

**Knowledge Networks for Social Enterprise Success:  
A Systems Approach to Case Studies in Latin America**

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## **Abstract**

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## **Key Words**

Social Enterprise, Systems Model, Knowledge Networks, Case Studies in the Dominican Republic and Mexico

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## **Introduction**

Social enterprise development is a phenomenon of the twenty-first century. Although rooted in the mid-nineteenth and twentieth centuries, the growth of this field is exploding now. The social enterprise movement is gathering supporters across the globe as an innovative approach to business activity offering disadvantaged populations a path to human development and economic prosperity. There is increasing recognition among businesses, governments and non-governmental organizations (NGOs) that their participation in these initiatives can lead to substantial benefits for disadvantaged and underserved populations, while simultaneously providing opportunities for income generation. Professionals and practitioners are motivated to learn of best practices and social enterprise models that could be adapted and applied to increase success rates and sustainability of current initiatives; yet current research consists primarily of individual case examples of success or failure. Without a broader perspective it is difficult to draw general conclusions or make substantive recommendations based on lessons learned. This hinders opportunities for policy makers and social enterprise leaders to transfer and adapt successful models across national borders.

Social enterprise can occur in any society, but certainly in developing countries the obstacles to success are far greater. In this context “social entrepreneurs have to reach far more people with far less money, so they have to be especially innovative to advance solutions at scale” (Bornstein, 2004, p. 2). A crucial element for success in this process is *knowledge management* within the social enterprise and among its network of organizational partners. In fact, there is increasing evidence that strong, sustained networks play a significant role in expanding the scale of social impacts and thereby the rate of return on social enterprise investments (Kramer, 2005). Given this significant role for knowledge networks, experimentation with network models has developed over the past decade among leading international organizations; however, an understanding of knowledge networks for social enterprise lags behind its development within the traditional business sector.

Therefore, the purpose of this research is to enhance our understanding of crucial factors for social enterprise success, highlighting the role of knowledge networks among organizations and individual entrepreneurs. Moving beyond a single case study approach, our explorative case studies in Mexico and the Dominican Republic provide a more comprehensive view of a social enterprise network. Our findings should be of interest not only to social enterprise leaders in emerging markets, but also to researchers, policy-makers and business executives around the world who wish to deepen their understanding of social enterprise systems.

We begin with an overview of the global social enterprise movement and a summary of current research. Next, our research objective is presented in the context of general systems theory. Following our discussion of this method we provide a summary of the development of two successful social enterprises in Mexico and the Dominican Republic, using a systems framework. Discussion revolves around the significant elements critical to success in these cases and the conclusions drawn from application of the systems approach. The paper closes with managerial implications for social enterprise practitioners and their supporting partners within social enterprise networks.

## **Current Status of Social Enterprise and Knowledge Network Research**

Interest in social enterprise activity is driven by increased awareness of severe poverty and other social ills depicted daily through global telecommunications networks and by improved circumstances of many of the world's citizens who have "the freedom, time, wealth, health..." to address these issues (Bornstein, 2004, p. 7). Definitions of social entrepreneurship come in various colors and hues. Some authors emphasize the individual characteristics required to create social transformations that improve lives, particularly of disadvantaged populations, on a large scale (Bornstein, 2004). From this perspective, the most important criteria that define social entrepreneurship are: 1) An initial ecosystem context that is in "suboptimal" equilibrium; 2) Personal characteristics of the initiator to perceive the opportunity combined with the motivation to take direct action; and 3) Outcomes that yield a greater "value proposition" across the system (Martin and Osberg, 2007, p. 32-34). According to this view of social entrepreneurship, the activity can be for profit or not-for-profit and is not necessarily set within the economic marketplace; both public and private sector players are included. A note of caution might be raised by those who view the performance of governments, aid agencies and other non-governmental organizations (NGOs) over the past fifty years as inadequate. Prahalad (2005, p. xi) views these organizations as having an outmoded mindset in which "The poor are wards of the state." This traditional view assumes that the objective is to provide for the poor, but it is not geared to finding a route out of poverty. Numerous writers express the opinion that traditional social service programs are inadequate and tend to support systems of entrenched poverty without providing opportunities for improved quality of life over the long term. Many within this latter group see the market context as an integral part of the solution.

Those who emphasize the economic sector as a significant context for social transformation tend to understand that social changes must be financially sustainable. However, social enterprises differ from ordinary businesses in that profits are not the only objective; human capability building, empowerment of disenfranchised people, and/or improvement of the quality of people's lives accounts for a double- or even triple-bottom line (Dacanay, 2004). Prahalad and Hart (2002, p. 1) propose that multinational corporations (MNCs) should become full-fledged actors in the economic environment of the Bottom of the Pyramid (BOP) consumers in support of "inclusive capitalism." This proposition has stirred considerable interest among MNCs. The World Resources Institute and the International Finance Corporation have embraced this concept with the publication of a report highlighting BOP statistics and cases from around the world in which BOP consumers have benefited from integration into the market economy (World Resources Institute, 2007).

Others, although supporting the importance of the economic market as a route out of poverty, argue that the poor would be much better served through their integration into the market

system as producers rather than consumers (Karnani, 2007). In this light, a working definition would be that social enterprise is a network of organizations and individuals that cooperate to improve the quality of their lives through profit [generation and] distribution through profit-sharing mechanisms; social entrepreneurs are viewed as the leaders and practitioners within this system, which may include governments, NGOs, cooperatives and private sector businesses. This is the working definition of social enterprise that is applied to this research.

Existing research tends to focus on a grounded approach to understanding the development process by focusing on individual cases or case comparisons that describe the specific experiences of social entrepreneurs. Perhaps the most well-known among these in-depth cases is a series of nine cases written in support of Prahalad's (2005) framework for BOP engagement in the market economy. Although this framework does not lead to the description of a comprehensive set of system components, results do indicate that economic development and social transformation are interconnected, and therefore private entrepreneurs, development and aid agencies, citizen organizations and governments must work together with BOP consumers and BOP entrepreneurs (Prahalad, 2005). Again, the concept of organizational alliance networks emerges as an essential factor in social enterprise success.

Knowledge management can be defined as effectively connecting "those who know with those who need to know, and converting personal knowledge into organizational knowledge" (Economist, 2000, p. 20). Knowledge management enables an organization to "accelerate the rate at which it handles new market challenges and opportunities, and it does so by channeling its most precious resources, collective know-how, talent and experience – intellectual capital" (Frappaolo, 2006, p. 4) Until recently, the research focus has been on internal connections and the ability to manage intraorganizational flows of intellectual capital. However, there is growing recognition that the unit of investigation must expand to examine interorganizational networks as "increasingly, innovation no longer takes place within individual firms, but within networks of organizations (de Man, 2008, p. 1). A recent study in this arena utilized the multiple case method to develop a conceptual model of knowledge management in networks, identifying four significant factors in knowledge sharing within a network: 1) Motivation to share; 2) Motivation to learn but not share (free-rider concept); 3) Efficiency of knowledge flow; 4) and Overcoming boundary-spanning obstacles (cultural, organizational, and geographical) (de Man, 2008, p. 5). Thirteen solution concepts for overcoming these obstacles were identified, ranging from those best suited to explicit knowledge to those more useful for tacit knowledge transfer; the study concluded that "networks with efficient knowledge management processes are able to innovate more and faster" (de Man, 2008, p. 174-176).

Likewise, recent social entrepreneurship research provides evidence that successful initiators depend on networks of organizations working together to achieve social goals (Shaw and Carter, 2007, p. 430). Multilateral development organizations are experimenting with formal knowledge networks to create and share knowledge across organizational boundaries so that "knowledge can be put into action" (Creech and Willard, 2001, p. 8).

We conclude that while definitions of social enterprise are frequently described in the context of the system in which it is a part (Bornstein, 2004; Martin and Osberg, 2007), existing research in social enterprise development has not led to the development of a model system that delineates a comprehensive set of system components and success factors required to fulfill desired objectives and outcomes. Likewise, the *knowledge network* that enables the creation and sharing of innovative ideas and approaches among collaborating organizations in

a social enterprise system has received inadequate attention. There is growing interest in research that addresses these issues, enabling better informed decisions and more effective social interventions.

## **Research Objective**

The purpose of this research is to enhance our understanding of crucial factors for social enterprise success, highlighting the role of knowledge networks among organizations and individual entrepreneurs. Latin America, a region frequently overlooked in social enterprise literature, serves as the geographic focus of this research. In-depth case studies of social enterprise development in Mexico and the Dominican Republic are compared and contrasted, using a general systems perspective. Both of these countries face the enormous challenge of insuring that economic opportunities are open to their poorest citizens. According to the Consejo Nacional de Evaluación de la Política de Desarrollo (CONEVAL, 2007), 13.2% of the Mexican population lives in extreme poverty; while 20.7% lives in a poverty of “capacities” meaning that they lack sufficient resources necessary for human development. Severe poverty is accompanied by significant income inequality. In the Dominican Republic, 60% of the population lives in poverty, with about 20% living on less than one U.S. dollar per day (Banco ADOPEM, 2005, p. 27). Despite enormous hurdles, social enterprise programs are growing in numbers and size in both countries; however, little is known about their current levels of success or failure.

Given the need for a systematic approach to the study of social enterprise development, this research moves beyond ad hoc case study research to a more comprehensive view of the social enterprise process. Prahalad’s (2005, p. 2) framework for poverty alleviation represents an early attempt to create such a model. Based on his study of nine social enterprise development cases, four actors and their interconnectivity are depicted: 1) BOP consumers and BOP entrepreneurs; 2) Private enterprise; 3) Development and aid agencies; and 4) Civil society organizations and local government. However, such a model is far too simplistic to encompass all of the essential system components.

“...each of us can and must learn from each other. The best lessons and experiences are in the streets, the barrios, and the rural hillsides as theory meets practice and intense labor comes to be informed by thought” (Alter, 2007, p. vii).

Social enterprise development is first and foremost human capability development, an outcome requiring tangible resources, such as financing and equipment, but perhaps more importantly is the infusion of knowledge and know-how – intellectual capital in all its forms – that enables successful social enterprise performance. It is to this challenge for better understanding of the social enterprise system and its relevant knowledge networks that this study is directed. Specific research questions are as follows:

1. What are the social enterprise system’s ‘drivers?’ (Social objectives? Financial?)
2. Who are the actors in the system? (Social entrepreneurs? Facilitating organizations? Transforming organizations?)
3. What are the crucial inputs for success? (Tangible resources? Intangible resources?)

4. How do inputs flow through the system's network to yield sought-after outcomes?
5. What is the role of interorganizational alliances in developing and sharing knowledge throughout the social enterprise development process?

### **Methodology: Analysis Utilizing the Multiple Case Method**

Unlike logico-deductive research methods, referred to as "normal science research" (Eisenhardt, 1989, p. 549), case research methodology has not yet been canonized by the academic community. Supporters of case research do not agree on universally accepted procedures, but rather lie along a continuum with those at one extreme calling for a thorough review of relevant literature and hypotheses generation where possible prior to research initiation (Yin, 2003) and those at the other extreme declaring that immersion in the case environment should be untainted by theories and hypotheses that could bias one's analysis of empirical evidence (Glaser and Strauss, 1967). Despite this fundamental disagreement on the starting point, there is considerable agreement that, once begun, the processes of empirical investigation, literature review and hypothesis generation are iterative, allowing the researcher's perspective and knowledge to mature as the study progresses (Eisenhardt, 1989). In an exploratory study such as this, it would be premature to identify specific propositions or hypotheses at the outset (Berg, 2004). In fact, rather than beginning with research hypotheses, a good case research study may terminate with the generation of hypotheses, concepts, conceptual frameworks or propositions (Eisenhardt, 1989). This is the process as it has evolved during this multiple-case study project.

Applying a systems paradigm to the social enterprise development process leads the researchers to analyze significant 'real world' elements that are inherent to the process. Through the lens of the systems perspective we can sort through a seemingly disordered and complex situation in order to discover the underlying system, the elements that comprise it and their interrelationships. "First, we must find the 'nature of the beast:' what is meant by 'system' and how systems are realized that the various levels of the world of observation. This is systems ontology" (Bertalanffy, 1972, p. 21-24). According to Churchman (1979), the systems approach leads researchers to consider the whole system, including its environment, objectives and the chain of activities that support its outcomes. For the purposes of our work, we define the following system components:

1. Social enterprise objectives may include an emphasis on economic opportunity and income generation, human capability building, and/or community development.
2. Actors within the development process are likely to include individuals and organizations that facilitate, initiate and transform inputs into capability building and wealth creation. Likely players in the system include individual entrepreneurs, employees and enterprise partners organized through cooperatives, small to mid-sized businesses, large national firms, multinational corporations and NGOs.
3. System inputs are the essential ingredients that enable to actors to progress. These include tangible resources such as financing, fixed assets including plant and equipment, and human resources (skilled and unskilled). But inputs also include intangible assets that are vital to the social enterprise's success: Intellectual capital (entrepreneurial ideas, innovations, know-how, management/technical skills. Education and training are inputs, but can also be viewed as media for the transfer of knowledge from one part of the social enterprise network to another.

4. Outputs provide one measure of the system's productivity. Results may be measurable in quantitative terms; other results must be qualitative. Either way, outcomes can be used to evaluate the system's performance. Results can be compared to the original objectives.
5. The transfer network depicts the flow of system inputs through the system and can demonstrate that degree of inter-connectivity among the actors, from facilitation and business initiation to transformation and results. A major component of this transfer network is the knowledge network which will be highlighted where possible in this research.
6. Each social enterprise system exists with a national macro-environment, comprised of socioeconomic and political factors that influence and/or control activities and outcomes.
7. The time dimension represents the progression of social enterprise development. Considerations include the historical context, current conditions, and future prospects.
8. Feedback mechanisms provide a means for comparing results to objectives, enabling the actors to improve system performance by learning from successes and failures. This process may be carried out concurrently or at the end of certain periods of performance.

The multiple-case method is appropriate for the study of complex systems and for exploratory research initiatives; therefore, it fits the current study's research purpose well. In multiple case research, primary responsibilities of the researcher are to define the study's purpose and devise cross-case study questions that will be used to identify common themes, similarities, and trends that emerge as a result of data collection. Such a protocol increases reliability of case study research results (Yin, 2003). Multiple case research methodology is the most important qualitative research methodology in international business to date (Pauwels, 2004), and for good reason. It enables researchers to move beyond the confirmation of existing theories, to develop new ones, or to extend and refine existing theoretical frameworks by "filling in what has been left out" in terms of key components and relationships (Locke, 2001, p. 103).

Data gathering included primary research in the field, including semi-structured interviews with social enterprise initiators and managers, complemented by publicly available information, including published articles, government reports, and other secondary sources. Information gleaned in this fashion is used to generate a comprehensive, system-wide description of the social enterprise development process. Based on these comparative case studies, the authors construct a social enterprise development model that incorporates the eight essential factors outlined above.

### **Applying a Systems Approach to Social Enterprise Case Studies**

#### **Banco de Ahorro y Crédito ADOPEM**

ADOPEM was established in the Dominican Republic in 1982 as the Asociación Dominicana para el Desarrollo de Mujer (Dominican Association for Women's Development), an NGO with the purpose of improving the economic conditions of poor women in urban and rural areas through micro-lending. Since its founding by sixteen businesswomen and other professionals led by Dr. Mercedes de Canalda Esq., ADOPEM has gone through several organizational transformations. By 2006 ADOPEM became the Banco



de Ahorro y Crédito ADOPEM, S.A. with the objective of granting loans for microenterprise, utilizing capital from savings to build sustainable programs and projects of high socio-economic quality. Its' mission is "to promote the development of Dominican families by incorporating them into the formal economic and financial system, within a framework of ethical values, seeking to benefit society in general" (Banco de Ahorro y Crédito ADOPEM, 2008). By 2008 ADOPEM was serving 85,000 clients through 160 loan advisors who visit them at their workplaces and in their homes. ADOPEM is decentralized through branch offices that extend across most of the Republic's provinces, enabling more efficient working relationships at the local level (Santana and Brito, 2009).

The Dominican Association for the Development of Women, Inc. (DADW), an NGO non-profit, owns 58.57% of the Bank shares. Other facilitating organizations include major international development organizations, such as the International Finance Corporation (IFC), holds 9% of ADOPEM shares with a \$1 million investment, and the European Investment Bank (EIB), with a 1 million euro investment in addition to a large credit line, while two others— the Inter-American Development Bank (IDB) and the Spanish foundation, Cooperación al Desarrollo y Promoción de Actividades Asistenciales (CODESPA)— support programs that facilitate the use of remittances for productive activities, including microbusiness (Banco de Ahorro y Crédito ADOPEM, 2008).

Particularly noteworthy among ADOPEM's facilitating partners is Women's World Banking, a global organization established in 1979 with the goal of expanding economic participation, assets and power of low income women entrepreneurs and producers by enabling their access to finance, information and markets; of particular importance is its role in building an effective network of affiliates around the world, and in organizing learning and change networks comprised of leading microfinance organizations and/or banks that are led by women (Harmeling and Austin, 2000, p. 13). Of the thirteen solution concepts for interorganizational knowledge-sharing outlined by de Man (2008), WWB employs all of them.

Since ADOPEM's inception, Dr. Mercedes de Canalda has played a leadership role in the WWB knowledge network; currently she is serving her second term as Chairman of the Board of Directors of WWB, headquartered in New York. This significant relationship with WWB has led to substantial benefits for ADOPEM. It utilizes a broad range of solution concepts in support of knowledge creation and knowledge sharing with the WWB global network and internally between ADOPEM headquarters, branch offices, and clients. In addition, ADOPEM has its own institute for training; specific training is provided to clients who have received loans in the areas of human resources management, inventory management, marketing and other issues, enabling them to develop administrative and technical skills related to their businesses. ADOPEM's representatives use personal visits to better understand their clients' businesses, including their assets, expenses and cash flow (Banco ADOPEM, 2005, p. 11). "In microfinance is not the client which goes to the Bank, but it is the Bank which searches for and shapes the client."

ADOPEM's success is visible in the lives of the thousands of women and families who have found a path out of severe poverty through its services. APODEM's clients appear on the United Nations Development Program (UNDP) lists of the best microbusiness entrepreneurs of the year (Banco ADOPEM, 2005, p. 16). Examples include Epifania Ramirez, a mother of seven children who has a business as a fish seller. Through her initiative, she is able to make a living and insure that her children go to school (Banco ADOPEM, 2005, p. 33). Another

example is Ana Ramona Martinez, who despite losing everything in a 2007 tropical storm that displaced thousands, has reopened her variety store in Sabana Perdida and is planning to start a Neighborhood Association to support the community in overcoming future natural disasters (Banco de Ahorro y Crédito ADOPEM, 2008).

While contribution to success from any organization's knowledge network is difficult to measure, there are clear indications that ADOPEM's has played a major role. ADOPEM has been recognized by the IDB as one of the top ten micro-lending institutions for greatest impact on the market with loans under \$500.00 and with greatest efficiency, and has received an IDB Award of Excellence in Micro-Finances; it is recognized as a "leading institution" of technological innovations, with special attention given to its use of Palm Pilots (PDAs) for loan risk classification (Banco ADOPEM, 2005, p. 10). Palm Pilots used by ADOPEM's credit agents contain necessary information about clients, such as their loans, applications, any arrears, and other statistics. This innovation has been recognized for contributing to a substantial increase in the efficiency of loan processing (Banco ADOPEM, 2005, p. 12). It is interesting to note that this is a direct benefit of its membership in WWB. In 1999 WWB initiated a pilot innovation program with fifteen national affiliates, including the use of palm pilots by loan officers (Harmeling and Austin, 2000, p. 7). ADOPEM's social enterprise system is depicted in Figure 1.

#### Agroindustria Mexicana de Agave Morelense, A.R. de I.C. de R.L.

Agroindustria Mexicana de Agave Morelense, A.R. de I.C. de R.L. (Mexican Agro-Industry for Morelos Agave, referred to below as the Association) was established in Mexico in 2003 by a group of 240 producers of agave, members of 11 rural production societies (S.P.R.) in a Rural Association with Collective Interest of Limited Responsibility (A.R. de I.C. de R.L.) for the social mission to assist agave producers in Morelos state. Mrs. Vicenta Rodriguez, a social worker and owner of an agave plantation working for the state's Department of Agriculture, recognized that certain incentives were being put in place to encourage farmers to engage in agave production. These actions complemented with an agave shortage and high prices led Mrs. Rodriguez and other farmers to move to agave production in 2001. Agave matures over a period of seven years, so the majority of their fields are at maturity now.

Facilitating government organizations supporting the Association's start-up included Dr. E. Tamayo, Secretaria de Economía, en Morelos, Secretaría para Desarrollo Agropecuario del Estado de Morelos (SDAM), and the Secretaria de Agricultura, Ganadería, Recursos Pesqueros y Acuíferos (SAGARPA). SAGARPA contributed 5 million Mexican pesos matched by an equal amount from Association members. With these funds the Association established its factory.

The Instituto Tecnológico de Monterrey (I.T.E.S.M., Technological Institute of Monterrey) played a role in the formation and development of the Association. Dr. Jose Acosta, an I.T.E.S.M professor, conveyed capabilities to act in an entrepreneurial way. He facilitated group organization and served as an advisor in administrative areas, based on his previous experience in rural enterprises. The Association's knowledge network benefited from I.T.E.S.M.'s Social Enterprises Incubator program.

All of the Association's initial partners are still working with them. The Mexican Secretariat of Economic Development has joined other government agencies in lending support. In addition to I.T.E.S.M., additional technological institutions have become part of the

Association's knowledge network, including the Instituto Politécnico Nacional (IPN) and its CEPROBI, a Research Institute in biotics. These institutes are getting funds for the research from CONACYT (Consejo Nacional de Ciencia y Tecnología) to transfer the technology with no charge to the social enterprise.

Unfortunately, the Association's aspirations have not been realized. Their initial intent was to set up an agave processing factory for the production of liquid agave syrup, enabling them to respond to the growing global demand for substitutes to cane sugar. However, the farmers ran into problems in 2007 when they discovered that the factory equipment they had purchased did not yield the level of processing desired; instead of liquid agave syrup the output was more fibrous with a consistency of a fruit paste. In addition, farmers found that the price of agave had fallen dramatically. Currently, the Association has in inventory 11 tons of agave marmalade and little or no market for this surplus product. Forty farmers have left the Association over the past few years.

A recent breakthrough has occurred. The Universidad Nacional Autónoma de México (UNAM) has developed a new technological process for production of agave liquid sugar and is licensing this process to the Association. However, in order to adopt this process, the Association needs to raise \$8 million pesos for new machinery (Rodriguez, 2010).

The Association's leadership is motivated to find alternative markets for their surplus agave marmalade in the short term, and longer term to produce liquid agave syrup using UNAM's process. Current objectives are as follows (Miranda, 2010):

1. Process agave product currently in storage.
2. Recover capital invested in agave cultivation & processing
3. Purchase equipment for new industrial process.
4. Foster agave production for the new factory
5. Obtain better prices for its agricultural and industrial products

The crucial resources required for the Association's success are adequate financial resources, production skills development and training, and technology (process and equipment). The Association needs 3 million Mexican pesos for the next stage of development. Successful outcomes depend on the confidence and trust that the Association members have in its managers. The members are expecting that current efforts will lead to the construction of a new factory for turning the agave production into liquid sugar. According to Ing. Rodriguez (2009), knowledge transfer, knowledge sharing and knowledge management among organizational partners, particularly in terms of technological and management knowledge, is very important to the Association's future success. The Association's social enterprise system is presented in Figure 2.

## **Conclusions**

The social enterprise process and its relevant knowledge networks can be modeled from a systems perspective. The resulting model provides valuable information to business practitioners, social enterprise leaders, government policy-makers and others who wish to play facilitating roles in social enterprise development. The model reinforces our understanding that its key success factors are the entrepreneurial spirit of the initiator coupled with a motivation to improve one's life and that of one's group (family and/or cooperative)

through participation in the economic marketplace. However, without an effective, efficient knowledge network the enterprise is unlikely to achieve its full potential.

Initiators' likelihood for success is greatly advanced if learning is an integral part of the organization's culture. Resulting innovations lead to internal efficiencies and enhance the value proposition to the organization's customers and clients. Human capability building enriches outcomes with a multiplier impact on families and communities. Expert knowledge conveyed through direct communications, training and education programs, and through written reports and publications can provide the social enterprise initiator with a strategic perspective on future market demand, organizational management, and technical horizons.

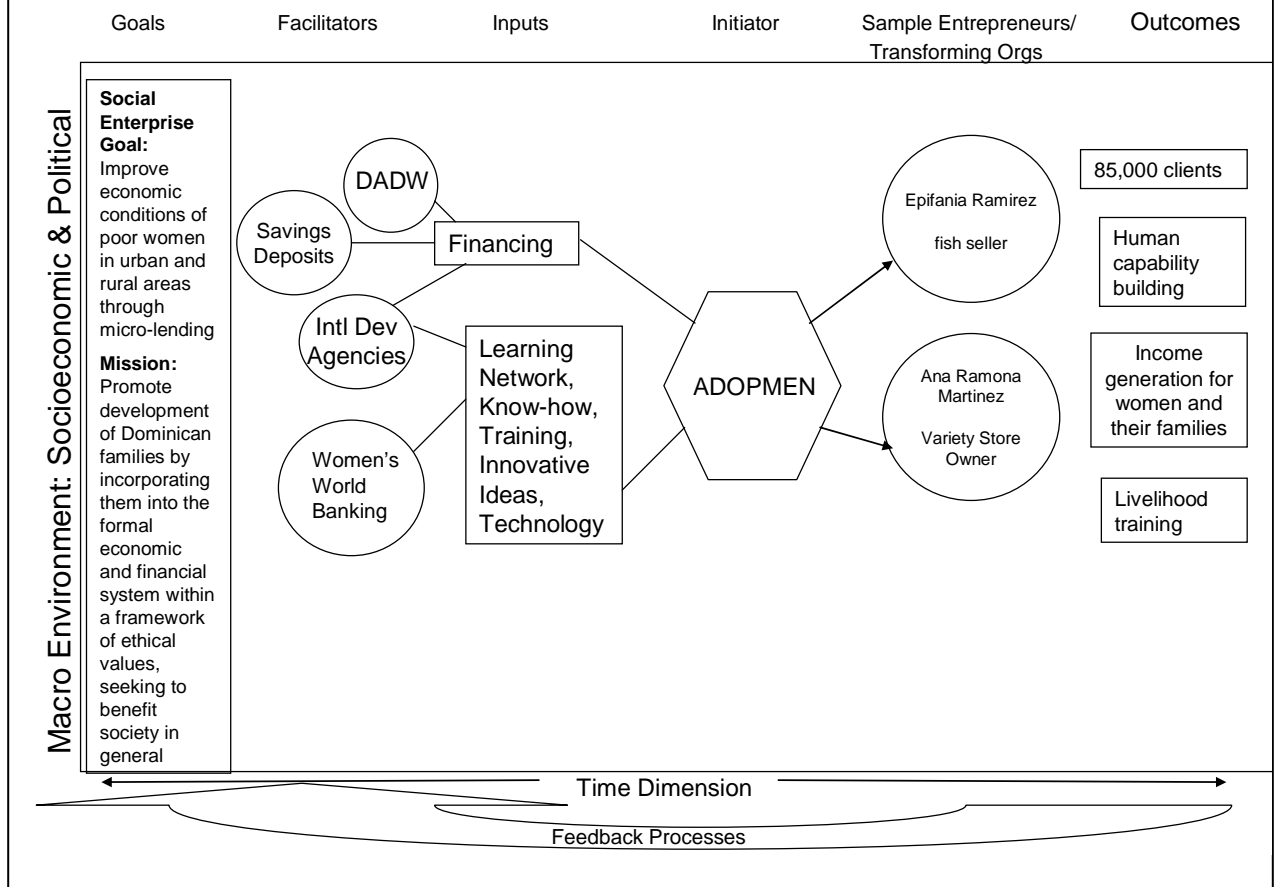
This exploratory study suggests that social entrepreneurship may have a hybrid knowledge structure, including some characteristics of a social capital network, and others more closely aligned with a structural hole network, where one entity serves as a linking pin for knowledge transfer and knowledge absorption. Social enterprise organizations appear to share both core and non-core knowledge readily, although competition for scarce international development dollars is a reality, the competitiveness among social enterprises may be less problematic than with for-profit firms. Building long-term relationships and a sense of trust among organizational partners is essential.

Additionally, the systems model highlights the other relevant actors within the system and supports the notion that social enterprise development requires cooperation among multiple players drawn from both the private and public sectors. Facilitating organizations, including NGOs, government agencies, and cooperatives may be essential partners in the process. Likewise, the model enables us to more easily visualize interconnections between the initiators and the other players in the system and to better understand the flow of crucial inputs through the system. Such inputs include human capability building through training, technical and managerial know-how, equipment, and financing.

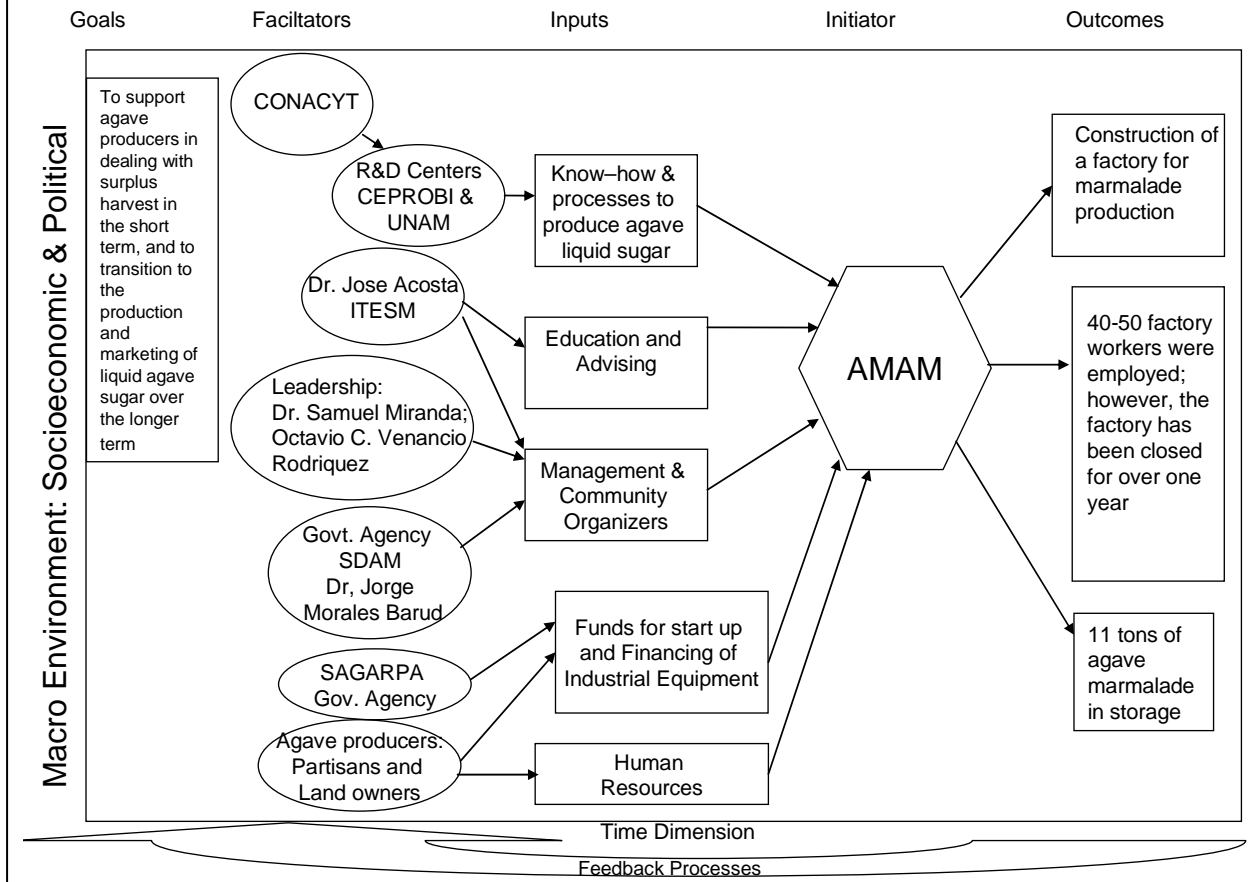
While this exploratory model suggests that a systems approach offers a valuable method for developing a more comprehensive understanding of the social enterprise development process, more work needs to be done. Further development of the model would be enhanced by its adaptation to fit a broader range of cases. More needs to be done to define and describe the essential system inputs correlated with success and to better understand the obstacles that inhibit progress. The model would benefit from a review by other professionals and practitioners with experience in social enterprise development and management. Their knowledge of the process and its major factors would add significant value to this work.

It is hoped that a more thorough understanding of the social enterprise system will result from the perspective proposed here. Hopefully, this model can serve as a building block for further academic research and over time may contribute to the important work being done in this field which holds human development at its heart.

Figure 1. Banco de Ahorro y Crédito ADOPEM's Social Enterprise System



**Figure 2. Agroindustria Mexicana de Agave Morelense (AMAM) Social Enterprise System**



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