

# Understanding the Effect of Service Value Network in Transformation of Society

Mithilesh Pandey, Neelam Nakra, Rajesh Poonia

**Abstract:** *The purpose of this study is to explore how network participants “exchange value” towards the transformation of society rather than contribute solely for individual benefit. The study uses qualitative approach and depth interviews method has been used to obtain the opinion of network members in a service value network. The study found that dairy farmers feel empowered as part of co-producing group and this strengthens their trust in the service value network. Milk unions contribute to the service value network through co-marketing of milk. Consumers play a role in service value network and make their impact through social consumption. It can help various entrepreneurial groups to form SVNs and help in promoting the well-being of society. The study has established a relation between service value network and social transformation. The model can help social entrepreneurs to understand the micro aspects of service value networks and create new business models based upon it.*

**Index terms-** Social Value Network, Social Capital, Social Transformation, Value Creation

## I. INTRODUCTION

Value creation is becoming ever more challenging network relationship because of variations in the priorities of each network members. When network members start exchanging value for the transformation of the well-being of each member, it becomes value network (Lusch, Vargo, and Tanniru, 2010; Peppard and Rylander, 2006). In a way, service value network can act as an aggregator, assembler and distributor of value. If there is high density in network connection it can increase the possibility of value exchange rapidly and less-density can result into weaker bonding among the network member (Rocks *et al.*, 2005).

The basic purpose of this study is to explore how network players “exchange value” for the transformation of society rather than contributing for individual benefit only. Present study tries to contribute to enhance existing understanding of service value network literature by adding new knowledge on resources exchange in network relationship for social transformation. Value exchange is only possible when it has been exchanged without expectation of reciprocal benefit and network members start contributing in the well being of each member without any sort of expectation in return.

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## II. THEORETICAL FRAMEWORK

Value creation in service network is the key research priorities in service research these days (Ostrom *et al.*, 2015). The prime reason behind interest in studying service network is its ability to develop sustainable business model. Moreover it seems to very interesting to observe the approach undertaken by each stakeholders when resources are unevenly distributed among network members (Brass *et al.*, 2004). Network exchange can't be considered as a successful exchange until it bring transformation in society. Service network is often nested with multiple players which exchange value and resources simultaneously (Akaka, Vargo and Lusch, 2013). Likewise of service ecosystem, service network is also made up of micro (Household i.e Consumers and milk producers farmers), meso (e.g., rural dairy co-operatives) and macro level (e.g., culture, community and nation) (Vargo and Lusch, 2016; Chandler and Vargo, 2011). According to Rosenbaum *et al.* (2011), transformational services deals with wellbeing of various entities in the area such as literacy, capacity building, health, financial and decrease disparity among others. The issue of service transformation can be addressed through improvement in social well being, up gradation in economic well being.

## III. RESEARCH METHODOLOGY

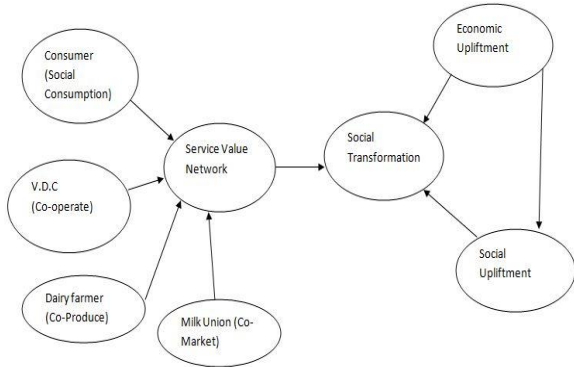
Present study involves qualitative interviews approach. As qualitative research is a unique approach to uncover experiences, it has been used to address the issue of detailed explanation (Bluhm *et al.*, 2011). The items for interviews were developed based on objectives of the study. All factors for interview question were adopted from previous studies related to service value network (Haas *et al.*, 2013). In sampling stage, we indentified individuals who are involved in co-operative milk production, procurement and dispatch services in North Gujarat region of India. We conducted 14 in-depth interviews of various stakeholders involved in value creation in Milk production and milk marketing in Gujarat region of India. All interviews were lasted for on an average 40-45 minutes.

## IV. DATA ANALYSIS

Collected responses were broken into statements based on the suitability of construct of the study. Interviews were taken from micro, meso and macro level representatives to understand the role played by each stakeholder in social



transformation. Among total interviews, 5 respondents were from micro level, 6 stakeholders were from meso level and 3 interviews were taken from the representatives of macro level entities in entire service value network.



**Figure 1- Model of Service value network and social transformation**

As per the proposed model, the in-depth interviews were analyzed and illustrative quotes are mentioned below.

**Table 1- Illustrative Quotes From Network Density.**

R1- Get good veterinary service. Maximum share of consumer rupee comes back to village dairy coop. society. Besides Milk union provides by backward integration a) Animal health cover, b) Balanced cattle feed at reasonable price, C) Genetic upgradation : Good quality semen for high yield progeny i.e. veterinary health cover, feeding, breeding and management for increasing productivity, lowering unit cost of milk production by practicing Ration Balancing Programme, Fertility improvement programme.
R2- Village dairy co-operative society's member some time stops to sell milk to dairy co-operatives
R3- We farmers stop supplying milk to co-operatives when we will that we are not given sufficient benefit in return to what we are giving to milk co-operative societies and to milk union

From above table, it can be said that entities in high density kind of service network try to share values with common interest. Higher density also results into reciprocity among the network members. Milk union also tries to give back to the each entity involved in milk production and distribution. Milk union usually spread benefits like animal health cover; balanced cattle feed at reasonable price. Milk union tries to provide best possible facilities to maximize the productivity of buffalos and cow by fertility improvement program.

**Table 2- Illustrative Quotes from Cooperation.**

R4- Consumer's awareness programmes conducted by milk union tell them how the maximum share of consumer rupee goes back to villages for socio- economic welfare of rural farm families.
R3- We get good veterinary service. They procure from door step and provide other services like veterinary, training, insurance to cattle etc. to us.
R5- Due to certain political interference and lack of infrastructure facility VDCS cannot cooperate accurately and efficiently.

Milk producers are co-operated for effective learning to increase the output and they are also given facilities of insurance for their cattle. Problems of distance and delivery

are forgone due to co-operation by dairy co-operative societies. On the other side, VDCS has lot of limitations in co-operating accurately because VDCS need to operate in certain set of rules.

**Table 3- Illustrative Quotes From Social Transformation**

R6- I got prestige in society and in community. It gives huge platform and network to me as milk produce
R7- Due to better price and effective payment system, I am able to afford good quality of food and better medical facility. Now I can afford to admit my son into private hospital for better treatment.
R4- Price difference declares every year by VDCS and Union almost 10 to 18 % are additional which only given by cooperative dairies or channel. It also helps in getting financial support at minimum rate of interest.

From the above table, it can be traced that all network members operates in a harmonious environment to transform the society in a best possible manner. The steps have been taken for betterment of rural livelihood of milk producers. Network relationship has also helped milk producers to get nutritional security for animals and also for family members.

**Table 4- Illustrative Propositions**

<i>Proposition 1 – Dairy Cooperatives service value network (SVN) is based upon the attributes of Social consumption, Co-operation, and Co-production.</i>
<i>Proposition 2 – Social Transformation is based upon the attributes of Economic upliftment and Social upliftment.</i>
<i>Proposition 3-- Economic upliftment is positively correlated to Social upliftment. (Economic upliftment will affect Social upliftment)</i>
<i>Proposition 4-- SVN is positively correlated with Social transformation. (Greater the value created in SVN more it will impact the Social transformation).</i>

**V. DISCUSSION**

The study found that Dairy farmers, the primary contributor to the SVN is contributing through co-production of milk. Co-production of milk can be understood from the fact that dairy farmers mutually respect the importance of every member contributing to the village dairy co-operative (VDC). Co-operation among the members of VDCs help them in knowledge sharing in the field of dairy production and to some extent it gives them exposure to new technology as well. Hence at this stage social well being of the VDC members starts reflecting in the dairy co-operative network. The Milk unions contribute to the SVN through co-marketing of milk.

This co-marketing phenomenon can be defined collective bargaining of producers with the processor in the value chain. The study found that consumers of AMUL confirm to the fact of social consumption. Social consumption for a dairy consumer can be defined as the process of consumption with an orientation of helping the milk producers. This social consumption helps in socio-economic well being of dairy farmer. The elementary members of the milk co-operative service value network are dairy farmers.



The problems which they faced were that the work done by them (milk production)

was not having any social recognition and also was not able to fetch them reasonable money. The social transformation brought by the SVN is evident from the study for the fact that dairy farmers, of the dairy co-operative network have been socially and economically uplifted.

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## VI. MANAGERIAL IMPLICATIONS

It can help various entrepreneurial groups to form such svns and help in well being of the society. The study has also discussed the concept of co-production, co-operation and co-marketing. These three “co’s” can help the organizations to aggregate, assemble and distribute of value to their customers by engaging the various stakeholders in production and delivery network.

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