



Competitive advantage of a social enterprise restaurant: A case study of Cabbages & Condoms Restaurant, Thailand

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Abstract

The aim of this research was to investigate the competitive advantages of a social enterprise restaurant through a case study of the Cabbages & Condoms restaurant in Thailand. In-depth interviews were used to gather information from 21 people from both inside and outside the organization. The results showed that the competitive advantages of the social enterprise restaurant derived not just from inside but also from outside the organization and comprise (a) the competitive advantage of social participation, (b) the competitive advantage of business processes, and (c) the competitive advantage of government support. Competitive advantage can enhance three business processes: (a) planning procedure, (b) implementation procedure, and (c) performance appraisal.

Keywords: Competitive Advantage, Social Enterprise, Restaurant

Introduction

A social enterprise is an association that has different characteristics from other types of enterprises because it is a representative non-profit organization and aims to find solutions to social problems and bring changes to society (John, 2008; Raghda El, 2013). A social enterprise is run using business guidance to tackle issues but placing emphasis on creating a change in society rather than making a profit. Furthermore, it focuses on making impacts for social sustainability (Kerlin, 2006; Kim & Lim, 2017; Picciotti, 2017). The definition mentioned above demonstrates distinguishing features of social enterprises that make them different from other businesses. A social enterprise has two main objectives: (a) to engage in activities that produce goods and services to trade for profit and (b) to solve social problems or support social problem solutions. The unique characteristics of social enterprises can lead to two operating problems.

First, social enterprises have many competitive disadvantages. For example, the cost of operation is higher than that of other enterprises because social enterprises have to purchase agricultural products at a higher price than the market to assist farmers. Moreover, investors consider this type of enterprise very risky; therefore, it is very difficult to get a business loan from any bank, or high-value collateral is needed. Consequently, there is a lack of funds for running the business, and the demand for goods is not sustainable. Furthermore, consumers purchase goods and services because they want to help the community but not to meet their real needs. Finally, solutions to social issues can lead to an increase in other issues. In addition, there is a failure to meet societal needs in solving social problems. As a result, there are few social enterprises that can both operate their business and solve social problems effectively. These problems demonstrate that social enterprises should be developed in two

dimensions. First, in the business dimension, social enterprises should develop competitive advantages to replace the disadvantages. Second, in the social dimension, social enterprises should develop quality processes to address societal issues and meet society's needs.

Nowadays, there are obstacles to the development of a social enterprise because developers tend to focus on the internal environment to create a competitive advantage by utilizing internal resources as a general business does (Picciotti, 2017). Nonetheless, in a capitalist economy, general businesses still gain greater market share because they can afford to invest in a higher fund. However, the critical success factors that contribute to a social enterprise's competitive advantage are different from those of a general business. Mulgan (2006) reported that the critical success factors that contribute to the competitive advantage of social enterprises are generated not only by internal resources but also by the participation of the public sector. Kaushik and Amit (2015) studied the competitive advantages of social enterprises in India and found that they can gain critical success factors from community participation that supports their operation. Based on the information mentioned above, exploring the different the critical success factors of social enterprises is important because they can be used to develop a competitive advantage and help all sectors understand more about social enterprises.

Cabbages & Condoms is an example of a successful social enterprise restaurant that focuses on the public benefit. It applies the competitive advantage from the outside business environment to the internal process of the organization to substitute for the competitive disadvantage from assisting the community. Additionally, this social enterprise is effective in solving social problems and meeting the needs of society. It was founded in 1974 by Mr. Mechai Viravaidya, who won the Ramon Magsaysay Prize in Public Service in 1994. The organization has five outstanding characteristics: (a) the business operation procedure can compete with that of other businesses. (b) It can develop an outside environment to support an inside business process. (c) It can perfectly support tackling social problems and meet the needs of society. (d) All the profits are used to solve social problems. (e) Its operation is transparent and verifiable. In this research paper, our aim was to study the competitive advantages of Cabbages & Condoms restaurant in terms of identifying administrative issues and tackling existing problems. We also focused on exploring the critical success factors that contribute to social enterprises gaining a competitive advantage.

Research Objective

In this research, we aimed to investigate the competitive advantages of a social enterprise restaurant to support the business processes of Cabbages & Condoms restaurant.

Research Methodology

The researchers' employed the qualitative research methodology to study the operation of Cabbages & Condoms by commencing with a literature review from secondary data and a pilot study using participant observation. We also utilized this to consider the qualification of information providers. In-depth interviews were conducted with 21 people to obtain the data. Then, we examined the validity using triangulation with six steps, as follows:

Step 1

We learned about the concept and theory of the competitive ability of other types of businesses and social enterprises from reviewing the literature from secondary data and collecting data of other types of business and social enterprises. We obtained this information from books, textbooks, published material, interviews, and e-data.

Step 2

We used participant observation to obtain data from Cabbages & Condoms restaurant. It is a successful social enterprise restaurant. There are five outstanding features of this restaurant:

(a) the business operation procedure can compete with that of other businesses. (b) It can develop an outside environment to support an inside business process. (c) It can perfectly support tackling social problems and meet the needs of society. (d) All the profit is used to solve social problems. (e) It operates with honesty and can be inspected.

Step 3

Twenty-one data providers were qualified according to information from the literature review and participant observation to get the main points. We selected 21 samples concerned with the Cabbages & Condoms restaurant: (a) Five people from the management team and eight staff members who had worked there for over two years were chosen to provide the information for the managing social enterprise aspect, (b) five leaders of the community that was helped by the social enterprise were sampled for social participation, and (c) government-supported policies were obtained from three government officers.

Step 4

We collected the data through in-depth interviews using a semi-structured interview form. This was done by asking about the main points from the literature review and participant observation. The questions were classified into three categories: (a) Information about creating a competitive advantage for the Cabbages & Condoms restaurant and supporting an internal process was collected by questioning entrepreneurs and their staff. (b) Social participation information was collected by interviewing community leaders who received assistance from the social enterprise. (c) Government support points were collected by interviewing government staff.

Step 5

We used content analysis to analyse the information on external factors that create a competitive advantage for Cabbages & Condoms restaurant and how to apply those factors.

Step 6

To examine the validity of the information, we used triangulation to examine the information from three sources: (a) theory data from secondary theory, which was gathered from Cabbages & Condoms restaurant and both national and international studies; (b) in-depth interviews with experienced people concerned with Cabbages & Condoms restaurant; and (c) theory and experience from topic studies from five university lecturers who specialize in community enterprise and five people from the business management team.

Results

Competitive advantage from social participation.

Social participation is an external factor but can affect the internal process of a social enterprise. It can efficiently enhance the business operation and increase the effectiveness of solving social issues (Giulia & Carlo, 2009; Slintak & Tuckova, 2017). Therefore, social participation can be an option to create a competitive advantage for the Cabbages & Condoms social enterprise restaurant, as described below.

Creating shared value a social enterprise is an organization that emphasizes both business objectives and social objectives. Consequently, social enterprises must create value for society and show the benefits that society will receive (Dees, 1998; Tseane-Gumbi, 2016). Value is created for society by taking a value-added approach while making a profit. This can be done by utilizing the core resources and expertise of the business to create economic and social value at the same time. This encourages the participation of society, enhancing the competitiveness of the organization. For example, Cabbages & Condoms restaurant provides society with benefits such as reducing the spread of HIV infection by combining a campaign

approach and providing accurate knowledge about AIDS while generating profit from the restaurant.

Creating the perception of the organization's image the organization's image is what consumers will perceive, in both positive and negative ways. This will influence consumer behaviours. A positive perception can satisfy consumers, resulting in their participation and belief in the association (Cipriani, 2017). Cabbages & Condoms sells products and services at reasonable prices, such as products from the community and agricultural products. Additionally, they organize meetings and conferences. The profits will be used to support schools in providing free education for students. Therefore, people realize that the money they spend at the restaurant will go toward helping the community.

Creating social enterprise networks will encourage the exchange of information and create a network of participation. It can generate better competitive advantage than a single social enterprise (Gordon, Wilson, Tonner & Shaw, 2018; Pam & Julia, 2008). Creating networks between social enterprises differs from creating networks between general businesses. General businesses network as a strategy to gain competitive advantage. They demonstrate the strength of their internal environment to their possible network members to make them believe that they can gain benefits by joining the network. On the other hand, social enterprises have the objectives of assisting the community, helping each other, sharing knowledge, exchanging resources, and expanding the market. Cabbages & Condoms creates networks based on the main objective of helping the community and solving limitations. It has both national and international networks to support the association.

Competitive advantage from business procedures

Social enterprises use business processes to achieve social goals (Meadows & Pike, 2010; Siegner et al., 2018). Social enterprises can noticeably gain competitive advantage from internal organizational procedures, as other commercial businesses can, in the ways described in the following paragraphs.

Creating staff competency Staff competency is a significant factor in increasing the competitive advantage of social enterprises. Social enterprises generate profits for society; therefore, the knowledge and operating skills of staff members are important to compete with other enterprises (Satar & John, 2016). According to Sarah, Brown, and Christine (2010) and Colbert and Kurucz (2007), personnel need training to gain more knowledge and better understand the business's operational goals. The Cabbages & Condoms social enterprise restaurant cooperates with educational institutions to train and develop personnel to meet the required levels of service excellence.

Creating knowledge management it is essential to manage knowledge between social enterprises and nearby communities. Personal knowledge and community documents are gathered and developed into a knowledge system (Singh & Nicolaidis, 2014). The knowledge can be applied to social enterprise work. This can be done by analysing the local intelligence and using the knowledge to improve the method of solving social problems. Granados and Rivera (2018) and Prasetyo and Khiew (2016) indicated that social enterprises should organize knowledge management between organizations and communities to exchange and collect information for social improvement. This can enable enterprises to gain a competitive advantage. Cabbages & Condoms restaurant shares its external and internal experience with organizations both inside and outside the country through the Asian Centre for Population and Community Development and 16 community-based Integrated Rural Development Centres. After that, they pass the knowledge on to the community by organizing trainings to share knowledge between the community and social enterprise.

Creating innovation in the organization Business innovation is a power that will drive organizational development and progress. An innovative organization can respond to customers' needs, even if the market is constantly changing. Olofsson, Hoveskog, and Halila (2018) and Sarah et al. (2004) stated that one characteristic of a social enterprise is adapting the innovation to the business operation and social problem solving. Cabbages & Condoms restaurant has knowledge management between the organization and community for innovation. Knowledge management in perceiving educational problems is an example of this. Cabbages & Condoms restaurant created innovation to solve educational problems from the business perspective. Mechaipattana School was established based on a 'think-outside-the-box' concept. The school aims to reform Thai education with the slogan of "Education for Human Development." The school provides think-outside-the-box education such as no tests, no textbooks, and no academic ranking of learners. All students can learn happily. The school is an innovation that combines both social enterprise objectives to solve Thai education problem.

Competitive advantage from government support

If the government solves social problems without understanding the delicacy and complexity of the problems, it can result in the inability to address social needs. Therefore, the government supports social enterprises to solve problems. This is an external factor that helps to create a competitive advantage. Many developed countries have successfully developed social enterprises through government support (Kucher, 2012). As a result, the competitive advantage of social enterprises consists of the factors described in the following paragraphs.

Tax benefits Tax deductions for social enterprises can decrease the capital investment for an increase in profit, enabling them to assist with more social problems, which also increases their competitive advantage (Kucher, 2012; Mayer & Ganahl, 2014; Reiser & Dean, 2015). There are three Thai laws and regulations regarding tax exemption for social enterprises. First, if dividends will not be paid, the legal entity will get tax exemption and can deduct one-time investments and donations. Second, if a social enterprise pays dividends that are less than 30% of its profits, the legal entity will also get tax exemption and can deduct capital expenditures and donations, as in the first case. Third, if a social enterprise pays dividends that are 30% of its profit, it will not receive any tax benefits.

Source of investment funds Businessmen perceive social enterprises as posing a higher risk than other types of enterprises. However, banks use the same critical funding load as other businesses and never realize the social value (Briga, 2009). The Thai government solved this matter by providing investment funds with low interest through the Thai Social Enterprise Office, with a special loan system related to social enterprise characteristics such as easing the ration of collateral and load funds, valuation of organization assets together with social benefits, and so on. This can reduce the operating limitation and create a competitive advantage. In England, the Office of the Third Sector was founded to support social enterprises, such as by providing information and consults, being a source of investment funds, and reducing the obstacles of social enterprises. This office is a Cabinet office. For maximum benefit, the Cabbages & Condoms social enterprise restaurant obtains a competitive advantage from the participation of society and government support of business processes (Macaulay, Mazzei, Roy, Teasdale, & Donaldson, 2018).

Discussion

Competitive Advantage from Social Participation, Organizational Competency, and Government Support of Cabbages & Condoms

Competitive advantage can derive from the external environment and the environment within an organization. Competitive advantage from the external environment can support the

corporate process of a social enterprise (Mulgan, 2006). Creating competitive advantage through social participation, organizational competency, and government support can encourage the competitive advantage of three business processes: planning, implementation, and performance appraisal. This is summarized in Table 1.

Table 1. Illustration of Competitive Advantage to Support Business Processes

Process	Competitive advantage	Support method
1. Planning	1. The competitive advantage of social participation.	Participating in a planning process to determine the direction of the social enterprise in solving social problems and getting feedback from society to learn how to meet people's needs.
	2. The competitive advantage of organizational competency.	Effectively planning based on the systematic organization of knowledge management between society and the organization.
	3. The competitive advantage of government support.	Support and assistance by providing advice through an educational institution that can effectively be used in the planning process.
2. Operation	1. The competitive advantage of social participation.	Supporting resources, volunteering, or exchanging knowledge between social enterprises and the surrounding community to create innovation. Creating a social enterprise network, exchanging resources, and expanding the market.
	2. The competitive advantage of organizational competency.	Bringing new ideas to integrate business processes and social processes.
	3. The competitive advantage of government support.	Providing funds by creating a low-interest loan and getting tax deductions. Collaborating with educational institutions to train and develop personnel.
3. Performance appraisal	1. The competitive advantage of social participation.	Contributing to the evaluation of the performance of social enterprises in the form of an evaluation committee.
	2. The competitive advantage of organizational competency.	Using key indicators to evaluate the staff.
	3. The competitive advantage of government support.	Participating in Corporate Social Responsibility Assessments and measuring the impact on solving social problems.

The social enterprise planning process refers to the process of conveying the need for social entrepreneurs to solve social problems through business processes. Social entrepreneurs analyse the cause of the problem and raise awareness about the issues of social enterprises (Austin, Stevenson, & Wei-Skillern, 2006). This includes predetermining how to achieve the objective. Cabbages & Condoms restaurant allows society to get involved with social planning to determine the direction of the organization by using knowledge management. This can meet

the needs of society and encourage consultation and help from experts from the public and private sectors in the planning.

Conclusion

The operating procedure of a social enterprise is the process of bringing the planning procedure into the practice. Social enterprises can use the competitive advantage from social participation (Alan, 2007) for supportive resources, volunteers, business knowledge-sharing network, exchanging resources, expanding the market, and government support for the operating process. This also includes the source of capital investment for running the business and the privilege of tax deduction for operation.

Performance appraisal refers to evaluation of the performance to reflect the social benefits derived from social enterprises and meet the company's objectives. This is because social enterprises are different from other types of businesses due to not focusing solely on finance but also on social impact (Mike, 2007). Social enterprises can gain a competitive advantage through the participation of society and government support for the evaluation of the performance by the evaluation committee.

Competitive advantage through social engagement and government support can support the competitive advantage of the planning process, operation, and performance appraisal. Parasuraman, Zeithaml, and Berry (1985) revealed that expectations are the desire to solve societal problems and for society to perceive that they are solved. Society will evaluate the outcome based on what is expected and the results. These results lead to satisfaction or disinterest, which can affect the expectations and participation of society. Therefore, creating awareness is very important because it can create synergy between social entrepreneurs and social participants. This can maximize the efficiency in the operation of social enterprises. The results are in accordance with the research by Laidlaw and Magee (2016), Lall (2017), and Michelle Medina and Charles (2017), which revealed that the external environment and internal environment of social enterprises are interrelated, and external factors contribute to the success of an organization.

Consequently, the success factor of a social enterprise is not just an internal factor but also an outside factor, which relates to the research of Hao (2011), who mentioned that the success factors of social enterprises, which can affect society, consist of three parts: corporate social environment factor, environmental factors within the organization, and social entrepreneurs. This article can be used as information for other researchers and social entrepreneurs. It can also serve as a guide for strategic planning of social enterprises. Furthermore, it can create a competitive advantage, which leads to the further development of social enterprises.

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