in order to create the optimal contribution to overall development in Bangladesh. Moreover, Bangladesh itself is a case of particular interest. It is one of the poorest countries, with a very corrupt political system. Bangladesh has had an interim government supported by the military with a state of emergency declared since January 2007. The country is able to feed 145 million people on an area smaller than the county of Finnmark²⁾.

1) *The study "Grameenphone and Telenor affecting Bangladeshi Socio-Cultural Development – Pride and Prejudice" was published by Anne Welle-Strand and Lars Molden in Studies in Development Management, No 1, MICRO 2007, Oslo: Norwegian School of Management BI.*

2) *Finnmark is a county in the north of Norway.*

Other peculiarities, more specifically related to the telecommunication sector, are that Bangladesh has one of the best network coverage and lowest mobile tariffs in the world.

Thinking in terms of making Norwegian development aid policies more effective, this study has had the ambition to increase the understanding of how the divides between public and private and between charity and State thinking and business economy can be overcome.

Research Question

Emerging from the motivation to study the role of Grameenphone in the development of Bangladesh, the obvious research question was: *How is Grameenphone contributing to the overall development of Bangladesh?* The assumption was that Grameenphone *seemed* to be contributing to the overall development of Bangladesh. The empirical information gathered comprised both about the society as context, and in particular about Grameenphone's action as an important organisational actor in Bangladeshi society.

Key Concepts

This section presents a brief discussion on the concepts important in this report: development, corporate social responsibility and human resource management.

Development

The concept of development has been extensively debated in the social sciences. One particular view is based on *cultural relativism*, where the ends and means of development are relative to numerous factors such as culture, social background, intelligence and education. A different perspective is based on a *universalistic logical positivism*, emphasising certain common 'truths' regardless of context and understanding. This tradition involves neo-classical economics and growth theory.

In this article, development is defined as the process of increasing availability of basic goods, raising the levels of living and expanding the range of choice. For the particular context of this study, the latter two are most relevant.

Corporate Social Responsibility (CSR)

In both proportion and political significance the concept of CSR has grown into common business practice. However, the rationale behind this concept and indeed its interpretation are subject to an extensive debate among academics and practitioners.

Milton Friedman (1970) claims that economic and social objectives are separate and distinct, so that corporate spending on social issues comes at the expense of the business activities. He also holds that companies engaging in philanthropic activities provide no greater value than any individual donor. Porter and Kramer (2002), however, argue that this rigid view of the company's role in society is based on two flawed assumptions. They argue that these assumptions are true, but only when "corporate contributions are unfocused and piecemeal" (Porter and Kramer 2002: 58). They suggest that a company can address social and economic goals simultaneously by improving the company's competitive context and by strategically focusing philanthropic efforts in a business manner, which is done by leveraging the company's unique capabilities. This article distinguishes between corporate philanthropy and CSR.

Human Resource Management

Human resource management (HRM) as a concept has evolved over the last decades. From traditionally being viewed as a mere administrative function, it now includes the strategic utilisation of human resources. The goal of HRM could be to help an organisation to meet strategic goals by attracting and maintaining employees as well as managing them effectively³⁾.

One view of the strategic importance of HRM is held by Barney (1995). He claims that proper HRM will enhance the valuable resources of the company, leading to the creation of a sustainable competitive advantage. In this article, the HRM function includes a variety of activities. It will be investigated staffing needs, use of independent contractors or hire employees, recruiting and training the best employees, ensuring high performers, dealing with performance issues, and ensuring personnel and management practices conform to various regulations.

Norwegian Development Aid

The particular history and individual features of Norwegian development aid is a key point of the conceptual framework of this article. From the legacies of Lutheran missionaries and the State's socialist policies of solidarity, as well as an active human rights record and the Nobel Peace Prize, development aid has had an exceptionally strong standing within Norwegian society. Norway donates more money for development aid per capita than any other country in the world.

³⁾ Wikipedia/Britannica Online – "Human Resource Management" [Accessed August 2, 2007]

The Context – Bangladesh

Bangladesh today makes a country case study of particular interest for private sector development for different reasons. It is among the poorest countries in the world with approximately 50 % of the people living in poverty with an average Gross National Income per capita of 470 USD. In 2007, it ranked as the 19th most corrupted country in a sample of 180 countries in Transparency International's Corruption Perceptions Index⁴⁾. Nonetheless, Bangladesh is able to feed a population of more than 145 million people on less than 144,000 square kilometres signalling a highly efficient use of agri-production. Bangladesh thus stands out as a harsh environment, facing significant challenges in terms of various business risks.

Nonetheless, Bangladesh provides a promising context for private enterprise. The fastest growing industry with up to 100 % growth is the telecommunication sector. An interesting fact is that according to Transparency International's Bribe Payers Index 2002, the telecommunication industry is among the most likely to engage in corruption through bribes⁵⁾. This, however, is not tested on Bangladesh in isolation. The telecommunication industry in Bangladesh is growing rapidly and represents a considerable impact on the growth of the country. It seems that what used to be obstacles for growth in the industry are now being removed, through both liberalisation and deregulation. Within this industry, one firm in particular is dominating: Grameenphone.

Grameenphone in Bangladesh

Grameenphone is the largest telecommunication service provider in Bangladesh with a market share of 50.3 % and almost 14 million subscribers as of August 2007; of these, 95 % are pre-paid users. It is owned by Telenor (62 %) and Grameen Telecom (38 %). Grameenphone employs over 5000 people on a regular basis with an estimated 100,000 in addition through vendors, retailers and other business partners. The total income of the company in 2006 was close to 45.7 billion BDT (665.8 million USD). Grameenphone is the single largest corporate tax-payer in Bangladesh. It has the largest distributional network in the country with 600 service desks, 8400 retail outlets and 70,000 outlets for 'recharge'. In addition, Grameenphone pioneers business solutions for the more sophisticated customer, as well as introduces innovations, such as bill payment services (Grameenphone 2007; Aas 2007). The company has significant autonomy, with a local management team consisting

of 12 members (2 Norwegians and 10 Bangladeshi) and a strong Corporate Governance practice in place.

The next section of the paper reveals the findings of the study by addressing questions of: How has Grameenphone contributed to the technical, political and financial development of Bangladesh on the one hand, and to its social development on the other? How has the company affected the 'Great Synthesis' of economy and culture?

II. Findings of the Study

Technical, Political and Financial Aspects

The main findings provide evidence of two types of activities to Grameenphone's contribution in the Bangladeshi society. The first relates to the significant infrastructural investments, enhancement of local know-how, a very clear stand against corruption and an active role in lobbying. The second types of activities relate to the efforts of being the largest tax payer, employer and industry player in the country. A combination of both types of activities seems to be important in explaining the role of Grameenphone in the development of Bangladesh.

The Technical Impact

The key technical impact of Grameenphone is telecommunication infrastructure. Grameenphone has invested in developing a broad infrastructural base, now covering close to 98 % of the population. Industry estimates reveal that as many as 50 million customers is not an unrealistic ambition within 2009. It has recently launched EDGE and will soon establish a 3G network. It thus seems likely that the investments made by Grameenphone will have a growing effect on the overall development of Bangladesh in the future. One challenge will probably be to keep up the investment rates in accordance with the increasing demand for capacity. Other empirical studies have indicated that telecommunication infrastructure seems to affect development and economic growth (Islam and Bhaveshananda 2007; Das and Narayanan 2005). Das and Narayanan (2005) discuss Indian development, concluding that, in order for ICT to have a significant impact on the overall economic development of a country, the infrastructure must be aimed at covering the larger parts of the population. Others argue that telecommunication infrastructure is more likely to play a significant role in a nation's development when the penetration rate exceeds 40 % (Roller and Waverman 2001).

4) The rankings are available online from Transparency International's website http://www.transparency.org/policy_research/surveys_indices/cpi/2007 [Accessed January 7th, 2008]

5) Information available online at http://www.transparency.org/policy_research/surveys_indices/bpi [Accessed January 7, 2008]

Grameenphone has played an important role in building local competence and know-how within the telecommunication industry. By contributing to local production of transmission towers, Grameenphone is reducing the costs of further infrastructural investments. Due to the investments in local competence, it is enhancing the skills level of local entrepreneurs and provides them with production facilities, as well as employment. Suppliers of transmitters are facing an increased and sophisticated demand from the highly competitive telecommunication industry to expand production, which will also lead to higher competence among producers. Over time this could lead to significant competitive advantages and perhaps export possibilities. Keeping up innovation is important, and knowledge transfer from abroad will be crucial until proper research and development (R&D) facilities are built. Being owned by a multinational telecommunication company, Grameenphone will have a role to play in both stages: transfer, as well as R&D capacity building. If such efforts are successful, this will, according to cluster theory (Porter 1998), strengthen the competitiveness of the telecommunication industry, all of its suppliers and the consumers, and hence play a crucial role in the overall development of Bangladesh.

It is also seen as crucial that production and local contractors mainly undertake maintenance. This is enhancing business opportunities locally and creating a bottom-up effect, possibly leading to a sustainable business environment. As the number and complexity of the transmitters are increasing the need for more skilled labour emerges.

The Political Impact

Grameenphone also affects the political sphere of the development of Bangladesh, being perceived as an important player with a low propensity to engage in corruption. This differs from standard industry practice, particularly in a country claimed to be among the worst bribe payers in the world. In addition to being sustainable and indeed profitable, the organisation follows the strict code of conduct and does not engage in corruption. Such behaviour sends strong signals to competitors, other industries and government. This means that incentives for rent-seeking behaviour are weakened due to fear of disclosure and therefore increased cost of corruption (Shleifer and Vishny 1993). With transparent procedures and extensive reporting, Grameenphone can be a catalyst for widespread reform within Bangladesh. This makes corruption harder and the rationale for engaging in bribing weaker.

Interviews with central administrators revealed that Grameenphone is often consulted in relation to regulatory and industry taxation issues. Seemingly Grameenphone employees are highly trusted by the authorities and other important players in the shaping the political outcomes in Bangladesh. The Chairman of the Bangladesh Telecommunication Regulatory Commission (BTRC) and a member of the National Revenue Board (NBR) emphasised the importance of close dialogue with Grameenphone. The impression was that the competence and advice coming from Grameenphone were reliable and valuable for the authorities.

Through direct actions and via the Association of Telecommunication Operators of Bangladesh (ATOBS), Grameenphone works actively for reform. At present, monopoly structures prevail in parts of the telecommunication industry, such as for international calls. International calls result in a large unmet demand of approximately 8 million calls a week.⁶⁾ By engaging in these activities, Grameenphone is pressing to remove competition fettering elements of this sort. Furthermore, the taxation of both telecommunication and complementary industries is seen as unnecessary by the industry. One could also argue that a rise in import tariffs for handsets would hurt the overall development of the market. By lobbying with the tax authorities Grameenphone seems, according to the NBR, to be succeeding in reducing some of these tariffs while building a stronger awareness of these issues in the government.

The Financial and Economic Impact

Contribution in financial and economic terms is presented using statistics from Grameenphone accounts, statistical agencies and banks. The financial impact is three-fold: Direct and indirect payments from taxes, VAT and licences. This amounts to 20.5 billion BDT (298.8 million USD) for 2006 – approximately 6.5 % of the national domestic revenue⁷⁾ and a significant contribution to the domestic income. For Grameenphone, these payments amount to approximately 45 % of revenues. This amount is expected to grow with revenue in the years to come.

Grameenphone's investment in physical infrastructure amounted to 1.1 billion USD from 1997 to 2006, resulting in a population coverage of 98 % by its cellular network. In 2006 Grameenphone was behind 1.98 % of the total amount of fixed investments in Bangladesh⁸⁾. There are several development implications emerging from these investments: The broad

6) *Chairman of BTRC*

7) *Data from ADB and IMF in absolute measures and local currency*

8) *Data from World Bank and the Grameenphone Annual Report*

coverage is making mobile telephony available to a larger share of the population – indeed, when unmet demand meets a new source of supply, the overall consumer surplus increases. In principle, the marginal consumer added to the network will add value until all individuals are connected. Following this argument, the criticism towards Grameenphone that the expansion in mobile telephony is damaging the market for the Village Ladies is flawed.

The expansion is fuelling development by connecting an increasing number of individuals and thus bridging the digital divide, faster than any village phone programme that resulting monopoly structures ever could. Investments in mobile technology parallel to fixed lines are breaking down the natural monopoly typically associated with physical infrastructure. This is mainly due to the declining costs of setting up transmitters. However, it is crucial to note that such investments are specific and as a result possess traits of propensity towards monopoly. It has been argued that the mobile telephony market is similar to a natural oligopoly and that a certain number of companies will survive independent of the market size because of the consumers' ability to move from one to another more easily than with fixed lines (Valletti 2003). A consequence of this is that the mobile telephony market is most likely to be highly competitive. The competitive parameter is most likely price, and because any rational actor will avoid pure price competition, product differentiation and innovation will be the outcome (Pepall, Richards, and Norman 2005). Grameenphone plays a crucial role in this situation by acting as the large incumbent with deep pockets and a credible commitment through increased capacity and coverage. This suggests that the market for mobile telephony would not have been as competitive today without such large investments made at an early stage by Grameenphone.

The direct payments from Grameenphone to its employees in the form of wages constitute a significant part of the aggregate purchasing power of the Bangladeshi consumer. In addition, the income coming from contractors, vendors, retailers and other partners is not taken into account but Grameenphone estimates suggest that close to 100,000 people receive income from Grameenphone.

Social Aspects

In addition to the impacts discussed above, the crucial question of how Grameenphone contributes to the social development of Bangladesh remains. An assumption has been made that Grameenphone affects this sphere of development in three ways.

The main findings indicate that the Code of Conduct, Health, Safety and Environment (HSE) policy, Human Resource (HR) practices and extended business activities tend to play an important role within Grameenphone, and to produce effects beyond the company boundaries.

The Impact from Business Activities with Social Objectives

Grameenphone rolls out a series of activities with social impact. The Community Information Centre programme, the HealthLine service and the BillPay programme are assumed to have development implications in many respects. The common denominator of these seems to be that, owing to Grameenphone's services, people save time when performing everyday tasks.

According to Grameenphone's 2006 Annual Report, its *Community Information Centre programme* (CIC) is reaching 20 million people through 550 centres, employing approximately 945 people. This programme is reputable throughout the country. The function of an Internet connection point is a very important facet of development, bridging the digital divide. In addition, CIC offers services like community information and employment advertisements. The impression from interviews and newspapers is that CIC is successful in connecting poor people, despite minor challenges in terms of profitability⁹⁾. However, it could be argued that, because CIC is aligned with the core business of Grameenphone and utilises common capabilities, it stands a good chance of proving sustainable in the long run.

The *HealthLine* service is run in cooperation with the local Telemedicine Reference Centre (TRLIC), giving access to medical advice to about 14 million people. It answers 6000 telephone calls per day, while the estimated demand is 20,000. In a country with one doctor for every 4000 people, the social impact of this programme is considerable: It saves people the time and cost of accessing a doctor and improves people's health. The World Health Organisation has stated that travelling a long distance to a doctor is a major health challenge in the developing world. Since only 30 % of the callers are transferred to a doctor, the presumption is that a significantly large amount of people are benefiting from this service. Estimations from Grameenphone suggest that 42 % of the callers saved approximately 4 USD and a day of work by using the Medical Call Centre. The quality of the service also seems to be high. TRLIC is providing skilled staff and experienced management, while Grameenphone is the medium connecting these with

⁹⁾ Close to 50 % of the CICs are financially sustainable.

the public. Employees in Grameenphone also use the HealthLine service in addition to their insurance programmes which cover regular medical consultations and visits. The main reason for this was the reduced waiting time and quality of the answers they got on their enquiries.

The *BillPay programme* is meant to reduce transaction costs attached to paying utility bills. Such digitalised payments are likely to become an important part of the future development of financial transaction systems. The programme is a step towards further utilisation of digital transfers in commerce¹⁰⁾.

Although BillPay is still in a pilot phase, it could, with the professional competence of Grameenphone, grow into a large concept with significant impact on the transaction costs of many people.

The Impact from Human Resource Management Practice

Through the Telenor Development Programme, Grameenphone offers employee training on several stages in the organisation. Close to 5000 people are subject to training and competence development customised for the individual and the organisational needs. Positive externalities are significant and it plays a key role in the development of Bangladesh through the strengthening of human capital.

Grameenphone offers educational grants to children of its employees. This effort is directly related to building human capital and could have long-term, less sector-specific spillovers. The main strength of this effort is that it benefits several levels of the school system, up to 21-year old students, bringing incentives for youths to continue their education beyond secondary school.

Furthermore, as Grameenphone is the largest company in Bangladesh, its universal Code of Conduct sets an important standard and precedent in one of the most corrupt countries in the world. Nevertheless, the challenge is to secure compliance in the whole organisation, especially when it is rapidly increasing in size. The Code of Conduct document has consequently taken this into consideration and introduces the possibility for 'whistle blowing' on employee malpractice.

The corporate governance structure and overall transparency practiced by Grameenphone is another area in which it is having an impact. Grameenphone has transparent financial reporting procedures and follows the International Financial Reporting Standards, the Bangladesh Accounting Standards and all other local laws and regulations. The fact that Grameenphone keeps complying with the Sarbanes-Oxley Act¹¹⁾, even after Telenor delisted from the NASDAQ, could be seen as determination to preserve a high level of integrity.

Similarly, Grameenphone's HSE manual corresponds with Telenor's HSE policy and is subject to Telenor's internal audit. One could assume that Norwegian HSE standards, which Telenor follows, are of a high quality and standard. As a result Grameenphone, by introducing these standards in Bangladesh, could be regarded as pioneers. A core aspect of Grameenphone HSE policy is to provide a sound and proper framework for the company, but also be a role model for other companies in Bangladesh to follow. Recurrent inspections and follow-ups, as well as efforts such as the Fleet Management System, are all presumably important measures to ensure that the HSE policy is followed. This applies to all suppliers of Grameenphone as well.

Impact from CSR

Grameenphone has a wide range of CSR projects and a strategy which focuses on three target areas – health, education and empowerment, all related to the UN Millennium Development Goals. However, evidence suggests that Grameenphone's CSR activities resemble corporate philanthropy rather than corporate responsibility, because the initiatives are not aligned with the core business of the company. Therefore, it could be argued that the CSR efforts of Grameenphone have some unrealised potential. Although the CSR strategy emphasises three areas of focus, most of the current projects are related to health. This could suggest that the scope of the strategy may be too wide. The justification for this is based more on societal expectations than on "achieving commercial success in ways that honour ethical values and respect people, communities, and the natural environment"¹²⁾.

The CSR strategy explicitly states that the Grameenphone approach to CSR "shall be aligned with core

¹⁰⁾ In Indonesia, for example, the use of mobile telephones for payments has increased rapidly over the last few years to include electronic wallets and payments over SMS (Sullivan 2007). The implication of this is that more of the economy can enter the formal sector.

¹¹⁾ Wide-ranging law signed in the aftermath of large corporate corruption scandals in the United States (US). It establishes new or enhanced standards for all US public company boards, management, and public accounting firms. All companies listed on American stock exchanges have to comply with this act.

¹²⁾ Definition of corporate responsibility provided by Business for Social Responsibility, available online from the organisation's website <http://www.bsr.org> [Accessed January 7, 2008].

business”. However in reality, Grameenphone gives the impression that it operates mainly as a donor, through involvement in projects such as Safe Motherhood and Infant Care Programme, Dhaka Ahsania Mission Cancer & General Hospital and the ‘eye-camps’. One could therefore argue that strategy and practice are not fully compatible. In the education sector, Grameenphone is mainly considering working in primary education despite that primary school enrolment and subsequent completion is higher in Bangladesh compared to the rest of the region (UNESCO 2005), while higher education is lagging behind the regional average and requires positive interventions.

In addition to ordinary CSR efforts, Grameenphone is sponsoring the national cricket team and a number of other socio-cultural activities like the National Book Fair, National Poetry Festival and children’s art competitions. This is, according to the HR Director of Grameenphone, perceived as important by the employees, and was highlighted in numerous interviews.

Assuming that communications technology and management competence are equally important at all levels of an education system, one can challenge Grameenphone and question whether they are utilising the full potential of CSR – in relation to where they as a company can potentially contribute most.

Overall Impact

Grameenphone is continuously expanding in scale and scope. Alongside its corporate growth, which brings substantial technical, political and financial benefits to the country, Grameenphone contributes with social externalities to local community development. From the above empirical description, Grameenphone has contributed to development in Bangladesh in several ways:

- Building technical infrastructure with increasingly more advanced services, working towards a critical mass, where telecommunication impact on development will increase significantly;
- Through the transfer of technology and managerial expertise;
- Building production and maintenance capacity locally;
- Through strict codes of conduct possibly strengthening the norm against corruption;
- Individually, and through ATOB, working close with regulatory authorities against efficiency-hindering policies;

- Through high production and related high tax payments, as well as through continuous investments in competition and product differentiation. This results in a larger consumer surplus;
- Wages and payments paid out to close to 100,000 people, with considerable income effects;
- Through community services which help fund basic services for poor people;
- Through extended business activities such as the Village Phone, the CICs, the HealthLine, BillPay and extensive customer service undertakings;
- Through the comprehensive human relation policy and practice, including training and human resource development, employee benefits, the Code of Conduct, control of supply chain and a high-standard Health, Safety and Environment (HSE) policy;
- The corporate emphasis on social responsibility.

It seems that the impact of Grameenphone on the development of Bangladesh is significant, and also clearly beyond what is traditionally expected from a private company, such as investments, wages and taxes. The Code of Conduct, HSE policy, HR practices and extended business activities seem to play an important role in Grameenphone and also have effects beyond the company’s own specific goals. A particularly interesting observation is the ‘intellectual domestication’ process going on, most likely implying increasing management independence.

III. The Power of Business-oriented Aid

This section argues that foreign ownership, local knowledge and competent management have been the most crucial factors in the business success of Grameenphone. Competition in the market and the rapid expansion of the telecommunication industry are two other factors which have been identified as beneficial to the development of Bangladesh.

Foreign Ownership

From Grameenphone’s start-up phase in 1996 Telenor has been an active owner, making large investments and transferring competence and technology. Such actions seem prudent in the start-up phase. The continuous transfer of competence and technology from Telenor throughout the establishment and later during the daily operations of Grameenphone has also had a significant impact on the company’s performance in the long run.

The role of foreign ownership in the building of Grameenphone is twofold. First, a high level of investment undertaken at an early stage seems to be crucial for rapid growth in the industry. The size of the network dictates the value created for the customer, and hence a larger network implies greater value. In this particular case, the investors faced significant political risk, according to Citibank. Telenor had the capital, and far more important, the know-how of establishing telecommunication companies. This seems to have remained an important factor for the success throughout the later years as well.

Second, business leaders have been appointed by Telenor to manage the company during different phases, all the way to becoming a market leader. The first chief executive officer (CEO) led the company in the start-up phase, and pushed to build a network within four months. This rapid expansion is suggested to be crucial in the telecommunication industry (Sullivan 2007). In the consolidation phase, two business leaders from Telenor organised the company and made it more stable. The real growth however, did not start until the fourth CEO arrived in December 2004. All these business leaders appointed by Telenor were professionals, partly with experience from other emerging markets. Consequently one could argue that Telenor has played and still plays an important role in human capital transfer.

These two arguments could, in principle, fit any professional business. The question then remains whether Telenor itself has played any key difference in creating and maintaining Grameenphone. Some facts could underpin an answer:

- Telenor is the only major European telecommunication company left in Asia.
- Telenor has actively put local management up to tasks and hence developed local competence, including technical knowledge.
- Telenor sets standards for reporting and HSE, exceeding local requirements.
- Telenor is expanding and building capacity in neighbouring countries.
- IFC demanded that Telenor kept majority share in relation to the issue of debt in 2005¹³⁾.

Based on these observations it seems plausible to argue that Telenor has played an important role in

building Grameenphone into the company it is today and will continue to do so in the future.

Grameenphone has been subject to some criticism for being owned by Telenor. In interviews with external stakeholders and Grameenphone staff, it became clear that some aspects of the media, some politicians and parts of the general public were sceptical to the foreign ownership. These feelings were particularly visible in Norwegian media, but less so in Bangladeshi media. The main question was whether Bangladeshi money was being exported out of the country and into the hands of foreign investors, in this case Telenor. The Executive Chairman stated that this was not the case. The dividend paid out was very modest in comparison with re-investments. The Chairman of BTRC stated that he did not know whether the dividend was too large, but noted that it was a very transparent process and hence easy to scrutinise.

Bangladeshi newspaper clippings from April to July 2007 showed that little concern for dividend export was raised. On the contrary, articles in Bangladeshi media presented Telenor as a professional owner with proper objectives, who wished to publically list Grameenphone as soon as possible. This intention was positively perceived by the media. Contrary to this position, the majority of the Norwegian media were sceptical to Telenor's ownership, claiming that it had a moral obligation to hand the company over to local owners.

Nearly all interviewees revealed a common perception that foreign ownership has been and will continue to be crucial for Grameenphone. The question of Telenor as owner in particular seems to be less obvious. However, based on their local presence, pioneering standards and good business practice, one could argue that Telenor is a significant partner for Grameenphone.

Professional Management with Local Knowledge

Currently 10 out of 12 people in the management team are local. This team has been running the company throughout the recent phases which have seen rapid growth. It seems as though the development of local competence has been crucial for the success. Furthermore, Telenor has been particularly important in facilitating much of the capacity building in Grameenphone.

Through the Telenor Development Programme, Telenor has set the standards for training and staff development in Grameenphone. The programme is

¹³⁾ According to an economist in the Asian Development Bank (ADB).

developed by Telenor and customised by Grameenphone for local variations, such as culture. Hiring of a local, experienced HR manager could be seen to have strengthened the course and direction of the HR work including training and competence development. The synergies achieved with Telenor are significant, but the autonomy and the ability to make local adjustments are equally important. The consequence of this is a system where all employees are given the possibility to develop up to the highest level of management education and competence.

There is an impression that many managers were given new responsibilities. The goal of lowering the number of expatriates working in the company is a reality. The result has been a steep learning curve and rapid competence development, making the future outlook for Grameenphone a positive one, mainly as a result of its young, dynamic and competent local workforce.

Telenor has provided management expertise from the beginning, most notably all of the CEOs have been sourced through Telenor. One could argue that by placing key personnel in Grameenphone, Telenor was able to provide the company with autonomous decision-making competence. Several interviews suggested that this autonomy makes Grameenphone different from other telecommunication companies in Bangladesh. Based on this, one could suggest that Telenor has played an important role in fuelling the success.

Some criticism has been directed towards the local management regarding marketing. Public opinion in Bangladesh suggests that the resources being put into marketing could be better used in lowering tariffs. The marketing budget of Grameenphone is presently 4 % of the total revenue. However, observing the marketing situation in Bangladesh and advertising in particular, extensive marketing seems paramount to gain customers. Advertising on billboards, TV, radio and in newspapers takes a considerable part of the public sphere and in order to be noticed one has to be aggressive. Or as noted by a director in the marketing division: "Everyone is shouting so we have to shout louder. And we do". In this reality one can argue that extensive marketing is necessary to be able to compete. The alternative would be to lose market share.

Increasing Competition

The telecommunication market in Bangladesh is competitive, with six operators of which five have strong, international partners. This has resulted in lower prices, a larger range of services and extensive marketing campaigns. Competition has played an important role in Grameenphone's success.

High competition has led to decreasing prices and lowered entry barriers for new consumers. This, combined with the declining price of mobile hand-sets, led to a considerable growth of the potential market. The majority of new population segments reached by Grameenphone have been lower income consumers. This may have forced Grameenphone to roll out new services faster than it would have otherwise, in order to avoid devastating price competition. The expansion of services has seemingly been positive for the development of Bangladesh.

Summing up

Success factors in creating Grameenphone and affecting the overall development as discussed in this report can be summed up as follows:

- Foreign ownership in terms of knowledge and competence transfer, high level of investments at an early stage and regional know-how have been crucial.
- Telenor in particular has played a key role in providing sound policies, practices and experience from surrounding markets.
- Professional local management has been developed through extensive training programmes, hiring of local and foreign experts, and in pushing people up the organisational ladder.
- Competition in making Grameenphone roll out new services at an early stage.

It seems that the foreign ownership and Telenor in particular have been important success factors in building Grameenphone. This has been visible first and foremost through timely, large and risky investments in network infrastructure. But of significant importance is the transfer of know-how and competence in the form of practices, policies and key people.

The obvious successes of Grameenphone/Telenor in Bangladesh sticks out as a 'business-oriented aid' achievement for Norwegians to be proud of. The company's transparency policies are a catalyst for wider industry reform and for the purposes of this study, made information very accessible. The strict stance against corruption is setting an important precedent and the consequences of this will have positive repercussions throughout Bangladesh and wider region, in terms of further development and attracting foreign investment. Valid information contained in this study about how this success has been achieved ought to make old prejudices about foreign business involvements in countries like Bangladesh fade.

IV. Concluding Remarks

Grameenphone's Impact on the Development of Bangladesh

This study has responded to the question "How is Grameenphone contributing to the overall development of Bangladesh?" by looking at four dimensions of the impact on development: technological, political, financial and social. Extensive data from written sources and interviews revealed the overall impression that Grameenphone has played a significant role in the development of Bangladesh. The scale of the impact is hard to assess, but this paper has highlighted several indicators pointing towards Grameenphone as a pioneer in many respects. However, in relation to the Norwegian debate surrounding Grameenphone in Bangladesh that fuelled the initial curiosity to conduct this investigation, some aspects are more significant than others.

The professional leadership and management of Grameenphone and its good corporate governance practices are setting a standard for others to follow in relation to business practice and corruption. Transparency is a paramount value. This professionalism is operationalized through an extensive health, safety and environment (HSE) policy and a compulsory code of conduct, seemingly followed by the whole organisation. The impact from such practices are influencing the norms within the wider society and setting precedents. Furthermore it provides the government with advice and consultations on issues regarding the telecommunication industry and the broader business environment as a whole.

Partly as a consequence of professional management, the human resource management (HRM) has been and still is successful in developing local competence. Through the Telenor Development Programme, all Grameenphone employees are subject to training and professional development. Furthermore the company is offering grants for the education of employees' children. In a developing country, competence with management and technology, as well as general education, is seen as a crucial component for the development of a society.

The large and continuous investments in infrastructure, in conjunction with enhancements in local competence on construction and maintenance, are also important. The ability of a nation to produce and maintain components of important infrastructure is vital and highlighted by theory. By taking risk and pressing for a rapid infrastructural development Grameenphone has been a significant contributor in this sense.

But some questions are still to be addressed. Although Grameenphone is partly seen as a consulting partner to the regulators, the professionalism of the company could be utilised even further. Other industries and companies would without doubt benefit from management and leadership training from Grameenphone. This could be adapted to fit into a broader CSR programme. Seeing that parts of the CSR efforts are not aligned with the core business of the company, it is tempting to ask if such efforts could become reality in the future. The same also goes for utilising more of the technology competence in community related programmes with social aims.

Grameenphone's Current Impact Capabilities

The question of *ownership* has been the major issue in the Norwegian debate, as well as being briefly highlighted in the Bangladeshi opinion. This question ought to rationally be related to what sort of ownership will be most productive in securing the highest possible positive impact for the development of Bangladesh. This study has argued that Telenor both by itself and as a foreign owner seems to be playing an important role in the building of Grameenphone. But the particular importance of Telenor's ownership in building the professional organisation that makes the impact discussed above possible needs some further comments.

Telenor has transferred technology and management know-how and placed top, competent individuals in central positions. From there, local competence has been developed up to the level of top management. The result is a management team where 10 out of 12 are local. Grameenphone, led by this professional management team, has been provided with sound policies on business practice and development, and human resource management.

The external stakeholders to Grameenphone who were interviewed agreed that Bangladesh, for now, does not have the competence level required to compete in the international arena of telecommunications. Hence, foreign ownership is seen as necessary; all but one claimed that this would remain the situation over the foreseeable future. The same interviewee stated that the professional ownership from Telenor was important mainly because of the competence transfer they provide.

Moreover, the combination of local knowledge, foreign competence and transparency seems to be a crucial success factor. However, this combination would perhaps not have been as impressive, had the organisation not had considerable independent autonomy. Telenor has provided Grameenphone with this autonomy.

The Vision of the Great Synthesis

MICRO's vision of research that makes a difference in fighting poverty, by identifying the impact of different economic and development factors, particularly business-oriented aid, have been reinforced by the study of Grameenphone/Telenor in Bangladesh. There are several indications of a business policy and strategy that have contributed considerably to increasing domestic, economic and cultural power. It is tempting to apply one of the catch phrases of traditional state and charity aid – *empowerment*. Telenor, via Grameenphone, has significantly empowered the Bangladeshi society.

This article has only been able to scratch the surface of this business-and-aid 'fairytale', it has without question stimulated the desire to undertake a series of follow-up studies, in Bangladesh and elsewhere. There is an obvious need to identify to what extent the business activity in Bangladesh has produced specific learning effects. What other learning effects are produced by the constructive synthesis of economic growth and increased learning for intellectual and cultural independence?

Future research: Business Lessons for Development Aid?

This article would not be considered complete without reflecting upon some broader policy implications. Such implications may provide links between the business-oriented aid approach and development aid approach in the developing countries. With this in mind, two factors may provide important lessons for the Development Aid industry.

The first factor is that *competence* matters. Previous research (e.g. Welle-Strand, 1998) indicates that the development aid administration lacks competence for a successful implementation and evaluation of its education program strategies. Similarly, a study reported in this article illustrates how competitive advantage is gained on a basis of gradually increasing investments in human capital. Nowadays, competence tends to be a key word in becoming and indeed remaining successful in business, regardless of what type of industry – including the development aid industry.

The second factor is that *cultural awareness* matters. Any foreign organization, profit or non-profit oriented, operating in any part of the world will acknowledge the importance of recognising and respecting local cultures and traditions. This rhetoric about cultural awareness became a global phenomenon, especially for development-aid agencies. However, there are numerous examples which identify how 'experts' from 'more developed parts of the

world' are visiting 'less developed parts' and literally engaging in preaching 'best practice' with only a limited amount of knowledge of local culture and custom. This study illustrates how Grameenphone sustained its competitive advantage by being highly sensitive and adaptive to the local practices.

Based on the arguments above, further research related to competence production and local culture awareness is needed. It is assumed that the intriguing case of Grameenphone may provide a significant step forward in shedding light upon foreign owned business successes in the developing world. Moreover, knowledge about such business successes may provide a valuable contribution to research, in a field that used to be monopolized by the development aid agencies. The 'aid effect' of business success within developing countries may indicate a paradigm shift in understanding of what effective development aid is. Would anybody fear such a shift? The researcher of this paper certainly not, since the core business is to challenge existing paradigms and identify new ways of understanding social realities. The business companies probably would not either, since the aid effect is twined with profitable enterprise. Indeed, Grameenphone's *transparency* in providing access to information for this study suggests that businesses are motivated and very positive to this idea. And then the final, and perhaps most controversial question: are the State and NGO world of development aid ready to explore new aid strategies? The answer to this question remains to be seen. One may presume that no one would argue against engagement by the private sector in developing sustainable futures for the world's poorest.

Bibliography

- Aas, E. 2007. *Grameenphone – social development or pure business?* Paper read at MICRO – seminar, at Norwegian School of Management BI, Oslo.
- Barney, J B. 1995. Looking inside for competitive advantage. *Academy of Management Executive*, 9 (4), 49-61.
- Das, D K, Narayanan, K. 2005. Information and Communication technology (ICT) and India's Development: Achievements and Challenges ahead. *Journal of Services Research*, (Special issue December), 93-108.
- Grameenphone. 2007. *Grameenphone Official Site*. Grameenphone 2007 [cited 12.06 2007].

- Islam, B, Bhaveshananda, S. 2007. *Towards technology for wealth-creation*. Paper read at Siliconindia, 2007/04/.
- Pepall, L, Richards, D J, Norman, G. 2005. *Industrial organization: contemporary theory & practice*. Mason, OH, Thomson/South-Western.
- Porter, M E. 1998. *On competition*. Boston, MA, Harvard Business School.
- Porter, M E, Kramer, M R. 2002. The Competitive Advantage of Corporate Philanthropy. *Harvard Business Review*, 80 (12), 56-69.
- Roller, L-H, Waverman, L. 2001. Telecommunications Infrastructure and Economic Development: A Simultaneous Approach. *The American Economic Review*, 91 (4), 909-923.
- Shleifer, A, Vishny, R W. 1993. Corruption. *The Quarterly Journal of Economics*, 108 (3), 599-617.
- Sullivan, N P. 2007. *You can hear me now: connecting the world's poor to the global economy*. San Francisco, CA, Jossey-Bass.
- UNESCO. 2007. *Statistics in brief – UNESCO*. UNESCO Institute of Statistics 2005 [cited 20.06 2007]. Available from http://stats.uis.unesco.org/unesco/TableViewer/document.aspx?ReportId=121&IF_Language=eng&BR_Country=500&BR_Region=40535.
- Valletti, T M. 2003. Is Mobile Telephony a Natural Oligopoly? *Review of Industrial Organization*, 22 (1), 47-65.
- Welle-Strand, A. 1998. *Educational Evaluation in Norwegian Development Aid*. Stockholm, Institute of International Education, Stockholm University.
- Welle-Strand, A, Molden, L. 2007. Grameenphone and Telenor affecting Bangladeshi Socio-Cultural Development – Pride and Prejudice. In: *Studies in Development Management*, No 1, Oslo, Norwegian School of Management BI. MICRO.

Anne Welle-Strand is Professor at the Norwegian School of Management BI. She is currently the director of MICRO – Centre for Developing Studies and Microfinance and CEM – Centre for Education Management Research. She has been working in the field of development aid for many years as a practitioner and a researcher. After graduating from the University of Oslo she did her PhD and post.doc within development and education at the University of Stockholm. Her main research interests are the relationship between development management, cultural impact, political reform, economic thinking, learning and education, environment effects and sustainable development. She has been a visiting scholar at Hong Kong University, Xiamen University, University of Western Cape and Stanford University. Anne Welle-Strand holds a Chair in Development Studies and Microfinance.

email: anne.welle-strand@bi.no