

Soviana, Soviana

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Framework for Analyzing Community-Based Enterprise (CBE): Literature review of organizational architecture and organizational performance

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Framework for Analyzing Community-Based Enterprise (CBE)

Literature review of
organizational architecture and organizational performance

Working paper

June 2013

Soviana

Justus Liebig University
Institute of Farm and Agribusiness Management
Senckenbergstr. 3
35390 Giessen
Germany
Tel.: +49 641 9937276
Fax: +49 641 9937279
E-mail: s.soviana@yahoo.com

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1. Introduction

This working paper presents a theoretical framework for analyzing community-based enterprise (CBE). The idea behind the research is the consideration of examining the CBE's potential as an instrument for achieving sustainable development. First of all, the motivation of research is presented. It is followed by the description of the problematical issues and accordingly, the formulation of four research objectives to be achieved by the end of the study. Finally, section 1.4 explains how the remaining of this working paper is constructed.

1.1 Motivation of research

Environmental degradation and poverty are two old, yet remaining up-to-date, problems in many developing countries. These following facts are some examples of the problems. Reports indicate that 80% of world fish stocks are over exploited (FAO, 2009), 70% of world's reefs are endangered by human activities (Wilkinson, 2008), 1-2% of mangrove forests are vanishing (FAO, 2007), and within 20 years 18% of the recorded sea-grass areas have disappeared (Walker et al., 2006). In 2008, it was estimated that around 1.4 billion people in developing regions still lived in conditions of extreme poverty with less than 1.25\$ a day (United Nations, 2012).

The World Commission on Environment and Development (WCED, 1987) has highlighted the link between poverty, environment, and development. Respectively, the term 'sustainable development' is proposed as a framework for incorporating socio-economic success and environmental protection over the long run. Since then, attempts towards environmental protection and sustainable society's development have been increasing considerably.

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 importance of poverty reduction and sustainable society's development issues was partially reflected in the increase of investment made in community-related, poverty-reduction projects. For example, the World Bank's lending for community-driven development projects has gone up from \$ 325 million in 1996 to \$ 2 billion in 2003 (Dongier et al., 2003). The objectives of such projects were to reverse existing power relations, in which the poor had more control over development assistance, and to create poverty programs that were responsive to the needs of the poor. It is argued that by involving the community in the project, the community will have some degree of ownership, which further leads to the commitment to pursue the project's goal, and consequently a sustainable local development.

Literature on social and economic sustainability keeps looking for potential solutions that will sustain long after government or donor supports have ended. 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; Welsch, 2004). CBE has been increasingly acknowledged as a way to maintain autonomy of rural and indigenous communities (Orozco-Quintero and Davidson-Hunt, 2010) since CBE can contribute to economic and social well-being of community members (Welsch, 2004). As an example, a successful CBE in India, producing and selling jasmine flowers, has helped to alleviate a whole region (about 6 villages and about 6000 households) from extreme poverty and it has proved itself robust to recessions and political changes (Handy et al., 2011).

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. However, as will be described in the next section, this CBE model is to date quite problematic since the structure and key-success determinants of such a CBE model is yet to be identified and a general CBE model, not bound to merely a specific area and suitable for wider implementation, still needs to be developed. 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 conduct of research on this topic.

1.2 Problem statements

No clear understanding of how CBE is actually organized

Unfortunately, despite the increasing implementation of CBE, a well-defined structure of CBE is still lacking. As far as the author concerns, there is no uniform understanding of how the CBE is actually organized yet. Literature highlights the potential of CBE as a tool to manage common pool resources or to solve poverty issues without describing the structure in detail. For example, FAO (2005a, 2005b) explained the project detail of community-based commercial enterprise development in Uganda and Gambia, but put no effort on defining the CBE. The same goes for Subedi and Bhattarai (1998) who presented the community managed enterprise to conserve biodiversity in Nepal. It seems that the term CBE was often used to express an organization that involved local community members in the management of the projects or as a mechanism of grassroots development or a model for indigenous economic development in remote regions, but with no specific explanation of its organizational structure.

Some researchers (e.g. Peredo and Chrisman, 2006; Somerville and McElwee, 2011) have made some efforts to clarify the nature of CBE and to lay down some theoretical foundations of CBE. Some features, such as factors that may influence the emergence of CBE and problems regarding the implementation of CBE, have been suggested. However, the explanation so far is unsatisfying. Firstly, the description of CBE sometimes leads to confusion. It is argued that CBE is a new and unique organization form, which has distinguished characteristics in comparison with any other organization form. Peredo and Chrisman (2006), for example, insist that CBE is not the same as cooperative, but mention a cooperative in one of their CBE examples. It leads to confusion whether CBE is indeed a special kind of organization form or merely a fancy terminology of small household

enterprise or a kind of village level entrepreneurship. These mix-up judgments and contradictive facts call for a further clarification of the CBE's characteristics.

Lack of applicability: too narrow CBE's definition

The current definition of CBE might be too narrow and it might limit the applicability of the model in a broader scope. Peredo and Chrisman (2006, p.316) argue that CBE is “owned, managed, and governed *by the people*, rather than by the government or some smaller groups of individuals *on behalf* of the people”. The CBE as described by Peredo and Chrisman implies a complete overlapping of membership of community and of enterprise, i.e. all community members must participate in the enterprise and all participants in the enterprise have to be members of the community. Such a case might only happen in a closed remote community. If a CBE can only exist in such a community, then the applicability of it will be very limited. In a more common situation, the diversity of community and migration may form a dynamic community, which not only consists of the indigenous people but also people from other places who live there. In alignment with the perspective of Somerville and McElwee (2011), this paper holds the view that “a more useful definition of community enterprise would be one that allows for a greater variety of possibilities”, allowing the opportunity of having outsiders' supports when desirable.

Lack of knowledge about key-success factors of CBE

However, looking closer to some experiences, the performance of CBE is apparently varied; some succeeded and yet some failed. For examples, community-based forest enterprise in Mexico, as described by Orozco-Quintero and Davidson-Hunt (2010), has been sustainable for a long time, while some community-based tourism enterprises, as analyzed by Goodwin and Santilli (2009), were incapable of meeting the costs and remained dependent on donations. It becomes questionable whether the CBE is indeed as successful as it is claimed above and which factors may influence the performance. To the author's best knowledge, no review about either the performance of existing CBEs or the performance-influencing factors has been done yet.

In the field of entrepreneurship, 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). It is argued that “an appropriate organizational structure is vital to achieve any organization's success as it provides coordination for the organizational process and facilitates them in achieving the desired goals” (Mansoor et al., 2012: 48). For example, Davis (1993) argues that paternalistic interventions and ignorance of (or lack of attention to) local cultures and values have caused development attempts to simply become charitable programs that failed to solve the root of poverty. On the other hand, collectively involvement of community members in the management process seems to be correlated to the performance of community-based projects (Soviana and Kühl, 2013). In other words, it can be said that the success or failure of CBE is dependent on how it is organized.

Besides, despite emphasizing on the importance of community participation, CBE is likely not functioning in isolation, but directly or indirectly involving other stakeholders such as the local government, NGOs/donor agencies, and private sectors. Such connections will be inevitable especially for poor communities who, on their own, may not be able to fulfill all the required human and financial capitals necessary to establish an enterprise. In this case, extra-community networks are likely playing a role in determining the kind and the extent of cooperations between community and other stakeholders in order to develop a successful CBE. The emergence and performance of CBE is presumed to be dependent not only on community members' capitals, but also on a good collaboration with other stakeholders. Respectively, identifying an optimal combination of collaboration among stakeholders will be essential.

Unfortunately, as mentioned previously, a comprehensive understanding of CBE's organization structure is currently lacking. Thus, it stresses even more on the significance of conducting research in this area. 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. An examination regarding definitions and descriptions of CBE's characteristics from the existing literature is essential. 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.

Based on the description above, four research questions are formulated:

1. How can the organizational architecture and organizational performance of existing CBE be described?
2. What has been the role of community members and other stakeholders (government, NGOs/donor agencies, and private sectors) in the organization of CBEs?
3. Which impact does the organizational architecture of CBE have on its performance?
4. What are the success determinants of CBE and how can they be used towards constructing a better CBE model?

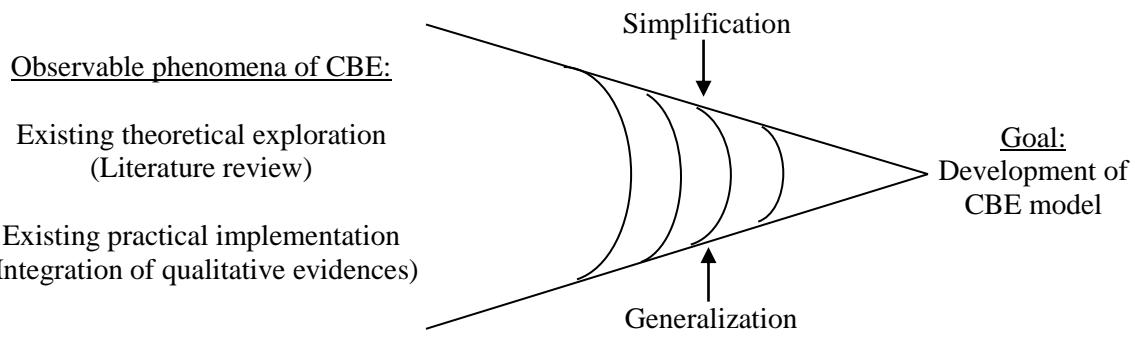
1.3 Research objectives

Bearing the goal of developing a better CBE model in mind, it is attempted to explore, analyse, and learn from the existing CBE experiences to gain more knowledge regarding the structure, performance, and key-success factors of CBEs. Respectively, these following objectives are aimed to be achieved by the end of the study:

1. Describe the organizational architecture and organizational performance of existing CBE
2. Identify the stakeholders and their roles in the organization of CBE
3. Investigate the impact of CBE's organizational architecture on its performance
4. Determine the success determinants and in turn use them for developing better CBE model

The CBE model developed by the end of the study will serve as a general mechanism of successful CBE implementation in different sectors and regions. This model will certainly help reducing implementation failure; hence, reducing the risk of having inefficient investment/efforts. It can become a guideline for having the right ingredients of establishing a successful CBE. The research implications are beneficial for both scientists and practitioners. The dissertation expects to contribute more knowledge on the emerging CBE concept for scientists and offers a practical model for practitioners who deal with CBE related projects.

Figure 1 – Illustration of research work



1.4 Working paper's outline

Align with the problem statements and argumentation explained above, the research is conducted based on the organizational perspective, focusing on the issue of organization architecture and its potential of affecting the organizational performance. The remaining of this working paper is structured as follows. Chapter 2 concentrates on the first main aspect of this study, which is the issue of organizational architecture. It starts with the definition and features of organizational architecture from the theoretical point of view. Then, the detailed description of each feature follows. The state of the art of CBE, particularly based on the argumentation of Peredo and Chrisman (2006), is also discussed. Chapter 3 comprises the second aspect, namely the organizational performance. Similarly, a review of theoretical domain of organizational performance is presented and it continues with developing idiosyncratic dimensions and measurements specifically for assessing CBE. Chapter 4 sums up and illustrates the research framework of this study. Last but not least, chapter 5 gives an overview of the plan for the next steps.

2. Organizational architecture

2.1 Definition and features

2.1.1 Definition

Before discussing further about the organizational architecture, it is important to note that in the literature, there are at least three terms used to describe an organizational arrangement, i.e. organizational architecture, organizational structure, and organizational design. Some definitions available in the existing literature are provided to see if there are any meaningful differences among those terms. Accordingly, to avoid confusion, it is decided to use one term consistently through this study.

Organizational architecture

Organizational architecture is known as “the framework in which the resources and efforts of individuals are coordinated, focused and motivated” (Rickard, 2006, p.18). An organizational architecture determines how an organization treats its employees, how it coordinates its resources respective to its business environment, and how it gets works done (Kay, 1993).

Organizational structure

Organizational structure is defined as “the formal allocation of work roles and the administrative mechanism to control and integrate work activities including those which cross formal organizational boundaries” (Child, 1972, p.2). Emphasizing more on the chain of relationship, organizational structure is also defined as “the network of relationships and roles existing throughout the organization” (Goldhaber et al., 1984, p.44) or the chain of command and authoritative responsibilities that influence the behavior of employees and consequently the organizational performances (Mansoor et al., 2012; Hall, 1977). In brief, organizational structure can be viewed as the way responsibility and authority are allocated inside the organization and how work procedures are accomplished by organizational members (Teixeira et al., 2012; Ruekert et al., 1985)

Organizational design

Organizational design emphasizes more on the activity, recommended by behavioral science practitioner, on making decisions about the appropriateness of organization system, including the coordination forms, control and motivation that best suit the enterprise (Clark, 1972).

Though the descriptions of those three terms sound similar, the organizational design puts more emphasis on *the activity of designing*, while the organizational structure is *the result of designing*. The organizational architecture, on the other hand, has a broader meaning, in which it covers both the designing activity and the organizational structure as the result. This research intends to deal with questions of both the structural arrangement and the designing of an organization. Based on the argument, the term *organizational architecture* is deemed to be more appropriate in this case and therefore, it will be used consistently through this study.

2.1.2 Features

There are different ways of categorizing factors that can be used to analyze organizational architecture. Six organizational features which have been recognized as important by a number of authors are (1) authority structures for controlling decision-making processes, (2) statutes providing for legal independence and contracting, (3) ways in which new ideas and knowledge are generated and defused, (4) methods of learning and training employees, (5) systems that measure and reward individual performance, and (6) routines that shape the pattern of resource and information flows (Rickard, 2006, figure 2.3). Meanwhile, Brickley et al. (2001) propose three areas of analysis: (1) hierarchy for assigning decision-making powers, (2) system for coordinating, monitoring and evaluating performance, and (3) reward and incentive systems. Given the complexity and variety of possible instruments, any particular set of distinctions is somewhat arbitrary. Nevertheless, for the purpose of this research, it is useful to choose a logical and appropriate way of categorization. The categorization below is not to be regarded separately, but to be understood as complementary.

A combination of contextual constraints imposes some degree of structural choice (Child, 1972), requiring a strategic choice of organizational architecture. Borrowing the logic of Nadler and Tushman (1997), four features of organizational architecture are taken into consideration in this research, namely (1) contextual constraints, (2) type of organizational goals to be maximized, (3) collection of resources, and (4) architectural design. The next four sections (section 2.2 until 2.5) comprise more detail explanation of the four features.

Following the theoretical explanation of each feature, a literature review is conducted to explicate relevant facts on CBE concept in this section. Despite the argument that the current CBE concept is not well developed yet, reviewing existing literature, without a doubt, will lead to having better knowledge on the state of the art of the CBE concept. The work of Peredo and Chrisman (2006) is probably one of the most comprehensive literature that records detailed description of CBE. Their work has been used as a theoretical basis by other researchers. Therefore, this paper refers to their work as the starting point. The organizational features explained above will be assessed/categorized anew and combined with other literature that support (or decline) the model's principles suggested by Peredo and Chrisman.

2.2 Feature 1: contextual constraints

Contextual constraints can be understood as a situation where choices regarding the new construction or restructuring of an organization is needed. An organization operates in a constantly changing environment, which creates uncertainty. To be able to perform well, an organization must implement a suitable organizational architecture respective to its environment (Rickard, 2006; Child, 1972). “An organization cannot evolve or develop in ways which merely reflect the goals, motives or needs of its members or of its leadership, since it must always bow to the constraints imposed on it by the nature of its relationship with the environment” (Sadler and Barry, 1970, p.58 in Child, 1972). Thus, considering the environment of an organization is an important matter.

At the founding phase of an organization, the external environment may serve as a trigger. For example, dissatisfaction with the status quo, such as socio-economic pressure, is likely stimulating the perceived need to find an alternative solution. It is important to bear in mind, however, that the external environment does not consist only of negative constraints, but also positive catalysts, which can support and encourage, instead of drawing back, the organization's initiation of establishment, operation, and performance. In terms of the establishment, one important issue to be highlighted is the initiator. An organization can be self-initiated by members or externally promoted by other parties.

As mentioned in the introduction, the emergence of CBE is likely to be triggered by failures of governmental programs and unmet socio-economic sustainability needs. According to Peredo and Chrisman (2006), the social and economic stress, which triggers the establishment of CBE, may include a combination of various aspects, such as economic crisis, lack of individual opportunity, social disintegration or alienation from the main stream society, degrading local environmental condition, postwar reconstruction and volatility of large businesses. This view is in line with the argument of Minniti and Bygrave (1999), in which hostile economic circumstances in a community may lead to the development of an innovative solution. CBE can also emerge as an attempt of communities to (re)gain control over their own local development. Nuevo San Juan (a CBE in Mexico), for example, was the result of community's gaining consciousness of the need to be drivers of their own development and fighting against the disadvantageous governmental policy and the private companies which extracted the local forest without giving the community tangible benefits (Orozco-Quintero, 2006). Besides, it is also said that the previous and existing community collective activities may become a channel to create a CBE and enhance the endurance to face opposition (Sommerville and McElwee 2011).

Peredo and Chrisman (2006) argue that unlike traditional entrepreneurship where ventures are created by an entrepreneur or a small team of individuals, CBEs are created by community members acting corporately. Meanwhile, other researchers recognize the involvement of individual innovators (as leaders of change) in fostering CBEs and at the same time, acknowledge that the lines between private initiatives and governmental activities in the CBE creation are often blur and sometimes overlapping (Welsch, 2004; Odero, 2004). Some CBEs were started as the results of villagers following the vision born by some innovative/ visionary community members (Orozco-Quintero, 2006; Hazare, 1997). In other examples, the NGOs have initiated and assisted the establishment of CBE (Subedi and Bhattacharai, 1998; Christen, 2004) and business leaders, who won the support of the community, promoted the idea (OECD, 1995b, in Peredo and Chrisman). Furthermore, having a synergetic partnership with local political authorities, and yet ensuring the autonomy upon the management and administration of CBE, is especially crucial for the long-term success (Orozco-Quintero, 2010; Somerville and McElwee, 2011).

2.3 Feature 2: organizational goals

An organization is created whenever people come together in a group to fulfill a certain goal. An economic organization which generates products (goods or services) is frequently described as a firm or an enterprise. A firm is a productive organization, within which people work together to achieve the firm's collective goals as well as their own individual goals. A firm's collective goal can be simplified into making profit. Even a non-profit organization must have a profit to break even. The difference is that a commercial enterprise's goal is to maximize the value of its shareholders' investment, while a non-profit organization is maximizing some other variables. The question of which variables an organization tries to maximize leads to the second organizational feature that can be used to distinguish the type of organization, namely the organizational goals.

According to Peredo and Chrisman (2006), CBE is “managed and governed to pursue the economic and social goals of a community in a manner that is meant to yield sustainable individual and group benefits over the short and long term” (p.310). The goal is multifaceted since it covers at least two purposes: to increase local *social* condition and to generate *profit* to be reinvested in the CBE as well as to be further used for the wellbeing of the community (e.g. creating employment, providing communal health services and education, etc.). Their view is also supported by, for example, Kerins and Jordan (2010), in which they argue that CBE is different from most conventional business since it is not based on utilitarian economic models but having broader political, social, cultural, environmental and economic goals. Cultural values are combined with socio-economic objectives and the focus of profit is not mainly on return on investment but on the achievement of social cultural goals (Anderson et al., 2006). One example is the CBE in Mexico (Orozco-Quintero, 2006), which combined the environmental goal (forest preservation by sustainably harvesting the timber), economic goal (generate approximately 600 direct and 700 indirect employees), and social goal (construct basic road infrastructure, schools, and primary health care). Meanwhile, some other authors put more emphasis on economic goals; for example, Barbara A. Kuhn, who defines CBEs as “business enterprises with a clear commercial intent”, which support members of a community that shares common location, interest/goal, or religious belief (Welsch, 2004, p.195) and Odero (2004) who argues that CBEs are “commercial ventures”, which seek to supply niche markets in order to bring greater benefits to communities who manage and use the common-pool natural products.

2.4 Feature 3: collection of resources

Before being able to design an architectural form, both the kind and the availability of required resources need to be taken into consideration. Barney (1991) argues that resources ought to be heterogeneous (having variety of resources that differentiate one organization from another) and having some degree of immobility (becoming a unique asset difficult to be copied by competitors). Penrose (1959) differentiates resources into human and non-human

resources, while Wernerfelt (1984) categorizes them into tangible and intangible assets. For the purpose of their research, five kinds of resources are specified, i.e. physical, financial, natural, human, and social capitals (World Bank, 2003 in Ahmed and McQuaid, 2005). Theoretically, an organization does not have to rely on their own assets to fulfill the required resources; obtaining support from external sources is another possibility. However, acquiring external resources demands some degree of managerial capabilities. The availability of resources here covers both the *existing resources* that are already at hand and the *potential resources* that are not yet at hand but can potentially be acquired before the construction takes place.

The issue of how an organization can arrange the acquirement and coordination of resources leads us to the next organizational feature. As resources and the coordination are closely related with one another, the discussion of them might be overlapping and therefore, to avoid repetition, the discussion would be done only once in the suitable section.

Peredo and Chrisman (2006, p.318) argue that “a critical resource for CBEs is the social capital that exists in a community” and thus, CBEs are “created on the basis of collectively owned cultural, social, and ethnic endowments”. Indeed, the importance of social capital has been acknowledged by many authors. Social capital, including aspects such as social interaction, social ties, and trusting relationship, facilitates the actions of individuals in social context (Nahapiet and Ghoshal, 1998), reduces uncertainty (Fafchamps, 2000), decreases transaction costs (Putnam et al., 1993), and consequently facilitates the achievement of efficiency in labor division and innovation, especially in developing countries with lack of supporting institutional conditions (Nooteboom, 2007).

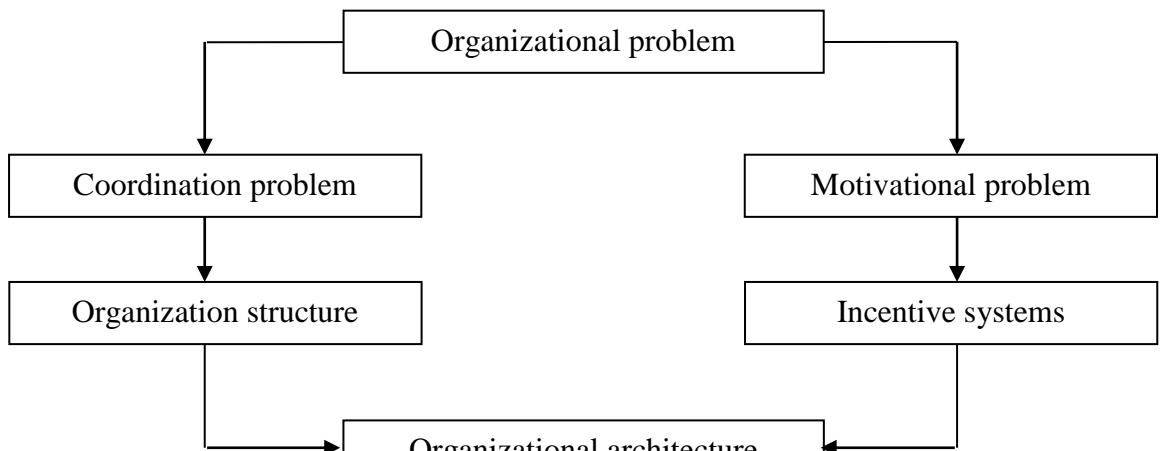
Regarding other resources, literature shows that in many cases, the communities, where CBE emerged, were characterized with lack of significant material resources: scarce land, impoverishment, and little or no access to capital markets (Peredo and Chrisman, 2006). Thus, physical and financial resources are generally lacking. Natural resources sometimes exist in different forms, such as indigenous forest and ancestral land. In terms of human resources, they argue that the type of CBE’s economic activity relies on the existing skills and experiences acquired by local people before the creation of CBE. Moreover, they argue that the creation and performance of a CBE are influenced by the capability of the community to combine and innovatively adapt the resources. They theorize that the emerging of CBEs is resulted from combining the lack of acceptable conditions, collective knowledge of organization, and social resources that is optimal to allow the development of a social organization into an economic organization.

Orozco-Quintero (2006) presents a CBE case in Mexico. It did not have much of existing resources at the beginning phase, except for the natural resources in form of communal forest and excellent community’s key leaders, who were capable to acquire the support from surrounding community members. These leaders were able to use their network connections with private companies and government officers to obtain potential resources (e.g. financial and physical resources), partly in forms of in-kind works.

2.5 Feature 4: architectural design

Architectural design concerns with merging the organization's purpose with the available resources into a certain arrangement. The notion is known as organizational problem. Regardless which variables an organization attempts to maximize, all organizations face common problem, which is the organizational problem – how to arrange efficiently the variety of actors, multiplicity of tasks, and diversity of goals in order to satisfy both individual and common goals. The study of organization is about how people are coordinated and motivated to get things done (Milgrom and Roberts, 1992; Jost, 2000). Organizational problem comprises coordination problem and motivational problem. Coordination problem concerns with the questions of how the variety of tasks are divided among actors and how the decisions' authority is placed in the right hands (those with information). To solve this coordination problem, coordination instruments are developed; a coordination plan to determine the structure of an organization. Meanwhile, motivational problem deals with identifying proper incentive systems (intrinsic and extrinsic) to stimulate rational individuals to act in expected ways and what is necessary to be done to make the incentive systems effective. Just like hardware and software complement one another to make things work, coordination and motivational instruments, together, will likely determine the organizational performance. The arrangement of those instruments is comprised in organizational architecture. The description above can be illustrated in figure 2.

Figure 2 – Organizational problem and the design of organizational architecture



Source: Jost, 2000, p.26

A uniform 'atomization' of organizational architecture is, however, rather difficult. Therefore, the atomization presented here is not to be regarded as the only categorization possibility, but as one deemed suitable for this research. As mentioned in the section 2.1.2, some authors suggest different categorization of aspects that comprise an organizational architecture. Nevertheless, for the analysis of architectural design, this paper follows the categorization

made by Jost (2000) and by Milgrom and Roberts (2006); i.e. coordination and motivational instruments. Respectively, the fourth feature is further categorized into two sub-features.

2.5.1 Feature 4A: coordination instruments

According to Milgrom and Roberts (1992), coordination issues are related to task division and authority division. The analysis of task division involves the matching of stakeholders and tasks. Various stakeholders participating in the organization and various tasks necessary to be accomplished will need to be specified. This paper follows the broad categorization of tasks suggested by Kang and Sorensen (1999), namely investing, monitoring, managing, and working. As for stakeholders, the categorization used to analyze community-based management projects is adopted, i.e. community, government, NGO/donor agency, and private sector (adapted from Murphree, 1994; Jones, 1996), in which the community is to be further investigated whether it represents all community members or only the leaders/ elite groups (Soviana and Kühl, 2010). The community here is not defined by the sharing of goals or the productive activities; instead, it is defined as an aggregation of people sharing geographical location with shared culture, ethnicity, and/or other relational characteristics (Peredo and Chrisman, 2006).

The authority structure is a key element for any enterprise – the ways of how decision making rights are assigned and carried out. Ownership is generally associated with capital investment, but that is not necessarily the case since in principle the firm could borrow all of the capital needed. A firm's "owners" are those persons who have two *formal* rights: the right to control the firm and the right to receive the firm's residual earnings. It is important to notice, however, that decision-making rights are not always exercised by the owners – the persons who have the "formal" rights to control the enterprise. "Often the persons who have the formal rights to control the firm – which typically takes the form of the right to elect the firm's board of directors – in fact exercise little effective authority by this means over the firm's management" (Hansmann, 1988: 269). For the purpose of this research, the exercise of effective authority is covered in the managing (part of tasks division) and therefore the authority structure meant here solely refers to the "owners" of the organization.

Related to task and authority division, some relevant issues will need to be taken into account; for example, the organizational membership since it directly or indirectly affects the exercise of authority (e.g. through voting rights), and structuring dimensions (specialization, formalization, and centralization). By investigating the coordination aspects, the organization structure of CBE will come to light.

The central argument of Peredo and Chrisman (2006) is that they treat the community not as an exogenous part, but as completely endogenous to the enterprise and the entrepreneurial process. The social capital is a critical aspect for the formation of CBE, in which cultural traditions typically shape a CBE's governance structure. Local cultures and values can be embedded in the organization and consequently, create sense of ownership and some degrees of commitment. In this way, it will prevent the organization to be merely a kind of charity program, but instead it can become a tool for sustainable local development. Based on the

arguments, an additional attention is given to the role of the community in various activities described below.

Task division

Investing

What is meant by ‘investing’ here is in terms of financial and infrastructure. Peredo and Chrisman do not describe clearly where all the required investment came from. Meanwhile, Orosco-Quintero (2010) mentions that community members started the enterprise by using their own endogenous capital voluntarily contributed by community members. Some other authors indicate the mix of investment, in which the main capital investments were from NGOs, loan, or other external actors, while the community members only bore the small part of capital, e.g. through provision of local materials (Subedi and Bhattarai, 1998; Christen, 2004; FAO, 2005b; Hazare, 1997).

As recorded by Orozco-Quintero (2006), a CBE in Mexico, with the help from private companies, sold dead wood from its communal forest to acquire capital. Especially in the initial stage, the CBE received much help from the private companies in providing investment in the infrastructure and heavy equipment to operate the enterprise. Meanwhile, the small scale machineries were provided by the community members.

Monitoring

Peredo (2005) describes that the governance consists of three main parts that are the general assembly, the executive body, and the control council. The assembly functions as the board, having ultimate authority, where all commoners are obliged to attend and they all have equal voice. In order to ensure impartiality, the chair of each meeting is elected right before the meeting starts. The executive body, elected by the assembly every 2 years, consists of six members whose responsibilities are overall management of the enterprise, administration, and implementation of policy. The control council plays a crucial role in evaluating and auditing the actions of the executives, and the council can summon the assembly. Thus, the monitoring is done by the control council. Similar arrangement was also recorded by Orozco-Quintero (2006).

Managing

CBEs as described by Peredo and Chrisman (2006) are “managed and governed *by the people*, rather than by government or some smaller group of individuals *on behalf* of the people” (p.316). It is said that they have collective governance structure and democratic management structure. However, they state that managing collaboratively by the people should be understood flexibly since the activeness and directness of members’ participation in the management might be varied. It is sufficient to say that “at least a very large majority of the community will have some degree of commitment to the enterprise” (2006, p.316).

Other authors are also indicating the role of community in the management position. For example, Orozco-Quintero and Davidson-Hunt (2010) mention that the provision of training and educational programs, provided by the initiators of CBE, has resulted in the fact that 95%

of the employees of the enterprise (both in management and working positions) are also community members. Alternatively, Odero (2004), for example, explains that the managing of the business is at the hands of two selected entrepreneurs, who are supported by the wider community members. Meanwhile, Orozco-Quintero (2006) shows an important role of a university in helping the enterprise to deal with exogenous drivers such as market economy, rationalization of management process and competitiveness issues.

Working/labor

Voluntary labor or unsalaried work has colored the operation of CBEs (e.g. Peredo, 2003; Hazare, 1997). An indication that community members are involved in low-skilled labor (e.g. attending meeting, perform physical construction labor) exists (Christen, 2004). As for high-skilled labor (e.g. conducting analysis, making plan, and performing specific professional expertise), the community obtains external supports (Peredo, 2003; Hazare, 1997; Christen, 2004; Orozco-Quintero, 2006); for example hiring a forestry engineer to sustainably harvest and market forest products (Tenenbaum, 1996). Similar experience was recorded by Orozco-Quintero (2006), in which the large numbers of families already had the basic experiences in timber management, but further training in the timber management, technical support and information for documentation were provided in cooperation with private companies and government officers.

Authority division

“CBEs are owned ... *by the people*, rather than by government or some smaller group of individuals *on behalf* of the people” (Peredo and Chrisman, 2006, p.316). Treating the community as completely endogenous to the enterprise, the decision-making process is designed to be participative (not only representative). The community likely uses its existing decision-making-authority’s structure for the CBE. The general assembly represents all official community members, where all commoners are obliged to attend and they all have equal voice functions as the board and as the main legally prescribed political body, it determines the composition of the CBE’s management and monitoring teams (Peredo, 2005). Some other authors also express similar view that community members (including leaders, elite groups, and ordinary community members) have decision-making authority over planning, operational and evaluation of CBE (e.g. Subedi and Bhattarai, 1998; Christen, 2004; FAO, 2005b, Antinori and Rausser, 2006; Orozco-Quintero and Davidson-Hunt, 2010). The CBE will be resilient toward threats from inside and outside of the community if the majority of community members gather their strengths (Orozco-Quintero and Davidson-Hunt, 2010). While those authors stress the importance of ownership and control by the community members, Somerville and McElwee (2011, p.325) argue that “the degree of community control over and participation in CBE is less important than its overall purpose and function, that is to say as long as it brings benefits for the community” and consequently, they suggest four possible types of membership (see next section).

The use of general assembly for decision-making was also recorded in the CBE in Mexico (Orozco-Quintero, 2006). However, it was highlighted that the key individuals/leaders played an important role in giving suggestions and stimulating the large community members to

decide for the CBE's establishment. The leaders systematically attempted to gather the communities and created the vision of the enterprise. The general assembly, with the support of the communal council, drove the decision-making process. But as the enterprise grew, the effective decision-making was done by the elected individuals in the administrative and the representative, while the general assembly only needed to approve the decisions previously taken. There was clear division of roles, which allowed each head of the division to carry out activities efficiently and make steady progresses in their common objectives.

Membership

The CBE as described by Peredo and Chrisman (2006) implies a complete overlapping of membership of community and of enterprise; quote: "Every community member is a member of the venture" (p.321). Thus, all community members must participate in the enterprise and all participants in the enterprise have to be members of the community. Despite insisting all members' participation, Peredo and Chrisman (2006) also argue that the idea of members acting "together" or "corporately" should be understood flexibly since some members may be more active than others. They try to justify their argumentation that all members acting as entrepreneurs and managers by further stating: "most or all will have *some role* in developing and implementing the entrepreneurial initiative. Most, if not all, members will participate in *some relatively direct way* in monitoring and directing the enterprise's activities" (p.315-316, emphasis ours). Some other authors support the argument that community members are likely interested in different issues (Ratten and Welpe, 2011), involved at different level of organization's activities (Chanan et al., 1999), and having varied level of participation (Soviana and Kühl, 2013). According to Orozco-Quintero (2006), not all community-members are member of the CBE, but they are somewhat related to the enterprise, for example, through verbal agreement of renting their land and working for the enterprise.

Alternatively, Somerville and McElwee (2011) offer another membership perspective – four scenarios envisaging the relationship between CBE membership and community:

- (1) Open membership to all but only to community members
- (2) Open membership to all those who have a stake in that enterprise, including people and organizations outside the community
- (3) Close membership, restricted to certain members of the community who are selected by the entrepreneurs that run the enterprise
- (4) Close membership, restricted only to those selected by its entrepreneurs from a wide range of stakeholders

In one example, the CBE's advertisement was successfully attracting new members into the community (OECD, 1995b in Peredo and Chrisman). It somewhat implies that the CBE was not limited to the grassroots community, but kind of open to people who are willing to join.

2.5.2 Feature 4B: motivational (incentive) instruments

The central premise of motivational aspect is that people do have well-defined interests describable by individual utility functions, which they seek to maximize. A counter argument may come from the altruism perspective or intrinsic motivation. However, even altruistic and

intrinsic motivations are motivation. Regardless which motivation one pursues, all participants have the attempt to fulfill their self-interests through joining an organization. Motivational problem may rise since their interests are not always in line with, if not negate, the organizational goals. In attempt to fulfill their own individual interests, people may violate the rule or free riding. Therefore, motivational instruments are needed to regulate the participants' behavior and by doing so it reduces the risk of self-interest overruling organizational goals. Motivational instruments mean reward and incentive systems. The incentive must be interesting enough to make people keep cooperating to pursue organization goals, instead of putting their individual interests first.

The CBE in Mexico has verbal agreement with the community members who hold the communal land (Orozco-Quintero, 2006). The agreement includes the recognition of land holding rights that the families possess and the land holding inheritance rights of the descendants of the families, under the condition that the families will abide by the local rules, respect the decisions of the local institutions, and allow the enterprise and only the enterprise to exploit the forest present on the land, with the families receiving in return a payment per cubic meter of timber. This agreement is generally well accepted by the landholders, but rejected by some families owning private property, whose members have opted for legal battles, which in most cases have been resolved in favor of the communal enterprise. Besides, the enterprise offers many social, economic and environmental benefits (see section 4.2).

2.6 Discussion

From what has been presented so far, one general impression emerges, which is the issue of community involvement/participation in the CBE. Perhaps, the first unique characteristic of CBE is the essence of 'community', in which the community is not defined by the sharing of goals or the productive activities; instead, it is defined as an aggregation of people sharing geographical location with shared culture, ethnicity, and/or other relational characteristics. However, some more crucial questions are regarding how far and in which aspects the community members are actually involved in the CBE, whether this involvement indeed influences the CBE's success, and whether the community participation is the unique characteristic that distinguishes a CBE from another organization form. Below, it will be discussed further about the features presented in the previous section.

Concerning the triggers of CBE's emergence, it is generally agreed that the unmet socio-economic needs and other unsatisfying local conditions have stimulated the demand of change and the CBE is one result of it. However, perhaps one more crucial question is regarding *who* recognizes the opportunity for creating a CBE, initiates the move, and implements it into action. As mentioned above, literature shows different facts. It seems that the issue of initiator is still muddled, confronting the views of initiative from internal (community members) versus from external (government or other actors) and whether the initiators are a small team of individuals or community members as a whole. To make generalization, more evidences are necessary.

From the description of CBE above, it is clear that there are at least two kinds of goal mentioned by all authors above, namely social and economic goals. Only Kerins and Jordan (2010) mention political, cultural and environmental in addition to social and economic goals. The kinds of goals here remind us to the three pillars of sustainable development – social, economic, and environmental sustainability. Indeed, as mentioned in the beginning of this paper, CBE is intended to a possible solution for sustainable development. However, one essential question rises, namely “which goal has the priority in CBE?”. So far, it seems that there is no common understanding regarding the priority of goals, whether concentrating more on social, economic, or environmental goals. This issue is important in order to find out the unique characteristics of CBE that may distinguish CBE from any other organizations. Thus far, some characteristics that may differentiate CBE from ‘normal’ enterprise are the multifaceted goals, the stressing on the collective benefits, and the acceptance of relatively low return on investment. It somewhat reminds us to the principle of cooperative. Alternatively, CBE might be part of social entrepreneurship (Welsch, 2004). Further investigation to compare the characteristics of CBE with cooperative and social entrepreneurship is required.

Social capital has been highlighted as the critical resource for CBE. Without underestimating the importance of social capital, establishing a CBE only based on social capital, while neglecting other necessary resources, is likely difficult or impossible. Therefore, more attention should be paid on how other resources are obtained, if not already available among the community members and their surroundings. For example, as in the case of CBE in Mexico, more consideration should be paid to community’s key leaders since they may foster the establishment and operation of CBE. Without proper leaders (human resources), perhaps the process would have not taken place or at least not as successful.

It seems that the governance structure (architectural design) of CBE, at least in the initial phase, is very much influenced by the existing local governance. Local cultures and values are embedded. It can be said that in all aspects some degrees of community participation are present. However, similar to the question posted in the beginning of this section, one question emerges, namely how much of community participation is needed for an organization to be called a CBE.

As for the four tasks described above, only the *monitoring* is completed internally by the community members themselves, while the other three tasks involve external supports. In terms of investment, it seems that the main capital investments are from (or in cooperation with) external supports, while the community members provide smaller capital or machineries. There are two poles of arguments regarding the management of CBE; on the one side, it is argued to be a collective management by the people (not on behalf of the people), and on the other side, a management by community’s key leaders who are supported by the other community members. The operation of CBE is colored by voluntary/unsalaried works. Furthermore, there is indication that community members perform low-skilled labor, while the high-skilled labor is done by or in collaboration with external supports. It seems that despite the claim of collective governance, there is distinction of the degree of community

participation in the CBE. In other words, there is a tendency that external supports, especially for the initial phase of CBE establishment, seem to be inevitable.

The community likely uses its existing structure of decision-making authority through participative decision-making in the general assembly. However, there is a sign of dominant stimulation in decision-making from the community's key leaders. In terms of effective decision-making, as the enterprise grows, the authority tends to shift from the general assembly to the elected individuals (board representative). It implies similarity to common enterprise which develops from small traditional enterprise to a bigger more professionally managed one.

The description regarding membership of CBE explained in previous section has shown varieties among authors, starting from a complete community – enterprise overlapping membership to the four suggested types of membership. Unfortunately, it remains unclear which type of membership is frequently implemented and whether the type of membership may affect a CBE's performance. For that purpose, larger numbers of examples are needed. The identification of this issue may be useful to categorize CBE, whether it is merely a grassroots enterprise or it is a more open enterprise that can be implemented beyond grassroots scope.

Issues about motivational instruments are yet to be further explored since little is known so far. It is mentioned that verbal agreement is used to arrange the cooperation between the CBE in Mexico and the landholders by promising them to receive a payment per cubic meter of timber and other social, economic, and environmental benefits.

The characteristics of CBE explained so far are summarized in the table 1.

2.7 Concluding remarks

This section has presented organizational architecture as a theoretical framework to analyze CBEs. Accordingly, some literature have been explored and discussed. The work of Peredo and Chrisman has become the starting point, but also combined with the work of various authors, both those who support the insights of Peredo and Chrisman and those who have contradictory views. Having seen the variety of evidences, it can be concluded that the attempt of defining the characteristics of CBE has been started, and yet need to be further developed to attain a model that can be generalized and applied in wider scope. Moreover, if evidences show dissimilarities, then perhaps a further categorization of CBE might be required. Nevertheless, this chapter can become a stepping-stone from the state-of-the-art into a more comprehensive model through the pursuit of further theoretical and empirical research.

Table 1 – State of the art of CBE

Feature	CBE's characteristics	
	<i>Peredo and Chrisman</i>	<i>Other authors</i>
Contextual constraints	Social and economic pressure	Social and economic pressure, as well as stimulation from outsiders (other actors other than community members)
Organizational goals to be maximized	Pursuit of community's common interests, instead of the interests of individuals, certain groups, or outsiders Multiplicity of goals (social and economic) Priority of social over economic goals Equal benefit distribution	Combination of community's and outsiders' interests; but the community's ones are more dominant Multiplicity of goals (social, economic, and environment) Relative success is acceptable: as long as CBE brings benefits to the community regardless how great and how they are distributed
Collection of resources	Stressing on social capital All resources are obtained from within the community members themselves	Resources may be acquired from both the community members and outsiders
Architectural design		
<i>Coordination instruments</i>	<u>Task division:</u> <i>Investing:</i> not clearly described <i>Monitoring:</i> community council <i>Managing:</i> collaboratively by the people (not on behalf of the people) <i>Working:</i> voluntary work <u>Authority division:</u> Owned by the people; using existing community governance structure; participative (not representative) decision-making process through general assembly, responsible for the planning, operation, and evaluation of CBE <u>Membership:</u> Complete overlapping of membership (community members are CBE members and vice versa)	<u>Task division:</u> <i>Investing:</i> voluntary endogenous capital and supports from outsiders <i>Monitoring:</i> community council <i>Managing:</i> acknowledge the role of key leaders supported by the majority of the community members <i>Working:</i> unsalaried work as well as paid employment, with indication that community members perform low-skilled labour, while acquiring high-skilled labour from outsiders <u>Authority division:</u> Decision-making through general assembly, but sometimes indirectly led by key leaders. As the CBE grows, a shift of effective decision-making from the general assembly to the elected representative <u>Membership:</u> Variation of membership
<i>Motivational (incentive) instruments</i>	Not clearly described	Verbal agreement between the CBE and landholders; offering many social, economic and environmental benefits for the community

3. Organizational performance

3.1 Introduction

Organization performance has been the most important issue for every organization, be it profit or non-profit one. 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). Knowing factors that influence an organization's performance is important in order to take appropriate steps to initiate those (Abu-Jarad et al, 2010).

The term 'performance' is so common in management research that its structure and definition are rarely explicitly challenged or questioned; instead, its appropriateness is often simply assumed (March and Sutton, 1997). Researchers tend to pay little attention to the theoretical and/or methodological rigor about the choice, construction, and use of overabundant performance measures available to them (Richard et al., 2009).

In fact, defining, conceptualizing, and measuring performance have not been easy and not without controversy. Researchers among themselves have different opinions on definitions and measurements of performance and these issues remain being contentious (Abu-Jarad et al 2010). Despite the abundant use of organizational performance, few studies have used consistent definition and measures (Richard et al., 2009). Organizational performance suffers from the problem of conceptual clarity in the area of definition and measurement (Abu-Jarad et al 2010).

The central issue regarding the appropriateness of various approaches to conceptualization and measurement of organizational performance has long been debatable and discussed (Venkatraman & Ramanujam, 1986). Dess and Robinson (1984) argue that research which incorporate organizational performance must address two basic issues: (1) selection of a conceptual framework from which to define organizational performance and (2) identification of accurate, available measures that operationalize organizational performance. In other words, two most important conceptual questions to be answered here are (1) *what to measure*: the definition and dimensions of organizational performance and (2) *how to measure*: the technique and the units of measurement (Kanter and Brinkerhoff, 1981).

One of the research objectives is to identify and to have an overview of the current organizational performance of CBE. Respectively, to be able to analyze the organizational performance of CBEs, an appropriate theoretical foundation is needed and this chapter is dedicated for that. The issue of CBE is particularly still new and a standard for measuring CBE's organizational performance is yet to be developed.

The remaining of this paper is structured as follows. As an overview, in the beginning, the domain of organizational performance will be reviewed, including the various definitions and measurement's approaches derived from literature. Consequently, idiosyncratic dimensions

and measurements, which are deemed appropriate for assessing CBE's organizational performance, are chosen.

3.2 Review of the domain of organizational performance

Evaluations of organizational practices typically use the concepts of organizational performance and organizational effectiveness. Both concepts are unquestionably playing a key role as important dependent variable in much organization and management research. However, as mentioned in the beginning of this paper, little mutual agreement seems to exist regarding the conceptualization and measurement of those notions. Glunk and Wilderom (1996) argue that the problem is partly due to terminology imprecision. Looking closer in the literature, the use of the terminology is indeed quite confusing. A number of semantically similar terms are used, such as organizational success, efficiency, productivity or excellence. Some authors use the terms 'performance' and 'effectiveness' interchangeably (e.g. Kanter and Brinkerhoff, 1981), while others come about with additional labels such as 'organizational goodness' (Shenhav et al., 1994) to comprise the above-mentioned terms. However, of all the terms mentioned above, 'performance' and 'effectiveness' have been utilized most frequently.

Performance and effectiveness are rooted in different research tradition. Organizational effectiveness is developed in the field of organizational theory, while organizational performance is founded in the management accounting literature (Henri, 2004) or strategy research (Glunk and Wilderom, 1996). Richard et al. (2009) stand for the distinction between organizational performance and organizational effectiveness; accordingly, they provide these following definitions (p.722):

Organizational performance encompassed three specific areas of firm outcomes: (a) financial performance (profits, return on assets, return in investment, etc.); (b) product market performance (sales, market share, etc.); and (c) shareholder return (total shareholder return, economic value added, etc.).

Organizational effectiveness is broader and captures organizational performance plus the plethora of internal performance outcomes normally associated with more efficient or effective operations and other external measures that relate to considerations that are broader than those simply associated with economic valuation (either by shareholder, manager, or customers), such as corporate social responsibility.

Yet, some researchers propose the merger of both research traditions (e.g. Glunk and Wilderom, 1996). A survey of four leading management journals shows that over 35-year period the two concepts are not independent and that until 1978 effectiveness and performance dominated the literature interchangeably (Shenhav et al., 1994). March and Sutton (1997) explain that the interchangeable use of both terms is because their definition, measurement and explanation are virtually identical. Although sometimes a specific distinction made between 'performance' and 'effectiveness', this paper follows the insight that considers those terms as similar and interchangeable. To be consistent, hereafter, the terminology used in this paper is 'organizational performance', comprising both organizational performance and effectiveness.

The definition of organizational performance seems to shift from time to time. In the 50s organizational performance was defined as the extent to which organizations, as a social system, fulfilled their objectives (Georgopoulos and Tannenbaum, 1957). Later in the 60s and 70s, organizational performance began to explore an alternative insight, in which an organization was seen as being capable of exploiting its environment using its limited resources (Yuchtman and Seashore, 1967). Following the initial idea in the 70s, the years 80s and 90s were marked by the idea of an organization that achieves its goals under constraints imposed by the limited resources (Lusthaus and Adrien, 1998). Later on, a broader view of organizational performance was embraced. Ricardo (2001) argued that the term 'performance' should be broader based which include effectiveness, efficiency, economy, quality, consistency behavior, and normative measures. Lebans and Euske (2006) also support the broad insight of performance, in which they view performance as a set of financial and non-financial indicators responsible for showing the achievement's degree of organizational objectives and results.

Respectively, several measurement approaches have emerged. From the perspective of organizational studies, five major approaches can be distinguished as follow.

- (1) *Rational-goal or goal-attainment approach* centers around the degree to which organizations realize output goals; the focus is exclusively on the ends: achievement of goals, objectives, targets, etc. (Etzioni, 1960).
- (2) *System-resource approach*, while also considering the importance of the ends, stresses the means needed for the achievement of specific ends in terms of inputs, acquisition of resources, and processes (Yuchtman and Seashore, 1967).
- (3) *Strategic- or multiple-constituencies approach* broadens the scope of the two previous models by also taking into account the fulfilling expectations of various interest groups that incline around the organization (Connolly et al., 1980).
- (4) *Competing-values approach* focuses on three dimensions of competing values: internal vs. external focus, control vs. flexibility concern, and ends vs. means concern (Quinn and Rohrbaugh, 1983).
- (5) *Ineffectiveness approach* focuses on factors that inhibit successful organizational performance (Cameron, 1984).

Meanwhile, researchers in the management-accounting research tradition have not spent much effort on theoretical elaborations. Corporate, organizational or firm performance has almost always been equated with financial/economic performance and it is assumed that financial/economic goals are the ultimate organizational goals. Questioning the exclusivity of financial/economic measures, broader conceptualizations of performance are being discussed, including operational performance and stakeholder satisfaction/social performance (Glunk and Wilderom, 1996). Approaches from both management accounting traditions are somewhat comparable to those from organizational studies. The financial/economic goals are somehow reflected in the goal-attainment approach, operational performance in competing-values approach, and stakeholder satisfaction in multiple-constituencies approach.

After briefly looking at the various approaches, perhaps the next relevant question is regarding which approach is the best. Kanter and Brinkerhoff (1981) argue that organizations

are battlegrounds for stakeholders and hence, the measuring of organizational performance is complex. Various stakeholders in and around an organization may call for different kinds of performance criteria and measures for the different kinds of decision-making consideration and therefore, no single performance indicator, nor even a simple list, will suffice (Kanter and Brinkerhoff, 1981). Venkatraman and Ramanujam (1986) suggest that using multiple indicator approach to operationalize organizational performance would be superior to using only a single indicator. There is some agreement that organizational performance requires multiple criteria and the choice of approach and criteria should be flexible and appropriate for the context (Cameron, 1986). Nevertheless, the definition and criteria identification of organizational performance remain problematic and no definitive theories have been put forth.

Classic definitions of organizational performance and performance measurement favor, implicitly if not explicitly, some constituencies over others. Literature suggests that financial profitability and growth are the most common/primary measures of organizational performance (Abu-Jarad, Yusof, and Nikbin, 2010) since they indicate whether an organization is doing things right or not (Doyle, 1994). However, a dilemma will arise in the case in which the 'output' is not easily quantifiable (Warner, 1967). On the one hand, efforts designed to meet standards of objectivity are vulnerable to skepticism about their intrinsic meaning and on the other hand, efforts designed to convey high levels of meanings may be criticized for their subjectivity (Epstein et al., 1977). Supposedly "hard" objective measures sometimes turn out to be "soft" and subjective; for example, survey data derived from the judgment of organizational participants, which later on is translated into scalar terms.

Some researchers have argued that no specific measure is essentially superior to another and a researcher should adopt the definition/measurement based on the disciplinary framework adopted for his/her study (Cameron and Whetten, 1983). Different fields of study will and should employ different measures of organizational performance because of the differences in their research questions (Hofer, 1983); whether the measures are for determining the current state of a system, comparing organizations, scientifically studying the antecedents of performance, or serving particular interest groups (Campbell, 1977). Cameron and Whetten (1983) define 7 critical questions for bounding and assessing performance models:

- (1) From whose perspective is performance being assessed?
- (2) On what domain of activity is the assessment focused?
- (3) What level of analysis is being used?
- (4) What is the purpose of assessing performance?
- (5) What time frame is being employed?
- (6) What types of data are being used for assessments?
- (7) What is the referent against which performance is judged?

Thus, evaluators can either choose universal/standard measurement units that allow the comparison of these with other organizations, or develop idiosyncratic units that reflect the unique organization's goals and life stage. The dimensions of performance to be measured and how they are measured are in large part a function of who is asking the questions and how they wish to use the data (Kanter and Brinkerhoff, 1981). Seven questions above may serve as a starting point to think of which performance dimensions and measurements are suitable for

one's study. Therefore, instead of using the common categorization, this paper employs idiosyncratic dimensions and measurement of organizational performance that fit the study. The detail description is to be found in the next section.

3.3 Idiosyncratic dimensions and measurements for assessing CBE

Before starting to define and describe the idiosyncratic dimensions and measurements, using seven questions above as a guideline, the circumstances and reasons, which influence the consideration and choice, are briefly explained. First of all, the assessment of organizational performance is one objective this research aims to achieve. Together with the consideration of organizational architecture, analyzing organizational performance is attempted to provide a clearer overview and understanding of CBE in general (across sectors and countries). In this case, the author stands as a scientist, an external party who neither influence nor be influenced by the CBE; instead, as a neutral party who strives for the knowledge development, which will be useful in the academic and practice. Moreover, the analysis is at organizational level and the data collection is conducted once using meta-analysis method. Since each case study likely uses different dimension and measurement, dimensions and measurements, that are specific enough for the study and yet broad enough to cover various case studies included in the analysis, need to be formulated. Thus, the following choice, description and discussion are aligned accordingly.

Applying a *system-resource approach*, performance is to be considered as both ends and means, including inputs, acquisition of resources, and processes needed to achieve certain ends. The paper borrows the categorization of performance made by Kanter and Brinkerhoff (1981): goal-attainment, organizational structure and process, and environment adaptability. Following the vision of CBE described in the previous chapter, it is decided to use the *triple-bottom-line* as the ends, in which it reflects the three pillars of sustainability concept, combining economic, social, and environmental goals. Additionally, environment adaptability (reflected in *survivability*) will also be taken into account as an end. Thus, triple-bottom-line and survivability are regarded as performance criteria. Meanwhile, organizational structure and process (compiled here as organizational architecture) are considered as the means or performance predictors. Certainly, these dimensions used here are not the only way of categorizing organizational performance, but the categorization is deemed as the most appropriate one for fulfilling the research objectives.

The issues concerning performance predictors (the organizational architecture) have been comprehensively elaborated in the previous chapter and hence, the explanation below excludes those. The following explanation concentrates on the issues of triple-bottom-line and survivability.

3.3.1 Goal-attainment: triple-bottom-line

Measuring organizational performance by goal attainment has long received both supports and critics. The reason for that is the complexity of organizations' entities, which makes the specification of their goals problematic. Organizations may have many goals and it is often

unclear at what level or to what units the goal attainment should be measured. Some analysts suggest balancing the attainment of many goals by specifying a complete catalogue of concrete and observable organizational objectives (Campbell, 1977). Creating a *complete* catalogue of concrete and observable objectives as suggested above is nearly impossible for this study. Identifying a complete catalogue of objectives for an organization is already difficult to do, let alone creating one for various organizations at once. Nevertheless, having a catalogue as guideline for assessing various CBE is a must. For that purpose, this paper refers back to the reason and goal of CBE's emergence, at least normatively, namely towards sustainable development.

Sustainable development goals are originally initiated by the United Nations and intended to advance three dimensions: social, economic, and environmental development at the country level. The essence of the sustainability idea, however, has increasingly adopted for defining organization's goal. The three-dimensional concept of sustainable management is also known as 'triple-bottom-line' (for example, it is stated in Fischer and Gülgel, 2013). The idea is that the goal of an organization should not only focus on creating value for shareholders, but also consider the social, economic, and environmental benefits for the stakeholders.

One may claim that the goals are too broad. However, simplification and generalization perspectives are considered in this paper and thus, it is argued that too narrow goal dimensions may limit the assessment of various different case studies. Some issues regarding goal-attainment can be analyzed, i.e. whether each CBE sees the triple-bottom-line as its main goals, if there is any priority of one goal over another, if all goals are achieved, and to which degree of achievement each goal is satisfied.

According to literature (e.g. Fischer and Gülgel, 2013), the degree of goal-achievement can be differentiated into two categories: goal-optimization (e.g. minimizing cost or maximizing profit) and goal-satisfaction (reaching a pre-defined level). Keeping in mind that generalization of various case studies is pursued, in this case, this research adopts the goal-satisfaction with relative measure. Relative measure here means that an absolute level of achievement is not pre-defined, but in a sense, the growth or improvement of social, economic, and environmental conditions is to be measured by comparing the condition before and after the CBE has been implemented. Growth can be considered as a process towards success and it means that even making a little growth is more sustainable than stagnating.

3.3.2 Environment adaptability: survivability

Discouraged by the problems of measuring different kinds of performance, some analysts suggest that organizational survival (survival measure) is the ultimate success criterion (e.g. Hannan and Freeman, 1977; Aldrich, 1979) because it covers other performance dimensions such as attaining goals, sacrificing members, having flexibility and adaptability toward crises (Kanter, 1972). It is argued that survival is as concrete as profits and it can be measured easily. Certainly, this dimension may represent a long-term organizational goal.

There are, however, some limitations of this measure. Survival does not tell us whether the organizations did as well as they could have, only that they did enough to continue operating.

Besides, it is inapplicable to new organizations and provides no guide to short-term decision making. Moreover, it is likely that survival is sometimes artificial (receiving support from benefactor despite the organization's ineffectiveness). Finally, if an organization acts as though survival is its ultimate goal, it may lose sight of other purposes, including its very reason of existing in the first place (Kanter and Brinkerhoff, 1981).

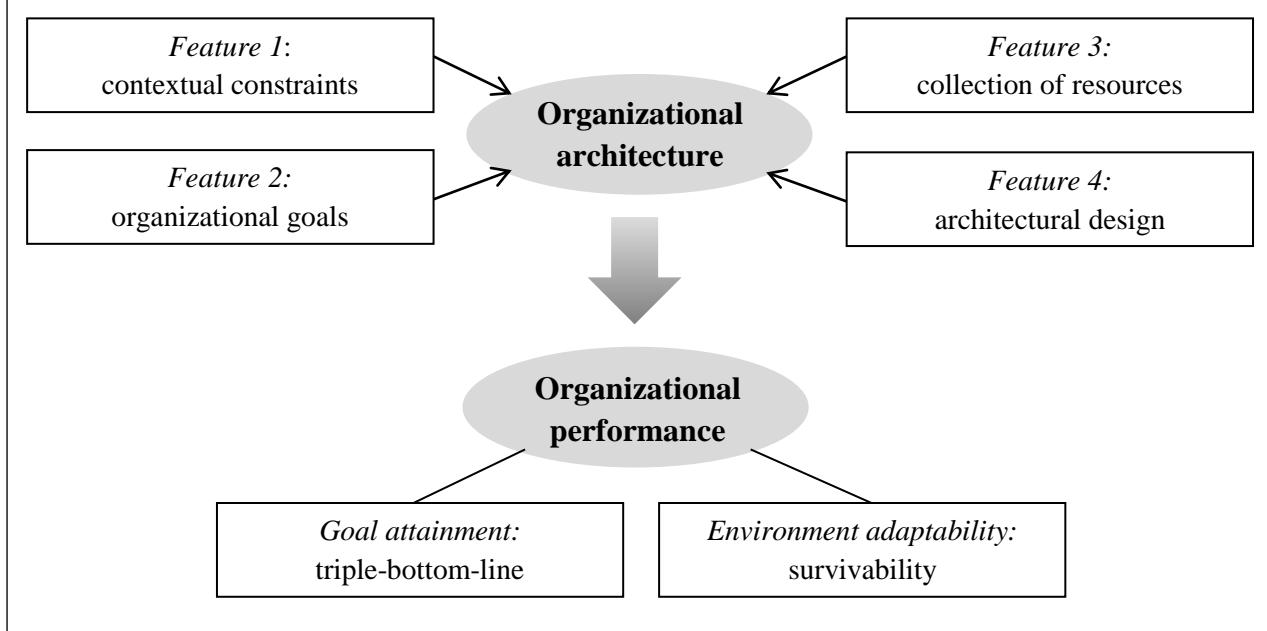
Nevertheless, despite the limitations, this paper views that the survivability aspect will complement the triple-bottom-line goals and make the measurement of performance dimensions more complete.

4. Summary

The potential of CBE as a solution toward environmental-poverty problems in developing countries and the challenge of identifying effective way to successfully implement the CBE model have become the motivational drivers behind this research. The challenge is particularly due to the imprecision of how the CBE is defined and lack of clarity regarding the organization of CBE. Furthermore, there is lack of generalization since individual case studies likely dominated the study of CBE.

This research emphasizes the importance of looking at the organizational issues, namely organizational architecture and organizational performance. Arguing that the dimensions to be measured are depending much on the research questions and the study design, the use of idiosyncratic dimensions and measurements is preferred to the use of common ones. In this case, four features of organizational architecture are taken into account, i.e. contextual constraints, organizational goals to be maximized, collection of resources, and architectural design, which consists of coordination and motivational (incentive) instruments. As for organizational performance, the focus is on measuring the relative growth of the triple-bottom-line and survivability dimensions. The organizational architecture is seen as the predictor of organizational performance. The summary of all aspects is illustrated in figure 2.

Figure 2 – Framework for analyzing CBE



5. Next steps

After having the theoretical framework, the first next thing to be done is making a list of operational indicators and their measurements by taking into consideration the relevance of those indicators with the theory and the possibility to acquire the data from the available resources. As mentioned at the beginning, empirical research regarding CBE is mainly individual case studies and thus, it is hard to have a clear overview of the overall architecture, performance, and key-success determinants of the existing CBEs, as well as to create a generalization of CBE model. Since the research tries to explore and explain the structure of CBE, qualitative and inductive methods will be employed. Intending to learn from many existing CBE experiences, a meta-analysis method is chosen since it is useful to generalize the singularity of case studies and thereby offering greater explanatory power (Stall-Meadows and Hyle, 2010). The detailed explanation concerning the methodology, the data sources, choice of analysis method, and other relevant issues are included in the agenda. Afterwards, the data collection, analysis and interpretation are to be conducted. Finally by the end of the research, a clear overview of the CBE's organizational architecture and performance, knowledge about the correlation of CBE's organizational architecture and its performance, as well as a best-practice CBE model are to be expected.

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