A Shared Value Approach to Digital Inclusion

Robert Morsillo
ARC Centre of Excellence for Creative Industries and Innovation,
Swinburne University, Melbourne, Australia, rmorsillo@swin.edu.au

Abstract
This paper seeks to contribute additional ideas that may foster the more equal participation of all Australians in the growing digital economy, which is the harbinger of far-reaching changes to how citizens will engage with government, business, and each other. In Australia today, with the advent of the National Broadband Network, digital inclusion is increasingly viewed as a catalyst for achieving greater equality of opportunity for socially excluded people, as well as being key to increased business productivity. The concept of shared value creation is promoted by the influential Harvard Business School as a new and superior way of framing the relationship between business and society, which encourages business to be in the business of creating social value as well as commercial value. The paper analyses a well-established Australian communications inclusion program, Telstra’s Access for Everyone, finding many features of a shared value approach such as reconceived pricing, products and services for non-users, reconceived markets that include those who may be excluded, and reconceived distribution channels in collaboration with the not-for-profit sector. The paper suggests that these elements may be applicable to the new, wider challenge of digital inclusion with a potentially significant role for business. Through a shared value approach to corporate social responsibility, more effective digital inclusion programs could be developed as part of an expanded national framework involving greater collaboration between governments, the not-for-profit sector and business, which could lead to improved outcomes for all stakeholders.

Keywords: digital inclusion; shared value; telecommunications; access; affordability

Introduction
There is increasing recognition in Australia today of the importance of the so-called digital economy, which encompasses the growing range of activities that utilise modern information and communication technology (ICT). Public policy recognition was formalised on 31 May 2011, when then Minister Conroy and the Department of Broadband, Communications and the Digital Economy (DBCDE) launched the National Digital Economy Strategy:

The Australian Government’s aim is that, by 2020, Australia will be among the world’s leading digital economies. Ensuring that Australia becomes a leading digital economy will contribute to Australia’s productivity, maintain our global competitiveness and improve our social wellbeing … To measure our progress in realising this vision, the government has set eight ‘Digital Economy Goals’ that focus on [inter alia] the areas of online participation by Australian households. (DBCDE, 2011, p. 2)

In an update to the strategy on 12 June 2013, Senator Conroy announced a new “Digital First” plan to have the vast majority of government services entirely online by the end of 2017 (DBCDE, 2013, pp. 46-52). This probably constitutes one of the most far-reaching changes to existing arrangements, given that almost all people and institutions in Australia interact regularly with federal, state and local governments. Despite “online participation” being signalled as a key focus area in the 2011 strategy, the issue of digital inclusion or exclusion receives minor attention in the update, mentioning only the two existing initiatives – National Broadband Network (NBN) Digital Hubs and Keeping Seniors Connected (DBCDE, 2013, pp. 53-56).
An underlying assumption of this paper is that much more needs to be done to overcome barriers to online participation, particularly for the last 2.3 million (27%) households that were unconnected to broadband and 3.6 million (21%) Australians over the age of 15 who, according to the Australian Bureau of Statistics (ABS), did not access the internet in 2010-11 (ABS, 2011). In *The Rise of the Network Society*, Castells (2000) forecast that “inside the networks, new possibilities are relentlessly created – outside the networks, survival is increasingly difficult” (p. 187). Digital inclusion matters! And the remark attributed to novelist William Gibson seems again most apt to this issue: “The future is already here – it’s just not evenly distributed.”

The term digital inclusion can cover a range of fields relating to the use of digital tools to undertake beneficial economic, social, cultural and personal activities (cf. Mori, 2011; Parsons & Hick, 2008). Helsper (2012) constructs a useful model that links digital inclusion and social inclusion over these four fields. To take but one example of this digital-social relationship, namely telework, Peter Walton, CEO Infoxchange Australia, voices the imperative: “The intent there is making sure that telework isn’t just the domain of those people who already have a job, but also is a way of helping those that are currently disadvantaged or excluded in some way to participate” (as cited in Howarth, 2013). Access, of course, is a primary enabler of inclusion and the starting point for other uses, and so this paper focuses to a great extent on this basic component.

**Business and Society**

Inclusion programs that address economic and social barriers are usually viewed as the responsibility of governments, often in partnership with the not-for-profit sector. Yet, following similar movements in the United States of America and in Europe, there is a growing recognition of the role to be played by Australian business in supporting positive social and environmental outcomes through what is usually termed corporate social responsibility (Australian Centre for Corporate Social Responsibility, 2008).

It is not the purpose of this paper to discuss the long, rich and often controversial relationship between business and society (cf. Ashley, 2009) except to note that it has come under substantial further scrutiny following such high profile failures leading to the 2007 Global Financial Crisis (GFC). This led Porter and Kramer (2006), of the influential Harvard Business School, to conceptualise the business–society relationship as one of interdependence: “The mutual dependence of corporations and society implies that both business decisions and social policies must follow the principle of shared value. That is, choices must benefit both sides” (p. 84, original emphasis).

In the past, business spending in the social area has often been practised as philanthropy (sometimes disparagingly called cheque-book philanthropy), which might entail giving to social causes related or unrelated to business activities. Over time, business philanthropy was subjected to strategic scrutiny and gave way to the notion of community investment, which entails intentional, directed business giving in an area of the economy in which the business operates. More recently, the shared value framework seeks to create social value not so much out of giving money to causes but through what the business does in its normal day to day operations, its products and services, distribution channels and procurement processes.

This evolution of corporate social responsibility frameworks has connected social impact more closely to business impact. Philanthropy may be at arm’s length through an independent foundation; community investment may align business giving to business goals and markets; but shared value extends business products and processes into new markets in new ways that create social value. While “the development of this initial framework has been limited” (Williams & Hayes, 2013, p. 2) and notwithstanding some critical assessments – for example, “The shared value approach narrows what counts as social value and avoids the friction between business and society” (Aakhus & Bzdak, 2012, p. 231; also cf. Brown & Knudsen, 2012; Pirson, 2012) – it does challenge business in terms of its moral purpose and social impact, which cannot be separated from its core commercial activity. At its best, shared value reinforces the nexus between markets and morality that concerned Adam Smith in *The Theory of Moral Sentiments*: “The
fundamental Smithian insight is that we should reinforce the natural tendency to put ourselves in the shoes of others. This is surely the key to underpinning a virtuous circle of the shared value envisaged by Porter and Kramer” (Szmigin & Rutherford, 2012, p. 180).

This paper argues that business has an important and valuable opportunity to respond to digital exclusion in Australia, particularly within a shared value framework. To understand in more detail the elements of this approach an historical example of communications inclusion is analysed to seek principles and lessons that may be relevant to the new challenge of digital inclusion.

Communications Inclusion

Before 2002 the almost universal take-up of the fixed-line telephone had been supported by a relatively low monthly line rental charge, together with the abolition of security bonds and reductions in activation fees. However, the cost of calls, particularly non-local and international calling, was still relatively high and this particularly impacted businesses who were big users. Further, such a pricing regime, with low fixed but high variable components, did not align with the capital intensive nature of telecommunications infrastructure investment and the desire by owners to have a steady repayment stream that was much less dependent on variable usage such as the number and length of calls (cf. Milne, 2000).

In order to facilitate greater competition in communications services, and after formal competition and pricing reviews by the Australian Competition and Consumer Commission (ACCC, 2001) and the Productivity Commission (2001), a program of price re-balancing was encouraged whereby monthly line rental charges would rise but call charges would decrease. Most consumers and businesses would be better off, particularly with the passing on of productivity gains from technology advancements and the automation of manual processes. This was achieved by revising the Price Control Determination applying to Telstra Corporation Ltd (Telstra) that set caps on allowable price increases, generally with reference to the Consumer Price Index (Luck, 2010).

As part of the preparations for this process, it was realised that people on a low income could potentially be disadvantaged due to the impact of the rising minimum monthly cost of maintaining a telephone line into their home: “the lowest 20 per cent of consumers by expenditure size spend a large proportion of their bill on line-rental … and very little on other services” (ACCC, 2001, p. 99). So, the pricing review recommended that “[t]argeting of low-income groups should be based on measures of income rather than usage levels for telecommunications services” and “[t]argeted assistance or other equity measures recommended in this report should be funded through government or industry-based funding” (ACCC, 2001, p. 141). However, the government decided to place the onus of compensation on the incumbent service provider, Telstra, through a new Licence Condition, Section 22, which responded by setting up its Low Income Package and Marketing Plan, called Access for Everyone, and the Low Income Measures Assessment Committee (LIMAC) to give effect to this new regulatory requirement (LIMAC, 2003).

Telstra’s provision of a comprehensive package of concessionary products and services to people on a low income became the quid pro quo to the ability to re-balance home telephone prices for the vast majority of its customers. In a still rapidly growing telecommunications market it appeared this was a win-win-win outcome:

- Competition and productivity would increase;
- Average or larger users, including business, would benefit from lower bills; and
- Low income users would be protected and able to maintain telecommunications access.

The question considered here is to what extent this represented an early example of the creation of shared value espoused by Porter and Kramer (2011): “Companies can create economic value by creating societal value” (p. 7). The following sections analyse the Access for Everyone program against this framework.
Reconceiving Products

The first way to create shared value according to Porter and Kramer (2011) is “by reconceiving products and markets” (p. 7). Access for Everyone packaged up a range of existing products, incrementally improved some of them, and added new services targeted towards specific low-income groups. For example, Telstra’s own Pensioner Discount had existed since the early 1990s and was included in the package, but then significantly increased over time as access prices also increased. A brand new emergency relief bill assistance program was specifically developed for people in financial hardship and a messaging service for people who were homeless was built utilising an existing commercial calling card network platform (LIMAC, 2003).

This product development process was undertaken in consultation with not-for-profit organisations who represented a range of low-income groups and who became members of LIMAC. It pursued a social innovation rationale, in the sense that “social innovations often have aims that draw on notions of contributing to the welfare of society and improving social capital. Such innovations may involve using existing technology and knowledge in new ways to meet social goals” (Dawson & Daniel, 2010, p. 15). Such innovation may be incremental but it is able to leverage at the margins the substantial sunk costs of existing billing, intelligent network and customer service platforms to extend services to specific markets.

Reconceiving Markets

Extending products and services to low-income groups is usually focussed on developing countries, often referred to as the ‘bottom of the pyramid’ (BOP) model, where it is argued there are large numbers of potentially profitable customers (Prahalad, 2004). This perspective lies behind the related concept of “inclusive business” (World Business Council for Sustainable Development, 2008) where making profits and the alleviation of poverty are not seen as mutually exclusive processes.

However, there is some recognition that similar approaches closer to home may be just as relevant: “Inclusive business models are important regardless of country. They are important wherever the poor themselves are to be found” (Jenkins, Ishikawa, Geanotes, Baptista & Masuoka, 2011, p. 6). Porter and Kramer (2011) make this explicit for their own domestic markets:

Similar opportunities await in non-traditional communities in advanced countries. We have learned, for example, that poor urban areas are America’s most underserved market; their substantial concentrated purchasing power has often been overlooked … The societal benefits of providing appropriate products to lower-income and disadvantaged consumers can be profound, while the profits for companies can be substantial. (p. 8)

Telstra’s Access for Everyone programs began with a focus on the lowest quintile of households by income (LIMAC, 2003), which in 2011-12 was estimated to represent 1.8 million households and 4.4 million people (ABS, 2013, Table 8). By bringing this part of the market into explicit view, investigating in depth its various and diverse segments through regular market research, and proposing new pricing, products and services to meet basic needs, the overall telecommunications market has been reconceived as a potential shared value, inclusive business opportunity.

New Forms of Collaboration

Shared value creation will involve new and heightened forms of collaboration. While some shared value opportunities are possible for a company to seize on its own, others will benefit from insights, skills, and resources that cut across profit/non-profit and private/public boundaries. (Porter & Kramer, 2011, p. 16)

In Australia the role of the not-for-profit sector is strongly recognised in the creation of social value (Productivity Commission, 2010) and Access for Everyone had such collaboration built into its
specification. LIMAC, which assesses the effectiveness of the programs, followed the precedent and form of the Telstra Consumer Consultative Councils (cf. Goggin & Newell, 2000) and consists mostly of representatives from the not-for-profit sector together with one member from a government department (LIMAC, 2011). So, while not a brand new form of collaboration, LIMAC formalised and focused engagement between Telstra and the not-for-profit sector with the social goal of communications inclusion as an explicit objective.

New Distribution Methods

Meeting needs in underserved markets often requires … different distribution methods. (Porter & Kramer, 2011, p. 8)

While Telstra itself offers some of the Access for Everyone products and services directly through its call centres, a number are distributed exclusively by a network of community organisations to their low income clients. This includes emergency relief for Telstra bills, telephone calling cards, and a virtual messaging service. Major national welfare organisations such as the Salvation Army, Anglicare Australia and St Vincent de Paul Society offer their national branch networks as distribution points. There are hundreds of smaller, local organisations that also provide these services (LIMAC, 2011). Such a grassroots, different, distribution network is in keeping with the need for efficiency and effectiveness in targeted programs.

Business Relevance

Inevitably, the most fertile opportunities for creating shared value will be closely related to a company’s particular business, and in areas most important to the business. Here a company can benefit the most economically and hence sustain its commitment over time. (Porter & Kramer, 2011, p. 15)

Access for Everyone is constructed around communications inclusion, which is closely related to the core expertise and public face of Telstra: “It’s how we connect” (Telstra, 2013). It was also closely related to the commercially important fixed telephone market, and it leveraged existing expertise and infrastructure to keep costs to a minimum.

Business Scale

Here is also where a company brings the most resources to bear, and where its scale and market presence equip it to have a meaningful impact on a societal problem. (Porter & Kramer, 2011, p. 15)

While full competition was enabled in the Australian telecommunications market from 1997, by 2001 it was still “clear that Telstra [was] overwhelmingly the main supplier of local access services … around 95 per cent” (Productivity Commission, 2001, pp. 107-108). Telstra at that time was therefore well placed to give consideration on a national scale to the potential impacts of price-rebalancing on communications inclusion, particularly given its ongoing Universal Service Obligation responsibilities for the standard telephone service.

Public Policy

Regulations that enhance shared value set goals and stimulate innovation. They highlight a societal objective and create a level playing field to encourage companies to invest in shared value rather than maximize short-term profit … First, they set clear and measurable social goals … Second, they set performance standards but do not prescribe the methods to achieve them – those are left to companies … Third, they define phase-in periods for meeting
standards, which reflect the investment or new-product cycle in the industry. (Porter & Kramer, 2011, p. 14)

Access for Everyone is determined by a Telstra-specific Carrier Licence Condition, Clause 22 “Low-income measures” (Carrier Licence Conditions (Telstra Corporation Limited) Declaration, 1997). This regulation has a number of features in keeping with Porter and Kramer’s specification:

- The regulation is goal oriented – that is, directed towards “the effectiveness of the low-income package and of its marketing” (clause 22.5(b)). However, the precise social goal and its measurement is not specified. Market research was used to gauge telephone affordability and inclusion from 2002 to 2007, and did appear to confirm a significant improvement for fixed, mobile and internet over that time (LIMAC, 2007, p. 3). However, there is no data point that is specified to be the measure of success in reaching the goal of communications inclusion;
- The regulation sets a performance standard, “effectiveness”, and leaves open the methods to achieve it (i.e. the composition of the low-income package). This has led to a range of social innovations in regard to products and services; and
- The regulation provides for a phase-in period by only insisting on having “a plan for offering products and arrangements” by the start date (clause 22.1).

The major variance with Porter and Kramer’s specification is that the regulation only applies to Telstra and so does not create “a level playing field” in regard to communications inclusion responsibilities. As noted above under the section Business Scale, this may have been appropriate in 2002 given the reliance on fixed telephones and Telstra’s position in that market. However, more than a decade later, with highly competitive mobile and internet services markets becoming essential for inclusion, and with the NBN Co becoming the sole fixed access network supplier, the lack of a level playing field may now be reducing consumer choice and access. This older regulation might be contrasted, for example, with the newer requirement placed on all service providers through the Telecommunications Consumer Protection Code to have a financial hardship policy, which is an essential support for communications inclusion and provides for a level playing field (Communications Alliance Ltd, 2012).

In summary, the low-income measures initiative does appear to have many features of the shared value approach as detailed by Porter and Kramer (2011). It created value for Telstra by allowing it to re-balance its fixed line pricing. It also created value for its customers and communities by extending reconfigured, concessional, products and services designed to meet the needs of specific low-income groups. It did this collaboratively with the not-for-profit sector, which was willing to partner in a new, efficient distribution network. Finally, it was underpinned by a goal-oriented piece of regulation that allowed for ongoing flexibility in the means to achieve an “effective” outcome.

Digital Inclusion

There has been significant attention given elsewhere to improving digital inclusion, particularly in the United Kingdom. Martha Lane Fox, their high-profile digital inclusion champion, interestingly said that her “first instinct is to focus on the ‘very poor’ rather than tackle the whole range of exclusion” (as cited in Cross, 2009). The policy and practice focus in Australia is much less clear or coordinated. “Despite some efforts to address this issue, Australia still does not have a national digital inclusion plan to ensure that all Australians have the skills and opportunity to benefit from digital citizenship” (Infoxchange Australia, 2013).

While the NBN is designed to ensure the availability of a high speed broadband (HSB) connection to all households, businesses and schools, the related social goal of “Online participation by Australian households” (DBCDE, 2011, p. 2) is only a relative one: “By 2020, Australia will rank in the top five OECD [Organisation for Economic Co-operation and Development] countries in terms of the proportion
of households connected to broadband at home” (DBCDE, 2013, p. 53). As at December 2012, Australia ranked 18th and just below the average for fixed broadband connections per 100 inhabitants (OECD, 2013). Distinct from the standard telephone service, there is no specific regard for people on low incomes, or people who face other barriers to inclusion. Retail competition is seen as the primary policy driver for affordable broadband (Conroy, 2012).

Further, while the NBN connects physical premises to HSB services, “[a]ny operationalization of access to ICTs should go beyond having some kind of access somewhere [to] incorporating aspects like quality, mobility, and ubiquity” (Helsper, 2012, p. 411). Such mobility and ubiquity of access in Australia is being left to private providers through commercial wireless data networks and the retail market for personal computers, laptops, smartphones and tablet devices. In the telephony world public policy involved itself in all three areas of access: quality (through technical standards for the standard telephone service), mobility (through payphones) and ubiquity (through accessible devices). In the NBN world only the first component, quality of fixed access, is being addressed. This is still reflected in the telecommunications assistance provided to people on certain Commonwealth income support payments (who are not eligible for the Pensioner Supplement), which, while paying a higher rate for people with an internet connection, is still restricted to those who have a home internet connection (Department of Human Services, 2013).

Benefits of Digital Inclusion

With the advent of the NBN there has been some assessment of the potential benefits of digital inclusion, including through telework (Colmar Brunton Research & Deloitte Access Economics, 2012), for small business and the not-for-profit sector (Allen Consulting Group, 2011), and for the economy more generally:

The benefits a business enjoys from increased household connections are largely realised in two ways. The first is the reduction in a business’ cost to serve. This includes the costs associated with sales and service, logistics, packing and shipping, marketing and advertising and customer acquisition and retention … Additionally the Internet expands a business’ potential market. (Allen Consulting Group, 2010, p. 17)

And, in regard to the not-for-profit sector:

Notably, because many organisations in this sector service populations that are relatively disconnected – such as those in regional areas, the elderly and low-income groups – the gains here are likely to be quite significant. (Allen Consulting Group, 2010, p. 20)

Service organisations who have large-scale, regular customer communications and transactions, such as the energy, water, telecommunications, insurance, banking, superannuation, professional and peak association industries might find substantial cost savings through more efficient online communications, invoicing, billing and payment arrangements. Not-for-profit organisations might also benefit from increased levels of engagement from their staff and their communities, with consequent improved service effectiveness (Morsillo, 2011).

A Shared Value Approach to Digital Inclusion

Such an approach will seek a beneficial social impact (i.e. the reduction of exclusion) from what business (and government) is doing in the online world. While recognising that digital inclusion is a much more multifaceted issue than communications inclusion (or access) as discussed above, consistent with the approach the following initiatives might be suggested:
Reconceiving products – a focus by all organisations on accessible or universal design for information and transaction web sites, and mobile apps that are made user-friendly for excluded groups.

Reconceiving markets – a focus on the most digitally excluded groups in Australia such as people on a low income, people with disability, seniors, and culturally and linguistically diverse groups, particularly new arrivals.

New distribution methods – a focus on collaborative partnerships with the not-for-profit sector as a channel to improve digital literacy amongst excluded groups.

Business relevance – a focus on shared value by business (and by government-controlled entities) that may allow productivity benefits gained through online migration to be shared with constituencies who remain excluded, rather than simply consolidated as savings. For example, the Department of Human Services might choose to offer inclusion programs that are funded by savings from its online services; the Department of Health could do the same in regard to e-health services for seniors. National businesses that are encouraging online customer service might offer inclusion programs targeted to excluded groups of customers. A current example of this is Microsoft’s software support for the supply of refurbished computers to people on a low income (Microsoft Australia, 2013).

Business scale – now that it is becoming the sole national provider of fixed telecommunications infrastructure, NBN Co could perhaps be encouraged and enabled to consider its own corporate social responsibility towards excluded groups. This could take the form, for example, of a re-examination of the entry-level service construct and the potential for marginal cost pricing targeted to such groups.

Public policy – in the National Digital Economy Strategy important measures such as online participation and engagement could be strengthened by relating them to national social inclusion ambitions rather than just international comparisons, thus driving more locally significant programs to achieve them.

The challenge for business and others is to recognise, accept and measure the value that may arise from corporate social responsibility initiatives. Usually these responsibilities are seen only as a commercial cost, rather than in terms of an opportunity (cf. Blackman, 1995). Unfortunately, the low-growth, budget deficit economic environment post-GFC means business and government productivity is generally focussed on cost savings with any value generated being appropriated or consolidated.

However, evidence suggests that if just a few substantial Australian industries, with national coverage, together with all levels of government, took up the mantle of improving digital inclusion, then the benefits to themselves would be large and positive (Allen Consulting Group, 2010). Using a shared value approach would mean partnering with organisations, such as the not-for-profit sector, which are able to reach excluded groups. It would also mean sharing some of that potential value creation with disadvantaged users so that barriers to online participation might be lowered.

Conclusion

This paper has argued that the principle of shared value creation was alive and well some time before it gained prominence through Porter and Kramer (2006). Further, the adjunct concepts of inclusive business and social innovation are also useful in thinking about inclusion, specifically communications inclusion and potentially digital inclusion. At a time when it was feared that certain segments of the Australian population might drop off the telephone network due to the liberalisation of telecommunications markets, government, the incumbent industry participant and the not-for-profit sector joined together to support and maintain a focus on communications inclusion. This shared value framework for telecommunications access and affordability appears to have been sustained and successful in improving social inclusion.
The NBN induced reconfiguration of existing telecommunications and media market structures, and the rapid rise of the digital economy poses a similar but wider challenge in regard to digital inclusion. Yet presently there appears to be no national focus on solving this issue for those who remain excluded. There is significant value for governments in the areas of health, education and employment of having citizens utilise online services. There is significant value for businesses through lower transaction costs and increased market addressability when customers engage online, and there are employment efficiencies to be gained through telework. There is significant productivity and innovation value for the not-for-profit sector through raising the levels of staff and client online engagement. Finally, there is significant value created for individuals through cost saving and access to services (A.T. Kearney, 2009).

The challenge is to join the various value dots, and create the virtuous circle of increasing business and social value. This may require an expanded national framework involving greater collaboration between governments, the not-for-profit sector and business, perhaps similar to the Go On UK collaboration (2013).

As previously argued, digital inclusion matters. Its value must be shared.

*Disclaimer and disclosure
Any views or opinions expressed in this research paper are solely those of the author unless directly referenced.

References


Allen Consulting Group (2010). Quantifying the possible economic gains of getting more Australian households online. Canberra: Department of Broadband, Communications and the Digital Economy.


About the Author

Robert Morsillo is a Research Fellow at the Swinburne Institute for Social Research, Melbourne, Australia and a member of the Broadband Services 2015 project at the Australian Research Council’s Centre of Excellence for Creative Industries and Innovation. Robert also works for Telstra Corporation Limited as a consumer affairs practitioner and is a non-executive Director of Infoxchange Australia Limited. He can be contacted by email: rmorsillo@swin.edu.au