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## **What Works**

### **The Humanitarian Divide A Cambodian 'nonprofit company' peddles digitization – with a social edge**

By Christopher St. John

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# what works

## Strategies, Approaches, Developments

### INTERNATIONAL OPERATIONS

## The Humanitarian Divide

A Cambodian 'nonprofit company' peddles digitization – with a social edge *by Christopher St. John*

When Jeremy Hockenstein visited Cambodia on vacation in November 2000, he was struck by the abundance of small Internet cafes dotting the streets of Phnom Penh, and by the number of young Cambodians determined to learn English. He bought handicrafts from disabled Cambodians who could not get full-time work, and learned that a lingering land mine problem contributed to a large disabled population.

"I felt the promise of globalization, technology, and English to improve their lives," Hockenstein recalled recently.

He also knew that the impoverished country was still recovering from the genocidal Khmer Rouge regime, led by Pol Pot, which killed 1.7 million people between 1975 and 1979. And this stirred something else inside him – in part because his mother, a Holocaust survivor, had been born in a German concentration camp. "It was meaningful to me," he said, "that [Cambodia] was rebuilding after genocide."

Hockenstein, a former McKinsey & Company analyst who earned an MBA from the Massachusetts Institute of Technology in 1999, returned to Cambodia in February 2001 with four friends and a bold idea. They would start a "non-profit company" in Phnom Penh, bringing technology-related jobs to needy Cambodians – the physically disabled, orphans, and rescued victims of sex trafficking – while providing them an opportunity to hone their English skills.

Three years later, that organization – Digital Divide Data (DDD) – employs 110 people in Phnom Penh, 10 people in the rural city of Battambang, and 20 more in Vientiane, Laos. The organization, incorporated as a nonprofit in Cambridge, Mass., and recognized by the Cambodian government as a nongovernmental organization, provides data entry, database design, and other digitization services to universities, libraries, corporations, and other clients worldwide. Tufts University, to take just one example, recently hired DDD to digitize rare library texts.

There are several key reasons for the organization's success. For starters, it collaborated with pre-existing organizations already on the ground in Cambodia. It also has a successful business model, capitalizing on low-cost labor and providing high-quality digitization services. But perhaps its greatest edge is that it is mission driven: Because Digital Divide Data exists to help needy Cambodians, its operations are viewed as humanitarian, not exploitative.



Employees at Digital Divide Data in Phnom Penh have digitized documents for clients including Tufts University and the *Harvard Crimson*.

"We are a company in terms of having client revenue and a sustainable business model," Hockenstein explained, "but we are a nonprofit in the sense that DDD wasn't founded to make anybody rich. It was founded to improve people's lives."

### A Model That Benefits Everyone

From the start, Hockenstein believed that a key to success would be collaborating with local organizations that knew the terrain, and were part and parcel of the local community. To this end, DDD linked up with Cambodian Volunteers for Community Development (CVCD), a program that offers English and computer training, and Wat Than Training Center for the Disabled, which provides similar services.

From a business perspective, partnering with these local organizations made perfect sense, because they provided a pool of employees. "It was an effective recruitment strategy to get talented workers," Hockenstein explained. "Instead of just putting an ad in the paper, we were hiring people who had demonstrated dedication and responsibility [in the training programs] for three years." To date, DDD has hired more than 40 Wat Than graduates. Once hired by DDD, the organization provides further technical training as it is needed.



By hiring local managers, Digital Divide Data ensured that operations would be culturally sensitive as well. “It was essential not to reinvent the wheel,” Hockenstein explained. “We wanted to be rooted in local culture, with local leadership – not just foreigners coming in and doing something new. We wanted to build on what was already in place on the ground.”

Operators at DDD work six-hour days, six days a week, and earn up to \$75 a month – about \$900 a year – a good wage in a country where most earn less than \$300 annually. Additionally, if employees set aside \$20 of their monthly wages for educational purposes, Hockenstein said, it is matched with a \$20 scholarship, generally from individual donors, providing an additional \$240 over the year for schooling. (To date, 80 such scholarships have been awarded.) Some workers enroll at the Royal Phnom Penh University; others seek high school equivalency diplomas or English lessons.

The company’s hiring practices do pose some hindrances. Notably, international clients worry about the quality of output from a company that largely employs people with little IT experience and limited English skills. To help allay such concerns, DDD utilizes a comprehensive proofreading system and specialized “double entry” software that minimizes typographical errors.

Not surprisingly, the disabled who find jobs at DDD are eager to keep them. Sith Sophary Nhev, general manager of Cambodia operations, says that since DDD opened, only two employees have been fired (they were caught using drugs). Another 15 have “graduated” from the company, moving to positions with higher salaries or greater opportunities where they could utilize skills acquired at DDD.

The very fact that DDD employs Cambodian laborers and pays them less than \$2.50 a day gives the nonprofit a competitive edge. But it also opens the organization to criticism. Soon after DDD received its first contract from the *Harvard Crimson* in 2001 (a contract brokered by Hockenstein, a Harvard alum, to digitize 25 years worth of issues for an Internet archive), the *Boston Globe* published an article saying that the *Crimson* “has placed itself at odds with a major cause of activists at Harvard and other campuses: Stopping U.S. business interests from exploiting low-wage, Third World workers as a source of cheap labor.”

Hockenstein’s strategy for dealing with such criticism is twofold: invite reporters to come see the operation for them-

selves, and carefully explain that the organization’s goals are mission driven, rather than profit oriented. Once that distinction is understood, he said, most criticism melts away.

A recent *San Francisco Chronicle* article reflects the changed tone of the media coverage. “For the disadvantaged and disabled people who work at this nonprofit company,” the newspaper wrote on Feb. 16, 2003, “it’s a rare opportunity to land a good job in a country where many struggle to find work and join the global tech economy.”

The *Chronicle* article mentioned the controversy gener-

ated by the earlier *Globe* article, noted that the publicity actually “helped generate more business from U.S. customers,” and concluded that DDD “pays workers more for doing less and sticks to its social mission by employing the unemployed.”

Said Hockenstein: “You are finding a way to use the differential in costs among countries for a positive benefit for everyone. It’s a model for how you do it in a way that truly benefits everybody.”

And the company is rapidly proving that the model works. Digital Divide

Data’s initial funding consisted of a \$25,000 grant from Global Catalyst, a Redwood City, Calif., foundation, matched by \$25,000 contributed by Hockenstein and the other founders. In the 2003 fiscal year, DDD earned \$178,974 in client revenue, a 67 percent increase over 2002, and enough to cover all operating expenses, with some left over for business development.

Michael Chertok, former managing director of Global Catalyst Foundation and now a volunteer board chairman of DDD, is impressed that the organization is already generating enough income to cover operating expenses. “This is quite unusual for projects in the developing world,” he said.

For now, one of DDD’s greatest advantages in Southeast Asia is its lack of local competition. The company is attempting to increase its local market share because, at an international level, it faces formidable rivals.

For example, data entry companies in India, which DDD was modeled after, provide stiff competition – in part because many Indian firms have been at this for years, and can take advantage of a native English-speaking workforce.

Still, Sith Sophary Nhev is not concerned.

“Price we can compete with, [and] quality we can compete with,” he said, “but they cannot compete with our social mission.” □

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