

IMPROVING THE SOCIAL ENTERPRISE- BASED BUSINESS PERFORMANCE FROM THE ASPECT OF SOCIAL BUSINESS MODEL CANVAS

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ABSTRACT

Indonesia is one of the countries with an abundance of natural wealth, but it does not give a benefit that brings to the community welfare. There are many people whose the living standards are under poverty line. It is caused by the community mindset, unequal education level, and high competitiveness in the world of work. Hence, there are many social-based businesses for improving the community welfare by giving various aids both in form of workforce, training, and funds. The more the number of companies in the social sector is, it certainly needs a tool that can illustrate this business as a whole. The impacts of social business are social impact and economic impact. It is about how those two impacts can be coexisted, provide positive things to many people, and improve the growth of the company significantly. This research aimed to understand the illustration of the business model in social business that can give social impact and economic impact and appropriate strategy to the company. Thereby, it can improve the competitiveness and provide the literature review about the concept and the social practice of enterprise in Indonesia. Social Business Model Canvas is a business model commonly applied to a social-based business so that it can map the business out effectively.

Keywords: Social Enterprises; Business Model Canvas; Social Business Model Canvas.

INTRODUCTION

Indonesia is one of the countries with an abundance of natural wealth, both the ocean and a wide land area. The various sectors such as maritime sector with fisheries product and other products, mining sector comprising mining products both petroleum, coal, etc. and more products from Indonesian land are abundant. However, the abundance of these natural products does not automatically provide a benefit that can bring into the community welfare. There are many people whose the living standards are under poverty line.

According to the Central Bureau of Statistics (2017):

1. In March 2017, the total poor people (the people with a total per capital expenditure per month under the poverty line) in Indonesia reached 27.77 million people (10.64 percent), the total was 6.90 thousand people more than the condition in September 2016 i.e. 27.76 million people (10.70 percent).
2. The percentage of poor people in an urban area in September 2016 was 7.73% and it declined to be 7.72% in March 2017. Meanwhile, the percentage of poor people in a rural area in September 2016 was 13.96% and it declined to be 13.93% in March 2017.
3. During September 2016 to March 2017, the total poor people in an urban area increased by 188.19 thousand people (10.49 million people in September 2016 became 10.67 million people in March 2017).

Meanwhile, the total poor people in the rural area decreased by 181.29 thousand people (17.28 million people in September 2016 became 17.10 million people in March 2017).

From the data stated above, it is shown that the poverty level in Indonesia is quite high. It is caused by: (1). Community mindset, (2). Unequal Education level, (3). High competitiveness in the world of work. The poverty will bring a bad impact on the development of a country. In effect, it will result in domino effect i.e. it will result in lower education level and higher crime level. Therefore, some breakthroughs are needed to be conducted for improving the community welfare without putting aside the social and economic aspects.

One of the solutions that can help to solve the social impact was by developing social activity such as creating a business in the social sector. The development of a business in social sector started to occur in that the purpose of building the social business was to be able to help the community in general in making either financial matter, social, environment, and the community empowerment to be better (Indonesia, Zurich, 2017). Usually, this business is formed to mitigate the social issue or the problems occurred in the environment.

Various types of social business have been formed such as a social company that has a function to help other people who are having a financial problem. For instance, the people who need some money for surgery costs, the community can collect a donation in a trusted organization. The organization can be called as crowdfunding. In this case, the fundraising can be called a social business.

LITERATURE REVIEW

Social Business

A social-based business that has an eminent purpose starts to be widely known by the community i.e. helping to actualize the community welfare and the surrounding environment. In social business, there is a point called social entrepreneurship. According to Hulgard (2010), the definition of social entrepreneurship is a movement that has a social value where its creating process is a part of cooperation with other people or organizations from a community. Thereby, it can result in an innovation that can provide a benefit for all people in both economic side and environmental side. Meanwhile, based on Palesangi (2012), social entrepreneurship has four elements. They are:

1. Social Value is the main element of this social entrepreneurship in which the existed value can be beneficial for all parties either in general or surrounding environment.
2. Civil Society is a social entrepreneurship that comes from the desire of the community to get social change and it is beneficial for other communities.
3. Innovation is the innovation elements given to a concept of social entrepreneurship that is beneficial for solving the existed problems. Thereby, it is more effective in solving the existed problems. In addition, the way in solving the problems can be integrated with the local wisdom.
4. Economic activity is not about the social impact that is performed. It is about the existence of economic impact that includes the social entrepreneurship. In this case, the balance between social impact and financial impact is needed. By the steady financial condition, the process of social entrepreneurship can be more independent.

A social entrepreneur is simply defined as someone that uses their capability to help to solve the social problems occurred around them by using their capability to make a change in the social sector such as either a change in the welfare sector, education or health sector (Cukier et al. 2011). Meanwhile, according to Schumpeter in Sledzik (2013), Entrepreneur is someone who is brave to make a change by changing the available system into a changed system or it can be

said that the person is brave to have a total change. Thereby, the social entrepreneur should have the capability to perform a total change and in conducting the total change, they will certainly face a difficult challenge. Additionally, it is not about the benefit as the goal, but the positive impact that can be perceived by the targeted community (Sofia, 2015).

The desire toward social entrepreneurship currently increases these days due to the shifting of social entrepreneurship that is previously considered as the activity, which the benefit is not the main goal (it tends to a charitable activity); however, a social activity currently becomes an activity that has a business value (entrepreneurial private-sector business activities) (Utomo, 2014). In the DBS website, Indonesia (2017), it is stated that there are four types in social business. They are:

Community-Based Social Entreprises

Based on the concept, community-based social enterprise is focused on their own community needs. If an organization generally has a strict/rigid structure, you will feel very close to this type of social business in personal as if they are your family. It happens due to self-empowerment that has a business objective i.e. improving the quality of community life. Generally, this social business can be found in form of cooperatives.

Non-Profit Social Entreprises

The motivation of this type of entrepreneurship is from the care for mitigating a problem in the community in a wider scope. Certainly, this demands the organization to create an obvious transformation in the community. Therefore, a more professional management and competent workforce are needed in managing this type of social business, such as Greeneration Indonesia i.e. the social business that has a mission to make a better Indonesian environment. One of them is by a funding system that re-distributes the sales turnover in form of an eco-friendly bag for the importance of waste management. Thus, the community can enjoy both benefits all at once, both the function of the bag and the clean environment from good waste management.

Hybrid Social Entreprises

This social business is oriented to the sustainability and the development or sustainable development. In addition, the fund source used for supporting this mixed social business is varied and it tends to be balanced, starting from social, semi-commercial, up to commercial fund such as Yayasan Cinta Anak Bangsa (YCAB) as the inspiration. The targeted recipients who receive the benefit are pre-prosperous teen's aged 10-24 years and pre-prosperous women. Meanwhile, the consumer who purchases the product from a business unit is both an individual donor/contributor and donor agency or grantor.

Profit for Benefit Social Entreprises

It is a social business with a wide special characteristic of organization target. It is due to the three elements of target i.e. success, development, and growth become the basis to make the organization to be fully independent without any dependency to an individual or donor agency.

Social Entrepreneurship in Indonesia

In recent years, social enterprises or social-based business in Indonesia starts to be concerned by the business actors especially the people who care about the social problem in the community. Moreover, this social enterprise starts using a startup model. The difference between a common startup and social startup is from the capital and the way they gain profits. The startup generally focuses on finding profit while the social-based startup promotes the social mission more as the background in establishing the company.

A startup can be called a social enterprise if the startup can fulfill three aspects. They are the ability to mitigate the social problem for both the community and the environment, having a financial aspect for maintaining business sustainability and having a mindset i.e. to develop the available business.

There are many social enterprise-based companies occurred in Indonesia both the new one and the company that has been existed. Some of those companies are described as follows.

Kitabisa.com

It is a social-based startup using a crowdfunding platform that has a function as a media for collecting funds from the contributors. Thereby, it can be distributed to those who need it. Usually, the target market is a social program. For instance, the funds for the victims of an earthquake, for the children who suffer a severe disease, up to fund or donation for Rio hanyanto to make him able to participate in F1.

Gandengtangan

It is a social-based startup. The function is becoming a fund deposit from the investors to the people who need it without charging them any interest or 0% interest.

Amartha

It is a startup operated in fund deposit from the investors and distributing the funds to housewife. The fund can be used as the capital or the additional capital for the business. In this part, the borrowers are obligated to perform a return of capital that has been borrowed in 50 weeks and the installment should be done every week. Their target is unique i.e. the community in a small area and the capital given is not much i.e. around 1 million-5 million rupiahs.

IGrow

It is a social startup operated in the agricultural sector. It aims at funding the farmers. This startup relates the investors, farmers, landowner, and crop buyers simultaneously. According to Santoso (2007), a business in social entrepreneurship should be able to play its role visibly for the development. It happens due to the social value or economic value in a social entrepreneur. Therefore, it should be able to create a job opportunity for the local community, able to improve the equality in the community especially for welfare, and able to make an innovation towards a product or service that has been produced.

Business Model Canvas

A business can be performed by everyone but the thing that becomes a question is that whether the business that has been built can be sustainable in the market and the ability to compete with other competitors. To improve the competitiveness of a company, a business model is needed for illustrating the whole strategy of a company from both customer and company's internal side such as who the supplier is, what activities are done in a company, and how much the cost should be spent.

Business model canvas is developed by Alexander Osterwalder and Yves Pigneur at the first time. The complicated business concept is changed into a simple business concept by them so that it is easy to be performed by all people. A business model canvas is a business concept that is illustrated to have 9 blocks in the figure in that it will involve all staffs in filling the blocks. Thereby, in developing the business, the staffs will be actively involved by using this business model canvas (Osterwalder, 2004). In general, a business model is defined as a business model that will illustrate a condition of an organization in creating a value and then obtaining the value so that the company can take advantages from the value that they have made or created (Osterwalder and Pigneur: Business Model Generation, 2010). A business model canvas is a tool that can be used for helping the company to understand, design, and implement a business model effectively; thereby, it can be used easily by the company in performing the business analysis (Gras et al., 2011). A business model can also illustrate a relationship in a company by looking at the excellence and the resources they have so that it can create a value for a company to generate profits (Manajemen, 2014).

A business model is key for a company to improve the company performance so that it can reach the goal and improve the competitiveness (Rezqi & Gina, 2014). In this business model canvas, there are nine blocks that are correlated with each other. For example, in cost structure, the correlated blocks are Key Resources, Key Activities, and Key Partnership. Among 9 blocks that are correlated to each other in business model canvas, there are four main areas in it i.e. the block that is related to consumer, an offer, infrastructure, and financial (Setiawan et al., 2015) ((Figure1) (Source: Osterwalder and Pigneur (2010))).

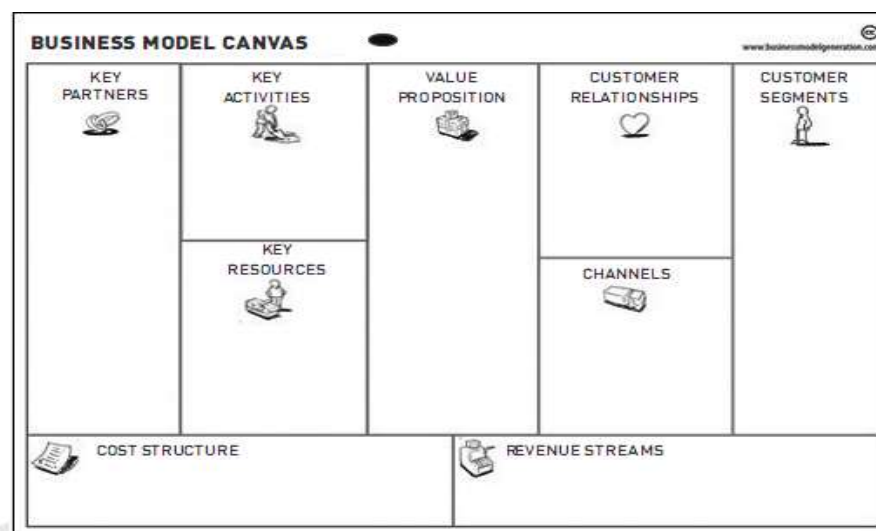


FIGURE 1
BUSINESS MODEL CANVAS

Social Business Model Canvas

A business in social enterprise actually does not have an appropriate business model canvas. This social enterprise usually uses a business model canvas that is made by Alexander Osterwalder. However, there are many derivatives made for accommodating the needs of a business model in social enterprise. Therefore, the importance of business social canvas is adjusted by the Social Innovation Lab. (2013). The concept of the social business model is a business model used specifically for social-based business (Grassl, 2012). The social business model can map out the social-based enterprise practically and it can be understood and performed easily (Adriel & Aure, 2012)

This social Business Model Canvas has 10 blocks with three additional blocks ((Figure 2) (Source: (Tademic n.d.))).



FIGURE 2
SOCIAL BUSINESS MODEL CANVAS

RESEARCH METHOD

The method used in non-metric research was a qualitative method. A qualitative research used the data from the people visibly such as interview, while the quantitative research used the data as a part of the research (Sekaran, 2013). A qualitative research had a different way of thinking. It happened because the research object was adjusted to the available reality where the reality could be plural, polygonal, and it had many layers. Therefore, the qualitative research should be clear about the people who would be chosen as the research object. It was done to ease the research and to make the research as a focus (Putra, 2011).

The data collection technique used here was interview and discussion with the owner of a social business existed in Jakarta. Meanwhile, those data were collected from relevant companies and institutions. The technique for data analysis used the primary data and secondary

data. The result of observation and relevant data were collected from both a company and other sources. In the stage of data analysis, the process of data classification into Business Model Canvas was conducted and then the data was presented in form of Business Model Canvas. The data was entered in Social Business Model Canvas afterward. The last step was drawing a conclusion based on the result of the analysis.

Data Collection Method

In composing this research, the writer used a data collection method consisting of:

Interview

This interview was conducted to obtain information coming from:

1. The social business actor as the main company that performed a social business
2. The consumer of social business can be in form of small business enterprises that received funding from the investor through the mediator of the company or it could be called as investee
3. The investor that helped the consumer by giving funds as a form of investment through an investee

Questionnaire

It consisted of some questions used for obtaining information from the respondents

Observation

Observation is a process of data collection directly by conducting an observation.

Sample

This sampling activity was conducted to some social business actors in the Jakarta region.

RESULTS AND DISCUSSION

Social enterprise is a business that tries to help to solve various social problems by combining various sources such as innovation, creativity, and the available resources along with the spirit and the value of togetherness (Battilana et al., 2012). Therefore, various innovations were needed here. However, these innovations should be adjusted to the value that could be given.

In this social enterprise (Figure 3), there were two parts needed to be concerned. They are:

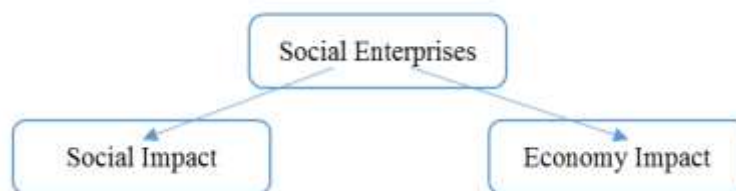


FIGURE 3
IMPACT FOR SOCIAL ENTREPRISES

Therefore, those two aspects would support each other. It was caused by:

1. The social problem could be finished well.
2. In solving the social problem, it required more operating cost such as employee salary, operating cost, etc.

The illustration of this social-based business could use the business model canvas. Since using the business model canvas, a company could be illustrated in detail from the side of which customer that would be receiving the service up to the way of the company in gaining profit. All of them had been illustrated clearly. This certainly could be applied directly to a company that used a social enterprise system.

There was no difference between a public company and social based enterprise in using the business model canvas. It can be seen in Table 1.

Public Company	BMC	Social Entreprises
The targeted Customer	Customer Segment	The targeted Customer
The additional value that can attract the customer	Value Proposition	The additional value that can attract the customer
Building a relationship with the customer	Customer Relationship	Building a relationship with the customer
How the given Value can be accepted by the targeted customer	Channel	How the given Value can be accepted by the targeted customer
Obtaining revenue from the customer	Revenue Stream	Obtaining revenue from the customer
Any kind of resources for supporting the value proposition	Key Resources	Any kind of resources for supporting the value proposition
The identification of activity and the process that can support the value proposition	Key Activities	The identification of activity and the process that can support the value proposition
The important partner that can help to provide a value proposition to the customer	Key Partnership	The important partner that can help to provide a value proposition to the customer
The cost needed for yielding a significant value for the customer	Cost Structure	The cost needed for yielding a significant value for the customer

Since it was quite similar in using this business model canvas, a deeper analysis was needed. The differences that should be concerned since the company that was based on social enterprises had two different impacts i.e. social impact and economic impact. This difference certainly gave an impact to someone who received the benefit from the company (Table 2).

TABLE 2		
SOCIAL BUSINESS MODEL CANVAS		
BMC Blocks		Description
Segment	Beneficiary	Who are the beneficiaries
	Customer	Who are the customers
Value Proposition	Beneficiary Value Proposition	Value for the beneficiaries
	Impact Measures	The social impact that is done and measured
	Customer Value Proposition	Value for the customer
Type of Intervention		How to perform an intervention to the customer
Channels		How to reach the user and the customer
Revenue		The revenue obtained from the customer
Surplus		The profit that has been gained and the plan for investing the profit
Key Activities		The activity that will be done either the program or non-program
Key Resources		The required resources to create a value proposition
Partners + Key Stakeholders		Anyone who will be involved in this program and how far they could become the policy maker
Cost Structure		Any required cost

Improving Business Performance

With the assistance of a social business model canvas, the company would be able to focus on running the business. It was because of the several parts in the social business model canvas focused more on social impact than economic impact. It can be viewed from:

Beneficiary Segment

This part consists of two parts that become the focus, i.e.:

Beneficiary

Conducting identification toward who will receive the benefit given by the company. By the existence of this segment, the recipients of the benefit are the people who really need it.

Customer

From this segment, it will be found the people who will help the company when the problem occurs. For instance, the party that received the financial aid could not pay. There will be a third party who helps to solve the available problem.

Social and customer value proposition

The block of this value proposition had three supporting parts, i.e.:

Beneficiary value proposition

It is about the kind of value that would be received by the beneficiaries. Thereby, it would affect their life such as the social impact to improve welfare.

Impact measures

It is about the social impact that had been created and the way to measure the social impact on the beneficiaries. Thus, it can be known about the amount of benefit that will be received by all parties.

Customer value proposition

It is about what value that would make the customer purchasing or getting the offered product without putting aside the impact perceived by the community.

Surplus

It is about how the company's profit that has been obtained is beneficial for many people and how the profit could be the investment for business development. Hereby, the business can be more developed.

Partners+Key Stakeholders

It is about the people who are involved in the business plan that will be developed and how they can help, or they are directly involved in the available social business.

Type of intervention

It is about how the business is the ability to intervene in the community so that the people can be the beneficiary. For example, building a business place that can accommodate the workforce, or (in the financial sector) it can be the center of soft loan to help the financial side of small enterprises.

CONCLUSION

Based on the result of observation and interview that have been conducted as a part of the research, many social companies have been established such as peer to peer lending platform that can help the community to improve the welfare. It is because of the mission of the company is to help the company in improving the community welfare by giving a capital. Not only the capital that has been given but the community (Small Business Enterprises) also gets a large amount of benefit from it. For example, entrepreneurship training such as marketing, branding, selling, and financial management.

The business that is based on social enterprises should have two impacts that support each other, i.e.:

1. Economic Impact
2. Social Impact

These two impacts should support each other in giving support. It is caused by:

1. The business in the social sector is a business that specifically focuses on performing a social activity.
2. Social business needs an operation to perform the activity such as workforce, operating cost (electricity, water, and telecommunication) etc. All of the activities need much cost.

Thereby, the company should prepare the funds to conduct those activities. The cost can be obtained from several parties, i.e.:

1. Cost from donation
2. Cost from a business other than social business developed by a company to support the business
3. Cost from the investors
4. Cost from the funds for a social activity that some percents of them used for financing the company are set aside.

In running the business in the social sector, a tool for illustrating the business is needed. The tool is a business model canvas. In fact, to see the social business obviously can be done using the business model canvas. However, to see it deeper, we can use the social business model canvas. The significant differences between the Business model canvas and social business model canvas are as follows:

1. Partners and key Stakeholder
2. Type of Intervention
3. Segment. This block consists of two point's i.e. beneficiary dan customer
4. Value proposition. It has three elements i.e. user value proposition, Impact measures, and customer value proposition
5. Surplus

With the existed differences, the company that has a basis in social enterprises can be measured to the impact occurred, both social impact and economic impact. In addition, the main benefit for the beneficiary can also be found.

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