

SOCIAL ENTREPRENEURSHIP ATTITUDES AND ACTIVITY IN INDONESIA

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Abstract

Indonesia is on the second place in terms of entrepreneurial intention and has 17.67% of early-stage entrepreneurial activity, which is the highest number in 2015 among five ASEAN countries. This phenomenon shows that Indonesia has the potential to develop more established entrepreneurs, including social entrepreneurs. The social entrepreneurs are aiming to change the society into a better one. The social entrepreneurs receive higher status in the society when their businesses could affect and change the society positively and exceedingly when their businesses are exposed by the media. Global Entrepreneurship Monitor study at national level shows that social entrepreneurs in Indonesia are more likely to engage with one another to solve the issues in the society. Moreover, findings show that perceived capabilities from social entrepreneurs are lower than traditional entrepreneurs. It might happen because social entrepreneurs need to exercise social innovation higher than other entrepreneurs. Thus they were expected to have higher capabilities.

Keywords: social entrepreneurship, social value, attitudes, and global entrepreneurship monitor.

Abstrak

Indonesia menempati peringkat kedua dalam hal minat kewirausahaan dengan 17.67% aktivitas kewirausahaan tingkat awal, yang merupakan angka tertinggi pada tahun 2015 di antara 5 negara ASEAN. Fenomena ini menunjukkan Indonesia memiliki potensi untuk mengembangkan lebih banyak lagi wirausahawan mapan, termasuk para wirausahawan sosial. Wirausahawan sosial memiliki tujuan untuk mengubah kondisi masyarakat menjadi lebih baik. Wirausahawan sosial memperoleh status yang lebih tinggi dalam masyarakat ketika usahanya mampu mempengaruhi dan mengubah masyarakat secara positif, terutama ketika usaha mereka memperoleh pemberitaan media. Penelitian Global Entrepreneurship Monitor dalam skala nasional menunjukkan bahwa para wirausahawan sosial di Indonesia lebih mungkin untuk berhubungan satu sama lain untuk memecahkan berbagai permasalahan dalam masyarakat. Lebih jauh lagi, hasil temuan menunjukkan bahwa kemampuan yang dirasakan oleh para wirausahawan sosial lebih rendah daripada yang dirasakan oleh para wirausahawan tradisional. Hal ini mungkin terjadi karena para wirausahawan sosial masih harus meningkatkan sisi kemampuan inovasi sosialnya lebih daripada wirausahawan lainnya. Oleh karenanya mereka diharapkan untuk memiliki kemampuan yang lebih tinggi.

Kata Kunci: kewirausahaan sosial, nilai sosial, dan global entrepreneurship monitor.

I. INTRODUCTION

In the 1980s, the social entrepreneurship (SE) concept become known by Bill Drayton's work at Ashoka, which provided funding for global innovators in the social field, and Ed Skloot at New Ventures, an international program which facilitates socially and environmentally responsible Small and Medium Enterprises (SMEs) with accessible development services. Social entrepreneurship is part of entrepreneurship, which implements the innovative solutions to solve social, cultural, or environmental issues. The first model of social entrepreneurship had emerged in Indonesia in the 20th century when the first vice president Mohammad Hatta introduced the concept of

Cooperatives to eliminate economic problems in Indonesia. As a developing country, Indonesia has several social problems needed to be solved: poverty, electricity deficiencies, and education. In SE project activities, the community is one of the main actors. To create a sustainable program that will financially benefit the community, they are encouraged to participate in the whole system, including ownership, funding, and also decision making in designing, operating and developing the program.

Global Entrepreneurship Monitor (GEM) provides comprehensive research results of entrepreneurship around the world by measuring the attitudes and activities of people who are involved in various types

and phases of entrepreneurial activity. GEM in 2015/2016 explores how social entrepreneurial activities are developing in GEM participating countries. The structure of this paper is started with introduction and followed by literature review which elaborates social entrepreneurship definition. The next chapter is research methodology and discussion. The last chapter of this paper is the analysis of the social entrepreneurship condition in Indonesia based on GEM findings and continued by further research.

II. THEORETICAL APPROACH

GEM research defines entrepreneurial attitude and social value of entrepreneurship. Entrepreneurial attitude consists of four dimensions, namely self-efficacy, role model, opportunity, and fear of failure. Meanwhile, the social value of entrepreneurship consists of an aspect of entrepreneurship as a preferable career choice, higher status in the society for they benefited from the successful social entrepreneurship activity, and media exposure for entrepreneurial activities (GEM Indonesia report, 2015). Study regarding social entrepreneurship mostly discusses how a particular individual or enterprise is collaborating with a particular community to eradicate the social problems of the community. The Schwab Foundation describes social entrepreneurship as a practical, innovative and sustainable applied approaches, that benefit general society, especially those who are marginalized and poor. It is a unique effort to solve both economic and social problems regarding its common values and processes to each social entrepreneur. Social entrepreneurship means the transformation of social and environmental-based ideas into products or services (Schwab Foundation, 2008), which includes business with social objectives as primary goals, and that they reinvest their profits back to the enterprise or into the community (Morris, 2007).

Based on the formation process, there are four unique focuses on social entrepreneurship:

- 1) *The intentions and expected outcomes that come from the entrepreneur as the main actor* (Alvord, S. H., Brown, D. L., & Letts, C. W, 2004: p.137; Skoll Foundation, 2008): It can be extracted from the motivation and objective of the entrepreneur, whether to purely gain profits from selling the products or services, or to serve social and environmental purpose.
- 2) *The opportunities and social needs that were perceived by the entrepreneur as the main resources in building the foundation of his social entrepreneurship* (Thompson, J., Alvy, G. and Lees, A, 2000; Drayton, 2006): Social entrepreneurs should have an ability to find social problems that they can turn into social innovation and then to business opportunities. This ability should be enriched by capability to dig in the root cause of the problems, to make sure that the solutions not only solve the problems on the surface.
- 3) *The innovation which discusses the process of extracting ideas to eliminate social problems*: In this focus, innovative individuals as entrepreneurs are the key to solve social problems, regardless the surplus that they might or might not get. To create a useful innovation, a social entrepreneur should be able to conduct several process, mainly associating, questioning, observing, networking, and experimenting. First, social entrepreneurs should be able to ask the right questions and perform series of observations to gain the insight about the root cause of the social problems in the society. After that, they need to work on their networks by engaging with other entrepreneurs and other individuals who can provide meaningful resources such as information, funding, and connection to the government and regulators. Furthermore, social entrepreneurs should test their solution to their beneficiaries, whether it can be approved by the society or on the contrary, create another social problem. Finally, they need to associate and connect the dots of knowledge, facts, situation, ideas, test results and potential partners to become a whole social innovation.
- 4) *How the social innovation is processed into business or entrepreneurial activity to get profit or surplus*: In this area, social entrepreneurs should be able to create awareness of the society about emerging social problems and that they provide social innovation in the forms of products and services to solve those problems. Social entrepreneurs therefore need to have capability to create high quality products or services that both fulfil the needs of the potential market and raise their buying desire. To create a sustainable solution, some of the profit or surplus from the business should be reinvested for social benefits (UK DTI, 2002; Dees, 2001; Pearce, 2003).

III. RESEARCH METHODOLOGY

Based on Indonesia GEM survey 2015/2016, from 5625 respondents who were randomly selected from 23 provinces, and from both operational (established or new) and Nascent, it showed that only 127 who starts social entrepreneurs in Indonesia. The motivation of social entrepreneurs is assessed by GEM based on their response to research question about the importance of their organization to create value for the environment and community.

There are seven statements used to identify the commitment of social entrepreneurs in Indonesia to create value for the environment and the community: (1) My organization puts substantial effort in measuring its social or environmental impact; (2) The profit of my organization will be reinvested to serve the organization's social or environmental purpose; (3) My organization offers a new way of producing products or services; (4) My organization offers new products or services to the market; (5) My organization operates by producing goods or services for the market; (6) My organization puts more emphasis on social value; and (7) For my organization, it is more important to create more value to society and environment than to create financial value for the company.

Figure 1. indicates that Indonesian social entrepreneurs showed characteristics that organizations valued substantial effort in measuring its social or environmental impact (3.91) and argued that their organization will reinvest their surpluses for the benefit of society and environment (3.8). Finding also shows that social entrepreneurs find a new, rather than a conventional way of producing a product or service (3.28).

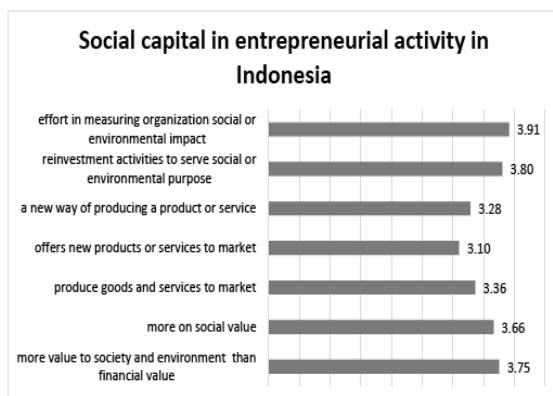


Figure 1. Indonesian social entrepreneurship motivation

Furthermore, opportunities defined as innovative ideas which create a competitive advantage is showed as organization offered products or services that are new to the market (3.1). The finding indicates that entrepreneurs operate in the market by producing goods or services (3.36). For the social entrepreneurs, it is more important to create social and environmental value than financial benefits for the organization internally (3.75) and organization accentuates social value more than environmental value (3.66). This is supported by Lin (2001) who argued that social capital generates positive externalities for members of a group. Findings across 127 respondents shows that actors value financial impact for the organization lower than value creation for society. It is consistent with characteristics of social entrepreneurs in Indonesia, which utilize chances to give benefits for society and environment, as mentioned in the mission before.

IV. RESULT AND DISCUSSION

Based on the findings, it can be argued that social entrepreneurs are 'value creators', which in line with the statement of Baron and Markman that social entrepreneurs are 'value creators' which focus on creating both social and environmental goals (R. Baron, and G. Markman, 2000). Social entrepreneurs have passion and commitment to create long-lasting social change and therefore rely on their social capital, which is the ability to find opportunities to find an innovative solution, using their network relationships. According to Sandefur and Laumann, goodwill that showed through family, friends, workmates or other acquaintances who provide valuable resources such as information, influence and shared interest, is the core of social capital (R, Sandefur, and E. Laumann, 2000).

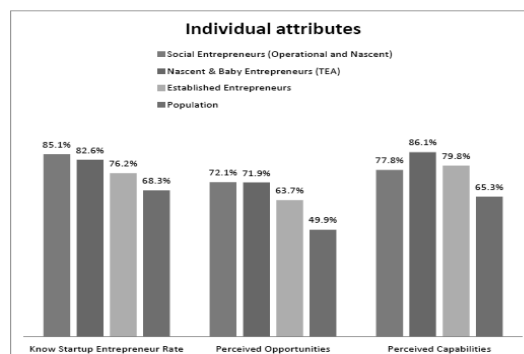


Figure 2. Comparison between the social, nascent, and established entrepreneurs among the individual attributes

Figure 2. shows the comparison in terms of individual attributes, between social entrepreneurs, nascent and baby entrepreneurs, established entrepreneurs, and the rest of the population. GEM measured three attributes: (1) Know startup entrepreneur; (2) Perceived opportunities; and (3) Perceived Capabilities.

It shows that 85.1% of the social entrepreneurs in Indonesia recognized by a person, someone that established a business in the last two years, followed by the nascent entrepreneurs and the established entrepreneurs. It indicates that the social entrepreneurs in Indonesia are more likely to engage with one another to solve the issues in the society. This is consistent with the statement of Thornton, Soriano, and Urbano who argued that an entrepreneur's network determines the entrepreneur social capital value and ability to act in an entrepreneurial manner. Furthermore, Thornton, Soriano and Urbano also described (P.H. Thornton, D.R. Soriano, and D. Urbano, 2011). Other than another entrepreneur, any individual that provide access to resources such as investors, customers, experts, alliances and influence makers of any kind, is also considered as the part of network. The nascent entrepreneurs followed not too far behind with 82.6% in know startup entrepreneur rate, considering their businesses which are still in the early stage of development and require a lot of insights from the other entrepreneurs.

The 72.1% social entrepreneurs had the highest rate of perceived opportunity, which showed their confidence in their businesses. Social entrepreneurs are individuals who engaged with their environment, which could give them more understanding of their environment and therefore can identify the social problems to be solved utilizing their innovative solution. The nascent entrepreneurs slightly follow with 71.9%, indicates that they also have more experiences analyzing their surroundings, due to their involvement in setting up their businesses.

The 86.1% nascent entrepreneurs placed the highest rank of perceived capabilities, more likely caused by their vigor and confidence in managing their business, and own a great vision for the future of their businesses. In this case, the social entrepreneurs are on the third rank, placed below the established entrepreneurs. The perceived capabilities from social entrepreneurs were lower than traditional entrepreneurs (both early-stage and established ones). It might happen as, although social entrepreneurs are able to engage with their environment and figure out the needs of the society,

they still need to match and manage social innovation and business endeavor higher than other entrepreneurs. Therefore they were expected to have higher capabilities, both in the social and business aspect.

Entrepreneurship is one of the most desirable career choice in Indonesia. Figure 3. shows the comparison in terms of social attributes, between social entrepreneurs, nascent and baby entrepreneurs, established entrepreneurs, and the rest of the population. GEM measured three attributes: (1) Entrepreneurship as desirable career choice; (2) High status successful entrepreneurship; and (3) Media attention for entrepreneurship.

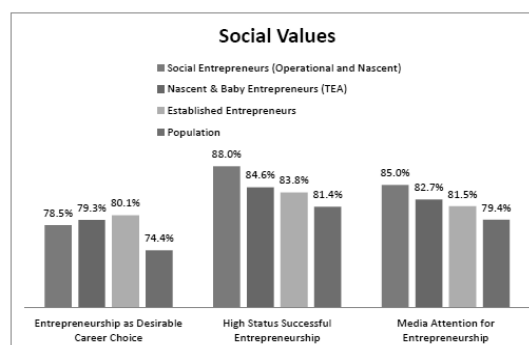


Figure 3. Comparison between the social, nascent, and established entrepreneurs among the social values

Figure 3. shows that 80.1% established entrepreneurs stated that entrepreneurship is a desirable career choice, more likely because they had the ability to find the needs of the market and change them into business opportunity by providing products or services. The social entrepreneurs had the slightly lower rate of respondents stated that establishing a business is most people's desirable career choice, compared with the nascent and the established entrepreneurs. It is probably due to the common practice in the society that social problems are usually solved by utilizing social initiatives or innovations, without entrepreneurial means, which makes it less sustainable. Nevertheless, the perception rates of the three types of entrepreneurs are not far from each other knowing that they have involved in entrepreneurship activities.

The social entrepreneurs have a vision to change the society into a better one. About 88% of the social entrepreneurs stated that when the society perceived the benefits of their businesses, they can be considered as successful social entrepreneurs. Other than that, 85% social entrepreneurs stated that they would receive higher status in the society when their businesses could

affect and change the society positively and exceedingly when their businesses are exposed by the media. These statements may be come up due to the social enterprises' mission to create awareness among the society that there are some social problems that can be solved with innovative business solutions and social cooperation. This phenomenon is reflected in Figure 3., in the second and third bar charts.

V. CONCLUSION

This research shows that social entrepreneurship is growing and becomes part of the entrepreneurial ecosystem. In the social entrepreneurship context, it shows that as Indonesian entrepreneurial attitudes for both social values and individual attributes have considerably high, the entrepreneurial aspiration needs an enhancement. The social values mostly received higher value in terms of status and media attention. It shows that social enterprise is able to affect and change the society positively, especially when the media expose their activities and communities. The existence of social entrepreneurs brings significant value to entrepreneurial activities in Indonesia. The Indonesia GEM study also shows that to be able to create a stronger entrepreneurial condition, the collaboration among stakeholders involved has to get more attention. The further research proposed is to conduct research comparing social entrepreneurship attitudes and activity in ASEAN. Further explanation of the social entrepreneurship allows social value to be more critically analyzed and relations with other structures to be investigated.

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