Network model for social entrepreneurships: Pathways to sustainable competitive advantage

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Abstract

The study tried to identify network model of social enterprise in gaining sustainable competitive advantage. By propounding twofold of questions: (1) what is the appropriate network typology that can help the company to gain cost advantage as well as shortening innovation process at the same time and (2) what is the best network model for sustainable competitive advantage which fit in with the characteristic of social enterprise, our study contribute to two pivotal issues on social entrepreneurships. First, drawing back to the structural inertia of an organization, each life-stage refers to specific basis of relationships. We propose four typologies consisted of voluntary basis, coalition basis, and contractual basis and end up with strategic cooperative basis. The sequential flows had successfully identified, therefore the typology can be seen as a cycle. The study enclosed with proposed network model that fits in with the true character of social enterprise to achieve better sustainable competitive advantage. The unique insight from the study is the use of current and desired state of art as alternative for performance measurement which might be developed further, thus complementing the existing common variables.

Keywords: Network model; Social entrepreneurships; Competitive advantage; Focal firm

1. Introduction

Despite of its tremendous development, social entrepreneurships is yet vague and notice. For the past fifty years, research on related topics focuses more on definition (Abu-Saifan, 2012; Cukier et al., 2011; Martin & O’sberg, 2007; Nichols, 2007; Austin et al., 2006; Mair & Marti, 2006; Guclu et al., 2002), characteristic of the entrepreneur (Light, 2006; Thompson at al., 2002; Dees, 2001), competitive advantage (Weerawerdena & Mort, 2012; Sharir & Miri, 2006; Seelos & Mair, 2005), basic of philosophy (Pepin, 2005; Wallace, 1999; Schumpeter, 1934), and the role of innovations (Svensson & Bengtsson, 2010; Tuckman, 1998), but failed in describing firmly strategic management process for social entrepreneurships. Without clear and comprehensive framework, social entrepreneurships will justified as the early stage of knowledge development for management field.

Towards the concept of strategic management for social field-business, this paper tried to analyze the role of intra-organizational network as they embedded some possibilities to create higher-level of efficiency and tactical pathways for innovations. The two elements believed as the core capabilities for sustainable competitive advantage (Arena et al., 2015; Millar & Hall, 2013; Bagnoli & Megali, 2011; Straub et al., 2010; Trelstad, 2008).

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We focused on two fold of questions: (1) what is the appropriate network typology that can help the company to gain cost advantage as well as shortening innovation process at the same time and (2) what is the best network model for sustainable competitive advantage which fit in with the characteristic of social enterprise. The rest of the paper will be organized as follows. Section two will briefly discussed our analysis among several former research. In order to have clear perspective, we searches the journal using Proquest and google scholar database from the year of 2000 to 2015 and having one additional seminal book by Schumpeter (1934). Section 3 will provide analysis and discussion to answer our proposed research questions. We develop network model for social entrepreneurships and profound pathways for further research agenda. Section four presented our arguments for practical implications from the findings, while section five summarized our conclusions.

1. Literature review

1.1. Relating social network analysis to social entrepreneurship

Network is seen as the product of mutual-relationships between units, where each party think that they are dependent on others. This is true since the basic common reason to live within network is to gain advantageous skills instantly. Moreover, many organizations saw network as short-cut to develop future competitiveness. Through proper knowledge transfer mechanism, company has the opportunity to learn from other experience in developing one core competencies (Prasetyo, 2016a). For most cases, company with higher capabilities tends to support those who had lower ability in order to create entry barriers for new entrants.

Analyzing the true characteristic of network can be done with social network concept. As proposed by Scott (1991), social network analysis focused on investigating the relational aspects of the structure in the context of intra-organizational alliances. The key concepts in social network analysis consist of (1) structure, (2) ties, (3) content, (4) context and (5) purpose. The first element would be structure. Since network performed by sets of actors, then relation between actors can be drawn as structural connection (Kilduff & Tsai, 2003). Moreover, developing network started with the initiation of one actor which further attracted another member to join in. Granovetter (1973a) identified some basic reasons which further justified as ties which connected one member to another.

Several former researches signaled theories which potential to be the source of ties: transaction cost economies, institutional theory, strategic management perspective, resource based view and knowledge management. For transaction cost economies, one possible reason to join network is to acquire better bargaining power which lead the company to get extra discount or any other ways in achieving higher efficiency.

The logical framework is related to resource based view and strategic management where company tend to be taught with the ultimate goals in increasing wealth. Therefore, to be able to operate in highly productivity company needs to share important elements such as production facilities, research and development program, supply chain process, distribution process, or even knowledge management. Having collaboration can lead the company to fully utilize the resource availability as well as gaining larger profit (Prasetyo, 2016b; Hines, 2005). The better the network can facilitate all resource transfer, the stronger the ties would be (Granovetter, 1982b).

The third to five elements - content, context, and purpose - in social network analysis describe every meaningful reason to live within network. Content is the extent to which every member agreed for some specific rule of game set up by the focal firm. However, for some cases the agreement is not based on formal contract, but the rule will be respectable by all members since every one shared the same desire: to achieve better goals in the future. This is the point where social enterprise should take more advantage.

The fourth element - context - defined how network managed its relationship with non-member organization. Considering the important role of mission-sharing principal, social entrepreneurship, give more attention to non-member organizations with more values-similarity. Ideally, they will put the requirement when filtering potential candidates. The fifth element - purpose - always set by the focal firms (Prasetyo, 2016c). For some scholars, productive network must be planned properly from the beginning (Kilduff & Tsai, 2003). The focal firm must be able to convince all leaders to follow some particular mechanism in order to achieve common desire. This is important for social entrepreneurships since the productivity lies on member activation and willingness to pursue specific achievement for each period.
Furthermore, every performance will be counted in cumulative way to provide a network value. Though social network analysis was mostly applied on profit-oriented organizations, but our theoretical presentation signaled the potential for social entrepreneurs upon some elements: (1) the existence of the focal firm as network leader; (2) the importance of mission-vision and value sharing among member; (3) defining the true content for collaboration, including the key performance to be achieved; (4) setting up the context which dealt with how organization manage its relations with non-member outside network and (5) refining the true purpose of the entire network in order to deal with environmental changes. This will benefited our further analysis.

1.2. Network strategic management analysis for social entrepreneurship

We begin the analysis by defining the term social entrepreneurships. Our theoretical reviews found strong pivotal insight from Nichols (2007) and Mair (2006). Social entrepreneurships defined as the extent where corporation was initiated towards serving those who is unserved by the existing political or economic institutions, thus while dealing with social problems, the firm tried to elevate the quality of life for the common virtues.

Drawing back from the offered definition, there are two main objectives of social entrepreneurships: (1) dealing with social issues and (2) escalating the quality of life among society. Grappling with those two missions at the same time would be unavailing for couple of reasons. First, the problem of the society is very complex and unstructured. For most cases, it is difficult to identify the root of the problem. Many scholars or even politician only dealt with the symptom by trying to restrain the chronic for future impact. This is the why social enterprise need support from other parties.

Second, different perspective had thrives to different opinion regarding the social needs. Foremost, company needs to have strong relations with the society in order to disseminate the knowledge properly. This would be the true basis for the future understanding, commitment, and loyalty.

Having done with identification stages, further steps would be on the core process of the company, ranging from research and development, production, finance, human resource, up to marketing management. This is where the complexity begins.

Success in identifying social problem shared no guarantee for sustainable competitive advantage. Retrieving to network strategic management model proposed by Prasetyo (2016b), social enterprise need to find the best idea to deal with cost leaderships strategy and innovation forced at the same time. The logic behind the opinion is that as social organization, most former research related the organization with the help from funding institutions (Bugg-Levine et al., 2012; Chernoff, 2008, Wuttune et al., 2008). But on the long run, the company needs to be more economic-independence. Thus, operating at the highest level of efficiency is compulsory.

On the upstream level, the company needs to compete with commercial sector to occupy the best position at the market. Although both sectors are totally different, but at most case, customers tend to synchronize the two. The way customer evaluates organizational performance for commercial and social enterprise is almost the same. Therefore, some scholars defined the phenomenon as hybrid-form (Grasll, 2012; Brandsen et al., 2005; Ben-Ner, 2002). Up to some point, customers prefer to evaluate performance based on the common measurement including: (1) the fairness of the price, (2) the quality of the product and (3) interesting gimmick given as marketing campaign. All of this leads the social entrepreneurships to be able to perform innovation neither on product level, managerial level nor on even process level.

Despite of its complexity, one potential solution to perform both competencies at the same time would be by networking. Social enterprise need to have business alliances with related stakeholder to gain better advantage. It can be alliances with society which will be served, supplier in the supply chain mechanism, or even with existing player to gain more advanced knowledge about market.

Though the concept was derived from the same source, business network for social enterprise must be different from commercial sector in terms of: (1) sharing social mission (Martin &Osberg, 2007; Mair & Marti, 2006), (2) prioritizing local society (Billis, 2010; Defouny& Nyssens, 2010; Brandsen, 2005) and (3) engage more on value creation (Lessig, 2008). Those three terms made importance of social enterprise as the initiator of the alliances. Referring to network strategic management concept, we named the position as the focal firm.
Furthermore, the focal firm used to have power upon four respective areas, including setting up mission-vision and target to be achieved by network, the rule of the games in aligning one competency into another, member-filtering process and performance evaluation over network. Holding the position firmly, social enterprise will be able to maintain its social value over the long-run.

2. Analysis and discussion

2.1. Proposed network structure

Proceeding business network structure for social enterprise started with the definition of network. Deriving from three former research on business alliance phenomenon, network can be describe as sets of interconnected organizations which tend to exchange its capabilities in order to deal with internal weakness (Fuller-Love & Thomas, 2004; Coviello&McAuley, 1999; Hollendsen, 1998). Moreover, internal weaknesses experienced by most social enterprise are on human resource issue, financial dimension, and production process. Weak-supporting funds happened as systemic factor which impacted all organizational elements, such as inability to attract the best talented people to run the organization, powerless to provide production facilities and for research-development activity. This might signaled the holes for future collaboration.

Retrieving from the conclusion proposed by Burt (2000), the structural holes created within network is actually the source of value added while unconsciously foremost case, network started to realize the potential value buried inside. This is the reasons for social enterprise to take the position as initiator for network development, thus becoming the focal company.

Taking the idea to the life cycle of the organization, to be fully recognized as potential focal company which has the ability to attract more players in joining the network, company need to develop their internal capabilities. Therefore most probably, the opportunity to become focal company can be found at the growth-stage up to maturity, while acting as supporter to others network might beneficial for introduction-stage (see figure 1).

Moreover, early stage can be used as learning process to achieve higher-better bargaining position. Social entrepreneur must pay more attention by setting up a proper long-term plan as initial steps, such as internal-organizational assessment to identify strength and weakness, and also portraying capabilities which should be developed in the future. This can be done using benchmarking process to some known incumbent.

Apart from deploying introduction-stage as knowledge mission, another theme which can be done is starting to develop strong ties with all incumbent and stakeholder for future relationships. The reason is that initial recognition is benefited as ways to show the true capabilities hidden within organization which further can be used by the entire network through contractual or non-contractual basis.

![Fig. 1: Possible position for each stage](source: develop for the study)
As mentioned before, succeed in performing the best capability is the best approach to build mutual trust and future support. Therefore, once the company became the focal firm, then they must be able to initiate a new life cycle in order to give clear direction to all members regarding what to be achieved.

2.2. Network topology

The previous explanation lead us the understanding that the position of social entrepreneurship is totally depend on how well they can perform the capability, therefore identifying firmly typology will be a great contribution to the concept. Our proposed typology can be seen on figure 2.

The two dimensions of typology are using resourcefulness and similarities of mission as elements. As suggested by Todeva and Knoke (2005), Saxton (1997) and Tsang (1999), intra organizational performance is affected by how well each party can perform its internal capacity at higher-level – so called resourcefulness. Failure in performing the true competence will be impacted future trust and commitment for the entire network. Another consideration would be the number of potential members in which great number representing company-high bargaining power (Hilmberg& Cummings, 2009).

![Network Typology for Social Enterprise](image)

**Fig. 2: Network typology for social enterprise.**

**Source:** develop for the study

The proposed typology consists of four quadrants. The first is voluntary basis. This is the extent where social enterprise shared low resourcefulness as indicated by medium-low performance while the similarities on missions are few. In this case, the organization has no bargaining power thus, relying on the existing condition while keeping at best performance in order to change the environment – attracting new entrants with more similarity in mission to join the system. Furthermore, the basis of network ties should be on voluntary basis, since having contractual basis with those who is not similar in mission will affects the overall performance. Voluntary basis would be advantageous since the relationship can be instantly performed – as long as where two parties agree in exchange their resource without having firmly connectedness one another. This type can possibly be deployed over introduction-stage.

As internal capabilities had successfully developed, while similarity in mission among partner is still few, then it would be good if the relationship can be built upon contractual basis. The purpose is to lock the position of each partner to perform the function as focal firm wishes. Network ultimate goals must be the strong bond for future collaboration. Moreover, this can be acknowledged as the first step to be the focal firm.

The third quadrants would be coalition basis. This is where resourcefulness still low, but similarity in mission experienced by each partner is more. Up to this point, organizational bargaining power is still below the moderate level. That is why the possibility to have contractual basis is somewhat low. Notwithstanding, potential partner still can justify organizational future capabilities. Therefore, the most possible ties to have their attentions are by coalition basis. This is where social enterprise started to utilize network as important part of knowledge management.

The fourth quadrants – as targeted by many social enterprises – would be strategic cooperative basis. This is where resourcefulness is already developed at its best and the more potential partner who share the same mission. In order to be the futurist for social entrepreneurship, company has to take the responsibility as strategic initiator for further cooperative among all stakeholders.
Since the quadrant shared the highest position, then they can give more impact to others. Several social enterprises had been justified in this stage, such as Grameen Bank in Bangladesh, Woman Like Us in United Kingdom and eBay. Their outcome had inspired the world.

One unique finding from the typology is that it deserved to have cyclist movement, begin with voluntary basis, continued on coalition basis, contractual basis and ended up with strategic cooperative basis. By identifying the flow within each quadrant, the typology can be used for benchmark to all social entrepreneurs in order to find clear pathways to develop the organizations.

2.3. Proposed network model framework for social enterprise

After identifying some possible network typology for social enterprise, this section will briefly discuss our thoughts regarding the general framework in pursuing sustainable competitive advantage. As initiated by resource based view, limited resource succeeded in uncovering the facts that gaining superior bargaining power is compulsory to prolong the existing operation (Wang & Ahmed, 2007; Teece et al., 1997; Wernerfelt, 1995; Barney, 1991). The same concern applied for social entrepreneurship, since they also dealt with commercial sector in serving the potential markets. Thus, having sustainable competitive advantage must be the ultimate goals for each social enterprise.

Our proposed framework – as seen on figure 3 – consists of five major components: (1) the early state of art, (2) antecedents, (3) the mechanism of network management, (4) sustainable competitive advantage and (5) enclosed with targeted state of art. Each of the components will be described further:

**Fig. 3:** Network model for sustainable competitive advantage of social enterprise.

*Source: develop for the study*

Early state of art is the extent on which organization tried to positioning itself among the four quadrants. It is important since the initial definition tend to define long-term systematic pathways. By realizing the existing position, social enterprise has the willingness to develop further on both contexts: individually and also in collaborative manners.

The second components would be the antecedents. We identified five possible antecedents: (1) mutual commitment, (2) trust, (3) honesty, (4) leadership and (5) envisioned. However, most former research on traditional form of network also suggested the similar idea, but social enterprise shares higher level of commitment, trust, honesty, impactful leadership and clearer envisioned. One strong argument is because social enterprise rely its long term performance towards relationship with all members within network.
Thus, showing low commitment, mistrust, dishonest, ineffective leadership, and blurred vision will lead the organization to its early ‘quitters’.

Relating the antecedents with network typology, it is cleared that mutual commitment, trust and honesty should be the basis for all quadrants, especially for voluntary and coalition basis. This can be seen as an early stage where every party tried to justify the feasibility of future relationships. Strong commitment, trust, and honesty among members also act as triggered point to attract new entrants in joining the network. Once those three components become stronger, then proper leadership might elevates the network to contractual basis, where the focal firm started to manage collaboration procedure for entire network. Furthermore, the ultimate outcome from proper leadership would be strong envisioned which lead to strategic cooperative basis of network.

For some instance, that is the final destination for desired state of art. Up to this point, the focal firm tends to direct the network to start with the new concept and share the new dreams. Finally, this is the pathways to maintain sustainable competitive advantage.

2.4. Dealing with potential threats

The greatest threat for applying the model is due to dynamic capabilities pursued by each member within network. As structural inertia of an organization, social enterprise unrestrained themselves from dealing with profit oriented organization. The same spirit shared to all partner for the entire network. Therefore considering behavior of external factor is plausible.

Our analysis begins with how social enterprise would react to dynamic capabilities. As initiated by Andrews (1971), Teece and Pisano (1994), Teece, Pisano and Shuen (1997), dynamic capabilities is succeeded in looking at strategy as non-normative field of studies. Strategy might change shortly in accordance with environmental turbulence, therefore each organization tried to estimate some possible changes for future planning.

Drawing back from the concept of innovation, it is concluded that one possible way to deal with dynamic capabilities using network perspective is by having alliances towards new product development. The focal company needs to create firmly direction for future innovation. Through some productive knowledge management system, members of the network can act as the source of idea, thus fulfilling the envisioned component of antecedents.

Unconsciously, the mechanism leads to shortening the proposed cycle – as seen on figure 3. Competitiveness at a time can be the source of another new cycle, and importantly, contribution from each member will make the circling faster than before.

3. Future direction

The study shared limitations since it only provide theoretical framework which needed to be tested empirically. Therefore, further research can be done on several areas. First is to have empirical test among the five antecedents - mutual commitment, trust, honesty, leadership and envisioned. This is to find the evidence of how each antecedent interact each other.

Secondly, using case study approach, further research can be done in analyzing the implementation of network strategic management concept while try to find the relationship with the ultimate goals which is sustainable competitive advantage. Our suggestion highlighted the use of case study analysis by considering that the concept still under construction to be used as firmly benchmark. Deploying case study might be benefited the researcher by providing more insight for potential measurement variable as well as operational definition.

The third agenda would be on the component of sustainable competitive advantage. Though most research in social entrepreneurship used societal return on investment as the measurement, our theoretical tracing proofed the other potential variable which is network typology. Further research can be done to complement the framework by identifying the perfect scale for the diagram so that it might be used for practical matters.

4. Conclusion

This study began with addressing the two fold questions : (1) what is the appropriate network typology that can help the company to gain cost advantage as well as shortening innovation process at the same time and (2) what is the best network model for sustainable competitive advantage which fit in with the characteristic of social enterprise. Our theoretical explanations had come to frame two related answers.
First, appropriate network typology for social enterprise signaled strong influenced from organizational life cycle. At introduction-stage, the possible typology would be voluntary basis and coalition basis, meanwhile, growth-stage should be dominated with contractual basis and as the final destination, maturity-stage deployed strategic cooperative basis.

Secondly, the proposed framework for network model of social enterprise begins with current state of art. This can be done by identifying the position among typology to have clear pathways for further steps. The next component would be the fifth antecedents and network strategic management. Meanwhile the ultimate goals should be sustainable competitive advantage with firmly measurement using desired state of art derived from network typology.

The practical implication of this study leads to the importance for social entrepreneur to identify its current state of art while portraying targeted state of art using our proposed typology. As complement to common measurement of societal return on investment, our typology can be used to have clearer pathways in achieving sustainable competitive advantage.

Our proposed network model might become the greatest contribution from the study which needed to be tested empirically in order to have firm guidance in dealing with ambiguity on social entrepreneurship field of knowledge.

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5. References


