The social responsibility of business is to increase profits.


Corporate social responsibility is not an occasional activity. It is not like visiting a mausoleum once a year, or hearing a church sermon every Sunday. It has to be completely integrated with the corporation’s business function.

Muhammad Yunus, Managing Director of the Grameen Bank, in a personal interview (May 2, 2001).

The mobile phone is like a cow. It gives me “milk” several times a day. And all I need to do is to keep its battery charged. It does not need to be fed, cleaned, and milked. It has now connected our village with the world.

Parveen Begum, owner and sole dispenser of mobile telephony services in Village Chakalgram, Savar Thana, Bangladesh, in a personal interview (May 2, 2001).

I want my fellow Americans to know that the people of Bangladesh are a good investment. With loans to buy cell phones, entire villages are brought into the information age. I want people throughout the world to know this story.

U.S. President Bill Clinton in an address during his meeting with members of the Village Phone Project in Dhaka, Bangladesh in March, 2000.

The present article investigates the mobile telephony operations in Bangladesh of Telenor, the leading Norwegian telecommunication company. Telenor has forged a business and strategic social change partnership with the Grameen Bank, one of the best known development organizations in the world. A historical background on Telenor’s involvement in Bangladesh is provided. Telenor’s business and social accomplishments in Bangladesh are presented, highlighting how a corporation can pursue multiple bottom lines.
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Telenor Goes to Bangladesh

How did Telenor get involved in Bangladesh? To fully answer this question, a little background on the Grameen Bank operations in Bangladesh is useful. The Grameen (rural) Bank, founded in Bangladesh in 1983 by Professor Muhammad Yunus, is a system of lending small amounts of money to poor women so that they can earn a living through self-employment. No collateral is needed, as the poor do not have any. Instead, the women borrowers are organized in a group of five friends. Each group member must repay their loan on time, while ensuring that other group members do the same, or else their opportunity for a future loan is jeopardized. This delicate dynamic between “peer pressure” and “peer support” among Grameen borrowers is at the heart of its widespread success (Yunus, 1999). By December 2001, the Grameen Bank loaned money to about 2.4 million poor women borrowers, and had an enviable loan recovery rate of 95 percent. The idea of micro-lending, based on the Grameen Bank experience, has spread throughout the world, and has everywhere proven effective in gaining a high rate of repayment of the loans.

In the mid-1990s, the Grameen Bank began discussions with various mobile telephony operators around the world, including Telenor, to accomplish its vision of placing one mobile phone in each of the 68,000 villages of Bangladesh. At that time, there was one telephone in Bangladesh for every 400 people, representing one of the lowest telephone densities in the world. There was virtually no access to telephony services in rural areas, where 85 percent of Bangladesh’s 130 million people lived. Professor Yunus realized that while it was not possible for each rural household to own a telephone, it was possible through mobile telephone technology to provide access to each villager. To operationalize his vision, Professor Yunus established a non-profit organization called Grameen Telecom.

Telenor CEO Tormod Hermansen was intrigued by Professor Yunus’ idea of the village telephone, and believed that Bangladesh, given it only had 500,000 fixed line telephones in urban areas, presented a significant business opportunity for Telenor. Mobile telephony services could address the large unmet demand for telephony in Bangladesh, where the waiting period for a private fixed line connection was ten years. While there were significant “first-mover” advantages to be gained, the business risk was extremely high, given the unpredictable nature of Bangladesh’s political and regulatory environment. Telenor had previously never conducted business in a developing country in Asia, and Bangladesh seemed aeons away from Norway. While Mr. Hermansen’s top advisors were “torn” about whether or not to foray into Bangladesh, Mr. Hermansen was enthusiastic, and provided patronage for the project to move forward.

So, in 1996, Telenor and Grameen Telecom formed a joint venture company called GrameenPhone Ltd (GP). Telenor provided 51 percent of the equity investment, Grameen Telecom provided 35 percent, Marubeni of Japan provided 9.5 percent, and GrameenPhone’s growing mobile telephony network in the country, and its financial viability, helps the Grameen Telecom’s Village Phone Project to piggyback on it.

GrameenPhone sells air time in bulk to Grameen Telecom to re-sell it to members of Grameen Bank in villages. The eventual goal is for one Grameen borrower in each of the nation’s 68,000 villages to become the “telephone lady” for her village. Some 10,000 villages have been covered until February 2002. The village telephone lady operates a mobile pay phone business, with the cheapest cellular rate in the world: 9 cents per minute during peak hours and 6.7...
cents in the off-peak. Her “mobile” presence means that all village residents can receive and make telephone calls, obviating the need to install expensive large-scale telephone exchanges and digital switching systems.

**Strategic Importance of GrameenPhone**

The Telenor – GrameenPhone venture is of tremendous strategic importance to Telenor for at least two compelling reasons:

1. **GrameenPhone was a majority stake, start-up venture for Telenor**, as opposed to it purchasing a minority holding in an already established telecommunications business venture (as is the case with Telenor’s involvement in Thailand and Malaysia). So Telenor was involved in launching GrameenPhone from day one, thus experiencing the full gamut of pioneering experiences.

2. **The Bangladesh venture, metaphorically speaking, was as “distant” as could be from Telenor’s past business ventures.** Here was an established, affluent, Norwegian corporation, on the cutting-edge of telecommunications technology, adept at doing business in a stable political and regulatory environment, and in a country where the telephone density is the highest in the world, establishing a business venture in a far-away, fledgling, underserved and underserved Bangladeshi market, where the telephone density is about the lowest in the world, and the political and regulatory environment is relatively unstable. When one adds to this the social and cultural “distance” between Norwegians and Bangladeshis, one realizes this venture was bound to yield significant new learnings for Telenor.

**Multiple Bottom Lines**

Telenor’s involvement in the GrameenPhone mobile telephony project in Bangladesh has yielded an impressive list of business and social accomplishments:

**Market Penetration and Return on Equity**

- As noted previously, GrameenPhone’s subscription has more than doubled each year to reach 500,000 subscribers by December, 2001, which represents the biggest subscriber base and coverage of any mobile telephony operator in Bangladesh, and in the entire South Asia region. Mobile telephony users^5^ (650,000) in Bangladesh in December 2001 outnumber the country’s fixed-line telephone subscribers (590,000).

- GrameenPhone earned a profit in both 2000 and in 2001 and is strategically positioned in 2002 for “explosive” growth. The company’s market value now, estimated by its management at a modest $600 to $800 per subscriber, is $300 to $400 million (U.S.). These numbers suggest that GrameenPhone’s present value to Telenor is about six to seven times its majority (51 percent) equity investment of $40 plus million.

**Contribution to the Bangladesh Economy**

- **GrameenPhone**, to date, has invested $160 million in Bangladesh, making it the largest foreign private investor in the country.

- GrameenPhone has to date contributed $75 million to the national treasury of Bangladesh in the form of new telephony tariffs, license fees, fees for leasing of the fiber-optic line, and other such receivables.

- By February 2002, GrameenPhone has directly created about 600 jobs (its employee strength) internally and 10,000 jobs externally in 10,000 Bangladeshi villages through the Village Phone Project of Grameen Telecom.

**Service Provision in Unserved and Underserved Areas**

- The 10,000 village-based mobile phones, leased or purchased by women members (also called “village telephone ladies”) of the Grameen Bank through a loan, serve 18 million rural inhabitants, who previously did not have access to telephony services. By the end of 2004, the number of village phones will likely increase to 40,000, serving an estimated 75 to 80 million rural inhabitants, about two-thirds of the entire Bangladesh population.

- The village phones, on average, generate 3–4 times more revenues for GrameenPhone than an individual use city/township subscription.

- The village telephone ladies, on average, make $70 to $80 per month of net profit from selling mobile telephony services in rural areas, which amounts to three times the per capita GNP of Bangladesh.

- In overall terms, the Village Phone Project (VPP) makes telephony services accessible and affordable to poor, rural Bangladeshis, spurs employment, increases the social status of the village telephone ladies, provides access to medical and other services, and represents a tool to communicate with family and friends within Bangladesh and outside. Studies indicate that the VPP has had a tremendous positive economic impact in rural areas, creating a substantial consumer surplus, and immeasurable quality-of-life benefits (Richardson et al., 2000; Bayes et al.,
For instance, the village phone now obviates the need for a rural farmer to make a trip to the city to find out the market price of produce, or to schedule a transport pick-up. The village phone accomplishes the task at about one-fourth the transportation costs and almost instantaneously (as compared to the hours of time it can take to make the trip), serving as a boon to the rural poor.

Gains in Intellectual and Structural Capital
What gains in intellectual and structural capital have accrued to Telenor through its involvement in GrameenPhone?

Pioneering Experience in Uncharted Markets
- Reaching out to a relatively underserved and unserved telecommunications markets, while relatively risky for an organization like Telenor, is a viable business proposition especially if it wishes to expand operations geographically, and pioneer in gaining new business competencies. Being an early entrant in the field of mobile telephony in a relatively underserved and underserved telecommunications market bodes well for Telenor to maintain its dominant market leader position in Bangladesh, and to forge new opportunities elsewhere.

Rethinking Benchmarks
- Telenor has learned that conventional European benchmarking for estimating market potential – using measures of per capita GNP or Western patterns of telecommunications traffic – may be inappropriate or at least inadequate in the Asian context. In Bangladesh, for instance, people spend a much higher percent of their disposable income on telephony than in Western countries. Also, Asian cultures, by virtue of their “collectivistic” orientation and extended kinship structures, spur more frequent telephone talk between family members and friends, and for extended durations.

Teleaccess Business Models
- In relatively underserved and unserved telecommunications markets, business potential should be evaluated not just on the basis of teledensity (or potential ownership) but also on teleaccessibility (or potential for providing access to those who cannot afford to own a subscription), as evidenced by the large reach of the Village Phone Project.

Choice of Partner
- In relatively “uncharted” markets or new geographies, it is of critical importance to choose a suitable local partner who adds long-term complementary value. Telenor’s major partner in Bangladesh is Grameen Telecom, a non-governmental organization floated by the internationally-acclaimed microlending institution, Grameen Bank, which has 2.4 million borrowers in 41,000 of the 68,000 Bangladeshi villages. In Bangladesh (and overseas), “Grameen” has tremendous brand equity by virtue of its widespread success in poverty alleviation, empowerment of rural women, and its well-known credo that “good development is good business” (the slogan of the Village Phone Project).

Many in Bangladesh feel that the “Grameen” brand is far more recognized in Bangladesh than even Coca Cola! So branding the new venture “GrameenPhone” brought instant credibility to Telenor’s business venture in Bangladesh. Also, Telenor’s partnering with Grameen Telecom made possible the Village Phone Project, whereby Grameen Bank borrowers who take loans to lease or purchase the mobile telephone sets now settle their monthly telephone bills through the bank workers. The already existing village-based loan disbursement and repayment infrastructure of the Grameen Bank allows for handling the logistics of the Village Phone Project at a very small, additional marginal cost. As noted previously, while the Village Phone Project represents some 10,000 subscribers (2 percent of GrameenPhone’s 500,000 subscribers), and a relatively small percent of its revenues (6 to 8 percent), it yields very high social impact in terms of reaching 18 million rural Bangladeshis who previously did not have access to telephony services, resulting in significant quality-of-life enhancements for them.
In an “uncharted” market or “new geography”, a local partner can also play a significant role in familiarizing an organization like Telenor with the various political, regulatory, social, and cultural uncertainties, and helping to cope with them.

Two-Way Learning
- Telenor’s foray into Bangladesh has not been a one-way flow of capital, technology, and organizational structures from Norway to Bangladesh. Rather, technology-transfer, knowledge sharing, and capacity building have occurred in both directions, accruing significant benefits for Telenor. Telenor has helped create a corporate culture at GrameenPhone that is perceived by its Bangladeshi employees as being democratic, relatively non-hierarchical, merit-based, and gender-sensitive. Also, Telenor pioneered in Bangladesh the idea of integrating health, safety, and environmental issues in its business practices: For instance, it has immunized all its employees against the Hepatitis-B virus, and fields a doctor in its corporate office who provides medical consultation to employees and regularly conducts training programs on occupational and health safety. In turn, employees of GrameenPhone in Bangladesh have pioneered several operational innovations in Bangladesh that hold tremendous value for Telenor in its greenfield companies and other established markets. For instance, the Customer Relations Division of GrameenPhone, in-house, developed software that cuts down the customer phone activation procedure from 19 computer keystrokes to two keystrokes. This innovation has significantly enhanced employee productivity, obviating the need for hiring additional personnel. One employee can now activate up to 2,000 telephone subscriptions a day, as compared to a paltry 150 previously. Telenor is presently sharing this GrameenPhone customer activation software, through a CD-ROM, in other geographies.

Human Resources for a Global Marketplace
- Over 50 Telenor officials have spent varying periods of time in Bangladesh, gaining invaluable experience in living and conducting business in a foreign nation’s political, regulatory, bureaucratic, social, and cultural environment. Such experiences, laced with all kinds of uncertainty, adjustment, acculturation, and new learnings, contribute significantly to a corporation’s human resources in a global playing field.

Lessons for Business and Corporate Social Responsibility
In addition to an impressive list of commercial and social accomplishments in Bangladesh, tremendous public relations and promotional benefits accrue to Telenor by cooperating with the Grameen family of companies, which represent an icon of development organizing to the outside world. When the world’s leading agenda-setter, the U.S. President (at that time, Bill Clinton) visits with the village telephone ladies in Bangladesh and hails the integrated business and social aspects of their venture (as expressed in the statement listed at the top of this case study), mass media, policy-makers, corporations, and the public all over the world take notice.
Specifically, Telenor’s foray into Bangladesh highlights the following lessons for its business and corporate social responsibility functions:

#1 Sound business means subscribing to multiple, co-existing, and mutually-reinforcing (win-win) bottom-lines, which also implies acting as a socially responsible corporation. In Bangladesh, Telenor’s multiple bottom-lines included:

- Meeting commercial interests in terms of revenues, profits, and growth.
- Meeting social cause-related interests in terms of serving unserved and underserved markets nationally, and also serving poor, rural, illiterate inhabitants who are traditionally excluded from traditional markets (thus overcoming the digital divide).
- Gaining substantial amount of experience in overseas operations by doing business in a “distant” geography and an unfamiliar market, which helps build intellectual and structural capital for future ventures.
- Gaining in “image” and “prestige” by partnering in a unique commercial and social experiment with an internationally acclaimed branded local partner, the Grameen Bank. The “value” of endorsements from such world luminaries as U.S. President Bill Clinton, or the “value” of the GSM Community Award bestowed on the Village Phone Project during the GSM World Congress in Cannes, France, in 2000, are hard to gauge in pure economic terms, pointing to the value of recognizing multiple bottom-lines.

#2 Corporate social responsibility does not mean merely “showcasing” one initiative (such as the Bangladesh case), but rather integrating CSR as a competitive asset in all business ventures. Hence, true corporate social responsibility means integrating all business functions with a social imperative, and measuring the effectiveness of the CSR function not just by what Telenor has achieved to date in Bangladesh, but what more can it achieve in the long-term.

At the present time, Telenor’s operations in Bangladesh have centered around only one of its core competencies, i.e. mobile telephony. However, every aspect of Telenor’s business (Internet services, communication satellites for narrow and broadband services, interactive Web-based services, cable television, telemedicine, fixed and mobile telephony services, and others) holds a strategic business potential in Bangladesh, and in other developing country markets. How can this business potential be tapped and leveraged in new geographies?

Telenor’s well-established partnership with the Grameen Bank – which has launched several new information technology companies such as Grameen Telecom, Grameen Communications, Grameen Software, Grameen Cybernet, Grameen Shakti (power), and others – positions Telenor, like no other corporation in the world to experiment with new initiatives in E-health, E-education, E-commerce, E-banking, and other services that may have a long-term business as well as a social function. For instance, GrameenPhone’s has 1,800 kilometers of available optical fiber (leased from Bangladesh Railways), which to date has been barely utilized. Can Telenor leverage its relationship with the Grameen family of companies to develop new business ventures with a social imperative?

To profit further on the lessons learned, should Telenor seriously consider looking at Bangladesh as the prime location for establishing an independent R&D and/or a Business Develop-
ment Center, mainly hiring talented Bangladeshi personnel to experiment with new initiatives in E-health, E-commerce, E-education, E-banking, and other need-based applications to establish ventures in one of the most “unserved” and “underserved” world markets? With its existing physical presence in Bangladesh through GrameenPhone, an already established relationship with a branded local partner in the Grameen Bank, and a tremendous base of already-gained intellectual and structural capital, can Telenor be at the forefront of developing new products and services which can be economically viable and also address the needs of unserved and underserved markets of Asia, Africa, and Latin America? Could Telenor, for instance, in association with the Grameen family of companies, experiment with the synergies that arise from the presence of credit (provided by Grameen Bank), connectivity (provided by GrameenPhone), and energy (provided by Grameen Shakti through solar panels) in unserved and underserved markets? With the microcredit movement growing by leaps and bounds around the world, and with the Grameen family of companies leading this march (Grameen replication efforts are now underway in over 75 countries), could Telenor position itself for new market opportunities as no other corporation?

In summary, Telenor’s mobile telephony operations in Bangladesh in co-operation with the Grameen system suggest that a corporation can strategically pursue multiple bottom lines. It does not imply that such a success story is always a clear and neat result of plans and detailed oversight. On the contrary, new options and innovative entrepreneurship do also imply trials and errors and new and uncommon problems to solve. None the less, Telenor’s operations in Bangladesh, especially the strategic integration of business and corporate social responsibility functions, have resulted in an exemplary first mile in a long marathon race. Will Telenor consider running the full race?

References


Endnotes
1) We thank the following individuals who helped us in implementing the present project: Tormod Hermansen, CEO of Telenor; Beth Tungland, Senior Vice President, Telenor’s Corporate Social Responsibility function; Marit Reutz, Director, Telenor Corporate University; Sigve Brekke, Managing Director, Telenor Asia; Ola Ree, Managing Director of GrameenPhone; Professor Muhammad Yunus, Managing Director of the Grameen Bank; Mr. Khalid Shams, Deputy Managing Director of the Grameen Bank; Syed Yamin Bakht, Additional General Manager of Information, GrameenPhone, and various others.

2) Our data-collection procedures consisted of (1) extensive archival research, including reading of various evaluation reports on the GrameenPhone project (for instance, the Richardson et al., 2000;
and the Bayes et al., 1999 reports); books written on the Grameen Bank, including Professor Muhammad Yunus’ (1999) book, Banker to the Poor, and others; (2) in-depth interviews at Telenor AS, Norway with key individuals involved in the planning and implementation of the Telenor-GrameenPhone project in Bangladesh, and with their Bangladesh counterparts, including Professor Muhammad Yunus, Managing Director, and Mr. Khalid Shams, Deputy Managing Director of Grameen Bank; (3) a two-week field visit to Bangladesh for observation of, and in-depth interviews with key principals at GrameenPhone and the Village Pay Phone projects of Grameen Telecom. Our above field-based activities in Bangladesh yielded about 30 in-depth taped interviews, several volumes of field-notes, and over 250 photographs.

3) By December 2001, there is one telephone in Bangladesh for every 200 people, largely as a result of Telenor-GrameenPhone’s mobile telephony operations.

4) Several middle and senior managers at Telenor continue to be worried about the sustainability of the GrameenPhone initiative. For the GrameenPhone business to continue growing, large capital investments are continually needed. In 2001, Telenor’s other equity partners in GrameenPhone (Grameen Telecom, Marubeni, and Gonofone) were unable to raise their share of the new investments, which put Telenor in the awkward position of somehow raising (through credit) the needed funds at the last minute.

5) Some 150,000 mobile telephony users are served by other competitors of GrameenPhone.