

Cooperative, Social Enterprise, and Community-Based Enterprise: Competing, Substituting, or Complementing?

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Abstract

Questioning the novelty of an increasingly implemented organizational form ‘community-based enterprise (CBE)’, this paper aims to compare CBE with two existing forms, namely cooperative and social enterprise, which at a first glance are quite similar to CBE. This paper discusses, analyzes, and compares the three forms using an organizational perspective, including organizational goal and architecture. The three intersects to one another. Social enterprise focuses on social goals and has a relatively broad scope of governance arrangement. Meanwhile, CBE has similar vibes with community cooperative, i.e. concentrating on citizen participation and aiming to provide benefits not only for members but also for local people in a broader sense. However, CBE has more flexible governance arrangement. If the legal form of CBE is not further developed or not offering financial advantage, then it can be a good opportunity for cooperative to expand its wings over the markets usually covered by CBE. The results of this paper advance the CBE’s conceptual work and uncover opportunity for strategic implementation of the three forms.

Keywords: *community-based enterprise; cooperative; social enterprise; organizational form; organizational architecture; governance*

1. Introduction

For years cooperative has been known as a self-help mechanism. Both conceptual and empirical research works regarding cooperative are numerous. Though conceptually not yet as well established as cooperative, another organizational form is emerging, namely social enterprise (SE), which focuses on communities’ well-off. In the last few decades, however, a ‘seemingly new’ form has emerged, namely community-based enterprise (CBE). This form emerges as a counter-action against or an alternative approach of the lack successful paternalistic approach, which is often implemented to handle communal problems, such as environmental and poverty problems, in developing countries. CBE has been increasingly acknowledged to be a sustainable way to maintain communities’ autonomy (Orozco-Quintero & Davidson-Hunt, 2010) and robust to economic/political changes (Handy, Cnaan, Bhat, & Meijjs, 2011). This acknowledgment shows the potential of the CBE form and at the same time, calls for a more comprehensive research for its future implementation.

While Soviana (2015) focuses on how the CBEs are organized and performed, this paper concentrates on how this ‘seemingly new’ form is similar or different to its forerunners. At a first glance, CBE seems to have a similar purpose and ideology with cooperative – to achieve economic or socio-cultural added-value for members through cooperation among members (Philipps, 2014) – and with SE – to address social issues using market-based approaches (Kerlin, 2010). This observation raises several fundamental questions. If those forms are similar, then why should a CBE exist instead of a cooperative or SE? If they are different, then would they be competing with, substituting, or complementing each other? This paper consciously refers to the CBE as a ‘seemingly new’ form because it is not clear yet if this form is indeed new. The problem here is that the concept of CBE is far from comprehensively researched yet. Many research works in this field merely report CBEs’ field experiences, and only slightly (if any) discuss about the concept of CBE itself. Without well founded concept, it would be too early to judge whether this form is indeed new or merely a repackaging of an old form.

Some authors have attempted to build a conceptual framework of CBE. The work of Peredo and Chrisman (2006) - "Toward a theory of community-based enterprise" - is perhaps one of the most frequently cited literatures regarding this topic. As the title of their work implies, they try to introduce a CBE theory based on their Andean (Peru) case-study's results. At the same time, Somerville and McElwee (2011) offer broader characteristics, namely that community enterprise has multi-faceted strategic goals, enhancing community's value and its activities aim to achieve these goals. Another example, Antinori and Bray (2005) compare the Mexican community forest enterprises with other organizational forms. Nevertheless, this paper argues that a concept of CBE should go across sectors and regions.

This paper aims (1) to clarify the differences and similarities between CBE, SE, and cooperative, as well as (2) to analyze and discuss about their possible competitiveness and future development prospects. The implication of this paper is useful for stakeholders dealing with the three organizational forms through advancing the CBE's conceptual work from the organizational perspective and proposing possible reconsideration of SE and cooperative. The reconsideration will uncover an opportunity for strategically implementing appropriate organizational form under particular circumstances.

Nevertheless, before being able to compare those forms, some fundamental questions should be answered. What is an organizational form? Under which criteria can organizational forms be categorized and compared? What qualifies an organizational form as new? These questions will be handled in the theoretical part (section 2) as the foundation for the comparative analysis later on. Using literature review, this paper explains the concepts of cooperative (section 3) as well as the concept of SE (section 4). Meanwhile, examples of relevant cases are used to help illustrating the diverse CBE models presented in section 5 of this paper. Section 6 presents the comparison of the three organization forms. Finally, section 7 provides discussion and concluding remarks.

2. Theoretical Framework

Generally, organization theory is about the "orchestration of collective cooperation" (Greenwood & Miller, 2010: 78). Romanelli (1991: 81-82) broadly defines organizational form as "those characteristics of an organization that identify it as a distinct entity and, at the same time, classify it as a member of a group of similar organizations". Nonetheless, while empirical studies show numerous instances (Note 1) where organizational forms diverge from the familiar, literature regarding new organizational forms is surprisingly not well developed (Knudsen & Eriksen, 2002). Without an explicit foundation upon which an organization can be categorized, a classification as "new" would not be possible.

Categorization may be done from several perspectives such as ecological organization and organizational behavior. However, for the purpose of this paper, one promising starting-point is aligned with what Knudsen and Eriksen (2002) suggest, namely from the perspective of organizational economics. Organizational economics uses economic logic and methods to understand the existence, nature, design, and performance of organizations (Gibbons & Roberts, 2012). According to Greenwood and Miller (2010), organizational types can be distinguished based on their different purposes, constituencies, stakeholders, strategies, and rationales. Hannan and Freeman (1986) argue that four dimensions reflect an organization's long-term strategy and hence, they can be used as a basis to classify organizational forms, namely stated goals, forms of authority, core technology, and marketing strategy. Despite various conceptualizations offered by some authors (e.g. Aldrich, 1979; Etzioni, 1964; Scott, 1998), organizations always share common features: (1) a multi-stakeholders system with (2) identifiable boundaries and (3) system-level goals toward which (4) the stakeholders' efforts are contributed (Puranam, Alexy, & Reitzig, 2014:163).

Furthermore, to understand the complexity of organizational world, Greenwood and Miller (2010) suggest returning to the comparative study of organizations through characterizing their overall architecture, including organization structures, incentives and control systems, and governance (Battilana & Lee, 2014). The main issues in organizational architecture are how the tasks and authorities are coordinated among all involved actors (Milgrom & Roberts, 1992; Kooiman, 1994). Decision-making authority within an organization can be allocated as *formal authority* (the right to decide) and *real authority* (the effective control over decisions), in which the formal authority need not confer the real authority (Aghion & Tirole, 1997). Two fundamental aspects are anyway important to classify an organization, namely organizational goals and architecture. Following Soviana (2015), this paper analyzes organizational architecture based on its stakeholders' participation in *performing tasks*, *providing resources*, and *decision-making*.

Nonetheless, during the last three decades, the boundaries between organizational forms have become more blurry (Battilana & Lee, 2014) in response to socio-political environment as well as to competition intra- and

inter-populations (Hannan & Freeman, 1986). Battilana and Lee introduced the blueprint analogy – the blueprint may experience changes, which may further lead to structure's diversity during its implementation (2014: 63-64). This blurring incarnates in the rise of *hybrid organizations* that combine multiple organizational identities, organizational forms, or institutional logics. Battilana and Lee (2014: 398) argue that "all new organizational forms, no matter how radically new, are combinations and permutations of what was there before". Without identified novelty in its architecture, an organization cannot be considered as new.

Following Greenwood and Miller (2010), this paper conducts a comparative study of organizational goals and architecture to distinguish cooperative, SE, and CBE. Besides, the membership system and legal form are considered since they may affect the exercise of authority. Moreover, the implication of the blueprint analogy in this paper is threefold: (1) the blueprint of cooperative and its shift, (2) the concept of SE and its development, and (3) the assessment of diverse CBEs in pursuit of a CBE-blueprint.

3. Cooperative's Blueprint and Its Development

Responding to social disadvantage, the cooperative movement arose in the 19th century for the interest of the weak social layers. According to the International Cooperative Alliance (ICA, 1995), a cooperative is defined as "an autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly-owned and democratically-controlled enterprise". Cooperatives share values of self-help, self-responsibility, democracy, equality, equity, and solidarity. The blueprint of cooperative can be traced back to the seven cooperative principles, which serve as guidelines for putting the values into practice, namely: (1) voluntary and open membership, (2) democratic member control, (3) member economic participation, (4) autonomy and independence, (5) education, training and information, (6) cooperation among cooperatives, and (7) concern for community.

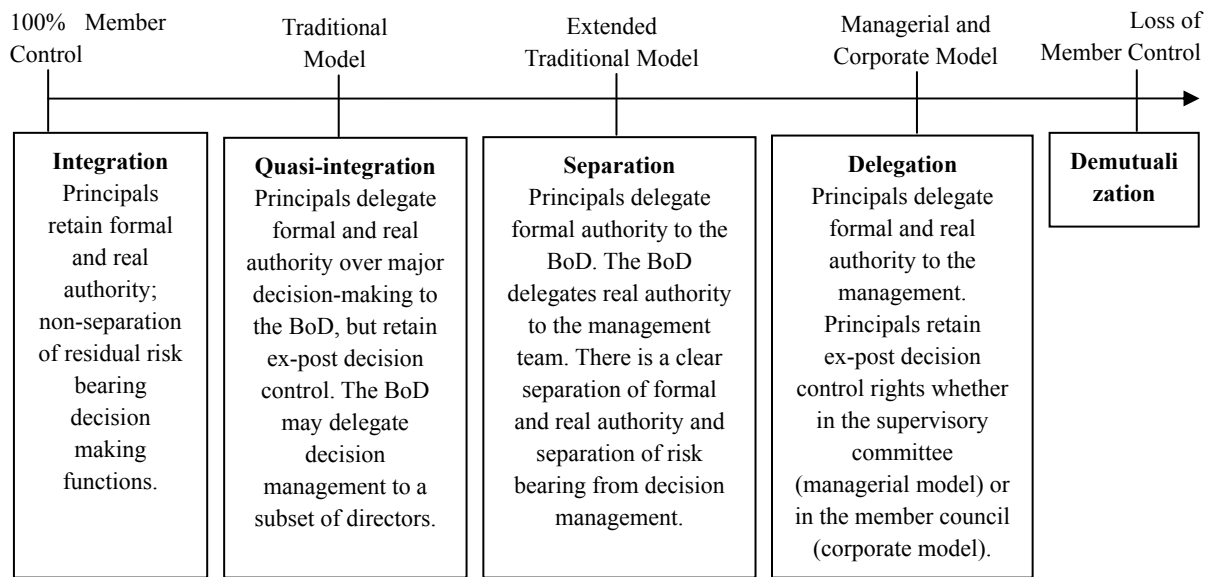
3.1 Goals of Cooperative

Combining business organizations and principles of solidarity, egalitarianism, and trust (Birchall & Simmons, 2004), cooperatives pursue the sustainable development of their communities and aim to meet their common economic, social, and cultural needs. Thus, the corner stone of traditional cooperatives is *member benefit*, catering to the needs of specific groups within society, usually characterized by their economic functions (e.g. specific types of workers). While expanding into diverse business fields, cooperatives maintain their basic features. Cooperative activities sometimes also bring forward broader-community's well-being, but merely as an unintended consequence. Since the second half of the 20th century, however, community cooperative, which explicitly aims to promote the *welfare of non-members*, whoever they are, evolves (Mori, 2014). Something new comes with this change of explicit aim. Moreover, cooperatives provide necessary education and training for their members, selected representatives, managers, and employees for effective contributions toward the cooperative's development.

3.2 Architecture of Cooperative

The legal form of cooperative is known worldwide, clearly separated from social organizations or commercial enterprises. Cooperatives apply open-membership system, in which all persons (without any discrimination) are able to use their services (and willing to accept the responsibilities of the membership) may voluntarily become members. Although cooperatives may enter into agreements with other organizations, they are autonomous and their members maintain the democratic control. This democratic member control characterizes cooperatives. Members actively participate in setting policies and decision-making. Elected representatives are accountable to the members. In primary cooperatives, all members have equal voting-rights (one-member one-vote principle).

Cooperative's management differs from the investor-owned firms (IOF); while IOF focuses on maximizing the return-on-investment, cooperative concentrates on fulfilling members' interests. The changing of competition and contextual environments, however, may lead to the redesigning of cooperative's governance structure from traditional into modern cooperatives by adopting nontraditional models of control rights, ownership, and governance (Chaddad and Iliopoulos, 2013; Liang and Hendrikse, 2013). Although all cooperatives are patron-owned organizations, the governance may differ within and across countries. Chaddad and Iliopoulos (2013) identify three generic governance models, as illustrated in figure 1.



Source: Adapted from Chaddad and Iliopoulos, 2013, p.12, figure 7

Figure 1. Governance Structure Continuum of Cooperatives

Along with the shift of aim mentioned earlier, community cooperatives have a modified governance model. Open-membership is applied to all residents in a territory to own, provide, or manage community goods (Note 2), which are of general interest to all residents and not provided either by market or government, and warrants a non-discriminatory access to them (Mori, 2014). Citizen participation is at the core of community cooperative; thus, citizens cease to be just voters, but become actors and entrepreneurs as well. Mori (2014: 345) claims that community cooperatives are “a focal point where the two most relevant evolutionary trends of the 20th century’s cooperative history – differentiation of social background and shift towards social goals – actually converge”.

4. Trends and Developments of Social Enterprise

A consistent usage of the relatively new term ‘social enterprise’ is still lacking (Dart, 2004). SE is regarded as something distinct from traditional business and non-profit activities, where it combines social purpose, market orientation, and business’ financial-performance standard (Cordes & Steuerle, 2009). The emergence of SE can be traced back from two trends. The first trend considers SE as a rediscovery of non-profit organization – creating a different way of doing business and paving its way to the SE’s conceptualization by excerpting innovative component of cooperative movement (Galera & Borzaga, 2009). The second trend roots in the USA during the 1970s, where non-profit organizations exercise business activities to create job opportunities for disadvantaged people (Alter, 2002). The trend radically expands as non-profit organizations experience cutbacks of government-funding (Kerlin, 2006). The dissatisfaction with the pace of traditional non-profit organization calls for innovations (Barendsen & Gardner, 2004) – becoming more market driven (Thomson & Doherty, 2006; Dart, 2004) and focusing more on revenue generation (Kerlin, 2006). Though a precise and uniform definition does not yet exist, it can be said that SE’s concept aims to point out the entrepreneurial dynamics focused on social aims (Borzaga & Defourny, 2001).

4.1 Goals of Social Enterprise

One salient feature of SE is the *social goal* pursued (explicitly other than profit), promoting either the interests of specific stakeholders or the community at large (Galera & Borzaga, 2009). To qualify as SE, it matters little whether the social goal is at the heart of the SE’s activities or merely for instrumental reason. Peredo and McLean (2006) identify a range of possibilities, namely (1) at one extreme, those which exclusively pursue the creation of social benefits, (2) at another extreme, those which pursue social goal but subordinate to its main profit-making goal, and (3) those, which fall in between those two extremes, pursue social goal among other goals.

4.2 Architecture of Social Enterprise

As an initiative launched by a group of citizens (Defourny, 2001), SE is shaped by existing or new legal form. In the USA, an institutional arrangement particularly designed to pursue social goal is not essential since SE is commonly defined as an organization that runs commercial activities to generate incomes for funding social activities, ranging from single projects up to donations (Thomson, 2008). In contrast, SE in Europe is regarded as a private and autonomous institution, steadily and continuously engaged in supplying services/goods for the common interests (Galera & Borzaga, 2009). Thereby, they exclude third-sector organizations that do not perform entrepreneurial activities and for-profit enterprises engaged in social projects.

Table 1. Overview of Social Enterprise in Europe

Country	Legal form used	Goals and Governance
Portugal	<i>Social solidarity cooperative</i> Cooperative code (Law 51/96) and Legislative Decree No. 7/98	<u>Goal:</u> work integration of vulnerable groups and act actively against social exclusion. <u>Governance:</u> differentiating <i>regular members</i> (beneficiaries of services supplied or collaborators remunerated; possess voting rights) and <i>voluntary members</i> (bearers of goods and services not remunerated, donors; no voting rights, but may constitute in 'general council')
Spain	<i>Social cooperative initiative</i> National law 27/1999 and regional laws in 12 autonomous regions (1993-2003)	<u>Goal:</u> supply services both for cooperative members and for general interest in the fields of health, education, culture or any other social activity, and work integration. <u>Governance:</u> absence of profit goals (no results distribution, capital rate limited to legal rate, remuneration not higher than collectively predefined percentage, mandate at the board of directors free of charge).
France	<i>Cooperative society of common interest</i> Law of July 17, 2001	<u>Goal:</u> production or provision of goods and services of collective interest. <u>Governance:</u> democratic and participatory governance with multi-stakeholder membership (a minimum of 3 member categories); benefiting from the associative model (access to public funding) and the producer cooperative model (ability to pursue commercial activities)
Italy	Use existing forms: associations, foundations, cooperatives, for-profit enterprises Law No.118 of June 13, 2005	<u>Goal:</u> perform economic activity for the purpose of the production and distribution of social benefit goods/services, and pursues general-interest goals. <u>Governance:</u> apply a number of general principles: correct and efficient management, transparency, 'open door', participation, worker protection (Fici, 2006); no fiscal advantages; direct and indirect distribution of profit is prohibited. (Regulator of Community Interest Companies, 2007).
Belgium	<i>Social purpose company</i> label, adoptable by any commercial enterprises which fulfill certain conditions. Law of April 13, 1995	<u>Goal:</u> activities that are aimed at pursuing a social goal, constituted from elements foreseen by the legislation. <u>Governance:</u> participatory governance and 'open' partnership for any staff member after a year of commitment to the enterprise; little fiscal benefit advantages; redistribution of profits is possible, but limited (Defourny, 2004); produce annual report to indicate the achievement of welfare goals.
UK	<i>Community interest companies (CIC)</i> Regulations 2005; Companies Act of 1985	<u>Goal:</u> perform activities, which correspond to the needs of communities and are assessed by the regulator, as complements to government services. <u>Governance:</u> No particular fiscal advantage, but partial distribution of profit is allowed (Regulator of Community Interest Companies, 2007); participatory governance with no restriction regarding the field of economic activity, but complying with the community interest, the asset locks, and send in an annual community interest report (Court, 2006).
Finland	All enterprises regardless of their legal form and ownership structure Law No. 1351/2003	<u>Goal:</u> work integration for disabled and long-term unemployed people. <u>Governance:</u> distribution of profit is allowed without any constraint; participatory governance is not compulsory but its workers must be at least 30% of people with disabilities and long-term unemployed.

Some authors document the SE's development in Europe quite extensively (e.g. Galera & Borzaga, 2009; Defourny & Nyssens, 2008), upon which the SE's description in this paper is mainly based. The concept appears in the early 1990s, closely linked with cooperative movement (Defourny, 2004). In some countries, the adoption of specific legal forms follows; through adopting the cooperative formula or introducing legal brands/categories that recognize the social commitment taken on by certain economic entities. As shown in Table 1, the legal forms used, the goals, and the governance of SE in Europe are varied.

Another salient feature of SE is the (total or partial) *non-profit distribution constraint* (Galera & Borzaga, 2009). This constraint is intended to be an instrument to withstand the exclusion of profit-maximization and to attract stakeholders whose individual goals are consistent with the social aim of the SE (Valentinov, 2008). Meanwhile, the partial distribution constraint, allowing the profit distribution up to a certain percentage over the risk capital provided by members, is more consistent with the entrepreneurial nature of SE; without undermining the capacity to sustain users and workers' engagement, it may attract investors interested to sustain the economic growth of the SE (Galera & Borzaga, 2009).

Furthermore, Galera & Borzaga (2009) also propose that SE should assign ownership rights and control power to stakeholders other than investors, combined with an open and participatory governance model. The degree and number of stakeholders involved, goals pursued, and type of services/goods supplied may influence the SE to successfully mobilize various resources. By involving local stakeholders, SE is able to promote democratic participation and empowerment, enhancing the commitment of communities toward their own social and economic development (Borzaga & Tortia, 2006; Pestoff, 1998).

5. The Diversities of CBE

An assessment of CBE's blueprint is impossible since a comprehensive understanding of CBE's organizational architecture is still rather immature (Soviana, 2015). Consequently, supported with relevant examples, this paper looks at the architectural varieties available under this CBE terminology and attempts to generate a blueprint of CBE.

5.1 Goals of CBE

According to Peredo and Chrisman (2006, p. 310), CBE aims to pursue the economic and social goals of a community, both for individual and group benefits, over the short and long term. However, field experiences show a variation of goals. Some CBEs indeed aim to achieve *multiple-goals*; e.g. the Ugandan CBEs aim to generate an additional income (economic), develop strategic-alliances between CBEs and outsiders (social/institutional), and develop environmental-friendly products (FAO, 2005). Meanwhile, the Karnataka CBE in India (Handy et al., 2011) aims for *solely economic purposes* (economic survival and poverty alleviation). Yet, tourism CBEs in Kenya evolve as an *extension* from the conservation agenda to increase community's cooperation in the development program (Manyara & Jones, 2007).

Some CBEs focus on members benefit and some others on the benefit of local community at large. San-Juan-CBE (Mexico) views the forest as a common good which should benefit all community members and therefore, it aims to generate social development through the appropriation of the forest's economic value (Orozco-Quintero & Davidson-Hunt, 2010). Meanwhile, Ugandan CBEs benefit only the enterprise's members (FAO, 2005). Besides, spill-over effect can be anticipated from the CBE's establishment; e.g. individual entrepreneurs open small restaurants accompanying the Kenyan tourism-CBE (Manyara & Jones, 2007) and Santa-Catarina-CBE partially reinvests its profit to strengthen new bottling-water and ecotourism CBEs (Fonseca, 2007).

As any other enterprises, CBEs are intended to be sustainable and long-lasting. Some CBEs can independently live for years, and yet some others cannot survive without outsiders' interventions. San-Juan-CBE is profitable and survives for 28 years (Orozco-Quintero & Davidson-Hunt, 2010), whereas a Botswanan CBE, after 16 years, reaches a break-even-point only after receiving grants from donor agencies (Stone & Stone, 2011).

Education and training are often offered as additional members' benefits for participating in a CBE. CBEs often receive (free) training offered by outsiders to increase the capabilities to operate the enterprise; e.g. Mexican CBEs get technical and commercialization assistance (Humphries, Holmes, Kainer, Koury, Cruz, & Rocha, 2012), Ugandan CBEs receive marketing and development training (FAO, 2005), and Gambian CBEs acquire skills in marketing, sustainable resource management, and social/organization (Thoma & Camara, 2005).

5.2 Architecture of CBE

Community in the CBE context is defined as an aggregation of people, sharing geographical location, collective culture/ethnicity, and other relational characteristics (Peredo & Chrisman, 2006, p. 315); not intentionally formed for the purpose of production or achieving certain goals. The community may be marked with political boundaries, but not necessarily. Ugandan CBEs cover only a few members of a village (FAO, 2005), while Karnataka in India covers 6 villages (Handy et al., 2011). Besides, following Soviana (2015), this paper categorizes the stakeholders into community and outsiders (government, private actors, international and local NGOs/donor agencies). These terms will be used consistently in this paper.

5.2.1 Legal Form and Membership of CBE

According to Peredo and Chrisman (2006), a CBE has a complete overlapping-membership – community members are CBE members. Other experiences show a voluntary-membership system, restricted only to local people, either as a close-membership (only for selected community members) or an open-membership (for any local community members). Ugandan CBEs, for example, implements a close-membership system (FAO, 2005). Many others apply open-membership; e.g. Botswanan tourism CBE (Stone & Stone, 2011) and Indian medicinal CBE (Torri, 2009). The membership fee may take various forms, either paying equal subscription-fee as in the Kenyan CBEs (Manyara & Jones, 2007) or participating in work-for-share system as in the Mexican CBE (Fonseca, 2007).

Peredo and Chrisman do not categorize CBE under a certain legal form. A variation of legal forms, under which CBEs are registered, can be found; i.e. as *association* (e.g. Sociedad Sur Mexico (Wilshusen, 2005) and DMG Namibia (Lapreye, 2010)), *commercial enterprise* (e.g. Chaubas-Bhumlu Nepal (Timsina, 2005) and GMCL India (Torri, 2009)), and *trust* (e.g. Botswanan CBE (Stone & Stone, 2011)). The diversity can be seen not only across countries but also within country; e.g. in Brazil the Ambé enterprise is registered as *cooperative*, while the ACAF as an association (Humphries et al., 2012). Some others are either registered but *unclear* under which legal form (e.g. a Kenyan CBE (Manyara & Jones, 2007) and some Ugandan CBEs (FAO, 2005)) or as an *informal group* arrangement, as used in Mamiraua Brazil (Pires, 2005).

5.2.2 Community Participation in Performing Tasks

Having a complete overlapping-membership system, Peredo and Chrisman (2006) emphasize the importance of community members' collaborative action as CBE's owners, managers, and employees in creating or identifying market opportunities. However, a mild note follows that straight-forward statement afterwards – the “collaborative” here should be understood flexibly since the involvement's degree and the kind of activities dealt with may vary among members.

In practice, a variation of community participation can be found. In Karnataka India, the community performs all strategic/managerial (business and transparent pricing system) and operational activities (growing jasmine and delivery) self-sufficiently without external supports (Handy et al., 2011). Alternatively, CBEs in Nepal and Kenya show that the communities only participate in operational level (Timsina, 2005; Manyara & Jones, 2007). Furthermore, a quite dominant separation of community representation in performing tasks can be seen, in which the initiation and strategic tasks are mostly performed by outsiders or local leader/elite group, while the operational tasks by some/majority of community members.

The organization structure of CBE may be similar to the existing village committee (e.g. Thoma & Camara, 2005) or clearly separated between the managerial and institutional structures (e.g. Orozco-Quintero & Davidson-Hunt, 2010). The employment's types are also diverse: unpaid work, temporary employment, and/or permanent employment; e.g. Kenyan CBEs demand work-for-share in exchange of subscription-fee (Manyara & Jones, 2007), Santa-Catarina-CBE in Mexico generates a year-round employment for approximately 100 community members (Fonseca, 2007), and San-Juan-CBE in Mexico generates around 1400 part-time and full-time employments (Orozco-Quintero & Davidson-Hunt, 2010).

5.2.3 Community Participation in Providing Capital

The community is typically under-represented in providing financial capital (Soviana, 2015). *Full-capital-provision* by the community is observed in the case of Karnataka India (Handy et al., 2011) and Santa-Catarina Mexico (Fonseca, 2007). Kenyan tourism CBEs apply a *mix-capital-provision*, where the management and ownership of the lodge may be acquired up to 50% by private companies (Manyara & Jones, 2007). A mix version is also found in a Gambian beekeeping CBE, where the start-up capital is mainly from outsiders' donations and community only provides around 25% of the needed capital (Thoma & Camara, 2005). Meanwhile, Namibian tourism CBE is *externally financed* by outsiders' grants (Lapreye, 2010). Nevertheless, communities' role in providing materials is

dominant; it is fathomable since they are likely having ownership or user-rights over local natural resources (Soviana, 2015).

5.2.4 Community’s Decision-Making Authority

The statement “the community members act as owners, managers, and employees” (Peredo & Chrisman, 2006) seems to imply that both formal authority (usually by owners) and real authority (usually by managers) are at the hand of community members. As mentioned earlier, however, the straight-forward statement is followed by a mild note that the degree of participation may vary among members. It raises a doubt that perhaps the authority division is not so straight-forward and instead there might be a division of formal and real authority in CBE after all.

Diversity found in the field experiences confirms the doubt. There are indeed various formal and real authority arrangements existing in CBE, either purely by community members themselves, a combination of community members and outsiders, or only by outsiders. Furthermore, the community representation varies from only local leaders/elite-groups, involving some ordinary community members, to participation by the all/majority of community members. The formal and real authority of Mexican CBEs are at the hand of the communities themselves – the formal at the hand of the general assembly, while the real authority is delegated to selected representative of all communities (Fonseca, 2007; Orozco-Quintero & Davidson-Hunt, 2010). In Karnataka, the decision of establishing the enterprise and the decision regarding managerial and operational options are decided by the community (only by local leader/elite-groups) and local NGO (Handy et al., 2011). Kenyan CBEs are mainly resulted from outsiders’ intervention and only the local leaders/elite groups are slightly involved in the decision-making (Manyara & Jones, 2007). Decision by all/majority of community members is rare and probably only takes place at the very beginning phase (decision to establish a CBE), while following decisions are taken by local leaders/elite-groups; e.g. forestry CBE in Nepal (Timsina, 2005). The continuum of authority arrangement can be illustrated in figure 2.

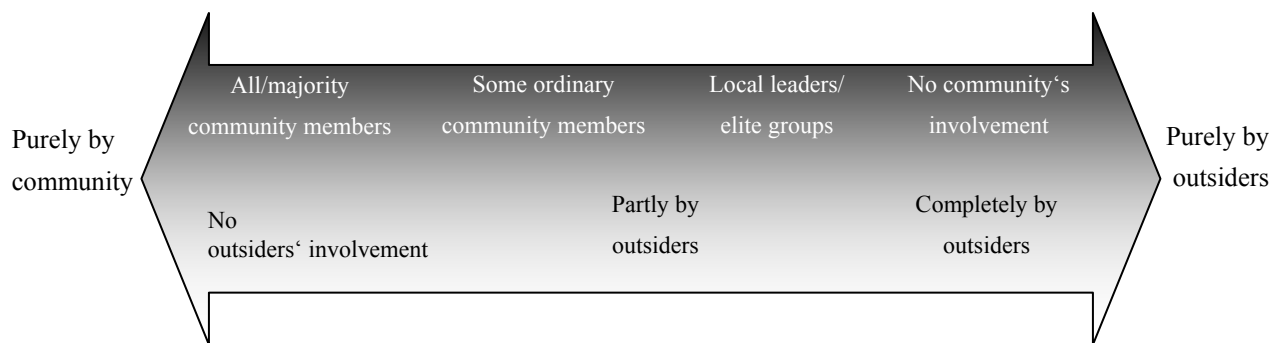


Figure 2. Continuum of CBE’s Formal and Real Authority

5.3 Toward a Blueprint of CBE

This paper proposes some characteristics which may build up a blueprint of CBE. First of all, the community in CBE does not refer to a particular profession, but to citizens who share geographical area and common culture. Membership is usually voluntary and open to all community members. CBE may have a single or multiple goal(s). The beneficiaries can be either only CBE's members (with a possible spill-over effect) or community as a whole. Members' economic participation may be in the form of financial capital contribution, but always involves the sharing of community good (usually common natural resources). As to the decision-making and performing tasks, at least three types of CBE can be observed, namely:

- *CBE with complete participation* is initiated, planned, and managed completely by the community. However, the degree of participation is various from one member to another (as leaders, managers, or merely as operators). A differentiation between formal and real authority likely exists. Formal authority is executed through a general assembly, where every member may participate and use his/her voting-right. Real authority is exercised by those responsible for the daily decision-making and operation of the CBE. This type may represent an ideal CBE since all activities are done by the community itself without any outsiders' intervention.
- *CBE with active participation* is initiated and planned by outsiders, but the community has its right to accept/reject the plan. The community’s main-role is providing community goods (usually in a form of common pool resources, such as forest) and performing low-skilled tasks, while financial capital and high-skilled human resources are from outsiders. This CBE type usually exists in communities who originally do not possess the

required skill to establish and operate CBEs; they are capable only after receiving outsiders' empowerment/capacity building.

- *CBE with passive participation* is only an extension of outsiders' agenda. Local community members are involved passively only to reduce oppositions. They do not have any decision-making authority and merely act as doers of outsiders' instructions.

The question here is how much of community participation (in terms of possessing decision-making authority, providing resources, and performing tasks) is required for an organization to be qualified as a CBE. As the name implies, the community's role should be central in such an organization/enterprise. However, Handy et al. (2011: 416) warn that "dealing with people who live in extreme poverty, at best with elementary education, the expectation to be aware of the complexity of multiple goals and flat hierarchy are noble but somewhat unreal". Expecting the community to do everything completely on their own is too much; flexibility is needed. This paper argues that whenever the community does not possess decision-making authority, such an organization is none other than an old paternalistic-led organization. Thus, CBE should have either complete participation or, at least, active participation.

6. Three Forms in Comparison

After looking at each form separately, this section discusses and analyzes the similarities and differences of organizational goals and architecture among them, including description of community, membership and legal form, autonomy and dependency, decision-making and economic participation.

6.1 Goals in Comparison

Cooperative aims to provide members' economic benefits and also education, training, and information for members. Meanwhile, SE focuses explicitly on social goals, but weakly limits the degree of the socialness. The goals CBE attempts to achieve are various, ranging from single-goal (social, economic, or environmental) to multiple-goals, and either including capacity building or not. This paper argues that the types of goals are not really novel, but simply a mix of existing ones.

Regarding beneficiaries, traditional cooperative is established exclusively for the benefit of its members; any development of community's well-being in a broader sense is just an unintended consequence. However, this focus is shifted toward explicitly serving broader community than only members. CBE indicates similar character, where the beneficiaries are either only CBE members or broader community. SE also shows diversity, extending from benefiting only few people of specific groups to broader community. A great range, yet somewhat overlap, of beneficiaries can be observed from the three forms: only a few people, exclusively members, and local community in a broader sense. Novelty regarding beneficiaries is also questionable.

6.2 Architecture in Comparison

The term 'community' in cooperative is understood as specific groups within society, usually characterized by their economic functions. Though they may be regional, the underlying reason for the establishment is not geographical, but economic and professional motives. Nevertheless, the newer development of community cooperative is centered on citizenship instead of specific professional groups, in which citizens are not only beneficiaries but also actors. This characteristic is comparable to CBE's characteristic, namely that CBE puts emphasis on the locality of a community (sharing geographical location and collective culture). Conversely, SE has no certain pattern because any community can become the target of receiving social goal.

Originally, cooperative implements open-membership to anyone in particular economic functions, whereas community cooperative to any citizens living in a defined area. Meanwhile, CBE offers diverse memberships, namely open-membership to any community members, close-membership to only some selected ones, and overlapping-membership (all community members are CBE members). A similarity between CBE and community cooperative can be found in which membership is openly offered to citizens/local community. Alternatively, SE's membership system is depending on the legal form it uses.

Cooperative is a well-known legal form worldwide, usually accompanied with financial advantage (e.g. taxation privilege). SE and CBE, however, have no particular legal forms yet. They can be registered under diverse legal forms and the financial advantage is depending on the legal form chosen respectively. For example, the absence of CBE legal form in Mexico makes CBE having the same taxation conditions as private enterprises. Without underestimating the spirit of altruism, this paper asserts that financial advantage remains the strongest driver for legal

form selection. In other words, without financial advantage, a certain form will not be attractive for the majority of initiators/investors.

One characteristic of cooperative is to be autonomous and independent; not being controlled by external parties, but not exempting cooperation possibility with others. Traditionally, cooperative's decision-making is based on one-member one-vote principle. Cooperative law in some countries, however, also permits voting-rights proportional to the previous-year transacted business volume, but with a maximum number of votes (Zeuli & Cropp, 2004). As described earlier, there are various CBE types, ranging from community completely in (democratic) control, community has partial control, to community has no control (only passively involved). Similar to cooperative, some CBEs apply one-member one-vote principle and some others share-based voting. Furthermore, both cooperative and CBE may apply separation between formal and real authority. The decision-making in SE is depending on the legal form chosen.

Members' economic participation – equally making economic contribution to be used as the capital of the cooperative, of which at least partially as a community good – is one of the seven cooperative's principles. The benefit distribution is limited, most of which is reinvested to develop the cooperative and a percentage of surpluses is distributed as dividend to members based on how much they use the cooperative's service. In CBE, community's economic participation in terms of providing financial capital is under-represented; most of which come from outsiders because community members are usually incapable of financing the enterprise on their own. Nevertheless, one remarkable characteristic of CBE is the sharing of common natural resources (sometimes not under ownership status, but through community's possession of user-rights over the resources). These common resources are comparable to cooperative's community good. Due to the existence of these common resources, locality is an important aspect in CBE. Oppositely, member economic participation in SE is not compulsory and the existence of SE is to seek capital for achieving social goals.

Members' participation in cooperative can be seen in decision-making through general assembly and in using the product/service of cooperative. Meanwhile, performing other tasks such as working at the cooperative directly is not necessarily done by members (hiring workers). In CBE, aside from participating in decision-making and providing common property resources, it is also (explicitly or implicitly) intended to employ local people whenever possible, combined with hiring external expertise if necessary. SE is driven by social entrepreneurs, who may have various capability and they are free to arrange their workers as long as they can achieve the intended social goals.

7. Discussion and Concluding Remarks

As can be observed from the comparison above, the boundaries between one form and another are rather unclear and confusing. On the one hand, the originally clear-cut cooperative form seems to be stepping out from its clear boundary toward a more blurred one. On the other hand, the not yet clearly defined forms – SE and CBE – are in search of blueprints. If all the three forms offer more or less the same benefits, i.e. a mix of social vs. economic and only members vs. broader community, then the three of them would be interchangeable. Without real difference, there is no necessity of having three different terminologies instead of one. At the least, a researcher is responsible for normatively/conceptually defining classification criteria. This paper strives for a clearer differentiation between one form and another. Such differentiation will enable the policymaker to create proper regulations respectively.

As discussed in the previous section, the three organization forms have similarities (as well as differences) and intersect to one another. Figure 3 illustrates the three organizational forms discussed in this paper under one "concern-for-the-community" hat. Having discussed about each one of them in the previous sections, the intersections between those forms will be further discussed here. The intersection between cooperative and CBE (intersection 1) includes CBE which uses cooperative governance (e.g. applying membership system, addressing members' benefits, using cooperative legal form) and simultaneously focuses on the essence of locality (acknowledging local common natural resources as its community good). The intersection 2 represents the community cooperative, which aims to provide social benefit for community in a broader sense and implement non/limited distribution of benefits. As mentioned before (section 4.2), some SE forms literally use the 'cooperative' term, namely social solidarity cooperative (Portugal), social cooperative initiative (Spain), and cooperative society of common interest (France). The overlapping of CBE and SE (intersection 3) represents CBE that focuses on members' economic benefit and the social welfare of the broader community. Finally, the intersection 4 shows the combination of all three, namely community cooperative that acknowledges local common natural resources as its community good and manages it to obtain economic and social benefits for members as well as the whole community.

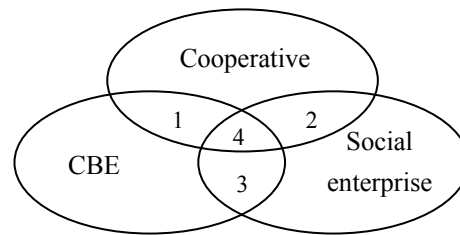


Figure 3. Three Forms under One Hat

At the beginning, this paper poses a question whether the organizational forms would probably be competing, substituting, or complementing. Among those three forms, SE is the most different one. SE exclusively focuses on having social purpose, but gives minimal limitation regarding the beneficiaries and governance. Communities tend to be seen as receivers instead of actors. Cooperative and CBE, however, give similar vibes. Both forms concentrate on members'/broader community's benefits, emphasize on member participation, and apply self-help principle. Therefore, without underestimating the importance of SE, the discussion below is concentrated on cooperative and CBE.

CBE is more suitable to be implemented in places where property right is not well defined yet; e.g. the forestry in many developing countries, where the government either transfers the forest ownership to community or retains the ownership but giving the community user-rights over the forest. This situation helps explaining the necessity of collective entrepreneurship to manage that forest. In countries where property right is well enforced, such an arrangement is unnecessary. Instead, cooperative will work perfectly.

Currently, no particular CBE legal form is known worldwide. The fact that CBEs are registered under diverse legal forms shows either the lack of regulatory support or no necessity of new legal form. No particular legal form also means that CBE does not have certain financial (taxation) advantage. CBE as an association is simply a non-profit organization. As a commercial enterprise, CBE will likely be less interesting since the commercial taxation regulations are applied. Compared to cooperative, CBE will only be advantageous if it has taxation privilege, at least comparable to that of cooperative.

CBE is slightly more flexible than cooperative since CBE does not predefine which profit distribution pattern is desired; meanwhile, cooperative limits the dividend's distribution and reinvestment to the cooperative. Thus, CBE could be more interesting for external investors. In terms of decision-making and performing tasks, these two forms are very similar. However, whenever possible, CBE puts more effort in employing local community members instead of hiring external workers, while cooperative does not specify about it. Nonetheless, it does not close the possibility of cooperative to also employ local community members. CBE's community good (sharing common natural resources) usually tends to be narrower than that of cooperative; but an expansion of CBE's common property scope is not impossible either, such as purchasing machine to process timbers. Contrariwise, cooperative can narrow down its scope to only the sharing of local's common natural resources. Since there is no division of forest, CBE's dividend distribution is not based on production's volume, but likely based on how much energy each member invests in the enterprise. It also helps explaining why local employment is important in this case. A transparent task division and its 'acceptable' incentive system would be necessary.

Depending on the legal form and its financial advantage, the increasing implementation of CBE can be either a threat or an opportunity for cooperative development. If CBE is supported by a particular legal form which offers financial advantage better than that of cooperative, then CBE can be a threat to the cooperative development since CBE is similar to cooperative and has more flexible governance. On the other hand, if CBE has no specific legal form, then the increasing necessity of CBE implementation can become a good opportunity for cooperative to expand its wings. Cooperative can offer the community similar benefits, but using a clear well-known legal form with taxation advantage (compared to commercial enterprise). However, to adjust to the local situation, perhaps little modification of cooperative principle might be needed, such as the focus on locality instead of profession. Furthermore, since the common natural resources are indivisible, the development is then likely more to the direction of community cooperative, where at least everybody enjoys the benefit, though the degree of distribution may differ according to the work they invest.

Considering that there is not much CBE's supporting regulatory development even after decades of CBE development, it is questionable if in the coming few decades much development will take place. It seems as if not so much attention is given to this organizational form. The reasons could be due to the similarity of this organizational form with cooperative, and thus no additional regulation needed, or simply no/lack of interest to do so. The slow

development of CBE may open an opportunity/additional market for cooperative to expand into. Cooperative may make use this chance to have a stronghold in this market and promote its organizational potential. Cooperative should position itself more in the direction of (modified) community cooperative and equips itself with more detailed strategy tailored especially for this market.

In brief, this paper provides a comparison of three 'community-concerned' organizational forms, discussing the similarities/differences, and the possible competing situation, especially between cooperative and CBE. This paper calls for the possibility to develop supporting regulatory for CBE and alternatively, for the opportunity of cooperative to expand to this market. For that purpose, however, further research regarding more detailed and tailored strategy (governance and incentive system) is necessary. It will result in a modification of minor structure, but maintain the major cooperative principles; thus, reaching out to supplementary market without changing the cooperative principle.

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Notes

Note 1. Case studies of firms in organizational innovations may help explaining the overlaps and terminological confusion of organizational forms (Child & McGrath, 2001). Knudsen and Eriksen (2002, p.4-5) provide a glance of the terminological variety which shows the richness diversity of organizational forms recorded in empirical studies.

Note 2. Community goods may belong to all categories of the classic partition, i.e. private, common, public and club goods.