

# How to involve the Base of the Pyramid in the co-creation of value inwards the inclusive business?

## ¿Cómo involucrar al BOP en la co-creación de valor dentro del negocio inclusivo?

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### Abstract

The Global Pact demands private enterprises to actively support communities in social disadvantage. Some enterprises have responded by implementing inclusive business. Value co-creation has been identified as critical for the advancement of these novel business models. However, extant research has mainly studied value co-creation from the perspective of the organizations supporting the project while this work explores the factors that facilitate or inhibit value co-creation from the perspective of the Base of the Pyramid (BOP) segment. Qualitative information collected through in-depth interviews with managers of lead Ecuadorian firms and group interviews with members of communities involved in the inclusive business was analyzed to outline suggestions to overcome barriers and take advantage of current enablers.

**key words:** inclusive business, value co-creation, Base of the Pyramid, Ecuador

### Resumen

El Pacto Global demanda a las empresas privadas que apoyen activamente a las comunidades en desventaja social. Algunas empresas han respondido implementando negocios inclusivos. La co-creación de valor se ha identificado como crítica para el avance de estos nuevos modelos de negocio. Sin embargo, la literatura existente ha estudiado la co-creación de valor desde la perspectiva de las empresas privadas mientras este trabajo explora los factores que facilitan o inhiben la co-creación de valor desde la perspectiva del segmento en la Base de la Pirámide (BOP). Información cualitativa recolectada a través de entrevistas a fondo con gerentes de firmas ecuatorianas líderes y de entrevistas grupales con miembros de las comunidades involucradas en negocios inclusivos fue analizada para proponer gerencias para superar barreras y tomar ventaja de los facilitadores existentes.

**Palabras clave:** negocios inclusivos, co-creación de valor, Base de la Pirámide, Ecuador

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## 1. Introduction

The reduction of the inequality in the quality of life of the world population is one of Millenium Development Goals (MDG) proposed by the United Nations (United Nations, 2015). Improving the income and the access of

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the Base of Pyramid (BOP) to goods and services by promoting social entrepreneurship is envisaged as a means to attain this goal. The BOP includes the lower middle (LMC) and low socioeconomic classes (LC) of the global population. These segments represent around 4 billion of the total world population and their average daily earnings are between 2-6 USD for the LMC sub-segment, and less than 2 USD for the LC, resulting in a per capita average income below 1,500 USD. The BOP is further characterized by socio-cultural and political factors that reveal its vulnerability (Subhan and Khattak, 2017). According to Perez de Mendiguren Castresana (2013) and Lashitew and van Tulder (2017), social inequality may be attended in three ways:

1. A more active Corporate Social Responsibility (CSR) driven by a win-to-win strategy and practiced for all enterprises according to their resources.
2. The collaboration between public and private organizations to share resources and capabilities to figure out projects that attend major social problems, and
3. The creation and advancement of inclusive business models (IB), as a means to insert disadvantaged groups in the value chain of firms as “business partners”.

While these are commendable recommendations, Simanis and Hart (2008) rate them as an initial step to support the BOP. A more advanced strategy requires of a business co-creation process supported by partnerships between private firms and BOP communities facilitated by lead social actors such as local and international non-governmental organizations (NGOs). The BOP 2.0 Protocol proposed by these authors (<http://bopinnovationcenter.com/we-are-bop-innovation-center>) recognizes the importance of a shared commitment to dialogue and tie capabilities, as well as the need of implementing training programs to develop the entrepreneurial skills of the BOP.

The lack of formal education, skills, and competences of the BOP has been acknowledged as one of the major challenges to include the BOP in the formal labor market and in the supply chains of private enterprises (Rosca, Möllering and Rijal, 2019). Public policies enabling access to higher education prevent low-skill poor youths to be trapped in bad and low profile jobs. Expanding access to high-quality vocational programs to new generations and older cohorts that had no access to education prepares individuals to face the changes in the current labor market and opens opportunities to underprivileged socio-economic segments (Balbachevsky, Sampai, and Yahn de Andrade, 2019).

The Development Program of the United Nations (United Nations, 2008) is one of the most outstanding programs promoting the cooperation between organizations of several sectors to create inclusive business (IB) with legal structures and governed by market rules as any regular business. Several reports describing the features and benefits of IBs worldwide have been published (Federal Ministry for Economic Cooperation and Development, 2011; Nelson, Ishikawa and Geaneotes, 2009; Saul, Davenport, and Ouellette, 2010). The reported cases suggest these business models may link the three viewpoints suggested in the MDG (Ben Letalfia and Reynoso, 2015; Calton, Werhane, Hartman, and Bevan, 2013; Gradl and Jenkins, 2011; Lashitew, Bals and van Tulder, 2018; Nahi, 2018).

Among the outstanding IB cases reported in Latin America, there are the Dole company and Nestle Peru (SNV and the World Business Council for Sustainable Development, 2010). The Dole supply chain integrates more than 1,600 small producers of organic bananas that are exported by Dole. The strategic proposal of this IB is to improve the capabilities and efficiency of local producers so they can enter into the international market. In the case of Nestle, the multinational recognized the opportunity to open a sales channel that benefits low-income segments by giving them access to healthy products and nutritional knowledge. The IB project “Well-being at Home” works through a multi-level direct sales system integrated by low-income housewives who act as distributors. Other IB cases are reported by Lashitew and van Tulder (2017) in six East African countries, Rwanda among them. Different degrees of advancement in the integration of the efforts of private African and Dutch organizations,

and NGOs are reported. However, there are still internal and external obstacles that refrain organizations to implement IB and the need to further explore the challenges to the successful implementation of IB in Africa.

The first conceptualization of inclusive business emerged from the premise that the BOP is an unattended profitable segment whose needs may be fulfilled through the modification of the products and services of companies to produce and distribute new versions of their products/services to the BOP. However, the actual value of the BOP market is debatable as well as the proposition that access to products and services would improve the BOP quality of life (Karnani, 2007). Thus, the new conceptualization of IB states the BOP should be seen as potential supply chain partners with whom co-create innovative products and business models (Likoko and Kini, 2017; Lashitew, Bals, and van Tulder, 2018).

Current research states the scalability and impact of inclusive business require the collective effort of governmental and non-governmental organizations, civil society, and the BOP segment (Nahi, 2018). Particularly, the documented IB cases in Latin America emphasize the importance of a participative process that takes into account the needs and capabilities of the BOP to define a strategy for supporting and advancing inclusive business (Márquez, Reffico, and Berger, 2009). However, the relevance of effective collaboration for backing the IB has been mainly explored from the point of view of the firm (Arroyo, Pesantes-Burgos and Carrete, 2018; International Bank for Reconstruction and Development, 2018) disregarding the role of a key participant, the BOP. To contribute to close this research gap, this work aims to identify what idiosyncrasies and conditions of the disadvantaged communities facilitate or inhibit the process of value co-creation implicit in the IB model to generate socioeconomic value. A qualitative approach based on multiple cases is used to analyze cases of IB launched in Ecuador, a country in which enterprises have not yet consolidated their CSR policies and supported IB at the same extent as other Latin American countries, thus allowing the study of IB at an earlier stage of advancement.

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## 2. Literature review

Kerlin (2010, 2012) defines social enterprises as organizations that use private and public resources to solve persistent social problems without strictly following the practices of private business and with a social objective as a priority. Governmental agencies and social entrepreneurs are frequently the founders and promoters of social enterprises. Meanwhile, private firms do not assume an active role and their participation is marginal, sporadic, and limited to the institutional recognition of their corporate social responsibility (Arroyo-López and Cárcamo-Solís, 2011). Gatica (2015) argues that when social problems cannot be attended solely by the government, private enterprises must assume a more active role through the creation of innovative business models that combine the best practices of for-profit and non-for profit organizations.

The concept of Global Action Network (GAN) views the social enterprise as a hybrid network of organizations based on a participative association scheme where several actors share their resources and perspectives about how to improve the socio-economic conditions of the BOP. An important problem in the GAN is how to combine the resources, objectives, and administrative styles of organizations with different profiles. This results in a hierarchy of organizational models for the social enterprise, named by Gatica (2015) as the ABC hierarchy. Along this hierarchy, the social and economic objectives attain a balance, and the management principles of non-for profit and private organizations are incorporated to assure the sustainability of the social enterprise. Type A social enterprise is non-for profit and supported by philanthropic organizations; the B social enterprise is mainly created with governmental funds and additional resources are brought in by the beneficiaries who are the only recipients of the revenues. Finally, the C model is exemplified by cooperatives whose administration is participative (Arroyo-López and Cárcamo-Solís, 2011).

The inclusive model corresponds to a novel category of social enterprise that may be escalated to maximize its socioeconomic impact with the support of a decentralized hybrid network and the development of an ecosystem (Ben Letafia and Reynoso, 2015; Goyal, Sergib and Jaiswal, 2015; Gradl and Jenkins, 2011; Nahi, 2018). Authors such as Michelini and Fiorentino (2012), and Reficco and Márquez (2012) state the main differences between the IB and the social enterprise are: the value proposition of the IB is aligned with the objectives and needs of the private firm that supports the project, and the governance and distribution of revenues resemble the schemes of for-profit enterprises. However, this type of model visualizes the BOP as a segment of potential entrepreneurs who are conscious of the value that represents being local distributors or suppliers of ethnic, raw products and basic services to private firms. The IB contributes to the development of technical, productive and administrative abilities of the BOP (Van Sandt and Sud, 2012; World Business Council for Sustainable Development [WBCSD], 2012) while the private enterprise which is the main promoter and financier of the IB expects to generate value for all its stakeholders, including the BOP (Porter and Kramer, 2011). Thus, both parties, the private firm, and the BOP join in the IB anticipating value creation.

The concept of value co-creation states value could be created through close interactions between enterprises and customers, but also between business partners (Grönroos and Ravald, 2011; Gradl and Jenkins, 2011; Monteiro et al., 2013). In the context of inclusive business, value co-creation refers to a process of social transformation that looks to create value with the BOP and not at expense of the BOP (Calton et al., 2013). The concept of co-creation emphasizes an embedded process of co-invention and business co-development based on a deep comprehension of the BOP needs that results in a mutual sharing of how to imagine, launch and manage a sustainable business (Simanis and Hart, 2008). From an ecosystem perspective, the value co-creation demands the mobilization and combination of resources, capabilities, and experiences of multiple actors that assume different roles (Ben Letafia and Reynoso, 2015). The process implies two key actions: 1) a non-traditional association between the private enterprise with social actors interested in improving the socio-economic situation of the BOP who act as facilitators of the interaction, and 2) the development of the capabilities to recognize, assess and integrate the resources and skills of the enterprise and all actors who take part in the IB (Goyal et al., 2015; Nahi, 2018).

Therefore, two central problems to advance value co-creation are identified: how to align the individual objectives of organizations guided for different logics and how to combine their resources. Cross-sector partnerships literature provides some insights into these questions (Selasky and Parker, 2005). But there is another key entity involved in the value co-creation process whose role and practices have been scarcely studied, the BOP.

Nahi (2012, 2016) is one of the authors who have addressed the topic of how to co-create value with the BOP and questioned if value co-creation is essential and feasible given the inequality in resources and power between the private companies and the BOP. This author argues value co-creation can range from arms-length cooperation that legitimizes the social programs of the company to a deep process of transformation that contributes to the solution of persistent social problems. Under this broad perspective, engagement with the community is only necessary if it is necessary to empower the poor and involve them in the conceptualization and small-testing of an IB prototype that after the community deepens its productive and managerial skills, will result in an independent business.

According to Mohr, Sengupta, and Slater (2012), the BOP economical, human and knowledge resources, the supporting infrastructure (basic services available, nominees to social programs, road accessibility, etc.) and the objectives of the supporting organization determine the viability of inclusive business. If the BOP does not have valuable resources and the support infrastructure is low to moderate, the recommended approach to improve the segment's socio-economic condition is by offering social assistance or providing goods and services without

profit. Supporting the BOP through insertion in the company's supply chain requires that potential business partners have a moderate amount of resources and infrastructure (Rosca et al., 2019). This argument is empirically supported by Arroyo et al. (2018) who conclude Ecuadorian enterprises select communities to participate in IB projects only if they have a minimum base of productive capabilities and natural resources.

Saarijärvi, Kannan, and Kuusela (2013) develop a business-oriented analytic framework to assess and approach the opportunities of value co-creation with potential business partners. They recognize mutual incentives - monetary, social, intangible intrinsic benefits- are required for both parties to engage in the process. This thinking calls first for clarification about for whom what value is co-created and what kind of value results. In the case of IB, a suitable balance between the economic and social objectives need to be established to motivate enterprises to move from philanthropic actions to support IBs.

The next stage of the value co-creation framework is "to identify and understand what kinds of resources are eventually engaged in one another's value creation" (Saarijärvi et al., 2013, p. 13). Nahi (2016) suggests that the enterprise's resources are expertise and knowledge in manufacturing, marketing, technology, and management practices, while the BOP has knowledge and capabilities related to the local context, unsatisfied needs, natural resources, and social capital. Finally, there comes the specification of the potential mechanisms to integrate these resources. For example, the Mexican company CEMEX, co-designed a community-based promoted business model, Patrimonio Hoy, that provides building materials but also financing and building training to disadvantaged families.

Because the concept of value co-creation has been primarily discussed in the context of business-to-business interactions, online communities, and brand co-creation, it needs to be adjusted to explore the interactions between NGOs, governmental organizations and BOP. Based on a review of social projects at the BOP, Nahi (2016) defines value co-creation in the context of inclusive business as "an iterative interaction (broad and strong) that empowers communities in economic disadvantage and integrates their knowledge and capabilities with those of the private enterprise and other actors through a process of planning and execution of business models and ecosystems."

Nahi (2012) refers to the proposal of Simanis and Hart (2008) about how to proceed with the co-creation value process in the inclusive business. The proposal comprises three phases: 1) opening up by engaging in a deep dialog with the community and local entrepreneurs to develop a business concept; 2) creating a prototype with the support of the underlying ecosystem; and 3) testing the business prototype to strengthen local entrepreneurs, management capacity and markets. The recommendations of Nahi (2012) to companies entering BOP markets are in line with this process. First, companies need to understand the basic and aspirational needs of BOP, anticipate product usage situations, identify physical infrastructure, and understand local practices. Secondly comes the creation of alliances with reputable social actors to gain legitimacy and build trust. Because doing business with the BOP may convey high transaction costs, companies can benefit by becoming embedded in informal social networks, particularly those led by NGOs and social entrepreneurs, that substitute formal business agreements and facilitate the co-creation value process (Nahi, 2018; Rosca et al., 2019).

However, the engagement of private companies with social actors and local entrepreneurs, and the exchange of resources to foster collective learning and joint-decision making represent big challenges given the dissimilarity of goals, cultures, values, resources, and capabilities of the GAN members. For example, Lashitew and van Tulder (2017) argue NGOs in East Africa give more emphasis to inclusiveness or empowerment of disadvantaged groups, while business actions are mostly oriented to employment creation, access to finance, and upgrading of productiveness. Research suggests social embeddedness, defined as the ability to create competitive advantage through the understanding and integration with the local environment, is a key organizational capability to enable value co-creation with the BOP (Lashitew et al., 2018).

Two broad outcomes are associated with embeddedness: access to resources and governance. Social ties facilitate access to intangible resources such as knowhow and market particularities while preventing opportunism and enabling cooperation and trust-based relations. Building on the Social Resource Based View, Lashitew et al. (2018) analyze the case of Safaricom, a telecom firm in Kenya that provides financial services through mobile banking innovations. These authors conclude strong social embeddedness is crucial to generate moral pressure on organizations to internalize social problems, increase the awareness of the potential economic value of social innovations, provide access to resources and expertise for the IB implementation, legitimize the project and enable the hybridization of the inclusive business. But embeddedness is a bilateral process that involves mutuality, credibility, knowledge, and experience (McKeever, Anderson and Jack, 2013). Thus, to co-create value with the BOP, individuals, family firms, and communities must allow private companies to understand their social context and contribute to the formation of the hybrid network that can support the IB.

Based on the literature review, three research questions emerge: 1) how different value co-creation processes evolve; 2) what factors and practices enable/inhibit value co-creation, and 3) what mechanisms of resource integration (methods) better support co-creation with the BOP. To advance the understanding of the value co-creation process inwards the IB, this study focuses on the second question from the perspective of the BOP segment and partially addresses the first research question by categorizing IB cases according to their co-creation extent. The third question is a topic of further research not addressed in this work.

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### 3. Methodology

The unit of analysis of this study is the inclusive business and the theoretical referent are the guidelines of the co-creation value process recognized by Naih (2012). Because the factors that enable or inhibit the process are not evident but embedded in the social context, we used a qualitative approach based on multiple cases (Yin, 2009). The data collection included two phases. The first phase comprised the revision of the original transcripts collected by Arroyo et al. (2018) plus carrying out new in-depth interviews with eleven executives responsible for the Corporate Social Responsibility (CSR) programs of lead Ecuadorian firms located in the county of Guayas. This county is the largest economic region of Ecuador; the main economic activities are industry, building, commerce, agriculture, forestry, and fishing. According to the Central Bank of Ecuador, this county generated the highest gross domestic product among the 24 counties of the country. Additionally, the ports of Guayas transport 85% of the non-oil shipping goods in Ecuador. Local governments have supported the expansion of the agricultural sector (principal products are sugar, rice, bananas, cacao, and fruits), the increase of the employment rate, and the socio-economic welfare of residents (Radiografía Económica de la Provincia de Guayas, August 16, 2018). Thus, this region is a benchmark of the economic activity of the country, and lead enterprises located in Guayas result in suitable cases of study.

Executives of the following enterprises were interviewed: De Prati, Pronaca, San Carlos, Pacífico, Banco Pichincha, Unilever-Ecuador, Novacero, Aliado estratégico Holcim, Editogran, La Favorita, and Repsol. These enterprises are in the list of the 500 largest Ecuadorian firms and their CSR programs are considered a point of reference (Conozca más Sobre las Mejores Empresas del Ecuador, June 27, 2017). The information collected was analyzed to identify contrasting cases along the continuum of value co-creation suggested by Nahi (2016), namely from arm-length cooperation to long-term engagement.

In the second phase of the methodology, we select three communities (Jigual, Jurima, and La Vuelta), cited by interviewed executives as successful cases of inclusive business, to perform in-site unstructured group discussions. After a more exhaustive questioning and revision of secondary information of why these communities are considered successful cases, we confirmed they represent a more advanced degree of co-creation and hence become a reference to uncover the enabling factors of the process. A total of six focus group

sessions, with 8-10 persons per group, were performed in-situ following an unstructured protocol that resulted in an open and friendly dialog with the participants. The groups comprised individuals who have participated directly (managers of the inclusive business as well as beneficiaries) or indirectly (social leaders and instructors) in the IB. The fieldwork was performed by two of the authors who are Ecuadorians and thus familiar with the socio-economic context of participant communities. Responses and field notes were taken by one of the researchers while the other conducted the group interview. Interviews were not recorded to prevent participants from feeling uncomfortable when dialoguing with the researcher. Additionally, observational data collected directly during visits to the IB facilities were used to cross-validate and complement information.

The collected information was analyzed to first characterize the IB cases according to their extent of co-creation (Nahi, 2016) and secondly to identify the social, economic, and situational factors that enable/inhibit co-creation. The analysis of all interviews, both with managers and community members was performed in three steps (Thomas and Harden, 2008): 1) a thematic analysis of the information was performed independently by each of the authors; 2) the individual analyses were integrated to elaborate a consensual coding of the factors and practices that affect value co-creation, 3) an analytic reduction of the themes was performed by grouping them into meaningful and independent categories according to the theory and classified as co-creation enablers or inhibitors.

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## 4. Results

### 4.1. The extent of co-creation of inclusive business

In the first part of the analysis, we identified the extent of value co-creation of the IB models selected. At one extreme of the co-creation continuum, there were philanthropic and financially-driven projects with no interaction between the private firm and the beneficiary community. However, as noticed by Nahi (2012), value co-creation is not necessary to support the BOP. Two cases, classified as arm-length relations are identified: 1) Banco Pichincha offers loans at a minimum guarantee to BOP interested in opening a new business and 2) La Favorita sales merchandise without profit to poor families. In the first case, the characteristics of the loan (amortization, annual percentage rate, curtailment, loan term, etc.) are established by the bank based on the risk and profitability of the BOP segment without any effort to co-design the baking service or offering financial assistance, thus contrasting with the case of the program *Patrimonio Hoy* implemented by CEMEX. In the case of the retailer La Favorita, the absence of valuable resources to share resulted in a non-profitable IB model that provides “value” to the BOP in terms of access to products while the “value” for the company is a positive public image and institutional recognition.

At the other end of the co-creation continuum, there are the cases of the agricultural company Pronaca that includes small cereal producers in its supply chain as local suppliers. and the steel company Novacero that buys scrap metal to small recyclers. In the first case, the BOP valuable resources are agricultural land and production experience which is improved through technical assistance to increase productivity and fulfill the quality standards of raw materials (mainly corn). By working with communities with which the company have already some kind of relationship, the IB implemented by this company has resulted in what is known more as co-production than co-creation (Chathotha, Altinay, Harrington, Okumus and Chan, 2013). According to the literature, co-production is a firm-centric view approach of customer involvement defined as the exchange of products built on a platform of simultaneous production and consumption. Suppliers of raw materials play a passive role, i.e. they are recipients of the technology training on behalf of increasing the value of the firm’s sourcing activities. Reciprocity is low as the firm disregards the potential for innovation and cost reduction in production because there are alternative suppliers with better production capabilities with whom co-create value.

In the case of Novacero, the firm also gives little choice to the BOP when defining the IB model. This organization offers a fair price (260 USD per ton) for scrap metal, it has open collection centers and provides technical assistance and working capital to metal scrap recyclers. The company has expanded the initial IB from seven to 27 micro-entrepreneurs and plans to expand the business model. In this case, BOP participants are self-selected and accept the sourcing scheme specified by the company’s collection centers. Thus, both cases confirm an empathetic attitude of the BOP toward becoming suppliers of local firms plus the company’s disposition to enable value co-creation with the BOP (Khalid, 2017).

However, these outstanding IB cases still do not meet the requirements of value co-creation that results in a social transformation or the development of an ecosystem (Nahi, 2016). According to the information provided by the communities' interviewees, only a sub-segment of the BOP takes part in the IB projects and they consider themselves more like "inactive" partners whose needs, beliefs, experience, and socioeconomic idiosyncrasy are not fully understood or utilized by the companies. Moreover, interaction with the company is limited to consent with the participation guidelines established by the companies and receiving the required assistance to fulfill the quality standards of the materials they supply. Thus, the basic principle of co-creating value with the BOP through close interaction while addressing their specific needs is still not satisfied by Ecuadorian IB models.

Taking as reference the co-creation continuum suggested by Nahi (2016) and the classification scheme provided by Rosca et al. (2019), the successful cases of inclusive business are located in the middle of the continuum. Meanwhile, in terms of the co-production/co-creation matrix proposed by Chathoth et al. (2013), these advanced IB cases correspond to co-production. Micro to medium firms standing in this quadrant receive education on agri-business issues, technical advice, and training to improve their productivity but they need to be further developed as part of their near-sourcing strategy.

#### 4.2. Identification of factors that enable/inhibit co-creation from the BOP perspective

In the second part of the analysis, the purpose was to identify the variables that potentially influence the value co-creation process of the IB. The qualitative information was coded in terms of the factors that enable (E) or inhibit (I) value co-creation. The results of this analysis are summarized in table 1.

**Table 1**  
Factors that determine the value co-creation in the Inclusive Business Model

Codes	Codes description
<b>Education</b>	- Youngsters have the basic education to receive technical training to complete their education and increase their willingness to contribute to the co-creation process <b>(E)</b> - Adults, especially women, do not have the minimum education level required to participate in training workshops <b>(I)</b>
<b>Managerial skills and business experience</b>	- Owners of small business somewhat related with inclusive business (distribution of consumer goods, farming, and commercialization of agricultural products) allow sharing experiences and refining business practices during the interaction with the enterprise when designing and implementing the inclusive business <b>(E)</b>
<b>Interdependence</b>	- BOP view the interaction with a local enterprise as an opportunity to assure regular sales and income, as well as a means to reduce transaction costs by dealing with a unique customer <b>(E)</b> - Possession or physical resources (crops and natural resources) that are used as raw materials by private firms produce a perceived sense of dependence that may stimulate the BOP participation in co-creation <b>(E)</b>



Codes	Codes description
<b>Conformity or self-restraint</b>	<ul style="list-style-type: none"> <li>- The relative satisfaction with the actual socioeconomic situation and the low aspiration to improve current conditions of quality of life decreases interest in participating in co-creation <b>(I)</b></li> <li>- Prevailing survival entrepreneurship results in low motivation to try out new business projects, to re-invest or adjust the existing business to integrate it into an inclusive business model <b>(I)</b></li> <li>-Most of the community members have a job and feel comfortable with their situation, therefore they are not motivated to co-create value because they think this put in risk is current status <b>(I)</b></li> <li>-Some BOP families receive assistance from Ecuadorian government or international organizations, this demotivates them to look for alternatives of employment and income improvement <b>(I)</b></li> </ul>
<b>Infrastructure</b>	<ul style="list-style-type: none"> <li>- Local communities have basic services (water, light, sewage and transportation systems) that facilities movement of products and the use of basic technology required to support the BOP participation in an inclusive business (e.g. automatic harvester, refrigerators, irrigation systems, etc.) <b>(E)</b></li> <li>- BOP have limited access to the Internet which limits their interaction with the firm and the use of basic apps (e.g. electronic transferences) <b>(I)</b></li> </ul>
<b>Physical and economic resources</b>	<ul style="list-style-type: none"> <li>- Some BOP families/individuals own houses, land, and small business. These properties can be used as credit guarantees to finance the participation of the BOP in an inclusive business <b>(E)</b></li> <li>- Capital and savings for investment are limited, this refrains the integration of resources with the firm <b>(I)</b></li> <li>- BOP without resources are unable to contribute to co-creation <b>(I)</b></li> </ul>
<b>Social capital</b>	<ul style="list-style-type: none"> <li>- The long tradition in productive activity, for example, trading of consumer goods and agriculture, facilitates co-creation through sharing of knowledge experience <b>(E)</b></li> <li>- Participatory governance at BOP communities and a shared comprise to improve the socio-economic situation of the community enhances the interest in participating in an inclusive business that can represent a productive or social contribution <b>(E)</b></li> <li>- A strong sense of community belonging facilitates the diffusion of the inclusive business model to other community's members <b>(E)</b></li> <li>- Social norms, consumption culture, and spending habits may impede the interaction with private enterprises <b>(I)</b></li> </ul>
<b>Networking with social actors</b>	<ul style="list-style-type: none"> <li>- Low knowledge and interest in governmental programs that support micro-enterprises, agricultural technification, and technical education, prevent the hybridization of the inclusive business <b>(I)</b></li> <li>- Failure of the Ecuadorian government (e.g. the program <i>Cree Ecuador</i>) to integrate the resources and capabilities of NGOs, governmental institutions and civil society to support the creation of social enterprises, including inclusive business <b>(I)</b></li> <li>-Lack of trust in social programs <b>(I)</b></li> </ul>

Source: Authors

According to table 1 indicate the main inhibitor of the co-creation process inwards the IB is related to the sense of "conformity or self-restraint" of the BOP participants. As stated by Blokhuis (2012), survival entrepreneurship is widely widespread in developing countries. Survival entrepreneurship is characterized by a lack of motivation to increase income, the inability to re-invest in current business, and a lack of supporting networks (Vossenbergh, 2016). If the BOP is comfortable with their situation, the motivation to improve their socioeconomic status is low (Bharti, Agrawal, and Shaerma, 2013) thus preventing value co-creation. The BOP conformism may be related to other co-creation inhibitors such as "not savings" available to afford the investments required to collaborate with the private firm.

Low "networking of the BOP with social actors" is another obstacle for co-creation in the IB. As described in the literature section, the support of a decentralized hybrid network of organizations (NGOs, social entrepreneurs, civil associations, etc.) that mobilizes and integrates the resources, capabilities, and experiences of multiple actors is critical to maximizing the impact of the IB. But communities are circumscribed to their resources and their leaders show some impassiveness in developing relationships with key agents that may support social business and particularly inclusive business. Additionally, the BOP is not taking advantage of the social programs developed by the Ecuadorian government to strengthen their capabilities, improve their productivity, and get access to venture capital. The BOP need to play a more active role in the creation of a hybrid network that enables the integration of resources, exchange of experiences, and formation of an ecosystem.

The other two important inhibitors identified are the low educational level and capital of BOP communities. The poor education of the lowest socioeconomic levels of the population inhibits their participation in the co-creation of value with for-profit firms. According to Mamoon (2018), Latin American countries have mainly followed a strategy focused on the improvement of higher education (HE) that preserves social inequality by favoring urban and more educated social segments. In contrast, the public expenditure of East Asian countries gives priority to the quantity and quality of education at the base of the pyramid. A more balanced education policy, where state funds are channeled to educate the masses is recommended to give more opportunities to the BOP. Rasyid, Dirawan, Umar, and Pertiwi (2018) argue poverty reduction strategies must start by understanding the specific factors that affect poverty, being the household's educational level a main determinant of the income of poor families. Therefore, increasing community business capabilities by providing training can enhance not only the BOP knowledge resources but also their willingness to contribute to co-creation activities (Bharti et al., 2014).

Regarding the availability of venture capital (VC), this element is critical to business and social entrepreneurship. Gu, Quian, and Lu (2018) take as reference the United States of America and China, where the VC industry has been promoted by the government, to propose a framework that shows how VC contributes to local and national entrepreneurship. Providing credit and venture capital to the BOP has been acknowledged as a market opportunity for financial institutions that have focused on the lucrative segments. Ikya (2019) points out the case of Nigeria where access to financial services is a major barrier to mechanized farming. Banks are commanded to consider the size of the BOP segment to set aside money to finance the new ventures of the low-income mass market. In this study, Banco Pichincha is already offering credits to the BOP. The association of the bank with enterprises that promote IB will provide access to venture capital and contribute to the development of a hybrid network supporting inclusive business. Another option is proposed by Rosca et al. (2019) who argue micro, small, and medium enterprises (MSMEs) can serve as brokers between private firms and individuals or communities. Local MSMEs can support farmers to preserve raw agricultural products, afford access to the Internet, and assist them to improve their sourcing capabilities, thus playing the role of "outsourcing" inclusion agents and venture capitalists.

Despite these inhibitors, some enablers of the co-creation value process inwards the inclusive business were identified. One of the most important is the "interdependence" perceived by the BOP. The BOP is motivated to participate in a co-creation process because they recognize they have tangible and social resources valuable to the private firm and because being part of the supply chain of the firm represents a point of sale and a continuous and improved income. As stated by Chevrollier Van der Klein and Collée (2013) and Sarijarvi et al. (2013) the rules of engagement emerge when both parts recognize what sort of value can be created. The opportunity "to share their own experiences" and social needs with private firms is another important motivator of the BOP (Harwood and Garry, 2010). Olabisi, Kwesiga, Juma, and Tang (2019) examined how an indigenous Massai community from East Africa integrated its social needs with the commercial interests of a multinational company. The entrepreneurial alertness of the community was identified as a necessary condition to catch the attention of the MNC regarding the community's production experience making high-quality shoes. The community was

willing to share its experience and skills in crafting fashionable shoes with the Pikolinos brand. The partnership contributed to the brand reputation and revenue while improving the quality of life and business opportunities for the community. Thus, value co-creation resulted.

The third enabler identified is the BOP "social capital". The interpersonal relationships within the community, the shared understanding of norms and values increase the interest of the community to participate in the IB and engage in a value co-creation process. According to the literature, social ties facilitate access to knowhow and market particularities while preventing from opportunism.

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## 5. Conclusions and implications

Most of the emerging literature around inclusive business has been developed by western development scholars and focused on the motivations and barriers private firms face when implementing inclusive business. More recently, the integration of resources and capabilities of several organizations as a means to support IB has been a topic of study. Value co-creation inwards the hybrid network is recognized as critical to assuring the sustainability of the inclusive business in the long run. This work contributes to this body of literature by uncovering the enablers and facilitators of value co-creation from the perspective of the BOP in a developing country.

This study puts forward that an arm-length relation between the enterprise and the BOP should not be considered as value co-creation because it does not involve any interaction or mechanisms for resource integration. But if the BOP has no valuable resources to share or is reluctant to assume a more pro-active role to solve its current socioeconomic situation, the proposal of Mohr et al. (2012) of providing the BOP with goods and services at affordable prices becomes the only feasible type of inclusive business.

To improve the potential socioeconomic value of the IB and take advantage of the enablers, we elaborate the following recommendations to managers and governments:

*Communication and understanding of BOP.* Enterprises interested in making business with (not at) the BOP need to make an effort to interact with them and understand their needs and particularities to improve the profitability of IBs where the BOP are customers. Establishing contact with BOP leaders and social entrepreneurs opens a channel of communication with the community while the co-design of products and services could be the mechanism of integration required to move towards customization as the start of a value co-creation process (Chathoth et al., 2013).

*Networking with social actors and resource integration.* To replicate the model and include more beneficiaries, the support of a hybrid network of organizations is critical. The government should support the creation of micro-enterprises that could be suppliers, distributors and brokers of lead firms, and also promote the interaction between private enterprises, academic institutions, civil associations, international organizations, and NGOs. Additionally, private firms should try to sum up their resources to existing hybrid networks.

The collaboration of Ecuadorian private firms with government, NGOs, and social entrepreneurs needs to be more active to move from co-production to value co-creation that stems from social transformation. Pronaca and Novacero, the two firms associated with the most outstanding IB cases, have already established associations with the SNV Netherlands Development Organization and the World Business Council for Sustainable Development to finance the technical assistance to farmers and recyclers. Although these alliances can contribute to enhance existing IB, these projects only improve the socio-economic situation of the most privileged BOP sub-segment, namely the LMC-BOP (more educated, owners of land or natural resources, with savings or access to venture capital) but do not represent a solution to the socio-economic problems of the whole community. Additional support is required to create mechanisms for the integration of intangible resources such

as knowledge and experience, and to include the LC-BOP sub-segment in inclusive business initiatives, possibly as employees or small direct distributors.

*Training and entrepreneurship promotion.* Based on the results of this study and the conclusions of Goyal et al. (2015), a key recommendation for the government is to improve the educational level and entrepreneurship abilities of the BOP. Governmental programs need to promote self-employment and an interest in improving the quality of life through entrepreneurship. In the case of inclusive business where the BOP participate as suppliers or distributors, capital and technical assistance may be enhanced and complemented with governmental resources. Private firms may take advantage of existing social programs and identify communities in conditions to apply for assistance.

Extensions to this study derive directly from its main limitation which is related to the reduced number of benchmark cases analyzed. The study of IB cases of other countries is recommended to verify what are the enablers and inhibitors for value co-creation from the BOP perspective. Given this research is cross-sectional, it is recommended to perform a longitudinal study of benchmark cases to identify the milestones that determine the progress/restraint of the co-creation process. Furthermore, the findings of the present study can be cross-validated with the enablers and inhibitors of co-creation value recognized by firms that have implemented IB projects. If there are common factors, scholars can devise strategies to accelerate the co-creation process inwards of the IB.

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