

Strategy is More Important Than Feasibility



Cities considering a municipal broadband project should start with Strategy and not Feasibility.

Today’s feasibility studies tend to be lopsidedly tactical. They tend to do handwaving toward strategic issues and then dive heavily into tactical matters like: 1) Assessment of the local market, 2) Network requirements, 3) Network design, 4) Cost estimates, and 5) Financial projections.

It is possible to do an excellent job doing things right (Tactics) like building a network that is functional and still do the wrong thing (Strategy) like building a network that never gets broad adoption. A feasibility study which leads a city to do things right but not to do the right things will lead to a network that is not evolvable in the rapidly changing future.



Reference ¹

A strategic mindset focuses on the future, articulates a vision, embraces change, scans the external environment, invites innovation and creativity, and wonders what can be. A tactical mindset focuses on immediate needs, sets achievable goals and objectives, prefers stability, focuses internally, has a bias toward reliability and wants to improve the way things currently work.

ISSUE	TACTICAL	STRATEGIC
Focuses On	Immediate Needs	Immediate and Future Needs
Oriented Towards	Goals and Objectives	Vision
Prefers	Stability	Change
Emphasizes	The Organization	The Environment
Looks	Internally	Externally
Gravitates Towards	Reliable Techniques	Innovation and Creativity
Wants	To Improve What Is	To Consider What Can Be

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Any industry that fails to build its strategies around serving its customers interests should be disrupted. Whether cities articulate this or not, municipal broadband is about disrupting the dominant telecommunications model. To disrupt means to redefine the way things are done. Municipal broadband can and should redefine the technologies and business models used to deliver broadband.

The historical mistake made by many cities that have pursued municipal broadband projects is that they have been weak on strategic planning as they focused on the tactical implementation. By not being careful with strategy, too many cities have adopted legacy telecom methodologies rather than re-defining the market with new technologies and a new business model. A focus on tactics rather than strategy makes a city vulnerable to simply trading seats with the incumbent within the same broken business model. Cities can completely disrupt the dominant incumbent control business model by shifting from an emphasis on tactics to an emphasis on strategies, which seek to give consumers what they want from broadband networks.

To create a strategy, cities should give some attention to *Disruption Theory*. For the past 20 years, Harvard Business professor Clayton Christensen has been writing about disruption and innovation. Four of the key ideas from Christensen's research include the following:³

- 1) Disruption always happens from the bottom of the market. This is the part of the market that is unattractive to dominant industry powerhouses.
- 2) Disruption means that the “Job-to-be-Done” gets redefined.
- 3) The technology redefinition often involves turning previously complex tasks into “brain-dead simple” tasks.
- 4) The redefinition of the business model generally drives the disruption more than the introduction of a new technology.

Cities should pay attention to Christensen’s theories and look for case studies that may be helpful as they develop their strategies. To start with, cities should become familiar with successful municipal broadband projects from the part of the market that is unattractive to dominant industry powerhouses. As Marissa Mayer (Google and Yahoo) says, “creativity loves constraints.”⁴ Underserved and unserved communities are forced to become creative in embracing technologies and business models that ultimately will redefine the way broadband networks operate. The “Job-to-be-Done” in municipal broadband must be different than the primary job of incumbent controlled broadband which is to maximize return on investment. Technologies which will fuel the redefinition of broadband networks will likely turn previously complex tasks into “brain-dead simple” tasks. Most importantly, cities should look for business models that incumbents cannot or will not replicate because these business models will undermine the incumbent’s strategies and objectives.

An example of a municipal broadband project that checks these boxes from Christensen’s *Disruption Theory* is the Ammon Network. In *Disruption Theory* terms, the City of Ammon is the bottom of the market in that it has a population of 16,000 in southeastern Idaho. The “Job to be Done” as described

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by the Ammon Mayor and City Council was to “create an open, software defined fiber optic infrastructure with the goal of reaching every address over time.” From a technology perspective, the Ammon network is the first municipal network to implement a software defined network (SDN) that is virtualized and automated, delivering networks on demand while moving services to the cloud. For its Business Model, Ammon has implemented a Local Improvement District for Broadband Infrastructure where residents pay \$17.00/month for a Gig fiber optic connection and \$16.50/month for Maintenance and Operation of the network. The City provides open infrastructure and allows service providers to openly compete and innovate across that infrastructure.

Is there evidence that Ammon’s model has the potential to be disruptive and redefine broadband networks? In Phase One of its network implementation, Ammon has achieved a 70% take-rate which continues to climb. The price of ISP services has fallen from \$44.95/month to \$9.99/month for a 100 X 100 Mbps connection. New Service Providers can be provisioned on the Ammon Network in less than 24 hours for a monthly fee of \$50 and customers can subscribe and unsubscribe to services in less than 20 seconds with automated self-provisioning.

Cities thinking about municipal broadband should focus on the unique value municipal broadband can provide that traditional broadband incumbents won’t or can’t provide. Ammon’s answer to the question of value from municipal broadband has been to focus on the customer and give them the solutions they seek by giving residents robust infrastructure and an open marketplace for services.

References

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