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Community-based enterprise as an instrument for sustainable development?

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1 Introduction

1.1 Motivation of research

Environmental degradation and poverty are two old, yet remain actual, problems in many developing countries. Reports indicate environmental degradation due to human activities and an estimate of 1.4 billion people in developing regions still live in extreme poverty with less than 1.25$ a day (e.g. United Nations, 2012). ‘Sustainable development’ is proposed as a framework for incorporating socio-economic success and environmental protection over the long run. Along with the increasing efforts to create a sustainable world, the issues of community-based and social entrepreneurship have gained importance in the last few decades. The establishment of community-based enterprise (CBE) is triggered by the unsuccessful government-only program, economic distress, social disintegration, poverty, and environmental problems (Welsch and Kuhns, 2002; Peredo and Chrisman, 2006). CBE has been increasingly acknowledged as a way to maintain autonomy of rural and indigenous communities (Orozco-Quintero and Davidson-Hunt, 2010) and argued as a potential solution for poverty reduction and it has been applied in various sectors across the world (Peredo and Chrisman, 2006). If such a successful CBE model can be implemented in a wider range, then it will become an answer for attempts towards poverty alleviation and sustainable development around the world. Thus, research to develop a CBE model, which is applicable worldwide, will be worth pursuing. The hope of having CBE as a potential solution and the challenge of finding an effective way to successfully implement the CBE model motivate the author to conduct this research.

1.2 Problem statements

Despite the increasing implementation of CBE, as far as the author concerns, there is no uniform understanding of how the CBE is actually organized yet. Many literatures highlight the potential of CBE as a tool to manage common pool resources or to solve poverty issues without describing the structure in detail. Is CBE really a new and unique organization form as claimed by Peredo and Chrisman (2006) or is it merely one kind of social enterprise or village level enterprise? Furthermore, looking closer to some experiences, the performance of CBE is apparently varied; some succeeded (e.g. Orozco-Quintero and Davidson-Hunt, 2010) and yet some failed to operate sustainably (e.g. Goodwin and Santilli, 2009). Thus, there is a need to investigate the underlying success’ influencing factors. Seeing how the performance of CBE is varied raises another question as of what the cause of success/ failure can be.

In entrepreneurship field, the lack of success in promoting small business development for improving poor populations’ prosperity is partly due to the failure to grasp the kind of entrepreneurship that is suitable for different cultural settings (Cornwall, 1998). In this case, the questions are what kind of enterprise a CBE actually is and whether this kind of enterprise can lead to a positive performance in terms of social, economic, and environmental development.

The author argues that a good understanding about the nature of CBE is the bottom line of an effective coordination and only then further attempt can be made to better conceptualize the CBE model, useful for a wider sectorial and regional implementation’s coverage. Based on the description above, it can be summarized that this dissertation intends to explore the following research questions:

1. How can the organizational architecture and performance of existing CBEs be described?
2. Which stakeholders are involved in the organization of CBEs? What has been the role of each stakeholder in the organization of CBEs?
3. Which impact has the organizational architecture of CBE had on its performance?
4. Is there any optimal organizational architecture that can guarantee CBE’s success? How can it be used to construct a successful/best-practice CBE model?

2 Theoretical background

CBE theory is relatively new and not well developed yet. In order to assess the CBEs, the author draws the theoretical foundation from the general organizational theory, particularly organizational architecture and organizational performance.

2.1 Organizational architecture

The importance of assessing organizational architecture is based on the argument that organizational architecture is one of the most influencing on organizational performance (Nadler and Tushman, 1997; Jost, 2000; Mansfield, 1986).

Borrowing the logic of Nadler and Tushman (1997), the author specifies four features of organizational architecture:

1. Contextual constraints can be understood as a situation where choices regarding the new construction or restructuring of an organization is needed. To be able to perform well, an organization must implement a suitable organizational architecture respective to its environment (Rickard, 2006).

2. Type of organizational goals to be maximized. An organization (commercial or non-commercial) is created to fulfil certain goal(s). It is the question of which variables an organization tries to maximize that differentiates them.

3. Collection of resources. Both the kind and the availability of resources need to be taken into consideration. For the purpose of this research, the author specifies five kinds of resources, i.e. physical, financial, natural, human, and social capitals (World Bank, 2003).

4. Architectural style. Regardless which variables an organization attempts to maximize, all organizations face common problems: how people are coordinated and motivated to get things done (Milgrom and Roberts, 1992; Jost, 2000). Coordination problem concerns with the question of how the variety of tasks are divided among actors and how the decisions’ authority is placed in the right hands. Meanwhile, motivational problem deals with identifying proper incentive systems to stimulate rational individuals to act in expected ways and what is necessary to be done to make the incentive systems effective. There is an indication that coordination and motivational issues influence the performance of community-based projects (Soviana and Kühl, 2013).

2.2 Organizational performance

Organizational performance has been the most important issue for every organization. Measuring performance is a mechanism to judge if an organization is successful or failed since organizational performance indicates the actual output or results of an organization as measured against its intended outputs or goals (Richard et al., 2009). However, defining, conceptualizing, and measuring performance have not been an easy task. The central questions are (1) what to measure and (2) how to measure (Kanter and Brinkerhoff, 1981; Dess and Robinson, 1984; Venkatraman and Ramanujam, 1986; Abu-Jarad et al., 2010).

For the dimensions of organizational performance, the author follows the categorization made by Kanter and Brinkerhoff (1981): (1) task effectiveness or goal attainment, including output, results, efficiency, etc.; (2) appropriate organizational structure and process, including organizational characteristics, member satisfaction, motivation, communication links, internal conflict resolution, etc.; and (3) environmental adaptation, including flexibility in the face of change, resource acquisition, longer-term adaptation and survival. The second category somewhat overlaps with the organization architecture and the author sees it more as the cause than as the result. Therefore, the measurement of organizational structure will not be part of organizational performance meant here, but it will be part of the assessment of organizational architecture.

There are various ways of measuring the performance. Evaluators can either (a) choose “universal” measurement units that allow the comparison of these with other organizations, or (b)
develop idiosyncratic units that reflect the unique organization’s goals and life stage. In this case, the author chooses to develop idiosyncratic units in order to match the research condition.

3 Methodology

Up to now, empirical researches regarding CBE are mainly individual case studies. It is hard to have a clear overview of the overall structure, performance, and key-success determinants of the existing CBEs. Since the research tries to explore and explain the structure of CBE, the author chooses qualitative and inductive methods. The author intends to create a generalization of CBE model by learning from existing CBE experiences. A qualitative meta-analysis is conducted in order to generalize the singularity of case studies and thereby offering greater explanatory power (Stall-Meadows and Hyle, 2010).

4 Expected results

By the end of the research, it is expected to have a clear overview of the CBE’s organizational architecture (including the role of stakeholders) and performance, to obtain knowledge about the correlation of CBE’s organizational architecture and its performance, as well as to construct a best-practice CBE model.

References