Commentary on
"Business models for equitable access"

by Muriuki Mureithi

Seán Ó Siochrú, June 2008[1]

[1] This is a commentary on the issue paper *Business models for equitable access*, by Muriuki Mureithi. It is part of a series on equitable access to ICT infrastructure commissioned by APC for an event on equitable access which took place in Rio de Janeiro in November 2007. The papers and commentaries can be found at: www.apc.org/en/pubs/research

The idea of “business models” has entered the development vocabulary in recent years, largely in reaction to demands for the sustainability of development actions. Introducing “business-speak” tries to shift the focus away from development as subsidy, towards the idea of self-sustaining enterprise.

Yet the morphing of conventional business models into “business models for social change” is not a simple process. Conventional business models aim solely to enrich their shareholders, and grafting on objectives such as empowerment or poverty alleviation is not at all straightforward.

The conventional business model is to be envied for its simplicity and directness. A bottom line comprising just one homogenous substance – profit – greatly eases the complexities of harnessing multiple operations in a single direction. It focuses the mind and self-interest of all those involved on that goal, unequivocally relegating everything else to the status of means to get there, and it offers an indisputable gauge of failure and success.

Not so business models for social change. Bottom lines can be multiple and even competing, those involved may be pulling in different directions, and judging success can be a major challenge.

In this commentary I discuss various models – including the so-called “bottom of the pyramid” model, the lowest subsidy model, subsidising poor communities, and the capacity-building model – and analyse their strengths and challenges in achieving equitable access in the context of Muriuki Mureithi’s issue paper *Business models for equitable access*.

The spectrum of business models

The spectrum running from the free market business model at one end to the business model for social change at the other includes quite a range, and the extremes are radically different. This is as true in the area of information and communications technology (ICT) access as elsewhere.

Those advocating “bottom of the pyramid” approaches are just a small step from the pure commercial model: they see poor people as potential customers, as opportunities to sell products tailored to their need. Private commercial goals are believed to be fully compatible with extending ICT access to the poor, and the key challenge is to create a business model that delivers the right products affordably. Equitable access, in this model, is a side effect, perhaps a welcome one but nevertheless not the driving force of the enterprise. A belief that the market is sufficient to resolve the access issue is fundamental. Perhaps the gurus of this approach are motivated by concern for the poor, but their solution is based on conventional market thinking. As such, the implicit understanding of the causes of poverty is simplistic and the impact, if any, is likely to be felt among the wealthier end of the poor.

A not dissimilar model for addressing ICT access is the “lowest subsidy” approach promoted by, for instance, the World Bank in universal access policies. The ICT operator seeking the lowest subsidy in a competitive bid will supply ICT access beyond the point where investment will voluntarily flow. This is primarily a mechanism that uses once-off public subsidies to encourage companies to supply services to poorer communities. In acknowledging the need for such initial subsidy to poor areas, it goes a step further towards a business model for equitable access – but only a small step, since those that benefit most will again tend to be the wealthier living in these poorer areas. While network access may be extended, few of the poorer segments can afford to use the services, risking the exacerbation of local income and capacity divergences.

Another step along the spectrum would acknowledge that ongoing subsidy of poor rural communities by wealthy ones makes sense. Here policy intervenes more forcefully to bring affordable services to poor rural communities. Reinforced by the tenets of network economics (wherein all users of the network gain in utility as additional users are added), but nevertheless recognising the higher cost of bringing ICT services to rural areas, and the additional potential benefits that can accrue from ICT use, a policy of cross-subsidisation can be designed to ensure that services in poor rural communities are more affordable. This can be achieved through asymmetrical interconnection costs, subsidised bandwidth or discounted services, or by other means.

A more decisive step still is taken where the issue of building capacity among the community is acknowledged as a necessity and a goal. Such capacity can be as micro-entrepreneurs, running small businesses, or delivering e-services for local or national government (possibly justifying assistance from them). Or it may extend more widely to empowering the community to assess their own needs and come up with solutions themselves. Linked to this are further empowering activities: the business model can be based on a community-owned enterprise or cooperative, retaining all the profits of enterprises within the community, and providing a range of ICT services from telephony and internet to videoconferencing, e-government and social services.

The most elaborate idea of a business model for equitable access might thus encompass all of the above: for example, policy support for start-up capital or loans and ongoing subsidy of rural cooperative ICT enterprises in underserved areas. Such enterprises would be focused on building local capacity through the creation of a sustainable enterprise. At its best, such an enterprise can comprise a hub of development in a poor rural community, stimulating a wide range of development activities.

Challenges for the business models

Of course not all poor communities will, or need to, aspire to this. The most appropriate model will depend on the dynamics, needs, resources available and circumstances.

But any business model for equitable access should at least situate itself along this continuum, and indeed include an implicit understanding of the causes of poverty and exclusion. Can the market solve the specific problem of poverty and exclusion? What are the long-term implications of this solution for communities? Or are there deep-seated issues of capacity and structural barriers that need addressing? Is a sustained and multi-faceted approach needed to tackle this?

A business model for equitable access should base itself upon the nature of the exclusion it is trying to deal with. It should make explicit its understanding of the exclusion it is seeking to address. In practical terms:

- *Is it simply access to ICT infrastructure that is lacking?*
- *If telephony and data networks reach the area, will widespread take-up follow?*
- *Would they be affordable to the poorer sections of the community?*
- *Have poorer groups the capacity to use them?*
- *Do they face structural barriers such that, even were the services available and affordable, their use would bring few benefits?*
- *What are the resources of the area, and the obstacles to and enablers of ICT services?*

The answers to such questions would point to the types of regulatory, investment or other supports and subsidies that might be needed.

A second step is to clearly distinguish within a business model actions directed at addressing structural aspects of poverty, from those directed at creating a sustainable commercial activity.

A specific problem is that the most ambitious business models for equitable access are often advocated, designed and initiated by people and organisations with little experience in business, and whose motivations are social and community oriented, even influenced by deep-seated political beliefs regarding equity and empowerment of marginalised groups. These in themselves are not ideal attributes for setting up a successful business. And at the end of the day, a business model for social change must deliver a successful business, in both senses: one that delivers on social change and one that can at the same time sustain its activities indefinitely.

A successful business model for social change must somehow creatively combine developmental and empowerment skills with the business skills of building a commercial enterprise. These are chalk and cheese, which is where the creativity must come in: simultaneously running participatory needs assessments while developing "product plans" involving target markets certainly can lead to more than terminological clashes; but the encounter can also be creative and can certainly build local capacities.[2] And those designing and supporting the business model would do well to ensure that these distinct skills are present, and that the business plan develops these strands of activity in a complementary and mutually reinforcing manner.

In the end, designing a business model for social change is not a simple matter of tweaking or re-gearing a conventional business model. There is a different agenda at work, even a separate set of principles, one that is seldom made explicit. It is as well to be explicit about this from the start and to distinguish clearly the goals, the skills needed, and the actions to be taken to reach each goal.

In Mureithi's paper, the business models can quite easily and usefully be located along the spectrum, from the purely entrepreneurial cyber-cafés to the multi-pronged mini-telcos. Among specific examples, Nokia/Siemens's Village Connection offers a straightforward, turnkey, "bottom of the pyramid" business model to local operators or entrepreneurs; while MTN Village phone shops require some relatively light regulatory supports and some capacity building, but can be successful only where market mechanisms are largely adequate (i.e., where poor people will be able to afford and use the services offered). The Arid Lands Information Network (ALIN) example fully separates the commercial business from the social change activity, obviating some of the issues above, though it appears to potentially pit BaoCom directly against commercial suppliers. The Nepal Wireless Team has been able to take advantage of initial subsidies and some ongoing subsidy (via Nepal Telecom discounts) and appears to have a strong capacity-building aspect and e-government inputs.

Each relates to perhaps quite a narrow set of circumstances and needs, and it will be interesting to track their success.

Mureithi also usefully outlines some of the policy and regulatory supports that are required, depending on the circumstances, and concludes with a few sensible recommendations that could support the emergence of business models for equitable access almost across the spectrum.

The thrust of my argument is to add the importance of understanding the nature of the equitable access challenge, and to explicitly design the model around that challenge.

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[2] A project called iREACH that I am active in is currently at this peculiar hybrid stage. See www.ireach.org.kh and an article at ci-journal.net/index.php/ciej/issue/view/19