

Analysis of Business Models in Social Entrepreneurship

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Abstract

Increasing public concern about current environmental conditions has led to many social entrepreneurship activities addressing environmental concerns as social goals. Indonesia's population has reached 267 million people, this population density has many problems related to the economy and social that transform many entrepreneurs to consider the concept of entrepreneurship that can contribute to social change. The combination of entrepreneurship with social goals is called social entrepreneurship.

One of the elements that can be highlighted in social enterprise is its business model, enabling the company to create new and impactful value to consumers for achieving intended social mission. This study addresses the business model run by a social enterprise with a social mission for environmental sustainability, namely PT. Cleanomic Jaya Global and uses a qualitative method by describing the business model canvas for social entrepreneurship. The results of the study indicate that the company has implemented a business model very well.

Keywords: *business model, entrepreneurial ecosystem, environmental Sustainability, social entrepreneurship.*

INTRODUCTION

Over the past few decades, the role of entrepreneurship in economic development has become an important factor in employment and innovation in increasing market competition. Entrepreneurship is one of the main factors in economic growth. Every new business launched has an impact on the economy and affects the people around it. Kirzner's theory (1973-2005) on entrepreneurship explains how improving economic health affects every society. The creation of new goods and services will improve the quality of life of companies and communities.

Entrepreneurs can obtain capital from themselves or bank loans to build their businesses by adding value to their creation, which will directly affect the economy and industrial conditions of a country. Entrepreneurship will help eliminate regional disparities through industrial development in less developed areas. The growth of industry and companies in various fields leads to the development of public facilities such as roads, public transportation, health, education, and entertainment.

The implementation of these industrial activities will result in much more vibrant economic development. Entrepreneurship is an activity that involves the discovery, evaluation and exploitation of opportunities to introduce new goods and services, ways of organizing, markets, processes and raw materials through organizing efforts that did not previously exist [12][13]. Based on the Global Entrepreneurship Research Association, interest in entrepreneurship as a career choice tends to increase every year, reaching 72% in 2015.

Entrepreneurship is one of the main factors in economic growth. Every new business

launched has an impact on the economy and affects the people around it. According to data from Badan Pusat Statistik Indonesia [1], Indonesia's population has reached 267 million people. This population density has many problems related to the economy and social that transform many entrepreneurs to consider the concept of entrepreneurship that can contribute to social change. The combination of entrepreneurship with social goals is called social entrepreneurship.

Social entrepreneurship playing a role as an agent of change in the social sector by adopting a social mission to create sustainable social value, recognizing and pursuing new opportunities to achieve social missions, and innovating processes in a sustainable manner so that they can always adapt to change [2]. Social entrepreneurship has the potential to increase social wealth by creating new businesses or managing existing organizations in innovative ways. Social wealth is defined as encompassing economic, social, health, and environmental aspects of human well-being [3].

Social entrepreneurship is part of economic sustainability, and it clearly depends on environmental resources and environmental sustainability [4]. Increasing public concern about current environmental conditions has led to many social entrepreneurship activities addressing environmental concerns as social goals. Environmental issues embracing uncertainty at its risk, social entrepreneurs can create value and profit from the creation process, so that the entrepreneurial process allows action in conditions where risk cannot be accurately calculated [5]. Business has an important role in creating benefits for the environment. They can find ways to market environmental values, increase the value of recycled materials, develop technologies that support environmental sustainability, or create new rights related to the environment [6].

In social entrepreneurship, the business model canvas should provide an opportunity to see not only the business, but also to identify the social impact it is trying to achieve. To see clearly how the two interact, symbiotically, compete, and what opportunities there are to bring into harmony and what tensions exist between them. Understanding this can be very helpful to social entrepreneurship and can lead to a greater capacity to effectively manage the viability and sustainability of the enterprise. As fundamental, social entrepreneurship still cannot work if the business model is not financially functional, but it also cannot work if the social purpose is not realized in the business [8].

According to Ferrel et al [14] a business model is an organization or individual who seeks profit by providing products that are needed and liked by consumers. Business has two activities, namely creating value and capturing value [15] To run a business, a company is not only focused on consumers, but also pays attention to internal and external environmental conditions such as politics, economics, social, and technology. For this reason, companies need to have a business model to find out how well the business will be run or has been run. The business model is a bridge between technological input and economic output [15] Thus, a business model can be interpreted as a basic structure of the value chain that creates value, starting from a series of raw material activities to products to consumers with added value. Conceptually, a business model is a tool to help understand how a company can operate and can be used to analyze comparative performance, management, communication, and innovation [16]. The business model is concentrated on how the company defines a competitive strategy on products or services offered to the market by conveying the unique value brought by the company, and how the company integrates the value chain used with other companies in a value chain [17]. A business model is a conceptual tool that contains a series of interconnected elements

that allow expressing the business logic of a particular company as a description of the value offered by the company to one or more customer segments and partner networks to create, market, and deliver value to generate profitable and sustainable revenue [16].

A business model articulates the logic of creating value for customers, how a company can be organized to meet customer needs, get paid, and make a profit. Strategy defines the strategic objectives of the characteristics of the environment and available resources and describes the initiatives and policies needed to gain a sustainable competitive position (Vedovato, 2016). A business model is an abstract concept in a very general way to describe how to create, sell and deliver value to customers [16]. Every company has a business model with a model that is articulated explicitly or implicitly [15] [7]. Examples of companies with well-known business models are the low-cost airline model South West Airlines, the 'power by the-hour Rolls Royce' model and the Threadless company are examples of company business models. The same idea or technology brought to market through two different business models will produce two different results [15]. Business models are needed because there are consumer choices, transaction costs, heterogeneity between consumers and producers, and competition in the market [7].

A business model framework is a composition of elements that describe what a business model is made of. These elements are referred to as building blocks [16], components [18], questions (key) [19], or functions [20]. The elements of a business model become more explicit conceptually and formally. A business model framework not only defines elements, but also defines the relationships between elements. The most well-known and widely used framework is the Business Model Canvas [16]. The Business Model Canvas is presented to describe, visualize, assess and change business models that focus on design and innovation, especially using visual thinking that stimulates a holistic approach and storytelling. The Canvas Business Model is a follow-up to the Ontology Business Model [16]. In this business model, elements are grouped into four pillars: customer interface (segments, relationships and channels), product (value proposition), infrastructure management (activities, resources and partners) and financial aspect (revenue and costs).

In the social entrepreneurship business model, it is necessary to see the separation between business and impact as a variation in business modeling. In a regular business the goal is to facilitate interaction different customer segments whereas in social entrepreneurship, the goal is not just to facilitate interaction between consumer groups, but to facilitate the possibility of sustainable social impact. In this way, social entrepreneurship becomes the intermediary between impact and business. A way to represent this in the business model canvas is to distinguish between the side of social entrepreneurship that is directed at impact and the side that is directed at business. By separating and visualizing the two sides on the canvas we can begin to see how they interact and what the social entrepreneurship story is in terms of business and impact [8].

According to Teece [7], a business model is the logic of how a business works. Based on GoGreen Portland [8] The business model for social entrepreneurship is added with elements of problem and impact and measurement, the business not only focus on customers but can also focus on the problems that the company takes and can measure quantitatively or qualitatively the impact that the company achieves.

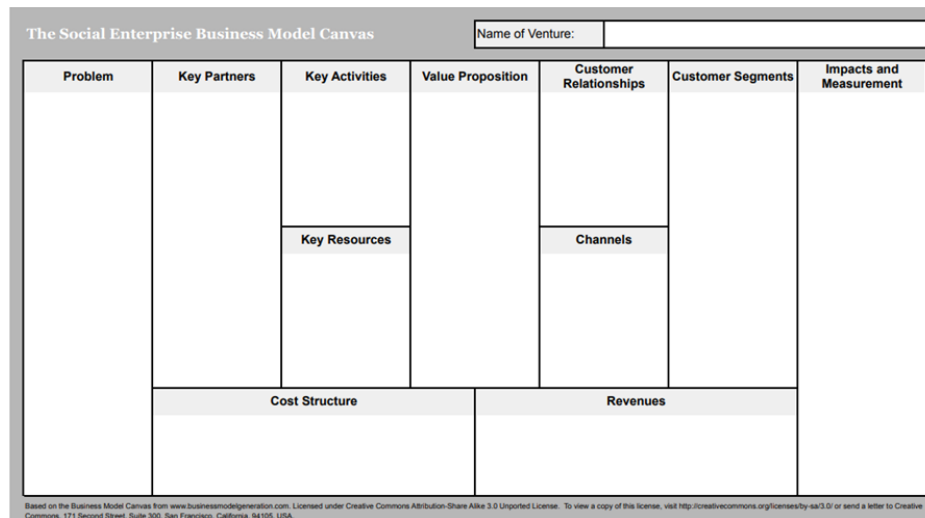


Figure 1. Business Model Canvas for Social Entrepreneurship
 (Source: GoGreen Portland, 2011)

The business model of social entrepreneurship is how the organization's operations can generate both financial benefits and benefits related to its mission [9]. In social entrepreneurship, the business model is not only part of the business aspect, but also to identify the social impact. Social entrepreneurship cannot work if the business model does not work financially, and the social purpose is not embodied [8].

Based on the background described, the researcher conducted an analysis of the business model implemented in social entrepreneurial companies that have a social mission for environmental sustainability by describing in canvas business model for social entrepreneurship.

METHOD

This study used a qualitative methodology aimed at discovering, validating, and expanding knowledge regarding business models in social entrepreneurship. To achieve the research outcomes, a descriptive research design was selected.

The research focused on PT Cleanomic Jaya Global as a company engaged in social entrepreneurship with a commitment to environmental sustainability. Data collection was carried out through in-depth interviews, to gather detailed information on how the business model in social entrepreneurship is executed. Data was directly collected from the field, specifically from the company where the research was conducted. The primary data was obtained through semi-structured interviews. The most common type of interview conducted was personal or face-to-face, where the interviewer directly interacted with the informant to pose questions and document their responses [10]. Furthermore, data included relevant literature and scientific journal articles that could support the research, as well as additional data provided by the company.

RESULTS AND DISCUSSION

The study used social entrepreneurship business model canvas. The business model canvas consists of 11 elements: problem, impact and measurement, customer segments, value proposition, channels, customer relationships, revenue streams, key resources, key partnerships, key activities, and cost structure.

RESULT

Companies address issues by promoting awareness of the environmental impact of current lifestyles and advocating for long-term lifestyle changes to reduce waste production. In terms of impact and measurement, companies primarily rely on visitor statistics from their website and social media platforms. However, this approach gives challenges in accurately assessing the social impact, as the companies aim to influence lifestyle changes as a goal.

Companies take an influence lifestyle changes towards greater environmental awareness and preservation as a value proposition. To communicate their goals, companies utilize various digital platforms, including social media (Instagram and Facebook), websites, and podcasts. Aligned with its vision and mission to enhance lifestyle awareness for environmental preservation, companies offer eco-friendly products for daily use. The customer segments targeted include the lower-middle-class population, women, and government entities.

To build personal relationships with customer segments, companies facilitate easy communication through all channels. The company's team actively responds to customer interactions across these platforms. Additionally, companies host forums for like-minded individuals, thereby involving customers in value creation through knowledge sharing.

Companies have divided into two categories of key activities; firstly, e-commerce to utilizing its website to sell environmentally friendly products that support sustainable lifestyles. Secondly, knowledge sharing, conducting educational programs in collaboration with other communities to promote environmental awareness. As a support its key activities, companies collaborate with several partners, including IT support, producers, similar communities, and government entities and key recourses physical infrastructure such as officegs and facilities, its team as human resources, intellectual resources for development, and financial independence.

As an implement social entrepreneurship, companies generate revenue from product sales B2C (business to customers) and B2B (business to business). The revenue is used to cover the expenses for website maintenance, operational costs, and knowledge-sharing activities.

Problem	Key Partners	Key Activities	Value Proposition	Customer Relationships	Customer Segments	Impacts and Measurement
Increase of waste due to lifestyle	IT Support	E-commerce & sharing knowledge	Society lifestyle shifting	Personal assistant, community, <u>concreation</u>	Lower-middle class	Website & social media visitor statistic
	Supplier				Woman	
Limited access to environmentally friendly product	Community & <u>Government</u>	Key Resources	Infrastructure, human resources, intellectual, financial	Channels	<u>Government</u>	
Social media, website, podcast						
Cost Structure			Revenues			
Operational cost		<u>Maintanance</u>	Product selling			

Figure 2. Business Model Canvas PT Cleanomic Jaya
 (Source: Researcher, 2019)

DISCUSSION

Two significant parts have been identified in the areas of Key Partners and Impact and Measurement. Key Partners play a crucial role in supporting companies' Key Activities, it would be beneficial to reduce the dependency on these partners for core activities. This would enhance operational resilience and reduce potential risks associated with over-reliance on external entities. The companies' current approach to Impact and Measurement relies solely on social media visit statistics. To provide a more comprehensive evaluation, Companies could implement a balanced scorecard approach. This method, as suggested by Nicholls [11], would encompass both quantitative and qualitative perspectives. The quantitative aspect could align with revenue generation metrics, while the qualitative perspective could include organizational growth, consumer and stakeholder engagement, and the alignment of missions and strategies to demonstrate social value.

The orientation towards social issues in social entrepreneurship companies directly impacts their business models. These models are designed to ensure that greater social impact correlates with increased profits. Consumers and key partners now recognize that companies offer more than just environmentally friendly products; they feel a special connection with companies whose values align with their own. Social entrepreneurship companies typically focus on a single social orientation by identifying a significant problem and integrating it into their value proposition. Companies engaged in sustainability can drive a greener economy. The companies contribute to society and the environment by addressing environmental challenges to achieve sustainable development through a green economy.

Sustainability encompasses not only environmental preservation but also economic prosperity, which is a crucial element. This involves seeking innovative approaches to solving and redefining environmental problems. Companies have developed two key activities that support their business model: sharing knowledge as a social activity and e-commerce as an entrepreneurial activity. Without activities that drive revenue growth, social entrepreneurship companies may struggle to mobilize finances. One of the most significant challenges is government regulation. In Indonesia, social entrepreneurship companies do not yet have a distinct legal form.

CONCLUSION

Companies create value by addressing environmental issues to achieve the desired impact and measurement, integrating social and economic values. The company delivers value through various channels and maintains through customer relationships. Companies capture value through their revenue streams, offset by their cost structure. The company creates, delivers, and captures value by leveraging key resources to perform essential activities with the support of key partners. The social value provided meets the needs of customer segments in the form of benefits such as products or services offered by the companies.

Overall, this study emphasizes the importance of a holistic approach to business model design in social entrepreneurship about the value creation, delivery, and capture are interwoven with the social mission of the enterprise. This integrated approach not only enhances the effectiveness of social enterprises but also contributes to long-term sustainability and impact. Future research can further explore the scalability of these models and their adaptability across sectors and regions.

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