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

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Doing social good on a sustainable basis: Competitive advantage of social businesses[1]

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 competitive advantage. The cases are analysed based on the internal development in the context of environmental support. We find that SE ventures, like all other organizations, achieve competitive advantage based on available resources such as reputation and network of the founder, 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. Based on our analysis, we conclude that distinct capabilities of social businesses help them achieve competitive advantage, and that policy makers should institutionally support these ventures. Our application of a business model perspective in social entrepreneurship is unique, and advances the understanding of social businesses from a strategic management perspective.

Keywords: Social entrepreneurship; Resource-based view; Business model; Emerging markets

1. Introduction

Social entrepreneurship (SE) has been seen as an activity within or across the business, government or nonprofit sectors, which aims to create social value (Austin et al., 2006). While it is important for SE oriented organizations to have a clear value proposition for the social sector, it is equally important for its business model to make economic sense in order to sustain itself independently. This economic logic helps differentiate the SE construct from philanthropy (Ostrander, 2007). In order to investigate the business model of a self-sustaining SE, it makes sense to take a resource-based view (RBV) to help us track such a venture's resource allocation and capability development. A recent review of SE literature (Short et al., 2009) revealed that despite its being a topic of academic inquiry for nearly two decades, relatively little effort has been made to investigate it from mainstream management and entrepreneurship theoretical

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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 explain how social businesses could achieve and sustain competitive advantage. Our framework not only outlines the internal and external challenges a firm would face in doing social good in a profitable way, but also highlights the different routines they adopt in order to sustain themselves in the long term. Based on our analysis, we explain how firms build capabilities to overcome challenges along the way. We find that SE ventures, like all other organizations, achieve competitive advantage based on available resources such as reputation and network of the founder, 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-profit sectors, and is often referred to as social entrepreneurship (SE) (Austin et al., 2006). Extant literature (Mair et al., 2006; Martin and Osberg, 2007) also refers to the presence of innovation in carrying out such activities of social value creation. Social innovation may then enable leveraging social capital to tackle resource constraints (Bhatt and Altinay, 2013). In their review of SE literature, Short et al., (2009) highlight several different perspectives and definitions of SE in extant literature (p.161-162).

In addition to this diverse landscape, Mair & Marti (2006) describe SE to be a process in which value is created by combining resources in novel ways with the aim of creating social value by meeting social needs in a twofold manner: by establishing new organisations and by providing products and services. In the debate between Prahalad (2004) and Karnani (2007, 2008) on bottom-of-pyramid marketing, two different approaches to alleviating poverty are discussed. Even among these somewhat contradicting schools of thought, social good and alleviation of poverty seem to be the commonly accepted outcome of SE. While the definitions of SE and helping alleviate poverty are both valid and interesting, there is a need for more constructive analysis of the business strategy literature. We believe this is important to understanding how the business of doing social good can be sustained in the long-term and can sustain its benefits to the deprived members of society.

2.2 The Resource-based advantage

RBV, which posits the need for valuable, rare, inimitable and non-substitutable resources (Barney, 1991), can provide useful insights into how the business models adopted by a social entrepreneur (SEr) can achieve and sustain its competitive advantage. A business model outlines the method by which the enterprise delivers value to customers, entices customers to pay for value, and converts those payments to profit (Teece, 2010). Unless SErs are able to innovate and come up with new and unconventional business models, they are unlikely to create social value that relies not on the buying power of customers, but often if not always, on the lack of it. Schumpeter (1934) was among the first to emphasize the role of innovation in the entrepreneurial process and, more recently, innovation has been reinforced as a key component of entrepreneurial orientation (Lumpkin and Dess, 1996). Weerawardena & Mort (2006) proposed a “bounded multi-dimensional model” of SE, and this model underscored the importance of innovativeness in the pursuit of social value creation.

However, due to the value creation by SE is of very different nature, the role of business model innovation and management innovation is likely to be even more pronounced when it comes to SE. We believe this to be the case for two main reasons. Firstly, the economic logic of a social business model often involves challenging conventional thinking, finding complementary partners and undertaking continuous experimentation (Yunus et al., 2010). This requires the SEr to constantly innovate and generate new sources of profit by finding novel value proposition/value constellations – as outlined by Yunus et al., (2010). Secondly, social value 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 SErs' 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 three critical activities: (1) occupying 'subject positions' that are broadly legitimate and that link diverse stakeholders; (2) theorizing new practices through political and discursive means; and (3) institutionalizing these practices by connecting them to stakeholder values and routines (Maguire et al., 2004). SE venture creation has been further identified (as development of a non-profit venture model) in the form of opportunity identification, idea articulation, resource mobilization, opportunity exploitation, and stakeholder reporting (Haugh, 2007). Much of this literature looks at the innovative ways for value to be generated for the social good and involving stakeholders at the supplier, buyer, or consumer level. The investigations of such SE models in the developed world context have advocated the importance of institutions in leveraging resources. However, in the case of emerging economies, there is often a lack of institutional support, or in extreme cases, the social venture itself aims to create some of these institutions. In such a scenario, the firms create business models that enable organizations to meet basic requirements so they can capitalize upon opportunity.

Based on our literature review, we find that analysis of SE requires a stronger theoretical lens, such as RBV, in order to better understand its ability to create and sustain a competitive advantage. We take this theoretical perspective in carrying out an empirical analysis of SE firms in an emerging economy context. In the following we explain our research methodology followed by the case analysis and abstraction of our findings.

3. Data and Methods

3.1 Case-study method

As evident from the above, an understanding on the apt business model(s) for SE organisations is at a nascent stage. We thus anchor this study in the post-positivist paradigm. We analysed the history of three SE organizations. We first analysed these cases independently, then conducted a cross-case analysis to derive meaningful inferences. Given the interpretive nature of our study, data-collection and analysis were carried out simultaneously (Coffey and Atkinson, 1996). Once the data on the three cases was collected, we arranged it according to the research questions and, subsequently, themes were identified within the arrangement (Sandberg, 2000). Once the cases were prepared, replication logic was used to analyse each case sequentially (Eisenhardt, 1989a). Finally, cross-case analysis was performed to enhance the study's generalizability (Miles and Huberman, 1994) and to derive the findings. The approach of our analysis that we present subsequently is consistent with Kenney et al. (2012).

3.2 Research Setting

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 covert 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

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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 poor women of the unorganised sector and the assertive conduct of the wing did not correspond with the mind-set of the TLA. Finally, the TLA disengaged SEWA as an independent entity in 1981, thus providing a platform from which SEWA could further propel the cause. Second, the registration of the organisation as a formal body was challenging. The government’s department of labor objected to its registration, citing that there was no formal employer for which the Union was sought. SEWA contested this, indicating that the overriding purpose of a Union was to promote unity amongst the workers; upon which the department finally relented. SEWA was finally registered as a Trade Union in April 1972.

Furthermore, SEWA faced a challenge as an SE entity related to its business proposition, viz., collectivisation of women working in the informal sector (Blaxall, 2004). Many felt that such an endeavour was bound to fail given its impracticality and the widespread scepticism and doubt with which the product was met. The common notion at that time was that people working in the unorganised sector could not be coordinated under one umbrella given their widely scattered presence. Also, there existed no precedent for a separate wing dedicated to the cause of unorganised women. However, the core team of SEWA, under the leadership of Ela Bhatt, was determined to prove its point. It was their sheer dedication and commitment to the cause that grew movement to what it is today. To ensure that the organisation moved in the right direction (with minimum hassle), initial steps were restricted geographically to Ahmedabad, the organisation's original location (when it was carved out of TLA). It was only after success within this territory that the organisation expanded geographically. Likewise, the firm ensured that it initially took up only those causes that had a mass appeal. E.g., one of its first causes pertained to the issues faced by head-loaders and cart-pullers. Last, but not the least, the SE actively indulged in "*effective ploy*" as a means of achieving the social good. The SE's website cites one such instance of effective ploy, wherein the organisation used a rebuttal published by organised businessmen to its own advantage and to garner the support of the unorganised masses.

A third challenge that the SE movement faced related to the regulatory/ institutional environment in which it operated, an issue challenging the organisation since its inception. The earlier challenge of the SE establishing its identity can also be viewed from an institutional environment point of view – as the attitude of a government functionary impeded formal recognition of the organisation. On a systemic level, SEWA generally takes up and defends the causes for those marginalized actors for whom the policy environment is unconducive or unfavourable. Blaxall (2004) correctly pointed out that "over the years, almost every step in SEWA's growth has meant engaging with the policy environment in a practical sense, and patiently pushing the boundaries so that SEWA members are actually covered in programs and agencies and rules that are ostensibly in place to help India's poor."

A final challenge for the organisation relates to its geographical presence. Success of SEWA in Gujarat has been phenomenal. However, other states don't deliver a similar picture. The journey has been rather bumpy in other regions, thus leading us to believe that there is a regional or possibly a socio-cultural factor that plays a role in its success. Reinforcing our assertion is the membership count – in 2008, Gujarat contributed to over 53% of the total membership of SEWA for the entire nation.

4.1.2 SEWA's competitive advantage

As seen in the impact of SEWA, its contribution to uplifting poor women in an unorganized sector is undisputed. What makes this journey more commendable is the organisation's operational sustainability, and the time-tested model it follows.

A point worth mentioning is that for most SEWA ventures, the challenge does not lie in the competition with established businesses, but in dealing with cultural and institutional barriers. To illustrate this point: The identity of the organisation was questioned based on the notion that women working in unorganised sector cannot ever be organised for a common good. Likewise, the organisation had to face the hurdle of the Labour Department, which denied the association registry as a Trade Union. However, persistence and innovation paid off and both barriers were overcome, showing that the unionization of workers for a common cause can be permitted, even if not within the same establishment.

SEWA has always ensured that it remains abreast of the latest developments in its business environment and has adapted to pertinent changes. A good case-in-point was the Information Technology capability that it built as early as in 2001 (Nanavaty, 2001). To properly align the many SEWA centres distributed across the entire state of Gujarat (where it has highest presence), SEWA decided to connect these centres electronically. Initially, the project focussed on 11 districts with the intention of expanding to cover all 977 villages. SEWA successfully managed to convince a Boston-based philanthropic organisation (World Computer Exchange [WCE]) to aid the initiative. As a result, SEWA received 400 computers to help fulfill the connectivity mission. Subsequently, this capability was expected to be extrapolated to a B2B e-commerce facility, where SEWA would directly link the product of its members to buyers, thereby eliminating the middlemen and streamlining the supply chain.

Another source of SEWA's competitive advantage rested in its ability to internalise many impeding externalities. The existence of SEWA Bank is a clear example of our assertion. Early on, SEWA realised that its beneficiaries, the unorganised poverty-stricken women, should be encouraged to learn fiscal responsibility. This was to be manifested in the regular saving of earnings and seeking of loans with which to capitalize their small business. However, traditional bankers showed reticence when it came to promoting such savings (micro-banking) and offering loans without any collateral or significant documentation. SEWA decided to come up with its own bank, the SEWA Bank, with the sole intent of serving the banking needs unique to the unorganised poverty-stricken women. In 1974, this bank was registered as a cooperative bank.

4.2 Case 2: Jaipur Rugs

While achieving the overarching goal of social good, this SE firm ensured that it adheres to the high standards of its offering. As a result, quality control is given great importance in the organisation. This has directly benefitted the organisation – its product is well received overseas, not to mention the accolades from its Indian customers.

JR has a vast presence in India in that weaving talent – even in remote corners of the country – is tapped in a manner that is mutually beneficial to weavers as well as customers. The organisation is present in 10 states, and has over 20 branches spread across these 10 states. By associating with over 40,000 artisans throughout these 10 states, the organisation has been able to tap talent of varied nature. This is reflected in the firm's offering, which features a very high quality range of hand-woven rugs.

JR, in its current form, is attributable to the hard work and dedication of Nand Kishore Chaudhary. He started the SE venture, initially known as Jaipur Carpets, in 1999. However, the history of the organisation dates back to as early as 1978; the year Chaudhary ventured into the carpet business, owning only two looms (production units). It was during this initial period that he ventured into tribal areas to source his material. Initially known as Jaipur Carpets, JR was rechristened in 2006. Currently, the firm is registered as a private limited company, with a business presence in over 30 countries.

4.2.1 Internal and External Challenges

The first challenge for the organisation lay in changing the prevalent societal norms. Traditionally, middlemen procured the output of these weavers at low prices and sold the carpets at a premium, pocketing a significant surplus. JR aspired to change this for the benefit of the unorganised weavers who faced exploitation. Towards this end, JR eliminated the middlemen by 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 conscious enterprise that follows a variable-cost model. Most of the activities, from procurement to processing of wool, are outsourced. The raw material, most of which is procured by auction, is processed and brought to a central location in Jaipur. Subsequently, it is distributed to the branches and the artisans.

4.2.2 Competitive Advantage of Jaipur Rugs

The organisation operates in a complex network that connects unorganised weavers operating in rural and remote areas of India with distant, well-to-do customers in the developed cities of India and the USA. To operate successfully and sustainably, JR has ensured that all participants experience a win-win situation.

At the root, there are 40,000 unorganised weavers and artisans who actually produce the carpets. To ensure that there is a steady flow of high quality production of these handmade carpets, the firm has taken a holistic approach to the workers’ well-being (Anderson et al., 2009).

While JR has always paid its weavers well, this approach is in stark contrast to the earlier practice of exploitation. As a result, the weavers have developed a sense of financial security and 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 to achieve its objective. JR also continually organises training programmes to upgrade the skills of its weavers and artisans. Such has been the benefit to weavers that many of them have graduated to become entrepreneurs; becoming proud owners of looms and employing weavers to produce carpets for JR.

Another element of JR's business model that enhances its competitive advantage is the clear segregation of roles between the stakeholders. There is a clear focus that the organisation will primarily work as a platform for connecting the unorganised weavers (low-income segment) with high-income customers. By design, the return from such sales is largely passed on to the producers. JR does not take part in the production process, but plays the role of facilitator, connecting the producer with the end user in developed markets, rather than producing and selling the carpets itself.

Finally, a positive aspect of the business model of JR is its lean structure. Partially, this is a manifestation of the outsourced production. The organisation has also ensured that only truly relevant roles are created, thus cutting on the costs. These roles are manned by the family members, reducing the search costs for new recruitment, and increased co-ordination and communication among the various functionaries.

4.3 Case 3: Narayana Hrudayalaya

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-speciality domain. While serving the masses in an affordable fashion, NH has ensured that it doesn't compromise with the customer experience or satisfaction of the patient that is treated at their facility.

The genesis of this SE entity rests in Kolkata, one of the eastern metropolitan cities of India. Shankar Narayana Construction Company, a legacy organisation operating in construction business, founded the firm in 1999. The first NH centre was opened in Kolkata in April 2000.

The founder and a medical doctor by profession, Dr. Devi Prasad Shetty, continues to hold the Chairmanship of the chain of NH hospitals. Over the period of a decade, the firm opened 16 hospitals in the cities of Bangalore, Kolkata, Jamshedpur, Hyderabad, Jaipur, Kolar and Dharwad. The latest addition was in 2010, in Jaipur city. They are also in the process of setting up hospitals in 5 other cities in India.

Even with the first footprint in Kolkata, Dr. Devi Shetty never faced any financial bottleneck (Kothandaraman and Mookerjee, 2007). This may be the result of a number of factors. First and foremost, the firm was backed by a resource rich legacy construction company. Second, the founder had been actively involved in social causes in Kolkata, even prior to founding the SE. He founded the Asian Heart Foundation in 1989, which aims to set up cardiac facilities for other organisations and is not-for-profit, earning it the respect of many. The founder was the personal cardiac surgeon of Mother Teresa. Third, the first cardiac facility of the firm, the RTIICS, had a strong pool of satisfied customers (patients), who contributed generously to 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 by over 50%.

4.3.2 Competitive Advantage of Narayana Hrudayalaya

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 been empowered to waive off or reduce the charges (within pre-defined limits) that are levied to these patients for availing the surgical services of NH. In order to ensure that the doctor decides prudently, based on a) back-end costing of the surgical procedure, as well as b) the total waivers cumulatively offered to patients, they have been equipped with certain tools to facilitate decision-making. The doctors are kept up-to-date on a day-to-day basis, with the cost structure of the hospital. At the same time, a system is in place that gives doctors an idea of the total discounts offered on a particular day (or duration). Both dimensions, coupled with the assessed needs of the patient, enable the doctors to offer financial discounts to the patient. The cost structure is also designed in such a way that patients who pay the fees *in toto* (i.e., patients who are financially well off) cross-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; as the poor and needy should be aware of the merits of availing the services of this SE. To achieve this, NH has developed a unique and multi-faceted approach to marketing its offering and to reaching out to potential customers. NH has focussed on an outreach programme as well on telemedicine facilities. These facilities have been instrumental in drawing the attention of the masses to the NH offering and acting as the first point-of-contact for NH to touch-base with patients. NH has also networked with independently practicing doctors (general practitioners) who refer patients to the NH facility when necessary. There is a third approach that NH has simultaneously employed, to ensure a steady stream of patients to its facilities. The Chairman, Dr. Devi Shetty, has developed himself as well as NH as a credible brand, attracting publicity and the attention of media and scholars alike. As a result, NH has made its presence felt in other countries as well and foreigners have started visiting NH healthcare facilities.

5. Discussion

Achieving competitive advantage is as much a critical success factor to a social business organization as it is for any other organization. Based on the resource-based analysis of the three SE organizations above, we develop a theoretical understanding of how SE firms can achieve competitive advantage for their social business model. Our findings are based on the common inferences from the three cases and are theoretically connected by the resource-based logic. It is well-known that a firm’s competitive advantage is dependent on its business model, which in turn depends on the resources and capabilities that the firm possesses and deploys. We advance this logic to the social entrepreneurship literature as well. Based on our analysis, we derive a resource-based framework to explain the competitive advantage-seeking behaviour of the SE firms. The framework outlines that the innovative utilization of resources not only helps achieve competitive advantage, but also reinforces the institutional support that the SE firm receives from the environment. Figure 4 depicts the resource-based framework from our analysis. A snapshot of case evidence that leads to the emergent framework is tabulated in Table 2.

Table 2 about here

Figure 1 about here

Our findings advance the SE literature by providing the necessary theoretical support for competitive advantage seeking SE business models. We do so in several ways. First, we contribute to the literature by outlining competitive advantage-seeking behaviour of SE firms. In particular, we are able to inform the literature that in order to be successful, the SE ventures in emerging markets utilise resources in an innovative manner. They leverage on available resources, in order to create a value proposition that redistributes the resources from stakeholders that possess them to those stakeholders that don't – in a way leading to an equalising nature of the SE firm. The source of these resources may be in the nature of deadweight losses that otherwise existed in the absence of the SE venture.

JR represents our assertion in a very classic fashion. Traditionally, in absence of the concept put forth by JR, middlemen would benefit from the fragmented distribution of the 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 output in a mutually beneficial manner. These women were, over a period of time, taught vocations or ways to enhance their skills. Their products were then marketed at competitive prices. NH offered similar insights cross-subsidising the cost to poor patients with the surgical revenues from the care of affluent patients.

Second, the resource allocation of the SE does not always have a clear outcome expectation. Therefore, it requires the SEr to make resource allocation decisions in a highly uncertain environment. This not only entails taking risk, but also vision. It is to the great benefit of the SE, if a SEr brings a strong personal network, distinct managerial style, and commitment to creating a sound, innovative business model. This finding extends the relational resource-based theory of the firm (Dyer and Singh, 1998; Gulati, 2007).

The reputation and relational capital of Dr. Devi Shetty was instrumental in providing reputation as well as recognition to NH. Similarly the network of N K Chaudhary helped JR in not only accessing good weavers and artisans, but also eliminating the middlemen. SEWA's reputation also provides it with benefits when it comes to negotiate for its members.

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 emergence of social entrepreneurship ventures (Fernández Guerrero, 2010).

All three social entrepreneurship ventures studied started their operations against the backdrop of an environment that was institutionally either non-supportive or non-existent. SEWA had difficulty in getting itself recognised as a trade union. The Department of Labour did not identify any union activity that was not directed to an organisation, which impeded SEWA's registration. After all, SEWA had (and continues to have) the goal of serving the unorganised and poor women. However, persistent persuasion of the SEWA team paid off as SEWA's registration was finally approved. This was a landmark success – after all, workers of different unorganised domains can now form their own union and demand welfare support. On similar lines, NH was conceived in an era in which cardiac surgeries and post-operative care was prohibitively expensive for the masses. Also, heavy duties were levied on essential imported surgical equipment and artificial replacements such as pacemakers. NH engaged actively with the different government functionaries and succeeded in substantial reduction of such duties, at least for the needy. Since regulatory mechanism to fix the range of prices for surgeries did not exist in India, NH came up with its own pricing – and this innovative pricing mechanism vastly benefitted the needy and poor. The innovation here was on multiple fronts. On one hand, the doctors and senior staff had the authority to offer discounts and waivers to the needy patients, with control mechanisms in place. On the other hand, the fees from elite and affluent patients would cross-subsidise the surgical procedure for the poor.

Fourth, successful social entrepreneurship ventures have their founding roots in other established organisations. These other established organisations were very successful during the inception of the social entrepreneurship venture, but may no longer exist in the current incarnation. We argue that the foundation of an SE in such established organisations gives it the confidence to challenge social norms and receive *prima facie* acceptance from the stakeholders. It also endows a SE venture with resources (finance, beneficiary know-how, skill-set, etc.) that would otherwise be difficult to access.

The findings in the cases support this argument. SEWA movement was a spin-off of the Women's Wing of the Textile Labour Association, which had been a hugely successful and mature Union since the 1920s. Likewise, NH was founded by a successful and well-known construction company, the Shankar Narayana Construction Company. The history of JR is no different. The SE venture evolved out of Jaipur Carpets, which had been successful in the sale of rugs and carpets from the SEr's loom (production unit) business.

Based on the case analysis, we also draw insights related to the top management team composition of successful social entrepreneurship ventures. We propose that there is an evolutionary pattern among the social ventures, in the design of the top management team. During the fledgling period, the SE venture is closely controlled by the family members of the social entrepreneur. As the venture matures and establishes itself, professionals assume leadership roles. During this stage of stability, the professionals (non-members of the founding family) generally grow organically from within the organisation. Initially, resources, including 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 a result, active representatives of different trade form a part of the top management team. Even then, this team is not fixed – there is election every three years and new members replace the existing ones. NH was the middle-aged venture of those we studied and yet, the key founder continued to hold the Chairmanship. It is interesting to note that the strategic role of Managing Director (MD-cum-Vice Chairman and Group CEO) was held by a non-family member. Of the 11 board members, 7 were not members of the Shetty family. Interestingly, the day-to-day pan-India Operations was controlled by another layer of management and this layer was headed by a professional COO. JR, the youngest of the three SE ventures studied, was headed by the founder and he continued to hold the position of Chairman-cum-MD. The entire top management team of 5 members comprised of family members of the Chaudhary family. The need for key resources in management at the fledgling stage is illustrated particularly in the example of the eldest son of the founder, who decided to forego his management education abroad to head the business operations of JR.

Finally, we propose that for a social enterprise to succeed, the social entrepreneur must have a previous affiliation to the root cause. In such a case, the social entrepreneur has acquired the necessary expertise in the domain in question and is aware of the nuances of culture as well 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 institutional support not only derives its strength from the innovative usage of resources by the SE firm, but also reinforces the utilization of resources by the SE firm. This virtuous cycle strengthens the effectiveness of resources that are deployed by the SE firm. We believe this demands a certain tolerance and acceptance at the level of policy makers and regulators, who 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 practices in deploying their resources in order to achieve competitive advantage.

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Table 1: Overview of Case-study organisations

Particulars	Social Entrepreneurship Venture		
	SEWA	**Jaipur Rugs**	**Narayana Hrudayalaya**
Year of Inception	1972	1999[a]	1999
Area of Operations (location of beneficiaries)	Pan-India, with greater focus on Gujarat	20 centres spread across 10 cities	12 hospitals spread across 7 cities (presence in 5 other locations underway)
Beneficiary Profile	Unorganised and poor self-employed women	Unorganised weavers and artisans	Patients (primarily heart patients who are financially poor)
Domain of Operations	Diverse, with focus on empowering the beneficiaries	Carpets and Rugs	Healthcare, with greater focus on cardiac surgeries
Incumbent Leader (Chairman/ MD)	One of the key founders continues to head	Founder continues to be the CMD	Founder continues to be the Chairman
Organisational Lineage	A trade union named Textile Labour Association	Jaipur Carpets (and previously, a production house of 2 looms)	Asia Heart Foundation (set up cardiac facilities for other entities)
Sources of Data	www.sewa.org, World Bank Reports	www.jaipurrugsco.com, Case study	www.narayanahospitals.com, UNDP Report

[a] *known as Jaipur Carpets at that time, rechristened as Jaipur Rugs in 2006*

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

SEWA	Jaipur Rugs	Narayana Hrudayalaya
Reputation of serving poor and the unorganised was its identity, and this enabled overcoming a previous Government regulation of disallowing recognition 1.1,2	Continued to be headed by Mr. N. K. Chaudhary, acclaimed as a long-standing social entrepreneur 1.1	Though low-cost, NH ensured that customer experience or patient satisfaction was never compromised 1.1
Sheer determination of Ms. Ela Bhatt and the core team, resulted in the growth of this movement, against the absence of any such precedence 1.3,1.4	Most of the TMT were family members, and this network of corporate resources aided protection of reputation 1.1,1.2,1.4	Initial success was aided by a founding firm (legacy of success in construction business), whose network and corporate resources were useful. Also, high scale and centralised purchase aided in bargaining prices of world-class hospital equipment centrally 1.2,1.4
"Effective ploy" employed to achieve social good. An illustration is the utilisation of rebuttal by organised businessmen to its own advantage 1.4,3	Well-networked branches in 22 locations, and headed by Managers and Commanders. This aided coordination with weavers and artisans 1.2,1.3,3	The founder's (Dr. Devi Shetty) previous pursuits (e.g., a) starting Asian Heart Foundation, b) personal cardiac surgeon of Mother Teresa, c) the RTIICS facility) fed necessary reputation and network 1.1,1.2
The core team would patiently push the regulatory boundaries for the greater cause of marginalised actors 1.4,2	The reputation and network of founder, Mr. Chaudhary (previously used to produce carpets himself), aided removing middlemen, and directly engaging with weavers and artisans to avoid exploitation 1.1,1.2,2,3	Most of the TMT were practicing doctors, and this network of corporate resources aided protection of reputation; also, only organic growth of employees encouraged, to maintain philanthropic culture 1.1,1.2,1.4,3
Primary focus in Gujarat, with over 53% of membership coming from this region. Socio-cultural factors, and network strength of core team, played a role in this success 1.2,3	Low cost and high quality raw material sourced through its own dedicated arm (Bhumika wools). Raw material purchased centrally in Jaipur, and then distributed 1.2,1.3	Variable pricing model, i.e., financially strong patients cross-subsidising others, ensured high quality of surgeries at unusually low cost. Doctors were empowered to reduce/waive off patient fees based on financial assessment 1.1,1.3,3
IT network was employed to connect the wide geographical spread of centres, and the network was later upgraded to B2B e-commerce facility; a Boston-based philanthropic agency convinced to aid this initiative 1.1,1.2,3	Platform provided (wide complex network) to connect unorganised weavers operating in remote/rural locations to rich customers in India and the US 1.2,3	To reduce ECG cost, the package was unbundled. Only hardware was procured from outside, and the software was developed in-house. Likewise, focus on productivity and cost control (e.g., working in shifts) ensured that salary cost was just 29% of total spending 1.3,3
SEWA Bank formed, and this extended micro-banking facilities to its beneficiaries 1.4,3	Networking with other NGOs, and organising training programmes, upgraded skills of artisans and weavers. Many beneficiaries graduated to become loom owners 1.1,1.2,3	Extensive outreach (e.g., telemedicine facility, network of independent doctors) and credible brand image ensured steady stream of patients 1.1,1.3,3
	Clear segregation of role between stakeholders resulted in competitive advantage. JR was only a facilitator and not actual producer, and the surplus primarily passed on to beneficiaries 1.2,1.3	
	Lean structure implemented by outsourced production and engaging only family members (thereby reducing search cost, and increasing coordination) 1.4	

Figure 1: Resource-based framework of SE