COLLABORATIVE VALUE SHARING BETWEEN PROFIT AND NONPROFIT PARTNERS IN EMERGING MARKETS:

THE CASE OF GRAMEENPHONE IN BANGLADESH

Master of Arts in Law and Diplomacy Thesis

Submitted by Sajedul (Pavel) Hoq

Thursday, April 23, 2009

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TUFTS UNIVERSITY

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Acronyms

ADB	Asian Development Bank
ADS	American Depository Shares
ARPU	Average Revenue Per User
BDT	Bangladesh Taka (National Currency of Bangladesh)
BTCL	Bangladesh Telecommunications Company Limited
BTRC	Bangladesh Telecommunication Regulatory Commission
BTTB	Bangladesh Telegraph and Telephone Board
CC	Collaboration Continuum
CDC	Commonwealth Development Corporation
CEO	Chief Operating Officer
CSR	Corporate Social Responsibility
CVC	Collaboration Value Construct
DSE	Dhaka Stock Exchange
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
GP	GrameenPhone
GTC	Grameen Telecom
IFC	International Finance Corporation
IPO	Initial Public Offering
MOPT	Ministry of Posts and Telecommunications
MoU	Memorandum of Understanding
Nasdaq	National Association of Securities Dealers Automated Questions
NGO	Non-Governmental Organization
NOK	Norwegian Kroner
Norad	The Norwegian Agency for Development Cooperation
PER	Price to Earnings Ratio
PSTN	Public Switched Telephone Network
RAB	Rapid Action Battalion
SEC	Securities and Exchange Commission
VAT	Value Added Tax
VP	Village Phone
VPO	Village Phone Operator

Abstract

Cross-sector partnerships are increasingly gaining popularity as consumers become more aware of responsible business practices. In the course of following the advanced economies of the world, emerging market economies are also experiencing trends of partnerships between business and nonprofit sectors. For emerging markets, such partnerships provide additional values by filling the gap between the government's capacity and the country's economic and infrastructural needs.

This study examines the cross-sector value sharing between a nonprofit and a business entity operating in Bangladesh through a number of case studies. GrameenPhone, a partnership between Telenor, a business corporation from Norway and Grameen Telecom (GTC), a nonprofit organization in Bangladesh, has been selected for this research as this partnership has become popular around the world for its success and, recently for a few of its disputes. To structure the research the study utilizes the analytical frameworks developed by Harvard Business School Professor James E. Austin. It uses the Collaboration Continuum framework to analyze how the partnership was formed and what the partner's relative positions are now. Then, this study uses the Collaboration Value Construct framework to evaluate the partnerss value sharing and evolution as a partnership.

After thorough research and theoretical analysis, this study reports its findings, comments on the trends and attempts to answer the thesis question. It finally ends with citing the limitations experienced in the course of the investigation and recommendations for future research on the findings and related theoretical topics.

1 Introduction

As consumers worldwide become more and more aware of responsible business practices, we increasingly see cause related marketing and partnership between businesses and nonprofits. Examples of such alliances can be readily found in the west. CARE, a leading international humanitarian organization partnered with Starbucks Coffee when Starbucks was still a relatively new company. CARE runs relief and development projects globally and has presence in the regions where Starbucks sources its coffee from. Starbucks realized that this partnership would put a human face to the business and have a positive impact on its brand image. CARE, on the other hand, realized that Starbucks could offer instant and permanent visibility of the CARE brand through its retail outlets around the globe and could help spread its mission and messages (Austin J. E., 2000). So, their partnership resulted in mutual benefit and creation of business value that did not exist for them before.

As emerging market economies climb through different phases and follow the more advanced economies of the world, we start seeing similar trends of cross-sector collaboration in emerging markets. Such partnerships provide additional value to an emerging market economy reducing economic and infrastructural load on the government which, in many cases, is short of such resources. Differences in sociopolitical and economic conditions add further dimensions to such alliances. In all of these cross-sector collaborations, the glue that holds the partners together is the mutual sharing of value as an outcome of such a partnership. The sense of added benefit brings one party closer to the other and vice versa.

This thesis looks at the collaborative value sharing between entities from two sectors in the context of an emerging market. Using already established frameworks for analyzing collaboration value, we discuss a specific cross-sector partnership from an emerging market economy. We then analyze

selected aspects of that partnership through a number of case studies. Finally we draw elements from the case studies and relate and compare them to the value sharing framework.

We first briefly discuss the background and motivation of this research in chapter two of this thesis. In chapter three, we look at existing literature and research on the central and related topics of this study. Then, in chapter four, we describe the frameworks in the context of our discussion. In chapter five, we describe the methodology we use. Chapter six of this thesis consists of our case studies and analysis based on the frameworks. Finally, in chapter seven, we discuss and compare our findings, their implications, limitations and recommendations and then draw closure of our research.

2 Background and Motivation

One of the main purposes of this study is to bring a different perspective to the discussion of the role of businesses on development, especially when a corporation partners with an NGO or government to take part in the common mission of social or economic development. Such partnerships are relatively new in the market and appear implausible at first glance given that corporations focus on monetary profits while nonprofits and governments do not operate with a profit motive. Yet as outlined in the introduction, corporations are realizing that they can enjoy gains from these partnerships such as enhancing their positive image, while nonprofits are more than happy to enjoy the advantages a corporate partner can bring in terms of resources and expertise. Thus partnerships and alliances between entities seemingly opposite in nature are becoming more common as both reap benefits together that they could not have achieved by themselves.

There were two primary sources of inspiration that helped narrow down the focus of the research and identify the region and specific partnership that we will be concentrating on. First, GrameenPhone (GP), a partnership between a nonprofit and a business, has been much discussed all over the western world and especially in the academic community for its operation and proclaimed success in Bangladesh. Second, following the award of the Nobel Peace Prize 2006 to Dr. Yunus and Grameen Bank, there has been a heated public debate both in Norway and Bangladesh about the business partner of the cross-sector partnership, Telenor's ownership in GrameenPhone, which we will come back to later in the study.

So, for the purpose of this study, Bangladesh has been identified as the emerging market backdrop and GrameenPhone is our subject for cross-sector collaboration discussion. We later identify a set of partnership attributes of this alliance to be used in our case study analysis.

2.1 Research Question

From the discussion above and the motivation to study the success of cross-sector alliances, the question we try to answer in this thesis is: *how effective has the collaborative value sharing between a business and a nonprofit in an emerging market been?*

To answer this question, we look at the case of GrameenPhone partnership in Bangladesh. This is a collaborative effort between Telenor of Norway, a for-profit telecommunication business, and Grameen Telecom (GTC) of Bangladesh, a nonprofit sister company of Grameen Family of Companies. A systematic discussion of this partnership using the value sharing frameworks provides us with a good understanding of such alliances in transition economies. It also helps us identify if any part of the collaboration between sectors needs further analysis and discussion.

3 Literature Review

This section presents briefs descriptions of topics and concepts related to this research. It should help the reader understand the context and peripheral concepts of the discussion. This is done through a thorough investigation of the research and theories on these topics. To put our discussion in the right perspective, we discuss the concept of cross-sector alliance and the research done on this topic, followed by descriptions of nonprofit and private sectors in Bangladesh. Finally, we discuss the condition of the cellular phone market in Bangladesh.

3.1 Cross-Sector Alliance

Cross-sector alliance is a partnership between two parties from different sectors of the economy toward a common goal or a mutually beneficial outcome that enhances each of the entity's individual performance and output. In recent years, businesses have increasingly shown interest in partnering with nonprofits and the NGO sector (Berger, Cunningham, & Drumwright, 1999). Alliances can be among individuals, business, institutions and governments. However, this study focuses only on cross-sector alliances between nonprofit and private sector entities. Such collaborative partnerships are particularly appealing to the parties involved because of their flexible nature and inherent potential. Corporations who are leading the path of cross-sector alliances realize how social perception about them affects their bottom line. They utilize their business operation to allow them to fulfill their social mission more effectively (Sagawa & Segal, 2000).

Significant amount of research has been done on cross-sector alliances by a number of scholars and intellectuals. Some have solidified the foundation of the concept by defining attributes and elements of such partnerships. Others have provided well structured frameworks to evaluate and classify these partnerships. Scholar Easwar Iyer points out in his research that the strength of a cross-

sector alliance lies in how the partners utilize their strengths and compensate for their weaknesses (Iyer, 2003). According to another renowned scholar of the subject, Harvard Business school professor James E. Austin, cross-sector alliances are extremely flexible and dynamic (Austin J. E., 2000). Professor Austin also developed frameworks to show the different phases through which such partnerships evolve and the ways to evaluate the value exchange between partners. He illustrates that not only are partners in a cross-sector alliance unique in their individual goals and missions; they also have unique ways to adapt and evolve in the partnership to create value for and meet the needs of both partners.

The last few decades have seen tremendous growth in consumerism and demand for goods and services. With this shift came the growth in the business sector, and the nonprofit sector to some extent. Increased competition in the manufacturing and service sector combined with higher level of consumer education has led to a market environment where businesses started seeing value in partnering with social organizations. Alliances usually form with an expectation that it will produce benefits for all parties involved. Incentives to the private sector often differ from the incentives to the nonprofit sector. The benefits usually take the form of strategic positioning, brand identity, knowledge transfer, or economic value and often amount to more for each party than they would have produced separately.

Cross-sector alliance allows the private sector to reach a larger consumer base that includes consumers drawn to the private sector partner because of its partnership with the nonprofit. Technology and modern market structure allows businesses to reach for a much larger group of consumers. A cross-sector partnership that portrays the business as socially responsible more often allows the business to draw more customers from that larger group. This is why aware businesses these days factor the cost of social role and responsibility in their business models. A study conducted by researchers Sandra Waddock and Samuel Graves revealed that strong social involvement by

corporations resulted in an overall stronger financial valuation of the corporation (Waddock & Graves, 1997). Nonprofit organizations often have special demographic or cultural information about their specific market. A corporation can have access to such information by partnering with that nonprofit and thus improve market share through efficient consumer targeting (Business for Social Responsibility, 2001). In the frameworks developed by Professor Austin, he has identified improved employee morale, employee retention and increased organizational productivity as incentives for corporations to participate in cross-sector collaborations (Austin J. E., 2000).

Motivation for a nonprofit organization to enter a cross-sector alliance is generally to promote its social mission further. As the nonprofit sector evolved, its relative role as a sector in the economy has changed. Cross-sector alliances usually bring the nonprofit a revenue source and allow it to reduce its dependency on public funding (Austin & Reficco, 2005). Nonprofits use such partnerships as leverages to promote their global cause (Galaskiewicz & Colman, 2003). Additionally, such alliances allow nonprofits to have a positive influence on the partner corporation. Another important incentive for a nonprofit partner is that it benefits from knowledge transfer between sectors. Nonprofits specially benefit by learning about efficiency and operational models from the private sector (Business for Social Responsibility, 2001, p. 18).

3.2 Private Sector in Bangladesh

Private sector can be simply defined as “that part of a nation’s economy which is not controlled by the government” (InvestorWords). However, this definition does not elaborate on the extensive reach of this sector. Private sector can encompass traditional business ventures and exports and imports to providing services such as education and health, areas that are generally thought to belong to the public sector. In developing countries where the government has weak infrastructure and limited

resources, the private sector can take over a huge slice of the economy. And in this regard, Bangladesh is no different.

The development of Bangladesh's private sector struggled in part due to the nation's tumultuous birth. Before Bangladesh gained independence from Pakistan the entrepreneurial class consisted mostly of non-Bengalis (Sobhan, 2002). As Sobhan states,

> *"In such areas as banking, insurance, ocean shipping, inland water transport, foreign aid interwing trade, domestic wholesale trade and even large retail establishments, private business activity was largely dominated by non-Bengalis. On the eve of the surrender by the Pakistani army… there was a wholesale withdrawal of this non-Bengali business class from Bangladesh…. banks, insurance companies, most of the mercantile economy lay abandoned. This served to dry up the very lubricants which service the dynamics of an economy."* (Sobhan, 2002, p. 3).

Sobhan goes on to elaborate that due to this vacuum, the government of Bangladesh had to assume control of these abandoned industries and the size of the public sector infiltrated into areas traditionally under the private sector.

The beginning of privatization policies came about as the newly state-owned industries began to suffer due to lack of experience and resources of the government. Subsequent changes between political parties within the government of Bangladesh pushed for further privatization in varying degrees. This progression was combined with the western ideology of the 1980s of promoting privatization and donor agencies pushing for privatization embedded in their stipulations. As an example Sobhan notes,

> *"The World Bank, as in 1990, introduced conditionalities to privatize those jute mills, formerly owned by Pakistanis, but still under the Bangladesh Jute Mills Corporation. This was part of a wider set of conditionalities imposed by the World Bank on the government of Bangladesh."* (Sobhan, 2002, p. 10).

Since the independence of Bangladesh, its private sector has grown exponentially. Now, in many cases it offers services traditionally provided by public sector. The private sector has infiltrated not only

education and health services but power and communication as well. Power Development Board is one such example. As Sobhan writes, “Power distribution still remains in the public domain but in some areas, on an experimental basis, power distribution has been privatized into the hands of either some private agents or a collective of Power Board employees.” (Sobhan, 2002, p. 11).

Today, the private sector continues to thrive in Bangladesh. According to the 2007 Board of Investment report, “Goldman Sachs considered Bangladesh as one of the Next-11 emerging economies after BRIC (Brazil, Russia, India & China).” (Board of Investment, Bangladesh, 2007, p. 21). The report goes on to state several reasons behind Bangladesh’s success in the growth of its private sector. It cites that Bangladesh has a conducive investment climate, good investment statistics, ease of private investment registration and import of capital machinery. There has also been growth in manufacturing and private investment has increased as a percentage of GDP. There have been increases in employment opportunities and also continued interests of foreign investors (Board of Investment, Bangladesh, 2007).

However it seems that there is a flip side to this story as well. According to an Asia Foundation study, the private sector in Bangladesh is not without its share of problems. Some of the reasons for barriers to growth in the business sector include poor governance, rampant corruption, lack of law and order, regulatory burdens in establishing businesses and poor physical infrastructure. In addition, business development services such as vocational training are not widely available, it is also difficult to obtain credit for starting up small businesses and lastly women-owned businesses are rare (Weiser & Wiebe, 2003).

Bangladesh’s private sector and its growth seem to have its detractors and defenders. But what is undeniable is that if the political situation remains stable and infrastructure and law and order are

persistently improved, the private sector will not only continue to grow, but its growth will be robust and beneficial to the overall economy of Bangladesh.

3.3 Nonprofit Sector in Bangladesh

In the last few decades, the nonprofit sector has seen historic growth worldwide. In the United States alone, approximately 1.4 million nonprofit organizations are registered with the IRS as of 2007 (National Center for Charitable Statistics, 2007). The tremendous growth of this relatively new sector can be attributed to the fact that the demands on the business sector and the government sector grew too large and the nonprofit sector found itself addressing important issues that the other entities could not address efficiently.

What makes discussing the nonprofit sector somewhat difficult is that there is no easy way to clearly define and identify organizations in this sector. The characteristics of nonprofit organizations are fluid and adaptive to the needs they address. According to United Nation's Handbook on Nonprofit Institutions in the System of National Accounts:

> *Non-profit institutions are legal or social entities created for the purpose of producing goods and services whose status does not permit them to be a source of income, profit, or other financial gain for the units that establish, control or finance them. In practice their productive activities are bound to generate either surpluses or deficits but any surpluses they happen to make cannot be appropriated by other institutional units.* (Johns Hopkins Center for Civil Society Studies, 2002, p. 12).

Generally a nonprofit organization exists and operates solely to promote its mission of social, economic, environmental or human wellbeing and do not generate profit or personal financial gain. So, it is clear that the nonprofit sector includes a wide range of organizations serving civil society.

According to an Asian Development Bank study, nongovernment organizations (NGOs) existed in Bangladesh during the colonial period, when private charities and philanthropic groups established and maintained schools, hospitals and orphanages (Asian Development Bank, 1999). As of August 2008,

there are 26,000 NGOs registered with NGO Affairs Bureau in Bangladesh. Decades of suffering from natural disasters and political turmoil in the region drove the growth of the nongovernment sector in Bangladesh to be one of the largest in the world today (NGO and Civil Society Center, 2008). Bangladesh Rural Advancement Committee (BRAC) is the largest NGO in Bangladesh and one of the largest in the world. As the government of Bangladesh has not been successful in ensuring access for its citizens to basic necessities because of poverty and lack of infrastructure, NGOs have been able to step in and fill the gap between the state and society and act almost as quasi-state actors (Lam, 2006).

Nonprofit organizations in Bangladesh can obtain legal status by registering under one of several comparable laws. They are also required to adhere to a number of ordinances that require NGOs to comply with a set of social welfare, foreign donation and foreign contribution laws. In addition, there are a number of regulatory agencies that monitor nonprofit and NGO activities. NGO Affairs Bureau is one of the most prominent of such agencies that was established in 1990 (Asian Development Bank, 1999). There is some debate about the tax policy in place for nonprofits and NGOs. Almost all nonprofit organizations are exempt from corporate tax in Bangladesh. However, some NGOs were recently asked for corporate income tax as there were allegations of uneven competition between these NGOs' commercial ventures and their competitors (NGO and Civil Society Center, 2008).

Despite the undeniable social, environmental and economic contribution, the nonprofit sector in Bangladesh has some weaknesses. The anticorruption group, Transparency International published a study in 2007 highlighting some of its deficiencies. The motivation behind the study was some reports that suggested that few of the country's leading NGOs moved away from their original missions of non-commercial volunteerism. Transparency International also stated that there have been reports that a significantly small portion of the resources allocated to this sector was actually reaching its target population. The report identified an extensive list of challenges confronting the NGOs in Bangladesh

including ineffective and unprofessional governance, lack of transparency and institutional anomalies (Transparency International Bangladesh, 2007).

3.4 Cellular Phone Market in Bangladesh

Last decade has seen tremendous growth in global telecommunication industry. In 2006, the global telecommunication services revenue reached $1.5 trillion, up by 7.4% from the previous year (NewswireToday, 2007). According to news published on International Telecommunication Union in early 2008, worldwide wireless subscribers reached 1.681 billion in 2007, representing an annual growth of 17.6% (Cellular News, 2007). Of this vast global telecommunication market, Asia is by far the largest region representing 45.6% and 38.4% of world's fixed and mobile phone users respectively (NewswireToday, 2007). The growth rate of Asia-Pacific cellular phone market in 2007 was 23%, the highest regional growth in the world (Cellular News, 2007).

The first cellular communication company in Bangladesh, Pacific Bangladesh Telecom Limited, started its operation in 1989 under the name CityCell (Pacific Bangladesh Telecom Limited). As of December 2008, there are six mobile phone operators in Bangladesh with 44.64 million active subscribers, a number up 30% from the previous year. Current mobile penetration in Bangladesh is over 31% (Business Monitor International, 2008). According to Bangladesh Telecommunication Regulatory Commission (BTRC), the market shares of these six operators are: GrameenPhone – 47%, Banglalink – 23%, Aktel – 18%, Warid – 5%, CityCell – 4% and Teletalk – 2% (Bangladesh Telecommunication Regulatory Commission).

In 2008, GrameenPhone, the largest mobile phone operator in Bangladesh saw a slower growth in subscribers than the second largest operator Banglalink and fourth largest operator, a relative newcomer, Warid Telecom. Though these operators saw increases in their customer bases, third-ranked Aktel and state owned operator Teletalk saw a significant decline in subscriptions. (Business Monitor

International, 2008). Although GrameenPhone is still the leading provider by a significant margin, over the last two years it has lost its market share to its competitors, going from 61% in 2005 to 47% in 2008 (International Finance Corporation, 2005).

The telecommunication services in Bangladesh are regulated by Bangladesh Telecommunication Regulatory Commission (BTRC), an independent commission established under the Bangladesh Telecommunication Act, 2001. BTRC started its operation on January 31, 2002 with a vision to facilitate affordable and quality telecommunication services throughout the country (Bangladesh Telecommunication Regulatory Commission). The other government telecommunication entity, Bangladesh Telegraph and Telephone Board (BTTB) was converted into a state owned public limited company and renamed to Bangladesh Telecommunications Company Limited (BTCL) on July 1, 2008. BTCL currently provides nearly 65% of the country's Public Switched Telephone Network (PSTN) or "land-lines" (Bangladesh Telecommunications Company Limited).

The business environment of Bangladesh is considered to be risky because of the lack of infrastructure, poor governance and social and political instability (International Finance Corporation). Therefore, to deal with payment and cost recovery issues, most of the mobile phone operators in Bangladesh offer prepaid services. This allows operators to collect the payments upfront and not worry about defaulters. For customers with proven credit worthiness, each operator also offers postpaid services for its privileged customers (Gajwani, 2006).

Despite the relatively poor growth in 2008, mobile phone subscriber growth in Bangladesh is expected to remain strong over the next few years. In its latest Bangladesh Telecommunications Report, Business Monitor International has predicted that, by 2013, there will be 181 million mobile phone subscribers in Bangladesh with a penetration rate of over 120% (Business Monitor International, 2008).

4 Frameworks and Key Concepts

Strategic alliances are complex and dynamic relationships. Their characteristics change at different phases of the alliance. When the alliance is between a for-profit entity and a nonprofit organization with a social mission, the relationship gets new dimensions. To study the collaboration of a partnership, we need frameworks that can help structure our discussion. We also need to look at the right dimensions and aspects of the business relationship. To work with this complex concept, we utilize two analytical frameworks developed by Professor J. E. Austin (Austin J. E., 2000).

To structure our analysis, we first discuss the partnership in light of the Collaboration Continuum (CC) framework. Below we briefly describe the model and see how the partnership can be explained using this model. The second part of this chapter lays out how we evaluate the partnership using different components of the Collaboration Value Construct (CVC) framework. Compared to the first framework in which we see *where the relationship belongs*, in this framework we will see *how the relationship is and has been performing* based on the various indicators of the model.

4.1 Collaboration Continuum (CC)

Collaboration Continuum helps us understand the phases of a partnership with regards to the various aspects of the partnership. In our analysis, we examine the four main characteristics of this framework that Professor Austin defined based on the phase the GrameenPhone partnership was in when it was formed.

Professor Austin labeled the three stages of the CC framework as *Philanthropic Stage*, *Transactional Stage* and *Integrative Stage*. However, it should be noted that a framework such as this is simply a guide to structure a discussion and we realize that a partnership in the real world may not fit

fully to just one phase. Part of it may belong to one phase while another part may belong to a different phase at any given time.

4.1.1 Philanthropic Stage:

In this stage of nonprofit and corporate collaboration, it is mostly a donor and a recipient relationship. The parties usually interact during the periodic solicitation for donation. Even though the donation amount is significant for the nonprofit, it is not economically critical for either party and the partnership is not particularly important for either of the organization's mission. It is usually an early stage of a relationship.

4.1.2 Transactional Stage:

The second stage in the CC framework is the *Transactional Stage*. In this stage, the parties' interaction increases and resource exchange between parties occur through specific activities such as cause related marketing, sponsorship, paid service arrangements, etc. Partners at this stage are more active than at the *Philanthropic Stage* and relationships connect more directly to their operations. This is often the stage in which the partnership begins rather than at the *Philanthropic Stage*. When the partnership is transitioned from the *Philanthropic Stage*, it is often seen that the company started off with just a financial donation but later extended to include an employee volunteer program. Involving the employees allows companies to reap other indirect benefits such as employee motivation and development.

If a company and a nonprofit organization can somehow identify an overlap in their individual missions, participating in a partnership may allow them to create new value for themselves. Even companies with separate agendas can strategically align the outcomes of their joint efforts, as evident from the example of the Timberland and City Year partnership where these two entities with completely different core objectives found ways to align their strategies to benefit each other (Austin J. E., 2000).

Success in every small step of such partnerships strengthens the alliances and the benefits flow both ways for the parties involved.

4.1.3 Integrative Stage:

This final stage of the CC framework, the current collaboration frontier, is achieved when partners' missions, people and activities begin to experience more collective action and organizational integration. Resource exchange between the parties intensifies more at this stage and joint activities broaden even further. Partnership at this stage is central to both organizations' strategies and individual value creation transitions to joint value creation. One organization's culture starts to affect the culture of the other organization. Top executives of one partner are often seen to be involved in the governance of the other partner. Alliance at this stage is more or less institutionalized.

From the discussion above, it is clear that a cross-sector alliance traverses through different phases during the life of its partnership. The CC framework can be a useful tool for assessing an existing partnership such as GrameenPhone. We use this framework in our analysis later in the thesis.

Professor Austin also emphasizes the dynamic nature of a cross-sector alliance. Movements of an alliance between these stages are not always uniform and do not always flow in the same direction. A partnership does not always discretely belong to one specific stage. There can be many points between the stages where a partnership can remain at any given time. Also, different aspects of the relationship can belong to different stages at any point during the partnership.

The CC framework also goes on to describe the four key dimensions of a partnership and discusses the three stages explained above in terms of these dimensions. These dimensions are *Collaboration Mind-set*, *Strategic Alignment*, *Collaboration Value* and *Relationship Management*. When we analyze the GrameenPhone partnership, we will utilize these dimensions to describe the partnership evolution. The CC framework is outlined in **Table 1**.

Dimensions	Philanthropic Stage	Transactional Stage	Integrative Stage
Collaboration Mind-set	- Minimal collaboration - Charity syndrome	- Partnering mind-set	- *We* instead of *us versus them*
Strategic Alignment	- Minimal fit beyond shared interest	- Overlap in mission & values - Shared visioning at top of organization	- Relationship as a strategic tool - Shared values
Collaboration Value (this extends to CVC)	- Unequal exchange of resources	- More equal exchange of resources - Core competency exchange	- Joint benefit creation - Need for value renewal
Relationship Management	- Project progress communicated via written status report	- Strong personal connection at leadership level	- Culture of each organization influenced by the other - Organizational integration in

Source: (Austin J. E., 2000)

Table 1: Collaboration Continuum (CC) Partnership Characteristics

As the central focus of this study, we only look at the third dimension of the partnership: *Collaboration Value*. Professor Austin analyzed this dimension using another framework called Collaboration Value Construct (CVC). We use this framework to answer the following questions about the partnership: *are the partners working toward generating as much value as possible for the partnership? Are partners utilizing each of their unique competencies and aligning their individual missions so as to create a better value from and for the partnership?* The CVC framework is described below.

4.2 Collaboration Value Construct (CVC)

Now we turn to the main focus of this thesis. Every partnership depends on the magnitude, source and distribution of value to each of its partners. The CVC framework allows us to systematically asses the value of an alliance. According to Professor Austin's definition, the CVC framework can be broken into four dimensions: *Value Definition*, *Value Creation*, *Value Balance* and *Value Renewal*. Let us look at the key issues of these dimensions. Later in this study, we look at the GrameenPhone

collaboration value to Telenor and to Grameen Telecom. The worth of a partnership determines how the partnership will form and how it will sustain. **Figure 1** illustrates the CVC framework in detail.

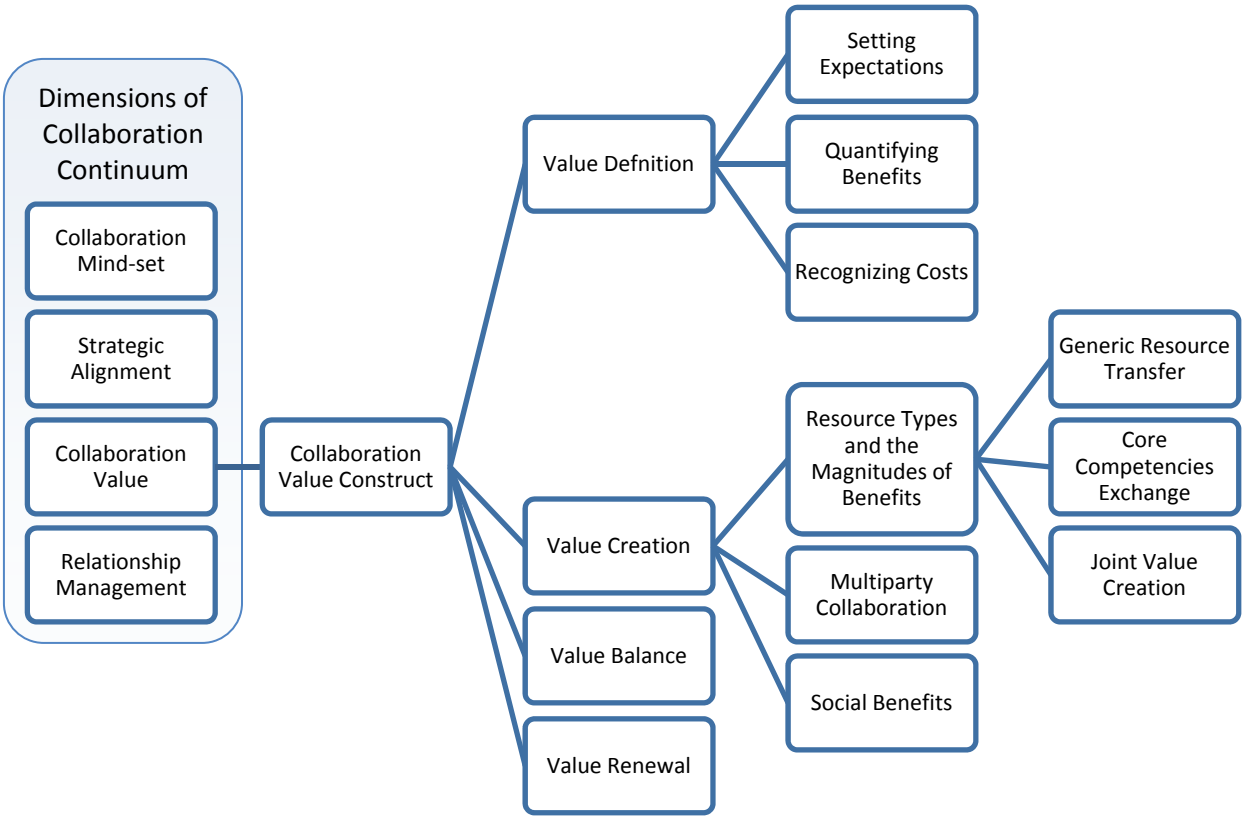

Figure 1: Collaboration Continuum (CC) leading to Collaboration Value Construct (CVC) Framework

4.2.1 Value Definition:

Partners need to clearly define their expectations from the partnership. Value of the partnership needs to be quantified against the costs of the alliance for each partner. If the expectations are not clearly outlined, it is always implicitly calculated when parties get into a partnership. To each of the partners, in whatever measure the value is weighed, it has to be worth getting into a partnership. There are three parts of this dimension.

4.2.1.1 Setting Expectations

Value Definition dimension of the CVC framework expects partners to be clear about mutual goals and agenda for the partnership. Each partner needs to evaluate the benefit they are accruing from the partnership. According to the model, benefits for the nonprofit usually include financial resources, good and services, technical expertise, access to other corporations, name recognition and better perspectives. For the corporation, it is usually employee morale, image improvement, hiring and retention of better candidates, skill development, product innovations and increased market share.

In case of such cross-sector alliance, the benefit to the larger society is also important. The purpose of benefitting society usually relates more to the nonprofit's mission. In the case of a partnership, what becomes important is the incremental social value from the partnership instead of what each of the partners can individually create.

Each of the partners' individual expectations from the partnership needs to be clearly drawn out before the partnership begins. Each partner also needs to ensure that their capabilities match their partner's expectations. The model emphasizes that, the more clearly the expected value is defined, the better an alliance can be made to produce it.

4.2.1.2 Quantifying Benefits

Better quantification of the benefits results in better collaboration. In case of nonprofits, donors are more and more looking for organizations where they can better see results of their social investment. Benefits from an alliance can be difficult to quantify. Brand name, visibility and access to intangible resources can be difficult to measure and quantify into benefits. Benefits can be circumstantial and specific to the partnership and not that easy to put a value to. These benefits often go beyond financial and in-kind resources. Alliances allow partners to exchange management skills, media visibility, employee morale, etc. Each partner needs to do their own cost benefit analysis.

Part of the problem with *Quantifying Benefits* is that there is no specific procedure or guideline. It is a new market place and in many cases these partnerships deal with peculiar assets and specialized circumstances. For nonprofits, it is often difficult to quantify the in-kind resources it receives in return for the intangible value it provides. For corporations, the value is often not quantifiable in traditional business tools and indicators. For example, how can a manager convince internal decision makers about the value of increased employee morale and the feel good aspect of such a partnership?

4.2.1.3 Recognizing Costs

Partners need to consider the cost of the alliance as well. The effect of a partnership on a partner's name can be an important concern. Any association of such a kind incurs a mutual assumption of risk. A strong and committed partnership can weather these risks together and protect each other. But if the relationship does not evolve in balance, this can raise some issues. Entities often worry about the dilution of their name when they consider entering into a partnership. It is then the responsibility of the parties involved to convince that partner that the effect of the partnership on its name would not be negative.

Cause-related marketing is one of the popular ways a corporate and nonprofit partnership generates values from the alliance. Consumers usually see cause-related marketing positively as well. A national survey in the US has found out that 76% of the public believe it to be appropriate for companies to undertake cause-related marketing. And given the same quality and price, they would switch to a brand that is associated with a good cause (Austin J. E., 2000). Even though it can benefit the nonprofit significantly, this form of collaboration should be carefully handled so that the consumers are not misled and the nonprofit's mission is not compromised.

Another cost that partners need to consider about a partnership is the incremental demand on the leadership of the organization. Managers need to measure the benefit before committing additional

leadership or management resource for the collaboration. Demand for such resource usually increase as collaboration evolves and moves from one phase to another.

4.2.2 Value Creation:

The main task of each partner as it relates to the partnership is to create value for it. The management of each partner needs to strategize how to allocate its resources to generate value. Different resources produce different magnitudes of value for the partnership. The CVC framework discusses three types of resource mobilization: *Generic Resource Transfer*, *Core Competencies Exchange*, and *Joint Value Creation*. It also describes multiparty alliance as a way to enhance partnership value and the social benefits that can result from such alliances.

4.2.2.1 Resource Types and the Magnitude of Benefit

As partners move from the initial partnership phase to a more involved partnership arrangement, partners start to engage resources beyond generic monetary and advisory kinds and tap into their core capabilities and specialized expertise to increase the value of the partnership. At an advanced relationship level, each partner seeks to engage only those resources that ensure the most efficient use of that resource as far as the partnership goes. The model talks about three different kinds of resource transfers and the associated benefits they generate as outlined below.

4.2.2.1.1 *Generic Resource Transfer*

As the name suggests, this is the simplest kind of resource transfer. A corporation typically provides financial resources for a nonprofit and the nonprofit in return gives goodwill for the corporation. This kind of resource transfer usually happens in the *Philanthropic Stage* of the CC framework. Unless the nonprofit is a partner of a more advanced collaboration, it needs to rely on resources of this kind for its livelihood.

4.2.2.1.2 *Core Competencies Exchange*

In this kind of resource transfer partners provide more or less "nonreplicable benefits" for the alliance. The model goes on to describe the various types of core competencies through a number of examples. A corporation can transfer its management capabilities, its network reach, its leverage in various other organizational resources, etc. On the other hand, a nonprofit can transfer its competencies and leadership in the area it specializes in. Such nonprofits can improve an organization's image and help with employee recruitment and retention. At this stage of resource transfer, each organization needs to understand the other organization's mission and vision to be able to identify and execute such resource transfers.

4.2.2.1.3 *Joint Value Creation*

A partnership can achieve the greatest value creation if the partners' core capabilities are put to use in a combined way to generate a significant value. What is special about such joint value creation is that neither partner can generate that value by employing its own resources alone.

4.2.2.2 Multiparty Collaboration

In this part of the framework, it describes how multiparty collaborations create greater value for an alliance. The model gives several examples of corporate to corporate and corporate to multiple nonprofits partnerships where it worked successfully in generating greater value. It is clear that by partnering with multiple entities, the partnership enriches its skills and resources pool. However, for our study, this concept of *Multiparty Collaboration* would not be directly relevant as our case only involves a two party partnership.

4.2.2.3 Social Benefits

This part of the framework talks about benefits to the society that can come from the value creation process of an alliance with social purpose. Nonprofits with social missions that enter

partnerships with corporations do so with an intention to expedite or accelerate reaching their goals through partnerships. A nonprofit can significantly expand its community service by partnering with a corporation that has a greater reach. By tapping into a corporation's organizational resources, a nonprofit can enhance its quality of service. A strong and ideal partnership of this kind between a corporation and a nonprofit can serve as a motivating and exemplary model for others to learn from and follow.

4.2.3 Value Balance:

A strong alliance shows a balanced exchange of values between the partners. This keeps the partners motivated in the partnership at the same rate. An imbalanced resource exchange discourages the partner that provides more value or tempts the partner to exercise influence over the other partner.

Imbalance can occur when the circumstances among the partners change. Maybe one partner grows in size and capacity faster than the other creating such imbalance. Maybe that shifts the mutual need of the partnership in a way that one does not need the other partner as much as before. Partners need to continually review the value exchange with one another to ensure that the partners perceive the benefit flow to be mutually beneficial and balanced.

4.2.4 Value Renewal:

As alliances evolve, the value balance may shift. The relationship may change because of external factors or because of a change in the partners' needs and priorities. Successful partnership may transition to complacency and cease to continuously search for value in partnership. When this happens, a partnership needs to reevaluate the value of collaboration. As one partner learns and internalizes the skills and expertise initially brought in by the other partners, the other partner or partners start to become less and less important.

In such situations, partners can try to search for new activities or recourses to renew the alliance's value or continue the partnership at a reduced capacity. If that does not work, the contribution and the stakes of the partners need to be redistributed to reflect the value imbalance.

5 Methodology

After the background and literature review, we have a foundation of the context of this thesis. The overall research was qualitative in nature but relevant data, when available, was used to back the argument. The main focus of this study was the partnership and the related commonalities among the aspects of the partnership. We have also identified the frameworks needed to analyze cross-sector alliances. In the next chapter we will investigate four discrete aspects of the GrameenPhone partnership using these frameworks. These dimensions will be reported in the form of case studies and the analysis of these case studies will later be cross referenced with our frameworks. Through this discussion, we will report findings about our research question and the implications of our conclusion.

Our methodology for this thesis included case selection, data collection and tools of analysis as outlined below.

5.1 Case Selection

This research did not conduct an analysis of an exhaustive list of attributes that may have contributed in cross-sector collaboration. The attributes were selected based on qualitative observations of the attributes necessary to fit the partnership in our discussion frameworks. As all the case studies were about a single partnership, there might have been instances where these cases linked and related to one another. After studying the frameworks and based on observations, the following were selected to be the subjects of our case studies: the formation of the partnership, the Village Phone program, GrameenPhone journey and corporate governance.

5.2 Data Collection

Throughout this study, we used a number of case studies, secondary data sources, a combination of quantitative and qualitative data and interviews. As the focus is primarily on case study based theory building, qualitative data dominated the discussion for the most part.

The elements of data collection are described in greater detail in **Table 2** below.

Methods	Details	
Telephone Interviews	Duration	Occurrences
Ex-Managing Director, GTC	30 mins	1
IT Manager, GTC	20 mins	3
Manager, Village Phone, GTC	30 mins	1
Deputy GM, Corp. Comm., GrameenPhone	30 mins	2
Email Correspondences	Sent	Received
Central Operations Services, ADB	4	4
IT Manager, GTC	15	6
Manager, Village Phone, GTC	13	3
Deputy GM, Corp. Comm., GrameenPhone	29	22
Communications Director , Telenor	2	2
Questionnaires	Sent	Received
Central Operations Services, ADB	1	1
Manager, Village Phone, GTC	2	1
Deputy GM, Corp. Comm., GrameenPhone	1	1
Reports		Year
GrameenPhone Annual Report		1998
GrameenPhone Annual Report		2004
GrameenPhone Annual Report		2005
GrameenPhone Annual Report		2006
GrameenPhone Annual Report		2007
GrameenPhone Village Phone Fact Sheet		2008

Table 2: Summary of Research and Data Collection

5.2.1 Literature Review

As seen in chapter two of this thesis, a literature review was conducted and a thorough investigation was done on the written sources, case studies and public documents on the trends in cross-sector alliances, cellular phone market in Bangladesh, private and nonprofit sectors in Bangladesh,

GrameenPhone and the history of the partnership. These secondary sources were grouped according to the topic of our research and analyzed.

5.2.2 Quantitative Indicators

All quantitative data and indicators were collected from various secondary sources. The partnership and company level data were collected mostly from the company annual reports going back to 1998. A Memorandum of Understanding (MoU) was signed with GrameenPhone to get access to company data and information archives for research purposes. Accessible databases from Board of Investment Bangladesh, Bangladesh Telecommunication Regulatory Board (BTRC), World Trade Organization, International Finance Corporation and Asian Development Bank were used for country and industry level data.

5.2.3 Interviews

A number of Grameen Telecom and GrameenPhone officials were interviewed by emails throughout the course of this research. The manager of the Village Phone program was interviewed through a questionnaire. To understand the loan dispersal from Asian Development Bank (ADB) to GrameenPhone during its early years, a member of ADB was contacted and interviewed by email as well. A number of informal interviews with a few Village Phone operators and a few GrameenPhone employees were referred to during the course of this research. The interview questions and questionnaire can be found in the appendices.

5.3 Analysis

Analyzing nonprofit and business partnerships require a variety of information and data. The overall approach for analysis was a combination of examination based on the frameworks as described in chapter four of this thesis followed by case study based conclusion and theory building.

6 Case Analysis

In this section, we illustrate four attributes of the GrameenPhone partnership through case studies. For each case study, we first discuss the background and then follow up each of them with analysis based on our theoretical frameworks. The first case, *The Formation of GrameenPhone*, will be analyzed using the Collaboration Continuum (CC) framework. The subsequent three cases involving GrameenPhone's operation and evolution will be examined using the Collaboration Value Construct (CVC) framework.

6.1 The Formation of GrameenPhone

6.1.1 Background

GrameenPhone, the largest mobile phone company in Bangladesh, is a partnership between Telenor and Grameen Telecom. Telenor is Norway's state-backed telecom company and Grameen Telecom is one of Grameen family of companies' nonprofit initiative. GrameenPhone started its operation in 1997 after an expatriate Bangladeshi named Iqbal Quadir worked tirelessly for over three years to give his vision of providing wireless telecommunication service throughout Bangladesh a reality. It all started when Mr. Quadir realized one day in 1993, as he worked as a venture capitalist in New York, that telecommunication can be a great tool to fight poverty (Sullivan, 2007).

Over the following three years Mr. Quadir made several trips to Bangladesh to work on realizing his vision, from assessing the feasibility of his idea to looking for sponsors and possible partners for this endeavor. Even though Mr. Quadir's appeal to high-level bureaucrats were ignored or pushed aside with skepticism, he was able to get Professor Mohammad Yunus, microfinance pioneer and founder of Grameen Bank in Bangladesh, interested after meeting him once in October 1993 and then again in

December 1993. Even though Professor Yunus initially was not that interested, Mr. Quadir was able to formulate a pitch that appealed to him eventually (Isenberg, Knoop, & Lane, 2007).

The motivation for enlisting Grameen Bank for this venture was that Grameen and Professor Yunus were icons in Bangladesh. Their names and their credibility were considered to be very useful in obtaining a license from the government. It was also considered very desirable to have Grameen as a partner and have them invest in such an initiative (Sullivan, 2007, p. 35). While trying to raise Professor Yunus' interest, Mr. Quadir articulated a plan which later came to be known as the "Cell Phone as Cow" paradigm. Mr. Quadir convinced Professor Yunus that a poor village woman can make a living by selling the use and minutes of a cell phone thus using the phone as a cow (Isenberg, Knoop, & Lane, 2007). Partnering with Grameen this way made perfect business sense as by then Grameen Bank operated 1,000 branches with 12,000 employees serving nearly 34,000 villages (Sullivan, 2007). Being able to utilize such a vast network was thought to have been a major advantage for the initiative Mr. Quadir had in mind. What interested Grameen Bank was the idea of providing inexpensive telephone services in the rural areas of Bangladesh that could further Grameen Bank's cause of alleviating poverty and empowering poor. With this goal in mind, Grameen proposed creating two companies: one would be the for-profit mobile telecommunication operating company and the other would be a nonprofit entity affiliated with the Grameen family of companies which would focus on proving telecommunication services to the rural entrepreneurs materializing the "Cell Phone as Cow" paradigm. The for-profit company became GrameenPhone and the second company, Grameen Telecom, eventually represented Grameen in the partnership of GrameenPhone (Sullivan, 2007).

Even though Professor Yunus eventually liked the idea, he was still unwilling to invest in the venture. So, it was still up to Mr. Quadir to gather a consortium of partners who could make his vision a reality. As Mr. Quadir needed financial resources to work on forming such a syndicate and as he

ultimately wanted a stake in the possible venture, he formed a company in New York with another partner and named it Gonofone Development Corp. As the next step, finding a partner with telecommunication expertise seemed difficult as potential US companies, where he looked for a partner initially, considered the business climate in Bangladesh to be too risky. Next, Mr. Quadir approached companies in the Nordic region as they had some of the leading cellular technology companies in the world. After being turned down by many companies, Telia, Sweden's state run telecommunication carrier showed interest in mid 1994 only to step back after six months. Eventually, Telenor came on board on October 8, 1995 to work together with Grameen Bank and Mr. Quadir to participate in the bidding process for a cellular license in Bangladesh (Isenberg, Knoop, & Lane, 2007).

Telenor was about the only telecommunication company that showed interested and followed through in the formation of this syndicate. So, the reason for selecting Telenor from the consortium's point of view is obvious. However, what convinced Telenor to enter such venture also happened somewhat coincidentally. Telia initially wanted to invest in Bangladesh partnering with Telenor (it was called Norwegian Televerket at that time) (Sullivan, 2007). After Telia dropped out, Telenor continued the discussion and negotiation. During this negotiation, Telenor Consult, the consulting arm of Telenor was hired to do a feasibility study of the business plan. The report Telenor Consult produced concluded that the investment would be viable for Telenor (Isenberg, Knoop, & Lane, 2007). Eventually Telenor agreed to invest on the condition that Grameen secure access to railroad fiber-optic cable networks in Bangladesh to be used by the partnership when they go into operation (Sullivan, 2007, p. 61).

With two major parties for the syndicate in place, the partnership slowly started taking shape. Even though Grameen was initially reluctant to come on board, by this time it wanted majority stake in the venture which created a situation of possible gridlock as Telenor had agreed to come in as a majority shareholder. On the other hand, Gonofone was hoping to get 10% share in the venture. There was also a

Japanese company named Marubeni that Grameen wanted to have in the partnership in an effort to dilute Telenor's influence. Eventually Grameen Telecom agreed to settle for 35% stake as Telenor expressed its intention to reduce its stake to 35% within six years ceding control to Grameen Telecom. Thus GrameenPhone was agreed to be formed with $17.5 million equity invested initially by the consortium as listed in **Table 3**.

Partner	Share
Telenor	51%
Grameen Telecom	35%
Marubeni	9.5%
Gonofone	4.5%

Source: *GrameenPhone Annual Report 1998*

Table 3: Partners' Initial Stake in GrameenPhone

After long and complex negotiations among the parties, a bid for a cellular license was submitted on November 6, 1995, about a month after Telenor officially came on board. Then, Bangladesh elected a new government in early 1996 and in July 1996 there were indications that the new government might void the earlier bidding and start over. Professor Yunus with his personal connections and influence came to the rescue in August 1996 and was able to convince the new prime minister that the prior submissions should be honored. In November 1996, Bangladesh Ministry of Posts and Telecommunications (MOPT) awarded three cellular phone licenses, including one to the syndication. Four months later, GrameenPhone officially launched its commercial services on March 26, 1997, the Independence Day of Bangladesh.

6.1.2 Research Analysis

In this section we will analyze GrameenPhone's partnership and its formation using the CC framework. We will discuss where the key partners were in terms of the framework as the alliance was formed and how effective they were in preserving their interest in the joint venture. We will also see how they have performed over the years and if the partners' relative positions and interests have

shifted from the time the journey began. As the performance of a partnership and the value it brings to each partner can be assessed using the four dimensions of the CVC framework, we will evaluate our analysis in the following three cases using the CVC framework and shed some light with regards to how it has performed as an alliance over the years.

At first glance, the formation and execution of the GrameenPhone partnership seems effective and successful which it was for the first 10 years of its operation. The alliance was conceived and formed with an ambition of achieving both business and social goals. People, including those involved in the operation of the company, were justifiably skeptical about the potential of such an initiative. It was a novel concept and had not been tried before. However, everyone's initial doubts faded as the company started seeing significant growth from the 4th year. Any residual doubt anyone might have had evaporated as the company started growing at a tremendous rate from 2004 onward.

The principal credit to making this partnership formation a success goes to Mr. Quadir, who was not dissuaded despite the discouraging signs when he was trying to put the consortium together and then again during the early phases of the operation. The fundamental vision that brought the key parties together in this partnership was that a commercially viable business concern can simultaneously work towards a social goal of providing affordable telecommunication solutions in the rural areas of Bangladesh. Even though the reason for coveting a partner like Grameen Bank and Professor Yunus in the context of Bangladesh is easily understandable, it is doubtful whether Professor Yunus would have wanted the Grameen brand to be associated with a venture with a solely commercial motive. From that angle, the "Cell Phone as Cow" paradigm was just the right idea that was needed to get Professor Yunus onboard. However, looking back, one may wonder if the partnership has been able to maintain this paradigm or the social component of its vision as central to the alliance's goal as was expected.

On the other hand, from Telenor's point of view Bangladesh must have appeared to be a risky market. There was also no precedence of such an initiative in the telecommunication sector of Bangladesh. However, the fact that Telenor agreed to join the partnership indicates that the deal must have made business sense nevertheless. Maybe it saw the prospect of relatively high return potential and first-mover advantage. Even then Telenor needed to have majority control, thus 51% stake, to convince its board to invest (Sullivan, 2007). What is unclear is why Telenor signed an "intention" to cede majority control within six years, if they really did not intend to do so[1]. This later became a major issue of contention between Dr. Yunus and Telenor, which we will discuss in a later section.

How valuable the names Grameen and Professor Yunus were to the partnership was evident even before GrameenPhone started its operation. As we saw in the previous section, Professor Yunus used his personal connections and influence to persuade the government to award GrameenPhone a cellular license bypassing unnecessary bureaucracy. According to a former CEO of Telenor, Tromod Hermansen, "GrameenPhone would not have been possible without Yunus and Shams, and their personal and political clout in sponsoring the license proposal." (Sullivan, 2007, p. 70). However, throughout the period of the partnership formation, it seemed as though Grameen Telecom and Professor Yunus felt that Telenor continued to hold the bargaining chips and that their interests were not being preserved. Professor Yunus felt that the name "Grameen", which proved to be a huge asset later on, was being offered up for free (Sullivan, 2007). Even when the shares of the partnership were being allotted, Dr. Yunus insisted on Marubeni's getting a 10% stake in the partnership partly to dilute Telenor's influence. Ironically, as Telenor refused to give up its stake of 51%, Grameen Telecom ended up having to reduce its own stake to 35% to make room for Marubeni (Isenberg, Knoop, & Lane, 2007).

[1] Despite Dr. Yunus' claim and numerous media report suggesting the existence of such a contract between Telenor and Grameen Telecom (BangladeshNews.com.bd, 2006), Telenor's then-CEO, Jon Fredrik Baksaas told Fortune magazine in 2007, "We have never committed to reducing our share in the company." (Prasso, 2007).

Now, let us see how the characteristics of these partners and the formation of the alliance can be described using the CC framework.

6.1.3 Theoretical Analysis

A quick look reveals that while Telenor had several other existing operations worldwide, Grameen Telecom was formed for the sole purpose of being a partner in this initiative. So, it is likely that the movements between the stages of the CC framework did not happen simultaneously for these partners. As the CC framework does not allow for independent movements of the partners in a partnership, we will add one additional dimension to the framework allowing this for our discussion. This is important for our purpose, as we can see that for one partner the importance of the partnership may be critical for its existence while for the other it may not.

During the partnership formation, both Grameen and Telenor identified “an overlap in their individual missions” of providing universal communication service throughout Bangladesh. To that end, they “created new value for themselves” by sharing their individual assets and expertise in the partnership. Grameen brought its reputation and extensive network of Grameen Bank branches and Telenor brought its modern cellular technology expertise. The combined effort created value that did not exist before. In that consideration, it seems that the partnership was formed at *Transactional Stage*.

From another angle, the GrameenPhone partnership is central for Grameen Telecom. For Telenor, it was important but not central when it was formed as Telenor managed several other operations through the world. Yet, Telenor managed the operation of the GrameenPhone partnership. Also, GrameenPhone’s organizational culture seems to be heavily influenced by that of Telenor’s. So, the partnership could be argued to be at the *Integrative Stage* when it was formed. However, the important thing to notice here is that both the partners did not view the partnership necessarily in the same way.

If we use the dimensions discussed in **Table 1** to describe the GrameenPhone partnership when it was formed, we can see that the partners' collaboration mindset was at the *Integrative Stage*. However, that position may have shifted since then as the relationship between the partners seems to have become strained for a number of reasons. For the *Strategic Alignment* dimension, both of them were at the *Transactional Stage* at inception. Collaboration value will be discussed in further detail in the cases described later in this chapter. But at a high-level, it seems that both Grameen Telecom and Telenor were at the *Integrative Stage* creating joint value for the partnership. Finally, in terms of *Relationship Management*, the GrameenPhone partnership was formed at a *Transactional Stage* and the organization had strong personal connections at the leadership level.

As real life alliances are complex and involve many variable factors, it can be understandably difficult to find a good fit for them in a theoretical framework. However, overall, it seems that the GrameenPhone partnership was formed somewhere between the *Transactional* and *Integrative Stages*.

6.2 The Village Phone Program

6.2.1 Background

Professor Yunus' vision of telecommunication services in remote villages and the "Cell Phone as Cow" paradigm were incorporated within GrameenPhone operation by coordinating among three entities: GrameenPhone, the for-profit company founded by the partnership, built the cellular network and sold the service to its urban consumers. Grameen Telecom, a nonprofit organization of Grameen family of companies that held a stake in the partnership, bought bulk airtime from GrameenPhone and sold it to its Village Phone Operators (VPO) as part of its Village Phone operation. Grameen Bank helped the Village Phone operation by providing loans and infrastructure to the VPOs through its branches to buy phones and subscribe to the Village Phone services (Isenberg, Knoop, & Lane, 2007).

The Village Phone program was launched at the same time when GrameenPhone started its operation in 1997, with 28 VPOs spread across 28 villages. By the end of 1998, another 179 VPOs were added to the service and the number of villages under the Village Phone program reached 50. As the program was using Grameen Bank branches and infrastructure that was already in place and the VPOs were already Grameen Bank members in most of the cases, the operation started running very smoothly quite early on and the program started becoming popular very quickly (Islam, 2005). In the words of the Head of Village Phone at Grameen Telecom,

> *"In the early days, the growth rate of VP subscribers was steady. It was because of unparallel mobile network coverage of GrameenPhone and reduced tariff of VP around the country. Cost effective services, better network quality, comprehensive sales and support services were other parameters for the success of VP."*

However, this rate of growth significantly slowed down after 2006. **Figure 2** below shows the growth of the Village Phone program over the twelve years of its operation.

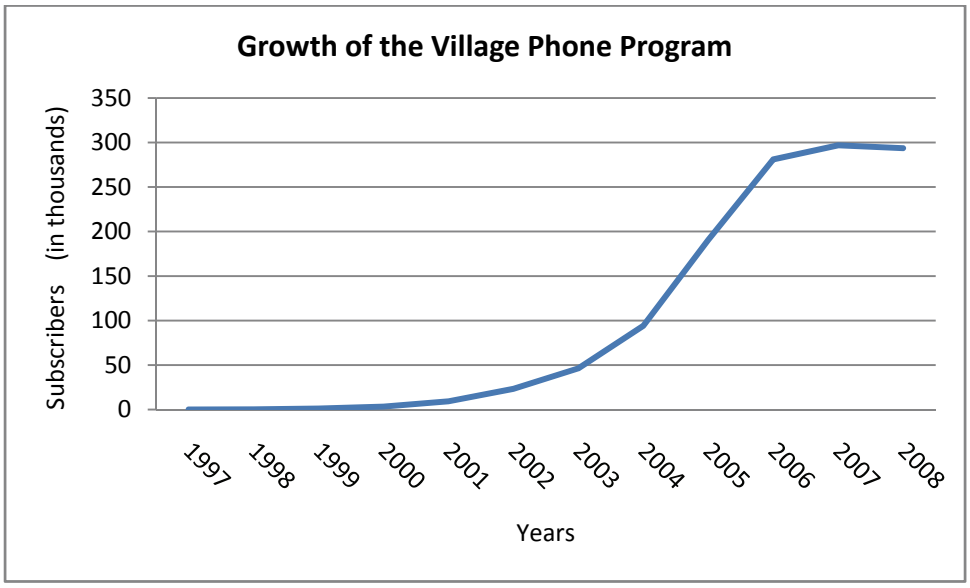

Figure 2: Village Phone Subscriber Growth

As Grameen Telecom bought bulk airtime at a discounted rate (up to 50%) (Islam, 2005) from GrameenPhone, the Village Phone tariff has always been lower than that of GrameenPhone's other

subscription plans. Revenue from the Village Phone program followed the same trajectory of growth as GrameenPhone until 2005, growing from around BDT 155.6 million ($2.2 million) in 2000 to BDT 7,027 million ($100.4 million) in 2005. The program's revenue saw a plateau in 2005 and starting from 2006, the revenue started falling. In 2008, its revenue stood at BDT 1,269 million ($18.1 million). **Figure 3** shows the revenue growth of Village Phone over the years.

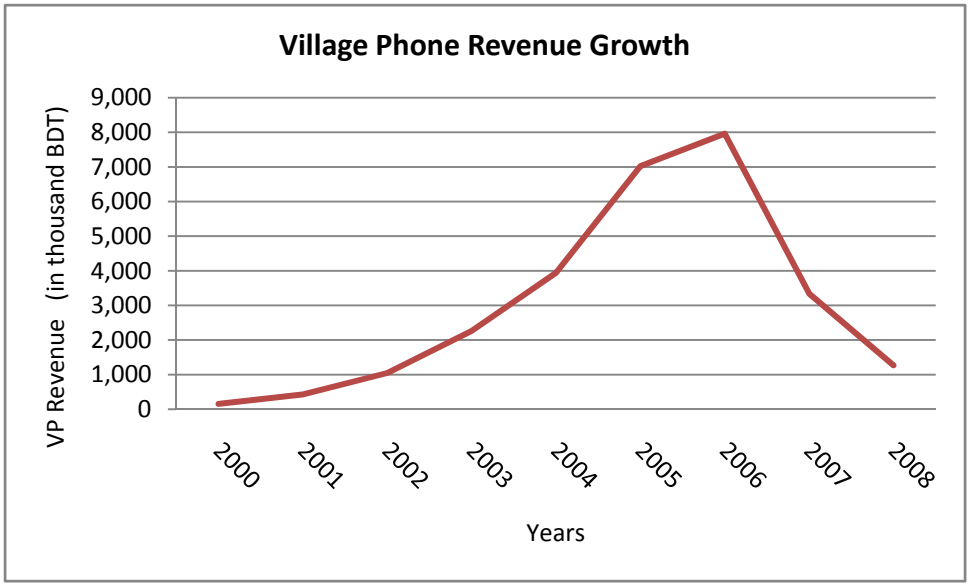

Figure 3: Village Phone Revenue Trend

The Village Phone program has received enormous positive praise over the years in the international media. It should be noted however, that the names "Village Phone" and "GrameenPhone" have sometimes been used interchangeably as discussed further later. Regardless, the program has received great reviews from all types of sources, such as the BBC, New York Times, The Economist[2] and Nicholas P. Sullivan's book "You can Hear Me Now"[3]. On the other hand, there have been a smaller, yet no less significant, contingent of detractors, more so in recent times and the 2007 article by Richard

[2] See (Hermida, 2002), (Reed, 2002), (The Economist, 2006)
[3] See (Sullivan, 2007)

Shaffer in Fast Company[4] is just one such example. Some of these have been discussed in greater detail in the analysis below.

6.2.2 Research Analysis

Despite the complicated operational structure, Village Phone simply is a program run by Grameen Telecom. Professor Yunus' vision of telecommunication services in rural Bangladesh was intended to be realized through this part of the alliance. At the end of each month, Grameen Telecom gets usage data of all the VPOs from GrameenPhone for the bulk minutes the Village Phone program used and prepares bills for the VPOs based on its own tariff structure. As a sister concern, Grameen Telecom uses Grameen Bank's infrastructure to disperse and operate this program.

What is interesting is that, even though this program was central to the alliance's vision during the formation of this partnership and it was the key factor that resulted in Professor Yunus' involvement in this project, it seems that as the commercial part of the partnership started doing well, Village Phone gradually started receiving less and less attention. Unfortunately, the aspect that brought Yunus onboard along with his clout and the Grameen image can now be found in GrameenPhone's CSR programs under a small heading. Comparing GrameenPhone's subscriber base with that of Village Phone's reveals a more striking picture. **Figure 4** compares GrameenPhone and Village Phone subscribers since they started their operations.

[4] See (Shaffer, 2007)

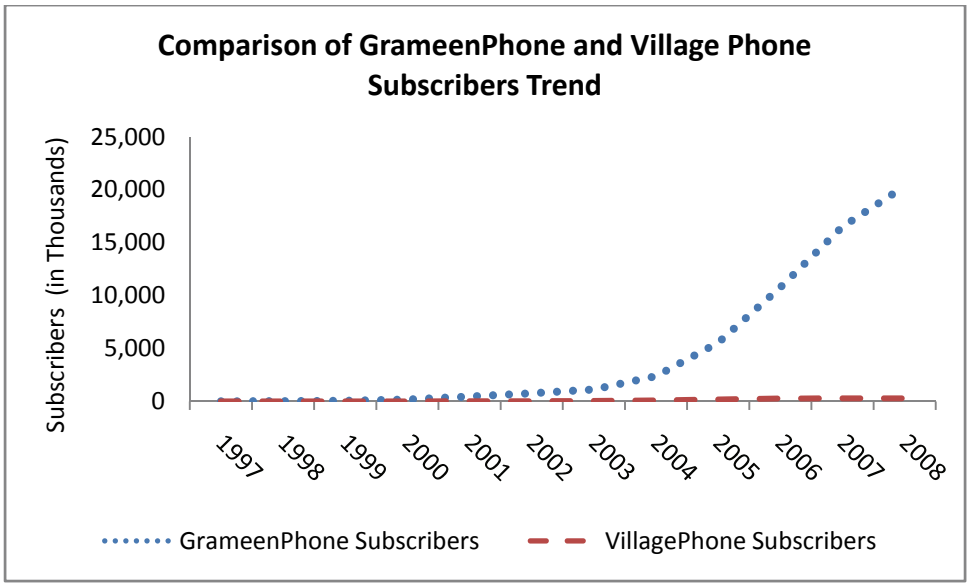

Figure 4: Comparison of GrameenPhone and Village Phone Subscriber Trend

It is unclear how Grameen Telecom uses the earnings from the Village Phone operation which requires less infrastructural expenditure from Grameen Telecom as it uses GrameenPhone's network. There is also its share of the net earnings from the GrameenPhone operation. From 2004 to 2006, Grameen Telecom's share of the net earnings at 38% stake amounted to BDT 3848, 4469 and 6467 million ($55, $64, $92 million) respectively. Even though it reportedly reinvests major portions of the net earnings back in the company, a GrameenPhone press release dated April 30, 2008 reported its cumulative shareholders' dividend to be BDT 9.1 billion ($130 million) as of 2007 (GrameenPhone Corporate Communications, 2008). At 38%, Grameen Telecom's share amounts to BDT 3.5 billion ($49 million). According to a report published in 2002, VPOs paid around BDT 18,100 ($385) to buy a cellular phone under the Village Phone program (Adeya, 2002). However, Fast Company reported in 2007 that a low-end GSM set in Bangladesh cost $100 in 1999 and had fallen to $60 by 2002 (Shaffer, 2007). It is interesting that despite these low wholesale prices Grameen Telecom was charging almost $400 for a mobile phone to its Village Phone clients. Perhaps Grameen Telecom could have subsidized the cost of the phones from earnings from GrameenPhone and the Village Phone program. This would have been

similar to the way North American cellular service providers give deep discounts to its subscribers on phone prices in the hope of making up the cost from airtime sales. This would have been more in line with Grameen Telecom's mission of promoting the Village Phone program.

One good indicator of how a communication service provider is performing is Annual Revenue Per User (ARPU). The Village Phone program's ARPU peaked in 2003. However, since then it has been falling consistently. This indicator should have been monitored more closely and there should have more effort from Grameen Telecom or maybe the GrameenPhone partnership to update or revamp the program including lowering the tariff and providing promotional prices. Maybe it should be further investigated whether enough was done to make the Village Phone program to continue to grow beyond the first few years. **Figure 5** shows the Village Phone program's annual ARPU since 2000.

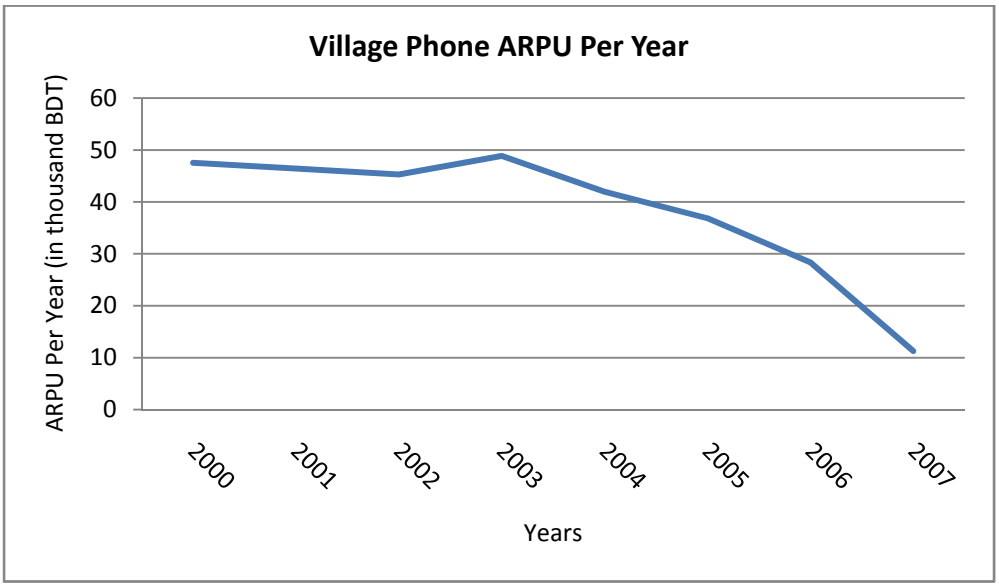

Figure 5: Village Phone ARPU Per Year

Regardless of its performance however, the novelty of the concept of the Village Phone program caused a stir both domestically and globally. Various national and international media, academic journals and reports have been reporting and writing about the Village Phone program and the

GrameenPhone operation since the formation of the GrameenPhone partnership. In these reports and papers, GrameenPhone and Village phone have often been mentioned interchangeably. Most of these cases are perhaps due to lack of clear understanding of the structure of these operations. However, it is possible that these convenient mix-ups are lightly propagated to use people's sentiment for a social initiative such as the Village Phone. In a report published in 2007 by Centre for Development Studies and Microfinance (MICRO) at BI Norwegian School of Management, the author wrote:

> *"Telenor's business activities in Bangladesh are an excellent example of constructive interplay between business and aid. There are three winners: Telenor as a for-profit company, Bangladesh as a society and Norway as a donor country"* (Welle-Strand & Molden, 2007, p. 3).

The size of the Village Phone program was less than 2% of GrameenPhone's operation in Bangladesh when this report was written. It is thus unclear how a private foreign investment partnership such as GrameenPhone symbolizes Norway as a donor country.

GrameenPhone highlights the Village Phone program on its website and annual report and boasts slogans such as "good development is good business"[5], but the relative size of the Village Program or how central it was when the company started and where it is now are hardly ever discussed. A New York Times article was titled "Private Sector; Helping the Poor, Phone by Phone" and it went on to describe how Village Phone was helping rural women climb out of poverty. Yet in the midst of describing the Village Phone program the report says "GrameenPhone now has 575,000 subscribers in 12,000 villages" (Reed, 2002). If the reporter was suggesting there were 575,000 subscribers of Village Phone, she was clearly incorrect. But this separation between GrameenPhone and Village Phone is never made or clarified in the article.

However, other reports have come out in recent times that do not paint a rosy picture of the Village Phone program. In one such report, Richard Shaffer presents the current state of the Village

[5] See (Telenor, 2006)

Phone program in a more realistic but grim light. He rightfully contends that while the Village Phone program performed well in its initial years, such a shared access model of providing innovative services predictably becomes less popular as the technology becomes more affordable. He goes on to say, "in Bangladesh today, the only one making real money on GrameenPhone's wireless service is . . . GrameenPhone." (Shaffer, 2007).

Now we shall see how the Village Phone program can be analyzed using the CVC framework. We are going to start our discussion using the *Value Definition* dimension.

6.2.3 Theoretical Analysis

As the Village Phone program was central to Professor Yunus' vision, according to the *Value Definition* dimension of the CVC, it was crucial this vision was given enough importance during the partnership formation phase. Grameen should have set expectations beforehand, highlighting the importance of the growth and performance of this program and figured out a way to quantify its success as the partnership evolved. However, quantifying such benefits is very difficult especially given that this type of a venture had not been tried in this market before. In addition, the issue of interchangeable use of the concepts of Village Phone and GrameenPhone can be traced back to the *Recognizing Costs* step of the *Value Definition* dimension. Given how small the Village Phone has been in relation to GrameenPhone's operation, the concept of the program has been used extensively to capitalize public sentiment about it. Grameen Telecom was not able to keep the concepts of Village Phone and GrameenPhone separate and could not prevent consumers being misled. The possibility of this imbalance should have been addressed at the inception of the partnership.

Initially, Grameen Telecom's reach and network throughout rural Bangladesh helped the Village Phone program grow while helping the partnership grow simultaneously. From the *Value Creation* point of view, Grameen Telecom was at the *Joint Value Creation* level in terms of the type and resource

Grameen Telecom was bringing to the partnership. However, over the years, Grameen Telecom's position in terms of *Value Creation* shifted and it seemed that it did not continue to bring as much value as it did earlier while the company established itself.

When the partnership was formed, the Village Phone concept was a primary reason for bringing the partners together in the first place. Yet, as we have shown, the importance of the program continued to take a back seat as GrameenPhone started to take off. Thus, within the *Value Balance* dimension, even though the partnership was initially focused on the social mission of the Village Phone program, it quickly changed. In addition, the program was never revamped or restructured to maintain its competitiveness and that illustrates how within the *Value Renewal* dimension, the partnership started to fail. As Grameen Telecom was needed less over the years, the need to address its mission diminished, leading to the Village Phone program lagging behind.

6.3 GrameenPhone Journey

6.3.1 Background

During the first three years of operation, GrameenPhone doubled its subscribers and operating revenue every year. The company made its first yearly profit of $3 million in 2000. By 2001 the GrameenPhone network covered 40 out of 64 districts in Bangladesh (Isenberg, Knoop, & Lane, 2007). In this initial stage, Grameen's support proved vital in lowering Telenor's perception of risk. Grameen protected Telenor from corruption and enabled the use of its established brand (Seelos, 2008).

At the end of 1997 GrameenPhone had around 18,000 subscribers. By the end of 2000 that figure had jumped to 190,000 and three years later in 2003, it crossed the 1 million mark. In 2006 GrameenPhone subscribers doubled from 5.5 million subscribers the year before to 10.76 million (Tisdall, 2007). As of June 2008 its subscriber base reached over 20 million. **Figure 6** below shows GrameenPhone's subscriber growth over the years.

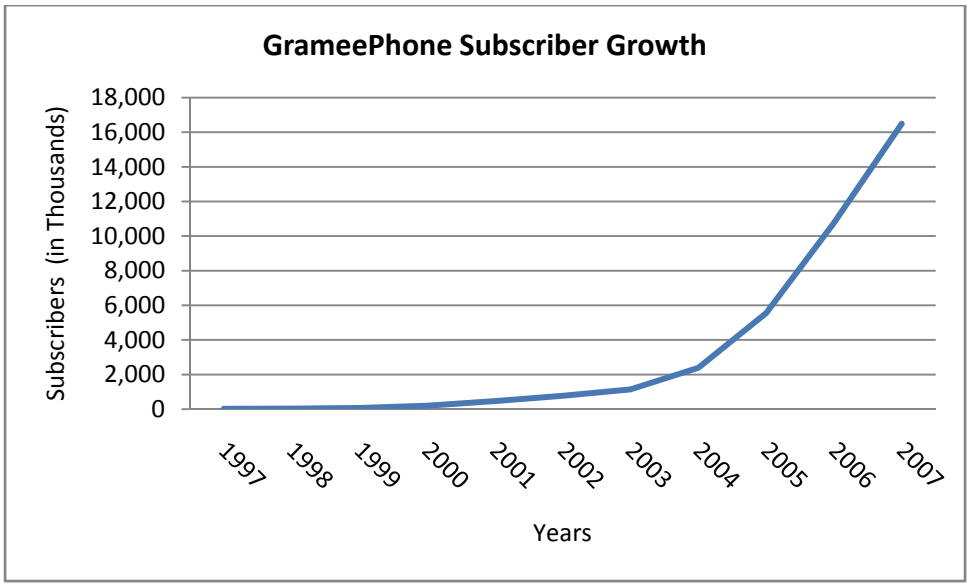

Figure 6: GrameenPhone Subscriber Growth

Since its debut, GrameenPhone has continued to dominate the market. By 2001 it had 412 base stations. It also covered 34% of the geographical area of the country and had 69% of the market share by the end of 2001 (Isenberg, Knoop, & Lane, 2007). By the end of 2007 GrameenPhone's network coverage had increased to 98% of the country[6] and its base stations had increased to 10,303. However, partly due to increased competition in recent times, GrameenPhone's market share dropped to 50% in 2006 (Tisdall, 2007) and stands at 47% as of June 2008 (Telenor Group).

GrameenPhone's initial equity of $17.5 million was part of a $50 million equity commitment by all the partners. The rest of the equity was to be eventually called in through several tranches over the next few years. The second capital call for $11 million took place in July 1997, followed by one for an additional $11 million in December 1997 and then the final and fourth one for $10 million in April 1998. The equity of the partnership stood at $49.5 million at this point (Isenberg, Knoop, & Lane, 2007). **Table 4** shows contribution of each partner as GrameenPhone was built.

[6] Source: GrameenPhone Annual Report 2007

Figures in million USD	Telenor (51%)	GTC (35%)	Marubeni (9.5%)	Gonofone (4.5%)
First capital Call (Initial) on Jan 1997	8.93	6.13	1.66	0.79
Second Capital Call on Jul 1997	5.61	3.85	1.05	0.50
Third Capital Call on Dec 1997	5.61	3.85	1.05	0.50
Final Capital Call on April 1998	5.10	3.50	0.95	0.45
Grand Total:	25.25	17.33	4.70	2.23

Table 4: Partners' Investments in GrameenPhone during formation

As it happens with any startup, GrameenPhone was not earning any profit during this time and was in fact operating at a loss, losing $7 million in the first year of its operation and an additional $13 million in 1998. In an attempt to meet the investment and capital demand, GrameenPhone was able to obtain a debt-to-equity loan package of $55 million jointly from International Finance Corporation (IFC), the Asian development Bank (ADB) and Commonwealth Development Corporation (CDC) by the end of 1999. There was also a loan of $10 million from Norwegian Agency for Development Cooperation (Norad). By mid 2000, GrameenPhone had control of $125 million capital and had already spent $80 million of it. The Village Phone scheme remained relatively small, but GrameenPhone soon settled into growth mode – expanding and outspending competitors (Sullivan, 2007).

In the early years until 2000-2001, both of GrameenPhone's prepaid and postpaid tariffs were almost twice as much (BDT 6 per min and BDT 4 per min respectively) of what they were in 2005 onward (BDT 2-3) (see appendix C). The company's revenue started seeing steeper growth from 2003. The biggest jump in revenue was seen in 2006 going from BDT 29 billion ($431 million) to BDT 45 billion ($655 million), the same year the company doubled its subscriber base in a single year. In 2007, even though GrameenPhone added more than 5 million new subscribers, the revenue did not grow as much. **Figure 7** shows the revenue growth of GrameenPhone from 1997 to 2007.

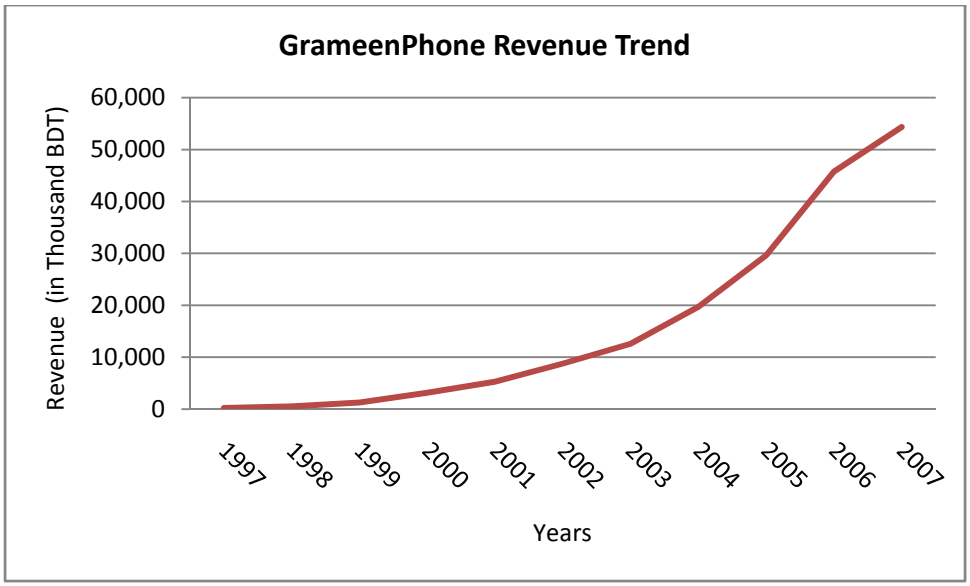

Figure 7: GrameenPhone Revenue Trend

By 2006, GrameenPhone was one of the largest and most profitable companies in the country, employing 5000 people and generating revenue of $655 million. GrameenPhone's total contribution to the National Exchequer in 2006, including all taxes and VAT from the services, was more than BDT 20 billion ($286 million)[7]. Having built a solid foundation, GrameenPhone decided to go public under Dhaka Stock Exchange (DSE) in mid 2008 with an IPO of BDT 10.5 billion ($150 million) in addition to a pre-IPO offering of BDT 10.5 billion ($150 million) (Inman, 2008). Although, that plan was later delayed and changed. GrameenPhone eventually filed an application for an initial public offering (IPO) of BDT 4.5 billion ($65 million) with the Securities and Exchange Commission (SEC) in Bangladesh on Dec 11, 2008 (Corporate Communications Department, 2008).

6.3.2 Research Analysis

From a business point of view, the GrameenPhone alliance has been a tremendous success. For this success, a lot of factors had to come and work together over the course of GrameenPhone's journey since the partnership was formed. There had to be substantial business luck to go along with it. On top

[7] Source: GrameenPhone Annual Report 2006

of everything, GrameenPhone's aggressive business and expansion planning was a key component in its success. GrameenPhone also ran a very aggressive and world class marketing campaign which dwarfed other private sector promotional spending in Bangladesh.

Another example of GrameenPhone's impressive business planning is the rate at which it has expanded its network. From 2003, it has roughly doubled the number of base stations every year from the previous year. Demonstrating a foresight in infrastructure planning, GrameenPhone established a sophisticated "circular structure" or continuous loop network within a few years of starting its operation so the cellular service would not be disrupted if any part of the network was down at any given time (Sullivan, 2007). What gave GrameenPhone an additional competitive advantage was obtaining the sole right to use Bangladesh Railway's fiber optic network. According to Nicholas Sullivan, this instantly gave GrameenPhone access to an infrastructure "that would cost a competitor at least $100 million and several years to install" (Sullivan, 2007, p. 92).

During this time of aggressive growth, what helped GrameenPhone obtain loan assistance from international donor agencies like IFC, ADB and CDC was its Village Phone program. If it was just another case of foreign investment in Bangladesh, i.e., the other cellular service providers, it is unlikely that they would have access to these funds at such a crucial time. While commenting on providing loan assistance to GrameenPhone in 1998, Robert Rothery of ADB's Central Operations Services Office commented,

> *"For the first loan, the village phone program was critical. Had there not been such a program I doubt that ADB would have participated. The developmental aspect of the project (Grameen Bank involvement, rural development, etc.) was a big factor."*[8]

GrameenPhone's plan for an IPO was marred with a number of allegations and accusations. It also suffered from a series of bad publicity during the course of 2007 and 2008 as it was preparing to file with the SEC. Because of stiff competition, falling market share, stagnant revenue growth and because

[8] This comment was made in response to question number 3 in the ADB Loan Related Questions (Appendix B).

its price to earnings ratio (PER) of around 71 seemed too high, AT Capital suggested that GrameenPhone's valuation of $3.2 billion was too ambitious. Also, based on the responses from the local financial institutes, GrameenPhone's initial quoted share price of BDT 18 quickly came down to BDT 11.58 per share. Adding to this list, National Board of Revenue (NBR), Bangladesh refused to give GrameenPhone the tax benefit on the pre-IPO amount of $150 million (Asian Tiger Capital Partners, 2008). This series of events, along with significant negative press that we discuss later delayed the IPO and compelled GrameenPhone to reduce the IPO amount to BDT 4.5 billion ($65 million) during the time of filing in December 2008.

Now we will look at GrameenPhone's evolution via the CVC framework.

6.3.3 Theoretical Analysis

The *Value Definition* dimension of the CVC framework emphasizes partners' *Recognizing Costs* of going into a partnership. As we have shown GrameenPhone used the Village Phone concept to obtain loans from international donor agencies. Here again we see the issue of interchangeability between the concepts of GrameenPhone and Village Phone. In this case also, Grameen Telecom could have possibly taken steps during the partnership formation to avoid such a convolution. In addition, the negative press GrameenPhone received during its IPO planning can be traced back to *Recognizing Costs* within the *Value Definition* dimension. Even though Grameen Telecom could not have foreseen these incidents, they have tarnished Grameen's image which has been a cost of this partnership to Grameen Telecom and the Grameen family of companies.

Many of the highlights of GrameenPhone's journey relates to the *Value Creation* dimension. GrameenPhone expanded aggressively from the very beginning which can be partly attributed to Telenor's business acumen and technology knowhow. GrameenPhone would not have seen this rapid growth without Telenor's contribution which indicates that both of these partners collaborated at the

Joint Value Creation level at the early stages of the alliance. However, despite being one of the two partners of such a successful business operation, it appears that Grameen Telecom has not gained much expertise in the management of such a venture. Since its inception, Grameen Telecom has had two members on the GrameenPhone board, but it does not have any representation in the executive management of GrameenPhone. It seems that even though the partnership started at the *Joint Value Creation* level, it has somehow shifted backward and has become more imbalanced.

Another important type of *Value Creation* within the CVC framework is the *Social Benefits* that stems from a partnership. GrameenPhone's success and media coverage has undoubtedly publicized Grameen Telecom's mission of poverty alleviation through communication technology. Although it is not uncommon for large private sector companies to participate in various cause related marketing campaigns and sponsorships, people in Bangladesh nevertheless benefit from the range of causes and events that GrameenPhone sponsors. In addition, the private sector in Bangladesh has benefitted from GrameenPhone's pioneering venture as it has paved the way for attracting additional foreign investors to the country.

6.4 GrameenPhone Corporate Governance

6.4.1 Background

GrameenPhone is one the largest taxpayers in the country, having contributed nearly BDT 70 billion (S1 billion) in direct and indirect taxes to the Government Exchequer over the years. The company has so far invested more than BDT 107 billion (USD 1.6 billion) to build its network infrastructure since inception in 1997 (GrameenPhone, 2006).

GrameenPhone's vibrant and dynamic corporate governance practices are an essential ingredient to its success. It commits considerable resources and implements internationally accepted corporate standards in its day-to-day operations. The Executive Management team is headed by the

CEO who is Norwegian. Other than the CEO the 7 members of the team are split almost evenly with three being Norwegian and 4 being Bangladeshi (GrameenPhone, 2009). GrameenPhone's management and method of operations as a private sector company has generated numerous praise and in 2002, GrameenPhone was adjudged the Best Joint Venture Enterprise of the Year at the Bangladesh Business Awards (GrameenPhone, 2006).

GrameenPhone has also generated direct and indirect employment for a large number of people over the years. The company presently has more than 5,000 full and temporary employees and has an extensive employee benefit scheme in place including Gratuity, Provident Fund, Group Insurance, Family Health Insurance, and other initiatives (GrameenPhone, 2006).

It should be noted however, that the road to success for GrameenPhone's corporate governance has not been without its share of problems. The largest thorn on its side stems from the agreement between Grameen Telecom and Telenor at the time of the formation of GrameenPhone which stated that within 6 years Telenor "intended to" transfer its majority stake to Grameen Telecom. The problems arose as Telenor claimed that it was simply an expression of intention and thus not legally binding. Later, when Grameen Telecom asked for the transfer of shares to gain management control of GrameenPhone, Telenor had already changed its mind about the share transfer. According to a 2008 report in The Daily Star, "GrameenPhone became Telenor's most profitable venture by the end of June 2006." (Hasan, GP boss steps down, 2008). Telenor was no longer willing to let go of its majority stakeholder status. GrameenPhone's chairman Arve Johnson stated,

> "We honour our agreements but we do not have any agreement with Yunus. We made it very clear, already in 2001, that we did not have the intention of selling our shares any longer." (Grameen Telecom, 2007).

Dr. Yunus argued that it was wrong of Telenor to go back on its word. According to AT Capital Research, Professor Yunus stated,

> *"Back in 1996, Telenor and we agreed that the joint company within six years should be a locally operated company with Bangladeshi management and Bangladeshi majority ownership. This has not happened… Telenor now tells me that it was a mistake to rely on their words. We now are being told that the words of the written agreement in a legal sense are non-committing statements. We relied on the words of the agreement."* (Asian Tiger Capital Partners, 2008).

AT Capital Research also noted that this incident with Professor Yunus does not seem to be an isolated argument. In an AP report in December 2006 it was reported that Telenor had rejected an offer to sell control of GrameenPhone to Grameen Telecom stating that its strategy is to own majority shares in its joint ventures. The report went on to state that Dagbladet, which is Norway's third largest newspaper, had quoted Dr. Yunus as saying Grameen Telecom was ready to offer Telenor NOK 2.6 billion ($426.9 million) to buy a 13% stake in GrameenPhone to gain majority (Asian Tiger Capital Partners, 2008).

In fact, Dagbladet also reported that an old contract between Telenor and Grameen dated June 28, 1996, found in the Norad archives, has established that Professor Yunus had been correct in his demands for greater share for GrameenPhone. As per paragraph 13.6 of the contract, it was Telenor Investment Company's intention to reduce its share in the company of GrameenPhone to less than 35% within 6 years after the company was formed. Paragraph 13.4 added that Grameen would be given the first right to buy the shares (BangladeshNews.com.bd, 2006).

As recently as September 2008, Reuters reported that Professor Yunus may be thinking of taking legal action against Telenor in a bid to gain full control. This cloud of resentment has been hanging over the heads of both parties for a while now and shows no signs of resolution any time soon (Stoltz, 2008).

Another issue of corporate governance manifested itself when Telenor changed the logo of GrameenPhone in 2006 without informing Grameen Telecom. The original logo of GrameenPhone used the colors of the Bangladeshi flag, red and green and also depicted the side profile of a woman wearing a nose ring to make it identifiable to the local culture. In addition it was made to resemble the color

scheme of Grameen Bank and its family of companies which used red and green as well. On GrameenPhone's 10th anniversary, Telenor used its own company logo of the blue propel symbol against a white or black background. Dr. Yunus claimed that this decision by Telenor to use its own logo and scrap the previous one, without notifying Grameen Telecom, was "a sign of Telenor's disrespect" (Grameen Telecom, 2007). Both logos are shown below.

Figure 8: GrameenPhone's Old Logo

Figure 9: GrameenPhone's New Logo

GrameenPhone's public image suffered a setback when BTRC filed a case on January 16, 2008 against 10 of its former and current high officials, including two former CEOs, accusing their involvement in illegal VoIP operations (Hasan M. , 10 GP high-ups sued for VoIP involvement, 2008). The case was the result of an 8-day long Rapid Action Battalion (RAB) raid, at GrameenPhone's head office where a large number of illegal VoIP equipment was recovered (Staff Correspondent, 2008). GrameenPhone was fined twice over this matter and paid BDT 1.68 billion ($24 million) and then again BDT 2.3 billion ($33 million) in order for the case to be resolved (Asian Tiger Capital Partners, 2008). Not only did GrameenPhone suffer monetarily from paying these fines, its credibility as an exemplary private sector company was severely tarnished as well, as evident in the numerous media reports.

The company received another blow when its relatively new CEO, Andres Jensen, announced he would be stepping down as CEO. He had only become the CEO in October 2007 and was expected serve until October 2010. However he decided to leave as of December 2008 having served as CEO for a little over a year. Even though the decision to leave was declared as being "primarily due to family reasons",

speculation suggested that the shareholder's conflict and illegal VoIP scam had become too challenging for him to run the company effectively (Hasan, GP boss steps down, 2008).

Telenor received more negative press in June 2007 when it announced its withdrawal and delisting of its ADS (American Depository Shares) from Nasdaq (National Association of Securities Dealers Automated Questions). According to a report by The Daily Star, it is common knowledge that firms that voluntarily delisted from Nasdaq had poor governance systems and, the report contends that, it is difficult to believe that Telenor was an exception. The report also cited that in 2004-2005, Telenor was involved with the corruption and corporate fraud scandal of VimpleCom which was a joint venture of Telenor in Russia. The report concluded that,

> *"It is obvious that the delisting of Telenor from Nasdaq transmits a strong negative message that Telenor lacks an appropriate corporate governance system, which is indispensible for a transparent reporting responsibility to the SEC." (Mazumder, 2007).*

The company's latest incident was in 2008 following a Danish television documentary revealing dangerous working conditions and use of child labor at Telenor's subcontractors in Bangladesh. Although since this negative publicity, the management team of GrameenPhone began to take new measures to ensure safety and stop violations of child labor laws, its image suffered in Bangladesh, Norway as well as internationally and drew rebuke from organizations such as Save the Children (Stoltz & Paul, Telenor backs CEO in Bangladeshi child labour row, 2008).

Despite such setbacks however, GrameenPhone continues to operate successfully, still dominating the market though perhaps not as comprehensively as it once did.

6.4.2 Research Analysis

As it stands today, GrameenPhone is a highly successful venture in Bangladesh. But when the partnership was formed in 1996, this tremendous success was by no means a guarantee and Telenor's

actions showed how unsure it was in entering into this venture. It maintained a majority stake in the partnership and management control of the company despite the numerous benefits that the Grameen name and the reputation of Professor Yunus brought to this alliance. Being foreign to the Bangladeshi market, Telenor kept Grameen at the forefront of the public image of the partnership. Grameen's social mission and the Village Phone program were presented as the main focus of GrameenPhone in the media. The Village Phone concept quickly caught the imagination of the international media and academics and the partnership used this to its advantage. Most conversations about GrameenPhone revolved around The Village Phone program such that they began to be used interchangeably as we have shown in The Village Phone background.

Yet, fast-forwarding 10 years later, by the time GrameenPhone's logo was changed, the story was quite different. Within this decade GrameenPhone gained a strong foothold in the Bangladeshi market and dominated it from the very beginning. Even now with the introduction of other competitors GrameenPhone still holds the largest market share in the mobile phone industry in Bangladesh. The need to stand behind the shadow of Professor Yunus and Grameen's social mission is gone. GrameenPhone has reached a state when it can operate on its own identity without being associated with the Grameen family. And even though the number of Village Phone subscribers grew, it was nothing compared to the growth of GrameenPhone subscribers. As of 2006, Village Phone was about 2.6% of GrameenPhone's subscription base and according to the latest data of 2008 this ratio has declined to 1.45%[9]. Even though Village Phone was never more than 5% of GrameenPhone's subscription base, it used to be highlighted in every instance GrameenPhone was mentioned. Now that GrameenPhone can stand on its own, Village Phone seems to have fallen to the wayside.

[9] For more GrameenPhone financial and performance data, see Appendix C

As such when Professor Yunus demanded that Telenor hand over its majority stake in the company to Grameen Telecom as per their old 1996 contract, Telenor refused to do so citing the contract as not being legally binding since it only expressed an “intention” rather than a legal agreement. In 2007, Jon Fredrik Baksaas, who was the CEO of GrameenPhone at the time said "We have never committed to reducing our share in the company." He continued by saying that ceding majority control had never been on the table and that the last time a change was discussed it was in 2004, when Telenor bought out a third partner and most of a fourth, increasing its stake from 51% to 62% while cash-strapped Grameen Telecom was able to buy only 3% of available shares (Prasso, 2007). When Professor Yunus won the Nobel Peace Prize, Baksaas, in reference to this conflict between Dr. Yunus and Telenor was quoted as saying, “Telenor had no reason to be embarrassed, stressing that it's proud of building up a company that both has ‘done good and done well’” (Berglund, 2006). This comment indicated that he was proud of Telenor’s financial performance as well as its social endeavors. But as we analyzed above using the Village Phone program, the numbers do not seem to illustrate the same story.

Telenor made a symbolic break with Grameen when it changed GrameenPhone’s logo in 2006 to align more with its own company rather than be associated with Grameen. Even more striking was how it did not inform Grameen Telecom of this change; the change was unilateral. It seems that even though Telenor was so unsure of entering this joint venture in the beginning, now that GrameenPhone had become successful, it no longer felt the need to let its local partner be the front-man of the business. GrameenPhone continues to highlight the aspects of social mission and development that Grameen and Professor Yunus brought into the partnership, however, the work done on these social missions and ideas seem to be far less than what is profiled. Projects such as the Village Phone program are still featured on GrameenPhone’s website, albeit in the CSR subsection, but now over a decade later, the statistics do not reflect the perceived focus on development and social improvement as the website would want us to think.

We have also seen Telenor take advantage of the weak legal system and lack of rule of law in Bangladesh from the very start and this behavior has continued down to present times. Inge Skaar, the first CEO of GrameenPhone once said “In a country with few rules and regulations, anything is possible if you act first and ask questions later. The initial phase of operation was a marvelous time where we operated very much on our own terms.” (Sullivan, 2007, p. 89).

This disregard for operating within legal boundaries manifested itself as recently as 2008 when the VoIP scandal mentioned earlier came to light in which 2 ex-CEOs of GrameenPhone were implicated. While other mobile phone competitors were also charged, none of them have a social agenda linked with their image like GrameenPhone. This was damaging not just for GrameenPhone as a private for-profit company, it also brought shame to the Grameen name as well. This incident in addition to delisting with Nasdaq and trouble with unsafe working conditions and violation of child labor laws by Telenor’s subcontractors in Bangladesh, continue to illustrate Telenor’s irreverent attitude towards working in Bangladesh and shows how the profit-motive clearly dominates in its business practices.

Thus, from Telenor’s operational practices at GrameenPhone, it seems that this is just another one of its profit-seeking ventures and even though it claims to place high importance on its social investments and corporate social responsibility, these terms are mostly used as sound-bites in talks and speeches rather than realized on the ground. This is not to say that GrameenPhone has not carried out numerous social schemes. Rather, the point here is to illustrate how disproportionately these schemes are highlighted. They are used to generate positive public images about GrameenPhone even though they barely constitute the core of its business. If Telenor was truly interested in putting emphasis on social and financial benefits equally, perhaps it would entertain thoughts of transferring management control to Grameen Telecom or reducing its majority stake in GrameenPhone from what it owns now.

Yet that thought seems to be far from the minds of Telenor's corporate management despite Professor Yunus' continuing efforts to fight for more control over GrameenPhone by Grameen Telecom.

Now we will look at the corporate governance aspect of GrameenPhone's partnership in light of the CVC framework.

6.4.3 Theoretical Analysis

As we have shown, initially the Grameen name and Dr. Yunus' stature were extremely valuable to the partnership. However, as time passed, the importance of Grameen Telecom started to fade. Eventually not only did Grameen Telecom lose its significance in the partnership, the Grameen name was tarnished because of the dubious activities of GrameenPhone operation in recent years. This downfall stemmed from lack of insight in part of Grameen Telecom during the partnership formation as discussed in the *Value Definition* dimension and *Recognizing Costs* in the CVC framework. Had Grameen Telecom been diligent about the benefit and value it brought to the table and had it protected its interests when it entered the alliance, these consequences might have been avoided.

Even though Professor Yunus was initially crucial to the success of GrameenPhone, as we have shown, his importance had lessened while GrameenPhone continued to grow in leaps and bounds. Unfortunately, the partnership has now reached a point where the partners are at odds with each other over the control of the company. This illustrates the partnership's failure in maintaining a *Value Balance* among its partners. The logo change discussed above further highlights Grameen Telecom's diminished position and its failure in renewing its value within the partnership. It appears that Grameen Telecom is continuing as a silent partner for the most part and they are not getting as much value from this alliance as they once did.

7 Conclusion

We set out to assess the cross-sector partnership between Telenor and Grameen Telecom, in an effort to see how this model has been performing in emerging markets. We selected the GrameenPhone partnership as the partnership started off with a set of discrete but complimentary social and business missions. In addition, the partnership has been much discussed and proclaimed all over the world for its success and yet has drawn some debate in the recent years about ownership control and unethical practices.

To help structure our work, we have utilized a couple of established theoretical frameworks. After our thorough research and theoretical analysis, our most significant findings about the GrameenPhone partnership are:

- The nonprofit partner, Grameen Telecom, failed to sustain its mission. It fell short of keeping the partnership's focus on achieving its social goal perhaps because of its lack of experience being from an emerging market.
- Conflict of interest between the social and business goals has led the alliance to become less effective. The profit maximizing objective of the dominating for-profit partner shifted the overall focus of the partnership.
- From a theoretical point of view, the frameworks presented some limitations in their applicability to the complex nature of a real-life cross-sector alliance.

There is no doubt that Bangladesh has significantly benefitted from GrameenPhone's operations. Telenor's investment in the country along with other similar service sector FDI's in recent years have helped the business sector grow and become mature at a rate that would not have been

possible had these companies not invested. However, portraying one with disproportionate enthusiasm in the way GrameenPhone has been, disservices the whole business sector of the country.

Now let us look at the implications of our findings from theoretical and managerial points of views. After that we will conclude our discussion highlighting the limitations we have encountered throughout this study and recommendations for areas of future research.

7.1 Theoretical Implication

During the course of our research, we have identified a couple of aspects that our theoretical frameworks could not address. Attempting to use these frameworks in the context of a real-life alliance allowed us to see where additional research needs to be done.

Our first theoretical finding is that the Collaboration Continuum (CC) framework did not allow the partners move between partnership stages independently. It assumes that as the partnership moves from one stage to another, all the partners go through the transitions at the same time. However, this may not always be the case. One partner may go through a stage transition at a different time than the other. Partners may even belong to different stages in terms of the dimensions discussed in the framework.

The other theoretical finding of this research is that, these frameworks do not elaborate on partnerships shifting backwards through the stages. Even though, the *Value Balance* and *Value Renewal* dimensions of the Collaboration Value Construct (CVC) framework talk about a partnership transitioning to complacency or one partner losing its importance in the collaboration, if the framework expanded on these aspects of the partnership evolution more, it would probably deem more applicable to a real-life situation.

7.2 Managerial Implication

The managerial implication for Grameen Telecom that came out from our research is that it lacked business confidence through the course of the partnership starting from the partnership formation stage. It seems that Grameen Telecom never took care of its own interests. Perhaps it did not have enough faith in the partnership's success. Professor Yunus went back and forth before the alliance was formed and then wanted a majority stake which he could not get. Even after GrameenPhone started its operation, despite the early leadership positions in the board of the company, it failed to preserve its goals. Even though this partnership is central to Grameen Telecom's mission, it does not have any representation in the executive management of the company. It also did not legally ensure its rights to ownership transfer and eventually allowed the Village Phone program to get moved to the sideline.

On the other hand, Telenor, being a company driven by its bottom-line, protected its interests, kept control of its investments and took advantage of the partnership as needed. From early on in GrameenPhone's operation, we have seen Telenor exploit the weak legal infrastructure in Bangladesh and then, in recent years, get entangled in the costly VoIP scandal. It has also led itself into a fight over the ownership of GrameenPhone and refused its early commitment over legal technicality. What reinforces Telenor's less than transparent business practices, among other reports of corruption, is its failure to maintain a listing on Nasdaq. When contacted for purposes of this research, Telenor's response was to refuse interviews and answering any questions. It simply pointed to its website and said it does not disclose any information beyond what is reported there. This response just adds further to its perceived image of lack of transparency.

7.3 Limitations

There are several limitations to the research approach and design of this study. Some of these limitations stem from the theoretical frameworks we used while others resulted from our research and data collection.

The theoretical frameworks used in our discussion have not always aligned to the actual complexities of the partnership and its characteristics in question. There may have been some stylization of real-life partnership dynamics as we attempted to fit and compare them with our theoretical frameworks. The frameworks also do not explain a partnership moving backwards in its progress in great detail. In the case of GrameenPhone, the partnership started at an advanced stage but slid back into the middle stages as the imbalance between the partners continued to widen over the years.

In addition, maybe the most significant limitation we have encountered is that it does not allow individual partners to go through different stages of the framework at different times. It does not allow for imbalance within the partners that might cause one partner to lag behind the other. We have suggested these limitations of the framework as candidates for future research.

A final limitation regarding the frameworks is that the core discussions of this report are limited to the frameworks by Professor James E. Austin about cross-sector alliance and its value sharing. While we used these frameworks for our analyses, there might be other models that would have explained the partnership from a different angle.

In terms of our data, one limitation is that the qualitative and quantitative data collected were from multiple secondary sources. As such there is likelihood that some of the data are imprecise. Finally, even though we collected data from Grameen Telecom and GrameenPhone, we were unable to collect data from Telenor itself. Telenor did not respond to our requests for data collection and while

GrameenPhone does present Telenor's view, we are limited by not having Telenor's own responses rather than it being filtered through GrameenPhone.

7.4 Future Research

There are some areas of possible future research that we have identified in our investigation. The first is with regards to the Village Phone program. Even though it was a central mission at the beginning of the partnership, it gradually received less importance as GrameenPhone evolved. It could be a point of further research to investigate whether Grameen Telecom did enough to allow the Village Phone program to continue to grow beyond the first few years. Analysis could be conducted for finding areas of improvement to revamp the program. Additional research to expand the theoretical frameworks we used could be conducted to make them more robust and address the limitations we discussed above.

In addition, new research could be undertaken to broaden the findings we have reported here. In our thesis we concluded that based on our focus on GrameenPhone, cross-sector alliances between profits and non-profits are often difficult to balance in terms of value sharing. It would be interesting to widen this research to include a multitude of cases to see if GrameenPhone was the exception or the rule in terms of cross-sector collaborative value sharing in emerging markets.

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Appendices

Appendix A: Questionnaire for GTC and GrameenPhone Management

Partnership Formation:

1. At its inception, would you say the GTC and Telenor partnership was envisioned to be more of –
    a. "Transactional" – where parties interact regularly and high resource exchange takes place through specific activities and programs.

       In this case, parties really do not have the same goal but they somehow identify an overlap between their individual missions.

    b. "Integrative"- where two parties work toward a common mission with heavy resource exchange and collaboration.

    c. Other: Please explain briefly.

    Comment: Please comment on the fact that GTC was formed as an NPO and Telenor was a for-profit company. How did their visions overlap?

2. GTC was formed as an NPO. Today, after 10+ years, how successful you think it has been in realizing its mission? How successful you think the partnership has been from the GTC point of view?

Collaboration Value:

3. How well do you think each of the partners defined the value of the partnership during the partnership formation, over the years and now?

4. How well do you think each of the partners created value for the partnership during the partnership formation, over the years and now?

5. How well do you think each of the partners balanced the value sharing in the partnership during the partnership formation, over the years and now?

6. How well do you think each of the partners made an attempt to renew the value of the partnership over the years? Were the expectations the same at the beginning?

VP Questions:

7. You think Village Phone project was as successful as it could be? Why or why not? If not, what could be done from each partner's side to make it more successful?

8. From the mission statement of GTC, it seems like VP program is central to its mission. Please comment on this. Did this program get the same attention from Telenor? If not, this implies a difference in the focus of each of the partners. How was this reconciled or how has this played out throughout the years in the partnership?

General/Other:

9. In your opinion, what could each of the partners do to make the partnership a better success, keeping in mind that each party went into the partnership with somewhat different expectations?

10. Would you like to comment on this kind of non-profit and for-profit partnership model in general? How, in your opinion, you think they work or do not work or the kind of atmosphere it requires?

Appendix B: Questionnaire Regarding ADB Loan

1. What was your role in dealing with GrameenPhone? In what capacity were you involved in either of the loans?

2. How many loans did GrameenPhone get from ADB? (I found two records)
   - In 1998, $18.3 mill? What were the terms? Paid off in time?
   - In 2004, another $20 mill? Paid off already?
   - What was the size of GP equity in 1998? In 2004?

3. In your opinion, what were the primary reasons that qualified GrameenPhone for the loan in 1998? How about in 2004? Did Village Phone program play a big part? Or was it simply the potential for development through GrameenPhone's overall operation? (In 1998, ~31000 GP subscribers and 221 VP subscribers)

4. Now, after a decade of the first loan, how do you feel about GrameenPhone project? How about ADB's dispersing these loans? Were they put to good use? Did GrameenPhone utilize these loans as ADB expected? Please elaborate your opinion/thoughts.

5. As of 2007, there are 16.5 million GrameenPhone subscribers and 280,000 Village Phone subscribers. Could you comment on these data please? Were there more expectations from the Village Phone part of the program or did it perform adequately?

6. In 1998, the first time GrameenPhone got ADB loan, there were a few other cellular phone service providers in Bangladesh. Would they have gotten similar loans if they had asked for it? Did these donor loans, i.e., IFC and ADB loans give GrameenPhone certain advantages in competition? If so, was it intended?

Appendix C: GP and VP Performance and Financial Data

Table 1: VP Subscribers and revenue trend:

Year	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Subscribers	28	179	1,114	3,273	9,222	23,159	46,297	94,003	190,659	281,143	296,922	293,700
Villages	28	50	400	800	2,000	5,000	10,000	15,000	25,000	42,000	44,000	53,000
Revenue ('000 BDT)	38,010			155,600	428,088	1,048,745	2,262,287	3,942,994	7,026,993	7,964,267	3,342,151	1,269,200

Table 2: GP Subscribers and revenue trend

Year	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008(Q1Q2)
Subscribers ('000)	18	30	60	190	465	770	1,140	2,390	5,550	10,760	16,490	20,300
Revenue ('000 BDT)	231,143	543,538	1,289,517	3,146,929	5,296,439	8,778,750	12,577,199	19,700,695	29,627,949	45,742,700	54,341,302	

Table 3: ARPU Comparison between GP and VP

Year	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
GP ARPU ('000)	13	18	21	17	11	11	11	8	5	4	3	-
VP ARPU ('000)	-	-	-	48	46	45	49	42	37	28	11	-

Table 4: Other Indicators of GrameenPhone Operation

Year	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Employees	161	215	284	372	492	596	712	1148	2432	4448	5134	~ 5000
Base Stations	73	141	200	299	412	500	680	1,344	3,462	6,100	10,303	-

Table 5: GP Detailed Financials

Year	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Income Statement											
Total Operating Revenue	231,143	543,538	1,289,517		5,296,439	8,778,750	12,577,199	19,700,695	29,627,949	45,742,700	54,341,302
Total Operating expenses	-442,078	-748,528	-1,165,164		-3,226,555	-4,159,845	-5,743,374	-9,676,718	-17,026,228	-27,547,425	-38,054,331
Interest income					75,622	212,503	350,964	330,660	89,935		-1,684,243
Financial cost					-348,855	-311,304	-246,358	-137,745	-830,754	-918,824	-968,503
Non operating expenses					-14,563	-17,643	-56,166	-91,085	-99,412	-258,821	-101,963
Net Earnings before Income Tax	-354,239	-644,017	-466,814	14,451	1,782,088	4,502,461	6,882,265	10,125,808	11,761,490	17,019,506	13,534,853
Tax expense					-186,736	-1,565,384	-2,561,500	-3,382,301	-4,848,613	-9,535,549	-10,475,013
Net Earnings before appropriation					1,595,352	2,937,077	4,320,765	6,743,507	6,912,877	7,483,957	3,059,840
Transfer to Tax Holiday Reserve					-72,711	-333,766	-455,845	-562,020	-509,073	-206,313	-
Net Earnings available for appropriation					1,522,640	2,603,311	3,864,920	6,181,487	6,403,804	7,277,284	3,059,840
Balance Sheet (as of December 31)											
Total assets	2,888,009	2,914,491	4,870,595	5,902,470	8,711,054	13,253,298	17,263,866	27,023,369	49,536,664	66,756,658	88,461,041
Long term borrowings	720,971	817,654	2,103,852		3,263,911	2,791,022	1,735,550	1,668,448	3,278,370	2,448,452	3,367,620
Total liabilities					6,136,625	7,738,924	9,255,473	13,581,714	31,295,970	42,247,181	62,349,934
Total equity	1,531,719	2,227,000	2,460,464	2,460,464	2,574,429	5,514,375	8,008,393	13,441,655	18,240,694	24,509,477	26,111,107
Investment in associated company						11,700	-	-		1876*	2591*