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Doing Social good on a sustainable basis: Competitive advantage of social businesses

Kaushik Roy

Assistant Professor, Indian Institute of Management Calcutta

D. H. Road, Joka, P.O. Kolkata 700 104

<http://facultylive.iimcal.ac.in/workingpapers>

Amit Karna

Associate Professor, Indian Institute of Management Ahmedabad

Vastrapur, Ahmedabad 380 015 Gujarat

<http://facultylive.iimcal.ac.in/workingpapers>

Doing social good on a sustainable basis: Competitive advantage of social businesses¹

The paper is aimed at investigating the capabilities of social entrepreneurship (SE) firms and how they achieve competitive advantage while engaging in social value creation. We employ a business model perspective to understand the (self-) sustaining mechanism for social good. We carry out an in-depth investigation of three social entrepreneurship (SE) ventures. We analyze the history of these ventures to determine how they achieved

lenses. With the help of one such theoretical lens, RBV, our paper aims to strengthen the theoretical underpinnings of SE literature.

Scholars have often contrasted social business from the way commercial organizations are run (Austin et al., 2006). While alleviation of poverty has been one of the most frequently discussed millennium development goals (UN, 2008) among social business scholars in the last few years, research in mainstream management literature has mostly focused on the objective of achieving and sustaining competitive advantage. Poverty alleviation, scholars argue, is akin to creating value at the society level, or in other words an act of doing social good. At the same time, strategy research has focused on creating value at the organizational level. In this paper, we argue that alleviating poverty in a (self) sustained manner can possibly be learned using concepts and tools from strategy literature; such as RBV (Barney, 1991). In other words, we take a strategic management view of social businesses to investigate their sustainability not only in social, but also commercial sense.

In order to investigate social business models through the lens of RBV, we draw insights from the historical analysis of three SE firms. More specifically, we investigate the capabilities of social business firms and how they achieve competitive advantage while engaging in social value creation. Using three SE cases, we derive a theoretical framework to

managerial experience and other corporate resources within the firm. We also find that the competitive advantage often comes from innovate usage – a practice that is reinforced by the support from institutional environment.

2. Theoretical Foundations

2.1 Social Entrepreneurship

Social entrepreneurship has rightfully developed into its own field of study (Revuelto-Taboada and Simon-Moya, 2012). The set of activities aiming to create social value appears within or across the business, government or non-

creation has several externalities that cause the environment – in particular social institutions – to undergo rapid change. This leads to firms' constantly needing to update its resource and capability base in order to ensure successful value creation from its business model. The dynamic capabilities view (Eisenhardt and Martin, 2000; Teece et al., 1997; Winter, 2003) could provide a unique theoretical lens for the study of SEs' innovative practices within the context of an evolving environment.

2.3 Competitive advantage creation by SE in emerging markets

Literature on SE presents a diverse conceptualization of organizations that seek to develop a business model to create social value. In order to do so, firms require strategic planning linking the missions to the actions, to avoid pushing the organization into unintended directions (Rangan, 2004). Therefore, since resource-starved SE organizations often exhibit institutional entrepreneurship involving

A previous study adopted the case-based method (Weerawardena and Mort, 2006) and engaged with multiple organisations in Australia. However, an emerging economy offers a very different context, given the greater importance of SE in the overall betterment of society (Prahalad, 2004). Another idiosyncrasy of an emerging economy is the weak nature or lack of a formal institutional framework within which organisations operate (Khanna and Palepu, 2000). Given these parameters, we understand that setting this study in India will provide unusual insights on SE business models.

Research on SE business model in emerging economy context, with transferrable results, is sparse. Yunus et al., (2010) investigate the business and social impact of a micro-finance venture that virtually revolutionized Bangladesh. However, the study was undertaken in Bangladesh, which is still in its nascent stages of economic development. It is expected that emerging economies such as India might offer different insights, given a more advanced position on the macro-economic development index. Also, Yunus et al., (2010) conducted the study using a single-case design. These two factors limit the application of its findings for Indian social businesses. Furthermore, literature (e.g., Anderson & Billou, 2007; Gupta & Rajshekhar, 2005) investigating business ventures catering to the low-income segment has so far focused exclusively on for-profit organisations and how they can convert the bottom-of-pyramid into lucrative markets. However, it lacks inductive case reasoning to develop meaningful theoretical insights from the RBV.

3.3 Sample Overview

We chose three Indian SE organisations for our study. The choice of these organisations was guided by theoretical sampling (Glaser and Strauss, 1967). We achieved theoretical saturation

(Eisenhardt, 1989b; Newey and Zahra, 2009) after study of the third case, and consequently, did not consider inclusion of any additional case. We believe that the early achievement of theoretical saturation, as contrary to Eisenhardt's (1989a, 1989b) heuristic of 4-10 cases, was a result of our choice of widely heterogeneous cases. Purposefully, we chose organisational cases that differed along the dimensions of a) area of operations (and geographical distribution of beneficiaries), b) profile of beneficiaries, c) domain of operations, and d) organisational lineage. Please refer to Table 1 for a detailed comparison of the three cases.

The entire data collection was focussed on the secondary domain. Rich secondary data, such as teaching cases, have been found to be a rich source of data for management research (Ambrosini et al., 2010). We triangulated the data (Yin, 2009) by employing different sources of information, and the varied sources are available in Table 1.

Within the multiple-case design (e.g., Eisenhardt, 1989; Yin, 1984), we studied the history of the following three organisations:

3.3.1 Case 1: Self Employed Women's Association (SEWA)

SEWA was established in 1972, in the form of a trade union. The term *sewa* in Hindi, literally means service – thus outlining the organisation's key objective of helping poor female workers secure an adequate and sustainable income. As a natural corollary, this initiative resulted in female empowerment and raised the status of these women in their respective families as well as the society at large. In building an ecosystem of collective employment, the organisation ensures that this is done with self-reliance. These poverty-stricken women are encouraged to develop and utilize their skills for self-employment. The approach has contributed to the success of the SEWA model.

3.3.2 Case 2: Jaipur Rugs

Jaipur Rugs (JR), as the name suggests, is in the business of selling carpets. With focus on sales of handmade carpets, the organisation has been able to work for the betterment of fragmented weavers and artisans, who otherwise did not have the financial muscle or competence to distribute their product. The organization acts as liaison between the unorganised (but skilled) weavers and artisans and connoisseurs of their carpet and rug craftsmanship.

3.3.3 Case 3: Narayana Hrudayalaya

Narayana Hrudayalaya (NH) is a hospital chain that believes that any person requiring their medical advice, care, or treatment should not be deprived of it. Having started off as a cardiac centre, it then branched out to other specialities and several other cities, as well.

The key information on the three cases and sources of information are outlined in the Table 1 below.

Table 1 about here

4. Analysis

We first present the individual cases analysed on three dimensions – organizational structure, internal and external challenges faced, and the strategic positioning of the SE firms in order to help it achieve competitive advantage over others in the sector.

4.1 Case 1: SEWA

To better understand the context of this movement, we explored the lineage of the organisation. Considering this context helps us to appreciate the goals and achievements of the organisation.

SEWA was carved out of Textile Labour Association (TLA) in 1971. The genesis of TLA dates back to the pre-independence era in 1920, when it was founded by Anasuya Sarabhai. TLA intended to progressively engage with all aspects of a mill worker's life, be it personal or work-related. The feminist orientation and focus on women as equals was due to its founder being a woman. In 1954, TLA finally carved out the Women's Wing and it was this wing that ultimately organised itself into the current form of SEWA. Finally in 1981, TLA disengaged itself from SEWA, and giving the latter greater freedom and drive to pursue its objectives.

4.1.1 Internal and External Challenges faced by SEWA

One of the first challenges SEWA faced as an SE entity was its identity. The struggle for identity was along two fronts. First it had to establish itself as distinct from the TLA. This is because, until about 1980, the organisation was perceived to be a subsidiary of the larger TLA. Initially, SEWA had operated as the women's wing of the TLA, as that had been the movement's origin in 1954. However, SEWA continued to serve the p

Furthermore, SEWA faced

directly procuring the carpets from the weavers. To ensure acceptance from the weavers, JR paid fair prices for the production of the carpets. Significantly, Chaudhary, who was in the business of producing carpets and owned two looms himself, was well acquainted with the field dynamics of this business. It would have been difficult for an outsider to change industry practice.

A second challenge for the organisation was sourcing of raw materials (Anderson et al., 2009). In order to produce world-class carpets the raw material had also to be of high quality. To produce carpets, the key raw materials are silk and wool. For a focussed approach to procuring raw wool, JR has a dedicated arm called Bhumika Wools. Bhumika Wools has been a much cost

self-reliance. There are many stories of weavers who have been able to raise their social and financial standards as a result of their association with JR.

Jaipur Rugs Foundation, dedicated to the developmental needs of the weavers, provides healthcare benefits to the weavers and gives them a basic education. Due to the broad geographical spread of the weavers, the foundation works with other NGOs

NH has a single point agenda, which is to provide quality healthcare to the masses in an affordable fashion. While achieving this objective, the SE entity has focussed on cardiac care, rather than offering multi-speciality services. However, in the recent past, we see that there is conscious effort on the part of NH to enter the multi-

the cause and provided most of the working capital. Finally, with the soft loan from a finance company, the SE was able to take care of its capital expenditures.

4.3.1 Internal and External Challenges

The key offering that differentiates NH from the mainstream healthcare facilities is the high quality standard of surgeries and care at unusually reasonable cost (to the patients). Herein lay the challenge – the organisation has to keep a variable pricing model, so that more benefits can be passed on to needy and poor patients. Patients with better finances would gain from the low cost structure of the facility, anyway, compared to other healthcare facilities. As a result, this was an everyday exercise, wherein each individual patient who wishes to avail the service of the facility is assessed for his financial need, and the hospital fees are decided accordingly.

Another challenge for NH has been to keep the capital expenditure within reasonably low limits. For any world-class hospital, equipment costs are significant and NH realised this from the start. To address this challenge, NH undertook several measures. First, NH realised that bulk purchases will enable better negotiation power and to procure in bulk, there needs to a threshold scale of operations. As an outcome, all the NH facilities are large ones; also, facilities are spread across many cities of India. As a key customer of the equipment suppliers, NH has been able to negotiate better deals for itself. Second, NH decided to procure only the key components and, wherever possible, develop in-house capabilities to address other needs. The ECG machines are an illustration of this. NH unbundled the pricing attached with the hardware and software of the machine and designed the software in-house. This resulted in a reduction in the cost of an ECG

To successfully maintain such a high quality surgical facility at prices that are incomparable in the healthcare industry, the firm has to ensure that the back-end operating costs are low. This in turn requires that the entire organisation is very cost conscious. One way to achieve this has been the strong organisational focus on efficiency – be it employee productivity or be it the utilisation of its facilities. The headcount of support staff and nurses have been deliberately kept low. For a normal month of 2007, the professional fees and salary cost for NH was of the tune of only 29% of the total spending. At the same time, the doctors carry out record number of surgeries each day. To top this up, doctors (and other support staff as well) work in shifts, as a result of which utilisation of the hospital facilities is very high.

Another dimension of the organisational process that lends itself to the competitive advantage is the variable pricing of the services to patients, as linked to their financial condition. The doctors who assess the health of the patients and recommend surgeries, also gauge the financial condition of the patients. The doctors have further

subsidise the fee discounts for the needy. Currently, over 80% of the patients seem to receive such discounts.

Third, the organisation has ensured that it has an extensive outreach to the needy patients, across various geographical regions. This is critical for the success of the firm;

turn depends on the resources and capabilities that the firm possesses and deploys. We advance this logic to the social entrepreneurship literature as well.

unorganised and poor weavers. These middlemen used to procure the product (carpets and rugs) of these weavers and artisans at abysmally low price and sell at market rates, thereby pocketing a huge surplus. JR aimed to redistribute this surplus in an equitable manner. It joined up with the unorganised and marginalised actors and offered them better conditions – better prices, professional training, and basic healthcare. At the same time, JR also repositioned the output of these weavers to the premium customer segment. The example of SEWA is similar. The SE venture tapped the grievance of the poor women working in unorganised sector and channelled their

Third, lack of institutional infrastructure poses its own challenges, including additional costs; however, it also brings along several opportunities and benefits. Opportunities are in the form institutional frameworks that are facilitative, and which require the SE to deeply engage with the extant and nascent institutional environment. Benefits take the shape of flexibility for the ventures to have an attractive pricing and product proposition that is easily and markedly differentiated from others. This enriches the understanding of the three pillars that facilitate the

top management skills, are scarce. As a result, these ventures are closely controlled in the initial phase and strategic and management resources are drawn from within the family. As the SE grows and gains social acceptance, it becomes easier for them to access those scarce resources. Also, by nurturing the people who join these ventures as employees, the necessary capability is built for the former to then take up strategic roles.

Of the three SE ventures studied, SEWA was conceived in 1971, NH in 1999, and JR in 2006. SEWA has a collegium system for electing members to their top Union body (refer to the organisation structure) and,

as the social dynamics. As a natural corollary, the successful social entrepreneurs are middle to late aged. Given their previous affiliation to the root cause, their expertise is a key element in the success of the venture. Previous affiliation to the cause also ensures that the entrepreneur has a sustained and passionate stance towards the social cause.

All three cases back up our assertion. Ela Bhatt, who currently heads SEWA, was the head of the Women's Wing of Textile Labour Association wherein the seeds of SEWA was sown. After the disengagement of the Wing from the Association, SEWA was conceived and she continues to head the organisation. Likewise, Dr. Devi Prasad Shetty had founded the Asia Heart Foundation in 1989 prior to conceiving the idea of NH. The journey of N K Chaudhary is equally enthralling – he started with two looms (production units) in 1978, conceived the idea of Jaipur Carpets in 1999 (for sales of rugs and engaging with unorganised weavers), and then formed JR in 2006.

6. Implications

Based on our findings, we extend the resource-based logic of achieving competitive advantage to SE literature. Our framework extends support to the economic rent seeking behaviour of the firms. Our framework clearly depicts the different types of resources that a firm deploys in order to achieve competitive advantage. The institutional support outlined in the framework is an important reinforcement factor in achieving competitive advantage. Our findings imply that

should aim at facilitating this process by way of providing legitimacy as well as acknowledging their contribution in institution building. This cycle can be best reinforced at the local level where the resources are deployed, but in an emerging market where the national institutions often lack full development, this reinforcement would benefit from appropriate policies at the national level. For example, JR exports its final product, whereas NH imports several of its medical equipment. In order to overcome the resource constraints, they do so in an innovative manner. This would require support at policy level in order to not only facilitate their foreign trade transactions, but also to design policies that enable them to do it on a continuous basis. Our study calls for a proactive policy making that enables such SE firms to take up institution building by innovative pr8()-219(3r)sign ive innovative

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Table 2: Snapshot of Case-evidence for sustainable business model of SE

SEWA	Jaipur Rugs	Narayana Hrudayalaya
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Figure 1: Resource-based framework of SE

