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Cooperative Organization: The Dominant Criteria of Social Entrepreneurship

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ABSTRACT

Background: This is a concept paper to clarify the dominant criteria of social entrepreneurship (SE) in cooperative organization which done through empirical literature search to determine their similarities. Although SE topic is not new, only small number of literature classified the type of social enterprise done by scholars. The need to identify the characteristics of SE organizations types are important to determine the nature, objectives and values from other types social organization for future research in social entrepreneurship. What are the types of social enterprise? Thus, this paper focused to one of social organization entity called cooperative to fit with social enterprise.

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INTRODUCTION

Social entrepreneurship is not an entirely new concept because the topic has been around for decades and considerable interest in literature (Austin *et al.*, 2006; Zahra *et al.*, 2009 and Okpara and Halkias, 2011). The term 'social entrepreneur' was first mentioned in 1972 by Joseph Banks in his seminal work named *The Sociology of Social Movements*. He evokes the demand to use managerial skills to address societal problems as well as to address business challenges. Later in 1980's, a social entrepreneurship practice started with the formation of the first organization to support social entrepreneurs in the world named "Ashoka" inspired by William Drayton (Drayton, 2006). Why SE is important and need further research? It is clear to see that SE is important when researchers summarized that the context of SE have permeated and giving an impact to different facets of societal life. For example, i) in politics, SE has inspired of proposing proactive legislative to address socio-economic issues in countries mentioned by Lasprogata and Cotton (2003); Prahalad, (2005) and Mair (2008); ii) in business, SE has stimulated thinking of new business models to enhance low income populations in the developing countries as their primary aim is to attain social mission in empowering specific disadvantaged communities or target groups as highlighted by Leadbeater (1997); Cox and Healey (1998); Mair and Marti (2006); Mair (2008) and Ericka Costa *et al.* (2012); iii) in finance, SE has reflecting social stock markets and socially-responsible investing (Mair, 2008); and finally, iv) in the field of philanthropy SE has witnessed a dramatic shift towards strategic and impact orientation (Mair, 2008). The importance of social entrepreneurs was also stressed by Thompson *et al.* (2000) that opportunity in business is to satisfy some unmet need that the state welfare system will not or cannot meet, thus the entrepreneurs gather the necessary resources and use to 'make a difference' to the stakeholders. In order to determine the social contributions through social enterprise entity, thus, the needs to identify the types of social enterprises are required. Can cooperative be one of social enterprise and what makes them similar? The next section discussed the similarities of both.

Social Entrepreneurship/Enterprise and Cooperative: Literature Review and Analysis:

i. The meanings of Social Entrepreneurship (SE) and cooperative:

a) Social entrepreneurship:

According to Dees (2001) the phenomenon of social entrepreneurship is not new because social entrepreneur is always around even they are not being called as social entrepreneurs. The literature in this study concerned to the social enterprise institutional form - cooperatives that differ from Small Medium Enterprises (SMEs) and other form of business entity. Peredo and McLean (2006) viewed SE as two-side entity, includes 'social' and

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'entrepreneurial'. Prabhu (1999) emphasized common characteristics of small social entrepreneurial organizations and small economic entrepreneurial are i) local efforts in providing innovative products and services which are usually locally developed, ii) both experiment and often make many trial, runs and use a variety of approaches to arrive at viable methods, iii) both have identifiable leaders who are strongly committed to their ventures and iv) both seek to meet local people's needs at least initially and are largely supported by them. In addition, Nicholls and Cho (2008) stated to identify the difference between social organization (social enterprise) with other business organization, they posit three elements in SE that distinguished it from other organizational forms such as social mission, the importance it places on innovation and its market orientation. The social organization put innovative efforts to solve persistent social problems of poverty and marginalization that, to some extent, have been successful in increasing their impact and catalyzing social transformation (Alvord *et al.*, 2004). Moreover, Stryjan (1992) and Prabhu (1999) stated the examples of social enterprise are service cooperatives, social cooperatives and community development enterprises that effect an important symbolic transformation of its members. This can be concluded that SE is a combination of social mission with business-like discipline emphasized on innovation aspects for business sustainable.

b) *Cooperative organization:*

Cooperative organization is a unique business entity compared to other forms business and extensive use throughout the world. The purpose of cooperative is to provide maximum benefit to its members by engaging in economic activities or to put it another way, by intervening in the market (Bateman *et al.*, 1979). Cooperatives can take many forms, but attempts have been made to produce a common definition and set of values and principles to unite cooperatives globally. The International Cooperative Alliance (ICA, 1995) defines cooperative as '*an autonomous association of person united voluntarily to meet their common economic, social and cultural needs and aspiration through a jointly-owned and democratically controlled enterprise*'. Cooperative is governed by set of basic values and principles which also articulate by (ICA, 1995). The cooperative basic values stated as self-help, self- responsibility, democracy, equality, equity and solidarity. Whereby the principles are i) voluntary and open membership; ii) democratic member control; iii) member economic participation; iv) autonomy and independence; v) education, training and information; vi) cooperation among cooperatives; and vii) concern for community. The nature of cooperative organization can be identified as an organization that concern to the benefits of the members rather than maximizing the profit for self interest. The people in cooperative are concern to each other, develop their strength to combat the problem that they faced and share the benefits among the members. They involved in economic activities efficiently (Skurnik, 2012) to generate income for their sustainability.

ii. *The comparison of SE and cooperative:*

The literature of the SE and cooperative viewed by scholars was compiled to enhance understanding of what is the meaning and nature of SE to fit to cooperative as shown in Table I.

Table I : The summary of SE and cooperative – comparison.

SOCIAL ENTERPRISE	
Boschee and McClurg (2003) Any person, in any sector, who uses earned income to pursue social objectives. Austin Stevenson and Wei-Skillern (2006) Is to serve basic needs of society with elements of innovation, social value creating activities that occur within or across the non-profit, business or government sectors. Anderson <i>et al.</i> (2006) SE is a multidimensional construct involving the expression of virtuous behavior in order to achieve a social mission, a coherent unity of purpose and action in the face of moral complexity, the ability to recognize social value-creating opportunities and decision- making characteristics of innovativeness, pro-activeness, and risk taking.	(Prabhu, 1999) Social enterprise can be form of societies, association, club, teams, cooperatives or agencies either i) charitable (provide relief to needy and deprived), ii) social action (take up issues and politics and justice and attempt to change society, sometimes through political or violent means) and iii) developmental (initiating economic activities among the deprived by introducing technological and organizational innovation). Mair and Marti (2006) Is a process involving the innovative use and combination of resources to pursue opportunities to catalyze social change and/or address social needs.
1st Indication – According to the scholars above, SE can be any person in any sector (non-profit, business, societies, association, club, teams, cooperatives, agencies or government), who uses earned income to pursue social objectives within or across the non-profit, business or government sectors involving the expression of virtuous behavior in order to achieve a social mission with innovativeness, pro-activeness, and risk taking. This is clear that cooperative have been mentioned as one of social enterprise types.	
SOCIAL ENTREPRENEURSHIP	COOPERATIVE
Sarah H Alvord <i>et al.</i> (2002) Initiative to mobilized and build upon the assets of the poor constituencies they served. This way they could transform the small investments into sustainable activities for the benefits of the needy. Hibbert, Hogg and Quinn (2002) SE can be loosely defined as the use of entrepreneurial behavior	(Ekong, 2010; Kamsi, 2008; Skurnik, S., 2002; Otito & Ogionwo, 1994) This organization are formed and owned voluntarily by a group of individuals for the purpose of improving their standard of living, enjoying the services provided, performed inter-related tasks, to achieve sets of goals.

<p>for social ends rather than for profits objectives, or alternatively, that profits generated are used for the benefit of a specific disadvantaged group. Peredo and MacLean (2006)</p> <p>SE is exercised where some person or group: (1) aim(s) at creating social value, either exclusively or at least in some prominent way; (2) show(s) a capacity to recognize and take advantage of opportunities to create that value 'envision'; (3) employ(s) innovation, ranging from outright invention to adapting someone else's novelty, in creating and/or distributing social value; (4) is/are willing to accept an above-average degree of risk in creating and disseminating social value; and (5) is/are unusually resourceful in being relatively undaunted by scarce assets in pursuing their social venture.</p>	
<p>2nd Indication – SE formed upon the assets of the poor constituencies with entrepreneurial behavior to transform and used the benefit to a specific disadvantaged group. This statement fit to cooperative aim as they are formed and owned voluntarily by a group of individuals for the purpose of improving their standard of living, enjoying the services provided, performed inter-related tasks, to achieve sets of goals.</p>	
<p>Dees (1998) SE as value creation, innovation, and opportunity Drayton (2002) SE change that will solve society's social problems Sullivan Mort <i>et al.</i> (2003) Defined in terms of creating better social values for society</p>	<p>(Barton, 1989; Van Niekerk, 1988; Roby, 2004 ; Kindie and Tsegaye, 2012. Act as agent of change, giving impact to poverty reduction, enhancing empowerment and creating employment.</p>
<p>3rd Indication – SE is defined as value creation, innovative, opportunity, solve community's problems for betterment of society. This statement inter-related with cooperative roles; they act as an agent of change, giving impact to poverty reduction, enhancing empowerment and creating employment (social problems).</p>	
<p>EMES (1999) SE are more entrepreneurial than other non-profit organizations. Loris Gillin (2005) SE arises from an unconscious spirit of generosity within various people who produce a facility to envision, resource and enable activity which otherwise exists as unmet need. Need is lessened by a social entrepreneur who possesses unique qualities to match the need.</p>	<p>(Skurnik, 2002) In this cooperative, the society organizes economic activities efficiently.</p>
<p>4th Indication – SE claimed as more entrepreneurial conducted by a social entrepreneur who possesses unique qualities to match the need than other non-profit organizations and cooperative support this statement as they are involve in economic activities efficiently.</p>	
<p>Prabhu (1998) Defined in terms of a social change whose mission is to develop others.</p>	<p>(Ropate, R., 2011). People work together to develop self-reliant, locally-based and community controlled.</p>
<p>5th Indication – SE mission is to develop people whereby cooperative is also works together to develop self-reliant, locally-based and community controlled.</p>	
<p>Mair & Marti (2000) Social entrepreneurship as a process that catalyzes social change and addresses important social needs in a way that is not dominated by direct financial benefits for the entrepreneurs. Thompson (2002) As the people with the attitude of business entrepreneur but operating in the community. They act more as caretakers of the society rather than as businessmen making money.</p>	<p>(Antonio Thomas, 2004) The main aim of cooperatives is not much to achieve the highest return on capital investment but concern to common pre-existing requirement or need, in order to give members or share/stakeholders a greater advantage or saving than would otherwise have been possible separately (Baltaca and Mavrenko, 2009) To serve their members' interests rather than to maximize profit.</p>
<p>6th Indication – SE are not dominated by direct financial benefits or not making money and cooperative objectives also not much to achieve the highest return on capital investment but concern to common pre-existing requirement or need rather than maximize profit.</p>	

Summary and Conclusion:

Through the literature explored, cooperative are unique business forms which can considered as social enterprise with the indication statement supporting each other. Cooperative have been mentioned as SE entity, this organization are form to transform by improving the member's standard of living, solving communities problem such as offering jobs, reduction to poverty by engaging economic activities to sustain, but not strictly focused to profit oriented but more to developing people and works together. These are the core elements in social entrepreneurship that found in cooperative. The essential contributions of this enterprise are specifically to the members in providing the best possible service to its members as well as for community. The objective of concerning and caring to the members and community rather than focused to maximized profit is the pillars to the 'social' contribution. In this study, cooperative have been analyzed as one of social enterprise entity. Future work can develop cooperative framework as one of social entrepreneurship area or indicate the issues in cooperative for further prevalence empirical result.

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