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Assessing community-based enterprise: A case survey

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Introduction

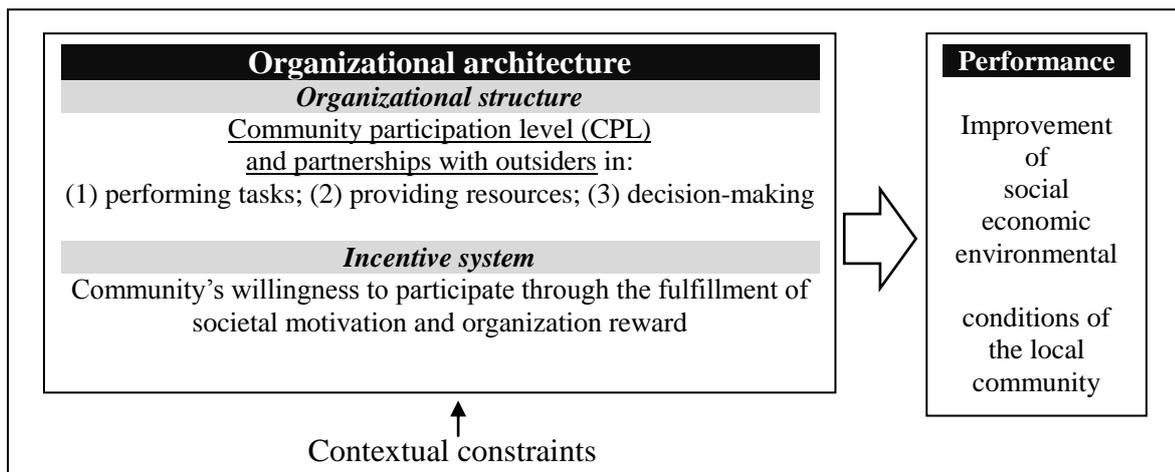
Past experiences show that paternalistic government-based approach to solve environmental and poverty problems lacks of success. During the last three decades, community-based approach is increasingly known to be fundamental for sustainable development (Haugh, 2007). Community-based enterprise (CBE), triggered by socio-economic distress and environmental problems, has been increasingly acknowledged as a way to maintain autonomy of rural and indigenous communities (Orozco-Quintero & Davidson-Hunt, 2010; Peredo & Chrisman, 2006). However, despite the increasing implementation of CBE, a clear understanding about the organization architecture and performance is still lacking. The equivocality is apparent partly in the diverse definitions of CBE, different understandings regarding the degree of community-participation in the CBE, as well as various assumptions of CBE's success measurement.

Mansoor et al. (2012: 48) accentuate the importance of having an appropriate organizational structure, namely "to achieve any organization's success as it provides coordination for the organizational process and facilitates them in achieving the desired goals". Therefore, looking closer at the organizational aspects of CBE is an important step for the clarification and improvement of the current CBE concept. For that purpose, this paper aims to bridge the knowledge-gap in the CBE concept by founding the analysis on organizational insights and the generalizability-gap by employing a case survey. The objectives of this paper are: (1) to identify the organizational architecture and performance of the existing CBEs and (2) to find out aspects that are correlated to the success of the CBEs.

Research framework and methodology

Given that knowledge about CBE is distributed over numerous individual case-studies, this paper applies a case survey method to bring diverse case studies under a common conceptual framework for achieving cumulative findings (Lucas, 1974). The framework used for the analysis is illustrated in figure 1. I systematically conduct a computer search using "community-based enterprise" keyword in scientific databases, namely EBSCO Host (using Boolean phrase) and ScienceDirect (search in abstract, title, and keyword fields), as well as donor/development agencies' publications. Through the coding, the qualitative information is converted into quantitative data, enabling the analysis through conventional statistics. A mix of data is used in

this paper, namely macro indices obtained from some international databases, as well as metric and categorical data derived from each case. In terms of categorical data, 3-point or 4-point rating scale is used. Due to the nature of the case survey, a higher Likert-scale measurement is not plausible. Frequency analyses for all variables (contextual constraints, organizational architecture, and performance) are conducted. I use Principal Component Analysis for categorical data (*polychoricpca* and *factormat* using *STATA 12* statistic software) to identify the latent variables and respectively, reducing the number of less relevant variables and Ordered Logistic Regression analysis (*ologit*) to predict the degree of influence of independent variables on categorical dependent variable (Powers and Yu, 2008). Besides, I also conduct a cross-analysis using partial least squares (PLS) regression (using *SmartPLS 2.0* software) due to its robustness for smaller sample size (Chin & Newsted, 1999).



Source: Soviana (2013)

Descriptive statistics

Contextual situation

This case survey includes 34 cases from 12 different countries, covering several sectors such as tourism, forestry, agriculture, and handicraft. The descriptive statistics show that the CBEs are indeed established in countries with relatively disadvantageous situation – typically under socio-economic as well as political pressure. In most cases, at least formatively speaking, the government has given some attention to the CBE framework by providing partial or full supports. Nevertheless, whether or not these supports really benefit the communities is not recorded. Half of the cases mention that originally the community does not possess the necessary management, technical, infrastructure or financial means to establish a CBE. Another remarkable finding is the fact that there is at least one active NGO that supports the community in almost all cases.

Organizational architecture

Regarding the *stakeholders' participation*, four groups of stakeholders mentioned earlier are taken into account in the analysis, namely community, government, NGO, and private sector. Three broad categories of activities are analyzed, including performing tasks, providing capitals, and making decision. Similar categorization is applied for *community representation*. In *performing tasks*, the community participation is dominant in operation-phase, while in other phases (initiation, preparation, and evaluation) the community is involved, but the role of other stakeholders (especially NGOs) is quite influential. In terms of *providing capital*, the community is the main player in providing material and infrastructure. However, this number should be understood cautiously, since it might be related to the fact that the main financial provider is

actually the international NGOs. Meanwhile, in terms of networking capacity, the finding shows a mix of participation by different stakeholders. Community members generally are involved in *making-decision* in all phases. However, at the same time it is not free from the intervention of outsiders, especially the (international) NGOs. Generally the *community representation* is high, especially in the operation and providing of materials. The community is under-represented in terms of initiation, evaluation, finance, and networking. The initiation phase and the decision-making are colored by the role of local leader/ elite groups (low representation) and selected 'ordinary' community members (medium representation). In all other aspects, a medium representation is apparent. Two most frequently used *legal forms*, under which the CBEs are registered, are association (9 cases) and enterprise (8). Other forms mentioned are cooperative, trust, and registered (but without specifying under which legal form). 31 CBEs apply *membership system*, in which 20 of them are implementing open membership to all community members and 11 are close membership, restricted only to certain community members who are selected by the entrepreneurs that run the enterprise. In terms of the availability of leadership, there is no clear dominance of one scenario over another.

Performance

In terms of performance, generally the CBEs indeed bring *economic, social, as well as environmental improvement*. The degree of improvement is, nonetheless, varied widely from case to case. In terms of the revenue generated by the CBEs, the range spread out very widely, ranging from 325 US\$ to 11million US\$. Likewise, the profit obtained is also very diverse from case to case. Some cases indicate that they are running at a loss, unable to cover the costs, while some others could generate profit, ranging from a few hundred US\$ up to 182 thousand US\$. Regarding the *employment and benefactors* issues, there is no uniform pattern. Some CBEs only employ and bring benefits to their own members, which only include a few people. On the contrary, there are some which employ hundreds of staffs and give benefits to thousands of inhabitants. Though not every case mentions about the village coverage, it could be indicated that the CBEs mostly cover more than one village. In some cases they cover a few villages and in some others many villages.

Correlational analyses

Participation – performance

I analyze the relationship between each stakeholder's participation and CBE's performance. The community participation level (CPL) seems to be positively, though insignificantly, correlated with performance, but high NGO's participation-level is more influential in leading to good performance. Meanwhile, participation-level of government and private actor seem to be negatively (though not significantly) correlated to performance. However, looking at the influence of each stakeholder's participation-level on the probability of very successful performance (given that all other stakeholders are constant at their mean values), it is apparent that the higher the CPL, the better the performance. Besides, it also shows that the CPL is more influential in leading the CBE to have higher probability for achieving a very successful performance. CPL in decision-making is more influential in leading to good performance than CPL in other activities (providing capital or performing task), which is strongly supported by the result of regression analysis.

Community representation – performance

The community representation is positively (and significantly) influences the performance. The community representation in decision-making is positively associated to performance at a very

high significance level, while the association of representation in performing task and providing capital with performance are both insignificant.

Contextual constraints – CPL

The ordered logistic regression analysis shows that the contextual constraints are not significantly influencing the community participation level. The correlation of economic constraint with CPL is negative, but it is not significant. Besides, the economic constraint is not necessarily more strongly correlated with CPL than other constraints. Local asset is negatively correlated to CPL, but the association is not significant. Both social capital and local skill are significantly associated with CPL. The impact of local skill on CPL is greater than that of the social capital.

Concluding remarks

By analyzing the organizational architecture and performance of CBEs, this paper deems to contribute to the advancement of conceptual work and to provide a better overview of the conceptual implication in the practical experiences. This paper implies that the establishment of CBE may be, but not necessarily, triggered by socio-economic distress. The community's motivation to participate is more influenced by the underlying local skill than by the social capital. Not possessing assets may not hinder the community members to participate, but it should be noted that in almost all cases there are NGOs which may support the communities financially. This paper indicates that in many cases smaller group of individuals is still becoming the driver of the CBEs. The CBEs indeed brings economic, social, and environmental improvements, although they should be understood flexibly. Different legal forms as well as diverse cooperation between community and NGOs seem to have influence on the CBE's performance. Finally, the findings of this paper should not be considered as an end but as a steppingstone, linking the existing knowledge and the potential knowledge from future research.

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