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Alliance for Social Enterprise: A Framework to Develop Social Entrepreneurship in Emerging Economies

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Abstract. This research proposes a novel framework, an alliance for social enterprise, as a model for developing social entrepreneurial initiatives in emerging economies. The alliance for social enterprise leverages the alliance partners' strengths to accomplish a social mission. The non-governmental organization (NGO) has an understanding of the local conditions and offers financial and social capital; the university utilizes its research efforts to assess the processes and enhance the positive outcomes of the strategic venture; the corporation utilizes its financial capital and provides market access to the local business; and the local business provides human capital as well as products. This strategic alliance encourages long-term sustainability with economic returns and advocates social development goals. In this research, a Coffee Cooperative in Tanzania serves as an illustrative example that demonstrates the formation and operation of the alliance for social enterprise.

Keywords: social entrepreneurship, strategic alliance, emerging economies, Africa, small business.

1. Introduction

Theodore Levitt (1983) first drew significant attention to business in developing markets in his article "The Globalization of Markets". However, more recently, it is the research of Prahalad and Hart (2002) regarding the bottom of the pyramid theory that has ignited interest by both scholars and practitioners. The bottom of the pyramid (BOP) literature (Prahalad, 2004) suggests that multinational corporations can assist in the alleviation of poverty and make profits doing so. In an alternate perspective, Karnani (2007) suggests that the poor should be considered as producers rather than as consumers where corporations can rethink their supply chains to buy from the poor. However, as Seelos and Mair (2007, p.

50) aptly point out, while some research addresses the question of whether companies should conduct business in low-income markets, “they remain relatively silent on how to enter.”

In fact, Bruton (2010) notes in his review of management research that work related to poverty alleviation is still extremely limited. Moreover, while the first generation of BOP research examines issues related to business models (e.g., lower cost, extending distribution to rural areas), future research should focus on BOP individuals as business partners who co-create embedded and sustainable innovations (Simanis and Hart, 2008). In parallel, recent theoretical and empirical research on emerging economies and under-developed areas identify that these communities are best conceptualized as marketplaces of economic activity in contrast to a mass of passive consumers with limited purchasing power (Viswanathan, Srinivas, and Ritchie, 2010). Entrepreneurial activity within the emerging economies and also social entrepreneurial activity in cooperation with the emerging economies rise as prominent vehicles with the potential to address some of the pressing problems in these areas (Christensen, Parsons, and Fairbourne, 2010). In this paper, social entrepreneurship refers to the pursuit of social and environmental betterment through a market-driven, business approach.

This research develops an alliance for social enterprise framework: a replicable strategic alliance model as a viable option to promote social entrepreneurship in emerging economies. The alliance partners together form the social enterprise. We propose that the strategic alliance approach alleviates many challenges and risks of social entrepreneurial activity. This approach accomplishes this goal by engaging in deep dialogue and collaboration, fostering personal relationships, marrying capabilities, and ultimately enhancing the social and economic impact of such a venture. We provide an illustrative case as an example of how a strategic alliance could work in connection with an existing business in Tanzania. The partners in this alliance include a non-governmental organization (NGO), a university, a large/mid-sized corporation, and local (typically small) business owners which form a cooperative, all which co-create value (see Sheth and Can, 2007) within the context of emerging economies, or “markets to learn from” (Viswanathan and Sridharan, 2009, online). The real names of the partners have not been used in the case.

This operation on the ground would be a work in progress and could be subject to unexpected challenges as it applies a new social entrepreneurship framework based on strategic alliances. However, we believe the new conceptual framework which leverages the unique resources of its partners presents a novel way of using strategic alliances in order to enhance both economic and social outcomes. The economic outcomes or goals are to enhance profits for the corporation through entering new markets and for the small business by entering markets in developed countries. The social outcome for the NGO is to achieve its mission, the university can advance theory, practice and social justice, the corporation can engage in corporate social responsibility, and the small business works to alleviate poverty. With additional research, the framework can be tested, refined and ultimately replicated so that the positive impact on emerging economies is enhanced, contributing both to theory and helping those who live in poverty to better their lives.

2. Research Context

2.1. Research on Poverty Alleviation and Bottom of the Pyramid Markets

While C.K. Pralahad is best known for his research on BOP, several business scholars have followed in this research stream, contributing to theory and practice in this domain, as well as more broadly in the area of poverty alleviation (see Bruton, 2010 for a review of the research in management related to poverty alleviation). Much of this research uses the case method to illustrate challenges and barriers in BOP markets (Khavul, Bruton, and Wood, 2009; Mair and Marti, 2009; Olsen and Boxenbaum, 2009; Seelos and Mair, 2007). For example, Seelos and Mair (2007) discuss constraints in BOP markets such as the fact that resources are largely concentrated among a handful of large organizations, and entities which provide support to market exchange are weak or non-existent. Other research tackles specific strategies to improve business in BOP markets, such as managing local partnerships (Seelos and Mair, 2007), handling distribution challenges (Vachani and Smith, 2008), developing effective marketing strategies (Weidner, Rosa, and Viswanathan, 2010; Kotler, Roberto, and Leisner, 2006), and understanding the roles of consumer-merchants (Viswanathan, Rosa, and Ruth, 2010). For example, Vachani and Smith (2008) discuss the effective distribution of goods in BOP markets to overcome factors such as poor road conditions and a lack of transportation while Ireland (2008) provides success factors in pricing, packaging, distribution, and promotion in both urban and rural BOP markets.

Despite the challenges discussed above, several multinational corporations have delved into conducting business in these markets with various levels of success. Santos (2008) and Subrahmanyan and Gomez-Arias (2008) point to a wide range of corporations that have shown interest in these markets including Danone, Tata, Celtel, Unilever, Cemex, Kodak, Nestle, and Procter & Gamble, among others. These companies are drawn to BOP markets such as in various regions of Africa, South Asia, Eastern Europe, Latin America and the Caribbean despite uncertain market conditions, poor distribution, and harsh environments. This is due in large part to the approximately 5 trillion USD of consumption that occurs in these parts of the world in categories such as food, energy, housing, transportation, water, health care, financial services, education, and technology (Subrahmanyan and Gomez-Arias, 2008).

In summary, despite interest by academics and practitioners alike, Nielsen and Samia (2008) state current research in developing countries is focused on “a small number of emerging markets” such as India. Thus, there is a need to examine other markets that have their own unique cultural, social, and economic challenges. Moreover, Nielsen and Samia (2008) advocate a more holistic model in applying BOP theories. They propose a social enterprise approach, stating that despite an early attempt by Prahalad (2004, p. 448), existing research has not yet “led to the development of a model system that delineates a comprehensive set of system components and success factors”.

Nielsen and Samia (2008) attempt to develop such a model based on two cases in the Philippines, emphasizing the cooperation of facilitating organizations such as businesses, governmental agencies, NGOs, cooperatives and entrepreneurial initiators. These entrepreneurs utilize key resources such as training, know-how, equipment, human resources, and financing. They further find that, in their two cases, after some success, entrepreneurs begin transforming organizations themselves, such as creating community development organizations or microfinance programs. While Nielsen and Samia (2008) offer a useful framework, much is left to be understood beyond these two businesses in this particular context.

In this paper we extend these initial attempts and develop a more formal framework in recognition of two major findings in the literature. First, “BOP 1.0” strategies have largely failed because they “imposed a narrow, consumption-based understanding of local needs and aspirations” (Simanis and Hart, 2008, p. 2). Based on learning from Kenya and India, they call for “BOP 2.0 business co-venturing strategies”. Second, the next way of thinking should have a more holistic approach. This requires thinking about BOP individuals as business partners, engaging in dialogue (rather than simply listening), enhancing imagination, building commitments, and having direct and intimate relationships with NGOs acting as facilitators (Miller, Grimes, McMullen and Vogus, 2012; Simanis and Hart, 2008). However, while existing models all advocate partnerships between businesses, NGOs, and local communities, we propose that another alliance partner with unique capabilities might be the missing link. This research proposes a strategic alliance framework which leverages the unique resources of the *university* along with the NGO and the corporate sector in the pursuit of a sustainable social entrepreneurship framework.

3. Social Enteprise Alliance Framework

While growing at a rapid pace as an economic phenomenon, the literature on social entrepreneurship is far from having achieved a consensus on the definitions and characteristics of a social enterprise. For instance, Dacin, Dacin, and Matear (2010, p. 38) identified 37 different definitions of the term social enterprise. They conclude that "[m]ost definitions of social entrepreneurship refer to an ability to leverage resources that address social problems, although there is little consensus beyond this generalization". The *social mission* to help alleviate a social problem is a repeated theme (Dees and Elias, 1998; Peredo and McLean, 2006; Prahbu, 1999; Vega and Kidwell, 2007) which we adopt for the purposes of this research.

Social entrepreneurship differs from the larger set of organizational efforts to help others, which includes charities and governmental entities that help direct resources into the impoverished areas. Social entrepreneurship often refers to pursuing social or environmental betterment through a market-driven, business approach. The social enterprise operates in a business-like way (Zeitlow, 2001). Some social enterprises even use innovative techniques and organizational structures to accomplish their missions (Light, 2006; Pozen, 2008).

Past research has examined social entrepreneurship through international strategic alliances with regard to performance and its antecedents, such as a learning orientation (see for example, Mehta, Polsa, Mazur, Xiucheng, and Dubinsky, 2006; Emden, Yaprak, and Cavusgil, 2005), strategic fit (Murray and Kotabe, 2005), and embedded knowledge (Nielsen, 2005), among other factors. Commensurate with this research, strategic alliances are defined as "non-equity based relationships entered into by two or more business partners that are formed to create and exploit new opportunities rather than to simply combine resources..." (Emden, Yaprak, and Cavusgil, 2005, p. 883).

The proposed model of strategic alliances not only incorporates the traditional components of microfinance funding, technology, and logistical support, but also is guided by on-the-ground experience with local communities, organizations and networks, and an understanding of the local milieu. This is the cornerstone of building effective strategic alliances that generate income, provide long-term sustainability, and maintain a sustainable market orientation.

The international NGO initially identifies local organizations, networks, and community groups that are embedded in the local culture, have a nascent organizational structure and some accounting mechanisms, and also either includes, or can identify, one or more local business owners that could benefit from participation in the anticipated strategic alliance. The international NGO provides financial and social capital, logistical resources, and facilitates the local management of the small business. After a specified period of time, the small business is evaluated by the methodology used by the NGO and, if appropriate, the local business is prepared for scaling up. In the illustrative case, the international NGO identifies the small business. However, it is also possible for the corporation to identify a small business that could assist the corporation with expanding to where the small business is located, which is a new marketplace for the corporation.

Simultaneously with the identification of the local small business, the university engages in both quantitative and qualitative research that investigates access to capital and analyzes traditional resources and their effects on business improvement and income generation, among other outcomes. The university may also provide faculty resources that can provide assistance to the NGO as it works directly with the local business, and it can explore the local milieu and other contextual issues that influence the success or failure of the local businesses. With this collection of data, the partners can then identify and invite a large or mid-sized corporation to join the strategic alliance in order to purchase the products of that successful local business. The corporation is then brought into the alliance based on how it can best leverage its existing resources to enhance the ability of a proven local business to sell its product globally (Zahra, Rawhouser, Bhawe, Neubaum, and Hayton, 2008).

Of equal importance and not to be overlooked is the concept of social responsibility that provides a framework for the corporation’s involvement. As a participant within the strategic alliance, it is assumed that the corporation will benefit financially. Yet the corporation’s commitment to, engagement with, and development of, the local business, whom it will fundamentally depend upon, should result in a positive impact on the community through sustainable livelihoods. Accordingly, a well-defined formulation of and adherence to a concept of corporate social responsibility is crucial for the success of the alliance. The result is a strategic alliance that combines the interests of local and global partners, enhances the development of local small businesses, and lifts people out of poverty. Please refer to Table 1 for a summary of the objectives and strengths of each party in the strategic alliance.

Table 1: Objectives and Strengths of Members of the Alliance for Social Enterprise

Objectives and Strengths of Members of the Alliance for Social Enterprise				
	NGO	University	Corporation	Local Small Business Partners
Objectives	Expand programs and donor bases. Monitor the local small businesses and their impact on the community.	Engage in transformative research. Disseminate lessons to potential participants interested in developing similar alliances. Educate students and guide students on CSR projects to foster socially responsible managers.	Establish a presence in a developing market and the opportunity to buy products in an emerging economy.	Access new markets to sell their products, business development and new and larger sources of revenue. Develop a competitive advantage in the local market.
Strengths	Understand the local conditions and the on-the-ground challenges of developing successful local small businesses. Identify local partners. Provide social and financial capital and other resources.	Research expertise in data collection and analysis. Provide assessment and evaluation of success factors with regard to the local small businesses and the social outcomes.	Provide local small businesses with resources and enhanced capabilities to enable scale.	Access to products in a local market. Provide human capital and acts as a social catalyst.

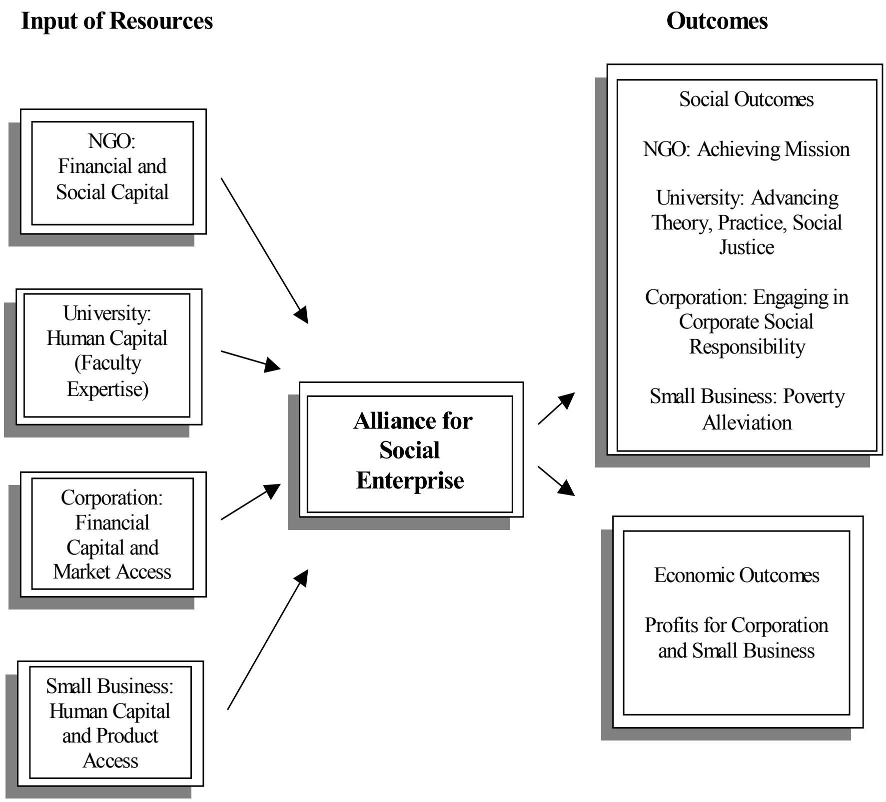
The initial functionality of the alliance among the NGO, the local business, and the university, which encompasses governance, accountability, decision-making structures, and issues of scalability, should be determined explicitly. Both a Memorandum of Understanding (MOU) and an Affiliation Agreement will be important. An MOU is defined as a document describing a bilateral or multilateral agreement among partners; it expresses a convergence of wills among the partners, indicating an intended and common course of action. An MOU is more informal than a contract, as it does not imply a legal commitment.

Once the corporation is identified and agrees to join the alliance, it is anticipated that an Affiliation Agreement would be executed by the four partners.

For the purposes of this article, an Affiliation Agreement is defined as a binding contract that sets forth the terms and conditions under which specific partners agree to carry out their duties and responsibilities in the strategic alliance. It is envisioned that the final Affiliation Agreement would include a description of partner identities, strategic alliance structure and organization, resources, limitation of risks, financial structure, exclusivity terms, implementation and management plan, and contingency planning. The strategic alliance framework, as described above, can serve as a model for development within impoverished communities around the world, especially since it allows for the interchangeability of all partners. Reaching consensus on a Memorandum of Understanding and Affiliation Agreement is no small accomplishment, and involves a process of consultation among the parties that relies upon a vision of the common good and social responsibility that each party brings to the strategic alliance.

The university, corporation, and NGO can assist the local small business to overcome scarce resources and uncertainty. While the NGO can provide microfinance funding and monitor the development of the small business with baseline surveys, monthly financial reports, and site visits, the university faculty can then focus on the analysis and evaluation of these data and help to ascertain the success factors for the local small business. The corporation can expand and create new markets for the local small business. Thus, the small local business will benefit in various ways from each of the strategic alliance partners in the design, start-up, management and expansion of their enterprise which, in turn, will foster economic sustainability and self-reliance, two of the essential keys to success in emerging economies. The ground-up, rather than the top-down, development model improves the lives of the poor and justifies greater investment to attain economic as well as social development objectives. Please see Figure 1 for the conceptual model.

Figure 1: Conceptual Model of the Inputs and Outcomes for the Alliance for Social Enterprise



4. Illustrative Example of an Alliance for Social Enterprise

4.1. Overview

In order to provide a contextual framework and a working blueprint for this type of alliance for social enterprise, an illustrative example of an alliance and the individual roles that each of the parties to the alliance would serve has been developed. The overall purpose of the alliance would be to allow a small local business in a developing country to expand its business; at the same time, however, the individual objectives of the parties to the alliance would also be enhanced. The parties in this example are not real, but the role that each plays is based on a realistic set of circumstances and expectations.

This example describes a small local business, a coffee cooperative in Tanzania that desires to move from being a local producer to a legitimate and sustainable exporter of its products to the world. Through the efforts of an NGO that is attuned to the local culture and has a microfinance program, a U.S.-based corporation would agree to purchase the coffee beans directly from the cooperative and import them into the United States for roasting and resale to its customers. It would be willing to pay a premium to the cooperative for the beans, thereby allowing the members of the cooperative to increase the standard of living for their families. The final member of the alliance, a university, would evaluate the business model and recommend changes to that model as the relationships mature. In addition, the university could, through its research efforts, report the ongoing progress of the business model and the necessary changes to it. If this business model were to prove successful on a sustainable basis, key learnings could be applied to other partnerships in a variety of contexts.

4.2. Kahawa Coffee Cooperative

The Kahawa (Swahili for "coffee") Cooperative (the "Cooperative") was formed in 2005 and consists of approximately 425 member-farmers who grow Arabica coffee in northern Tanzania. The farmers in the Cooperative generally own farms with an average size of one acre to 30 acres and produce a variety of crops on that land for both continued existence and profit. On their own, these farmers face an uncertain market in which to sell their green beans because the crop yields are unpredictable and individual farmers have great difficulty in selling their beans to customers.

The Cooperative was formed to increase the power of its collective members in dealing with purchasers of green coffee beans. The Cooperative has a small processing facility to which the members deliver their coffee beans after harvesting. Individuals at this facility clean, dry and ship the beans to a broker, who then sells them to its customers. Ideally, the Cooperative would like to sustain a business that would allow it to produce a consistently high quality product, which in turn would attract international coffee importers, brokers and wholesalers that would allow the Cooperative to sell its products all over the world. The model envisions increasing the efficiency of the Cooperative's operation as a whole, resulting in higher quality coffee beans and a higher standard of living for its member-farmers.

The Cooperative members, due to their small size and relative lack of sophistication and training, have historically been unable to avail themselves of sources of credit. The lack of credit availability in Tanzania generally results in an increase in child labor, which means that many of the children of the Cooperative's farmers must work as opposed to remaining in school. The leaders of the Cooperative have come to realize that microfinance funding will be important if the Cooperative is to grow, improve the quality of its beans and have access to sales sources beyond the broker with whom they now do business.

Currently, the Cooperative's work begins at the 425 member farms where the green coffee beans are harvested and delivered to the Cooperative's center. After the Cooperative collects, sorts, cleans, dries, grades and packages the beans, they are transported to a broker in a nearby town. Over the past few years, the Cooperative has been selling its coffee beans to a broker for an approximate price of 1.50 USD per kilogram. The worldwide price for Arabica coffee beans (which ranged from 5.82 USD in January 2011 to 2.77 USD in December 2013) seems to have had little impact on the price paid by the broker for the beans. This broker also arranges for the shipment of manure, pesticide and pruning equipment to the Cooperative from a town approximately 60 kilometers east of the Cooperative. The cost of these items is subtracted from the sale price of the beans to the broker.

Individual members of the Cooperative sell between 300 to 6,000 kilograms of coffee each year, so gross revenue for the members range from a paltry 450 USD to approximately 9,000 USD. The Cooperative lacks the equipment and the infrastructure needed to move the coffee beans to the points where they can be sold, and it does not have the equipment or other means to bring fertilizer and other crop-enhancing items to its members.

4.3. The African Worldwide Partnership

The African Worldwide Partnership ("AWP") is a U.S.-based NGO that has been working in Tanzania for over 10 years. AWP has worked with many businesses in Tanzania and has an excellent understanding of the cultural, social, political, ethnic and environmental concerns that drive small local businesses and their desire to grow. Under the leadership of its director, Matthew Thomas, AWP has executed against a mission "to design and develop innovative economic strengthening programs that enable households and communities to support orphans and vulnerable children affected by HIV/AIDS in sub-Saharan Africa, and to provide these children with shelter, food security, access to health care, education, and psycho-social support." Many households and communities that currently provide these orphans and vulnerable children such support do so from the profits generated by small businesses that they operate.

Recognizing that the local support for its initiatives depends to a substantial degree on the success of local businesses, in 2009 AWP launched a microfinance program in Tanzania and surrounding countries that is based on the Grameen Bank model in Bangladesh. AWP's microfinance program is designed to work with local business partners for the purpose of identifying such households and communities which are operating businesses that are likely, with an additional capital infusion, to generate more profit. Once identified, AWP provides these households and communities with short-term loans of up to 500 USD at below market interest rates, with the goal of enabling the businesses operated by these households and communities to be more successful and, as a result, be in a better position to provide the orphans and vulnerable children they support with improved or additional shelter, food security, health care and education. AWP has staff on the ground in Africa who, in addition to collecting payments on the loans, provide business training to the households and communities to increase the likelihood of their success. In addition to providing loans and training, AWP is unique in that it monitors and documents the general food consumption, health, education, and psycho-social well-being of the children affected, for the purpose of establishing a correlation between the money generated by the loan and the social services provided. Thomas closely supervises the activities of the staff in connection with the microfinance program, having at least monthly calls with the staff and traveling to Africa at least four times per year for one to two week visits.

Two years ago, AWP identified the Cooperative as a candidate to move from selling its coffee beans into the informal Tanzanian economy to selling into the worldwide market. Since that time, AWP staff has worked extensively with the Cooperative leaders on an overall strategy to move the sale of its coffee beans from the informal economy to the worldwide market. There is an understanding between the AWP and the Cooperative leadership that the farmers must be able to produce coffee beans of a consistently high quality, and that alternative sales and distribution channels must be developed in order for the Cooperative to reach its desired outcome.

4.4. Global University

Global University is an institution located in Chicago, Illinois. AWP has begun a dialogue with Global, and particularly its School of Business, regarding its possible assistance in moving the Cooperative into a more advantageous business model. AWP and Global have had a history of collaborating on microfinance and other initiatives, and it has been a relationship that is built on mutual respect and trust. The Director of AWP, Matthew Thomas, in conjunction with other University faculty, periodically teaches a course at Global that aimed at providing students with a better understanding of business models of small enterprises in developing countries around the world, particularly in Africa. In order to facilitate the Cooperative's process of gauging the feasibility of its new business model and of the alliance, Thomas could utilize his MBA class at Global to have his students, under the guidance of other Global faculty members, participate in a quarter-long class aimed at providing them with a better understanding of doing business in Africa. As the final deliverable in the course, a group of students could prepare a tentative business plan for the Cooperative, which contains several recommendations that may provide a framework for it to move forward.

In addition, Global faculty members have expressed interest in providing research and strategy to support the Cooperative's efforts to enter the world market, as well as in analyzing and evaluating the ongoing efforts of the

Cooperative. These faculty members have indicated a willingness to engage in research and to write about the progress of the Cooperative in a manner that could be applied to other small businesses in emerging economies.

4.5. Expedition Coffee Company

Expedition Coffee Company is located in Washington, D.C. and owns a retail establishment that is dedicated to serving its customers coffees from around the world, especially from Africa. The owner of Expedition, Tracy Powell, desires to directly sell coffee produced by the farmers of the Cooperative. Powell's vision for Expedition is "to operate a gathering place for the local community where our customers can enjoy coffee knowing that a portion of their payment is directly supporting the farmers who grow the coffee beans."

In addition to selling food and prepared coffee beverages, Expedition has a roaster in which it roasts green beans that it purchases from wholesalers who import beans from several African countries, including Tanzania. The roasting of the beans results in a substantial increase in the value of the coffee, which allows the owner of Expedition to sell the beans at retail at up to a 300% to 400% mark-up over the cost of the green coffee beans purchased from the wholesaler.

AWP has had discussions with Expedition relating to its importing the green beans produced by the Cooperative into the United States. In the model under discussion, the beans would be purchased by Expedition at the current world price per kilogram, plus a bonus of perhaps .50 to 1 USD per kilogram. The beans purchased from the Cooperative would be roasted by Expedition in Washington and used in its retail operation. In addition, Expedition also plans on selling the roasted beans on a wholesale basis to restaurants, coffee shops and other retail outlets. Under this scenario, the broker in the Cooperative's existing supply chain would be removed, resulting in a more efficient sale by the Cooperative directly to the roaster of the coffee beans.

In addition to the enhanced purchase price, AWP and Expedition have also discussed a scenario in which Expedition might give a flat rate or some percentage of the resulting margin on the roasted beans (the equivalent of perhaps 1 to 2 USD) back to the Cooperative for distribution to the member farmers. This margin would consist of the difference between the enhanced world price paid to the Cooperative and the price at which the coffee would be sold in Washington (a recent range of wholesale prices for various types of beans was 8.95 to 12.95 USD per pound), less the cost of shipping the beans to the United States. Powell believes that if the Cooperative's coffee is marketed in an appropriate manner, customers in Washington will be willing to pay a premium for the coffee if they believe that some proceeds of the sale will go directly to the farmers in the Cooperative and their families.

4.6. Affiliation Agreement

AWP, the Cooperative, Global University and Expedition have agreed to negotiate an Affiliation Agreement. This Agreement would spell out the details of a multi-party relationship that would result in the sale of all of the Cooperative's beans directly to Expedition, which in turn would import the beans, roast them and then resell them on a wholesale basis in the greater Washington area. A potential scenario under which the parties would operate under this Agreement is as follows.

The AWP, working in conjunction with the Cooperative's leadership, would need to prepare a budget that would detail the types of expenses that would be necessitated by any new business model, as well as identify the sources of the funding needed for those expenses. The initial funding for any new model could be raised in part from the Cooperative's members, with an annual fee charge of 5-10 USD per acre owned. This owner-contributed capitalization, which has the benefit of giving the farmers a feeling of ownership in the future growth of the Cooperative, could be used to fund the purchase of some communal supplies and tools, and the building of additional infrastructure for the drying and the storing of inventory. Additional funding could be obtained from the AWP's microfinance program. These loans could be made to the individual farmers or to the Cooperative itself. The AWP staff could provide guidance to the Cooperative in connection with the timely repayment of any loans.

It will be necessary for the Cooperative to cultivate high quality green beans on a consistent basis in order for Expedition to want to purchase the beans. While the planting, cultivation and harvesting of the beans will remain largely in the hands of the individual farmers, AWP staff could arrange for educational and training programs that could be launched to assist the farmers in improving their current techniques to assure the maximum harvest of high quality beans. Farmers could be taught how to increase their yields, as well as how to spot poor quality or unmarketable beans at the picking stage and to dispose of them properly. Farmers could also be trained to conduct regular inspections and preventative maintenance of their tools to ensure they are in proper working condition. Any such training modules would be the responsibility of the AWP, since it is the partner within the Alliance that is most conversant with local contexts and conditions that would affect the Cooperative and has access to the local resources to support the Cooperative's efforts.

Additional quality control procedures could be identified and implemented to assure that the beans are appropriately managed. The Cooperative could also institute appropriate grading procedures, as well as create uniform standards for the packaging of the coffee in order to guarantee that every bag shipped is identical and matches the specification provided by Expedition. These packages could then be stored in a facility where accurate inventory is maintained, which allows management to calculate its production capabilities and determine its labor needs. By purchasing or leasing its own trucks, the Cooperative would be able to save money on transportation and provide better service for the importer. The Cooperative could then assure that the beans are shipped in containers to the importer on a timely basis. All of the steps would be taken under the watchful eye of and with the guidance of the AWP.

The Cooperative could also be assisted in creating a management structure, as well as implementing procedures for hiring and retaining employees. In addition to management staff and production employees, the Cooperative could also be encouraged to hire additional employees, such as a book keeper, drivers, and a communication liaison for the distribution partner abroad. The need for proper accounting and ethical practices at the Cooperative is critical, as farmers will need to have confidence that there is predictability and accuracy in how profits are distributed.

These changes to its operations, as well as others recommended by the business plan and facilitated by the AWP, should help the Cooperative improve its current farming and distribution process, resulting in a number of efficiencies for all of its members. As a result of the joint efforts of the AWP and Global University, the Cooperative's improved operational and logistical capabilities should give it a substantial competitive advantage over other coffee farmers who do not have those capabilities. These capabilities are the direct result of the alliance between the AWP and Global, and could not have come about solely as the result of the efforts of one of the parties.

Expedition will need to make the appropriate arrangements to take delivery of the Cooperative's beans at the delivery port and to have them shipped to its roasting and shipping facility. Expedition will need to decide to whom to sell the roasted beans, and whether to launch a marketing program aimed at maximizing the marketing impact of the arrangement that it has with the Cooperative. This would include a description of the manner in which the company supports the individual farmers in Tanzania. Over time, it may be able to incorporate some of the data that AWP is collecting as a sales and marketing tool with respect to the movement of these farmers and their families out of poverty.

A comparison of the potential financial outcomes with and without the added payment from Expedition demonstrates the overall benefit this type of Alliance could have on the lives of the Cooperative's farmers. The average member of the Cooperative produces between 300 and 6,000 kilograms of green beans per year. Assuming a price of 1.50 USD per kilogram, the resulting gross revenue is between 450 USD to 9,000 USD per farmer.

If, however, the world price for the coffee at the time of Expedition's purchase is 3 USD per kilogram and Exhibition decides to pay a price that is .50 USD greater than that, the price to be paid to the Cooperative for its beans would be 3.50 USD per kilogram. In addition, if Expedition were to take 1 USD from its margin that results from the pricing it sets in place to its customers, the total gross revenue would be 4.50 USD per kilogram, which is three times the 1.50 USD that the Cooperative now receives for a kilogram of its beans from its current broker.

In this scenario, the farmers in the Cooperative would now receive between 1,350 USD and 27,000 USD depending on the size of their crop. This is a significant difference in a country like Tanzania, in which the annual per capita GDP is 513 USD.

This model, which relies on Expedition paying a fair price for the coffee as well as sharing a portion of the margin it receives from roasting of the coffee, could have a significant impact on the lives of the member-farmers in the Cooperative. Again, it is an example of the capabilities that the Alliance could bring to the Cooperative, giving it not only substantial additional revenue, but also an advantage over its competitors. Under this scenario, the Cooperative's member-farmers would be able to share in a fair price for the beans themselves, as well as in the substantial mark-up that occurs as a result of the roasting process.

While the parties to any potential strategic alliance would be committed to the success of the Cooperative's new business model, it is fully recognized that the Cooperative's efforts could be met with substantial challenges such as the inability to consistently grow high quality beans, a crop failure, undue government interference, or internal strife among the members of the Cooperative. If such unfortunate events were to occur, however, it would not necessarily mean the end of the Alliance, but would more likely result in a shift in the focus of the Alliance's activities. The strength of the Alliance and the atmosphere of trust that develops from the ongoing relationship of the partners should result in the introduction of coping strategies as well as the redeployment of resources to address the specific challenge that presented itself. In emerging economies, the relationship of the parties is critical, and thus the Alliance intends to be fully engaged with the Cooperative as it goes through all of its potential business cycles.

This illustrative example uses the NGO as the catalyst for the formation of the Alliance, but in fact the impetus for the formation of the Alliance could come from any of the parties. Thus, the Cooperative could have sought assistance from the NGO initially, or the alliance could have been formed by Expedition, due to its owner's interest in social enterprise.

In addition, the roles that each of the parties play in the Alliance could in fact be taken by other potential members. For example, the technical and farm-improvement services needed for the Cooperative to consistently produce high quality beans could be provided by a university with a strong agricultural school. The microfinancing needed by the Cooperative could be provided by a self-help source such as Kiva, by a local bank interested in developing new or improved businesses, or by a corporation such as Expedition. The research tracking the progress of the Alliance could be conducted and published by the NGO as part of its reporting process to donors and other stakeholders. The ultimate point here is that this example provides a framework in which an alliance to develop a social enterprise (here, to assist a business in a developing country) can be formed by individual organizations that can also achieve their own individual objectives while a part of the alliance.

5. Conclusion

This research develops a framework for a social enterprise alliance: a strategic alliance that builds on existing capabilities of the organizations with the explicit purpose of starting a social entrepreneurial initiative. This framework allows the partners to advance their objectives—the NGO can expand its donor base and programs, the corporation has a unique opportunity to buy products in an emerging market, the university can engage in research projects which have purpose and meaning, and small local businesses can move from being local sellers to supplying the world market. The illustrative example demonstrates, through close relationships, a focus on deep dialogue, and a marrying of capabilities, each partner creates mutual gains for the other partners. That is, the NGO has an understanding of the local conditions and provides financial and social capital, the corporation uses its financial resources and capabilities to provide market access to the local small business, and the university's business school, through research, can measure and enhance the success factors, disseminate the research results, and educate students on socially responsible projects, with regard to the local small business. At the same time, the local small business, can develop capabilities not available to it through interactions with individual entities that will enable it to grow and to compete more effectively in the marketplace, ultimately enhancing both economic and social outcomes. Thus, the strategic alliance framework proposed in this research adds a novel approach to the existing literature in this area. In particular, it proposes the university as a key entity in the formation of strategic alliances in emerging markets.

While the illustrative example discusses how a university is uniquely positioned to participate in such an alliance, we believe that other universities, particularly those with social justice missions, could participate in comparable types of alliances. That is, the proposed framework could be replicated by other NGO-university-corporation-local small business partnerships. Thus, future research might further test the framework and investigate its applicability to other markets and other partnerships. The proposed alliance for social enterprise framework may have the potential to lead to the creation of cross-sector collaborative models for businesses in emerging economies.

The implications of the proposed alliance for social enterprise framework are twofold. From a practical perspective, the framework above along with the detailed illustrative example develops a replicable blueprint that can be applied with modifications in different contexts. Social entrepreneurship is seen as one of the potential solutions to the most pressing problems of emerging economies. However, we do not have a thorough understanding of what challenges social enterprises are likely to face and how they will come to solutions. The problem is exacerbated as the constituents from developed economies start social enterprises in cooperation with the local businesses from the emerging economies. Even when a particular problem in a particular situation is solved, the entrepreneurs (both from developed and emerging economies), the managers of the NGOs, and the government officials need a mechanism to disseminate their solutions so others can apply them to similar challenges elsewhere. That replication problem is voiced by former U.S. President Bill Clinton: “Nearly every problem has been solved by someone, somewhere. The frustration is that we can’t seem to replicate [those solutions] anywhere else” (Olson 1994, p. 29). The alliance for social enterprise framework set forth in this paper is an initial attempt to develop such a blueprint.

Finally, the framework developed in this paper is a novel approach to use the strategic alliance research in the flourishing social entrepreneurship literature. From a theoretical perspective, this framework points to a new stream of research in the context of social entrepreneurship in emerging economies. The alliance for social enterprise framework recognizes that the challenges are too varied for a traditional firm structure to develop adequate capabilities in these settings. Different types of alliances for social enterprise may form under certain conditions. However, when the challenges are correctly identified, an appropriate strategic alliance might be the organizational solution. Further research is needed in this area, especially to test if alliances for social enterprise indeed perform better than traditional ways of doing business in emerging economies.

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