

The Business Model of Social Entrepreneurship in Indonesia

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Abstract. The purpose of this study is to develop a conceptual setting in which the business models of social enterprises can be analyzed through value proposition, value creation and value capture. This study employed a method of qualitative research through in-depth interviews of 30 social entrepreneurs in Jakarta, Yogyakarta, Bandung and Bali. The result of the study showed that, in terms of the value proposition in business models of entrepreneurship, all organizations are established in response to discriminations suffered by marginal communities. Regarding the aspect of value capture, it seems to appear through a series of activities such as conducting humanity-based programs, capacity building and holding education and training on the environment. Value creation is found in cases where the more benefits the community gains from program implementation, the more successful and sustainable the social entrepreneurship will be. This research proposes a new type of business model that aims to categorize and explain business model innovations for sustainability, provides mechanisms to assist the innovation process for embedding sustainability in business models and defines a clear agenda for business models for sustainability. Based on the empiric data, this study successfully identified four types of social entrepreneur models in Indonesia which are based on the mapping results found in all of the organizations aiming to resolve social, economic, and environmental issues in Indonesia. This study successfully identified four types of business models: Mixed-based Model, Sharia-based Model, Volunteerism-based Model, and Cooperation-based Model.

Keywords: business model, social entrepreneurship, sustainability

Abstrak. Tujuan dari studi ini adalah untuk mengembangkan konsep bisnis model yang diaplikasikan pada organisasi kewirausahaan sosial dengan penitikberatan pada tiga aspek yaitu preposisi nilai, penciptaan nilai dan tangkapan nilai. Metode penelitian kualitatif dipilih dalam studi ini dengan melakukan wawancara mendalam terhadap 30 organisasi sosial yang berada di Jakarta, Yogyakarta, Bandung dan Bali. Dari hasil riset ini, model bisnis organisasi kewirausahaan sosial yang dilihat dari aspek preposisi nilai menunjukkan bahwa semua organisasi memulai aktivitasnya dari adanya perlakuan diskriminatif yang diterima oleh kelompok marginal. Aspek penciptaan nilai diwujudkan oleh organisasi sosial entrepreneurhip dalam berbagai kegiatan yang memihak pada kemanusiaan melalui serangkaian penguatan kapasitas, pendidikan dan training bagi kelompok sasaran, sedangkan tangkapan nilai dilihat dari keberhasilan implementasi dan keberlangsungan program. Riset ini pada akhirnya menemukan empat kategori model bisnis organisasi yang bergerak untuk memecahkan masalah sosial, ekonomi dan lingkungan di Indonesia yaitu model bisnis campuran, model bisnis syariah, model bisnis sukarela dan model bisnis koperasi.

Kata kunci: model bisnis, keberlanjutan, kewirausahaan sosial

INTRODUCTION

Social entrepreneurship is described as a business-oriented field of which the purpose is to efficiently provide basic human needs where existing markets and institutions have failed to fulfill. According to Austin, Stevenson and Wei-Skillern (2006), social entrepreneurship is defined “as an innovative and social-value creating activity that can occur within or across the nonprofit, business, or government sectors.” Bryce (2014) highlighted that informed decisions and innovation to make a significant social impact as the foundation of social entrepreneur. Perrini and Vurro (2006) explained about the rising popularity and adoption of social entrepreneurship, on the one hand, by requests from stakeholders of the nonprofit sector

to enhance economic efficiency and organizational effectiveness, and, on the other hand, from the stakeholders of the for-profit sector to facilitate socially responsible behavior. Social entrepreneurship also relates to economic development and governments generally see it as the creators of economic activity (Djip, 2014). In line with this diversity, Dees (1998) found social entrepreneurs ranging from a primary focus on a social mission to a mainly commercial orientation with secondary social objectives. In his view, a social enterprise should be neither purely philanthropic nor commercial to achieve a productive balance. Accordingly, a social enterprise should use the full range of options and should operate like a business in the way it acquires resources and distributes products or services. As a consequence, the acquisition

of financial resources for social enterprises should also be considered with the full spectrum of options ranging from public or private donations for the social mission to market revenues generated with the social mission.

For the past decade business model research has had little consensus towards adopting a single definition in management concept. However, understanding the value creation within organizations inspires existing business model literature. Moreover, applications of business model frameworks in social entrepreneur's organizations have been limited. Nevertheless, existing academic literature has not yet explored the organizations that have social mission to create sustainable change in society through addressing issue on environment, education, health and poverty. The main purpose of this study is to contribute to the understanding of how business models can be applied in social entrepreneur organizations or application as a strategic public management tool. This study developed a conceptual setting in which the business models of social enterprises can be analyzed. An analysis of how the business model of selected social organizations in Yogyakarta, Bandung, Jakarta and Bali, Indonesia has been employed and how value is created within organizations has been analyzed. To deal with a broad variety of social missions with social value being created along a multitude of dimensions, a clear focus has been laid on the design of the social mission's underlying business model with special regard to financing forms and sources. Specifically, this study highlighted that every social business model can be characterized by value proposition, value creation and value capture. This empirical study also aimed to determine conceptual linkages between business model applications in social entrepreneurship organizations and to identify new types of business models that will be important for development of future research.

Social entrepreneurship was introduced in the 1970s to address the issue of social problems sustainably (El Ebrashi, 2013). Social entrepreneurship practices emerged in the 1980s with the establishment of Ashoka, which is the first organization to support social entrepreneurs in the world. Mari and Martí (2006) see social entrepreneurship as a practice that integrates economic and social value creation. The entrepreneur's mission represents the cornerstone of his or her venture and provides a clear understanding of the organization's purpose and reason for being to all people involved – leaders, funders, and customers (Dees, Emerson, & Economy, 2002). This study defines social entrepreneurship is as any operation involving the resourceful use and efficient combination of resources to create opportunities that foster social changes or meet social needs.

The outcomes and measurement of social entrepreneurship are different from traditional entrepreneurship. Social entrepreneurs tackle market failures (Nicholls, 2006) and focus on achieving a social mission, which is clear in the context and outcomes of the social component and should yield and sustain

social benefits (Mair and Noboa, 2006). The sensible outcomes produced by social enterprises are social impact and social change (Young, 2006), which sustain social benefits. In this case, social impacts include all social and cultural consequences to human populations of any public or private actions that alter the ways in which people live, work, play, relate to one another, organize to meet their needs, and generally cope as members of society. Cultural impacts involve changes to the norms, values, and beliefs of individuals that guide and rationalize their cognition of themselves and their society (Burdge and Vanclay, 1996, p. 59).

Social entrepreneurs focus on the creation of social impact and social change and social transformation (Nicholls, 2006; Mair and Noboa, 2006). Hence, social entrepreneurs as founders combine resourcefulness with social mission to create sustainable change in society. According to Perrini and Marino (2006), a mission represents an organization's soul and beliefs in describing the company's service area, service recipients, and main expected outcome. In addition, key elements such as innovation, entrepreneurship, and tension toward specific social changes are outlined. Dees (1998c) found that a social mission is oriented to some fundamental changes in the way things are traditionally done, thus declaring social entrepreneurs as reformers, revolutionaries, and change agents in the social sector. As such, social entrepreneurs aim at reducing rather than meeting the needs; they create systematic change and, thus, achieve some sustainable improvements. For that matter, serving customer desires, creating wealth, and making profit can be a part of the business concept, but the crucial aspect is the social impact based on lasting improvements. Peredo and McLean (2006) claimed that the idea of social entrepreneurship must allow a number of actors to possess "selfish motives behind their social mission, or less than relentless, or uneven in their performance, or otherwise less than exemplary."

With a strong focus on creation of social value, our working definition of social mission is any process that creates social value by combining resources efficiently. All resource combinations intend to encourage the adoption of social value by meeting social needs and activating systematic social change. In detail, social value is generated by any form of stimulating or satisfying consumption needs (e.g. hunger, housing, health, and supply), employment needs (e.g. education and work), or society needs (e.g. environment, policy, and security). As emphasized by Perrini (2006), social expected value can enhance social conditions, e.g. through working conditions, access to technological progress, or integration and participation within the community.

In following a social mission, we view the social entrepreneur as a change agent within the social sector, not only to serving customer desires and creating wealth but also to enabling the generation of profits. With the social mission in their agenda, social entrepreneurs need to avoid drifting too far from their underlying social welfare objectives (Hockerts, 2006).

Indeed, the social entrepreneur distinguishes him/herself from the commercial entrepreneur essentially through the pursuit of a social mission addressing a social need or problem. Despite a consensus over this basic differentiation, the literature, nevertheless, provides a variety of discussions on which to draw the line between both concepts. At one end of the spectrum, the priority is laid on social wealth creation relying extensively on philanthropy. For that matter, Peredo and McLean (2006) found that a negligence of earned income is legitimate due to the exclusive concentration on social gain, which is analogous to the way traditional charities are treated (Zahra, Gedajlovic, Neubaum, & Shulman, 2009). However, although this focused construct may yield innovative approaches to social problems; it lacks a clear objective toward a sustainable, long-term, and self-financed venture (Mari & Martí, 2006; Weerawardena & Sullivan Mort, 2006).

The emerging literature on business models suggests that a focus on activities can indeed be useful and unifying (Teece, 2010). In our own work, we have defined the business model as depicting 'the content, structure, and governance of transactions designed so as to create value through the exploitation of business opportunities' (Williamson, 1985). Undoubtedly, transactions link activities, and transactions and activities can be viewed as two sides of the same coin. As an analogy, consider a graph theory with its dual perspectives on nodes and arcs, it can be described either by focusing on its nodes and by listing all the other nodes to which they are linked, or by focusing on the arcs and describing which nodes pertain to each arc: both are equivalent in that they yield a complete description of the graph. Similarly, a business model can either be conceptualized as a set of transactions or as an activity system, in Afuah and Tucci's words, a 'system that is made up of components, linkages between the components, and dynamics.' Viewed as an activity system, the business model encompasses what Afuah notes elsewhere as 'the set of which activities a firm performs, how it performs them, and when it performs them.' Johnson et al. catalog some key activities that might include 'training, development, manufacturing, budgeting, planning, sales and service,' while Mitchell and Coles emphasize that the business model addresses the 'how' of providing customers and end-users with products and services, and Eisenmann suggests it refers to the nature of the services that firms provide to customers, and the activities that they perform to deliver those services. Chesborough and Rosenbloom consider the business model as a construct that mediates between technological inputs and economic outputs. Accordingly, the business model defines the structure of the value chain (an activity-based concept), creating value (as Chesborough notes elsewhere) 'by defining the set of activities from raw materials through to the final consumer with value being added throughout the various activities,' thereby addressing the underlying logic of how the firm delivers value to its customers at an appropriate cost. In a nutshell, the received literature

on business models, explicitly or implicitly, supports an activity system perspective (Afuah & Tucci, 2004).

Some scholars have pointed explicitly to the boundary-spanning nature of business models by emphasizing the need to consider activities performed for the focal firm but outside its boundaries by partners, suppliers or customers. This allows the focal firm to rely on the resources and capabilities of third parties, and harness external ideas and technologies through 'open business models'.

A business model is a conceptual tool utilized to assist in understanding how a firm runs a business and can be used for analysis, comparison and performance assessment, management, communication, and innovation (Osterwalder & Pigneur, 2010). Business models are concerned with how the firm defines its competitive strategy through the design of the product or service offered to its market, how it charges for it, what it costs to produce, how it differentiates itself from other firms by the value proposition, and how the firm integrates its own value chain with those of other firms in a value network (Rasmussen, 2007). The quality of management is the key because they determine the success of the business model through their capabilities, ability to acquire, combine and utilize some valuable resources in ways that deliver a value proposition to customers (Beltramello, Haie-Fayle, & Pilat, 2013).

The literature presents various perspectives on the business model: Margretta's (2002), Zott and Amit (2009) and Beattie and Smith (2013) describe business models as a holistic description on 'how a firm does business' and Teece (2010) describes that a business model articulates how the company will convert resources and capabilities into economic value. It is nothing less than the organizational and financial 'architecture' of a business and includes some implicit assumptions about customers, their needs, and the behavior of revenues, costs and competitors (Teece, 2010). In essence, value is the main essence in analyzing a business model. The value can be referred to both the community (public value) and private (private value) (Moore, 1995). Additionally, Moore provides an illustration regarding the perspective of economic, environmental and public value for any stakeholders (Figure 1). In this figure, it can be observed that value created by the private sector is highly correlated to financial profit; while, value produced by the public sector is more directed to the interest of the citizens/public.

More specifically, Osterwalder and Pigneur (2011) describe a business model as a series of elements: the value proposition (product/service offering, customer segments, and customer relationships), activities, resources, partners, distribution channels (i.e. value creation and delivery) and cost structure, and revenue model (i.e. value capture). Richardson (2008) based on a wide range of literature proposed a consolidated view of the components of business models as the value proposition (i.e. the offer and the target customer segment), the value creation and delivery system, and the value capture system. Zott and Amit (2009) take

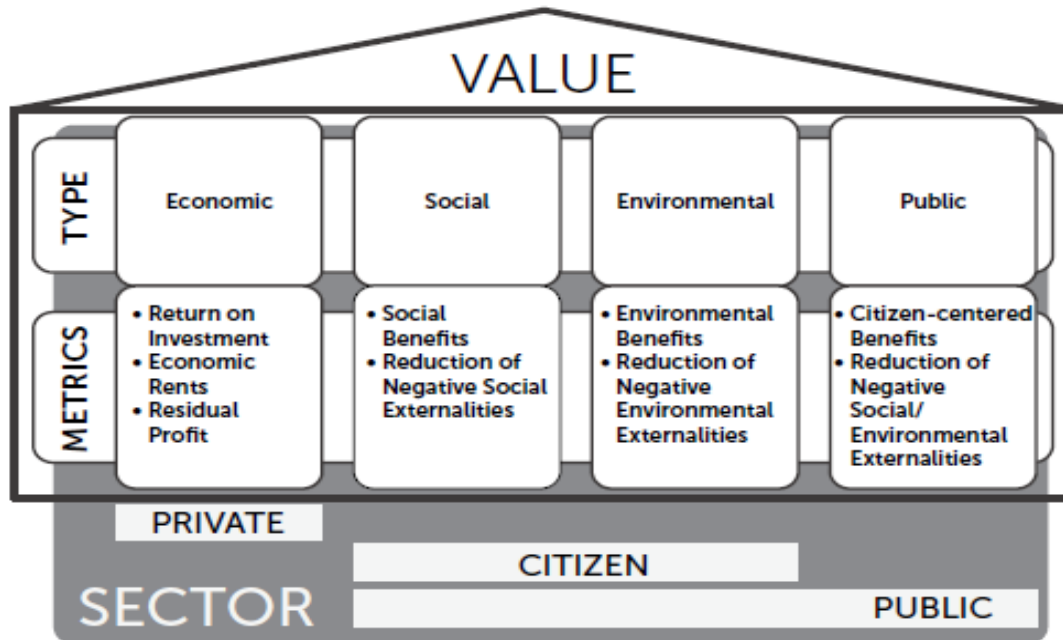


Figure 1. Perspective of Value across Sectors

Sources: Moore, 1995

an activity-based perspective, including the selection of activities ('what'), the activity system structure ('how'), and who performs the activities ('who'). A business model is defined by three main elements: value proposition, value creation and delivery, and value capture. Value creation is at the heart of any business model; businesses typically capture value by seizing new business opportunities, new markets and new revenue streams. While value proposition is typically concerned with product and service offering to generate economic return, in a sustainable business the value proposition would provide measurable ecological and/ or social value in concert with economic value (Boons & Lüdeke-Freund, 2013). Value capture is about considering how to earn revenues (i.e. capture value) from the provision of good, services or information to users and customers (Teece, 2010).

The overall objective of a focal firm's business model is to exploit a business opportunity by creating value for the parties involved, i.e., to fulfill customers' needs and to create customer surplus while generating profit for the focal firm and its partners. That objective is reflected in the customer value proposition, and has been characterized by Magretta as 'the value creating insight on which the firm turns' (Magretta, 2002). An activity in a focal firm's business model can be viewed as the engagement of human, physical and/ or capital resources of any party to the business model (the focal firm, end customers, or vendors) to serve a specific purpose towards the fulfillment of the overall objective. An activity system, thus, is a set of interdependent organizational activities centered on a focal firm, including those conducted by the focal

firm, its partners, vendors or customers. The firm's activity system may transcend the focal firm and span its boundaries, but will remain firm-centric to enable the focal firm not only to create value with its partners, but also to appropriate a share of the value created itself. Interdependencies among activities are central to the concept of an activity system, and they provide insights into the processes that enable the evolution of a focal firm's activity system to be overtime as its competitive environment changes (Siggelkow, 2001). These interdependencies are created by entrepreneurs or managers who shape and design both the organizational activities and the links (transactions) that weave activities together into a system. Such purposeful design - within and across firm boundaries - is the essence of the business model (Zott & Amit, 2009). Some activities relevant to the focal firm's business model will be performed by the firm itself, others by suppliers, partners and/ or customers.

The architecture of the firm's activity system - shaped by the choice of activities, how they are linked, and who performs them - captures how the focal firm is embedded in its 'ecology,' i.e., in its multiple networks of suppliers, partners and customers, as well as defining who are the firm's potential suppliers, partners and customers (and competitors) in the first place. A business model is geared toward a total value creation for all parties involved. It lays the foundations for the focal firm's value capture by co-defining (along with the firm's products and services) the overall 'size of the value pie,' or the total value created in transactions, which can be considered the upper limit of the firm's value capture potential. Again we have

noted in previous work that the business model also co-determines the focal firm's bargaining power: the greater the total value created, and the greater the focal firm's bargaining power, the greater the amount of value that the focal firm can appropriate.

RESEARCH METHOD

This study is conducted in two stages. The first stage is the study of secondary data (websites, press articles, blogs and similar sources) on business models of organizations operating in Indonesia and addressing social and environmental problems. Desk review of secondary data is conducted in order to get the list of social entrepreneurship organizations in Indonesia. The sample of this study includes various organizations including NGOs, social businesses, and for-profit companies, to account for different approaches to value creation as they are likely to result in different business models. These organizations represent a range of different sectors and were identified through various practitioners working with organizations. In addition, the organizations that are selected must meet the following criteria: first, the organizations that address social or environmental issues as their main activity and as part of their vision or mission. Second, these organizations may include profit-oriented as well as nonprofit organizations. They can be small or large organizations. The organizations must have a specific business strategy or goal to address social or environmental issues and have impact on social or environmental issues in a community. Third, the organizations must have been in operations for at least three years in Indonesia in order to identify the sustainability strategy in creating the value that they want to achieve. Based on the desk review on results and criteria provided, 30 organizations were selected in Java and Bali. The list of organizations can be seen on Table 1.

Yogyakarta	Koperasi Perikanan Desa Mina GK; BMT Agawe Makmur	Street Children
	BMT Yaqqowiyu; APIKRI	Economy
	Sanggar Anak Alam (Salam)	Education
	SAPDA	Disabled, Children, and Women
Bandung	Greeneration	Environment
	Bimandiri	Economy
	Rumah Cemara	Health
Jakarta	Persada	Environment
	Hivos/YRE	Environment
	IBEKA	Energy
	Kalyanamitra	Gender
	Jala PRT	Social Exclusion
	Sekolah Kami	Education
Bali	JED Bali	Tourism
	Bali Recycling	Environment

Table 1. The Organizations as the Research Objectives and the Resolved Issues

Location	Organization	Main Issues
Yogyakarta	Koalisi Pemuda Hijau Indonesia (KOPHI); Griya Sampah Sapu Lidi; Paguyuban Sampah Sukunan Bersemi; Bank Sampah Organik Mojolegi; Bank Sampah Lintas Winongo; Bank Liran	Environment
	CD Bethesda; Victory Plus; Dian Desa	Health
	Rumah Zakat	Education, Health, and Poverty
	GIRLI; Rumah Singgah Girlan Nusantara; Rumah Singgah Anak Mandiri	Street Children

The second stage of this study is the qualitative research method through in-depth interview of 30 chosen social entrepreneurships in Indonesia. Those organizations were selected as they strive to resolve important social issues regarding health, education, environment and energy. The interviews were conducted with the managers of the focal organizations (that is, those organizations that were responsible for implementing the model) to provide an in-depth understanding of all the aspects of the business models and to obtain insights into how successful the analyzed models were in terms of value creation. The semi-structured interviews for each organization was about 60-90 minutes with exploration on questions such as identification of activities, structure of activities and the logical base of value creation, the stakeholders related to each activity, values created, the affected stakeholders and the identification of value sources and mechanism of value capture.

The analysis of the business model of social entrepreneurship organization is conducted through several steps. The first step is the development of a thorough understanding of what a particular business model did and what specific activities were involved. The second step is to determine the structure of activities and the underlying value creation logic. It was aimed in order to get the understanding of how the value was created through the activities organized. The third step is identifying the stakeholders related to each activity to know who was involved in performing the activities and what kind of community was impacted by organizations' activities. The last step is identifying

what value is proposed, created and captured. Those three values are the important elements for generating business model.

RESULT AND DISCUSSION

The term value proposition is defined as the value of a set of products or services offered to fulfil the demand and the needs of customers. This value, as stated by Murphy and Narkiewicz (2010), covers something promised by an organization to the customers. One of the ways for an organization to be capable of possessing competitive excellence in the market is by making value proposition as the business core. In this study, value proposition is observed through the background of the organization establishment, intended objectives of the organization, social issues to be answered, its customers, and what is offered to its customers or service/product users.

Skok (2013) added that value proposition is a statement regarding the benefits offered to the customers and the organization's means in offering them properly and uniquely. This is related to the targeted customers, the issue attempted to be resolved, and the reason that the products offered are better than other competitors' ones. For this, as mentioned by Skok (2013), the following phases should be undertaken to create value proposition such as define, evaluate, measure and build. The first value proposition is define. An organization must be able to define the problem the customers are facing. In fact, many organizations are unable to define the problems faced by the customers; as a result, the products or service produced, in fact, no longer become necessary to customers. The second one is evaluate. An organization should conduct evaluation to see whether the solution offered is unique and interesting. This can be done through innovation in which the organization can afford certain benefits to the customers by inviting them to view an issue through a different perspective compared to other competitors and organizations. The organization, for instance, can offer certain technology that can hinder access of competitors. In addition, the organization can modify its business model for achieving growth that can offer more values. The third one is measure. An organization requires response from customers in developing its products. The customers will continue to use the similar product when its benefit is viewed more substantial than its loss. Benefits in this matter can be defined as ease of use, good durability, use of latest technology, and good quality of service. Lastly is Build. An organization should create value proposition from newness and capability of products created.

The Value Proposition that is used in this study, as stated in Table 2, is defined as all existing social entrepreneurship organizations that have been established due to discriminations faced by marginal communities such as the unequal distribution of health care, negative stigma for communities suffering from certain diseases, the inability of the poor to access financial investment/capital for business development,

Table 2. Value Proposition of Social Entrepreneurship

Indicators	Findings
Background of Initiating the organization	<ul style="list-style-type: none"> • Poor Waste Management System at the household and community level • Limited access to technology and networks • Inequality in health care, education system and better access for affordable food and energy • The behaviour of the poor community in creating healthy environment • Environmental damage and deterioration of society's local wisdom • Considerations regarding fresh water availability • Economic development for disaster victims • Lack of financial resources for farmers and small traders
Organizations' Purposes	<ul style="list-style-type: none"> • To improve the economy of fish farmer through the innovation of appropriate technology • To create a grass-root community that is prosperous and healthy and aware of their own problems • To encourage community care to have environmentally friendly attitude • To change the stigma toward marginalized communities (people with HIV/AIDS, Drug users, street children, transgenders) • To encourage awareness of rural community to independently manage any resources available and to preserve local wisdom • To help community with lower income increase their living standards through the use of appropriate technology as well as participative and self-assistance process • To improve local community's economy through Sharia-Based Savings and Loans cooperation
Social Issues to be focused on	Environment, health, education, energy
Customers	Community, company, marginal and vulnerable communities (drug addicts, People with AIDS, street children, female farmers, transgender, victims of domestic violence)
Health	<ul style="list-style-type: none"> • Services on waste management • Applying appropriate technology-based program such as micro hydro power plants, wind and solar power plant • Comprehensive Empowerment program on health care and education • Funding for business capital • Facilitating no-interest loan substituted with donation complying with capacity and sincerity

the government's failure in creating a clean and healthy environment, as well as the incapability of certain community group to access basic needs (economy, education and health). Based on the reasons above, the social issues that will be tackled by these organizations are related to issues on environment, education, health and empowerment of marginal community, gender equality, economy and prosperity and renewable energy. The targets of the service or product users include the poor, younger generation, people with HIV/AIDS, small-scale vendors, street children and women. What is offered to the users include health care, waste management, assistance, protection and effective technology. For this, the protection given to the customers covers assistance/mentoring for marginal communities, business finance for small-scale vendors and industries, education about waste management and creation of product made from waste, and training in education, health and environment.

Value proposition, as stated by Osterwalder and Pigneur (2010), refers to a product or service that generates values for a segment targeted by an organization. Those values must meet a number of provisions including, firstly, the existence of newness, having a reliable performance, and the existence of customization of products and services in accordance with the customer's demand. Other elements are to assist the customers to fulfil their needs (getting the job done), having a product design with high value for the customers (design), having status (brand), affordable price, and cost reduction. In addition, there should also be minimum risk for the customers when consuming the product or using the service (risk reduction) and the accessibility and simplicity for the customers when using the product and service (convenience).

One of the examples of service that generates values given to customers of social entrepreneurship organization is what has been conducted by Rumah Cemara wherein it employs a different approach toward people with HIV/AIDS and drug users. Management of community groups afforded with negative stigma by governmental institutions frequently tends to be implemented inhumanly – even leading to acts of violence. Hence, Rumah Cemara is encouraged to establish a rehabilitation center that is more humane and better uphold human dignity. Rumah Cemara also provides an integrated service covering health care and rehabilitation for drug addicts and people with HIV/AIDS – particularly regarding biological, psychological, social and spiritual aspects. It aims to rehabilitate and build self-confidence for those living with this social disease to return to social life and be reaccepted by society by ignoring the negative stigma affixed upon their person and life. To sum up, these research results emphasize that value propositions focus on the values given by an organization to its customers and customers' needs that have been fulfilled by the organization.

Value creation requires a clear identification regarding the customer segments targeted by an organization, the existing value proposition as well

as the organization's procedure in creating values for users of its products and services (Chesbrough & Rosenbloom, 2002; Morris, Schindehutte, & Allen, 2005). Value creation is the main target of each organization. In this research, this covers the organization's activities to attain the organization's value, work performance, sustainability, partner(s) whom it works with, and funding of activities. The intended value creation that should be attained by an organization of social entrepreneurship is a condition wherein more people can gain benefits from the implemented programs. In addition, its success can be measured through the existence of social integration in which marginal communities can be reaccepted in the society (Table 3).

Table 3. Value Creation of Social Entrepreneurship

Indicators	Findings
Activities conducted to attain organizational values	<ul style="list-style-type: none"> • Analyzing management process and waste management • Creating system of fish food production and seeding • Motivating, training, educating and improving life quality of marginalized communities • Selling various environmentally-friendly products • Building reactor of renewable energy power plant as well as conducting training for power plant operators and organizational management • Developing community relevant technology • Conducting integrated health, education and environment Program • Enhancing the capacity of small traders
How the organization works	<ul style="list-style-type: none"> • By implementing principles of maximizing recycling, minimizing waste, reducing consumption, and ensuring that products made can be reused, improved, or recycled; thus making it environmentally friendly products. • By implementing a pattern of financial-economic cycle and developing network with companies to market the product both domestically and abroad • By referring to portfolio of WAVE (waste, air, water and energy) and REACT (research, education, action, campaign and tools) to determine the programs that will be implemented • By testing, developing, training and mentoring the community regarding innovations of new appropriate technology-based program • By collaborating with all government and private hospitals • By directly coming to the traders in market or their houses, asking about their problems and providing solutions

	<ul style="list-style-type: none"> • By establishing cooperation with entities such as Department of Cooperation, Sharia banking and Ventura • By developing friendship network between the volunteers and marginalized communities • Through various activities involving the community, nurtured citizens and other stakeholders
How the organization strive to be sustainable	<ul style="list-style-type: none"> • By involving economic and business elements to obtain financial profits, using manual labor (human) and not dependent upon machines • By extending market networks, innovations of appropriate technology and strengthening the organization • Through profit from product sales, support from investors, and funders • By seeking financial aid from funding institution and private sector • By broadening the scope of customers and maintaining relations with the existing customers • Through a personal and kinship approach to the nurtured marginalized community
Whom does the organization work with	Local governments, communities/ volunteers, private organizations, funding institutions, NGOs
How the organization funds its activities	Government aid, funding, donation, and profit from business activities

Business model should also be capable of capturing values from the produced values. One of the requirements in value creation is consistency of cost structure with the value expected by the users (Chesbrough & Rosenbloom, 2002; Magretta, 2002). For this, value creation must be able to generate more values for a product/service, such as creating uniqueness of product/service to make it more competitive than products from other organization. Hence, resource, capability, main competence, and culture become very valuable internal organizational characteristics in value creation. Value creation is a financial concept that expresses the capability of an economic entity (organization, business unit or project) in quantitative form. Value creation arises if the profit obtained by a company is able to exceed the capital given (Hax, Majluf, & Nicolas, 1996). Hence, an organization needs to allocate its resources effectively. Value creation can be seen from the capability of an organization in identifying certain factors that can result in profits and values that will be attained. Similarly, Christensen & Johnson (2009) stated that value creation is tightly correlated to the creation of profit for an organization.

To illustrate how a value is created by a social entrepreneurship organization, we can observe the organization of Greeneration and Girli. Greeneration

has been selling various environmentally friendly products including offering services of waste management. The activities they have conducted were to directly shape an environmentally friendly attitude and to gain profit for their organization. Thus, the profit can support organizational sustainability. In the same tune, for an organization such as Girli which focuses on street children, financial benefit is not the purpose at all. Each person involved in a volunteerism-based organization is aware that the contribution they have given to the organization is voluntarily. Commonly, they receive no salary and they instead tend to provide resources they possess in the form of money, energy or skill to the organization. The findings of this study confirm what Linder & Cantrell’s perspective(2000) about value creation that refers to the method an organization implements in producing material value or the logic of how the company makes money. From this perspective, Magretta (2002) then emphasized the business model to be defined as all activities covering the creation and introduction of value such as design, purchase, manufacturing, transaction and distribution of product/service to the users.

Value capture plays a very critical role inasmuch as the financial profit obtained will be a wheel for the sustainability of an organization. In order to realize value capture, an organization should be capable of delivering value to its customers. Value delivery is created through effective management of key resources in an organization (Johnson, Christensen, & Kagermann, 2008). Value capture in this research emphasized on the methods organizations employ to gain profit, to measure their work performance, the definition of success for an organization, and any obstacles in work performance results. Value capture for a social entrepreneurship organization is realized through a series of activities such as running a humanism-based program, capacity building and education and training on environment. All the social entrepreneurship institutions interviewed in this study is categorized as a productive and increases net wealth in society(Mitchell, 2012). For the sake of attaining organizational sustainability, activities were carried out through network development/collaboration, domestic or foreign donors, product sales, government, CSR funds from private organizations (Table 4).

Table 4. Value Capture of Social Entrepreneurship

Indicators	Findings
How this organization obtains its profit	Product sales and creating own market <ul style="list-style-type: none"> • The more parties using the organization’s services, the more contribution can be given to the environment, economy and society • Community Welfare and Prosperity • When the program indicators are achieved

	<ul style="list-style-type: none"> • When customers buy their products based on environmental awareness • improvement of marginalized community's life quality in its biological, psychological, social and spiritual aspects • Community has authority over local natural resources which leads to economic justice • When the ignored child can be accepted in society • When comfortable and clean environment are achieved
Obstacles in work achievement	<ul style="list-style-type: none"> • Government regulation and minimum support from government • Strong political issue in waste management • Financial and human resources • Quality control of product sales • Community behaviour • Negative stigma of the public towards marginalized community with negative characteristics which endanger the public • Restrictions in product marketing
How the organization measures its work performance	<ul style="list-style-type: none"> • Through financial profit from waste management services and sale of recycled products • Quality Assurance (QA) • monitoring and evaluation

In general, the government has been concerned with main issues that are becoming social issues (health, education, environment, and energy), but it has not provided optimal services or reached all communities in need. The lack of government capacity in finance, facilities and infrastructure as well as competent human resource availability has led these main issues to be treated less optimally. It is no wonder that, as seen in the health sector, many community members do not have sufficient health care. Meanwhile, community members that do have health care tend to be treated carelessly. These consequently have, at least, encouraged Community Development Bethesda and Rumah Cemara to participate in handling any health issues faced by the community. Another example of value capture presented in the business model as conducted by Bali Recycling which determines the organization's work performance through the amount of financial profit. The more profits obtained, the better the work performance of the organization. However, as Bali Recycling also has a principle of Zero Waste, it means that the higher the income of the organization, the better the waste management in Bali. If their income increases, there will be more Balinese using their service. Indirectly, the activity conducted by Bali Recycling has also contributed to providing solution regarding waste management in Bali.

The following section discusses the business model types developed from the cases gathered. The selection

Table 5. Main Characteristics of the Identified Business Model Types

	Mixed-based Model	Sharia-based Model	Volunteerism-based Model	Cooperation-based Model
Main Activities	<ul style="list-style-type: none"> • Investigating issues • Planning and creating solutions • Monitoring and adapting solutions 	<ul style="list-style-type: none"> • Developing the (Islamic) community's economic capacity 	<ul style="list-style-type: none"> • Supporting marginalized communities 	<ul style="list-style-type: none"> • Increasing group's economic capacity
General Usage	Solution for complex issues (disease prevention, forest exploration)	Solution for issues of capital for traditional market vendors	Creating equality for marginalized communities	Solution for members' welfare
Approach to Social Issues and Environment	Providing a comprehensive solution	Investment assistance sharia-based light compensation	Establishing network	Providing main benefit to its members
Configuration Scope	Value shop + (multiple configurations embedded in a value shop)	Value shop	Value network	Value shop
Logic in Main Value Creation	Varied	Humanitarian and alliance with partners	Assistance and management of profit	Improvement in group's economic condition
Drive of Main Value	Complementary activities	Social Services	Social Services	Social Services
Mechanism in acquiring main value	Multiple (dependent context)	To the community: capital, low interest rates	To marginalized community: social integration	To its members:
Basic limitation of time	Long Term	Mid – Long Term	Long Term	Long Term

Organization	<ul style="list-style-type: none"> • CD Bethesda • Greeneration • Rumah Cemara • Victory Plus • Dian Desa • Bali Recycling • APIKRI • Sanggar Anak Alam (Salam) • Bimandiri • Kalyanamitra • Jala PRT • Sekolah Kami 	<ul style="list-style-type: none"> • BMT Agawe Makmur • BMT Yaqqowiyu • Rumah Zakat 	<ul style="list-style-type: none"> • GIRLI • Girlan Nusantara • Rumah Singgah Anak Mandiri • Griya Sampah Sapu Lidi • Paguyuban Sampah Sukunan Bersemi • Bank Sampah Organik Mojolegi • Bank Sampah Lintas Winongo • Bank Liran • Koalisi Pemuda Hijau Indonesia (KOPHI) • SAPDA 	<ul style="list-style-type: none"> • Koperasi Perikanan Desa Mina • Persada • Hivos/YRE • IBEKA • JED Bali
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criteria used to develop the type included innovations that generate environmental and/or social benefits in business activities that is change the value proposition to the environment and society. This may be either through creating new value, or significantly reducing negative impacts on the environment and society. Another criterion is that the organizations should define a clear agenda for sustainability in its business model. This research proposes the new type of business model that is an aim to categories and explains business model innovations for sustainability provide mechanisms to assist the innovation process for embedding sustainability in business models and define a clear agenda for business models for sustainability. The criteria used in developing new type of business model cover aspects such as the representative of underlying mechanisms of transformation in business model innovation and a mutually exclusive and explanatory of the organizations activities. Based on the empiric data, this study successfully identified four types of social entrepreneur modeling Indonesia which are based on the mapping results conducted on all of the organizations aiming to resolve social, economic, and environmental issues in Indonesia, this study successfully identified four types of business model, Mixed-based Model, Sharia-based Model, Volunteerism-based Model, and Cooperation-based Model as identified clearly in Table 5.

The first type of identified business model in this research is the mixed-based model which is utilized to provide a comprehensive solution to complex issues. This model is a combination of activities organized within a number of business models that were innovatively combined. The combination made resolving complex problems comprehensively feasible. A number of instances are Rumah Cemara, CD Bethesda, and Greeneration which has been developing various social enterprises (such as food stalls, acupuncture education, and product sales), and providing services to younger generation, as well as making available family support, child protection, fund raising, along with continuous service improvement to overcome issues of teenagers and marginalized children. Youth and marginalized children are a complex and varied issue. This is due to the fact that it covers (but not limited to) issues of living and working in the streets,

drug abuse, HIV/AIDS, dropout, sex trade, illegal migration, as well as conflict with the law and family. Every activity mentioned above can be used to address aspects of teen and marginalized children's issues and applied as a separate business model. However, the issue could only be overcome when both are combined to subsequently propose a promising solution. Various strategic partnerships are an important part of this complex model since it usually involves various very specialized activities which would not be accomplished by merely one organization.

The mixed-based model creates value through various means, but its underlying logic in value creation is based on the combination of several differing business model. The term 'mixed' reflects the fact that the combination of several company models provides a bigger value than their separate parts (constituent business model). Hence, these various model parts which complement and complete each other become the main value of support for this model.

The mixed-based business model funds its activities through funding obtained from donor institutions, product sales, and payment received from the programs offered, such as rehabilitation and health courses. This complex model may be feasible in overcoming complex issues comprehensively and it frequently proposes realistic potential to resolve these issues. The mixed-based model has a number of challenges, among others are that it needs deep insight/knowledge regarding the prevailing problem, it is more dependent on a number of partnerships or donors, and it requires ample time for management affairs as well as the difficulty in funding as a whole.

The sharia-based business model aims to assist the poor by providing investment or alleviating shackles of loan-sharks from traditional market vendors. In this model, the organization serves as a self-regulatory organization (SRO) or as a coordinator improving coordination of regulating institutions (BI or relevant ministries, such as the Ministry of Cooperatives and SMEs), for instance in matters of ranking, professional standards, and business ethics of BMT (Baitul Mal wat Tamwil – a kind of Islamic microfinance institution). Additionally, the organization also carry out capacity building activities for both BMT and its beneficiaries,

it forms, rejuvenates, and improves the BMT's organizational capacity through technical assistance, training, and other management services, as well as advocacy and consultancy for members of BMT and the community.

The values inherent in this business model are humanitarian values organized based on religious principles. An example is the House of Zakat which plays quite a significant role in providing assistance to impoverished communities and in managing humanitarian aid fund. As of current, necessities in education and health should be accessible to all levels of society. The presence of various programs initiated by House of Zakat relating to provision of education and health facilities and infrastructures for impoverished communities is undoubtedly found to be of great benefit for them in accessing education and health. House of Zakat provides a modern alternative for communities intending to provide assistance in the form of funding through various mobile facilities. House of Zakat also maintains its trust from the assistance provider communities by presenting reports to every zakat/alms providers and composing annual report which can be accessed by zakat provider.

The source of funding obtained by this type of organization is from donors and customers participating in the existing programs. There are many customers or donors who begin to shift toward an Islamic based product services. The challenge encountered by BMT and House of Zakat is in creating programs acceptable to the public and beneficial for the impoverished. Every program created by this organization surely considers impoverished communities as its main target. The biggest challenge is creating programs that are target effective and beneficial for the community.

The volunteer-based business model is a business model which began from its founder's concern to issues in one's surrounding environment, matters such as waste management, livestock waste, environment, health, and street children. As an example, the business model of Rumah Singgah Anak Mandiri (literally: Independent Children Shelter Home) is that it serves as a shelter home or temporary residence for street children and as a place where street children continue their informal education.

The values this type of business model organization intends to achieve are social values. For instance, Bank Liran holds a significant role in empowering dairy cattle farmers in Kepuhharjo Village. The farmers basically possess various potentials in managing their livestock. Bank Liran officers who have various educational backgrounds strive to provide several insights to the farmers regarding the importance of animal health/hygiene to improve productivity in order to consequently afford better material income for the farmers. Paguyuban Sampah Bersemi also upholds a high social and economic value by creating a model of independent waste management and selling the product of recycled waste as a source of economic income for the community. Additionally, this association also formulated a vision regarding the environment jointly

with the community by establishing organization which manages the environment, nurturing cadres in favor of the environment, drafting local regulation on environment management, as well as conducting dissemination, training, and assistance activities.

Funding for this particular business model is dependent on collaborations with the government and community in improving conditions in the field of social welfare, health, and education, as well as alleviation of marginalized communities. There are many large corporations/companies that channel their CSR funding for this type of organizations which show concern for the environment. This kind of organization's sustainability is determined by its human resource and commitment of its founder and members to constantly maintain the endeavor of the organization.

The cooperation-based business model aims to improve its members' economic conditions by developing the local economy. The value being upheld in this business model is the increase in income and welfare of its members, as is implemented by Mina Village Cooperation. This cooperation strives to raise the local community's economic conditions by implementing appropriate technology. The Mina Village Cooperation was not only founded on principles of cooperation but competition as well so that the local businesses that are being strengthened could possess competitive and added values as well as boost the economic status of its community members. By using the business model created by Mina Village Cooperation (mutual production, mutual purchase, and mutual sales), the cooperation members need not be concerned in gaining market access for their products. The principle utilized by Mina Village Cooperation is to create their own market for its members. This principle urges economic activities to run more intensively and progressively since the generated products could be directly bought and absorbed by a self-created market within a cooperation network.

In addition to economic contribution, Mina Village Cooperation also contributed to environmental issues, namely fish waste along the coastal area of Gunungkidul. This is achieved by applying existing technology wherein the fish waste was able to be reprocessed into fish feed product, such as silage, as well as fish meal and fish oil. Waste which was originally an environmental problem had been utilized and afforded added value which subsequently improved the economic conditions of the community.

Initially, this activity was funded through its founders' private fund, however, it is now funded by compulsory savings and main savings fund of its members along with profit from sales activity. The opportunity for export is very high for products generated by the cooperation.

One of the principles upheld by the Mina Village Cooperation is to not take loans. The problem is that most of the investment assistances from the government are naturally provided as loans. Hence, the Mina Village Cooperation attempts to establish a network and consortium for developing cooperation,

particularly in regards to capital. In terms of export, the Mina Village Cooperation has undertaken small-scale exports. However, due to its limited capacity, Mina Village Cooperation has not been able to fulfill the needs of the export market.

CONCLUSION

Learning the business model in a number of organizations coping with certain social issues ranging from environmental, educational, and health issue contributes several points. Firstly, an organization needs to be concerned with value proposition as with this value an organization is able to know its users and must attempt to offer the product or services in accordance to the needs of its customers or users. Regarding this value, each organization must be able to explain the social issue expected to be resolved by the organization and to determine the targeted users accurately. Secondly, once an organization is able to define its purpose clearly, subsequently, in creating value, the organization needs to clearly formulate a variety of activities to support the vision and mission of the organization. In addition, the organizational sustainability is also highly dependent upon its competence to establish cooperation and to manage the cost. All of these are essential as an organization must create a value for product/service users. Thirdly, understanding the business model also means to perceive the value capture of an organization. To be a successful organization, the organization needs to subsequently think about measures that must be carried out when facing obstacles. In regards to this, an organization's work performance level becomes an absolute element it possesses.

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