

CREATING ORGANIZATIONAL SUSTAINABILITY IN SOCIAL ENTERPRISES: THE USE OF EVIDENCE-BASED POSITIONING AND MARKET ORIENTATION

Nadia Shuayto, Lawrence Technological University

Paul A. Miklovich, Cleveland Clinic

ABSTRACT

Social enterprises represent the evolution of the private sector with the social and public sector. The focus of this paper is to examine social enterprises and the creation of organizational sustainability through the use of the key marketing concepts of positioning and orientation. Evidence-based practices are studied as a means to enhance the effectiveness and impact of the two strategies. A key theme of the paper is the impact of stakeholders on the creation of organizational sustainability.

JEL: M00, Q56

KEYWORDS: Social Enterprise, Organizational Sustainability, Positioning, Market Orientation, Evidence-based Practices, Legitimacy, Competitiveness

INTRODUCTION

Human society has been built around organizations. As the fundamental element of construction, organizations are as diverse as the cultures of the human experience. Within the economic sector, three primary models co-exist. Business, governmental, and non-profit comprise the three organizational types which constitute the private, public, and social sectors.

The three primary models have historically existed in a mutually exclusive environment. Within the last ten years, the boundaries between the private, public, and non-profit sectors have been blurring (Fourth Sector Network Concept Working Group, 2009). Businesses that were focused on profit creation are now shifting resources to the creation of social benefits while non-profit organizations have become more business-like by adopting commercial enterprise strategy and market orientation (Foster & Bradach, 2005).

The creation of organizations that integrate social purpose with business methods is the genesis of social enterprises (Moizer & Tracey, 2010). Social enterprises represent the evolution of the private sector with the social and public sector. As with all organizations, they face many challenges. Social enterprises are organizations in transition (Jegers & Lapsley, 2001). Where they once could rely on their non-profit orientation, they are being forced to adopt business-like practices which emphasize value creation to ensure organizational sustainability. To meet this challenge, social enterprises must adopt key elements of the for-profit sector. Two of the key elements for adoption are market orientation and positioning (Shoham, Ruvio, Vigoda-Gadot, & Schwabsky, 2006).

To successfully transition to a market orientation, social enterprises need to adopt for-profit management concepts that emphasize evidence-based practices. To understand this evolving concept, this paper will present a literature review to explore the concept of social enterprises and the creation of organizational sustainability. This will be followed by a section addressing sustainability in relation to the development of market orientation and positioning through the use of evidence-based practices. The authors will then present a path forward and end with concluding comments.

LITERATURE REVIEW

To begin to understand the concept of social enterprises, one must have a clear and concise definition. Unfortunately, a simple definition does not exist (Harding, 2004). Debate around a single definition is complicated by the various stakeholders involved with social enterprises. A simple definition offered by Moizer and Tracey (2010) states social enterprises are non-profit organizations that seek to achieve social goals through commercial activities. Other authors expand this definition to include for-profit organizations which focus on promoting social welfare (Weerawardnea, McDonald, & Mort, 2010). An all-encompassing concept focuses on organizations that promote a social mission through the use of commercial activities. For the purposes of this paper, the focus will remain on non-profit organizations.

Social enterprises are an effective mechanism for generating value in societal, economic and environmental arenas. They deal with customers, suppliers, barriers to entry, rivalry, and issues around operations. In terms of value generation, their scope is enormous. In the United States, social enterprises employ 1.6 million people which are 8% of the workforce (Murphy & Coombes, 2009). From the perspective of income, they supply 7% of the national income. Due to changes in the public sector where welfare is now provided by agencies, social enterprises are becoming larger and continuing to grow. As a result, they are providing a growing contribution to global economies (Weerawardnea et al., 2010).

The role of social enterprises in creating economic and social value is an evolving proposition. Social enterprises create a number of profound impacts. They provide a means of regenerating deprived communities by delivering key services (Harding, 2004). They are capable of rebuilding and developing social capital which is key to disadvantaged communities. Social enterprises have been identified as vital to the development and delivery of innovative ways of tackling social problems which cannot be resolved through traditional public, voluntary, or community mechanisms (Shaw, 2004). In market economies, they are playing a prominent role as mechanisms for addressing social problems (Moizer & Tracey, 2010).

To assess the overall impact of social enterprises a method must be developed to measure levels of activity and the impact they have in terms of value creation (Harding, 2004). While this may seem simple in concept, many challenges exist to accomplishing the goal.

The challenges facing social enterprises can be grouped into three categories. Social enterprises need to demonstrate a link between economic and financial performance, social effectiveness, and institutional legitimacy (Bagnoli & Megali, 2009). In attempting to address the three major challenges, social enterprise organizations are now being forced to act as a business for they are under the same pressures as for-profit entities.

The development of a for-profit mindset is not at odds with the overall vision of a social enterprise. They need to adopt business practices similar to the for-profit sector to address the various challenges presented within the market space (Jegers & Lapsley, 2001). Competitive pressures require social enterprises to implement significant organizational restructuring, repositioning, and the adoption of professional management practices (Chew, 2006).

All organizations, whether for-profit, non-profit, or voluntary, must develop a strategy for ensuring sustainability. Organizational sustainability is a major challenge for social enterprises. For organizational sustainability to be created, social enterprises must clearly define what it is, how it can be created, and the key marketing concepts which can be applied to foster the development.

The creation of organizational sustainability is a challenge regardless of the business model. In the for-profit sector, sustainability is built around competitive advantage, profit generation, and shareholder

wealth creation (Pride & Ferrell, 2007). Social enterprises differ from for-profit organizations in a number of key areas in relation to the creation of organizational sustainability.

One key area is in the development of financial resources to enable the enterprise to deliver social value. A second area is the question of shareholders versus stakeholders. Social enterprise stakeholders are comprised of groups who use their services or products, supporters who provide funding or donations, and in some markets competing organizations (Shoham et al., 2006). The multiple stakeholders of a social enterprise influence both the services delivered and the overall strategic direction of the organization (Weerawardnea, McDonald, & Mort, 2010).

Market orientation and positioning attempt to address the issue of stakeholder influence in the development of organizational sustainability. By examining these two key factors, one can begin to address the idea of value creation which is essential for establishing organizational sustainability in social enterprises.

One of the key constructs of any social enterprise is to develop strategic clarity (Stid & Bradach, 2009). Clarity involves establishing key priorities and very clear goals. By establishing an internal understanding of what is important organizations can begin to impart a vision on their key stakeholders.

The creation of an organization's identity in the minds of a target audience is positioning (Pride & Ferrell, 2007). The economic changes of the last five years have created enormous pressures on social enterprises to manage their operations to satisfy both their short-term and longer-term positioning strategies. Positioning is an important tool in the overall management of strategy (Chew, 2006). It occurs at three levels: the organizational, product and service, and brand. Just as the organization needs to have clear priorities and goals, their positioning strategy also needs to be aligned with these objectives.

The adoption of positioning strategies by social enterprises has increased due to a number of factors. The impact of the external environment and global economic challenges has created an increase in competition between organizations in the non-profit sector (Chew, 2006). The increase in the number of organizations vying for funding and support necessitates the adoption of brand differentiation. If social enterprises are to benefit from the use of positioning, they must understand how different strategies can create an advantage in a particular market (Bagnoli & Megali, 2009; Chew, 2006). While positioning attempts to create awareness, it does not address how the organization will meet the stated or hidden needs of stakeholders.

Positioning only assures that an organization has made its case to the public. From the perspective of a social enterprise, the public is their stakeholders (Frumkin & Kim, May 2001). Market orientation attempts to address how an organization will meet the needs of its customers. For a social enterprise, customer is replaced with stakeholder.

The implementation of a market orientation characterizes a firm's intentions to deliver superior value to its stakeholders (Kara, Spillan, & DeShields Jr., spring 2004). For the stakeholder group who uses the services of a social enterprise, this may be characterized by receiving the services or products they desire. For the organization's donors, the need may be to be reassured the funding they have provided is being used in the most efficient manner.

From the perspective of the social enterprise, a market orientation strategy provides a number of benefits. The first benefit is better opportunities and methods are created for understanding the needs of the end user as well as how to meet those needs (Pavcic, Renko, & Alfirevic, 2001). Second, they improve their methods for securing financial, human, and other resources for the implementation of their missions.

From an operational perspective, planning and organizing functions are improved. All of these actions lead to an improvement in competitiveness and value. The work by Pavicic, Renko and Alfirevic (2001) demonstrates a positive correlation between market orientation and competitiveness. Kara, Spillan and DeShields (2004) argue there is a strong link between market orientation and the business practices adopted by an organization. The final question is how can positioning and market orientation be further enhanced through the adoption of evidence-based practices?

A PATH FORWARD

The need to have processes and systems capable of measuring the creation of value is important (Emerson, 2003). For social enterprises to create true organizational sustainability, they need to adopt practices used in the for-profit sector. To address the increasing competitive environment, social enterprises need to organize operations and adopt business practices that maximize overall efficiency (Jegers & Lapsley, 2001). This may be a major challenge for they typically lack a true business perspective (Foster & Bradach, 2005). In addition, they must transition from previous experience-based actions and adopt decision making processes which are focused on developing innovative practices and strategies (Weerawardnea et al., 2010).

An emerging concept which may aid social enterprises in developing a true business orientation is evidence-based practice (Miklovich, 2011). Evidence-based practice is grounded in a “strategy of getting the right knowledge to the right people at the right time, and helping people share and put information into action in ways that strive to improve organizational performance” (Kalseth & Cummings, 2001, p. 167). It moves decisions away from personal preference and experience by uncovering the assumptions that form the basis for potential choices and applying evidence to select the best direction (Pfeffer & Sutton, 2006; Rousseau, 2006).

The practice is based on the key constructs of integrating the best research evidence with decision maker expertise and client/customer preferences to achieve desired results (Rousseau, 2006). The focus on client/customer preferences is a key link to the ideas of market orientation and positioning as it relates to the involvement of stakeholders in developing organizational sustainability.

CONCLUDING COMMENTS

The use of evidence in organizational decision processes aids in the development of organizational legitimacy (Davis, 2002). For social enterprises a key to developing organizational sustainability is the development of organizational legitimacy. In the nonprofit sector, legitimacy is linked with competitiveness for it addresses concerns among stakeholders as to the viability of the organization (Moizer & Tracey, 2010).

The adoption of evidence-based practices offers an exciting new mode of operation for social enterprises. The use of evidence-based practices creates an environment where decision processes are repeatable and scalable across multiple situations (Rousseau, 2006). The ability to improve decision processes allows the organization to align its data collection efforts with strategic drivers. In the end, this will aid in increasing an organization’s competitive advantage by aligning market orientation and positioning strategies with operational objectives (Kalseth & Cummings, 2001).

Social enterprises represent the evolution of the private sector with the social and public sector. As with all organizations, they face many challenges. One key challenge is the creation of organizational sustainability. The adoption of a positioning strategy provides social enterprises the ability to create organizational identity in the minds of their stakeholders. Once an identity is created, market orientation identifies how the organization can address the needs of the stakeholders. Both strategies, when executed

using evidence-based practices, combine to increase the competitiveness of the enterprise which aids in value creation and legitimacy with stakeholders.

REFERENCES

Bagnoli, L., & Megali, C. (2009). Measuring performance in social enterprises. *Nonprofit and Voluntary Sector Quarterly*, 40(1), doi:10.1177/0899764009351111

Chew, C. (2006). Positioning and its strategic relevance: Emerging themes from the experience of British charitable organizations. *Public Management Review*, 8(2), 333-350.

Davis, J. E. (2002, September). What gets measured, gets managed: Statistics and performance indicators for evidence based management. *Journal of Librarianship and Information Science*, 34(3), 129-133. doi: 10.1177/096100060203400301

Emerson, J. (Summer 2003). The blended value proposition: Integrating social and financial return. *California Management Review*, 45(4), 35-51. Retrieved from Business Source Complete

Foster, W., & Bradach, J. (2005, February). Should nonprofits seek profits?. *Harvard Business Review*, 92-100.

Fourth Sector Network Concept Working Group. (2009). *The emerging fourth sector* (Fourth Sector Network). Washington, DC: Aspen Institute.

Frumkin, P., & Kim, M. T. (May 2001). Strategic positioning and the financing of nonprofit organizations: Is efficiency rewarded in the contribution marketplace?. *Public Administration Review*, 61(3), 266-275. Retrieved from Business Source Complete

Harding, R. (2004). Social enterprise: The new economic engine?. *Business Strategy Review*, 15(4), 39-43.

Jegers, M., & Lapsley, I. (2001, February). Making sense of non-profit organizations. *Financial Accountability & Management*, 17(1), 1-3.

Kalseth, K., & Cummings, S. (2001, September). Knowledge management: Developing strategy or business strategy. *Information Development*, 17(3), 163-172. doi: 10.1177/0266666014240917

Kara, A., Spillan, J. E., & DeShields Jr., O. W. (Spring 2004). An empirical investigation of the link between market orientation and business performance in non-profit service providers. *Journal of Marketing Theory & Practice*, 12(2), 59-72.

Miklovich, P. A. (2011, January 31). *Developing social enterprise sustainability through evidence-based management*. : Lawrence Technological University, Department of Management.

Moizer, J., & Tracey, P. (2010, February 4). Strategy making in social enterprise: The role of resource allocation and its effects on organizational sustainability. *Systems Research and Behavioral Science*, 27, 252-266. doi: 10.1002/sres.1006

Murphy, P. J., & Coombes, S. M. (2009). A model of social entrepreneurial discovery. *Journal of Business Ethics*, 87(3), 325-336.

Pavcic, J., Renko, N., & Alfircic, N. (2001). The role of competitive analysis and marketing orientation in improving the competitiveness of the non-profit sector: Theoretical background and empirical evidence. *Conference Proceedings: 2001 International Conference Enterprise in Transition*, 422-437.

Pfeffer, J., & Sutton, R. I. (2006, January). Evidence-based management. *Harvard Business Review*, 1-12.

Pride, W. M., & Ferrell, O. C. (2007). *Foundations of Marketing* (2nd ed.). Boston: Houghton Mifflin.

Rousseau, D. M. (2006). Is there such a thin as evidence-based management. *Academy of Management Review*, 31(2), 256-269.

Shaw, E. (2004). Marketing in the social enterprise context: Is it entrepreneurial?. *Qualitative Market Research*, 7(3), 194-205. doi:10.1108/13522750410540209

Shoham, A., Ruvio, A., Vigoda-Gadot, E., & Schwabsky, N. (2006, September). Market orientations in the nonprofit and voluntary sector: A meta-analysis of their relationships with organizational performance. *Nonprofit and Voluntary Sector Quarterly*, 35(3), 453-476. doi: 10.1177/0899764006287671

Stid, D., & Bradach, J. (2009). How visionary nonprofit leaders are learning to enhance management capability. *Strategy & Leadership*, 37(1), 37-40. doi:10.1108/10878570910926052

Weerawardnea, J., McDonald, R. E., & Mort, G. S. (2010). Sustainability of nonprofit organizations: An empirical investigation. *Journal of World Business*, 45(4), 346-356. doi: 10.1016/j.jwb.2009.08.004

BIOGRAPHY

Nadia Shuayto is an Assistant Professor of Marketing in the College of Management at Lawrence Tech University, Southfield, MI, U.S.A. She served as the Director of the DBA Program, MBA Program, AACSB Coordinator, and Associate Dean before returning to her faculty role where she continues to work on her research. She serves on several university and college-level committees, including Curriculum & Standards, Mission and Strategy, Faculty Development, and Assessment. Prior to her current position, she was employed by the American University of Beirut (AUB) as an Assistant Professor of Marketing in the Suliman S. Olayan School of Business in Beirut, Lebanon. She served as the first Director of the Executive MBA program. Professor Shuayto served on many university committees such as the University Strategic Planning committee, General Education Curriculum Development Committee, and AACSB Accreditation Committee. She was nominated to serve on the University Presidential, College of Management Dean, and VP of Human Resource search committees.

Professor Shuayto teaches Global Marketing Management, Human Resource Management, Leadership, Strategic Planning, and Marketing Management. She also serves as a marketing and management consultant. During her eight years at the AUB, she consulted in Lebanon, Jordan, Kuwait, Dubai, Sharjah, and Yemen. The types of industries she has consulted with include health care (AUH, American University Hospital), petroleum, airlines (KPC, Kuwait Petroleum Company), communication (Spacetel), and education (AUB, LTU, and University of Sharjah).

Professor Shuayto has over 20 years of professional experience in the fields of retail, food & beverage, health care, and import/export. She acquired the master franchise for the Little Caesars Pizza chain in Lebanon and opened the first outlet in 2003. She is active in her research and is author and co-author of peer-reviewed journals, refereed articles and conference proceedings. Her areas of research include Management Education, Global Marketing Management, Human Resource Management, Expatriation,

and Standardization and Customization of Marketing Strategies. Professor Shuayto recently received an “Outstanding Research Award” while presenting at the Global Conference on Business & Finance. In addition, she won the “Best in Category” Award for the MENA (Middle East and North Africa) region in the 2011 EFMD (European Federation of Management Development) Case Competition. The name of her case is: *ELIE SAAB: Growth of a Global Luxury Brand*. She can be reached at Lawrence Technological University, Southfield, MI 48075, (248) 204-3070, nshuayto@ltu.edu.

Paul Miklovich is an executive in healthcare management with over 28 years of experience in a variety of organizations. He is currently the Administrative Director of Clinical Engineering at the Cleveland Clinic in Cleveland, Ohio. He came to the Cleveland Clinic 23 years ago as the Director of Clinical Engineering. In addition to his work in Clinical Engineering, Paul has led the Patient Support Services group and the Operations Compliance section for the Cleveland Clinic. Paul has traveled throughout the world consulting and providing support to various foreign health agencies.

Paul holds a BSME from Ohio State University an MS in Clinical Engineering from Case Western Reserve University, and a MBA from Ashland University. He is currently a Doctoral Candidate in the DBA Program at Lawrence Technological University. Paul can be reached by email at pmiklovich@live.com or by phone: 440-225-9061.

