

# Intrapreneur's Proven Model for Entrepreneurs in Bsnl- A Case Study

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## Case Summary:

BSNL, the state-owned telecom provider which was formed in the year 2000, from there onwards with service they are asked to make profit also. BSNL have the huge network, its copper cable has been extended to the nuke and corner of all the part of India. But due to the digital growth, mere voice is no longer have any attractiveness. This forced to adopt new technology which required fiber as the medium. So, all the last mile connectivity is needed to change from copper to fiber. Not only the connectivity, new devices and related instruments for provisioning and testing are required. Now it's not monopoly competition, market is no more blue ocean it's red ocean, these huge requirements which cost more and also it should be implemented in no time without disturbing the existing customers. BSNL's financial condition is not so good at that time, so it decided to go with the existing franchisee model. But it not only fetches the expected result, it also eroded BSNL's most important customer base.

A group of employees from Ernakulam Business Area (District), Kerala decided to find the gap and when they studied the reasons behind this activity, they decided to roll out a new FTTH model, literarily the became Intrapreneur. Not only a mere model they proven that their model is a profitable one in quick time. This not only attracted the BSNL corporates attention and they even honoured these employees with Sanchar Award, it also attracted VSOL, a Chinese company, to send their delegates to study the technology behind this venture and design the devices for providing this connectivity because they found the huge scope in this market.

**Keywords:** FTTH- Fiber to the Home, LCO- Local Cable Operator, BA- Business Area (District), RoI- Return on Investments, SLA- Service Level Agreement, VRS- Voluntary Retirement Scheme, Triple Play- Voice, Video and Data, ONT- Optical Network Terminal, ONU- Optical Network Unit

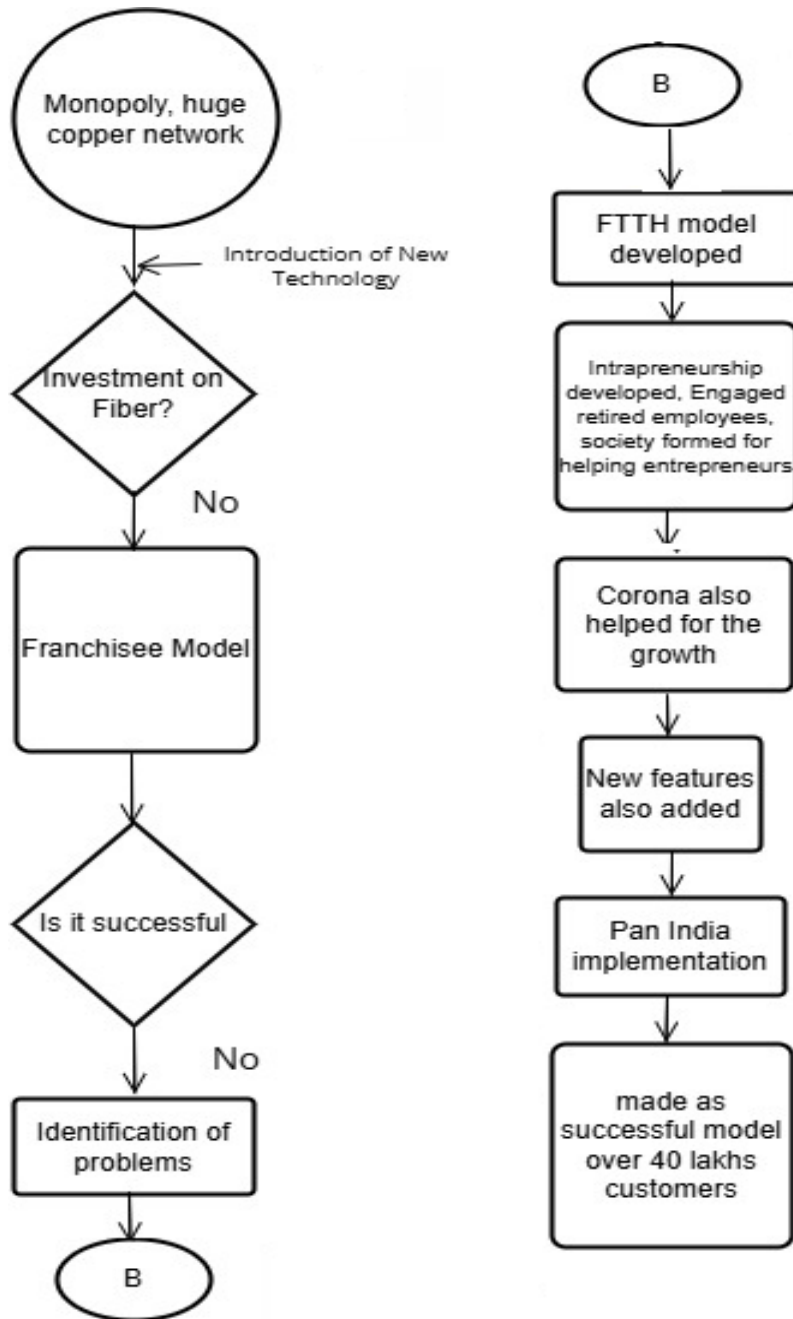
## INTRODUCTION

State owned BSNL have large copper network for providing communication connectivity all over India. BSNL has to spend 36000/- on an average for providing one single connection. But the return from one connection on an average is about 400/- per month. No point of thinking about Return on Investment (RoI) in near future. As earlier it was a pure government organisation, so social commitment is more than profit motive. But today it's a Government PSU, with social commitment it needs to generate profit for its survival.

Now we are in a digital era, where mere voice telephony can't satisfy today's generation. So, the new technology emerged with fiber as their medium of communication. The existing copper cable network should be replaced with fiber. Its not only a huge investment it also to be done in quick time. But BSNL's financial position is not good enough to cater this requirement. In order to reduce its financial burden many staff are terminated through VRS. So, with financial burden, staff shortage also emerged. Now BSNL found a way to come out of this with existing franchisee model. Franchisees are enrolled for providing last mile connectivity, most franchisees are local cable operators (LCO). They are already providing fiber cable connection to the end user for Data and Cable TV. For seamless implementation the heavy user broadband customers details are shared to the LCOs. But the conversion rate was up to the expected mark and there is a great deal of erosion in the customer base.

In Ernakulam Business Area (district) itself there are 400 partners enrolled but the growth rate of BSNL FTTH customer is bare minimum. Only 10 out of 400 shown 2-digit growth. Some of the employees in Ernakulam Business Area decided to conduct market research to arrest the declining customer base and enhance the conversion quicker. On conducting the market study, they found some important things and they plan to overcome these obstacles and increase the market share of BSNL in FTTH business and also decided to educate the LCOs about the profitability of this business.

**Flow Chart**



## METHODS AND FINDINGS

Their findings related to drag in the Fiber To The Home (FTTH) growths are:

1. These partners are not BSNL's exclusive LCOs, they are also partners of Kerala Vision, Asianet, Railtel and many other service providers. So, their commitment towards BSNL is nominal.
2. These firms also support these LCOs to be a partner of BSNL because they are getting confirmed leads. They even insisted them not to provide more than 15% connection for BSNL.
3. Not only fiber, they also need some equipment like Optical Line Terminators (OLT), Optical Network Units (ONU), splitters and other measuring and provisioning equipment. It's a huge investment, to overcome this and to be loyal to them the service providers assisted them for purchasing all the equipment.
4. Another one advantage some of the service providers have is the cable TV service. It's an added advantage for them as BSNL does not have cable TV service earlier. The customers are willing to pay for this bundled service, because at single payment they are getting access to Cable TV, internet and Wi-fi facility.
5. More than this the BSNL's concern is about the resources. Normally it provides a 1Gbps Bandwidth for FTTH connectivity, if it is provided for another service called Leased Line (Normally used by Medias) will fetch around 20 to 25 lakhs per annum in that place BSNL receives merely 2 lakhs/ annum.
6. Another finding is not only BSNL other major service providers like Jio, Airtel and so also failed to gather momentum using these LCOs.

These employees met the LCOs and tried to explain how this business model can be made profitable. But no one ready to lend their ears. After many attempt these employees formed into a group and with authorities' permission, they float a new model called BSNL FTTH franchisee model. Before that they conducted a study related to the required materials, their durability, quality, price etc., Initial investment is about 10 Lakhs and the period required to cross the break-even point also worked out. This is an eye opener for the LCOs and even corporate office want to learn this model. The corporate office invited these employees to make a presentation before the CMD, group of directors and other superior officials. By the way they want to implement this successful concept all over India. These employees were also awarded by BSNL for their contribution. Not only the corporate office even VSOL, a Chinese concern sends their delegation team to India and met these employees and understand the business concept (the triple play model) and they started to produce OLT, ONT, splitters and other required components for providing triple play connections, in mass to meet the huge market requirement. So, it does not stay national level, it grows beyond national level.

## RESULTS

The proto type they rolled out "The BSNL FTTH Franchisee Model", in this intrapreneurship model they provided Data, Video (Cable TV) and telephone connection in same fibre. Moreover, the payback period for 10 lakhs investment is about eight to ten months. Their idea is about attracting entrepreneur so, the emphasis is on payback.

**The advantage from BSNL's are:**

1. Better network quality than the private cable TV providers
2. The landline telephone connection is also provided with their existing telephone number.
3. New IPTV provision, through which Cable TV can also be provided
4. Revenue capturing is made easier.
5. 50% revenue sharing model

VRS scheme is implemented in BSNL to reduce the expenses, so, many people over 50 years opted for VRS. The Officers Association in connection with these retirees formed an association named e-net, common collective enterprises. This enterprise supports the new entrepreneurs in many ways

1. They extended support for these new entrepreneurs
2. They help them to find the funding for their venture.
3. They support with full business guidance.
4. With the help of finance experts, they educate these entrepreneurs about finance management.

**The earnings and number of LCOs:**

Sl. No.	Period	No. of LCOs	% of Change	Revenue share in Cr.
1	2019-20	97	-	Not available
2	2023-24	196	102	1.1
3	2024-25	219	11.7	1.3
4	2024-	235	7.31	1.5

**Key Insights and Learnings**

Some of the Indian companies Intrapreneurship models are

1. ITC’s e-Choupal, which transformed agricultural input procurement by creating a farmer-first model that uses the internet to connect rural farmers directly, bypassing intermediaries and improving efficiency and transparency.
2. Aditya Birla Group’s Bizlabs- this conglomerate encourages employees to pitch their innovative ideas, receive funding and mentorship for viable businesses within the group structure.
3. Infosys Technologies- the company supports innovative employee who are willing to take risks and build new business segments from scratch.
4. Sap Labs India- the “Inversation” platform was created from an employee challenge, fostering a bottom-up approach to innovation rather than top-down directives.

European code of ethics for franchising defines, “Franchising is a system of marketing goods and/or technology, which is based upon a close and ongoing collaboration between legally and financially separate and independent undertakings, the franchisor and its individual franchisees, whereby the franchisor grants its individual franchisees the right, and imposes the obligation, to conduct the business in accordance with the Franchisor’s concept.”

Franchisee is a contractual business model, where an established brand allows an independent business owner to use its branding business model and other intellectual property right (IPR). Out of the different available franchisee arrangements, BSNL implemented a blend of product franchisee- oldest model of franchising, exclusively sell franchisor’s product and Business Firm at franchisee- most common type, franchisor allow third party to do business using their trade mark and business model in exchange of fees and a recurring percentage of revenue. Franchisee must run according to the parent company’s guidelines.

Some of the highly profitable business franchisees in India are:

Sl. No.	Company	Investment	Area in Sq. ft.	Profit
1	Kalyan Jewellers	Min. 1 Crore	1000- 2000	12 -20% net profit on sales
2	KFC	Min. 96 Lakhs	1000- 1500	7-8% net profit on sales
3	Lakme	Min 50 Lakhs	800- 1000	18- 25% ROI
4	FabIndia	Min. 50 Lakhs	1000- 1500	17- 20% net profit
5	Hero Motocorp	Min. 50 Lakhs	2000- 4000	5-10% net profit
6	Jockey	Min. 45 Lakhs	1000- 1200	20- 25% net profit
7	Kake Di Hatti	Min. 43 Lakhs	1000- 2000	20% net profit on sales
8	Domino’s	Min. 30 Lakhs	1500- 2000	8% of net profit on the revenue
9	Jawad Habib Hair & Beauty	Min. 25 Lakhs	500- 1500	20% of profit margin
10	McDonald’s	Min. 25 Lakhs	1500- 4000	29.36% on net profit on sales
11	FirstCry	Min. 20 Lakhs	1200- 2500	18- 20% of net profit margin
12	Lenskart	Min. 20 Lakhs	300- 500	30% ROI
13	Tumbledry	Min. 18 Lakhs	200- 300	50% of profit margin
14	VLCC	Min. 15 Lakhs	800-2000	NA
15	Kathi Junction	Min. 15 Lakhs	100- 200	20% on net profit on sales

These established franchisors insist the franchisees to invest minimum amount ranging from 15 Lakhs to 1 Crore and the approximate return also shown in the above table but, the amount invested on the shop floor an extra burden also to be noticed. In BSNL the minimum amount the franchisee can invest is about 10 Lakhs and the monthly return ranges from 60000 to 750000 base on the customers standards. Moreover, the franchisees are allowed to place their equipment within the BSNL telephone exchange and some place they even provide store space also. The cost saved here are not only rental but also related charges like security payment, electricity charges, cleaning charges etc.

Another major point to be discussed is revenue capturing, in the other services, the revenue realisation is a tedious job, as the franchisees responsibility not only confined to provide new services, fault maintenances but the bill collection also. But in BSNL, the bill will be generated with due date, almost 75% of the customers pay in time. Once they pay the bill, immediately the franchisee share will be transferred to their account either to their account or e-wallet.

BSNL also have a dedicated system CNOC, Central Network Operations and Maintenance and NOCs (Network Operation and Maintenance) in major cities, which extends help to the franchisees regarding any technical glitches and these services is extended 24X7 and even in holidays also. One more advantage for BSNL franchisees is the real triple play service can only be extended by BSNL, the voice service not only a mere voice, it gives the same telephone number also, a Unique Selling Proposition (USP).

When there is a will, there is the way- a true word, because covid-19 also boosted these FTTH service in one or two ways. The online classes is the first one, almost all the schools start online mode classes, a huge demand for this service. The second one, so many expatriates, mainly from Gulf Countries come to know this business opportunity and they are ready to invest as there is a bleak future in Gulf before them.

## CONCLUSION

A rare effort by BSNL employees to develop a business model and became an intrapreneur, to become a proof of concept. Based on that the model is implemented pan India and now BSNL is ranked number one among all the FTTH provider in India.

Currently some changes decided by Management rakes the future of this model. The new Sales Level Agreement (SLA), which has hectic penalty for the faults in the connection either in voice or data and both, is strongly opposed by the franchisees. The franchisees are asked to pay the rent for the equipment kept in the telephone exchanges. These are slightly pulling back the growth, a second thought by management is required.

These employees on their own interest build a viable model for the betterment of the organization without any initiative from the organization. The effort from these employees is a good finding, that an entrepreneur inside everyone is a positive knowledge.

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