



Alternative-substitute business models and the provision of local infrastructure: Alterity as a solution to financialization and public-sector failure

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ABSTRACT

Everyday living is supported by an array of services provided by a complex local infrastructure nexus that is financed and funded by the public, private and third sectors. The on-going debate on the financialization of infrastructure has neglected to explore the provision of local infrastructure in places experiencing infrastructural exclusion. This paper seeks to contribute toward filling this gap by exploring local infrastructure in the UK that has been provided by blending non-capitalist with capitalist activities. In other words, the provision of local infrastructure using an ‘alternative’ approach that attempts to address infrastructure exclusion by filling gaps in the provision of local infrastructure. The question is: how is infrastructure provided when it does not meet either a value for money calculation undertaken by the state or does not meet the investment criteria required by capital markets? This paper is the first to develop a dialogue between three unrelated literatures - financialization, business models and alterity – by developing a conceptual framework for exploring local infrastructure that is provided by alternative-substitute business models. The paper explores this approach through the analysis of two alternative infrastructure projects – Broadband 4 the Rural North and Malvern’s heritage gas lamps.

1. Introduction

Everyday living, including reproduction, work and leisure, or livability and livelihoods, is supported by an array of services provided by a complex local infrastructure nexus (Amin and Thrift, 2017: 9). This includes the provision of water, power and waste services, parks and libraries and access to infrastructures enabling connectivity (Barratt and Whitelaw, 2011). Infrastructure provides a service, for example warmth, but also a commodity, energy that may be provided by the public or private sectors and may be converted in to an investment asset (Torrance, 2009).

After the 2008 Global Financial Crisis, research on property and infrastructure began to explore the “uneven spatial, social and political outcomes of redevelopment projects” as a process of financialization driven by a concern with the maximisation of profit (Guironnet et al., 2016: 1443). Not all infrastructure can be provided for profit or through collective provision and not all places have access to the same type or

quality of infrastructure. In places experiencing infrastructure exclusion, residents and businesses must live without some infrastructure services or develop alternative solutions. Several strands in the literature of urban studies have explored the relationship between capital markets and urban outcomes. Research on property development and investment has highlighted the activities of institutional investors (pension funds, insurance companies) in determining what, when and where investment occurs (Bryson, 1997; Weber and Alfen, 2010). This capture of infrastructure and commercial property by institutional investors has been traced back to 1947 (Bryson et al., 2017a: 467) with waves of privatisation transforming publicly owned goods into financial commodities (Torrance, 2009; Weber, 2010). In the introduction to their special issue on financialization and urban production, Halbert and Attuyer, note that the body of literature on financialization “does not constitute an exhaustive or integrated body of work” and that there is a need for further empirical studies and to “reflect on the methodological and conceptual challenges that remain” (2016: 1348) We agree,

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but, in addition, there is a need to consider alternatives to financialization (Mitchell, 2008; Lee et al., 2008; Jones, 2010).

This paper seeks to contribute toward filling these two gaps by exploring local infrastructure in the UK that has been provided by blending non-capitalist with capitalist activities. In other words, the provision of local infrastructure using an “alternative” non-financialized approach that attempts to overcome infrastructure exclusion. The question is: how is infrastructure provided when it does not meet either a value for money calculation undertaken by the state or does not meet the investment returns required by capital markets? This is to argue that a dialogue needs to be undertaken between the debate on financialization and the literature that “seeks to build an alternative discourse of the economy” (Leyshon and Lee, 2003: 6).

Cities and rural areas are complex interconnected networks of infrastructure. Some represent soft infrastructure based on the provision of services by people, for example schools, hospitals and theatres, and others are hard infrastructure – roads, railways, pipes and cables (Amin and Thrift, 2017). The diversity and complexity of local infrastructure requires a methodological framework that will support comparative analysis. This paper is the first to develop a dialogue between a strand of literature in the field of business strategy and competitive advantage on business models and transaction content (Zott and Amit, 2010; Foss and Saebi, 2015; Baden-Fuller and Mangematin, 2013) and debates in economic geography on alterity (Gibson-Graham, 1996, 2008; Jones, 2010) and financialization (Torrance, 2009; Guironnet et al., 2016; Halbert and Attuyer, 2016; Theurillat et al., 2016; Bryson et al., 2017a). The literature on infrastructure in economic geography and urban studies has been grounded in debates on privatisation and financialization rather than business models. This is unfortunate. Much of this literature makes *indirect* reference to the components of a business model. Thus, O'Neill notes that:

“The direction beckoned by privatised and financialised infrastructure now seems likely to be dominated by assets which are owned and managed privately; organised into discrete functional and organisational entities; have monetised costs and returns; have known and apportioned financial and operational risks ...” (2018: 356). These are all elements of a business model, but there is no attempt to position this account of infrastructure within the business model literature and no appreciation of alternative modes of infrastructure financing. A business model provides an account “of how a firm organises itself to create and distribute value in a profitable manner” (Baden-Fuller and Morgan, 2010: 157). The emphasis is placed on understanding the process and appropriation of value creation, defined in monetary terms (Teece, 2010). In this paper, the application of a business model approach to exploring infrastructure provides, for the first time, a structured approach to identifying, exploring, critiquing, comparing and contrasting conventional and alternative ways of organising, financing and funding infrastructure of all types.

This paper develops and applies a innovative conceptual framework for understanding the ways in which individuals and local communities come together to develop ‘alternative’ solutions to the provision of local infrastructure. The use of the term ‘alternative’ emphasises that these are novel, innovative non-mainstream or unconventional approaches (Jones, 2010). ‘Non-monetised’ inputs reflect civic activity involving investments of time, labour and assets without expectation of monetary return, but rather the ability to access services provided by local infrastructure. These non-monetised elements may be small, or temporary, but are essential inputs into the creation and operation of alternative local infrastructure business models. An alternative local business model may be embedded within a conventional infrastructure business model; a process of transition may occur in which the ‘alternative investments’ act as substitutes for capital. Alternative infrastructure business models may emerge with technological innovations that create new forms of infrastructure, for example broadband, or may

be in response to the withdrawal of state financing or funding.

Our concern, in this paper is to identify and explore alternative local infrastructure business models by developing a dialogue between three literatures – infrastructure studies, alterity and business models. Accordingly, the paper is in six parts. In the second part, we explore the relationship between the alterity and business model literatures with a focus on non-capitalist activities and non-monetized inputs. The third part outlines the research design and methodology. This includes the identification and analysis of 142 local infrastructure projects. In the fourth part of the paper, an analysis of 58 infrastructure projects is undertaken to develop a conceptual framework to identify the heterogeneity of the sources of monetized and non-monetized finance and funding inputs, as well as the key decision-making points, in alternative local infrastructure business models. The fifth section, applies this framework to explore the role that non-capitalist activities play in the finance and funding of two local infrastructure projects. These examples have been selected from the 58 projects that include non-capitalist features and each makes a different contribution to the development of our argument. The first, Broadband 4 the Rural North (B4RN), is an application of non-capitalist activities to ensure that broadband services are available in an area excluded from mainstream provision. This is about extending the reach of what has become an essential service. The second, Malvern Gas Lamps, represents relic infrastructure that would have been replaced by LED lighting without non-monetized inputs transforming the technology. Finally, we review the empirical and theoretical findings as well as policy and academic implications.

2. Alterity, diversity and alternative-substitute business models

The most powerful case for the importance of so-called ‘alternative’ economic and political practices was made by J.K. Gibson-Graham, a hybrid subject formed of Kathy Gibson and Julie Graham, when they argued that:

“... one must represent economic practice as comprising a rich diversity of capitalist and non-capitalist activities and argue that the non-capitalist ones had been relatively ‘invisible’ because the concepts and discourses that could make them ‘visible’ have themselves been marginalized and suppressed” (1996: xi).

This led to a rich body of literature that explored alternatives in the social economy, financial services, retail, work, exchange and employment spaces, lifestyles and the diverse economy (Leyshon et al., 2003; Gibson-Graham, 2006; Lee et al., 2008; Fuller et al., 2010).

‘Alterity’ emerged from this debate as an approach to the identification and analysis of alternatives and as a discussion of the extent to which ‘alternatives’ are considered as alternatives by those involved with them. Thus, there may be many ways, or business models, of providing a service via local infrastructure. These might reflect alternatives as there might be some degree of choice. The place-based fixity of infrastructure implies that, for some places, alternative local infrastructure business models exist that are additional to established practices, but, in some places, there is no alternative to the alternative. This mirrors Fuller and Jones (2003) in their identification of three types of alternative institution: first, *alternative-oppositional* institutions are actively engaged in the process of being alternative – with values and ideologies that reject the mainstream; second, *alternative-additional* institutions provide an additional choice to other extant institutions whilst not necessarily developing values that reject the mainstream; and third, *alternative-substitute* institutions act as a substitute for institutions that are no longer present or have never existed in a place (Fuller and Jones, 2003: 57). The latter represents coping mechanisms or survival strategies (Williams and Round, 2007) rather than an attempt to be alternative and it is this group that is central to our analysis of alternative local infrastructure business models. Alternative-substitute infrastructure business models are place-based solutions developed locally to provide people with access to infrastructure enabled

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