CONTEXTUALIZING SUSTAINABLE COMPETITIVE ADVANTAGE: A PERSPECTIVE OF SOCIAL ENTREPRENEURSHIP

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Abstracts
This study aimed in contextualizing competitive advantage for social entrepreneurship from different perspective. Having defined social entrepreneurship as ways to have better solution in dealing with social issue, enterprise is believed to be founded upon some social mission. In that case, the role of commitment, loyalty and perseverance become an important concept to understand the characteristic of organization. One important signal found in the study was due to a rapid growth of development for the fields of knowledge. The study identified the important role of leadership and knowledge management to social enterprise. The three major contributions from the study are: (i) addressing the basic framework in analyzing social entrepreneurship, (ii) codifying possible network mapping faced by complex-social enterprise and (iii) proposing model for future competitive advantage by considering unique characteristics of social organization. The study enclosed with proposing three propositions which covered the relationship between social enterprise and the society and also some possibility to have different analysis between developed and developing country.

Keywords: Sustainable competitive advantage; social entrepreneurship; leadership; knowledge-network; organization infrastructure

Introduction

Research on social entrepreneurship has been thrived to become multidisciplinary perspective for the last twenty years. Some studies tried to use political and public policy concept, while others deployed pure business-management theory (Mair, 2010; Khwaja & Mian, 2005; Mair & Marti, 2005; Dart, 2004; Wymer & Samu, 2003; Walsh et al., 2003; Thompson, 2002; Fisman, 2001; Thompson et al., 2000; Campbell, 1998; Calhoun, 1992; Waddock, 1991). Despite of the current divergence, one convergence point is the profound of the importance for social entrepreneurship as ways to improve the quality of the society. This is the reasons to have social spirit on the business for both developed as well as emerging countries.

For some reason, logical connections had appeared clearly but in fact, relating social entrepreneurship to quality of life is still absurd. The absence of firmly definition for the quality as well as the dynamic effect from environment has turned the connections into more-abstract concept. Many scholars found difficulties in measuring productivity in the organization especially in terms of social impact (Hadad & Drumea, 2014; Clifford et al., 2013; Bagnoli & Megali, 2011; Trexler, 2008). Some classical point of thoughts such as contributions to the society and the obligation to achieve above normal profit had make social enterprise acknowledged as popular field of studies (Martin & Osberg, 2007).

The obscurity among related research conclusion believed as the consequences from theory building process. Therefore we signaled the urgency for comprehensive framework to predict the ultimate outcome of social entrepreneurship. Stepping on the footprints created by Arena et al., (2015), Nigam et al., (2014), Bagnoli and Megali (2011), Salamzadeh et al.,
(2011), Ebrahim and Rangan (2010), McLoughlin et al., (2009), Defourny and Nyssens (2008), Trelstad (2008), Martin and Osberg (2007), Fletcher (2003), Paton (2003), Young and Salamon (2002), this study tried to find the underlying concept among findings to develop firmly framework in relating social enterprise to sustainable competitive advantage.

Two research questions explored in the study are (1) what are the antecedents of competitive advantage for social enterprise and (2) what is the best business model to representing unique side of social entrepreneurship. The rest of the paper will be organized as follows: at section two, we will explore all existing concepts on social entrepreneurship performance and combined the findings to traditional school-of thoughts in competitive strategy. Section three will try to analyze, discuss and proposing the model while section four describe possible practical implication from the study. We enclosed the study by addressing conclusions and direction for further study.

**Literature review**

In order to have clear insight to the concept of sustainable competitive advantage, this section will begin with analyzing the theory of competitiveness derived from traditional perspective. Furthermore, we will analyze some characteristics of social enterprise by retrieving several former journals to identify the possible antecedents for competitive advantage as well as to check the diversity from traditional concept as mentioned by former study.
Theory of comparative advantage

Study on competitive advantage has been done for more than half of century. Started with the two dominant theories – market based view and resource based view – management society had convinced that unconsciously, every organization was forced by two prominent powers: market-driven and resource-driven. The market-driven forces tend to guide new product development decision, while resource-driven forces provided complexity to optimization policy. Due to the scarcity for both tangible and intangible resources, company had to create such effective strategy to occupy better position in the market. The strategy will further be known as corporate and functional business policy.

One important concept of comparative advantage is the needs to outperform all existing competitors. Producing product complemented with extra services which truly satisfying customer needs or the ability to be the price-maker on the market will be the best examples of competitive advantage. The pivotal meaning of the concept had made it become the focal point on strategic management (Furrer et al., 2008; Nag et al., 2007; Ramos-Rodriguez & Ruiz-Navaro, 2004; Porter, 1996).

In addition to the two previous theories, the 21st business environment has created another perspective namely the knowledge-based view (Tiwana, 2002; Murray, 2000; Teece et al. 1997). The underlying idea is that having adequate-timely knowledge can enhance competitiveness power over the market.

The new concept has more power to explain the phenomenon clearer simply because having unique inimitable resource shared no guarantee for sustaining the business. Company needs to complete the resource with in-
tangible forms of knowledge. Life-experience in dealing with rigid-complex value chain will be counted as the most prestigious resources. Moreover, this is the strength that can contribute to the firm performance in serving the markets (see market-driven concept). This perspective leads us to better understand the relations between market-driven, resource-driven and knowledge-driven school of thoughts.

Recent trends on the development of the theory had placed knowledge-based view as the main construct to build competitiveness (Thériou et al. 2009; Rahmeyer, 2006; Halawi et al. 2005). Knowledge – especially in the form of tacit – is believed to direct all future management decision of the company. Therefore, several processes such as acquiring, storing, preserving and cultivating knowledge to become a more friendly-decision making considerations have been examined carefully (Wickramasinghe, 2003; Nonaka & Nishiguchi, 2000; Meso & Smith, 2000; Wiig, 1997). However, one vital conclusion is that external tacit knowledge is needed by the company to complement the existing codification, thus signaling the vital role of network.

Retrieving from theory of network, gaining sustainable competitive advantage can be performed through collaborations with all stakeholders along the value chains (Borgatti, 2011; Perry-Smith, 2006; Burt, 2004; Brass, 1985; Granovetter, 1973). Though the famous concept in this field is social network analysis, but some scholar succeeded in extended the idea to strategic management by addressing the role of network for both corporate and business level in developing their targeted capabilities (Prasetyo, 2016; Tikkanen & Halinen, 2003). Up to this point, it is plausible to have extrapo-
lation steps from network theory to knowledge-based view in gaining long-term competitiveness.

One considerable finding is the existence of the focal position, where firm become knowledge disseminator for the entire network. The main function of the disseminator was then expanded into various tasks such as identifying and assuring the accuracy of information up to the decision maker position such as dream-builder for future product or services.

Furthermore, having understood the pivotal role of the focal firm, some elements such as leaderships, communications, authority and power, innovation power and dynamic capabilities need to be considered effectively (Prasetyo, 2016; Dembinski, 2009). At any reasons, this also applies for non-profit organization including social enterprise (Chellappa & Saraf, 2010; Mair, 2004).

**Sustaining long-term performance for social entrepreneurships**

Before proceed to define the key performance of social enterprise, this section will started with synthetizing the definition to achieve the common-ground. Almost all previous studies had adopted the definition derived from Dees (1994a) seminal working paper entitled ‘Social enterprise: Private initiatives for the common good’. The study succeeded in relating the role of social enterprise to the common good for the society.

Our literature review found at least two firmly definitions for social entrepreneurship (Alvord et al., 2004; Mort et al., 2002), four for social entrepreneurs (Bornstein, 2004; Thompson et al., 2000; Boschee, 1998; Dees 1998b) and two for social enterprise (Haugh & Tracey, 2004; Dees, 1994a). The common definition for social entrepreneurships is a set of perspective to
develop strong innovative solutions to immediate social problems which at the same time try to mobilize ideas, capabilities, resources and commitment to create sustainable competitive advantage. Furthermore, social entrepreneurs are appointing to all business-experts that deal with the proposed perspective while social enterprise refers to the organization with those specific goals.

The understanding of social entrepreneurship had convinced us to the adjacency between social enterprise and social problems. This is the most critical point to distinguish social enterprise with the other type of business organization especially to those profit-oriented units.

After identifying the unique character of social enterprise, we then analyzed the possible key performance for sustainable social competitive advantage. From traditional point of view, competitive advantage can be one of these: having cost leadership position or equipped with diversification power. Instead of having only one of them, it would better if the company can achieve both of them. Therefore the next section will propose the most possible answer for the twos.

**Research method**

In order to find the best solutions for the proposed questions, the study use grounded theory as research methodology. We tried to combine the two field of knowledge: social enterprise and strategic management without prior justification to strategic social enterprise. The purpose of having the method is to find the strong linkage between the two concepts. We began the process by exploring the true characteristic of social enterprise. Starting with the original idea of proposing the social spirit into or-
ganization, its further development and challenges and how it reacts to external turbulences. The last exploration directed us to the concept of strategic management. Relating to its structural inertia, as an organization, social enterprise also has to be provided with dynamic capabilities in order to achieve better competitive advantage. In this study we deployed the paradigm proposed by Pisano (2015) in which competitive advantage was seen as the product of dynamic capabilities. In practical terms, social enterprise needs to develop their short term dynamic capabilities while at further development, it will become sustainable competitive advantage.

Up to that point, we are able to explain the true linkage among the two concepts and finding clues to develop framework model, thus preparing pathways to propose a new perspective.

**Analysis and discussion**

**Towards social competitive advantage**

Deriving from the concept of structural inertia, every social enterprise must be built for the common purpose which is dealing with the existing or probably, future social problems. As seen on figure 1, since the reason to have social entrepreneurship is preceded by social sensitivity from the entrepreneurs, the ultimate goal of the entity must be having proper solutions to the society.
In general, there are three basic mechanisms for social entrepreneurship: (1) sensing mechanism, (2) managerial mechanism and (3) confirmatory mechanism. Sensing mechanism is performing as an input, since it identified social problems and filtered in form of economic-related problem. Meanwhile managerial mechanism performs the true entrepreneurship policy. This is where all entrepreneur elements must be applied to ensure that the process can guarantee the quality of outcome, since it shared direct impact to the society, thus solving the problems.

As the final results from social entrepreneurship framework, confirmatory mechanism is the extent to which the reasons for existence of the company will be proofed. This is the triggered point for sustainable competitive advantage. Once the impact has been successfully proven then the development of the society will be directed the flow back to the origin. Using
this understanding as a cornerstone, the valid measurement of the social enter-
prise should be the social impact (Ebrahim & Rangan, 2010; Posister, 2003; Sawhill & Williamson, 2001; Power, 1999; Roche, 1999).

Due to its plethora of studies, scholar seems to have not been at the intersection point. Some are even still dealing with quantifying problems from all qualitative measurement, while the other used social return on investment (Muir & Bennett, 2014; Clark et al., 2004) as the ideal rule-of-thumb measurement tools. Without prior justification among the existing measurement, for simplicity, let us use the social return on investment as basis logic.

As an extension from return on investment, social return on investment can be calculated by dividing social benefits to total fund invested on the social program or policy. For some reason, SROI is more appropriate to non-social enterprise company since the term social stands for the supporting element for the business. But for social enterprise, since the term social will be count as the vital component, then it can be seen as organizational capital or equity.

In order to increase the rate, mathematically there are two possible ways: (1) increasing the amount of social return and/or (2) reducing the equity. Compared to the second, the first way seems logically accepted since as one of the effect from organizational growth must be an increase in capital. Therefore to retain the conciseness of the study, we only use the first way to derive several antecedents for competitive advantage.

Drawing back from the basic theory of change, an increase on social return on investment reflected positive progress in squiring the society towards higher understandable-quality of life. It can be on health sector, edu-
cation or even for some economic terms such as monthly income and daily expenditures. Up to this point, social enterprise has the obligation to perform multiple business process that can ensure the achievement towards the ultimate mission: (1) achieving cost leadership strategy while (2) relying on innovation strategy to produce more differentiate product or services.

Departing from this common ground, the most possible antecedents for social enterprise sustainable competitive advantage are: (1) organizational infrastructure, (2) organizational culture, (3) leaderships style, (4) knowledge management mechanism, (5) productive communication process, and (6) network collaboration. Organizational infrastructure and productive communication process has the possibility to achieve the cost leadership strategy, while the other element dealt with innovation process. Further section will discuss the role of each antecedent clearly. Once the antecedents had been successfully profound then the study will proposed model for social enterprise competitive advantage.

**Competitive model for social enterprise**

The first antecedents is organizational infrastructure including mission-vision and corporate value. One point of difference between social enterprise and traditional perspective is its social value. Company mission should relates to the efforts of solving social problem faced by the local community, while on the long-run may engage in more widely scale for example national scale or even regional scale and global scale. Therefore identifying and benchmarking for possible and/or current social problem must be the basis for every further step.
A firmed mission in the context of social entrepreneurship must be the basis for future indicator performance. Using figure 1 as framework, at the stage of confirmatory mechanism, company needs to evaluate its productivity in dealing with the stated social issues. Therefore by considering the dynamic possibility for environmental turbulence, mission statement of social enterprise should limited to certain period of time, mainly mid-term period (i.e. 2 to 3 years for optimist level and 3 to 5 years for moderate level). Shorter period allow the top management to have performance evaluation periodically in order to have short-changes on the policy immediately. Moreover, a firmed vision should be stated using practical-orientation perspective to ensure that the company can achieve the ultimate goals at some targeted period. Once the vision has been stated, then every decision and policy must be developed towards the vision.

Further derivation from mission and vision is corporate value. One distinctive point for traditional perspective is that corporate values for social enterprise must perform commitment and loyalty to mission and vision stated previously. Every member of the organization must be fully sensible to the role of the values: as guarantor for future outcome. Internalization of the value must become critical factor in this stage. Business owner as well as firm leader must deal with the issue consistently otherwise the spirit might become weakened. This will directly impacted firm performance.

Mission-vision and corporate value should be obtain through the design of organizational structure since it may influence the authority and power mechanism that further create some bureaucratic culture among leaders. Holding the two facets of considerations firmly: (1) the needs to operate under cost leadership strategy and (2) requirement for dynamic capabilities
we strongly propose that social enterprise should maintain the most efficient and productive structure. This will adhere simplify forms of organizational span of control which at the same time performing non-complex bureaucratic decision making process. Furthermore, simplification on this element might develop unique culture for social enterprise.

The second antecedent would be organizational culture. Simplify non-bureaucratic mechanism must be reflected on the culture. Productive team-work and internal collaboration must be profound as primary working theme. Awareness that internal productivity tend to create overall performance might assure as the best proviso.

This type of corporate culture may have impact to leadership style. Referring to Austine et al. (2006), the type of leadership varied over staging of the company. For start-up companies charismatic style is more appropriate. For institutionalization stage, the proper style would be directive leadership. For decentralization stage, the best style would be participative leaderships, while at the social conglomerate stage, the political style believed to be suitable for the organization.

As complementary to charismatic style of leadership, servant-leader also served as the best role model for the entire stage of social enterprise (Drouin, 2013; Kincaid, 2012; Trompenaars & Voerman, 2009; Greenleaf, 2002). The reasons is that the servant leadership addressing the role of stewardship, servant and building-companion spirit to managerial aspects.

The role of stewardship extent the understanding that managing social enterprise is a mandate given by the All Mighty God, therefore commitment, loyalty and perseverance will ensure that the quality of leadership might performed at its best. By becoming steward, a leader will see others
as those who deserved to be served. Meanwhile, the extent to which the term ‘service’ can be defined as companion spirit to develop other based on their true capabilities. One practical way is by having proper knowledge management mechanism for both internal and external process.

The fourth antecedent for social enterprise is proper knowledge management system. As mentioned before, social enterprise needs to find the best way in preserving innovation spirit within the company including product and process innovation. Presenting knowledge management in the organization requires sufficient capital. Therefore social enterprise must be able to optimize their entire business network to strengthen the function for knowledge searching, storing, processing and disseminator.

The fifth important antecedent will be communication mechanism. Although the concept of communication can be derived from mass-communication perspective but recently, many scholars retrieved the concept from servant leadership style (Abbasi et al., 2011; Johansson et al., 2011; Irving & Longbotham, 2007). The leader - at the concept of stewardship – must underlined the importance of effective communication which will ensure communicative and responsiveness in every decision. This is the best way to verge the society and provide the best pathways in identifying the root of problematic cause experienced by the community.

From the external view point, effective communication mechanism may promote the best performance on network collaboration. As the sixth antecedents, network management provides adequate endorsement for the social enterprise to optimizing its capacity (Brady & Haugh, 2011; Parkhe et al., 2006; Powell, 1990). Unlike traditional form of entrepreneurship, social enterprise faces unique complexity through its network management. The
reasons come from the ‘ties’ of the network. Sharing the same mission, vision, spirit to solve social problem must be the truly basis tie for the relationship. Differ in mission may delaminated the connection, thus breaking-up the network. One possible network mapping for social enterprise can be seen on figure 2.

**Figure 2.** Network mapping for social enterprise

![Network mapping for social enterprise](image)

Source: develop for the study

The strong ties among relationships tend to provide productive network collaboration. For most cases – at the concept of social enterprise – company has to be positioned as the focal firm, since socially mission organization must give valuable direction to achieve the respective goals which dealt with social problems. After successfully identifying antecedents and describing each role, the study proposed firmly competitive advantage model for social enterprise as seen on figure 3. We begin the model with the basic purpose of social entre-
preneurship which dealt with social problems. This facet must be performed as the first steps. Sensing and identifying the needs of the community at any types of scale would act as predominant factor for the entire model.

The second element would be the six antecedents as mentioned at the previous section. The outcome from sets of managerial strategy and policies must be the key performance. The steps will then continue to confirmatory stage where the society acts as evaluator for every business outcome. If the society confirm that the performance do provide better solution for current social problem, then this would be the point for sustainable competitive advantage. Contrary, if the society justify that the outcome still has minimum impact to deal with social problem, then the process will revert to the antecedents.

More detailed identification or sensing process must be performed to ensure the accuracy of the problem mapping. Uniquely, current justification of sustainable competitive advantage can be revealed as the cause for future social problems. This would be the complexity of the concept.
Figure 3. Competitive model for social enterprise

Source: develop for the study

Practical implication
The findings on this study can be used as benchmark for start-up social entrepreneurship. Recalling findings from Baum (2003), our study highlighted the important of having adequate sensing for current social problem as the motive for start-up enterprise. One simple example would be dealing with household waste which for most big cities becomes problematic. A social entrepreneur should possess strong motivation to find best solution for the waste problem. The solution can be either in the form of technology for
waste-recycling system and/or providing job opportunity to decrease the number of unemployment on certain area.

Furthermore, the strong motivation will reflected on mission and vision of the company. For most cases, this is the basic of the real entrepreneurship, since external and internal forces will turn the cognition and behavior to become commitment and envisioned which later is described as the source of corporate culture and leadership style.

One true challenge would be the negative response from the society. Social entrepreneur must be able to convince the society regarding the prospect of the program. The lack of knowledge experienced by the society might serve as point of rejection. Entrepreneur need to utilize skills and arts in dealing with rejection and convert them into the strongest support. Collaboration with other party would be feasible especially to maintain the low cost performance while achieving the targets. Therefore our model gave strong emphasis to communication mechanism and network collaboration in the art of social entrepreneurship.

After certain period, evaluation must be performed on the basis of objectivity. The ideal term would be engaging the society to do the evaluation. Having opinion and insight – especially from the society that actively join the program – might triggered loyalty and support for future strategy. The process is similar to having stakeholder engagement in new service-product development.

One best approach to have the objective opinion is by giving more roles to the society in pursuing the strategy. Though they are the object of the strategy, but positioning society as the subject on the implementation phase is like bringing the changing experience to the customer side. Some
scholars believed that that would be the best learning process specially in convincing the good side of the changing (Worsham, 2012; Salamzadeh et al., 2011; Visser, 2011; Thompson, 2008; Tracey & Phillip, 2007).

Confirmation from the society regarding the outcome of the strategy is an important factor for future sustainable competitive advantage, since it represents trust and acceptance from the one that will be served through the entire programs. Highly social-awareness society tends to give higher respect for confirmatory phase. This is because they realized of being served by the company. Complexity will be faced on low-awareness society. This is why entrepreneur need to give some preliminary education to the society before persuading them to be actively supporting the programs (Visser, 2011).

One major potential obstacle for social entrepreneurship is how to maintain the spirit along the way for both internally and externally. Our study indicated the possibility to have negative response from the society which made the cycle circling on reverse direction. Therefore entrepreneur needs to rely on the cognition to be faithful to their early mission.

**Future agenda**

This study has limitations especially upon empirical level. Future research must be done to test the model empirically. We propose several propositions to examine any relationship between social problem and the six antecedents, the relationships of each antecedent to performance and further to sustainable competitive advantage. Suggested propositions are as follows:

**Proposition 1:** Social entrepreneurship has strong relationships with social problem faced or possibly faced by the society.
**Proposition 2:** The antecedents (i.e. organizational infrastructure, organizational culture, leadership style, communication mechanism and network collaboration) do have impact to social enterprise performance which leads to sustainable competitive advantage.

Drawing back to the considerations of the maturity level of the society happened in developed and developing countries, it is plausible to identify the difference between the two fields. As mentioned by Scott (2009), social cohesion in developed countries tends to be stronger than the developed nations. This might affected the awareness level for having the spirit of social unto entrepreneurships. Therefore, further research can be done to evaluate the differences. We then proposed the third proposition as follows:

**Proposition 3:** The model of social entrepreneurship differs between developed and developing country due to social cohesion level experienced by the society.

**Conclusion**
The study succeeded in extending the concept of social entrepreneurships by clarifying the true-reasons to have social enterprise which is dealing with social problems. Trajectory from the fact that social enterprise must dealt with social problem, the study proposed six antecedents to define sustainable competitive advantage. The six antecedents are organizational infrastructure, organizational culture, leadership style, communication mechanism and network collaboration. Having proper management upon each antecedents will directed the company to the ultimate goals which are elevating the quality of life among society and maintaining financial performance.
for going concern process. We replenish the study with possible network mapping for social enterprise. This is benefited since the company needs to perform multiple strategies at the same time: (1) cost leadership strategy and (2) innovation strategy. Optimizing network will open new opportunities in elongate the company operational phase.

Our study enclosed with proposing three potential propositions for future study. It compiles relationship between social entrepreneurship and the needs of the society which based on the understanding that social enterprises have the ability to provide solutions to the problem of the society. The last proposition signaled difference between social entrepreneurship for developed and developing countries.

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