EMES CONFERENCES
SELECTED PAPERS SERIES

2nd EMES International Conference on Social Enterprise
Trento (Italy) - July 1-4, 2009

SOCIAL ENTERPRISES' SOCIAL CAPITAL AS A SOURCE OF COMPETITIVE ADVANTAGE

Mario Tani
Department of Business Administration, University of Naples "Federico II", Italy

ABOUT THE EMES CONFERENCES SELECTED PAPERS SERIES:
This series aims to ensure that selected papers from conferences in which EMES has been involved will be accessible to a larger community interested in the third sector and social enterprise.
EMES Conferences Selected Papers have not undergone any editing process.
All the papers of the series are available for download at www.emes.net.

CONTENTS

ABSTRACT

The numerous economical and financial crisis in the last few years have been matched by the acknowledgement of new specific needs often not fully covered by market players or public-funded ones. These events have sped up the acknowledgement process of Social Enterprises, those non-profit organizations offering products and services, often as a bundle of both, in the open market trying to go beyond the mere financial sustainability in order to collect resources to foster innovation processes that are one of their main characteristics.

These enterprises play in the open market where they have to compete against for-profit enterprises too this is successfully done overcoming several critical points. One of them comes out of a different view of the Corporate Social Responsibility; it is one of driving principles of social enterprises while it is considered to be subdued to financial report indexes in the for-profit corporation (when it is not used only if it is instrumental in enhancing them).

Another critical point is the lack of managerial tool able to leverage on their distinctive characteristics as the core of a strategic decision making process to create an economically-sustainable differentiated offer without going against their social mission.

The main aim of this paper is to design a strategic framework for evaluating the Social Enterprises' Social Capital (Lin, 2001), focusing on those relationships created between the Social Enterprise and other social players as a source of competitive advantage focusing and to inform the Social Entrepreneur of their sustainability (Barney, 1996).

I've designed the model using a cross-disciplinary approach considering both sociological and managerial theories. In particular the model analyse the relationship the Social Capital is made of with the instruments of the Social Network Analysis (Wasserman and Faust, 1994) following an evolutionary approach (Watts, 2004) in the following step I use the tools of the Resource-Based Theory (Wernerfelt, 1984; Barney, 1991) to evaluate their potential for reaching a competitive advantage and those from the Market-Driven Management (Day, 1994; Sciarelli, 2008) to evaluate the innovation potential in the dyadic relationships and its capability to create economic value for the customer.

A first test of the model is focused on a Fair Trade Organization; I've chosen one of this organizations as they represent a class of Social Enterprises widespread in Europe. Moreover these organization always have to follow several policies (as "Product-project", "Fair Prices", and usually a selective distribution too) that significantly limit their choices of competitive behaviour in the market both limiting the cost structure of these firms and their marketing policies' decisions. I focus this analysis on a local organization that plays in a limited local area, the Campania Region, and is strongly embedded in a net of relationships as it manage several retail shops (3 WorldShops) and a wholesale warehouse distributing to several other local organization.

INTRODUCTION

The need for a social actor in the market in order to foster some specific issue is not a new one as it can be dated back to the first half of 19^{th} century (Defourny, Develtere and Fonteneau, 1999) in that same period a similar attention had been developed in Scotland manifesting itself through actions by Robert Owen[1].

This kind of actions, operating in the markets with a social purpose, has been spelled in several ways creating several organization's configurations that are getting more and more common in the last few decades. Porter and Kramer (1999) analysing philanthropic action by foundations at the turn of the century have found some astounding growth rate in asset and workers for the charitable foundations in United States[2]; Porter and Kramer write down that Foundation's funding was largely inefficient as it was put to use only several years after being donated. Austin, Stevenson and Wei-Skillern found a surge of new entrepreneurial activities created around specific social purposes and measured them through growth rate of non-profit organizations finding it to exceed by 20% the one of new businesses' formation[3].

Smallbone, Evans, Ekanem e Butters (2001) in a report to UK Small Business Service working on data from Social Enterprise London affirm that in contemporary markets Social Enterprises are far more diffused than it is usually realised and that they are able to provide 3.5 million direct jobs in Europe often in unexpected sectors as for credit unions and their banking services[4].

On the same page Spear and Bidet (2003) in a working paper for the Elexies Project find a remarkable development of social enterprises in industrialized world and write about a trend in which traditional welfare state is being slowly substituted by actions from several actors coming from private, public and third sector; in this new development a central role is given to actors that are socio-economic initiatives starting as part of third sector, but operating between the profit oriented private sector, and the public one more concerned with welfare and social economy.

Several authors (Waddock and Post 1995; Fowler 2000) have found that recent dynamics in social and economic environments are significantly affecting organizational landscape, there are blurred boundaries between public, non-profit, and for-profit sectors, facilitating, if not fostering, emergence of new organizational forms. Nyssens (2006)[5] highlights thess effects as a

---

1 Spiritualist, socialist and co-owner of a cotton mill Robert Owen (1771–1858) is today considered as one of the founders of socialism and of the cooperative movement. While being born in Wales it was active in Scotland and in the USA to create a better work environment and a legislation better protecting the workers.

2 The author has found that charitable foundations were more than doubled but in the same period their asset grew more then a tenfold. Between all of them Foundations hold over \$330 billion in assets and contributed over \$20 billion annually to organizations of all kinds in education, humanitarian and cultural activities.

3 The authors' vision build out of data from *The New Nonprofit Almanac and Desk Reference* that report a growth in the number of nonprofit organizations for 31% between 1987 and 1997 exceeding the 26% rate of new business formation.

4 The data authors refer to are coming from the report: Social Enterprise London (2000), "Social Enterprise and Lifelong Learning: Enhancing Skills and Competitiveness", *report by Social Enterprise London*.

5 The author refer for main characteristics of this vision to Grenier (2003) and to Nicholls (2005); references for those works are: Grenier, P. (2003) 'Reclaiming Enterprise for the Social Good: the Political Climate for Social Entrepreneurship in UK', *paper presented at the 32nd Annual ARNOVA Conference*, Denver, CO. Nicholls, A. (2005) 'Measuring Impact in Social Entrepreneurship: New Accountabilities to Stakeholders and Investors?', *Seminar on Social Enterprises*, Milton Keynes University, Milton Keynes

consequence of an innovative approach in tackling social needs by individual that use a business in between non-profit and for-profit sectors.

The existence of those same need and of that entrepreneurial solution has been considered by the European Union in 1998 when European Commission launched 81 pilot projects to evaluate employment potential of third sector (ECOTEC Research And Consulting Limited, 2001; see also Lloyd 2004) In its Pilot Action there was an explicit reference to several unsatisfied needs to which neither the State nor the Market could answer and were identified several area of action as "services to daily life, services to improve the quality of life, and cultural and leisure services" (European Commission, 1998: 24).

The fast rise in the past couple of decades is explained by Laville (2003) as an effect of combined action by lost impact of general-interest activism, illustrated by the weakening role of trade-unions and their ideological affiliations, and by crisis in voluntarism accompanied by emergence of short-term, concrete commitments in associations aimed at providing solutions to specific problems.

The same driver has been felt in the growing diffusion concepts like Corporate Social Responsibility[6] have had in for-profit enterprises' activities.

The idea of enterprises as an institution embedded in a social context is an old one (Sciarelli, 2001) but there's always been some resistance[7] against it based upon the idea that businesses role in society was to create a profit that would have been only later put to use following needs of the society itself (Friedman, 1970) or upon the idea that in order for the enterprise to have a *responsibility toward something* they should have the right to make decisions to change the very same things (Drucker, 1973)[8]. In spite of this resistance Freeman (1984), building on several contributions (as those from Johnson, 1971; Dill, 1975, Pfeffer, Salancik, 1978), build a strategic framework to guide management's decision making process in accounting for external actors' pressures and their related effects considering, in the evaluation, the legitimacy of claims.

Another way to increase for-profit enterprises' participation in social economy has followed the road of philanthropic efforts, mainly used by bigger enterprises, leading to new social actions mediated by foundations and charities or through some strategic agreement with one or more non-profit organizations (Porter, Kramer, 1999).

A last path has been more reporting oriented; its authors affirm that through a "triple-bottom line" reporting (Chiesi, Martinelli, Pellegatta, 2000; Hinna 2002; Rusconi, Dorigatti, 2004, 2006) it is generated a positive effect for social actions linked to social communication.

As Junus (2008) underlines this kind of actions are only temporary as the first and most important obligation of management is toward stockholders[9]. Stakeholder management and philanthropic

---

6 The World Business Council for Sustainable Development defines CSR as "the continuing commitment by business o behave ethically and contribute to economic development while improving the quality of like of the workforce and their families as well as of the local community and society at large" (Holme, Watts, 2000: 8).

7 Although this resistance by some management and economic science scholars, the first contributes to this research stream are dated back to 1931 with the seminal work of Dodd (1931) and Berle and Means (1932).

8 Drucker's vision of responsibilities did not hinder the author to acknowledge the importance of enterprises in society so in his own framework for managing firms, the so called *Management by Objectives and Self Control* (Drucker, 1954), public responsibility is one of the key areas for setting the right objectives in managing a for-profit enterprise.

9 For a more in depth analysis of the relationship between profit and ethical and social aims in the action of

efforts most critical point is theirs viability during critical periods; in fact when there are fewer resources for normal operations the social ones risk to be cut off as unneeded fat depriving the related causes of resources when they need them most.

So it is advisable that social actors could live on their own resources, even if they come from an initial donation from the for-profit players or public ones. They will have to balance the economical profit for helping in reaching their social mission; so, in order to sustain their own actions without external help, the social actors need to guide their own action in a way to create more value, just as a for-profit business would do.

Above all the greater value created is not automatically transformed in more profit but could be used to lower access price to social enterprise services, or to expand its workforce or to fund, or help, some other social player coherently with its mission. So, they will have to be managed effectively and efficiently as for for-profit enterprises; their actions will have to be coherently organised around a core strategical vision.

They will need strategic management tools to get maximum out of their own resources as shown in the approaches by Kotler and Lee (2005) and by Dees, Emerson and Economy (2001, 2002) that are focused on giving social enterprises the same tools used by for-profit ones adapting them to their specific characteristics.

In the following work I've followed a different approach based upon the Resource-based Theory (Penrose, 1959; Wernerfelt, 1984); it is a theory of the firm that stresses the need of each single enterprise to create value using the specific resources it has access to; so several enterprises having access to a different set of resources will have to compete in the same market in a different way mainly using those resources composing its own Social Capital as a way to reach a sustainable competitive advantage.

I've chosen this approach as social enterprises are different from for-profit ones that already play in the same market so I can put the spotlight on their own characteristics and use them in designing a dedicated strategic management tool.

In this paper I do not intend to prove the validity of the tool for each and every social enterprise but I want just to show how it can be used so to start a dialogue on it in order to ease its successive refinements.

1. SOCIAL ENTERPRISES' MANAGERIAL CHARACTERISTICS

As highlighted before this paper is addressed to a new kind of social actor: the social enterprise.

There are several different definitions of Social Enterprise

A first definition, proposed by Capaldo (1996), sees them as social actors that follows market rules using the same strategic tools and operations of for-profit enterprises but with different objectives usually related to general interest or linked to social aspects. A similar definition as been given by UK department of trade and industry (Price, 2008).

Scholars have interpreted *social enterprise* and *social entrepreneurship* (Dees, 1998, Leadbeater, 1997) as a way for social actors to answer strategically to environmental turbulence and situational challenges that non-profit organizations have to face in contemporary markets.

---

managers see Sciarelli (2007) as well.

Harding (2004) suggests that "Social entrepreneurs are the entrepreneurs who recognise when a part of society is stuck and provide new ways to get it unstuck"; in his vision social entrepreneurs are *change agents* that innovate the way of doing for creating and sustaining social value for their communities. The same innovation related drive is identified by some other authors (Stanziani, 1999, Paton, 2003; Yunus, 2008;) that comes out of a direct knowledge of existing need obtained by a continuous interaction with a given community; at the same time this knowledge asks social entrepreneurs to often renew his actions to follow the demand for new services.Moreover for Zangrandi (1996) social enterprises focus their actions around a central value that act as a lamplight in driving them and, as between their values there's the central role of cooperation, let them side competition with cooperation that increase the relevance of single relationships and makes them more valuable as it opens them to coopetition strategies (Brandenburger, Nalebuff, 1997).

Dart (2004) identifies Social Entrepreneurs as those agent that help the change of a social sector, by adopting a mission and scanning the environment for new opportunities for serving that same mission continuously innovating their strategies adapting to and learning from changes that are going on in the market using not only their own resources and feeling to be accountable only to those same communities they will act for.

Another more structured definition has been developed by EMES (Defourny, 2001: 16–18) that joins economic and social criteria to determine if an organization can be considered as a social enterprise, its criteria are shown in exhibit 1.Economic ones identify it's area of action as a direct involvement in production of goods or the provision of services to people on a continuous basis so social enterprise are productive activity that have to be autonomous, from the 2nd criteria, so they can decide freely what to support and when to cease their own activities on a given project as they have to bear the risks related to their own choices and have to overcome those risks through the efforts of their members, the volunteers and some paid workers to secure adequate resources.

Exhibit 1 – Social Enterprises' Characteristics as for EMES Definition.

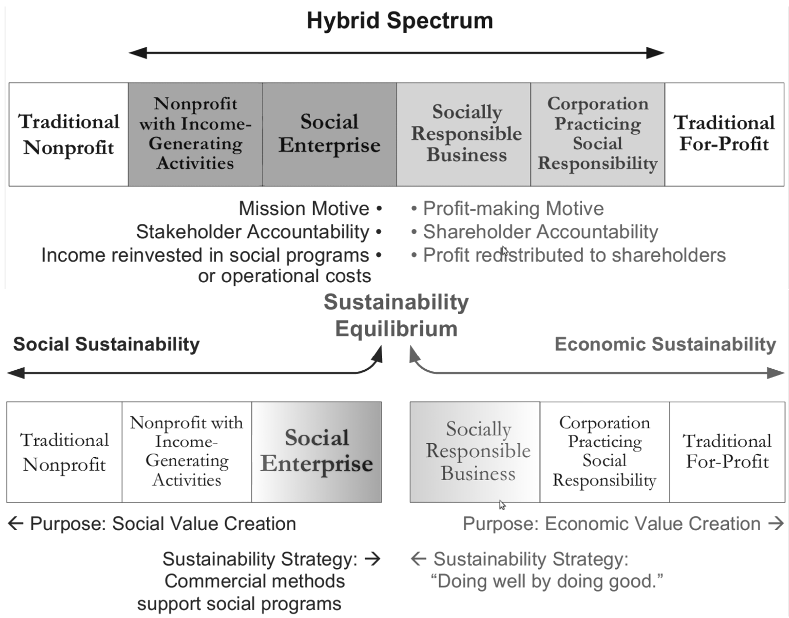
Economic	**Social**
A continuous activity, producing and selling goods and/or services	An explicit aim to benefit the community
A high degree of autonomy	An initiative launched by a group of citizens
A significant level of economic risk	Decision-making power not based on capital ownership
A minimum amount of paid work	A participatory nature, which involves the various parties affected by the activity
	Limited profit distribution

Source: Adapted from Defourny, 2001, pp.16–18

The social dimensions of the initiative, is described by five criteria.The initiative started by a group of citizens can be, sometimes, led by one or more individuals but the decision making power has not to be directly linked to capital participation; It has to serve the community, or a specific group of people, as one of his principal activities so to promote a sense of social responsibility at local level and to foster development of participation the various parties affected by the activity but it is not a non-profit organization as it can distribute profits.

Alter (2007: 13-15)[10] as shown in exhibit 2, links the characteristics of the social enterprise to its sustainability strategy.

Exhibit 2 – Alter's hybrid space and strategic sustainability



Source: Adapted from Alter (2007: 14-15)

Alter's model highlight two main hindrances for successfully managing a social enterprise:

- the need to balance several stakeholders' needs;
- competition from Socially Responsible Businesses.

The first issue is related to the very same role a social enterprises has in society, as its mission is related to satisfy needs from external stakeholders, needing to balance utilization of resources and actions to satisfy them with their preservation for keeping the enterprise sustainable.

The other limits is a more subtle one as if there aren't competitors from for-profit sectors often the very same mission is not easily managed effectively or it has been considered a risky operation. When Socially Responsible Businesses competitors are present in the same market they will usually be able to oppose the social enterprise with a fierce competition as they will

10 Alter affirms that his model is derived from the *hybrid spectrum* described by Dees (2001) and the work by Davis and Etchart (1999) the references given are: Dees G. (2001), "Why Social Entrepreneurship is Important to You", in Dees, J.G., Emerson J. and P. Economy (eds) (2001), *Enterprising nonprofits*, John Wiley and Sons, New York; and Davis L. and N. Etchart (1999), *Profits for Nonprofits*, NESsT, 1999.

have managers that first will reach the economic sustainability and only later they will satisfy social needs.

Obviously social enterprises will have to use it own specific resources to outmanoeuvre competitors (D'aveni, 1994) using creative disruption to seize initiative and create a competitive advantage.

2. THE RESOURCE-BASED THEORY

Resource-Based Theory (RBT) (Wernerfelt, 1984; Barney, 1991) is a theory of the firm (Foss, 1996) seeking the foundation of enterprises' success in the market in strategic exploitation of resources, competences and capabilities the organization can get access to and manage effectively through its decision making processes (Rumelt, 1984). This theory is inspired (Wernerfelt, 1984) by a vision of the enterprise itself as a coordinated *bundle of resources* management can use to foster processes of growth (Penrose, 1959).

This interpretation of the firm designed and supported by Penrose is based upon using enterprise's portfolio of resources in defining and implementing strategies it can use (Penrose, 1959); more in depth Penrose approach is focused on analysing effects on businesses behaviours of inelastic resources as managerial teams, top management and the entrepreneurial capabilities.

With Penrose, some other works revolving on the resources as a cornerstone of enterprise's action in managerial literature are:

- Drucker's (1954) managerial approach;
- Andrews' (1971) strategic decision making processes.

In Drucker's approach enterprise's characteristics and its real strengths must be the compass in orienteering competitive paths in confronting environment and its opportunities and threats; on a similar page Andrews' description of decision making process starts from enterprise's endowment of resources[11].

RBT first approaches have focused on differences of performance between firms in the same sector to show how they are only in part explained by external influences existing in the environment itself (Wernerfelt, Montgomery, 1986; Wernerfelt, 1989; Rumelt, 1991). Evaluating resources cannot be done without considering market characteristics (Wernerfelt, 1984, 1989; Barney, 1986 (OC), 1986 (SFM); Dierickx e Cool, 1989; Amit e Schoemaker, 1993; Peteraf, 1993) and its effects on the resources' potential in competition caused by sector's evolution or by dynamics of innovation and obsolescence[12]. An advantage of this research in turbulent time (D'Aveni, 1994; Ancarani, 1999) is to use a stabler, more controllable factor, as the resource portfolio, in designing strategies.

The same concept of resources has been debated in the years; some see them as a generic way to address all those factors, tangibles and intangibles, that limit and orient enterprise's strategic choices[13]; some other scholars prefer to divide resources in classes as for Amit and Schoemaker

---

11 Later managerial approaches have focused on the relationship between environment and competitive advantages (Porter, 1980, 1985) and on enterprise's position in the market (Hamel, 1991)

12 Analytical framework proposed in the RBT stream of research (Wernerfelt, 1984: 32-35; Amit, Schoemaker, 1993: 36-37; Barney, 2007: 57-76) reinterpret the sector analysis models (see Porter 1980, 1985) so to use them for analyzing position of resources and related effects instead of products or activities.

13 Between various definitions I report the first one from Wernerfelt (1984: 172): *"A firm's resources at a given time could be defined as those (tangible and intangible) assets which are tied semipermanently to the firm."* A more recent

(1993) that classify them in *Resources* and *Capabilities*. Using this view *resources* are production factors used, even when not owned, by enterprise while *capabilities* should be preferred in referring to competences and skills the organization has developed in time[14] to exploit, and combine, those same resources to foster its aims (Amit e Schoemaker, 1993).

A dynamic and turbulent environment lead to innovation and obsolescence of resources value asking enterprises to continuously assess resource values and to innovate its own portfolio in order to keep them honed and effective. This innovative process can happen in three ways:

- Buying the resource outside;
- Creating, or developing, the resource internally;
- Finding the needed resources outside of the firm and getting access to them.

The first case consists in locating and buying needed resources from another market player, through an ideal *Strategic Factors Market* (Barney, 1986 (SFM)) that is created around all transactions on resources. As market is an efficient price-setter the SFM will let price reach the real value of the resource trough a free, and informed, continuous negotiation between demand and offer; in this way the firm will not be able to reach a competitive advantage, and the related superior performance in the product/services' markets (Porter, 1980), as it will pay resources its actual real value unless there's a market failure to help firm's management as for imperfect information flows (Barney, 1986 (SFM)).

Dierickx and Cool (1989) affirm that some resources do not have a *market* where they can be bought and sold as their real value is too much enterprise-specific and so no other organization has developed them; in these situations enterprises will have to create those same resources internally.

The last way to gather resources is to make them flow through relationships, market based or more strict one, so to get access to its competitive potential, even when enterprise does not own it (Ireland, Hitt, Vaydyanath, 2002), to start or ease learning process (Nonaka, Takeuchi, 1994) or resource supporting ones (Hamel, Prahalad, 1994)[15].

Resource must be managed to reach a *Competitive Advantage* a greater capability of management in creating more value for customers than enterprise's competitors (Peteraf e Barney, 2004). This translates in its ability to create a greater spread between customer's perceived benefit from product/service and total cost of production.

For RBT researchers management should not aim to only *create* a competitive advantage, but it should try to make it *sustainable*, getting a *Sustainable Competitive Advantage* (Barney, 1996), so to make it able to resist to imitation attempt from actual and future competitors (Amit e Schoemaker, 1993).

---

definition is the one from Barney (2007: 133): *"In general, firm resources are all assets, capabilities, competencies, organizational processes, firm attributes, information, knowledge and so forth, that are controlled by a firm and that enable the firm to conceive of and implement strategies designed to improve its efficiency and effectiveness."*

14 "Capabilities*, in contrast, refer to a firm's capacity to deploy* Resources*, usually in combination, using organizational processes, to effect a desired end. They are information based, tangible or intangible processes that are firm specific and are developed over time through complex interactions among the firm's* Resources*"* (Amit e Schoemaker, 1993: 35 – Emphasis in the original text)

15 Das and Teng (2000) notice how this third road asks management to lower its expectation of control on the strategy evolution and it asks them to develop resources and capabilities for managing relationships, agreements and alliances lowering conflict potential and fostering cooperation.

RBT's explanation of SCA's positions is based on resource heterogeneity (Barney, 1991) in enterprises' portfolios following several different creation processes each firm has gone through in time (Dierickx e Cool, 1989).

Peteraf (1993) affirms that heterogeneity is only one of the factors needed to reach a SCA; other needed elements are ex-post limits to competition, needed to sustain the CA that Barney (1991) had classified in barriers to imitation, those that limited other enterprises in mirroring a portfolio of resources, and in barriers to substitution, that limited economic viable substitution of factors.

Third element is a limited resource mobility, so competitors could not get ownership of the same resource; last element are the ex-ante limit to competition that are needed to reach a vantage point.

Another model for assessing strategic potential in resources is the VRIO Framework (Barney, 2007) where a resource is able to create a SCA only if it:

- can create value for its customers;
- it is rare in competitors' portfolios;
- it is not easy to imitate or substitute;
- it is fully exploited in organization's processes.

The framework is shown in exhibit 3 and it describe four possible outcomes for a strategy evaluating the resources it is built around.

When those resources cannot create value for the customer the related strategies are doomed to fail leading to a Competitive disadvantage, if they are valuable but common enterprise will be able only to reach competitive parity with its competitors.

The framework highlight how resources must be difficult, or costly, to imitate in order to sustain a competitive advantage as lacking that last characteristic competitors will be able to reach the same portfolio of resources or, at least, to reach an equivalent one.

Exhibit 3 – Barney's VRIO Framework

A Resource, or capability, is...

Valuable?	Rare?	Costly to Imitate?	Exploited in the Organization?	Competitive Implication
No	—	—	No	Competitive Disadvantage
Yes	No	—	↑	Competitive Parity
Yes	Yes	No	↓	Temporary Competitive Advantage
Yes	Yes	Yes	Yes	Sustainable Competitive Advantage

Source: Adapted from Barney, 2007.

Several scholars have used an RBT approach focusing on the consequences for competitive advantage deriving from a given kind of resources. Grant (1996) has focused his researches on competitive advantage coming out of a knowledge-based strategy; while Dyer and Singh (1998) have focused on enterprise's relationships as a source of competitive advantage.

The focus on relationships follows the third path for resource generation or as a way to get direct access to a given resource or as a way to reach for a specific knowledge needed for a learning process to create a resource as for the 2nd path.

Gulati (2007) holds that managing external relationships through a dedicated centre of power inside the organization itself so to create a specialized centre of competences that he calls *network resources*.

3. MARKET-DRIVEN MANAGEMENT

Another management approach derived from RBT is Market-Driven Management (MDM) that was developed in late 80s in several articles (Shapiro, 1988; Webster 1988, 1992; Deshpandé, Webster, 1989; Kohli, Jaworsky, 1990). It focuses on relationships with market players, mainly relationship with customers, as the driving factor behind competitive advantage.

An enterprise is *Market-Driven* when it is able to organize and exploit resources and capabilities (Hult and Ketchen, 2001) as a way to create and sustain a product/services mix that customers value more than those offered by its competitors (Jaworski, Kohli, 1993; Day, 1994, 1999).

This research stream, that comes out of marketing studies (Slater, Narver, 1995) using its original formulation (Drucker, 1954, 1973) as a responsibility of all organization's functions and not only embedded in a specific one.

Rationalizing these models Sciarelli (2008) proposes an analytical model to evaluate Marketing Orientation in an organization. Following this model the firm, to be a MDM's firm, must have an emphasis on entrepreneurial culture, on the organization's *climate* and on a specific set of distinctive resources and competences.

Entrepreneurial culture is seen as a set of values and believes that are specific of a given organization and are used to foster its normal activities (Deshpandé and Webster, 1989) and must be geared toward satisfaction of customer's needs. Trough a thorough analysis of those needs, related market forces, and related new opportunities, enterprises must try to catch them before competitors (Brondoni, 2007) using its resources, capabilities and competences (Day, 1994, 1999; Hooley *et al.*, 2005).

It is the capability to search, or to create, new opportunities to fully exploit its resources that drives enterprise's management to look for customer's latent needs, to explore them and to evaluate them dynamically (Slater, Narver, 1999) keeping an eye on innovation as represented by *innovativeness* (Hurley, Hult, 1998) of the organization culture that depends on several other structural elements as: diffused decision making, a management style bottom involving, and a continuous focus on learning (Baker, Sinkula, 1999) through formal and informal communication flows (Shapiro, 1988).

The Organizational culture have to help in learning processes and in integrating specific knowledges from several units so to sustain competitive advantage on *tacit knowledges* (Polanyi, 1967) defended by imitation through *causal ambiguity* (Reed, De Filippi, 1990). *Climate* helps the firm to develop new competencies and to use them to get a better portfolio of competencies and resources (Dierickx, Cool, 1989) to successfully compete in future markets.

In the end a MDM firm has to have a set of distinctive capabilities[16] to sense market evolution and foresee needed actions. Other capabilities are relation-based and they are focused on relationships between enterprise and customers and between it and other players in the value chain.

The process to get information from outside, as written before, is not limited to analyze customers but must take into account learning occasions that spur out of relationships with other players in the market too. Moreover those same process must be carried on trough several internal units, without the filter of specific units dedicated to their management (Shapiro, 1988; Day, 1994).

4. SOCIAL CAPITAL

These management approaches are focused on relationships and how they can help management in gaining and sustaining a competitive advantage; the whole set of relationships of a given enterprise has been defined as its own *social capital* (Lipparini, 2002:65).

---

16 Day (1994) classify resources needed to a MDM enterprise as *outside-in resources*, those resources needed to relate the enterprise to external environment; *inside-out resources*, that drive how the enterprise can act in the market, and *spanning capabilities* that helps in integrating the other two classes.

The concept itself of social capital has come out in *sociology* (Jacobs, 1961; Granovetter, 1973; Lin, 2001) studies where access to relationship let actor catch some opportunities he could not have had otherwise.

Some authors see social capital as a *public good* (Coleman, 1990; Fukuyama, 1995) so the advantages it carry to each single actors should be of secondary importance if compared to those related to society as a whole; other scholars (Burt, 1992; Lin, 2001) have a complete opposite interpretation putting under the spotlight the positive effects that accrue to the individual level of analysis.

Using a *bonding* perspective Cohen and Prusak (2001) hold that an higher social capital helps the community in getting more than a mere sum of individuals efforts, it help its members in engaging in cooperative actions, in sharing values in reaching new knowledges. On the other side Burt (1992) sees it as a way to create opportunity to exploit through organization's resources, while Knoke (1999) describes it as a way to get access to more resources.

Burt, a sociologist, writes a fundamental work on the role of *social capital* in managing organizations (Burt, 1992) developing the theory of structural holes after works by Granovetter (1973) and Freeman (1977). Burt use the notion of weak ties as a source of new opportunities from Granovetter but he holds that tie's weakness is not the key characteristic as the analysis should focus on their role as bridges to new social networks; acting as bridges weak ties carry several other relationships in social capital so they increase its value acting as a broker and getting related power on the network itself.

On the same page Uzzi (1977) highlights *social liability* an organization has to face when its opportunities are mainly related to a limited number of bridge relationships, or actor; moreover if those actors leave the organization they could severely endanger its survival. The scholar finds that an organization should manage embedded relationships to enrich the net and she should use the arm's length ones to keep it from becoming isolated.

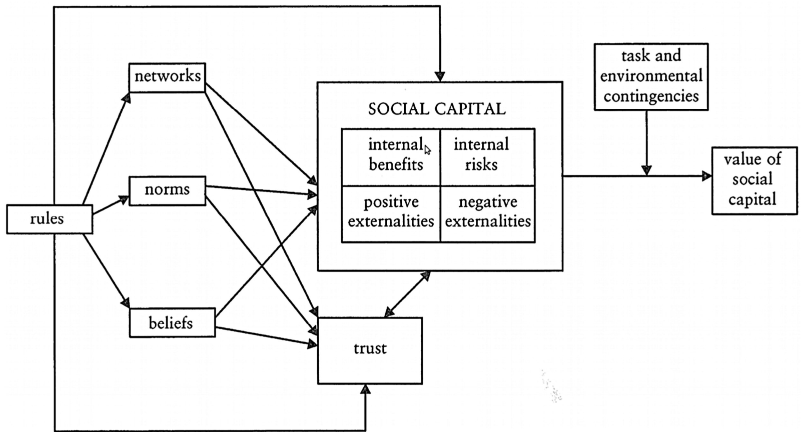
Adler and Kwon (2000) have developed a model, shown in exhibit 4, that describes how social capital is created and how it can benefit to an organization.

They find three main sources of Social Capital in network structural, shared beliefs and shared norms, that while interacting and strengthening each other are still independent factors that are influenced by rules, or formal institutions. Repeating relationships in time let partners develop trust reinforcing social capital, creating a recursive cycle as trust is influenced by the other sources as well.

Each actor is influenced by Social Capital getting some benefits while opening himself at some risks he has to endure and even the community as a whole is influenced through externalities both positive and negative.

Their model shows how an evaluation of social capital cannot be done considering only networks and their structure, but it has to be carried on considering the given organization's aims, that they call *tasks*, and the overall environmental evolution.

Exhibit 4 – Sources, Risks and Benefits of Social Capital



Source: Adler, Kwon (2000: 110)

5. THE ANALYTICAL FRAMEWORK

The analytical framework developed studying the theoretical contributes to social enterprises, social capital and strategic management tools stream of researches has been defined as a succession of phases get a better comprehension of social capital effects on competition for a given enterprise.

In the first phase internal organization processes and structure is analyzed searching for the way relationships are managed in the organization focusing, as prescribed by MDM on two main factors: climate and decision making; capabilities and resources.

The model can ignore first element of Sciarelli's model as theoretical approaches have shown that social enterprises are created to innovate how things are traditionally done in the market so to satisfy social needs previously unsatisfied.

MDM analysis are used to understand how relationship are managed with a specific focus on how many people do interact with a single external player moreover so when interaction's motives changes. According to MDM organization should be able to change the contact point with external players so to use the best resources for each given issue. Moreover a similar strategy for a social enterprise should help in creating a more embedded community getting advantage and lowering the social liability described by Uzzi (1997).

In this phase the model ask for studying decision making processes to discover if social enterprise's workers can really participate in them and if they are given some decision power in creating or modifying products and services to better satisfy customers.

An output of this analysis is to define if there are competences or processes that can help in developing spanning capabilities (Day, 1994) as they are needed to create a smoother transition between internal network and external ones. The same resources will be passed under the lens of the VRIO framework to evaluate them

The second phase of the model is an external relationships' analysis.

The first step is to analyse the various classes of relationships with VRIO Framework to find those classes of relationships that need more in depth analysis focusing on two general models:

- those relationship that pass first three tests of VRIO framework[17] but are not able to sustain a competitive advantage as there's a lack of processes or procedures or even habits that don't let them express their own potential;
- those dwindling classes that are constantly finding new actors.

The first class has to be studied in more depth as its members are potential sources of sustainable competitive advantages that do not materialize for some internal fault that could eventually be removed.

The rationale behind second class is that if there are new actors that keep coming out there is some interests in customers that could lead social enterprises at locating new needs to satisfy that are near their own social missions.

The classification itself should led the social enterprise to have a clear picture of their own 1st degree social network[18] that could, eventually, be represented with a sociograph to highlight bridges and cluster of actors a given social enterprise interact with.

More interesting is to draw the hypergraph of the same classes to find more information on other market's actors and their relationships.

Finally the structural characteristics of relationships should be studied to identify how they are linked to the social enterprise in order to evaluate their potential *social liability*.

6. THE FRAMEWORK APPLIED: COOPERATIVE "E' PAPPECI" OF NAPLES, ITALY.

In order to make a first test of this strategic tool I've chosen to refer to a social cooperative that acts in Fair Trade as it is a class of social enterprises that are broadly diffused worldwide.

Fair trade is a way to assist in underdeveloped countries growth through a sustainable economical market built via a stable trading partnership based on respect and using the principle to not overcome weak parties through relational power[19].

It is a Social Enterprise following EMES definition as it is an autonomous economical activity born out of aggregation from a group of persons in a given community. It is usually[20] governed

---

17 These are relationships that let social enterprise create more value for their customers; they are not diffused between its competitors and are not easily imitated or substituted. For more information see Barney (2007)

18 As the strategic management tool is aimed to social enterprises the Social Network analysis should be limited to actors in the 1st degree as those are the only actors a social enterprise can easily get access to. That social network can be created through *snow-ball sampling* but aiming to create an *ego-centered network* (Wasserman, Faust, 1994: 33, 41-42)

19 A better more comprehensive definition of Fair Trade has been given by FINE an international Fair Trade Association born out of aggregation between four o the most important Fair Trade Organizations (Fairtrade Labelling Organizations International (FLO); International Fair Trade Association (IFAT); Network of European Worldshops (NEWS!); European Fair Trade Association (EFTA)). *"Fair Trade is a trading partnership, based on dialogue, transparency and respect, that seeks greater equity in international trade. It contributes to sustainable development by offering better trading conditions to, and securing the rights of, marginalized producers and workers – especially in the South. Fair Trade organisations, backed by consumers, are engaged actively in supporting producers, awareness raising and in campaigning for changes in the rules and practice of conventional international trade".*

20 AGICES (2005) in a report on the governance model of Fair Trade Cooperatives in Italy has found that only 4.4% of world-shops were managed through a for-profit model.

with a participative governance not based on economical participation in the social capital but through head count in directive's meetings.

Its participatory nature helps in attracting volunteers but these players have to rely on several paid workers to carry on all their activities and to survive in the market competing with for-profit players. Their main activity is in distributing and selling goods[21] created with raw materials from one or more underdeveloped countries that are brought trough the "product-project" model that helps customers to identify the causes they are helping buying each single product[22].

Between Italian Fair Trade Organizations I've chosen to focus my analysis on a social cooperative in Naples as it not only manage 2 world-shops directly but it has a regional warehouse that is used to distribute Fair Trade products to several hundreds of social organizations that want to deal with this class of products but do not have dimension and competences to manage a direct relationships with national Importers.

The cooperative's action go beyond Fair Trade as:

- they have a library for local students to use;
- they, cooperating with some other local cooperative, work in education and in helping girl-mothers[23];
- it host a local GAS[24] and its weekly meetings.

While in the South of Italy world-shops are a wide-spread concept as those shops where customers can buy Fair-Trade products the regional warehouse is a model far less easy to find being present only in Campania and in Sicilia; Each world-shop is usually directly linked to the national consortium of world-shops in Verona.

Analyzing the warehouse, in particular, can be helpful in understanding how a regional player focused in making easier, and cheaper, logistic operations helps in a Social Enterprise's mission diffusion.

6.1. Phase 1 – Internal analysis

The cooperative does not have specific processes or procedures to deal with new contacts by wanting-to-be fair trade players in the area. In spite of this operators in the warehouse can help new entrepreneurs in organizing their first order so to be more apt for the specific way of trading they want to start[25].

The location of the warehouse, in S. Giorgio near Naples while the world-shops are located in the city centre, does not help in involving more people in relationship management. As a side-effect the relationships become far more embedded as, interacting always with the same employees they start to know each other.

---

21 Fair Trade is mainly focused on goods but in the they have been sided by Tourism services developing a promising Social Tourism movement aimed to making life conditions in the underdeveloped countries.

22 For a more in-depth analysis of Fair Trade Movement see Tani (2008).

23 This line of actions is funded by winning specific calls for helping local areas with regional or European fundings

24 GAS or *Gruppo d'Acquisto Solidale* is an autonomous organization by a group of citizens that gather together in order to buy some goods getting a better price and out-maneuvering traditional distributor; the one hosted by this cooperative is geared to proximity agricultural products so it is effectively a *Community-Supported Agriculture initiative*.

25 Several of the players interviewed in the field analysis have confirmed that after a first contact with products they have benefited from advices by warehouse's operators in choosing Fair Trade products for their specific activity.

This organization model succeed in multiplying contact points with external organization through a rigid division of work. When something dealing with distribution is asked to those who are managing both world-shops the inquirer receive a fast answer but is aptly redirected to the warehouse itself to get more up-to-date and comprehensive informations. The other direction is real too so, after chatting a while with one of the warehouse operators in order to understand to who they have to direct the inquirer to he is given a specific person to speak to in order to get maximum benefit and to involving the right actor in managing the relationship each-time.

In this way each worker is empowered of a specific line of action. Their participation is helped in accepting proposal of new products or services from each member, or even volunteer, to enhance its offer creating, and managing, a specific action with help from other members but being the ultimate responsible for them[26].

Moreover when the decision can involve the cooperative as a whole it has to be discussed in one directive's meeting so to give each member a "right of voice" and enriching decision making.

In the warehouse there are actually only 2 employees and both of them have several personal linkages with social organizations that are now customer's of warehouse services.

The warehouse can offer the following services:

- selling fair trade goods;
- acting as a pick-up point for direct orders;
- advise on choice of products;
- collect orders and collate them in a weekly order for some goods that are not in the warehouse.

Out of the official services often the warehouse helps new organizations starting-up selling goods with a pay-after-sale policy diminishing starting capital needed by new players and helping their own start-up phase; last but not least warehouse employees can direct new social actors toward existing ones when they believe they will not be able to sustain their own trade alone.

The internal organization of the warehouse helps in creating new contacts point calling in specific relationship in managing a relationship following the specific need of a given external actor or using their own employees relationships and competences to address their needs and helping them to start a new social enterprise. These same relationships helps warehouse to reach more customers and to increase their loyalty so they are valuable resources.

As most of links in the network of relationship of the warehouse have been embedded in a personal relationship from one or the other of the employees and have been developed in several years of continuous interaction they are defended by imitation from two different barriers: *social complexity* and *path dependence*[27].

The relationship between the cooperative and the national consortium is another valuable resource as the warehouse's contacts are published on the consortium's website and smaller customers are fast relayed to it for managing their orders, even some orders from other major

26 Some of these volunteer' managed activities the cooperative have organized in the last year have been: Meeting on how to recycle garbages; socially oriented films and documentaries projections; several social dinners to raise funding for specific projects (as "Cous Cous for Jordan Women").

27 For a more in depth definition of barrier to imitation and how they can present themselves in Fair Trade see Carrera and Tani (2008).

players are relayed to the warehouse when it has stored goods ordered but the central warehouse at a given moment is lacking.

6.2. Part 2 – External analysis

The warehouse has several classes of relationships with several suppliers and customers.

There are 13 suppliers the warehouse uses even if CTM is surely the most important of them both in economical terms and in logistic ones. More interesting, tough, is the relationship with those 9 nine suppliers, mainly in trinkets and clothing segments, that are carried on even if they cost more money than what it gets to the cooperative. This loss-managed relationships are carried on as the actor at the other end of the link shares a similar mission to the cooperative itself and so they try to help them keeping alive with an unprofitable market relationship.

Another relationship is a direct one with another Sicilian cooperative that produces its own goods, chocolate bars made with a traditional Sicilian recipe, and sells them directly and via CTM as it is part of CTM so it could be considered even as part of the consortium.

In the choice of suppliers and in managing orders with them social enterprise show lack of profit-maximizing attitude that get a worse evaluation as the yearly total value of loss-relationships goods stored in the warehouse is greater than the total loss the warehouse has registered in the last year's balance as a cost centre for the cooperative.

The relationships with customers are many more, in five years interval the warehouse has interacted with 350 organizations, permanent or temporary, that have decided to trade in FT goods and 63 of them were out of Campania region, mainly in Lazio, Puglia and Basilicata.

Main descriptive statistical indicators of the five years customers have been reported in exhibit 5 and they show a far polarized population that is composed by some great players and some really small.

As the data shows only a third or a quarter of customers are greater have annual sales higher that the average.

Exhibit 5 – statistical description of warehouse customers

Anno	#	Sales	Average	Variance	Minimum	Maximun	Greater than € 1.000	Above Average
2004	109	€ 260,446.83	€ 2,380.61	€ 14,099,186.26	€ 21.30	€ 19,301.28	40.37%	30.28%
2005	112	€ 296,291.26	€ 2,654.33	€ 21,463,100.10	€ 29.85	€ 31,931.42	44.64%	25.00%
2006	125	€ 347,378.79	€ 2,779.03	€ 29,464,364.39	€ 9.27	€ 37,944.20	39.20%	23.20%
2007	135	€ 360,131.76	€ 2,667.64	€ 23,947,964.95	€ 7.11	€ 23,979.61	36.30%	24.44%
2008	103	€ 339,985.44	€ 3,301.08	€ 24,291,942.31	€ 28.60	€ 24,240.55	46.60%	33.01%

Source: Elaboration on survey data.

This low percentage that was falling in the last few years have risen in the last year as new FT small actors started to populate the market but this is primarily due to more than 30 small players that have left the market unable to survive the economical crisis.

The population have been stratified in 7 classes and each customer has been assigned to one of these classes following his man motivation to participate in FT[28]. Their compositions are shown in exhibit 6.

Exhibit 6 – Annual composition of stratified sample

Anno	Assoc.	FT	Groups	Private	Religious	State-Owned
2004	32	25	9	25	14	5
2005	44	22	10	21	9	6
2006	35	28	11	31	10	6
2007	41	35	9	28	12	7
2008	30	26	5	26	12	3

Source: Elaboration on survey data.

This stratification highlights how each class contributes to ego-network's density. It show that the warehouse dedicates far more efforts to interactions with general class of Associations and Private operators than those used to manage relationships with other official fair trade organizations, counting in groups it is usually enough to restore the expected balance but the row for last year shows how groups and FT have faced the biggest fall in interactions. This element should have been expected as FTOs are made of WorldShops and Cooperatives operating as a Social Enterprise and Groups are small groups not strong enough to become a stable player in the market.

Religious related organizations, made of those organization that are strongly tied to a religious community, seems to be able to resist this economical crisis better.

Focusing on the most valuable relationships we hear a different tune as shown in exhibit 7.

Exhibit 7 – Annual composition of stratified sample for above average relationship

Anno	Assoc.	FT	Groups	Private	Religious	State-Owned
2004	10	14	2	1	4	0
2005	6	14	0	2	4	0
2006	7	15	0	0	5	0
2007	8	17	1	1	5	0
2008	10	16	0	3	5	0

Source: Elaboration on survey data.

28 Usually this classification has been a simple one but for two cases; the first one was related to a player in the private sector that is really active in social and managing his family business similarly to a social enterprise; the other one was a fair trade organization that was born as a religious one but now its main activity is FT-related. I have classified both of them as FT organizations.

Obviously groups are almost obliterated from the sub-sample, as expected for their average size, but the main actors seem to be able to withstand the economical crisis confirming that only the weakest players were forced to quit.

Moreover we find that FTO are by far the biggest class but it has shrunk to a 2004-like market-share while the biggest growth in relationships has come out of for-profit private operators that, while still one of the smallest class has been able to register an interesting rate of growth, in absolute terms equal to that from Association.

Looking at classes' sale value we have to tell a different story as sales are mostly to FTOs while groups contribution to revenues is shrinking faster than all the other, during the survey in the first degree ego-network we have found out three exit-models for players in this class:

- those who have left FT product's market as they were not able to sustain their own group's activities;
- those who have succeeded in creating a stable organization acting as a new association; and
- those who have abandoned the idea to play in the market alone and have joined or sided with another fair trade organization that deliver them their own orders.

Looking at data in exhibit 8 we can see how each class contributes to revenues inflows and if we look at trade share instead of it absolute value, we can see how loss in FTO's volume has been absorbed by linkages to other social organizations.

Exhibit 8 – Annual composition of stratified sample in value of sales

Anno		Assoc.	FT	Groups	Private	Religious	State-Owned
2004	€	€ 80,841.74	€ 123,956.40	€ 11,341.82	€ 17,435.74	€ 25,496.22	€ 1,374.90
	%	31.04%	47.59%	4.35%	6.69%	9.79%	0.53%
2005	€	€ 71,047.40	€ 175,091.98	€ 7,182.35	€ 17,336.19	€ 24,028.37	€ 1,604.98
	%	23.98%	59.09%	2.42%	5.85%	8.11%	0.54%
2006	€	€ 78,774.56	€ 202,191.76	€ 6,177.25	€ 18,948.35	€ 39,419.02	€ 1,867.85
	%	22.68%	58.20%	1.78%	5.45%	11.35%	0.54%
2007	€	€ 100,777.81	€ 194,830.09	€ 4,971.93	€ 18,184.74	€ 37,454.88	€ 3,912.32
	%	27.98%	54.10%	1.38%	5.05%	10.40%	1.09%
2008	€	€ 111,326.13	€ 163,686.70	€ 3,098.88	€ 24,156.68	€ 35,990.69	€ 1,726.37
	%	32.74%	48.15%	0.91%	7.11%	10.59%	0.51%

Source: Elaboration on survey data.

As exhibit 9 shows the loss of sales registered in the 2008 can be only an illusion when we compare only the above average transactions. In fact while global sales have fallen to 2006 values just after a great push in sales, for highest-value relationships of the warehouse itself fall is slightly more than 3.5%, in spite of a global fall of 5.59%.

Exhibit 9 – Annual composition of stratified sample for above average relationship in value of sales

Anno		Assoc.	FT	Groups	Private	Religious	State-Owned
2004	€	€ 65,738.44	€ 118,293.81	€ 8,382.18	€ 5,108.26	€ 23,544.88	€ 0.00
	%	29.74%	53.51%	3.79%	2.31%	10.65%	0.00%
2005	€	€ 45,482.77	€ 171,496.24	€ 0.00	€ 6,718.99	€ 16,713.22	€ 0.00
	%	18.92%	71.33%	0.00%	2.79%	6.95%	0.00%
2006	€	€ 61,362.75	€ 191,362.94	€ 0.00	€ 0.00	€ 35,171.52	€ 0.00
	%	21.31%	66.47%	0.00%	0.00%	12.22%	0.00%
2007	€	€ 83,101.75	€ 187,201.79	€ 2,771.67	€ 3,720.00	€ 31,625.01	€ 0.00
	%	26.94%	60.70%	0.90%	1.21%	10.25%	0.00%
2008	€	€ 99,035.19	€ 155,915.65	€ 0.00	€ 13,672.46	€ 29,009.13	€ 0.00
	%	33.27%	52.39%	0.00%	4.59%	9.75%	0.00%

Source: Elaboration on survey data.

Even in the above average subsample religious organizations are able to endure the crisis, and analysis shows that Associations and Private classes have both increased sales share absorbing the blunt of the € 25.000 lost from FTOs total sales.

In order to understand the real potential value in a class we have to focus in its internal dynamics.

Analysing customer's population I've found that some classes are fairly stable meanwhile some other as Groups are made of new players each year reaching almost 70% of turnover in average in the period as shown in exhibit 10 and 11.

Exhibit 10 – New Customers by year (absolute values)

Anno	Assoc.	FT	Groups	Private	Religious	State-Owned
2005	21	3	8	9	4	5
2006	14	12	8	18	1	3
2007	20	14	5	12	3	4
2008	10	4	4	15	3	2

Source: Elaboration on survey data.

Exhibit 11 – New Customers by year (percentages)

Anno	Assoc.	FT	Groups	Private	Religious	State-Owned
2005	47.73%	13.04%	80.00%	42.86%	36.36%	83.33%
2006	38.89%	40.00%	66.67%	58.06%	10.00%	50.00%
2007	48.78%	37.84%	55.56%	41.38%	25.00%	57.14%
2008	32.26%	14.81%	80.00%	57.69%	25.00%	66.67%

Source: Elaboration on survey data.

A different picture comes out analysing those players that create cash flows above the average of the population.

Biggest classes are really stable while small ones present an almost total turnover year after year. Given the lower absolute value I feel that absolute values, shown in exhibit 12, are more significant than percentages shown in exhibit 13.

Exhibit 12 – Above average new customers each year (absolute values)

Anno	Assoc.	FT	Groups	Private	Religious	State-Owned
2005	1	2	0	0	1	0
2006	2	2	0	0	0	0
2007	2	1	1	1	0	0
2008	1	0	0	3	1	0

Source: Elaboration on survey data.

Exhibit 13 – Above average new customers each year (percentages)

Anno	Assoc.	FT	Groups	Private	Religious	State-Owned
2005	14.29%	13.33%	N/A	0.00%	25.00%	N/A
2006	25.00%	12.50%	N/A	N/A	0.00%	N/A
2007	25.00%	5.56%	100.00%	100.00%	0.00%	N/A
2008	10.00%	0.00%	N/A	100.00%	20.00%	N/A

Source: Elaboration on survey data.

A last step in this analysis is to analyse how each old customers in each class contribute to revenues as shown in exhibit 14 for the whole population and in exhibit 15 for above average sub-sample.

In the table you can read absolute values of sales covered by those customers that were social enterprise's customer the year before and how much of total sales they cover in percentage.

Exhibit 14 – Annual revenues from old customers

Anno		Assoc.	FT	Groups	Private	Religious	State-Owned
2005	€	€ 59,413.09	€ 162,510.01	€ 4,466.80	€ 13,198.90	€ 15,320.50	€ 305.00
	%	83.62%	92.81%	62.19%	76.13%	63.76%	19.00%
2006	€	€ 63,833.45	€ 141,994.86	€ 2,972.54	€ 8,123.20	€ 39,281.00	€ 1,137.93
	%	81.03%	70.23%	48.12%	42.87%	99.65%	60.92%
2007	€	€ 78,179.64	€ 185,642.48	€ 816.72	€ 11,356.79	€ 36,284.04	€ 2,102.96
	%	77.58%	95.28%	16.43%	62.45%	96.87%	53.75%
2008	€	€ 104,354.85	€ 160,826.68	€ 1,601.25	€ 5,008.24	€ 30,158.67	€ 537.00
	%	93.74%	98.25%	51.67%	20.73%	83.80%	31.11%

Source: Elaboration on survey data.

Analysing percentages let me shows how revenues from small classes as Private, Religious and State-Owned players have been mainly due to new actors in spite of economical crisis the biggest ones have become more focused on managing relationship with old players.

Exhibit 15 – Annual revenues from above average old customers

Anno		Assoc.	FT	Groups	Private	Religious	State-Owned
2005	€	€ 42,776.13	€ 159,049.72	€ 0.00	€ 6,718.99	€ 11,757.50	€ 0.00
	%	94.05%	92.74%	N/A	100.00%	70.35%	N/A
2006	€	€ 39,619.68	€ 121,039.93	€ 0.00	€ 0.00	€ 29,094.56	€ 0.00
	%	64.57%	63.25%	N/A	N/A	82.72%	N/A
2007	€	€ 69,045.64	€ 181,277.25	€ 0.00	€ 0.00	€ 31,625.01	€ 0.00
	%	83.09%	96.84%	0.00%	0.00%	100.00%	N/A
2008	€	€ 95,184.53	€ 155,915.65	€ 0.00	€ 0.00	€ 23,984.76	€ 0.00
	%	96.11%	100.00%	N/A	0.00%	82.68%	N/A

Source: Elaboration on survey data.

Analysis of revenues flows in sub-sample confirm a far stabler set of segments as only weakest players as Groups and Private sector have suffered from an high turnover, while other segments cover more than 80% of revenues in their own classes and in some cases can fully cover them.

In exhibit 16 I show sales contraction due to old customers' exit from the market for each class.

Exhibit 16 – Annual lost revenues from old customers market exit

Anno		Assoc.	FT	Groups	Private	Religious	State-Owned
2005	K	€ 59,413.09	€ 162,510.01	€ 4,466.80	€ 13,198.90	€ 15,320.50	€ 305.00
	T	€ 71,047.40	€ 175,091.98	€ 7,182.35	€ 17,336.19	€ 24,028.37	€ 1,604.98
	Diff	-€ 11,634.32	-€ 12,581.97	-€ 2,715.55	-€ 4,137.29	-€ 8,707.86	-€ 1,299.98
2006	K	€ 63,833.45	€ 141,994.86	€ 2,972.54	€ 8,123.20	€ 39,281.00	€ 1,137.93
	T	€ 78,774.56	€ 202,191.76	€ 6,177.25	€ 18,948.35	€ 39,419.02	€ 1,867.85
	Diff	-€ 14,941.11	-€ 60,196.90	-€ 3,204.71	-€ 10,825.14	-€ 138.03	-€ 729.93
2007	K	€ 78,179.64	€ 185,642.48	€ 816.72	€ 11,356.79	€ 36,284.04	€ 2,102.96
	T	€ 100,777.81	€ 194,830.09	€ 4,971.93	€ 18,184.74	€ 37,454.88	€ 3,912.32
	Diff	-€ 22,598.17	-€ 9,187.61	-€ 4,155.20	-€ 6,827.95	-€ 1,170.84	-€ 1,809.36
2008	K	€ 104,354.85	€ 160,826.68	€ 1,601.25	€ 5,008.24	€ 30,158.67	€ 537.00
	T	€ 111,326.13	€ 163,686.70	€ 3,098.88	€ 24,156.68	€ 35,990.69	€ 1,726.37
	Diff	-€ 6,971.28	-€ 2,860.02	-€ 1,497.63	-€ 19,148.44	-€ 5,832.02	-€ 1,189.37

Source: Elaboration on survey data.

Highlighting differential sales let me understand more deeply classes dinamics if compared to total revenues and number of actors in each class. From this comparison I get that there is a stable core of relationships that are not so much dependent from the market fluctuations as the difference is smaller when the market shrink but grows when it expand too fast.

Exhibit 17 – Annual lost revenues from above average old customers market exit.

Anno		Assoc.	FT	Groups	Private	Religious	State-Owned
2005	K	€ 42,776.13	€ 159,049.72	€ 0.00	€ 6,718.99	€ 11,757.50	€ 0.00
	T	€ 65,738.44	€ 118,293.81	€ 8,382.18	€ 5,108.26	€ 23,544.88	€ 0.00
	Diff	-€ 22,962.32	€ 40,755.91	-€ 8,382.18	€ 1,610.74	-€ 11,787.38	€ 0.00
2006	K	€ 39,619.68	€ 121,039.93	€ 0.00	€ 0.00	€ 29,094.56	€ 0.00
	T	€ 61,362.75	€ 191,362.94	€ 0.00	€ 0.00	€ 35,171.52	€ 0.00
	Diff	-€ 21,743.07	-€ 70,323.01	€ 0.00	€ 0.00	-€ 6,076.97	€ 0.00
2007	K	€ 69,045.64	€ 181,277.25	€ 0.00	€ 0.00	€ 31,625.01	€ 0.00
	T	€ 83,101.75	€ 187,201.79	€ 2,771.67	€ 3,720.00	€ 31,625.01	€ 0.00
	Diff	-€ 14,056.11	-€ 5,924.54	-€ 2,771.67	-€ 3,720.00	€ 0.00	€ 0.00
2008	K	€ 95,184.53	€ 155,915.65	€ 0.00	€ 0.00	€ 23,984.76	€ 0.00
	T	€ 99,035.19	€ 155,915.65	€ 0.00	€ 13,672.46	€ 29,009.13	€ 0.00
	Diff	-€ 3,850.66	€ 0.00	€ 0.00	-€ 13,672.46	-€ 5,024.38	€ 0.00

Source: Elaboration on survey data.

In the end the various analysis on revenues and relationship help us identifying classes of relationships as *Unexploited resources* and *Unsatisfied Customers*.

The unexploited resources are mainly Associations that while registering an higher turnover of customers and being a bigger classes than FTOs are only able to generate one third to two thirds of theirs sales.

Relationship with them is surely valuable accounting for an average 26% of global revenues from the warehouse. As explained before it is rare and inimitable as it is defended by path dependence and social complexity but the internal processes analysis has shown a lack of specific processes to increase their involvement in *e' pappeci*'s activities limiting their own value as a distribution channel.

The Unsatisfied customers' tag can be given to two different classes: Private actors and Groups.

Both can be valuable for the cooperative but relationships with private for-profit actors are less stable than those linking to other social actors. On the other side these relationships help the warehouse employees to meet a different kind of social capital and so it can be used to foster learning[29].

Groups, instead, are neared to social mission and create with the warehouse a far deep relationship but their limited dimension ask for a greater investment in managing the relationship to increase their own chance of survival. Moreover when the other party in this relationship is grown to a more stable state it is usually ready to become an Association or a FTO.

This configuration is confirmed by a survey in warehouses' 1st Degree Ego-Network on the motivation to relate to the warehouse and on the kind of relationship.

29 Some actors in FT would prefer to shun this class of actors as they usually do not follow FT principles in selling goods as they do not usually "waste" time to explain the product-project link to occasional customers.

The sample composed of 28 social organizations that have bought products from the warehouse in the last year has been built following a description from warehouse employee on those external organizations they would ask to cooperate with. Sample's composition is shown in exhibit 18.

Exhibit 18 – sample's composition

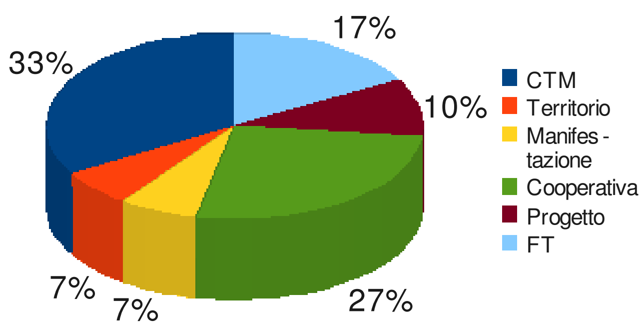
	Assoc.	FT	Groups	Private	Religious	State-Owned	Global
#	6	17	1	0	5	0	29
RAS	3.17	3.47	4	0	2.4	0	3.24

Source: Elaboration on sample's data.

The composition shows how the warehouse's relationships with other FT player are stronger than those with other classes with the sole exception of the single group indicated as it was expected.

The survey's focus was on how the relationship was created its results are shown in exhibit 19 while exhibit 20 show how their actual configuration is perceived by both parties.

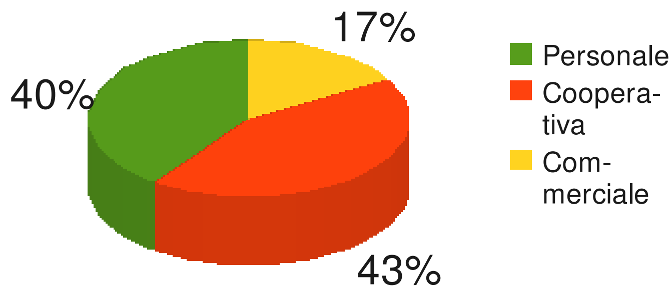
Exhibit 19 – How the relationship begun



Source: Elaboration on sample's data.

In exhibit 19 is shown how relationship have often started via CTM as some cooperative or another social actor decided to sell CTM goods. The influences of position in the land has been found to be important only in a couple of interviews, while several actors have started to relate with the cooperative before starting selling FT goods. This class has to be considered more important as it could be summed up with Manifestazione and Progetto, that are two specific action of the cooperative.

Exhibit 20 – Relationship class today



Source: Elaboration on sample's data.

It is interesting to highlight how the organization does not succeed in spreading relationship contact points as 40% of the relationships have been labeled as personal ones from social actors referring to them as an added value of getting the goods from the warehouse.

CONCLUSIONS AND FURTHER RESEARCHES

The application of this framework of analysis as a strategic management tool let us understand how various kind of relationships can be used to direct cooperative actions in selecting and managing classes of customers. I'm aware that the specific type of organization, a social enterprise that deal with other social enterprises, can be misleading in reaching conclusion on the framework itself so I think that the framework should be applied to more different types of social organization in order to test the effectiveness of its evaluations and its capability to direct management's actions in reaching a sustainable competitive advantage without neglecting the social mission of the organization and keeping it at the core of strategy definitions.

REFERENCES

Adler, P.S. and S-W Kwon, (2000), "Social Capital: The Good, the Bad, and the Ugly" in Lesser, E.L. (ed), *Knowledge and social capital: foundations and applications*, Butterworth-Heinemann, Boston, MA, pp. 89-115; avaliable as Marshall School of Business Working Paper No. MKT 03-09. Available at SSRN: http://ssrn.com/abstract=186928 or DOI: 10.2139/ssrn.186928

AGICES (2005), *"Il commercio equo e solidale: analisi e valutazione di un nuovo modello di cooperazione internazionale"*, relazione promossa dall'Assemblea generale italiana del commercio equo e solidale e realizzata dalle Università Cattolica e Bicocca di Milano

Alter, K. (2007), "Social Enterprise Typology", Virtue Ventures LLC [http://www.virtueventures.com/settypology.pdf], Portland.

Amit, R. and P.J.H. Schoemaker (1993), "Strategic assets and organizational rent", *Strategic Management Journal*, 14, pp.33-46.

Ancarani, F. (1999), *Concorrenza e analisi competitiva*, EGEA, Milano

Andrews, K.R. (1971), *The concept of corporate strategy*, Dow Jones-Irwin, Homewood.

Austin, J., Stevenson H. and J. Wei-Skillern (2006), "Social and Commercial Entrepreneurship: Same, Different, or Both?", Entrepreneurship Theory & Practice, January, pp.1-2.

Baker W.E. and J.M. Sinkula (1999), "Learning Orientation, Market Orientation, and Innovation: Integrating and Extending Models of Organizational Performance", *Journal of Market Focused Management*, vol.4, pp. 295–308.

Barney, J.B. (1986 OC), "Organizational culture: Can it be a source of sustained competitive advantage?", *Academy of Management Review*, Vol.11(3), pp.656-665.

Barney, J.B. (1986 SFM), "Strategic Factor Markets: Expectations, Luck, and Business Strategy", *Management Science*, vol.32(10), pp.1231-1241.

Barney, J.B (1991), "Firm resources and sustained competitive advantage", *Journal of Management*, vol.17(1), pp. 99-120.

Barney, J.B (2007), *Gaining And Sustaining Competitive Advantage*, 3rd Ed.. Prentice-Hall, Upper Saddle River.

Berle, A. A. And G. C. Means G. (1932), *The Modern Corporation and Private Property*, Transaction Rublishers, New Brunswick, 5th edition printed in 2003.

Brandenburger, A.M. and B.J. Nalebuff (1997), Co-opetition: A Revolution Mindset That Combines Competition and Game Theory Strategy That's Changing the Game of Business, Doubleday, New York.

Brondoni S.M. 2007, Market-Driven Management concorrenza e mercati globali, Giappichelli, Torino.

Burt, R.S. (1992), *Structural Holes: The social structure of competition*, Harvard University Press, Massachusetts.

Capaldo, P. (1996), "Le aziende non profit tra Stato e mercato" in AIDEA, *Le aziende non profit tra stato e mercato: atti del convegno svoltosi a Roma, 28-30 settembre 1995* CLUEB, Bologna, pp.13-94

Carrera, D. and M. Tani (2008) "Fonti del Vantaggio Competitivo per l'impresa sociale: l'esperienza del commercio equo e solidale in Campania e nel Lazio", paper presented at "Colloquio scientifico annuale sull'impresa sociale, 2a Edizione", Università di Bari, Bari, 23-24 Maggio 2008.

Chiesi, A.M., Martinelli A. and M. Pellegatta (2000), *Il Bilancio Sociale*, Il Sole 24 Ore, Milano

Chirieleison, C. (2004), Le Strategie Sociali nel Governo dell'Azienda, Giuffrè.

Cohen, M.D. And L. Prusak (2001), *In Good Company. How Social Capital Makes Organizations Work*, Harvard Business School Press, Massachusetts.

Coleman, J.S. (1990), *Foundations of Social Theory*, Harvard University Press, Massachusetts.

D'Aveni, R. (1994), *Hypercompetition*, Free-Press, New York.

Dart, R. (2004), "The legitimacy of Social Enterprise" *Non-profit Management & Leadership*, vol.14(4), pp.411-424.

Day, G.S. (1994), "The Capabilities of Market-Driven Organizations", *Journal of Marketing*, Vol.58(4), pp.37-52.

Day, G.S. (1999), "Creating a Market-Driven Organization", *Sloan Management Review*, Vol.41(1), pp.11-22.

Dees, J. G (1998) "Enterprising Nonprofits." *Harvard Business Review*, Jan.–Feb, pp. 55–67.

Dees, J.G., Emerson J. and P. Economy (eds) (2001), *Enterprising nonprofits*, John Wiley and Sons, New York.

Dees, J.G., Emerson J. and P. Economy (eds) (2002), *Strategic Tools for Social Entrepreneurs*, John Wiley and Sons, New York.

Defourny, J., Develtere P. and B. Fonteneau (eds) (1999), *L'économie sociale au Nord et au Sud*, De Boeck et Larcier, Paris.

Defourny, J. (2001), "From Third Sector to Social Enterprise", in Borzaga, C. and J. Defourny (eds), *The Emergence of Social Enterprise*, Routledge, London, pp.1-28.

Deshpandé, R. and F. E. Jr Webster (1989), "Organizational Culture and Marketing: Defining the Research Agenda", *Journal of Marketing*, vol.53(1), pp.3-15.

Dierickx, I., & Cool K. (1989). Asset stock accumulation and sustainability of competitive advantage, *Management Science*, 35(12): 1504-1551.

Dill, W. (1975), "Public Partecipation in Corporate Planning: Strategic Management in a Kibitzer's World" *Long Range Planning*, vol.8 (1), pp.57-63.

Dodd, E.M., jr., (1931), "For Whom Are Corporate Managers Trustees?", *Harvard Law Review*, 1932, vol.45 (7), pp.1145-1163.

Drucker, P. F. (1954), *The practice of management*, Collins Business, New York.

Drucker, P. F. (1973), *Management. Tasks, responsibilities and practices*, Collins Business, New

York.

Dyer, J.H., and H Singh (1998), "The Relational View: Cooperative Strategy and Sources of Interorganizational Competitive Advantage", *Academy of Management Review*, Vol. 23(4). pp.660-679.

ECOTEC Research And Consulting Limited (2001), *Evaluation of the Third System and Employment Pilot Action – Final Report*, European Commission, Bruxelles [http://ec.europa.eu/employment_social/empl_esf/3syst/final01_en.pdf].

European Commission (1998), *Third System and Employment*, proceeding of the Commission Parliament Joint Seminar of 24-25 September 1998.

Foss, N.J. (1996), "Knowledge-Based Approaches to the Theory of the Firm: Some Critical Comments", *Organization Science*, Vol. 7(5), pp.470-476.

Fowler, A. (2000), "NGDOs as a moment in history: beyond aid to social entrepreneurship or civic innovation?" *Third World Quarterly*, Vol.21(4), pp.637–654.

Freeman, L.C. (1977), "A Set of Measures of Centrality Based on Betweenness", *Sociometry*, vol.40, pp.35-40.

Freeman, R. E. (1984), *Strategic Management: a Stakeholder Approach*, Pitman, Boston.

Friedman, M. (1970), "The Social Responsibility of Business is to Increase its Profits", *The New York Times Magazine*, September 13.

Fukuyama, F. (1995), *Trust: The Social Virtues and the Creation of Prosperity*, The Free Press, New York.

Grant, R.M. (1996), "Toward a Knowledge-Based Theory of the Firm", *Strategic Management Journal*, vol.17(Winter Special Issue), pp.109-122.

Granovetter, M.S. (1973), "The Strength of Weak Ties", *American Journal of Sociology*, vol.78, pp.1360-1380.

Gulati, R. (2007), *managing network resources*, Oxford University Press, Oxford

Hamel, G. (1991), "Competition for Competence and Inter-Partner Learning Within International Strategic Alliances", *Strategic Management Journal*, Vol.12(SI: Global Strategy), pp.83-103.

Hamel, G. and C. K. Prahalad (1994), Competing for the Future, Harvard Business School Press, Boston

Harding R. (2004). "Social Enterprise: The new economic engine?", *Business Strategy Review*, vol.(Winter), pp.39-43.

Hinna, L. (2002), *Il bilancio sociale*, Il Sole 24 Ore, Milano

Holme, R. and P. Watts (2000), *Corporate social responsibility: making good business sense* , WBCSD, Conches-Geneva.

Hooley G.J., Greenley G.E., Cadogan, J.W. And J. Fahy (2005), "The Performance Impact of Marketing Resources", *Journal of Business Research*, Vol.58, pp.18-27.

Hult G.T.M. and D.J. Jr Ketchen (2001), "Does Market Orientation Matter?: A Test of the

Relationship between Positional Advantage and Performance", *Strategic Management Journal*, Vol.22(9), pp.899-906.

Hurley R.F. and G.T.M. Hult (1998), "Innovation, Market Orientation, and Organizational Learning: An Integration and Empirical Examination", *Journal of Marketing*, Vol.62(3), pp.42-54.

Ireland, R.D., Hitt, M.A. D., Vaidyanath (2002), "Alliance Management as a Source of Competitive Advantage", *Journal of Management*, Vol. 28(3), pp.413-446.

Jaworski, B.J. and A.K. Kohli (1993), "Market Orientation: Antecedents and Consequences", *Journal of Marketing*, Vol.57(3), pp.53-70.

Johnson, H. (1971), *Business in Contemporary Society: Framework and issues*,Wadsworth, Belmont.

Knoke, D. (1999), "Organizational networkd and Corporate Social Capital" in Leenders, R. Th A. J. and S.M. Gabbay (eds), *Corporate Social Capital and Liability*, Kluwer, Boston, pp.17-42.

Kohli, A.K. And B.J., Jaworsky (1990), "Market Orientation: The Construct, Research Propositions and Managerial Implications", *Journal of Marketing*, Vol. 54(2), pp. 1-18.

Kotler P. and N. Lee (2005), *Marketing e Responsabilità Sociale d'Impresa. Come fare il massimo per la propria azienda e per la comunità sposando una causa*, Il Sole24Ore, Milano

Laville, J. (2003), "A New European Socioeconomic Perspective", *Review of Social Economy*, vol.61(3), pp.389-405.

Lin, N. (2001), *Social Capital. A Theory of Social Structure and Action*, Cambridge University Press, New York.

Lipparini, A. (2002), *La gestione strategica del capitale intellettuale e del capitale sociale*, il Mulino, Bologna

Leadbeater, C. The Rise of the Social Entrepreneur. London: Demos, 1997.

Lloyd, P. E. (2004), ‘‘The European Union and its Programmes Related to the Third System,’’ in Evers A. and J. L. Laville (eds), *The Third System in Europe*, Edward Elgar, Cheltenham, pp.188-205.

Nonaka, I. and H. Takeuchi (1995), *The Knowledge-creating Company: How Japanese Companies Create the Dynamics of Innovation*, Oxford University Press, Oxford

Nyssens, M. (2006), *Social Enterprise. At the crossroads of market, public policies and civil society* , Routledge, London.

Paton, R. (2003), *Managin and measuring Social Enterprises*, Sale Publication, London

Penrose, E.T. (1959), *The theory of the growth of the firm*, Blackwell, Oxford.

Peteraf M.A. and J.B. Barney (2003), "Unraveling the Resource-based tangle", *Managerial and Decision Economics*, vol.24(4), pp.309-323.

Pfeffer, C. and G. Salancik (1978), *The External Control of Organization*, Harper & Row, New York.

Polanyi M. 1967, *The tacit dimension*, Doubleday, New York.

Porter, M. (1980), *Competitive Strategies*, The Free Press, New York

Porter, M. (1985), *Competitive advantage*, The Free Press, New York

Porter, M.E. And M. R. Kramer (1999), "Philantropy's new agenda: Create Value", *Harvard Business Review*, November-December Reprint, pp.121-130.

Price, M. (2008), *Social Enterprise. What it is and why it matters*, Fflan ltd, Vale of Glamorgan.

Reed R. and R.J. De Filippi (1990), "Causal Ambiguity, Barriers to Imitation and Sustainable Competitive Advantage", *Academy of Management Review*, Vol.15 (1), pp88-102.

Rumelt, R.P. (1984), "Towards a Strategic Theory of the Firm," in R. B. Lamb (ed.), *Competitive Strategic Management*, Prentice-Hall, Englewood Cliffs, pp.556-570.

Rumelt, R.P. (1991), "How much does industry matter?", *Strategic Management Journal*, vol.12(3), pp.167-185.

Rusconi, G. and M. Dorigatti (eds) (2004), *Modelli di rendicontazione etico-sociale e applicazioni pratiche*, Franco Angeli, Milano.

Rusconi, G. and M. Dorigatti (eds) (2006), *Teoria generale del bilancio sociale e applicazioni pratiche*, Franco Angeli, Milano.

Sciarelli M. (2008), "Resource-Based Theory e Market-Driven Management", Synphonya, Issue 2.

Sciarelli, S. (2001), *Economia e Gestione delle Imprese*, CEDAM, Padova.

Sciarelli, S. (2007), *Etica e responsabilità sociale nell'impresa*, Giuffrè, Milano.

Shapiro, B.P. (1988), "What the Hell Is 'Market Oriented'?", *Harvard Business Review*, vol.66(6), pp.119- 25.

Slater, S.F. and J.C. Narver (1995), "Market Orientation and the Learning Organization", *Journal of Marketing*, Vol. 59(3), pp.63-74.

Slater S.F. And J.C. Narver (1999), "Market-Oriented is More than Being Customer-Led", *Strategic Management Journal*, vol.20(12), pp.1165-1168.

Smallbone, D., Evans, M., Ekanem I. and S. Butters (2001), *Researching Social Enterprise*, report to the Small Business Service.

Spear, R. and E. Bidet, (2003), "The role of social enterprise in european labour markets ", *working paper for Elexies Project*.

Stanziani S. (1999), *La specificità relazionale del Terzo settore*, Franco Angeli, Milano.

Tani, M. (2008), "A.3 Il commercio equo e solidale", in Carrera, D. and A. Messin (eds), *Economia e gestione delle imprese nonprofit*, Aracne Editrice, Roma, pp.404-419.

Uzzi, B. (1997) "Social Structure and competition in interfirm networks", *Administrative Science Quarterly. The paradox of embeddedness*, vol.42, pp.35-67.

Yunus, M. (2008), *Un mondo senza potevertà*, Feltrinelli editore, Milano.

Waddock, S. A. and J. E. Post (1995), "Catalytic Alliances for Social Problem Solving", *Human*

Relations, vol.48(8), pp.951-973.

Wasserman, S. and K. Faust (1994) *Social Network Analysis — Methods and Applications*, Cambridge University Press, Cambridge.

Webster, F.E. Jr. (1988), "The Rediscovery of the Marketing Concept", *Business Horizons*, 31 (May- June), pp. 29-39.

Webster, F.E. Jr. (1992), "The Changing Role of Marketing in the Corporation", *Journal of Marketing*, Vol.56(4), pp.1-17.

Wernerfelt, B. (1984), "A resource-based view of the firm", *Strategic Management Journal*, vol.5, pagg.171-180.

Wernerfelt, B. (1989), "From critical resources to corporate strategy", *Journal of General Management*, vol.14, pp.4-12.

Wernerfelt, B. and C.A. Montgomery (1986), "What is an attractive industry?", *Management Science archive*, Vol.32(10), pp.1223-1230.

Zangrandi, A. (1996), "Relazioni tra aziende non profit e amministrazioni pubbliche: schemi di riferimento", *Persone & imprese*, vol.6(1/3), pp.18-28.