

# Hot Topics in Corporate Responsibility

## Corporate Responsibilities in Times of Civil Unrest: the Case of Egypt and Vodafone

by Chris Marsden

### Introduction

In January 2011 Egypt experienced one of its largest civil revolutions in recent history. Influenced by the example of the ousting of the unpopular Tunisian president via mass civilian protests, unrest in Egypt grew, with mass protests erupting on 25<sup>th</sup> January (25<sup>th</sup> January Revolution). This initiated a chain of events leading to the ousting of the then Egyptian president Hosni Mubarak. The protests focused on issues of lack of free elections, freedom of speech, and uncontrollable corruption of the government.

However, Hosni Mubarak did not go quietly. In the early days of unrest curfews were initiated and the Central Security Force police were sent to quell demonstrations. The then president also attempted to disable the protesters ability to organize and communicate, and on the 23<sup>rd</sup> January it is alleged the security forces summoned representatives from mobile phone companies (such as Vodafone, Mobilin and Etisalat) and told them to suspend services in specific areas of protests, with total shut-down later in the week. Over the night of 25<sup>th</sup>/26<sup>th</sup> January internet service was cut off and internet service providers told to disable their networks. When services were later restored, some mobile phone networks were told to send texts to their subscribers with pro-Mubarak messages worded by the government.

*"Egyptian authorities forced Vodafone to broadcast pro-government text messages during the protests that have rocked the country,"* the UK-based mobile company Vodafone said on 3<sup>rd</sup> February 2011.

A text message received by an Associated Press reporter in Egypt appealed to the country's *"honest and loyal men to confront the traitors and criminals and protect our people and honor."* Another urged Egyptians to attend a pro-Mubarak rally in Cairo on Wednesday. The first was marked as coming from "Vodafone". The other was signed "Egypt Lovers".

This Hot Topic outlines Vodafone's actions and responses to their involvement in the service suspension and text messages sent. This recent example raises questions regarding the relationship between governments and large corporations, asking what the implications this example has for the role that corporations should take and what their corporate responsibilities should be in such situations.

### Author: Chris Marsden

Chris teaches MBA courses on Corporate Responsibility and Business Ethics. He is visiting professor at the International Management School of the Ecole Nationale des Ponts et Chaussées and teaches week long courses in Paris, Abu Dhabi and Leuven. He is Associate Fellow of the Doughty Centre for Corporate Responsibility and teaches on the Cranfield MBA programme in the Sustainable Business elective. He is also a board member of the European Academy of Business in Society, which he was partly responsible for founding. He is Chair of Trustees of the Business and Human Rights Resource Centre and the Institute for Human Rights and Business.



Since gaining an Economics degree at King's College, Cambridge, Chris has worked as a schoolteacher, deputy head, and then joined British Petroleum as Educational Liaison manager before becoming Head of BP's Community Affairs from 1990 to 1996. From 1996 - 1999, he worked at Warwick Business School setting up the Corporate Citizenship Unit. From 2000 to 2007 he chaired the Business Group of Amnesty International UK. He was awarded the OBE in 1989 for services to Industry and Education.

**Editors:** Nadine Exter, Doughty Centre Manager and Hayley Warren, Research Assistant

Welcome to the third in our series of Hot Topics in Corporate Responsibility! We hope to provide you with a quick insight into topical issues that are being debated within the field, to spark thought, debate, and encourage further thinking on important issues. Hot Topics will be written with the aim of generating debate, and we welcome your feedback and thoughts - and even suggestions of other topics to cover in the future.

Professor David Grayson

Director, The Doughty Centre for Corporate Responsibility

The Doughty Centre, part of Cranfield School of Management, with a vision of putting sustainability and responsibility at the heart of successful business.

## Vodafone

Vodafone is one of the largest telecommunications companies and is the seventh most valuable brand in the world. It reportedly had over 28 million subscribers in Egypt in early January 2011. Along with the commercial success of Vodafone it is arguably a leading company in its approach to corporate responsibility (CR). The company has produced a CR report since 2000/12. and has gone to considerable lengths to understand the environmental and social impact of its technology and products and to measure and encourage debate about its performance.

Vodafone's mission is to be admired as a diverse and ethical company, operating responsibly and providing services which enable a more sustainable society for its customers. Their sustainability strategy is designed to *"help us realise this mission"*. Vodafone's strategy focuses on creating sustainable societies. It sets three clear goals to become a leading communications company for:

- responsible, ethical and honest behaviour
- eco-efficiency – doing more for customers with less
- creating sustainable societies

Yet the company came under severe criticism for its seemingly timid compliance with Egyptian authorities during the early stages of the revolution. After initiating area-specific service shut-downs demanded by the then government, on Friday 28<sup>th</sup> January the company agreed to shut down its network. Then, having restored it over the weekend, it adhered to the emergency powers provisions of the Telecoms Act, enabling Egyptian authorities to send out messages over its network to encourage anti-protestor action.

### Vodafone's Action and Response

According to Associated Press (AP) Vodafone declined at the time to reveal how many such messages it had sent, or whether it was still sending such messages. They did confirm that the texts had been sent *"since the start of the protests"*<sup>3</sup> and the last message was sent out on the 1<sup>st</sup> February, providing information on a pro-Mubrack march; Vodafone declined to let this message be sent out in their name and did manage to limit its circulation.

In February Vodafone attributed the content and originator of the messages to the Ministry of the Interior and the Ministry of Defence. *"Vodafone Group has protested to the authorities that the current situation regarding these messages is unacceptable"*<sup>4</sup>, stated Vodafone via a statement dated Thursday 3<sup>rd</sup> February 2011, *"we have made clear that all messages should be transparent and clearly attributable to the originator."*<sup>5</sup>

The company also said its competitors — including Egypt's Mobinil and the United Arab Emirates' Etisalat — had done the same. Etisalat, known formally as Emirates Telecommunications Corp., declined to comment. However, it was reported that Vodafone waited nearly 10 days to complain publicly. Its statement was released only after repeated inquiries by AP. In its statement, dated 22<sup>nd</sup> February 2011, Vodafone Group confirmed that the messages had been drafted by Egyptian authorities and that it had *"no power to change them"*.<sup>6</sup> They reported that Egyptian authorities had the legal power to require compliance with sanctions and/or suspension of Vodafone's operating license for failure to comply, and therefore had no legal option but to comply. In relation to its role in the Internet blackout that cut Egypt off from the online world for several days, the company said the order to pull the plug on its Egyptian customers could not be ignored as it was legal under local law. Vodafone was able to restore its data services on Wednesday — five days after it suspended all services in the country.

The company felt it had no choice but to comply with the Egyptian authorities order for both legal and technical reasons. Legally, the authorities order was clear. Technically, if they had refused to comply and the authorities had closed the system down themselves - which they had the power to do - it would have made it very much harder to restore the system again whenever that might be possible.

Vodafone had pulled out of the Global Network Initiative (GNI) two years ago because - unlike the companies Google, Yahoo and Microsoft leading the GNI - Vodafone has large numbers of employees and significant investment in infrastructure on the ground in countries of concern. In Egypt Vodafone has 6,000, mainly Egyptian nationals, employees and a major infrastructure of hardware located across the country. By not complying, Vodafone was worried about threats to both employees and investments.

*"Vodafone explained its decision to comply with the instructions of the Egyptian Government by saying it had no practical or legal alternative, and contractually it could not oppose. That may or may not be the case, for its contract is not in the public domain."*<sup>7</sup>

The company asked what would constitute a test of reasonableness? For example, few people complained when the British Government shut down all mobile telephone services immediately after the London bombings. Vodafone has said it is open to discussion with its critics about what its future strategy should be in similar circumstances.

## What Was Vodafone's Responsibility?

Salil Tripathi, Policy Director of the Institute for Human Rights and Business, made the following comment in February 2011:

*"The explanation Vodafone offered for its decision to switch off its mobile telephone network in Egypt last Friday - that it had no other choice except to comply with the governmental demand - was straight from the text-book. The problem is, human rights discourse, including the idea of corporate responsibility to respect human rights, has moved on from that explanation. The state is bigger than the corporation, and when the state sets rules, companies must comply. And that is as it should be in normal situations, Egyptian history has resonated with such an experience - think back to the Suez crisis of 1956 and the anachronistic decision of Britain and France to seize control when the Egyptian state asserted its sovereignty.*

*But the events of the last week in Cairo are not the Suez crisis; they are in some ways similar to what happened in Eastern Europe in 1989. Companies may have no interest in the romantic narrative of People Power. But there is a serious question companies doing business in Egypt face: when they comply with the law, what are they complying with, and in the process, are they being complicit? And if so, with what?"<sup>8</sup>*

## CR Issues Raised

### Human rights

This case highlights some of the human rights challenges that communications technology companies face, especially in understanding their impact on civil society (for example in being a platform for alerting the world to human rights situations and events). This is not limited to Vodafone. Other mobile phone and internet operators were involved in the communications black-out. Consider also Speak2Tweet, the technological innovation developed by Google, Twitter and SayNow over the weekend of 28 January. The innovation implemented tweeting by land line service (tweeting-by-phone) as a tool for Egyptians to use during the uprising – allowing users to communicate, especially with the external world to share events and news. Although a tool with great intentions, was this a role that Google, a US company, had the right to take?<sup>9</sup>

### Business and government interaction

The Vodafone dilemma raises many questions around the relationship between governments and large corporations. How accountable were Vodafone in this situation? Do they have just cause to plead a 'degree of innocence' for the steps that they took; were they even in the position to go against government rule? Solutions offered since have the luxury of hindsight – was there at the time an option for a voluntary coalition amongst the telecommunication providers in Egypt to collectively go against the government's actions, given the timing, pressure and possible inflexibility of corporate modus operandi?

With regard to the Government's order to close down their network, we suggest at the time Vodafone probably had little alternative but to comply. The government had the right to do this within the licence agreement. In addition Vodafone's local management, let alone its thousands of local employees, would clearly have been at risk of severe sanctions if they had not complied. Vodafone's claim that by complying it was able to do so in a way that would enable it to get the network up and running again much more quickly than if the authorities pulled the plug seems to be supported by the early resumption of network services that took place.

### Transparency

This case also exemplifies a need for more transparency of company actions in the face of government pressures, to all its stakeholders (especially customers!). However, if the demonstrations had been by a small *minority*, and Vodafone had been asked to send messages to alert civil society for safety reasons, would these circumstances be seen as acceptable behaviour? What responsibility do technology companies have when their platforms become essential tools for political, or civil, demands?

### Company values

Were the actions taken by Vodafone a direct contravention of the company's stated values? At the very least it was very badly handled PR. Paul A Argenti notes, *"When the going gets tough, we see a company's values on full display. Vodafone's decision to first shut off service and then broadcast the Egyptian government's propaganda through text messages was both against its own stated values and a bad business decision."*<sup>10</sup>

### Foresight and planning

Unlike its anticipation of potential social issues relating to the increasing sophistication of their technology, it appears that Vodafone were caught by surprise by the events in Egypt. The company had not thought through the implications of a scenario like this and so had to make instant decisions. It had no thought-through plan to follow or partners to consult, thus lacking foresight and planning. Events in the Middle East may have taken everyone by surprise but the issue of how companies should behave when operating in conflict zones or under regimes that abuse human rights has been a 'hot topic' ever since the debate over the right and wrongs of doing business under the South African apartheid regime.



### Voluntary principles

Many leading company's have joined together to create 'voluntary principles' they can follow in regions where political issues arise, for example leading oil and mining companies have worked together with some governments and NGOs to produce the 'Voluntary Principles on Security and Human Rights'. These companies and others have also signed up to the Extractive Industries Transparency Initiative. In response to problems faced with doing business in China, Microsoft, Google and Yahoo - along with a number of NGOs, ethical investment companies and academic institutions - are participating in the GNI, collaborating to advance the user rights to free expression and privacy. Vodafone was originally a member of the GNI but withdrew on the grounds that it differed from the other IT company members in that it had large numbers of employees and substantial infrastructure investment on the ground, making it much harder for them to take an oppositional stance to the governments concerned.

### **Steps Vodafone Could Have Taken**

We suggest Vodafone could have attempted initial resistance by seeking a meeting with the authorities to explain its concerns and, if that was unsuccessful, make sure that any message subsequently sent out was clearly by the government under force majeure. The company could then have explained the situation very clearly in its publicity.

*"There are a range of steps Vodafone and other companies which received the directive could have considered:*

- *Ask the state to provide instructions in writing;*
- *Ask the state to explain the rationale;*
- *Argue its own case - and responsibility to customers - to provide uninterrupted services;*
- *Provide the legal basis and rationale to consumers and investors for suspending services;*
- *Provide sufficient warning to customers; and,*
- *Consider withdrawing operations, if forced to act in ways that undermine its responsibility to respect human rights.'*

*Companies now have some assistance - through the GNI, a collaborative approach to protect and advance freedom of expression and privacy in the ICT sector. Participating in such initiatives is a good start - a necessary but not sufficient condition.*

*Nothing in Vodafone's statement suggests it went through any of these steps. If it did, it acted with incredible speed, which does not suggest that the company undertook adequate due diligence before taking such a severe step. Companies should undertake due diligence as part of their responsibility to respect human rights under the UN framework of Business and Human Rights which comprises the state duty to protect, corporate responsibility to respect, and applying remedies where gaps exist. Rather, it shows that the state made a demand and the company complied, virtually instantly."*<sup>11</sup>

*"By sticking to a strict interpretation of the Egyptian Telecoms Act, the company has been accused of not standing up for basic human rights, thereby compromising its ability to be a long-term player in the new Middle East. The company could have sent out a mass message, before sending out the government messages, explaining its behaviour. This would have made it a hero to its customers and would have been good for the business."*<sup>12</sup>

Finally, what Vodafone could have done and have not yet shown evidence of doing, in spite of their problems in Egypt, is to take a lead in creating a partnership with other leading mobile phone companies to work together with interested other parties (e.g. governments and NGOs) to develop their own version of the 'Voluntary Principles'. This would enable them to be in a much stronger position in future situations similar to that faced in Egypt to stand up to government pressure by asserting their responsibility to stand by the set of principles to which they had publicly previously agreed.

### **References**

- 1 & 3. Raphael G. Satter, Associated Press, <http://apnews.myway.com/article/20110203/D9L5CFDO0.html>
2. [http://www.vodafone.com/content/dam/vodafone/about/sustainability/reports/vodafone\\_sustainability\\_report.pdf](http://www.vodafone.com/content/dam/vodafone/about/sustainability/reports/vodafone_sustainability_report.pdf)
- 4 & 5. [http://www.vodafone.com/content/index/press/press\\_statements/statement\\_on\\_egypt.html](http://www.vodafone.com/content/index/press/press_statements/statement_on_egypt.html)
6. <https://www.accessnow.org/policy-activism/press-blog/vodafone-response-on-issues-relating-to-mobile-network-operations-in-egypt>
- 7 & 8. [http://www.ihrb.org/commentary/staff/internet\\_providers\\_in\\_egypt.html](http://www.ihrb.org/commentary/staff/internet_providers_in_egypt.html)
9. rabble.ca 'Egypt-how-voices-were-heard'
- 10 & 12. <http://www.ft.com/cms/s/0/6ab90390-33c9-11e0-b1ed-00144feabdc0.html#axzz1O2VHKIEv>
11. [http://www.ihrb.org/commentary/staff/internet\\_providers\\_in\\_egypt.html](http://www.ihrb.org/commentary/staff/internet_providers_in_egypt.html)