

# **“Winston-Net offers a sustainable business model.”**

## **CREATIVITY AND FEASIBILITY CLASS**

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The Winston-Net initiative is laudable and important. Through its effort to bridge the digital divide in Winston-Salem, Winston-Net will open up avenues and opportunities to stakeholders who previously have not had access to important information and offerings. This comprehensive plan is extremely ambitious, but while there will be clear value added, there will also be significant challenges to overcome. By first examining what is meant by “sustainability” and then applying it to the context of Winston-Net, we will find that this massive undertaking will most likely yield a mixed-bag of results different from those currently being pursued. Winston-Net will, for the most part, be sustainable; however, in all likelihood its final form will not resemble the current vision.

For the Winston-Net initiative to be sustainable, it will need to meet several important criteria. First, it must be acknowledged that “sustainability” in any circumstance is haunted by the specter of competition. Thus, initially a competitive advantage must be *created*. A competitive advantage, according to Jay B. Barney, is achieved when a firm or initiative “is able to create more economic value than rival firms.”<sup>1</sup> However, competitive advantage is tenuous – it can be temporary (lasting a short time) or sustained (lasting a long time). Second, in order to be sustained, research suggests that a competitive advantage should be established early in the life of the firm or initiative. Thus, it is imperative to get things “right” from the start. Also, the nature of the sector or industry is important. The effort to achieve sustainable competitive advantage is helped by participating in a sector or industry that is informationally complex, requires a great deal of customer knowledge about the offering, requires a great deal of research and

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<sup>1</sup> Jay B. Barney. *Gaining and Sustaining Competitive Advantage (Third Edition)*. Prentice Hall. Upper Saddle River, NJ. 17.

development, and has significant economies of scale.<sup>2</sup> Third, from the standpoint of basic logic, one must consider the current wireless community in Winston-Salem, as well as the likelihood of Winston-Net achieving some of the state goals of the initiative given current circumstances. Though not grounded in science (or in some cases hard data), this last criteria is critically important, for it speaks to the decisions made by the average member of the community who quite possibly will use very little economic analysis or logic as the basis for a decision.

In terms of creating a competitive advantage, Winston-Net has several things going for it. It is the first initiative of its kind in the area. Not yet has any organization or entity in the wireless arena suggested that it has the same wide-ranging ambitions of creating economic, social, and cultural value-added for an entire community. The fact that Winston-Net is pursuing a tri-fecta of sorts means that it is attempting to be the shaper of a fully integrated wireless community in Winston-Salem. From what we have learned in our ICP class, there are distinct advantages to this if a network industry can be created. In other words, if Winston-Net's initial offering is so compelling that it draws stakeholders consistently to the extent that a feeling of loyalty to the initiative is created, then Winston-Net has the opportunity to create first-mover advantage through demand-side increasing returns which may in turn create a winner-take-all situation. However, this will not happen in a vacuum. Research has also shown that adapters, or second-movers, usually fare better than shapers in terms of creating a sustained competitive advantage, as they have the benefit of watching the shaper's path and can figure out how to avoid mistakes made by the shaper.<sup>3</sup> The organizers of Winston-Net will need to keep a close eye on the progress of the initiative from the very start and be willing to question their strategy frequently, as well as be willing to make changes that depart from the non-critical components of the original vision.

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<sup>2</sup> *Ibid*, 19.

<sup>3</sup> Ram Beliga. Class notes from ICP Class Session 2 (Session 5 overall). Tuesday, March 20, 2007.

Winston-Net also has the advantage of a pre-existing infrastructural framework dating back to the mid-1990s in terms of connectivity efforts in Winston-Salem. Thus, the initiative almost certainly has name recognition among local decision-makers and has the benefit of knowing what works well and what does not. Additionally, this legacy has also helped Winston-Net make inroads into the Winston-Salem / Forsyth County School System, possibly the largest single delineated stakeholder in the entire initiative. Finally, Winston-Net has the benefit of the work done by the six different groups of the Creativity and Feasibility class over the last several weeks along with contacts established through Stan's group-interview process of local stakeholding leadership – this work has included both optimism and a healthy dose of skepticism that should cause the Winston-Net leadership to take a hard look at what it can and cannot realistically achieve.

The factors above also speak to the importance of meeting the second criteria of being able to *sustain* the competitive advantage. Specifically, however, there are other caveats to consider that work against Winston-Net. First, the role of Winston-Net as an aggregator of information or as a central point for community communication may not be difficult to replicate, should another entity feel motivated enough to enter the arena, since the initiative is not informationally complex, though it is informationally comprehensive. Second, participation in the services of Winston-Net from the standpoint of consumers does not require a lot of knowledge on their behalf, and research and development efforts will not be difficult to replicate. Quantifying the economies of scale will be difficult, due to the relatively small nature of the buyer group and the relative ubiquitous structure of the network. Therefore, in trying to establish specific parameters that support the *sustainability* of the venture, Winston-Net is playing in the great unknown.

Finally, basic logic comes into play when assessing how sustainable Winston-Net is, and it addresses many of the questions posed of Winston-Net throughout our course. First, how do Winston-Net and Azulstar compete for existing wireless users who often get Internet access for

free? Even with a Time Warner partnership as proposed by one of the class groups, there will still be free access for many. How do you win this group of knowledgeable users over and, moreover, make the Winston-Net model sustainable? On the other side of the same coin, how do you convince the economically hard-pressed to participate in an initiative that creates more financial burden for them? Second, what happens when Winston-Net has to confront the reality of the capital investment required to put hardware and wireless access into the hands of those who cannot afford it on their own and then help maintain this accessibility moving forward? Does the initiative scale back its goals? What then becomes of the socio-cultural value proposition of Winston-Net? I see these two questions as being the most pertinent to address overall, and I for one will view the success / relative success / failure of the Winston-Net initiative mainly through lenses focused on these particular challenges.

Great opportunity lies ahead for Winston-Net. If the initiative as currently envisioned can be pulled off – and especially if Winston-Net maintains a steadfast resolve to reaching out to underserved members of the community – then a national model is in the making. However, if Winston-Net sells short its efforts with this vulnerable segment, then in the end all Winston-Salem will have is another wireless initiative, commodity-like in its commitment to serving the greater good. Let's hope that this does NOT become the case.