Value co-creation and service ecosystem for developing countries to promote development and inclusive growth: Home-Based Workers’ case

Sojen Pradhan¹, Andrei Gurca² and Igor T. Hawryszkiewycz¹

¹ School of Systems, Management and Leadership, University of Technology Sydney, Australia
{Sojendra.Pradhan, Igor.Hawryszkiewycz}@uts.edu.au
² Neoma Business School, Reims, France
Andrei.gurca@neoma-ba.fr

Abstract.
Ending poverty has been one of the major focuses of the United Nations system. There has been a remarkable progress made in this area since 1990s, however, there remain major challenges such as poor infrastructure, illiteracy, corruption and gender inequalities in developing countries, where extremely poor people live. An increasing number of social enterprises are trying to create new opportunities and economic activities for people in developing countries to engage in. This paper investigates one of the initiatives by South Asian Association of Regional Cooperation (SAARC) for home-based workers in the region, called SAARC Business Association of Home-based workers (SABAH) which connects and builds new business models that empower disadvantaged women from rural and urban areas in the region by helping them to use their skills for business purposes and become self-reliant. SABAH Nepal in particular, has been creating employment opportunities for home-based workers by setting up service ecosystem in culinary and weaving skills. These activities have empowered disadvantaged women to co-create food products and textile materials and marketed them in local and international markets. Use of information and communication technology (ICT) tools would foster and improve their processes to expand their business model in the future.

Keywords: Service ecosystem, Value Co-creation, Developing countries, Base of the Pyramid (BOP), Social entrepreneurship, Value chain

1 Introduction

In today’s world, businesses are continuously innovating new products and services to remain competitive in the industry. Multinational Corporations (MNCs) have started forming alliances with other businesses, suppliers, competitors, research institutes and customers across the globe to manage multiparty innovation [1, 2, 3]. However, most MNCs have not been developing product or service innovations for the poor people in developing countries. There are numerous reasons for not targeting the poor people.
who are mostly located in rural places such as “poor infrastructure, high level of corruption, illiteracy, lack of enforceable legal framework, risky political situations, religious or racial conflict, and sometimes even war or violent insurgencies, poor or non-existent of distribution channels” [4]. In fact, economic activity and market participation by institutions are either absent or weak in developing countries which interfere with the advancement of such communities [5]. A detailed study from the World Resources Institute [6] estimated that the market of poorest social economic group around the world, also referred to as ‘the base of the pyramid’ (BOP), is worth around US$5 trillion. Several organizations including governments, international development organizations such as the United Nations (UN), the World Bank, non-governmental organizations (NGOs), private and community groups have started new initiatives to alleviate poverty [7, 8, 9, 10], by engaging the disadvantaged people in market activities [5]. The concept of institution entrepreneurship was introduced by DiMaggio [5] in 1988, to highlight the role of such agencies who are sufficiently resourced to establish social enterprises. Often, this concept is also inferred as social entrepreneurship which intends to focus on creating social value more than the value to themselves (in commercial entrepreneurship), by adopting a logic of empowerment to others [5, 11].

Globalization and rapid technological changes in information and communication technologies (ICTs) have been assisting in those initiatives. This paper presents one such initiative in the South Asian region, as a case study. One of the network initiatives funded by the South Asian Association of Regional Cooperation (SAARC) Development Fund (SDF) for home-based workers in the region, called SAARC Business Association of Home-based Workers, in short SABAH, is studied as an example of value co-creation and service ecosystem where the house-based workers build and manage local businesses that create employment in the BOP market. SABAH is active in 7 out of 8 member countries of the SAARC, mainly focused on housewives who are working from home [12]. SABAH Nepal was chosen to explore their innovative business model. The organization creates employment opportunities for home-based workers who use their culinary and weaving skills. The home-based workers are mostly housewives or women who produce food and textile goods from within or around their homes [13]. The women who work with SABAH Nepal are members of the association and share their skills and expertise to create a network of actors that covers the entire value chain from raw material production to the sale of the end product. Women are empowered to be part of the organization and co-create value in the chain to build sustainable business within their communities.

The rapid penetration of mobile device in the South Asian region has assisted in the process. Product and service innovations as well as competition have made mobile phones an affordable commodity in Nepal [14] with a penetration rate of 102.18%, as per Nepal Telecommunication Authority [15]. The rapid and pervasive development of ICTs could enhance further in the service ecosystem. At this stage, some recommendations are made to the association.

One of the major challenges to alleviate the poverty is the fast rate of population growth within the lower income groups of BOP in developing countries. Illiteracy tends
to be prevalent in low-income groups, more pronounced in females than the male pop-
ulation. Lack of education and poverty contributes to higher birthrates and more ineq-
uitable distribution of resources [16].

Initiatives like SABAH give home-based workers (i.e. housewives) a sense of em-
powerment through social freedom and income-generating capability. This example re-
inforces the idea that women empowerment is an enabler to creating positive impact on
their lives, family household, and their communities. Some members of this association
were contacted and interviewed to discuss the opportunities to promote and enhance
their working model in the near future.

This paper is organized as follows. The next section elaborates the BOP market and
challenges around it. Then it is followed by a brief theoretical description on value co-
creation and service ecosystem. The methodology used in this study is briefly described
in the following section. Then, the case of SABAH is introduced and their business
model is discussed. Finally, some recommendations are provided on how to utilize mo-
 bile and other technologies to enhance their training activities as well as overall busi-
ness model.

2 BOP Market and its challenges

World leaders endorsed 17 Sustainable Development Goals (SDGs), also referred as
Global Goals in September 2015 at the UN Summit. These goals are influenced by the
remarkable success of the Millennium Development Goals (MDGs) in reducing ex-
treme poverty in the world [17]. According to the MDGs report [18], nearly half of the
population (47%) in developing countries lived on less than $1.25 a day in 1990 and
that number is reduced to 14% in 2015, a significant decline which was more than ex-
pected (halving the poverty rate from 1990 to 2015). Besides this success, there is still
a high number of population (around 705 million, as of 2015) who are living in extreme
poor conditions, that means they are living on less than 1.90 ‘international $’ per day
(international $ are adjusted for price differences between countries and for inflation)
[19]. The World Bank and the UN are committed to make this world free of poverty by
2030. All the SDGs mutually help each other to support and build economic growth in
the areas [17] where the poorest socioeconomic groups live, thereby eliminating pov-
erty from the world.

<table>
<thead>
<tr>
<th>Categories</th>
<th>Billion ($)</th>
<th>Percent (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Food</td>
<td>$2,895</td>
<td>57.90%</td>
</tr>
<tr>
<td>Energy</td>
<td>$433</td>
<td>8.66%</td>
</tr>
<tr>
<td>Housing</td>
<td>$332</td>
<td>6.64%</td>
</tr>
<tr>
<td>Transport</td>
<td>$179</td>
<td>3.58%</td>
</tr>
<tr>
<td>Health</td>
<td>$158</td>
<td>3.16%</td>
</tr>
<tr>
<td>ICT</td>
<td>$51</td>
<td>1.02%</td>
</tr>
<tr>
<td>Water</td>
<td>$20</td>
<td>0.40%</td>
</tr>
<tr>
<td>Other</td>
<td>$932</td>
<td>18.64%</td>
</tr>
</tbody>
</table>

Fig. 1. Estimated BOP Market sector [6]
The term ‘BOP’ was first used to represent more than 4 billion people in the tier 4 of the World economic pyramid with annual per capita income of less than $1,500 [20]. Later on, International Finance Corporation (IFC) through World Bank reported the BOP with income below $3,000 in local purchasing power [6]. With this benchmark change, the number of people in this tier is likely to have changed as well, although no official figure has been released since then. In fact, the number is estimated to increase to 5 billion as per the report from World Resources Institute [6]. Mostly, the lowest and poorest people are referred as the BOP.

The report also analyzed the market requirements of poor people in order to attract the private sectors of the business world in investing in those regions. This represents a novel way of interacting with the BOP as previously it was believed and assumed that very poor people can only be looked after by a charity or public assistance [6]. A detailed study based on World Bank’s initiative of the International Comparison Program, spending patterns were categorized to provide a sense of how big the BOP Market is. As shown in the Figure 1 above, these patterns were broadly classified into 8 sectors. Food is the biggest sector with estimated $2,895 billion or 57.9% whereas the water is reported to be the smallest market with $20 billion or 0.4%, as the most of people do not need to spend much for water, although some of them have to carry it for miles [6].

Association for home-based workers, SABAH focused on the food market and created a value-chain system covering everything from grain and ingredient production by farmers to meal preparation and service in outlets such as cafes, restaurants and distributors. In addition to the food market, SABAH Nepal also coordinated a value chain system for textile products, which would belong to the category ‘other’ in Figure 1, weaved or sewn by the home-based workers and sold through several outlets. SABAH Nepal occasionally organized fashion show to promote the products.

Generally the BOP market is unorganised, but it is still potentially a big market for MNCs. These types of markets are often controlled by local moneylenders and middlemen [12]. It is understood that poor people actually participate in the market by buying and in some case selling as well. It has been recognised that the market for the BOP population, is also something it is worthwhile for companies to concentrate on, and could be an important global market. However, various challenges deter private businesses to invest in those areas. Such challenges include:

- Poor infrastructure – electricity, water and sanitation, roads
- Political instability
- Corruption
- Lack of rules or law of enforcement
- Religious or racial conflict
- High illiteracy rate

Besides these challenges, several organisations are focusing on creating social business and service ecosystems to tackle the problems posed by poverty and other associated problems in the BOP market. Not all these challenges can be dealt within one go, but some initiatives which can integrate and empower the marginalised communities have a great potential to alleviate poverty in the region.
3 Service ecosystem

Businesses are creating value through their goods or service offerings. Companies are relentlessly thinking how they can innovate by generating new ideas and are shifting their focus to create ecosystem centric view by removing boundaries of the firms [21, 22]. Vargo and Lusch [23] proposed ‘service-dominant logic’ as a conceptual framework for value co-creation in which services means “applying specialized competences (knowledge and skills) through deeds, processes, and performances for the benefit of another actor or the actor itself [3 p.158]. In this context, actors include suppliers, partners, customers and other independent inventors. This concept of service is also consistent with IT-enabled services [3]. Service ecosystem is defined as “a relatively self-contained, self-adjusting system of mostly loosely coupled social and economic (resource-integrating) actors connected by shared institutional logics and mutual value creation through service exchange” [3, p.161]. The ecosystem has some sort of structural reliant and relationship with other entities to create value chain of a service from one end of the spectrum to another to provide service to the customers. A case in this paper shows how value chain system is working to provide service and create employment for home-based workers by empowering women from the marginalized communities in Nepal. Moreover, social and economic development of the organization and its members (home-based workers) have been planned to study to illustrate both challenges and success factors in the future.

4 Methodology

This paper is using case study approach to explore the service ecosystem of SABAH Nepal through multiple data sources such as online information, visiting the outlets and farms, interviews with members of the association. The case study is an appropriate method to investigate real-life contexts and phenomena from multiple sources [24]. The authors have collected data through observations and conducted interviews face to face and via Skype with members and executive members and staff.

The interviews focused on understanding their business model and potential future avenues using available tools of ICTs at this stage. In the future, more interviews and observational study will be conducted.

5 The case of SABAH

SABAH, a regional network of home-based workers in the SAARC region, was established in 2008 to empower the economically disadvantaged rural and urban women and improve the quality of their lives. This initiative formed to accelerate local economic growth, social progress and alleviate poverty in the region [25]. This objective has been discussed and followed through since the ‘Plan of Action on Poverty Alleviation’ was prepared in 2002 [26] for the region. The countries in the region are shown in Figure 2 below.
The association has been helping the women producers by boosting the marketing and retailing for their home-based products as well as by providing training to those who need to improve their skills to produce quality products.

Through SABAH, home-based workers become members of the association and actors in the ecosystem to create value by producing food products that are sold in cafes and restaurants. Similarly, other members who participate in the area of knitting or weaving also create value by creating clothing sold through several outlets. All members are co-creating some value across the value chain system. Throughout the process, the association conducts training to those who are interested to learn and use the knowledge to work from home as self-employed. SABAH aims to improve the women’s skill as well as increase market access for the products of the members.

5.1 SABAH Nepal

Under the guidelines from the SDF, SABAH Nepal was established in 2009, to strengthen the livelihoods of local women in Nepal. The SDF supported the initiative for 5 years. Although the funding has now been discontinued from the SDF, the network is successfully running its operations in 14 districts of Nepal. The marketing manager at the Sabah Nepal explained that they have around 2,400 members and their target is 2.4 million home-based workers. The cost of becoming a member is Rs600 (equivalent to US$6) and Rs100 (US$1) annually thereafter.

SABAH Nepal is a social enterprise which is owned and managed by the members. They regularly conduct training in both cooking and weaving for members who are interested. They have set up a well-developed ecosystem of members who produce raw materials and ingredients and prepare food products which are then sold to customers through different food outlets, named ‘Village Cafe’, and a canteen at the head office of a popular NGO in Kathmandu. Within the food value-chain system, the members who are producing raw materials or ingredients are also packaging their production and sell it in other markets within the country.
The other focus on textile is to empower its members who are interested in weaving or knitting intricate textiles using traditional knowledge and techniques which have been passed on to many generations. SABAH Nepal has 5 different outlets in Nepal. Overall, the goals of SABAH Nepal is listed in Figure 3 below.

![Fig. 3. Missions of SABAH Nepal [27]](image)

**Working Model of SABAH Nepal.**

In line with the broader mission of SABAH Nepal, a working model is illustrated in Figure 4 below. The model underpins the value-chain system that, in turn, empowers local women. This model has been divided into five steps: Identification of women home based workers, Enhancement of skills, Establishment of community based enterprise, Design and product development, and International and national market linkages. It starts with identifying home-based workers who are working in their home or plot or garden near home, and offering membership to those who qualify.

![Fig. 4. Working model of SABAH Nepal [27]](image)

Members are given a choice of trainings either technical (related to the textile crafts and food processing) or non-technical (leadership, health program and counseling). Af-
ter the training, the members start working in larger groups within the local communities. They design and develop products suitable for the local market by working with volunteers in the communities. The products are then marketed within the country via different outlets and also promoted to international trade fairs.

5.2 Potential ICT Projects

During the training sessions and other value chain processes, the use of mobile devices has certainly escalated to enhance communications throughout the process. In fact, the use of smart-phones which allowed workers to take photos and share them with other members made their learning and communication a lot faster and easier. The association is hoping to be able to create some videos and share them with the members through smart-phones. They are considering making series of videos for different steps in the value-chain system, as almost all members now have smart-phones.

Besides these uses and benefits for the SABAH, we recommend them to consider an online platform which allows new ways of marketing so that they will not have to rely exclusively on physical outlets.

6 Conclusion and Recommendations

There are many initiatives which attempt to create employment and help the marginalized communities. Social enterprises aims to address the social needs which is sustainable and generates positive impact on the wellbeing of the community. They help to construct a mindset focused on creating and enabling opportunities so that people in those communities do not depend on aid from international charity organizations. SABAH Nepal focused on helping home-based workers to succeed, be more confident and engaged in the community. SABAH Nepal continues to shine and envisions to increase its members by tenfold in the future by introducing more ICT tools. This study will continue to explore the journey of this organization in the future.

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