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COMDEX [Computer Dealer's Exhibition] (New Markets) Chicago 4/18/00 COMDEX 4/18/00

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# Withdrawal/Redaction Sheet

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### COLLECTION:

Clinton Presidential Records  
Speechwriting  
Jeff Shesol  
OA/Box Number: 21461

### FOLDER TITLE:

COMDEX [Computer Dealer's Exhibition] (New Mkts) Chicago 4/18/00 - Comdex  
4/18/00

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### RESTRICTION CODES

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PRM. Personal record misfile defined in accordance with 44 U.S.C. 2201(3).

RR. Document will be reviewed upon request.

#### Freedom of Information Act - [5 U.S.C. 552(b)]

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April 13, 2000

• 62198 Natasha  
• 65360 Gigi  
• 65366 Kalil  
• 65364 Dorton

MEMORANDUM FOR THE PRESIDENT

FROM: GENE SPERLING  
MARIA ECHAVESTE

SUBJECT: Overview of Your Digital Divide--New Markets Tour

The purpose of this memorandum is to provide you an overview of your Digital Divide trip. We will submit more detailed background material for each of your 3 stops before the trip begins on Monday.

As you know, you will travel to East Palo Alto, California and Shiprock, New Mexico on April 17<sup>th</sup> and Chicago, Illinois on April 18<sup>th</sup>. Members of Congress will accompany you on each portion of the trip. In addition, members of your Cabinet will join you on various legs as well [TBD]. Reverend Jesse Jackson, Rainbow Push; Yosef Jackson, One Net Now; Kwesi Mfume, NAACP; and Raul Yzaguirre, National Council of La Raza will also accompany you on the entire trip.

This memorandum is divided into four sections. The first section provides a short overview of the message of the trip. The next three sections provide an overview of each stop on the tour – including the theme for each location, a tentative list of the CEOs/community leaders who will be in attendance, and the highlights of the corporate deliverables.

**I. OVERVIEW OF THE MESSAGE**

- As you know, this is your third New Markets Tour. On the first two, you focused on equity investments in underserved communities and how more could be done to bring the benefits of free enterprise and empowerment (new businesses, new jobs, education and training) to underserved communities.
- This trip focuses on a critical element—bridging the digital divide. Computers, the Internet, and the skills needed to use this technology can provide people with a chance to move themselves out of poverty, perhaps more quickly than ever.
- America has an important chance to make. We can allow unequal access to technology to further polarize American society, or we could use technology to grow the economy and generate social equity at a faster rate than ever before.

- As with other trips, highlighting that the government is doing its part is important. However, it is important to challenge the private sector to help ensure that no one is left behind in the 21st Century. This trip will allow you to highlight how the industry, community-based organizations and government can work together to expand access to the new opportunities of the Information Age.

## **FIRST STOP – EAST PALO ALTO, CALIFORNIA (Morning of Day One, April 17)**

### **Message: Motivating Underserved Youth to “Get Connected.”**

- The East Palo Alto stop is your kickoff event. It is a low-income urban community in the heart of the Silicon Valley. Over 80 percent of the students in local K-8 schools are eligible for free or reduced priced lunches. The latest data available indicates that 24 percent of East Palo Alto school children live below federally designated poverty level. Despite its geographic proximity to Silicon Valley, the center of the high-tech world, East Palo Alto residents are struggling. Much of the community lacks the skills necessary to succeed technology-based skills. Going to East Palo Alto would demonstrate that even in the shadow of Silicon Valley, there is still a substantial divide.
- The focus of the event is on the importance of motivating and inspiring underserved youth to “get connected”. During the NBA All Star Summit that Gene attended and our OPL briefings here at the White House, we consistently heard that even though there is an increased supply of computers and Internet access, not enough has been done to demonstrate why gaining access to technology is so important. This event will provide you with an opportunity to emphasize to young people, particularly in underserved communities, why technology is critical to their lives.
- In order to make this motivational message real and communicate it to young people across the country, we have built a PSA campaign that the Kaiser Family Foundation has agreed to coordinate. Magic Johnson, Rebecca Lobo (WNBA player for the NY Liberty) have agreed to appear in the ads and a number of networks, including NBC, ABC, CBS, BET, MTV and Fox, have agreed to air them. This PSA campaign establishes a longer-term vehicle for this message.

### **Overview of Events**

- You will arrive at Plugged In, a Community Technology Center in East Palo Alto, CA where you will provide brief remarks to an audience composed primarily of teenagers from East Palo Alto. **Note:** Plugged In received a 1995 grant from the Department of Commerce.
- You will be accompanied on stage by Magic Johnson, Rebecca Lobo, and a number of major high-tech CEOs that have made commitments to bridge the digital divide.

- This event will be an opportunity for you and the other stage participants to interact with the audience, answer their questions, and emphasize the importance for young people to become technologically literate. This event will also be Webcast on the Internet-- young people will be hooked up to the event from schools and community technology centers in other parts of the country -- and will be able to e-mail you questions.
- You will then go to the nearby Costano Elementary school where you will have a roundtable with a number of CEOs, senior executives and community leaders to discuss their efforts to bridge the digital divide.

### CEOs

For this stop, in addition to the community delegation that will be traveling with you, some of the CEOs who will join you include Carly Fiorina, Hewlett-Packard; John Morgridge, Chairman of Cisco Systems; Bob Johnson, Black Entertainment Television; Henry Cisneros, Univision; Robert Knowling, Covad Communications; and Kaleil Tuzman, Govworks.

### Highlights of Corporate/Private Sector Announcements

In addition to the numerous private sector announcements, there are public sector announcements that will be made at each site. Here are some examples of the commitments that companies have made that will be announced in East Palo Alto:

- **The Kaiser Family Foundation is taking the lead in developing, producing and distributing the PSAs to help bridge the digital divide.** As stated above, the Kaiser Family Foundation, represented by President and CEO Drew Altman, will develop, produce and distribute public service announcements to help motivate young people to "get connected" and take advantage of the economic opportunities in the IT sector. BET, MTV, NBC, ABC, CBS, NBC, TBS, TNT, UPN, Fox, the Disney Channel, the Cartoon Network, the Odyssey Network and the WB have all agreed to join this effort by airing the PSAs. The National Association of Broadcasters has also agreed to distribute the PSAs to 1,000 of their members. Magic Johnson and Rebecca Lobo have agreed to appear in the PSAs.
- **American Online Pledges 100,000 free AOL Accounts to Students and Volunteers at PowerUP Affiliate Sites.** AOL will provide 100,000 AOL accounts to PowerUp affiliate sites valued at \$26 million annually. With AOL's donation, PowerUp will fund and equip each of the new sites in its effort to provide young people with access to the wide range of content and information on the Internet as well as assistance to develop the skills they need to succeed in the 21st Century.
- **QUALCOMM Commits \$6 million for Education Technology in Schools** QUALCOMM will commit to helping to close the digital divide by supporting deployment of education technology in the San Diego, CA area. Efforts will include: 1) support to High-Tech High – an innovative secondary school program with a focus on math, science and technology, 2) helping to connect a minimum of five San Diego schools to the Internet, 3) contributing a minimum of 200 PCs to area schools 4) providing teacher training and technical support so that these schools may fully utilize their new resources and 5) supporting the School of Education's continued research and development efforts at the University of California at San Diego.

- **Gateway Commits to Train 75,000 Teachers.** Gateway has pledged to provide 75,000 teachers with technology training under the Teach America! Program. All 244 of East Palo Alto's teachers will be trained in the Teach America! program on ways to effectively utilize technology in the classroom.

### **III. SECOND STOP – The Navajo Nation in Shiprock, New Mexico (Afternoon of Day One, April 17)**

#### **Message: Providing Digital Opportunity to Native Americans.**

- As you remember, you were the first President to visit a Native American reservation since President Franklin Roosevelt. You will be making a significant statement about your commitment to the Native American community by going twice in a 12 month period.
- The primary focus of the Shiprock stop will be to bring digital opportunity to Indian Country. As you know, Native American communities face major economic and social challenges. This stop in Shiprock will allow you highlight how private and public sector investments can help bring digital opportunity to Native Americans. This event will focus on access to technology as a vehicle for economic development, education and employment opportunities to Native Americans. New technologies could create "leapfrog" opportunities for Native American communities.

#### **Overview of Events**

- First, you will address an outdoor crowd of thousands of people at the Boys and Girls Club to announce the commitments that have been for Native American communities. You will be accompanied by the Navajo Nation Tribal President, Kelsey Begaj; and Congressman Tom Udall.
- You will then travel to the Diné Tribal College where you, along with a small group, will participate in a Webcast with 7th and 8th grade students from the Lake Valley School. There will also be students and teachers from the Boys and Girls Club at the Diné site.
- This webcast will be both a video and audio feed where you will be able to interact with the Lake Valley students who are located 1 hour and 45 minutes away from where you will be.

#### **CEOs/Community Leaders**

At this stop, in addition to those community leaders traveling, you will be joined by a number of CEOs, senior executives and community leaders. They include: Bruce Brooks, Director of Community Affairs, Microsoft [**Note:** he is the former deputy mayor of Seattle]; Robert Rutherford, Native American Systems; John Koehler, Tachyon, Inc.; Karen Smith, Executive Director, TechCorps; Susan Masten, President, National Congress of American Indians; and Kelsey Begaj, President, Navajo Nation.

### Highlights of Corporate/Private Sector Announcements.

Here are some examples of the commitments that CEOs or Senior Executives will make about investments in Indian Country:

- **Microsoft to provide \$2.75 Million in New Grants to the American Indian Tribal College Program.** Microsoft, represented by Bruce Brooks, Director of Community Affairs, will provide eight American Indian Tribal Colleges with technology and training through its American Indian Tribal College Program, part of a continuing relationship with the American Indian Science and Technology Education Consortium. Microsoft will provide these tribal colleges with \$2.5 million in software and \$250,000 in technical assistance to ensure an increase in technical skills among students at tribal colleges. In addition, the program will include the tools necessary for the institutions to achieve Microsoft Certified Training Facility status.
- **Compaq will provide \$500,000 to the Tech4Schools Partnership with TechCorps.** Compaq will announce a \$500,000 commitment to develop, pilot and support the national launch of the Tech4Schools program, an online mentoring program that uses the Internet to join students, teachers and volunteer technical experts together to advance the level of technological knowledge in our schools. Compaq's investment in Tech4Schools is part of a larger commitment to creating opportunities of access to technology by all Americans.

### IV. THIRD STOP - CHICAGO, IL (Morning of Day Two, April 18)

- The focus in Chicago will be to address the Comdex Conference that will be attended by representatives of every major computer and Internet company in America. This event will provide you with an opportunity to challenge the high-tech industry to work to bridge the digital divide.

#### Overview of Events

- You will address an 4,000 person audience of Comdex attendees. This event will provide you with an opportunity to ask the industry to respond to a number of challenges to help bridge the digital divide, including:
  - ✓ Supporting your Call to Action
  - ✓ Increasing the number of internships for under-served youth
  - ✓ Partner with schools of education to help them prepare all new teachers to use technology effectively in the classroom
  - ✓ Working with local schools to ensure that they have modern computers, trained teachers, high-speed Internet access, and high-quality educational software
  - ✓ Helping to expand the number of well-equipped, well-staffed community technology centers
  - ✓ A challenge for the industry as a whole to develop ways in which new technologies could enable people to lift themselves out of poverty

THE WHITE HOUSE  
WASHINGTON

COMDEX  
OUTLINE

1st POTUS ... (of many)

INTRO: Comdex evolution (HW → SW → IT)

"Computer World" (11/84)

- laser printer, otherwise  
→ (attached for "nothing new")  
next yr → software  
only last fall → Internet

Will you help lead next rev.?

Open new outlets: / travelogue / big divide  
the choice — together or apart?  
power of new tech to ↓ per  
human capital

High-tech working world

- ↑ demand for workers

Challenge: untapped potential of new workers

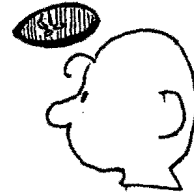
- Tech is key
- Accompany (ed, e-rate, etc.) - but not just govt
- Pub/private partnerships, 3rd way
- Deliverables
- new challenges

THE WHITE HOUSE  
WASHINGTON

DAVID LANE

Daley's idea: challenge audience

Hastert + 10 GOP congressman



Gigi  
- 3

1) etc

2) dble Neighborhood Networks

3) college deans

} Link: both  
pub/priv  
- and priv.  
sector piece,  
our tx incentives  
wd apply.

Carrie Street  
65487

# Withdrawal/Redaction Marker

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## CHICAGO

COMDEX - McCormick Pl. - Trade show

get Anaheim exp.

1) What's there → ~~interest~~

enlightened self-interest in closing the digital divide

Gene - cd he bring some kids w/ him; tell stories

everything <sup>we do</sup> is a challenge to the corp sector — so he has to hit it harder

Wynn - success story?

Loretta - bringing kids from S. Palo Alto, shiprock - to connect trip

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Harvard Business Review

May, 1999 / June, 1999

SECTION: Pg. 122

LENGTH: 9502 words

HEADLINE: From Spare Change to Real Change: The Social Sector as Beta Site for Business Innovation

SOURCE: HARVARD BUSINESS REVIEW

BYLINE: Rosabeth Moss Kanter; Harvard Univ. Graduate School of Business Administration

#### ABSTRACT:

Corporations are continually looking for new sources of innovation. Today several leading companies are beginning to find inspiration in an unexpected place: the social sector. That includes public schools, welfare-to-work programs, and the inner city. Indeed, a new paradigm for innovation is emerging: a partnership between private enterprise and public interest that produces profitable and sustainable change for both sides. In this article, the author shows how some companies are moving beyond corporate social responsibility to corporate social innovation. Traditionally, companies viewed the social sector as a dumping ground for their spare cash, obsolete equipment, and tired executives. But that mind-set hardly created lasting change. Now, companies are viewing community needs as opportunities to develop ideas and demonstrate business technologies, find and serve new markets, and solve long-standing business problems. They focus on inventing sophisticated solutions through a hands-on approach. This is not charity; it is R & D, a strategic business investment. The author concedes that it isn't easy to make the new paradigm work. But she has found that successful private-public partnerships share six characteristics: a clear business agenda, strong partners committed to change, investment by both parties, rootedness in the user community, links to other organizations, and a commitment to sustain and replicate the results. Drawing on examples of successful companies such as IBM and Bell Atlantic, the author illustrates how this paradigm has produced innovations that have both business and community payoffs.

#### BODY:

Winning in business today demands innovation. Companies that innovate reap all the advantages of a first mover. They acquire a deep knowledge of new markets and develop strong relationships within them. Innovators also build a reputation of being able to solve the most challenging problems. That's why corporations spend billions of dollars each year trying to identify opportunities for innovation: unsolved problems or unmet needs, things that don't fit or don't work. They set up learning laboratories where they can stretch their thinking, extend their capabilities, experiment with new technologies, get feedback from early users about product potential, and gain experience working with underserved and emerging markets.

Today several leading companies are beginning to find inspiration in an unexpected place: the social sector -- in public schools, welfare-to-work

programs, and the inner city. These companies have discovered that social problems are economic problems, whether it is the need for a trained workforce or the search for new markets in neglected parts of cities. They have learned that applying their energies to solving the chronic problems of the social sector powerfully stimulates their own business development. ~~Today's better-educated children are tomorrow's knowledge workers. Lower unemployment in the inner city means higher consumption in the inner city. Indeed, a new paradigm for innovation is emerging: a partnership between private enterprise and public interest that produces profitable and sustainable change for both sides.~~



The new paradigm is long overdue. Traditional solutions to America's recalcitrant social ills amount to little more than Band-Aids. Consider the condition of public education. Despite an estimated 200,000 business partnerships with public schools, fundamental aspects of public education have barely changed in decades. And performance is still weak. There are two reasons for this. First, traditional corporate volunteer activities only scratch the surface. And second, companies often just throw money at the problem, then walk away. The fact is, many recipients of business largesse often don't need charity; they need change. Not spare change, but real change -- sustainable, replicable, institutionalized change that transforms their schools, their job prospects, and their neighborhoods. And that means getting business deeply involved in nontraditional ways.

#### Doing Good by Doing Well

My team of researchers and I have found a number of companies that are breaking the mold -- they are moving beyond corporate social responsibility to corporate social innovation. These companies are the vanguard of the new paradigm. They view community needs as opportunities to develop ideas and demonstrate business technologies, to find and serve new markets, and to solve long-standing business problems. They focus their efforts on inventing sophisticated solutions through a hands-on approach. (See the insert "Why America Needs Corporate Social Innovation.")

Tackling social sector problems forces companies to stretch their capabilities to produce innovations that have business as well as community payoffs. When companies approach social needs in this way, they have a stake in the problems, and they treat the effort the way they would treat any other project central to the company's operations. They use their best people and their core skills. This is not charity; it is R & D -- a strategic business investment. Let's look at a few examples from the fields of education, welfare programs, and inner-city development.

Public Education: In 1991, Bell Atlantic began creating one of the first-ever models for using computers networks in public schools. Bell Atlantic's Project Explore, in Union City, New Jersey, enabled communication and learning to move beyond the classroom. In addition to installing computers in the schools, Bell Atlantic gave computers to 135 inner-city students and their teachers to use at home. Project Explore became a catalyst for increasing the use of technology to transform middle- and high-school classrooms, to improve students' skills, and to involve parents in their children's education. Union City's schools, once threatened with state takeover, have become national role models. For its part, Bell Atlantic has found new ways of handling data transmission. It refined its goals for video on demand and identified a new market in distance learning.

IBM began its Reinventing Education program in 1994 under the personal leadership of CEO Louis V. Gerstner, Jr. Today the program, designed to develop new tools and solutions for systemic change, operates in 21 U.S. sites and in four other countries. Many product innovations, which benefit both the schools and IBM, have resulted from this initiative. As part of the Wired for Learning program in four new schools in Charlotte-Mecklenburg, North Carolina, for example, IBM created tools to connect parents to teachers digitally so that parents can view their children's schoolwork from home or a community center and compare it with the district's academic standard. New tracking software is facilitating the introduction of flexible scheduling in Cincinnati, Ohio, including in a new year-round high school. In Broward County, Florida -- the fifth largest school district in the United States -- IBM's data-warehousing technology gives teachers and administrators access to extensive information on students. In Philadelphia, Pennsylvania, IBM created a voice recognition tool to teach reading, which is based on children's high-pitched voices and speech patterns.

Welfare-to-Work Programs. Since 1991, the hotel group Marriott International has been refining its pioneering training program, Pathways to Independence. The program, which currently runs in 13 U.S. cities, hones the job skills, life skills, and work habits of welfare recipients, and Marriott guarantees participants a job offer when they complete the program. The challenges of working with the unemployed has led the company to new insights about training, job placement, and supervision, which have helped Marriott reap the benefits of a more stable workforce and maintain unusually high standards of service. Pathways was a radical improvement on traditional programs for the hard to employ, which were both bureaucratically cumbersome and often ineffective. The employee assistance innovations that Marriott has developed through the program have also created new jobs in poor communities.

United Airlines is another company that derives business benefits from tapping a new workforce. Taking a leadership role in the Welfare-to-Work Partnership (a national coalition of 8,000 businesses that have pledged to hire people off the welfare rolls), CEO Gerald Greenwald seeks new ways to transport people from inner cities to suburban jobs. United has also created human resources innovations, such as a new mentoring program. These innovations, developed in collaboration with workers, have become models for the new personnel practices United is now planning to roll out to its more than 10,000 new hires.

Inner-City Development. BankBoston launched First Community Bank in 1990 as a way to target newcomers to the banking system -- many of whom were located in the inner city. This initiative also responded to regulatory pressures on banks to increase investment in underserved urban neighborhoods. Thanks to First Community Bank, access to high-quality financial services for disadvantaged minorities and inner-city inhabitants has radically improved, which is helping to revitalize deteriorating neighborhoods. Since its inception, First Community Bank has been a laboratory for a stream of innovations that have been applied across BankBoston. From BankBoston's perspective, First Community Bank has been an undeniable success. The bank has grown from its initial 7 branches in Boston to 42 branches across New England. It offers a range of products and services that includes consumer lending, real estate, small-business loans, and venture capital. Today it is the anchor for all community-banking services within BankBoston.

## Making Partnerships Work

Making the new paradigm work isn't easy. In contrast to typical business-to-business relationships, there is an added layer of complexity. Government and nonprofit organizations are driven by goals other than profitability, and they may even be suspicious of business motivations. Additionally, the institutional infrastructure of the social sector is undeveloped in business terms. For that reason, public schools and inner cities ~~can't be said to resemble emerging markets~~. Those difficulties, however, can be overcome. My research has identified six characteristics of successful private-public partnerships: a clear business agenda, strong partners committed to change, investment by both parties, rootedness in the user community, links to other community organizations, and a long-term commitment to sustain and replicate the results.

**A Clear Business Agenda.** In the new paradigm, companies obviously want to make a social contribution. But a corporation has a better chance of making a real difference if it knows clearly, in advance, how its business agenda relates to specific social needs. A company that wants to develop new data analysis technology, for example, might target a large and complex education system as its beta site. Finding test users in the public schools would clearly benefit both the community and the company. Indeed, apart from the social benefits, there are two distinct business advantages. The first is the opportunity to test the new technology, and the second is the chance to build political capital -- for instance, to influence regulations, to reshape public institutions on which the company depends, to augment a public image as a leader, or to build closer relationships with government officials.

This coincidence of social needs with business and political goals is precisely illustrated by Bell Atlantic's Project Explore. Bell Atlantic was developing intelligent network technologies, video on demand, and other communications ideas. By the early 1990s, Bell Atlantic was ready to test High-bit-rate Digital Subscriber Line (HDSL) technologies with personal computers. Bell Communications Research, then the R & D laboratory shared by the Baby Bells after their divestiture from AT & T, sent Bell Atlantic a proposal to equip schools with computers. That would get the technology out into the field and allow the company to test the services that could be delivered over high-capacity lines into schools and homes.

Working with schools also fit the company's political agenda. In New Jersey, Bell Atlantic leaders hoped to win the support of legislators and regulators for the Opportunity New Jersey project, Bell Atlantic's proposed statewide technology communications plan. To garner support, they needed a demonstration site to showcase their communications networks. Bell Atlantic saw that testing its transmission technology in special-needs school districts could benefit both the company and the schools. Bell Atlantic's new technology, however, could work only for distances of about 9,000 feet on copper telephone wires, which in New Jersey had not yet been replaced with fiber-optic lines. The density of Union City's population and Union City's proximity to Bell Atlantic's central switching office made it an ideal site for testing and developing the company's innovations.

Marriott International also had a clear business agenda that addressed a social need. Over two-thirds of the company's 131,000 employees are entry level, lower-wage workers in housekeeping, engineering, security, maintenance, food

service, and reservations. Developing an effective method to recruit, train, and retain workers in these positions has always been a critical concern. Throughout the 1980s, Marriott had reached out to untapped pockets of the labor market, such as Vietnam veterans, exoffenders, the disabled, recent immigrants, and welfare mothers. Although the company received tax credits as a financial incentive, Marriott continued to be plagued by a high level of turnover and poor job performance. By the beginning of the 1990s, the company badly needed new sources of reliable labor. After some experimentation, the first viable Pathways program was launched in Atlanta, Georgia, in 1991. Since then, Marriott has not only reduced turnover rates but also improved job prospects in inner cities.

**Strong Partners Committed to Change.** A critical feature of the new paradigm is the presence of committed social sector organizations and leaders who are already working on change. These can include public servants and community figures such as mayors, governors, school superintendents, and civic activists. Companies need such partners to bring together diverse constituencies and to provide political legitimacy. Strong support helps ensure that new solutions will create systemic change, not languish in isolated projects. Committed social partners can also help businesses win access to underserved markets -- for example, the inner city -- and they can build widespread support for other new ventures.

Consider how IBM chose partners for its Reinventing Education initiative. The company singled out school districts where leaders were thinking in new and creative ways. When evaluating grant proposals, IBM looked for widely communicated education reform goals and strategic plans that clearly identified where projects could add value. The backing of strong mayors who were personally committed to education reform was considered vital. Mayor Edward Rendell, for example, supported superintendent David Hornbeck's program, Children Achieving in Philadelphia. The program showed how business involvement could contribute and was a major factor behind IBM's decision to invest there. Similarly, in Florida, Broward County's nine-point vision statement and five-year information technology plan were crucial in convincing IBM to get involved. By seizing on local agendas, IBM ensured that its projects would command the personal attention of superintendents and other key figures.

Bell Atlantic also found willing partners already working on major change. A key factor in getting Project Explore started was the commitment of Thomas Highton, superintendent of schools, and Congressman Robert Menendez, then state senator and mayor of Union City. When Highton was promoted to superintendent in 1988, Union City schools were failing on almost all scores. There was very little teacher involvement in decision making or parent involvement in their children's education; facilities were in poor shape; the curriculum was outdated; there was little to no technology. Highton proposed to turn an abandoned parochial school into a technology school, an action that required state approval. For his part, Menendez wanted to get fiber-optic networks throughout New Jersey to improve education and health services. Bell Atlantic's proposal was timely. The company's commitment to Union City, brokered by Menendez, gave Highton the credibility he needed to get approval to buy the abandoned parochial school. The school was renamed after Christopher Columbus to reflect the journey of discovery ahead in the trial called Project Explore.

Partners for educational projects are easily identifiable because schools are large and highly organized. Companies confronting other social needs, however, may encounter many small nonprofit organizations, each of which works on a

different piece of the problem. Marriott worked with various government and nonprofit partners in each of its Pathways to Independence programs -- organizations such as Goodwill Industries, the Jewish Vocational Service, Private Industry Councils, and Workforce Development Boards. Marriott chose the strongest partner in each community.

United Airlines was also confronted with a patchwork of small community organizations working with welfare recipients. In launching its welfare-to-work efforts in San Francisco, United chose one strong nonprofit placement organization to be its lead partner and urged other groups to work through that agency. The details differ, but in all cases, strong partnerships are a crucial aspect of the new paradigm.

Investment by Both Parties. The best way to ensure full commitment is to have both partners -- not just the corporate but the community partner -- put their resources on the line. Investment by both partners builds mutuality. It also ensures that the community partner will sustain the activities when contributions from business taper off.

In all of IBM's Reinventing Education initiatives, both partners put their hands in their pockets. IBM gave each school system a \$ 2 million grant -- up to 25% in cash and 75% or more in technical equipment, software, research, and consulting time. The team at each site determined the mix. Almost all of IBM's grant to Broward County, for example, went toward consulting time.

The schools also contributed financially to the projects, both in the development phase and when full rollout took place after the money ran out. The Philadelphia school system, for example, bought at least 109 computers in addition to the 36 PCs and 8 ThinkPads provided by IBM. Individual school principals also supplemented IBM and central office funds from their own budgets. To help manage the transition to internal leadership in Broward County, for instance, the schools paid for an IBM project manager and systems architect to remain for several months after grant funds were expended. Each school district also used considerable funds on staff time for planning and training, in addition to major technology investments.

BankBoston and its community partners sometimes share the costs of First Community Bank's projects. In Hartford, Connecticut, First Community Bank worked with the South Hartford Initiative, a community development organization, to establish a unique small-business lending program in 1997. That innovation took many months to structure and negotiate. First Community Bank funds an average of 46% of each loan in South Hartford Initiative's neighborhoods; SHI funds the balance on a fully subordinated basis. First Community Bank reduces its normal commitment fee and interest rate, and SHI agrees to collect only interest for the term of the loan, until the principal amount is due. SHI has the option to underwrite loans declined by the bank, and First Community then services those loans.

Investment by both parties means more than just financial investments. Consider the Pathways to Independence program. Some of Marriott's partners make direct financial contributions: Goodwill Industries reimburses over half of the program's costs of approximately \$ 5,000 per student in those cities in which it is Marriott's partner. But even partners that don't contribute financially commit resources. For example, while Marriott provides uniforms, lunches, training sites, program management, on-the-job training, and mentoring, its

partners help locate and screen candidates and assist them with housing, child care, and transportation.

During the life of an innovation project, the balance of investments can shift. Bell Atlantic bore the bulk of the costs for Project Explore when it was launched in 1993, after two years of planning. The company wired the new Columbus Middle School; trained the teachers; and gave 135 seventh graders and their teachers computers in their homes, along with printers and access to the Internet. Once involved, Bell Atlantic found its commitment growing. Even when the project had moved beyond a trial phase and had to compete for company resources every year, Bell Atlantic kept a project team on board to follow the group through seventh and eighth grades and into Emerson High. By 1995, Union City began to pick up the bills. The school system received a National Science Foundation grant to wire Emerson High School and buy most of the computers. By 1997, Union City was picking up 100% of the cost, although a part-time project manager from Bell Atlantic's Opportunity New Jersey remained to maintain the relationship.

Both partners also need to make strong staff commitments. IBM ensures that responsibilities in this area are balanced: a school-district project sponsor is matched with an IBM project executive, and a school district project manager with an IBM on-site project manager. IBM does not rely on volunteers or part-time staff. It recruits the best talent it can for assignments, which are considered challenging as well as personally rewarding. Participants in the programs must report their monthly costs and expenses -- just as they would report them to the CEO of a client company. Says an IBM official, "We treat our school partners the way we treat our best customers."

The experience of working so closely with businesses has had a deep impact on organizations in the social sector. Schools involved in the Bell Atlantic and IBM experiments, for example, have found that they have had to become more efficient and market-oriented in selecting staff for the projects.

Rootedness in the User Community. Innovation is facilitated when developers learn directly from user experience. Therefore, IBM's projects were designed to bring technologists close to the schools. In Broward County, the initial IBM office was housed in the computer lab at Sunrise Middle School. This location enabled constant interaction between IBM staff and teachers who evaluated the software. Moreover, becoming part of the school environment fostered rapid acceptance of the IBM team. "They even ate cafeteria food," an administrator exclaimed.

Yet even when a company goes on-site, there can be cultural obstacles. IBM employees tended to see school procedures as bureaucratic, while teachers had negative stereotypes of people working in large corporations. "We move at different speeds," one IBM team member explained. Cultural differences were also apparent in language -- jargon was a significant barrier to communication. According to one IBM employee, the "educational world has even more acronyms than the IBM world, which surprised everybody." But over time, the presence of IBM people in the schools, and their openness to learn from educators, helped bridge the differences and allayed many of the schools' concerns that they would be taken over by businesspeople.

In the inner-city neighborhoods in which it operates, BankBoston's First Community Bank takes great care in staffing its branches to ensure that the

employees understand the community. First Community Bank founder and president Gail Snowden, for example, grew up in the bank's core neighborhood, where her parents ran a well-regarded community service organization. First Community Bank managers are expected to attend community events as part of their job. The bank has created new functions -- such as community development officers who act as liaisons with customers in specific ethnic populations -- to further embed it in its communities. The bank also offers customized technical assistance -- for example, document translation or explanation of customs to new immigrants. Although these service innovations increase the time spent per transaction, they make First Community Bank branches part of the fabric of the neighborhood. That helps make parent BankBoston a leader in the urban market.

**Links to Other Organizations.** For projects to succeed, the business partner must call on the expertise of key players in the broader community. Bell Atlantic, for example, brought in the Stevens Institute of Technology -- which had expertise in Internet capabilities and equipment configurations -- to help build a curriculum for teachers around Internet access. Similarly, IBM nurtured connections with the school districts' other partners, some of which already had a deep local presence. In Philadelphia, IBM relied on the Philadelphia Education Fund -- an offshoot of Greater Philadelphia First, a coalition of the city's 35 largest corporations -- as a source of local knowledge. In Cincinnati, IBM convened businesses and funders such as Procter & Gamble and General Electric to ensure that everyone worked toward the same ends in the schools.

BankBoston, too, finds its broader community and government contacts to be useful sources of additional ideas and finance for riskier deals and start-up businesses. First Community Bank's community development group, for instance, worked with about eight other banks and the U.S. Small Business Administration to create a new "fast track" SBA loan approval. Without external collaboration, no business innovation partnership can expect to enact lasting change.

**A Long-Term Commitment to Sustain and Replicate the Solution.** Like any R & D project, new-paradigm partnerships require sustained commitment. The inherent uncertainty of innovation -- trying something that has never been done before in that particular setting -- means that initial project plans are best guesses, not firm forecasts. Events beyond the company's control, unexpected obstacles in technology, political complexities, new opportunities or technologies unknown at the time plans were made -- all of these can derail the best-laid plans. First Community Bank took five years to show a profit, but last year it was number one in sales out of all of BankBoston's retail operations. Investments in the social sector, just as in any start-up, require patient capital.

Each of the new-paradigm companies described wanted to create a successful prototype or demonstration project in the test site. But test sites, by nature, receive concentrated attention and resources. The real challenge is not sustaining an individual project but replicating it elsewhere. The best innovations can be mass-produced, adopted by users in other settings, and supported by additional investors. That is why replication and extension were explicit parts of IBM's strategy.

The Reinventing Education project began in ten school districts. First-round grants from IBM covered a three- to five-year period, and IBM wanted most of the money disbursed in the first two years so that the next three could be spent diffusing the innovation and examining the project's impact. Tools developed in the first round of innovations were then introduced through an additional 12

projects. To help the sites complete their individual rollouts, IBM staff continue to monitor sites for five years. IBM encourages cross-fertilization of ideas among all the Reinventing Education project sites. Broward County, for example, hosts officials from other school districts on a quarterly basis. Charlotte-Mecklenburg's Wired for Learning prototype is spreading throughout North Carolina. And an IBM Web site discussion forum also helps spread ideas among the project sites -- an arrangement that is beneficial both to schools and to IBM.

#### How Business Benefits

Sometimes business attempts to find innovation in the social sector are discounted by critics as public relations ploys. But as the depth and breadth of each company's commitment should make clear, that would be an extremely costly and risky way to get favorable press. The extensive efforts described here, with their goal of creating systemic change, also cannot be justified only on the grounds that they make employees or the community feel good -- even though that obviously motivates people to work hard. In reality, the primary business justification for the sustained commitment of resources is the new knowledge and capabilities that will stem from innovation -- the lessons learned from the tough problems solved.

Bell Atlantic's Project Explore was expensive, and it was not philanthropy. It was funded out of operating and technology-development budgets. Certainly, Bell Atlantic people felt good about helping inner-city schoolchildren succeed. And the company generates a continuing and growing revenue stream from selling network services to the education market, which it learned how to approach from its extensive experience in Union City. But the ultimate business justification for Project Explore was the know-how Bell Atlantic developed about networking technologies. As John Grady, now HDSL product manager but then the first Union City project manager, puts it, "the Union City trial provided the first evidence that HDSL technology could work." In April 1997, Grady and three other Bell Atlantic employees received a patent for a public-switch telephone network for multimedia transmission -- a direct consequence of the innovations developed in Union City. That patent ultimately led to the introduction of Bell Atlantic's new Infospeed DSL product line in 1999.

IBM, too, stretches its technical capabilities by tackling the difficult problems in public schools. IBM employees experimented with new technology that has commercial applications. For the Reinventing Education project in Cincinnati, for example, IBM researchers developed new drag-and-drop technology for the Internet, which uses the latest features of Java and HTML and can be leveraged throughout IBM. As a systems architect in Cincinnati remarked, "The group that I'm working with and I have learned more on this project than any other that we've worked on previously. We're working with people from the ground up. When we started, there was absolutely nothing except an idea about new Internet technology." And the Broward County project extended IBM's data-warehousing know-how from small groups of users in retailing and related industries to very large groups of users with complicated data requirements -- over 10,000 teachers and administrators in a school system.

Marriott's Pathways to Independence has produced tangible benefits for the company. About 70% of Pathways' graduates are still employed by Marriott after a year, compared with only 45% of the welfare hires who did not participate in Pathways and only 50% of other new hires. Marriott estimates that program

costs are recovered if graduates are retained 2.5 times longer than the average new hire. In fact, Pathways is considered to be such a source of competitive advantage for Marriott that the company shares only the general outlines of the program with other companies and keeps the details proprietary. And success in the Pathways to Independence program has encouraged Marriott to undertake other initiatives, such as the Associate Resource Line, a hot line that provides assistance with housing, transportation, immigration, financial and legal issues, even pet care. It cost Marriott \$ 2 million to set up the hot line; it now saves \$ 4 for every dollar spent, through lower turnover and reduced absenteeism.

BankBoston, too, has found business benefits from its social initiative. Its First Community Bank has become both a profitable operating unit and a source of product and service innovations that have been applied across all of BankBoston. These include First Step products for newcomers to banking; multilingual ATMs; a new venture-capital unit for equity investments in inner-city businesses; and community development officers, who help create lending opportunities. In fact, First Community bank has been so successful that BankBoston is refocusing its retail strategy toward community banking.

Employees' opinions of the initiative have also been transformed. Far from being a dead-end assignment, a position at First Community Bank is highly desirable because it offers the challenge and excitement of innovation. In January 1999, founding president Gail Snowden was promoted to head up the regional leadership group for all of BankBoston's retail banking. And in March 1999, President Clinton presented BankBoston with the Ron Brown Award for Corporate Leadership (for which I was a judge) in recognition of its community-banking activities. Clearly, businesses that partake in these new-paradigm partnerships reap tangible benefits.

#### Spreading the New Paradigm

This article describes a new way for companies to approach the social sector: not as an object of charity but as an opportunity for learning and business development, supported by R & D and operating funds rather than philanthropy. Traditional charity and volunteerism have an important role in society, but they are often not the best or fastest way to produce innovation or transformation.

High-impact business contributions to the social sector use the core competencies of a business -- the things it does best. For Bell Atlantic, it is communications technology; for IBM, it is information technology solutions; for Marriott, it is service strategies. In this new paradigm, the activities are focused on results, seeking measurable outcomes and demonstrated changes. The effort can be sustained and replicated in other places. The community gets new approaches that build capabilities and point the way to permanent improvements. The business gets bottom-line benefits: new products, new solutions to critical problems, and new market opportunities.

New-paradigm partnerships could reinvent American institutions. They open new possibilities for solving recalcitrant social and educational problems. They give businesses a new way to innovate. Today these examples are still works in progress. But tomorrow they could be the way business is done everywhere.

#### Why America Needs Corporate Social Innovation

Benefits to Business

Despite its long economic boom, America's social problems abound. To ensure future economic success, the country needs dramatic improvements in public schools, more highly skilled workers, jobs with a future for people coming off the welfare rolls, revitalized urban centers and inner cities, and healthy communities. Traditionally, businesses have supported the social sector in two different ways: they contribute their employees' time for volunteer activities, and they support community initiatives with money and gifts in kind. Both activities can accomplish many good things and should be encouraged, but neither activity engages the unique skills and capabilities of business.

Consider the typical corporate volunteer program. It almost invariably draws on the lowest common skills in a company by mobilizing people to do physical work -- landscaping a school's grounds or painting walls in a community center. Such projects are good for team building and may augment limited community budgets, even build new relationships, but they don't change the education system or strengthen economic prospects for community residents. In many cases, it is just as effective for the business simply to write a check to community residents or a small neighborhood organization to do the work.

And that, indeed, is what many companies do. A great deal of business participation in social sector problems derives from the classic model of arm's-length charity -- writing a check and leaving everything else to government and nonprofit agencies. Businesses have little involvement in how these donations are used. In fact, this model actively discourages companies from taking an interest in results. Companies receive their benefits up-front through tax write-offs and the public relations boost that accompanies the announcement of their largesse. There is little or no incentive to stay involved or to take responsibility for seeing that the contribution is used to reach a goal. However well meaning, many businesses treat the social sector as a charity case -- a dumping ground for spare cash, obsolete equipment, and tired executives on their way out.

Such arm's-length models of corporate philanthropy have not produced fundamental solutions to America's most urgent domestic problems of public education, jobs for the disadvantaged, and neighborhood revitalization. Nor will they, because traditional charity can't reach the root of the problems; it just treats the symptoms. Most business partnerships with schools, for example, are limited in scope: they usually provide local resources to augment a school program, such as scholarship funds, career days, sponsorship of an athletic team, or volunteer reading tutors. The criteria for involvement are minimal, often hinging only on geographic proximity to a company site. The 600 school principals I surveyed said they are grateful for any help from the business sector. But what they really want today, when public education is under attack, are new ideas for systemic change that private enterprises are uniquely qualified to contribute.

As government downsizes and the public expects the private sector to step in to help solve community problems, it is important that businesses understand why the old models of corporate support don't create sustainable change. In partnership with government and nonprofits, businesses need to go beyond the traditional models to tackle the much tougher task of innovation.

GRAPHIC: Text box, Why America Needs Corporate Social Innovation;

## 3 More Airlines Follow Lead Of Continental by Raising Fares

ARLINGTON, Va., March 12 (Bloomberg News) — U.S. Airways Group Inc., Trans World Airlines Inc. and the America West Holdings Corporation increased some round-trip fares as much as \$40 today to match fuel-related increases made by Continental Airlines Inc. last week.

The UAL Corporation's United Airlines, the world's No. 1 air carrier, matched Continental's increases on Saturday, along with Delta Air Lines Inc. and the AMR Corporation's American Airlines.

That leaves the Northwest Airlines Corporation, the No. 4 carrier, as the lone holdout among the main airlines.

Northwest, which said on Friday that it would match part of the increase, thwarted a fare increase last month by refusing to join other carriers in raising United States round-trip fares as much as \$30. Airlines generally roll back increases that rivals do not match to avoid getting

caught at a competitive disadvantage. Northwest has been a frequent spoiler of fare increases.

The increases were reported by Bestfares.com, which has access to travel-reservation systems. A T.W.A. spokeswoman, Julia Bishop, confirmed that T.W.A. had raised fares.

The airlines raised leisure and business fares \$20 for round-trip flights as far as 500 miles; \$30 on trips 501 to 1,000 miles and \$40 on flights of more than 1,000 miles in the United States. Continental, based in Houston, led the industry in a \$20 fare increase in January.

Jet-fuel prices for delivery in New York harbor have more than doubled, to 83.3 cents a gallon from 37.1 cents in the last year. The increase came after a climb in crude-oil prices to nine-year highs as a worldwide glut of crude disappeared. The higher costs lowered earnings at airlines for two quarters.

## They Hope to Move Up By Learning to Log On

By ROBYN MEREDITH

DETROIT, March 12 — Small hands shot up when Daniel S. Varner asked his after-school class of mostly poor, mostly African-American children here, "Who can tell me what the Internet is?"

"It's like a big dictionary," said Jordan Nichols, 9. "A new way of communication," offered Stacey Blair, 12. And across the room, Terrell Brazier, 13, said, "It's a super-highway to anything you want."

To these children, and others like them who grow up poor, the Internet is all that and much more. It can be a path to the future, all right, but its effect may be more profound on those who don't know how to use it. With more and more jobs requiring computer and Internet literacy, experts fear that children not exposed to those skills will be left further behind in the new economy.

A couple of Detroit lawyers who wanted to keep that from happening have chucked their law careers to start an unusual program here that helps poor children join the information age. They draw hundreds of children into after-school sports leagues, then offer free computer training. The children learn not only how to use the computers, but also how to take them apart, fix them and put them together again. The trophy they bring home is a hand-me-down computer — there are enough for everyone on the sports teams.

"We knew kids needed the character that comes with team sports, and we knew they needed the tools of the future that come with access to technology," said Michael F. Tenbusch, who founded the nonprofit group Think Detroit with Mr. Varner in 1997. Early on, the group organized sports leagues for children.

At the same time, the group began setting up 17 computer laboratories in churches, schools and nonprofit agencies — enough to serve 2,000 people last year — filling them with used computers donated by area companies. But it became clear that closing the gap in computer access would require reaching homes.

So in November, Think Detroit switched strategies and began the Balls and Bytes program — combining baseball, soccer and basketball leagues with computer classes for children over 10. The group has donated about 30 computers and plans to give away 200 more this summer.

Stacey Blair, a seventh grader at Westside Christian Academy, said that when she joined the group's baseball team she did not know she would also get a computer. She spends about an hour a day on it and came back to Mr. Varner's class to learn how to use the Internet.

Her first computer classes were intimidating. "I can't do this," Stacey remembered thinking. After the instructor took the machines apart and "showed us which spaces were for the motherboard and the cards," she said, "then I was like, this is pretty easy."

Statistics show children like Stacey are at risk of being bystanders in the digital age. Although virtually the same percentage of all children have some access to computers at school, poor and African-American children are far less likely to use a home computer, according to a poll conducted last month by National

Public Radio, the Kaiser Family Foundation and Harvard's John F. Kennedy School of Government.

"Using the computer and the Internet can be such an important set of skills to be marketable for the economy," said Mollyann Brodie, a vice president of the Kaiser foundation. "Any digital divide will further exacerbate the gaps we've always had in our country between the haves and have-nots."

Detroit is a good example, because it is the nation's poorest big city. Many poor children here will not go to college. In the past, they might have had a Ford factory in their futures, at best. Now few workers with only a high school diploma can pass the tests automakers require.

Social workers say the gap may be even more acute for poor people who are already out of school and have had little contact with computers.

Carris M. Carey, a social worker at Focus: Hope, a nonprofit organization in Detroit that trains poor people to work in the auto industry, said, "The kids who are in the younger generation, the 18-to-25 range, have had some type of exposure to computers," even if it is not as much as the children of wealthy families have. But, Mr. Carey said, older poor people are seldom familiar with computers and the Internet.

That observation was echoed in

## Poor children in Detroit enter the computer age.

the new national poll, Ms. Brodie said. "The gaps by income are just profound," she said. The poll found that 56 percent of those in the 18-40 age group earning less than \$30,000 a year had a home computer, while 87 percent of those earning more than \$50,000 a year had one.

Public schools here are struggling to keep up with their counterparts in school districts that are better off. All 263 schools in the district have now been wired for computer access, but not all schools have computers, particularly up-to-date ones, to attach to the wires, said Stan Childress, a spokesman for the Detroit Public Schools. "None of our schools have computers in every classroom, and that is a goal," he said.

For now, the secondhand computers from Think Detroit will help close the gap between technology haves and have-nots in two ways. First, more children each month are being given computers to take home. Second, they are teaching older family members how to use them.

Troy Brazier, a sixth grader at George Crockett Academy, a charter school here, brought home one of the Think Detroit computers after playing baseball and basketball on one of the teams set up by the organization.

His mother works at a Target store and an older brother is a security guard, so when he got the computer home, "I had to teach them, my mom and my brother, how to use it," Troy said during a break from Mr. Varner's Internet class. "I'm still trying to learn a little more."

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LIZ LYNCH

# Net Dreams

**T**he Senators in suits huddled in the auditorium at the Eastern Boys & Girls Club in an inner-city Washington neighborhood as hundreds of children sitting on the floor fidgeted. But when the superstar guest was introduced, the children cheered as if they were in the presence of a sports hero.

"This is the Michael Jordan of the computer industry," Robbie Callaway, the senior vice president of the Boys & Girls Clubs of America, said as he pointed to the

**IT WILL TAKE MORE THAN COMPUTERS AND INTERNET MODEMS IN THE CLASSROOM TO NARROW THE DIGITAL DIVIDE BETWEEN TECHNOLOGY HAVES AND HAVE-NOTS. BUT GOVERNMENT AND BUSINESS HAVE MADE A START.**

BY MOLLY M. PETERSON ■



chairman and chief executive officer of America Online. "When you're my age, you're going to say, 'I was once in the same room with Steve Case.'" With a wave and a smile, Case then announced a new "national crusade"—with help from numerous corporate, government, and nonprofit partnerships—to help low-income families and minority students join the Information Revolution.

"As we move into this new world, it's really very important that we not leave anybody behind," said Case, who joined Sens. Joseph R. Biden Jr., D-Del., and Arlen Specter, R-Pa., at the February event to tout a new bill that would help equip the nation's 2,600 Boys & Girls Club chapters—serving more than 3 million children—with state-of-the-art computer learning centers. "Not everybody can be a Michael Jordan," Biden told the children, who ranged in age from 6 to 16. "But if you have this technology, all of you can play this game."

Watching Jordan's legendary skills at the basketball net may have more appeal to most youngsters than listening to speeches from politicians and a technology executive. But Case and the other adults were there to highlight a different kind of Net—one that they hope can help low-income children and minorities score points in the technology game, and in the game of life.

Last July, the Commerce Department's National Telecommunications and Information Administration, in a report called "Falling Through the Net: Defining the Digital Divide," showed that despite plummeting computer prices and dramatic yearly increases in Internet usage across all demographic groups, the gap between the nation's technology haves and have-nots is widening—largely along economic, racial, and geographic lines. This digital divide—the gap between those who do have access to computers and the Internet, as well as the technological training to compete in the new economy, and those who do not—seems to have replaced "Y2K" as the hottest catchphrase in the new millennium among policy-makers with an interest in high tech.

The rush to equip the nation's public schools has captured the imagination of the Clinton Administration. Others joining the crusade include educators, executives of high-tech industries, community activists, think-tank researchers, and some members of Congress, all armed with shopping lists of multimedia computers, interactive software, and high-speed Internet connections. "You have to be in on the deal to benefit from the deal," Biden told the children.

#### HOW WIDE THE GAP?

The desire for more Americans to be in on the technology and Internet deal seems unanimous, but figuring out how to achieve that goal is more complicated, in part because of differing opinions about what the government's role should be in bridging the gap, limited research on

whether computers actually improve educational achievement, and conflicting views on the causes of the digital divide.

A 1999 study by Forrester Research in Cambridge, Mass., for example, found that ethnicity is not a very good predictor of who is using the Internet. Instead, differences in education and income levels explain the gap in access to the Net, it concluded. But Art Brodsky, a National Telecommunications and Information Administration spokesman, disagreed. "There are all sorts of factors in there," he said, explaining that cultural differences, for example, tend to affect people's attitudes toward the Internet and whether they think it is worth using. "It is economic to a large degree, but not totally," he said. Brodsky added that his agency based its conclusion of

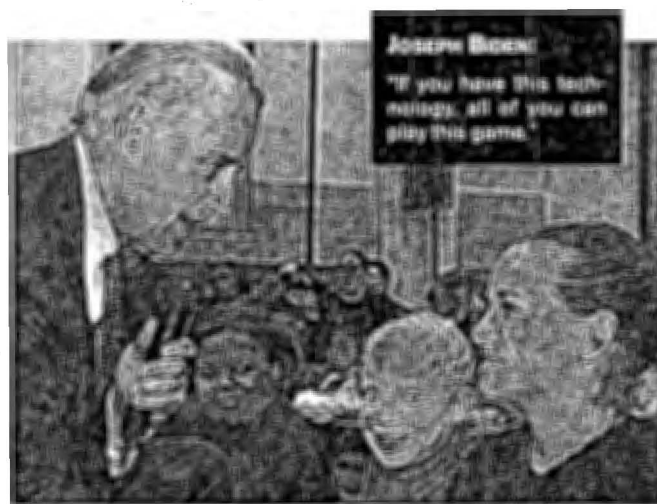
a widening digital divide on Census Bureau data drawn from 48,000 households. "When the Census does a survey, they do the most comprehensive survey in the country," he said. "It's not just a marketing, sampling thing."

His agency's 1999 study found that in 1998—the most recent year for which census data were available—the technology gap between Americans at the highest and lowest income levels increased by 29 percent over the previous year. In a disparity that

Commerce Secretary William Daley called "alarming," the study revealed that households with annual incomes of \$75,000 or higher were more than nine times as likely to have a home computer as households with the lowest incomes, and more than 20 times as likely to have Internet access. The report also indicated that Americans living in urban areas were more likely to be online than those living in rural areas, and that white households were more than twice as likely to have Internet access as black or Hispanic households.

Some lawmakers, civic leaders, and educators have warned that those gaps, if left unchecked, could lead to a two-tier economy in which those with inadequate access to information technology would be relegated to a lifetime of low-skill jobs and low wages. "The people who have the best access to [technology] keep acquiring it at a pace that just really leaves others way behind," said B. Keith Fulton, the director of technology programs and policy for the National Urban League. "In the Internet economy, if you're not connected, you're not just standing still—you're moving backward."

Certainly the federal government agrees with this view. In a variety of programs run by the Commerce and Education departments, the Federal Communications Commission, the National Science Foundation, and several other agencies, the government is committing increasing amounts of money to bringing underserved children and adults up to speed with the rapidly evolving technology. Many of the federal programs seek to narrow the digital divide among the nation's elementary and secondary school classrooms,



HOMAZU

based on the belief that early computer literacy is crucial to economic success in the digital age.

"It's critically important, because K-12 classrooms are the primary place where poor children will see these technologies and interact with them with learned professionals," Fulton said, adding that the children who are least likely to have Internet access at school are also the least likely to have it at home. Fulton noted that there are currently hundreds of thousands of unfilled jobs in the information technology sector. In an effort to fill those jobs, technology companies have recruited so many foreign workers that, in 1998, Congress agreed to raise the annual cap on temporary, nonimmigrant visas from 65,000 to 115,000, and legis-

lation is pending this year to raise the caps even higher. Fulton said that better access to technology in the classroom could help prepare more American students for those jobs, many of which offer annual salaries of \$60,000 or more. "That's the economy we're preparing our kids for, and it's high-stakes," Fulton said.

#### TECHNOLOGY AND LEARNING

Will technology make children better learners? Skeptics remain unconvinced that computers and the Internet will benefit students more than traditional classroom tools do or help level the playing field for the nation's most disadvantaged children. "Basically, there is no body of evidence

**CYBERSPACE CORNUCOPUS**

**Bob Kemer:**  
The public sector must catch up to the private sector's lead in using new technologies.

that can show that low-income, at-risk kids can gain in academic achievement from the use of computers," said Larry Cuban, a former high school teacher and now a professor of education at Stanford University who researches the use of technology in elementary and secondary classrooms. "But for symbolic reasons, you cannot afford not to buy computers and have them in schools, because people will think you are dinosaurs."

William L. Rukeyser, the coordinator of a Woodland, Calif.-based information clearinghouse called Learning in the Real World, charged that "overblown, overheated rhetoric" about the digital divide is feeding "an element of almost-hysteria" in support of classroom technology, despite a lack of comprehensive research on its effectiveness. "I think the main thing to worry about here is that technology has been perceived or sold almost as a cure-all in K-12 education, and the best evidence we've seen so far is that it's certainly not a panacea," said Rukeyser, whose organization awards grants to researchers studying the costs and benefits of classroom computers. "Most people are of the opinion that there are areas where it's going to be worthwhile and cost-effective, but we don't have the evidence yet to determine what those areas are."

Some research indicates that the value of classroom technology depends largely on how it is used. For example; a 1998 study of fourth- and eighth-grade math classes found that computer programs designed to enhance "higher-order thinking skills"—such as the ability to understand mathematical concepts or solve multiple-step problems—helped boost student scores on standardized tests. But when classroom computers were used for "drill and practice" to help students with routine calculations, "they actually didn't help very much, and in some cases they were even harmful," said Harold Wenglinsky, the research scientist at Educational Testing Service in Princeton, N.J., who conducted the study.

In measuring the effectiveness of computer math programs, Wenglinsky's study found that the digital divide is found not simply in access to classroom technology but also in the disparities in how such technology is used. "The most striking difference between minorities and white students in the uses of computers at school is that minority students are much more likely to be exposed to drill and practice activities, and much less likely to be exposed to higher-order thinking skills," Wenglinsky said.

For example, the study found that in eighth-grade math, 31 percent of white students, and 27 percent of U.S. students overall, used computers to help develop higher-order thinking skills, but only 14 percent of black eighth-graders did. Moreover, Wenglinsky found that although about 30 percent of white students, and 34 percent of all American students, use eighth-grade math class computers for the less effective drill and practice learning, that percentage rose to 52 percent for black students. "You might think drill and practice is a good thing, and that it's not so bad for minorities to have access to it, except when you look at how it relates to student achievement," Wenglinsky said. His study took socioeconomic status into account and found that "there may be an economic component, but there also is most certainly a racial component."

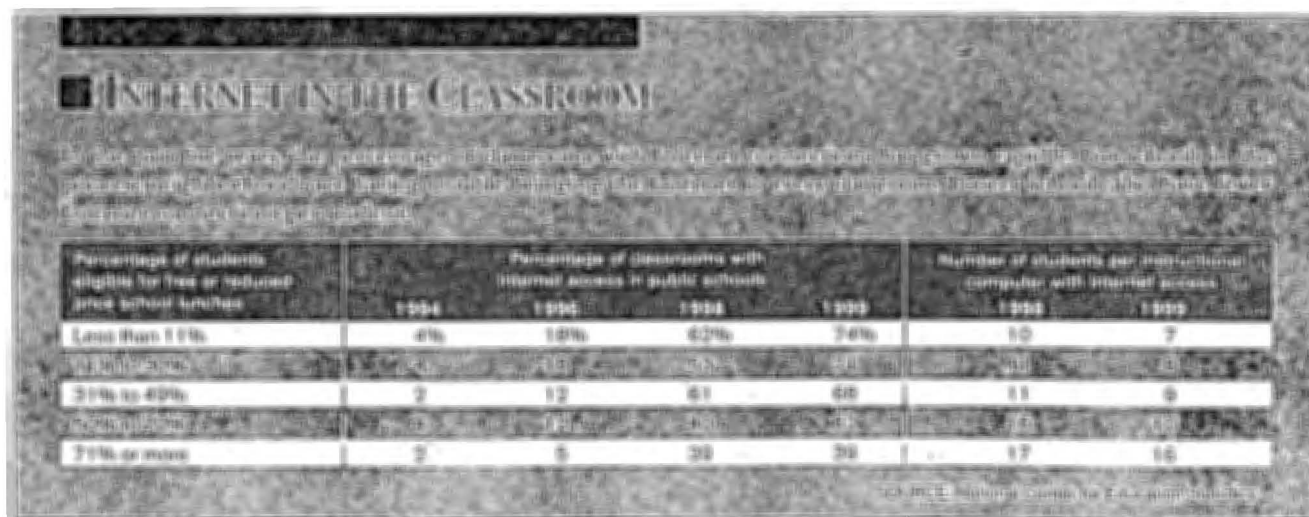
Other studies being planned will determine technology's impact on student achievement, according to Mark Root, the project director for the CEO Forum on Education and Technology, a four-year partnership between industry leaders and educational organizations that monitors the integration of technology into schools. Root said the forum plans to release a report in the spring of 2001 on the effects of classroom technology. But he cautioned that determining the direct impact of classroom technology on student learning will be no easy task.

"When you go to measure their learning, how do you directly tie that to the computer?" Root asked. "I think that's what's confounding people. It would be like trying to assess a student's progress with traditional technology like the blackboard. Did the blackboard make a difference in this student's learning, or was it the textbook?"

Root added that so far there have not been many studies into technology's direct impact on learning. "There are a lot of little target efforts, but no big, groundbreaking study," Root said. "I think people have just been more concerned and more focused on getting the technology into the classroom. Determining whether the technology is making a difference is a lower priority." However, the Education Department plans to launch a comprehensive study this spring on how technology is affecting achievement and classroom instruction.

#### NOT JUST MACHINES

The digital divide is also too complicated to be deleted with the touch of a button. Some of the biggest players in the



race to wire the nation's classrooms are quick to acknowledge that the delivery of computers and modems is just one step in a comprehensive solution that also requires major investments in teacher training, technical support, and research on how best to integrate technology into the curriculum.

"Sitting by a computer does not make you a future Bill Gates," said Barbara Stein, a senior policy analyst at the National Education Association working on education technology issues. "It's really a question of how the technology is used." Stein said that many teachers have not received adequate training to make the most of computers and the Internet in the classroom. "One item we are hearing really consistently is that teachers are not getting sufficient support in how to utilize the technology," she said. "There's a lot of equipment but not enough preparation."

The Clinton Administration has proposed doubling the amount spent on the Education Department program called Preparing Tomorrow's Teachers to Use Technology—to \$150 million in fiscal 2001—to ensure that new teachers receive proper computer training and are able to integrate technology into classroom lessons. During a recent

congressional hearing, Education Secretary Richard Riley cited data showing that although nearly three-quarters of the nation's teachers regularly log on to the Internet at home or at school or both, only 20 percent of all teachers feel "very well prepared" to fold technology into classroom instruction.

"Technology and the Internet can be the blackboard of the future for America's teachers," Riley said. "But if we do not give our teachers proper training, it is like denying them the chalk that they use on those blackboards."

#### WIRING THE CLASSROOMS

Indeed, statistics indicate that the primary focus over the past few years has been on delivering hardware, software, and Internet connections to public schools. And in that area, the results are dramatic.

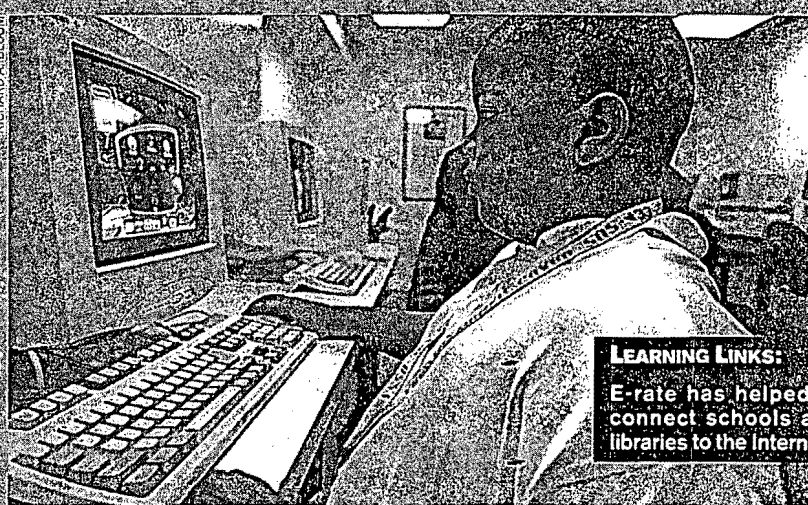
According to a February report by the Education Department's National Center for Education Statistics, 95 percent of the nation's public school buildings were connected to the Internet in 1999, nearly meeting the Clinton Administration's goal of linking every public school to the Internet by the year 2000. Internet access among public schools has

## ■ E-RATE RATES HIGH, BUT WHO PAYS?

A federal program providing schools and libraries with reduced-cost Internet access and other telecommunications services has been a big hit with educators. But on Capitol Hill, lawmakers are once again debating who should pay for it.

Now in its third year of operation, the E-rate program is in demand. Educational institutions this year are requesting E-rate aid of more than \$4.7 billion, a figure that surpasses requests for the previous two years combined. Some schools and libraries will have to be turned away, because spending for the E-rate program is capped at \$2.25 billion a year. "We were really enthusiastic about how much demand there was—but this is where prioritization goes into play," said Bret Rawson, a spokesman for the Universal Service Administrative Co., the private, not-for-profit company contracted by the Federal Communications Commission to administer the program.

The rising popularity of the E-rate comes at the same time that the Clinton Administration is touting new data showing that the subsidy is helping to bridge the technology gap between the nation's wealthiest and



**LEARNING LINKS:**  
E-rate has helped to connect schools and libraries to the Internet.

poorest schools. Congressional critics, however, say that no matter how beneficial the program is to students, their parents are paying for it—but may not know it.

Those critics, many of whom are Republicans, say they favor a continued federal investment in helping schools and libraries connect to the Internet. But they argue that the FCC misinterpreted the 1996 Telecommunications Act and overstepped its authority by imposing a fee on telecommunications companies to

fund the program. GOP leaders maintain that because the companies pass those costs on to their long-distance customers, the FCC has unconstitutionally levied what amounts to a telephone tax on consumers. Republicans call the E-rate the "Gore tax," after Vice President Al Gore, who has been a leading proponent of the subsidy.

"The Gore phone tax is fundamentally illegal and unfair," House Commerce Committee Chairman Tom Bliley, R-Va., said during a hearing on the E-rate last year. He asserted that

nearly tripled since 1994, when only 35 percent were connected.

The study, based on a nationally representative sample of about 1,000 schools, also showed that Internet access in public school instructional rooms—including classrooms, libraries, and computer labs—has increased twentyfold over the past five years. In 1994, only 3 percent of the nation's public school instructional rooms were connected to the Internet; by 1999, 63 percent were online.

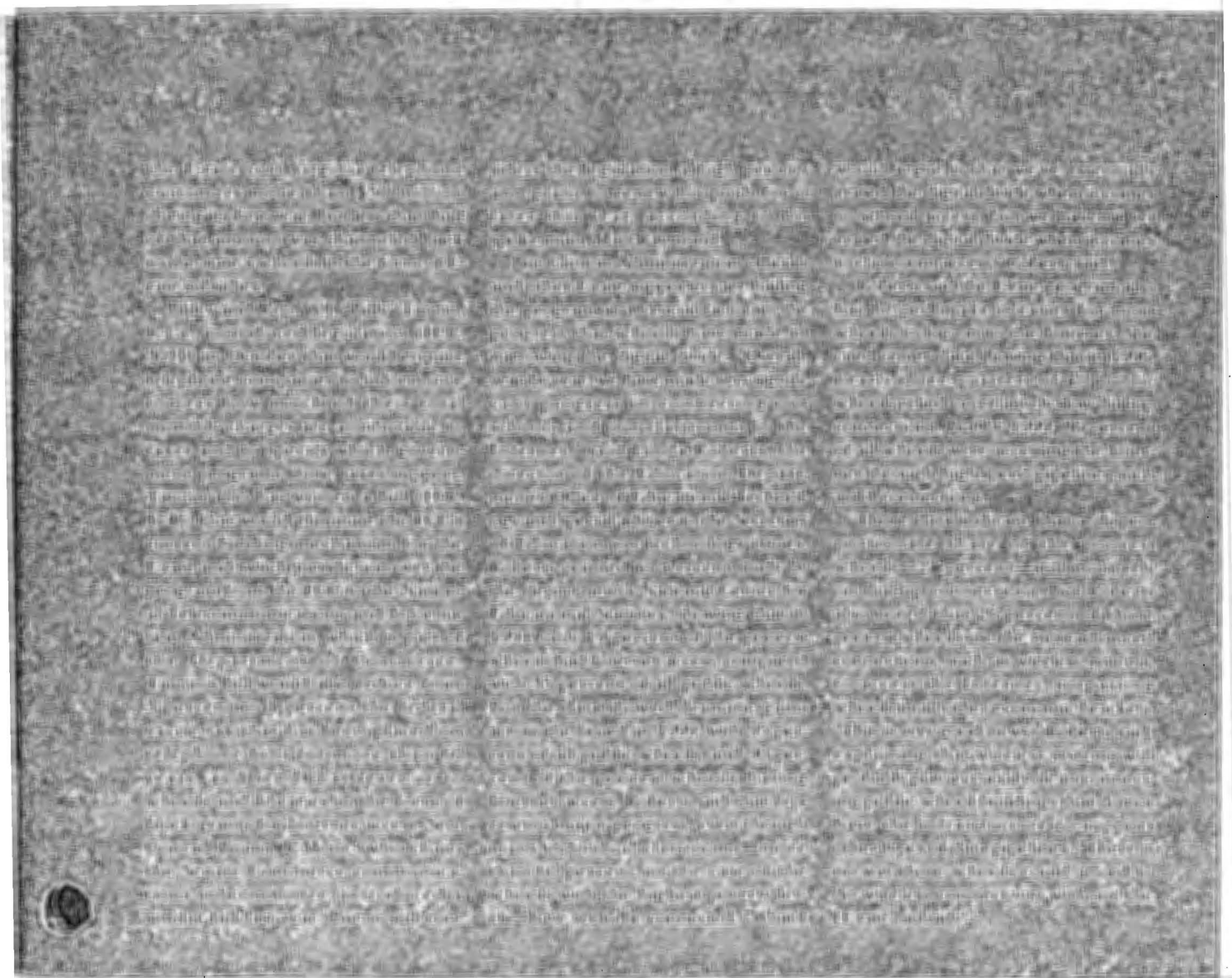
But not surprisingly, those increases varied according to poverty rates, with classrooms in the wealthiest schools nearly twice as likely to have Internet access as those in the poorest schools. According to the center's report, 74 percent of instructional rooms in the wealthiest schools were connected to the Internet in 1999, which was a 12-percent-age-point increase over the previous year. By contrast, the percentage of Internet-connected instructional rooms in the schools with the highest poverty levels—in which more than 70 percent of the students are eligible for federally subsidized lunches—remained frozen at 39 percent in both 1998 and 1999. "We were shocked *not* to see a jump among those schools," said Edith McArthur, the National Center

for Education Statistics demographer who conducted the study.

Before that plateau, the number of classroom Internet connections in the poorest schools had risen significantly—from 5 percent to 39 percent—between 1996 and 1998. Public schools in other economic brackets experienced equally dramatic increases in classroom connectivity during that period.

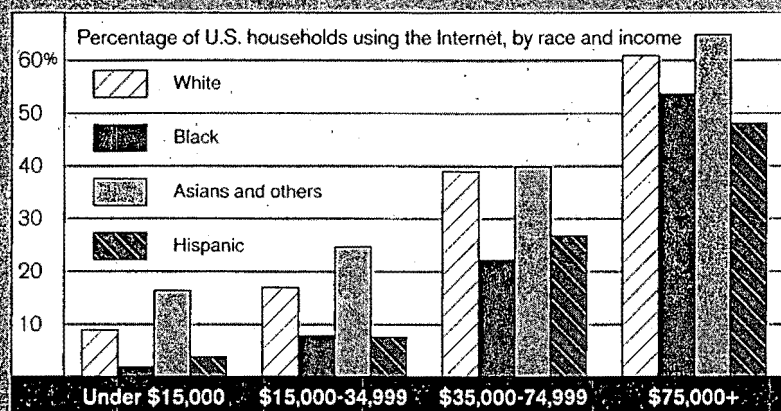
The Clinton Administration asserts that a key factor in rising Internet connections is the federal discount program known as the electronic rate, or E-rate, which began providing public schools with discounts on Internet-related services in 1998 under provisions of the 1996 Telecommunications Act. "In part because of the E-rate, we are now well on our way to closing the digital divide in our schools," Education Secretary Riley told the federal Web-Based Education Commission last month.

Administered by the FCC, the E-rate provides up to \$2.25 billion annually through its Universal Service Fund to help schools and libraries connect to the Internet. The program offers discounts—ranging from 20 percent to 90 percent, based on poverty levels and geographic location—on tech-



## WEALTH AND THE WEB

As family incomes rise, so does home Internet access—in all racial groups. White and Asian household access to the Internet outpaces that for black and Hispanic homes at lower incomes, but the gap narrows at upper incomes.



SOURCE: National Telecommunications and Information Administration

nology and telecommunications services. More than 30,000 schools and libraries received nearly \$1.7 billion in E-rate discounts during an 18-month period ending in mid-1999, and the FCC voted to provide funding for the program at the maximum allocation of \$2.25 billion for a 12-month period ending in June 2000.

Although most of the poorest schools have not yet connected their classrooms to the Internet, McArthur said her study shows that the E-rate has been a crucial resource for those disadvantaged schools that have connected their classrooms. The Urban League's Fulton said many more of the poorest schools would benefit from the E-rate if they would only take advantage of it. Administrators of those schools often have more pressing priorities, Fulton said, such as repairing crumbling buildings, hiring competent teachers, and improving student achievement. "It is not the simplest of things to do, and it may not be the highest-priority item," Fulton said of applying for E-rate assistance. "It says that we have a lot of work to do."

McArthur also noted that Internet access—not a lack of classroom computers—appears to be the main factor in the technology gaps affecting the nation's poorest schools. Her study found that the ratio of students to instructional computers, with or without Internet access, was about 6-to-1 in all categories of public schools, even the poorest. But when measured in terms of Internet access, the ratios vary greatly.

The Education Department, based on recommendations from the President's Committee of Advisors on Science and Technology, has said that a maximum of five students for each Internet-linked computer is the best ratio. Public schools with the lowest poverty levels came close to that target in 1999, averaging seven students for every instructional computer connected to the Internet. But in schools with the largest number of poor students, there were 16 students for every Internet terminal. Nearly one-quarter of those schools also relied on dial-up connections to access the Internet, instead of higher-speed dedicated lines, cable modems, or other faster data pipelines. "So even if you

have Internet connectivity, you're standing in line to get to the machine," Fulton said of students in the schools with the highest poverty levels.

### THE FEDERAL ROLE

Leveling the computer playing fields for children in rich and poor schools will cost billions of dollars. Although foundations and high-tech companies have shown a public-spirited willingness to help, ultimately Congress and the White House will have to decide how much the government should contribute.

Sen. Bob Kerrey, D-Neb., who chairs the bipartisan Web-Based Education Commission, said in an interview that bridging the technology gap in the neediest schools will probably require a larger federal investment. "I don't think you solve this thing unless we're prepared, either with our tax code or direct spending ... to spend

more money," he said. "I'm prepared to use the market, I'm prepared to form all kinds of innovative partnerships. But at some point, it takes money."

Riley told Kerrey's commission that federal dollars make up less than 7 percent of all public spending on elementary and secondary education, but his department provides 25 percent of the cash that helps public schools develop innovative uses of classroom technology. Kerrey said he would like to see even more federal money channeled into those research and development initiatives. "I would not be uncomfortable going to 50 percent, because I do not think the states or school districts can support it on their own," the Senator said.

President Clinton made the digital divide a priority in his fiscal 2001 budget by asking for increased federal spending to bridge the gap on several fronts. For example, he wants to provide \$2 billion in new tax incentives over 10 years to encourage companies to offer their workers technology training and to donate computers to schools, libraries, and community technology centers. Clinton also has asked for \$50 million for a new program called Connecting America's Families that would provide grants to community groups, local governments, and other organizations to help wire more homes to the Internet.

Building the electronic blackboards of the future is clearly a bipartisan effort as well, although Democrats and Republicans sometimes disagree on the best way to do so. "Congress is not stupid," said Linda Roberts, the director of the Education Department's Office of Educational Technology and special adviser to Riley on technology issues. "Members on both sides understand that our schools have to be as much a part of the e-society as our other institutions. It would be a step backward to think that the kinds of classrooms we had 50 years ago are the kinds of classrooms we need for the future."

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