

# Supporting Entrepreneurship in China– HP Life Program<sup>1</sup>

## Introduction

Creating, incubating, supporting and facilitating the development of small businesses are key elements to alleviating poverty in many countries. Whether this is for traditional enterprises or those more focussed on societal benefits (aka 'social enterprises'), different forms of capital, be it human, social, physical, ecological or financial are key and critical for success.

The HP Learning Initiative for Entrepreneurs (HP Life) program assists micro-entrepreneurs in low-income communities to expand the potential of their businesses through provision of training on Information and Communication Technology (ICT) skills together with business skills. It brings three established HP entrepreneurship training programs together under a single organization, including HP Graduate Entrepreneurship Training through IT program (GET-IT), HP Entrepreneurship Learning Program (HELP), and the Micro-enterprise Acceleration Program (MAP). The goal of the program is to reach more than 500,000 graduates and social innovators in business and IT skills by the end of 2010.<sup>1</sup>

Through working with various NGOs and social development organisations, HP helps to train certified HP trainers and support Micro Enterprise Development Centres (MEDC or training centres) across the Asia Pacific. MEDCs select trainers to participate in the HP supported Training of Trainers which takes place at annual program workshops. The training is provided by the Micro-Enterprise Acceleration Institute (MEA-I). The curriculum is based on 2 programs:

- Smart Technology for Smart Business (STSB), which has been used by the MEDCs since 2007 and
- GET-IT, a new curriculum launched in 2009 focussed on young entrepreneurs aged between 16 – 25 years with no business experience who are aiming to start up new ventures.

There are a total of 48 MEDCs in 10 countries throughout the Asia-Pacific & Japan region. These countries include Australia, Cambodia, China, Hong Kong, India, Indonesia, South Korea, New Zealand, Thailand, and Vietnam.

In 2010, there were a total of 10 HP LIFE grant awards in the Asia region, with five awarded MEDCs in India and five in China. The grant award from HP includes a cash grant to support cost of training delivery as well as a technology grant of either desktop or laptop solutions. Of the five grant recipients in China in 2010, three were existing training centres operated by the China Association for Employment Promotion (CAEP) located in Shiyan, Honghu, and Funing. CAEP was founded to provide services that range from the promotion of labour employment to reforming of the labour system in China.

This case study looks at the example of the MEDC in Shiyan city, Hubei province. The centre joined the HP program in 2008 and received both cash and technology donation in 2008 and 2009. Currently managed under CAEP, the centre runs one training centre, two HP certified trainers and mainly provides entrepreneurship training to villagers and unemployed workers.

## What prompted the founders to initiate the business?

Globally, HP is recognised as a leader when it comes to corporate social responsibility (CSR). HP works to manage any negative impacts as a result of the business as well as helping to create positive impacts through its core business along with additional social investments. There is growing interest from within companies and from their stakeholders to better understand the impact of CSR – for the communities affected and for the company. The flagship HP Life Programme is part of the company's community investment in Asia and globally.

The HP Life program is based on the company's strong belief that information technology (IT) has a critical role in accelerating economic development. It gives people skills needed to succeed in business and helps individuals and businesses access information and customers. It also saves businesses time and improves efficiency. Against this background HP donates money, time and products to enhance professional skills and increase entrepreneurship

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<sup>1</sup> <http://www.hp-entrepreneurship.org/>

opportunities in underserved communities. As small businesses are regarded as crucial components in stimulating economic development, the company focuses its support on micro-enterprises.<sup>2</sup>

### **What were the challenges faced in establishing the business? And what strategies were adopted to overcome these?**

Meeting local needs:

A major challenge for most global programs is to ensure that local needs are being identified and met. Therefore HP works in partnerships with local organisations and adapts the program to fit different national and regional contexts under a global framework.

HP works with Education Development Centre (EDC) who are a regional 'Centre of Excellence' to run the program in Asia. EDC provides services such as managing the grants process on behalf of HP, organising the annual workshops and Training of Trainers courses, monitoring the MEDCs activities and reporting to HP and managing a web portal to facilitate information sharing amongst the MEDCs. EDC is also involved to serve as a bridge between CAEP and HP and facilitates CAEP in identifying and prioritising local issues.

Creating an enabling environment for entrepreneurship:

In China, stakeholders have found that local support from government is a key aspect in order to create an enabling environment for entrepreneurship. Leaders of CAEP and the local and national government attribute great importance to the program which has helped ensure appropriate participation in the training program and boost local entrepreneurship. Associated factors at the Shiyuan centre such as easier access for the program's trainees to government interest-paid loans and a three year tax break also helps to ensure success.

CAEP integrates the HP Life training into a locally appropriate curriculum. This curriculum helps participants understand the key issues when starting up a company, how to register it, what are the filing requirements and other administrative issues.

The program is not considered as a corporate charity project or one driven solely by HP. With its close ties to local organisations and the government it is regarded as a locally driven program meeting local needs. The local level context has been a key success factor for the program.

Women entrepreneurship:

Research suggests that women's entrepreneurship is an important source of economic growth. In fact, the OECD argues that women entrepreneurs do not only create new jobs for themselves and others but also provide society with different solutions to management, organisation and business problems as well as to the exploitation of entrepreneurial opportunities.<sup>3</sup> The entrepreneurial skills potential of women is significant because women run up to 40-50 percent of enterprises in developing countries.

Against this background CAEP Shiyuan's target beneficiaries are unemployed women. The CAEP training centre also works closely with the All China Women's Federation network to recruit potential trainees who will receive entrepreneurship and computer training.

As the country develops and issues evolve, CAEP now seeks to expand its group of target beneficiaries to include farmers and other vulnerable groups affected by China's South-to-North water diversion project. CAEP Shiyuan has already begun to train displaced farmers from the water diversion project who will be a growing focus for the centre in the 2010/11 grant year.

Variety of 'capital':

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<sup>2</sup> <http://www.hp-entrepreneurship.org/page.php?id=ODg=>

<sup>3</sup> OECD, 2004

Access to microfinance is an important factor of success for micro-entrepreneurs. Clearly there are links between success of the entrepreneurs and access to finance. In China where HP Life works with CAEP to support entrepreneurship, microfinance loans from the government for small entrepreneurs willing to set up their own businesses are available between RMB 20,000 and RMB 80,000. Interest is withheld for the first years and in the first 3 years entrepreneurs don't have to pay tax. However, stakeholders commented that since the global recession, there are more restrictions on financing and the government is stricter on loans while organisations who offer assurance are also cautious. It is sometimes harder for women to get assurances due to lack of title deeds for lands or deemed to be too high risk. There may also be other gender differences.

#### Global brand involvement:

HP brings valuable assets into the partnership and provides not only financial support but also necessary IT equipment including laptops, printers, scanners, and wireless access points. The company provides training curriculums and grants to train trainers to provide assistance for local entrepreneurs who run or plan to run micro-enterprises.

To the company itself, the program was beneficial in building brand name and reputation in a different way. The HP program is linked to the brand of the company and its own values. The initiative may also be helping to build a different perception of the brand and one of the trainees commented that she thought HP was a women's training organisation as opposed to a multinational computer company. Others commented that the project was helping to enhance the reputation of HP locally and a previous trainee had even opened a local shop to distribute and support HP computers.

There are also challenges involved in a global brand-driven program. As HP's program grants are provided on an annual basis it is challenging for program partners to plan and achieve training targets.

#### **What is the impact so far?**

In China, HP Life has created broad social and economic benefits for entrepreneurs, training centres (MEDCs), and local communities.

#### Impact on Entrepreneurs

By 2010, 1,707 trainees graduated from the program in China among which 690 established new businesses and thus created new employment opportunities. These entrepreneurs have gained the necessary know how to promote their products and access new customers through the Internet as well as to export their products and make equipment orders. They have developed the basic fundamentals needed for starting a new business and sustaining business growth.

#### Other positive impacts included:

- Increased self-confidence among trainees after acquiring new knowledge and skills including email and instant messaging, cash flow management, and internet browsing for market research.
- Increased business growth and efficiency: For example, one interviewed former trainee earns 2,000-3,000RMB from her pyjama retail store, which is significantly more than her previous factory wage job.
- Broadened personal relationships and networks: Some former trainees have maintained friendships with their classmates and a select few have started businesses together.
- Increased awareness of environmental issues: CAEP HELP trainings have aided fishermen in Honghu City to diversify their livelihood opportunities and focus on conservation of their surrounding wetland environment.

#### Impact on Local Partners

HP Life helps local organisations (like China CAEP) achieve their own goals and strengthen their organisation. It has also developed the centre's capacity to monitor and evaluate the impact of its program which is crucial for continuous improvement.

#### Impact on Local Communities

By 2010, 1650 new jobs had been secured – either having been created from the new business start-ups or through employment opportunities found by the graduates. Female-owned businesses and women role models have encouraged other women to start their own business.

### **Impact evaluation**

HP has a clear process for monitoring and evaluating the program. EDC manages this for HP which helps to ensure that the program is focussed on long term development benefits. EDC uses a results based approach to work with stakeholders to ensure there are clear goals and objectives and indicators for measuring success. This is outlined in the monitoring and evaluation framework for the program. EDC's monitoring tool system consists of pre-, post-, and six-month tracking forms which are used by HELP training centres to measure level of learning, level of business growth and efficiency, and new jobs and businesses created.

CAEP commented in the workshop that 'evaluation is very important' and that 'traditionally we won't set objectives, frameworks and systems' but that in this project this results based management has been beneficial and helpful for their own management. At the same time the consistent use of monitoring tools has been a challenge and CAEP centres have reported that the pre-training survey is not easily understood by their trainees. Also, completing the forms is very time consuming for trainees and requires centre staff to complete the cumbersome process of consolidated trainee data. CAEP has modified the regional tools to use a truncated version of EDC's regionally implemented monitoring tools. With EDC working with HP to monitor and evaluate impact the process becomes a facilitated approach and not simply something that is 'imposed' from the top. Partners have an opportunity to be involved and feed into the design of the framework which, learning would suggest increases ownership and ultimately the impact and value of the project.

### **Discussion questions**

1. Do global corporations play a role in enterprise development in developing countries? If yes, what can they contribute and in what ways should they get engaged?
2. What types of capital and support are important for the success of enterprises? Is this different for 'social' enterprises than traditional enterprises?
3. How does gender affect access to capital for micro-enterprises? In your country? In other countries?
4. How can obstacles for capital be overcome?
5. Should those wanting to invest in the expansion of micro enterprises seek out those with a social mission? Or is supporting entrepreneurship in general bringing positive society impacts?
6. Are different registrations and legal structures needed for social enterprises?

### **References and further reading:**

HP Entrepreneurship. Available at: <http://www.hp-entrepreneurship.org/>

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<sup>i</sup> This case study is based on some research carried out by Michelle Brown as part of her PhD at the University of Hong Kong including a site visit to the CAEP centre in Shiyuan China, information from HP and its partner Education Development Centre (EDC) and through additional information available through public sources