

**Master's Thesis**

**A Study on Social Entrepreneurs' Attitude  
Towards Growth and Replication**

**by**

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## TABLE OF CONTENTS

|   |    |
|---|----|
| CERTIFICATION PAGE .....                          | 4  |
| ACKNOWLEDGEMENTS.....                             | 5  |
| ABSTRACT .....                                    | 6  |
| INTRODUCTION .....                                | 8  |
| LITERATURE REVIEW .....                           | 12 |
| 1.1 Social Entrepreneurship.....                  | 12 |
| 1.2 Social Entrepreneurs.....                     | 13 |
| 1.3 Social Enterprises.....                       | 15 |
| 1.4 Social Enterprise Types.....                  | 17 |
| 1.5 Social Enterprise Model.....                  | 21 |
| 1.6 Social Enterprise Growth and Replication..... | 23 |
| CONCEPTUAL FRAMEWORK .....                        | 28 |
| METHODS.....                                      | 30 |
| 2.1 Research Context.....                         | 30 |
| 2.2 Data Collection.....                          | 33 |
| 2.3 Analysis .....                                | 34 |
| FINDINGS.....                                     | 38 |
| 3.1 Nonprofit Enterprises .....                   | 41 |
| 3.2 Mixed Enterprises.....                        | 51 |
| 3.3 For-profit enterprises .....                  | 59 |
| DISCUSSION.....                                   | 67 |
| CONCLUSION.....                                   | 73 |
| 5.1 Implications.....                             | 73 |
| 5.2 Limitations and Future Research.....          | 74 |
| 5.3 Concluding Remarks .....                      | 75 |
| REFERENCES .....                                  | 77 |
| APPENDICES .....                                  | 80 |

## **LIST OF FIGURES**

|   |    |
|---|----|
| Figure 1 - Conceptual Framework .....   | 28 |
| Figure 2 - Social Enterprise Structures Related to Goal Orientation.....        | 39 |
| Figure 3 - Social Entrepreneurs' Attitude Towards Growth and Replication .....  | 40 |
| Figure 4 - Nonprofit Enterprises' Attitude Towards Growth and Replication.....  | 41 |
| Figure 5 - Mixed Enterprises' Attitude Towards Growth and Replication.....      | 51 |
| Figure 6 - For-profit Enterprises' Attitude Towards Growth and Replication..... | 59 |

## **LIST OF TABLES**

|   |    |
|---|----|
| Table 1 - Social Enterprises' Statements Toward Goal Orientation..... | 39 |
| Table 2 - Nonprofit Enterprises Model .....                           | 50 |
| Table 3 - Mixed Enterprises Model .....                               | 58 |
| Table 4 - For-profit Enterprises Model .....                          | 66 |

## **CERTIFICATION PAGE**

I, REZKY Nugraha (Student ID 52117602) hereby declare that the contents of this Master's Thesis are original and true, and have not been submitted at any other university or educational institution for the award of degree or diploma. All the information derived from other published or unpublished sources has been cited and acknowledged appropriately.

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REZKY Nugraha

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## **ABSTRACT**

Social entrepreneurship is an emergent topic in literature and practice. The importance of social entrepreneurship relates to the fact that society needs new and innovative approaches to solve social problems. However, social entrepreneurship holds a different meaning for different people, suggesting no general definitions. In this study, we define social entrepreneurship as an activity undertaken by an enterprise to pursue a social mission as their primary objective. Among diverse dimensions in the study of social entrepreneurship, focus often centered on interest in growth and replication. The importance of growth and replication relates to the necessity of social enterprises to maximize. Maximizing social impact is essential for social enterprises as it is proof of their social mission. Prior studies have researched social enterprises' performance in terms of growth and replication. Despite its popularity, and increased attention to social enterprises' performance, several studies indicate that social enterprises are failing to grow and scale up. As a result, numerous studies tend to emphasize strategies to overcome the difficulties and challenges of social enterprises in order to succeed. In light of this issue, this study aims to examine social entrepreneurs' attitude towards growth and replication.

Through in-depth interviews with six social enterprises in Indonesia, this study discovers that social entrepreneurs hold different attitudes towards growth and replication. Among three structures of social enterprise— nonprofit, mixed, and for-profit— we find

all show strong attention to a social goal, and they measure growth in terms of social impact. In contrast, they value an economic goal differently. As expected, nonprofit social enterprises have the weakest intention, followed by mixed social enterprises and for-profit social enterprises with the strongest one.

In terms of replication, we refer to three mechanisms; dissemination, affiliation, and branching. Dissemination occurs when an enterprise openly provides information, methods, or strategies to other enterprises to employ it. Affiliation means creating collaborations with organizations, especially concerning implementation in local sites. Branching is the creation of branch offices in new areas. Among these three mechanisms, affiliation receives positive attitudes from all types of social enterprises. Branching also receives positive attitudes. However, nonprofit social enterprises tend to resist it due to their limited resources. Dissemination receives different attitudes from each enterprise. Nonprofit social enterprises have a positive attitude towards dissemination as it requires the least resources and spreads social impact easily. Contrarily, for-profit social enterprises show a negative attitude since dissemination may increase competition, which is perceived to be harmful to their economic performance. Interestingly, mixed social enterprises possess conflicting attitudes toward dissemination. As they have two entities; nonprofit and for-profit, the nonprofit entity has a positive attitude while the for-profit entity has a negative attitude. Dissemination can increase social value, but at the same time, can decrease the economic value. This study provides new insights by challenging the assumption of measuring growth as well as identifying replication strategies of social enterprises.

**Keywords:** social enterprise, business models, growth, replication, attitude



## INTRODUCTION

The field of social entrepreneurship is growing rapidly. The popularity of social entrepreneurship has attracted much attention from various fields in business, government, and academia. The term itself has become common and discussed in organizations, companies, even academia. However, social entrepreneurship has different meanings to different people, creating no universal definition in literature. Combining from numerous definitions, social entrepreneurship describes activities and processes undertaken to utilize opportunities innovatively in order to create or enhance social value (Zahra, Rawhouser, Bhawe, Neubaum, & Hayton, 2008). In essence, social entrepreneurship is solving social problems by applying business principles in innovative approaches (Schwab Foundation, n.d.).

In the current era, business is no longer measured merely by financial performance and product quality, but also by its impact on society on a large scale (Deloitte, 2018). This situation has made social entrepreneurship a popular theme in business. At the individual level, social entrepreneurs are individuals who are committed to doing good by creating innovative solutions to solve social, cultural, and environmental problems (Ashoka, n.d.). At the organizational level, social enterprises or social businesses are organizations or companies whose primary objective is to solve social problems (Boston Consulting Group, 2013).

The uniqueness of social entrepreneurship lies in the mission of social enterprises (Albert, Dean, & Baron, 2016). It is the fundamental aspect of social enterprises (Dees J. G., 1998) through which they create social value for a specific segment or society as a whole (Martin & Osberg, 2007). Previous studies agree that generating social value or social impact is the primary purpose of establishing a social enterprise (Bornstein, 2004; Austin, Stevenson, & Wei-Skillern, 2006). Hence, the mechanism through which they can generate more significant social impact has become crucial. In this study, we define social impact from previous literature (Rawhouser, Cummings, & Newbert, 2017) as a beneficial outcome for beneficiaries by social enterprises. Social enterprises prove their credibility through their social impact. Social enterprises differ from commercial enterprises because they put emphasize on creating social impact rather than economic impact (Mair & Marti, 2006). Therefore, maximizing social impact is necessary for every social enterprise.

Concerning the creation of social impact, the process of growth and replication has become a popular topic in the study of social enterprises. Previous studies on social enterprises' growth have emphasized managing tensions (Kannothra, Manning, & Haigh, 2018), scaling up strategies (Bauwens, Huybrechts, & Dufays, 2019) (Bocken, Fil, & Prabhu, 2016) (Dobson, Boone, Andries, & Daou, 2017), resource management (Ebrashi, 2017), and barriers and challenges (Davies, Haugh, & Chambers, 2018). All these studies aim to explore and increase the chance of social enterprises to succeed. Prior research argued that replication would promote social enterprises to enhance their social impact as well as to experience growth (Meyskens, Robb-Post, Stamp, Carsrud, & Reynolds, 2010).

Nonetheless, several previous studies have found that many social enterprises are unable to grow and scale up.

While most previous studies also put interest in social entrepreneurs as individuals, they take focus on the behavior and outcomes of social enterprises by measuring growth and social impact. The theme of exploring social entrepreneurs tends to target their traits, characteristics, and motivation (Leadbeater, 1997; Thompson, 2002; Germak & Robinson, 2014; Sastre-Castillo, Peris-Ortiz, & Danvila-Del Valle, 2015). There are limited studies regarding the attitude of social entrepreneurs. We argue that social entrepreneurs' attitude towards growth and replication influences their decision and strategy, which in turn determines their outcomes. Moreover, due to many challenges, some social entrepreneurs are reluctant or do not have the intention to grow (A.T. Kearney, 2015; Boston Consulting Group, 2015), suggesting that social entrepreneurs have different attitudes toward growth and replication.

Specifically, we aim to understand whether social entrepreneurs' attitude can become a factor that facilitates or hinders the development of social enterprises. Hence, our study aims to fill the gap in the literature by exploring social entrepreneurs' attitudes related to their social enterprises, in terms of growth and replication. Regarding replication, we refer to three mechanisms; dissemination, affiliation, and branching (Dees, Anderson, & Wei-skillern, 2004). Because social entrepreneurs possess different attitudes, they have different preferences in practice. In this regard, this study examines whether and how social entrepreneurs' attitude towards replication mechanisms differ. In this study, we explore the attitude of social entrepreneurs based on three types of social

enterprises; nonprofit, mixed, and for-profit. While most of the recent studies tend to focus on the mixed or hybrid model, this study extends the current literature by exploring each type separately.

We suppose that by understanding social entrepreneurs' attitude, we can gain insights about their decision making, which directly relates to their social enterprises. In this regard, we explain attitude based on three-component attitude models; cognitive, affective, and behavioral (Hogg & Vaughan, 2018). From these three aspects, we can explore social entrepreneurs' beliefs and feelings which affect social enterprises' behaviors and actions. It means social entrepreneurs determine the strategy taken by social enterprises to maximize social impact. By filling the gap in the literature, we expect this study to provide a deeper understanding of the field of social entrepreneurship through dual level analysis, individual level, and organizational level. It is essential for both theory and practice because it will provide deeper consideration to the factors that may facilitate or hinder the creation of social impact.

We structure our study as follows. First, we start with the literature review describing the definition of social entrepreneurship and its current development in literature. Then, we focus on the context of social enterprises, specifically in terms of structures, model, growth, and replication. Second, we explain the research context of our study, including sampling procedures and analysis methods. Third, we describe the results, followed by the discussion of our findings related to previous literature. The discussion will explain implications to theories and practices. Lastly, we examine the limitations as well as ideas for future studies.

## **LITERATURE REVIEW**

### **1.1 Social Entrepreneurship**

Social entrepreneurship, as an idea, has gained popularity in various contexts, and its definition has evolved. Still, social entrepreneurship does not have a broadly established, specific definition. The definition creates different meanings to different people. Hence, social entrepreneurship promotes attention in the academic sector, becoming a popular topic for a research purpose (Dees J. G., 1998; Mair & Marti, 2006). Early research most associated social entrepreneurship with the nonprofit, non-governmental, or public sector (Weerawardena & Mort, 2006). Nowadays, social entrepreneurship has become a well-known field, discussed from a multidimensional perspective. Social entrepreneurship can happen in for-profit or commercial sectors with economic goals while pursuing a social objective (Thompson J. L., 2002). Additionally, social entrepreneurship may be done by creating new ventures or transforming an established enterprise as long as it serves social value creation (Zahra, Rawhouser, Bhawe, Neubaum, & Hayton, 2008). The conventional boundaries between nonprofit and for-profit organizations are changing with the appearance of social entrepreneurship.

Social entrepreneurship is an innovative approach to solve unfulfilled social problems by combining social purposes with business principles (Schwab Foundation, n.d.; Seelos & Mair, 2005). Social entrepreneurship enlightens activities and processes undertaken to utilize opportunities innovatively in order to create or enhance social value

(Zahra, Rawhouser, Bhawe, Neubaum, & Hayton, 2008). Moreover, most social needs in the world are often overlooked by the traditional sector organizations, considered as inefficient, ineffective and insensitive (Dees J. G., 1998), making social entrepreneurship appear to fill the gap. In essence, social entrepreneurship arises in order to provide solutions for social needs. For this study, we define social entrepreneurship as an activity undertaken by an enterprise to pursue a social mission as their primary objective.

## **1.2 Social Entrepreneurs**

Within the concept of social entrepreneurship, emerges two terms to highlight; social enterprises and social entrepreneurs are the key to understanding social entrepreneurship. In a simplified description, social enterprises are the organizations that undertake social entrepreneurial activities while social entrepreneurs are the actors who perform social activities through the organizations. Social enterprises are observed at the organizational level while social entrepreneurs are at the individual level, comprising social entrepreneurship.

Early studies define social entrepreneurs as agents of change (Dees J. G., 1998), creating innovative solutions to tackle society's problems (Ashoka, n.d.). Social entrepreneurs are socially conscious individuals who are vital in filling social needs, especially in underdeveloped and developing countries. Social entrepreneurs are considered as charismatic leaders who possess various characteristics such as entrepreneurial, innovative and transformative traits (Leadbeater, 1997); sensitive towards disadvantaged people, philanthropic and altruistic (Martin & Osberg, 2007); high commitment towards their mission (Sullivan, Weerawardena, & Carnegie, 2003). Social

entrepreneurs utilize resources to fill unmet needs in society through innovative approaches. They create a transformation not only in society but also within their organization and stick to their mission statement. Previous research suggests that social entrepreneurs should become an enabler for other people to believe in and support what they do, even become social entrepreneurs themselves to stimulate more social impact in society (Thompson, 2002).

Social entrepreneurs identify opportunities overlooked by commercial entrepreneurs and transform these opportunities into the mission of the social enterprise they create. Hence, social mission is central for social entrepreneurs as it will define their actions to generate social impact (Dees J. G., 1998). While social entrepreneurs emphasize the importance of social value (Mair & Marti, 2006), they still consider economic value as necessary (Moore, Petty, Palich, & Longnecker, 2010). Economic value acts as a means to create social value, but is not their primary motivation (Santos, 2012).

In terms of attitude, previous studies find that social entrepreneurs can become more social or more commercial, depending on the individual (Sastre-Castillo, Peris-Ortiz, & Danvila-Del Valle, 2015). Each social entrepreneur has their own thoughts regarding social and economic value. Regardless of whether a social entrepreneur tends to be more social or more commercial, personal values influence their decisions. Prior research also argues that based on personal values, social entrepreneurs have motivations that drive them to engage in the social entrepreneurship field (Germak & Robinson, 2014).

### **1.3 Social Enterprises**

The organization, social enterprises are enterprises whose primary purpose is to solve social problems as well as improve lives and enhance society. Social entrepreneurs lead social enterprises. Social enterprises are known for using innovative, creative, cost-effective, and sustainable ways to deal persistently with social problems. They offer a unique way of dealing with social problems. Social enterprises have become the frontline of social change in order to improve the quality of life and to enhance human existence in the world (Zahra, Rawhouser, Bhawe, Neubaum, & Hayton, 2008).

Within many studies regarding social entrepreneurship, most emphasize the social mission of social enterprises (Mair & Marti, 2006). Social mission is the core (Dees J. G., 1998) and the unique value proposition of a social enterprise, usually targeting the neglected or underserved population (Martin & Osberg, 2007). In order to achieve the social mission, social enterprises focus on the impact on society at large, considering wealth creation as a means to an end (Dees J. G., 1998). Social mission of each social enterprise is unique because they have a distinct purpose. Even with the similar or same purpose, each enterprise has their unique ways of serving a social mission. Besides, a social mission reflects the identity of a social enterprise. Previous studies find that it is vital for social enterprises to carefully construct the social mission because it influences the support they get from stakeholders and their procurement of resources needed to create social value and become sustainable (Albert, Dean, & Baron, 2016). Support from stakeholders is critical to the sustainability of social enterprises, because the appeal of the social mission will help social enterprises to get resources needed for social value creation.



Social enterprises have three characteristics; business principles, social goals, and entrepreneurship (Wang, Alon, & Kimble, 2015). Social enterprises are hybrid entities that stretch the boundaries and apply lessons from the private, public, and nonprofit sectors (Doherty, Haugh, & Lyon, 2014). A social goal, which is usually termed as ‘social value’ drives the social enterprise. Social value is the root of the social goals which contribute to the welfare or well-being of a particular community or the whole society. The term entrepreneurship connects social enterprises with risks and innovations. Social enterprises should always find innovative ways to face risk, in order to deliver social value by balancing their moral integrity towards the interests of stakeholders (Dees J. G., 1998).

Previous literature suggests that the significant differences between social and commercial enterprises are that the former emphasizes generating social value, while the latter focuses on maximizing economic value (Austin, Stevenson, & Wei-Skillern, 2006; Meyskens, Robb-Post, Stamp, Carsrud, & Reynolds, 2010). Due to the emphasis towards social value rather than economic value, social enterprises often experience difficulty gaining necessary resources to keep sustainable (Albert, Dean, & Baron, 2016). The act of pursuing both social and economic value at the same time by social enterprises has created numerous arguments. Many studies argue that by focusing on economic value, it will create tension within the social enterprises and damage their reputation because of conflicting objectives (Pache & Santos, 2013). However, there are also studies which argue that pursuing a social mission to generate social impact does not automatically negate a focus on economic value (Dacin, Dacin, & Tracey, 2011). In order to keep sustainable and generate social impact, social enterprises need to employ strategies that

possess economic value without undermining their social value (Chell, 2007). Social enterprises have to be clear when addressing the value-positioning strategies in order to remain competitive while maximizing social value creation (Weerawardena & Mort, 2006). Hence, social enterprises need to balance both social and economic value as well as managing tensions which arise between these two values (Liu, Eng, & Takeda, 2015).

#### **1.4 Social Enterprise Types**

The legal structure is vital to social enterprises as well as to other enterprises. Unfortunately, social enterprises do not have a specialized legal structure. The legal structure is essential to the success of social enterprises because it shapes business activities. In this section, we will describe three models that are mainly adopted by social enterprises. Compared to commercial enterprises that are usually structured as a for-profit entity, social enterprises can be structured as a nonprofit, for-profit, or mixed entity (Dees & Anderson, 2003).

##### *Nonprofit*

A nonprofit structure can be considered as the traditional form for charitable organizations. Two primary benefits for this structure is the ability to receive donations and exemption from some taxes. Nonprofit social enterprises rely heavily on donations, grants, and charities from donors who provide products, either goods or services to beneficiaries. Hence, nonprofit social enterprises have little control over their resources. Most of the time, they have a hard time balancing control and access to resources in order to grow (Kickul & Lyons, 2016).

This dependency makes them sustainable only when external sources continuously support their organizations. Due to the limited funding, they also rely on volunteers with suitable skills and dedication to serve. Donations can come from several sources; individuals, foundations, government, and corporate. However, in some countries where philanthropic culture is still underdeveloped or even nonexistent, nonprofit social enterprises need support not only from individuals and corporations but from the public sector, such as government (Beugre, 2017).

Nonprofit social enterprises do not mean they cannot generate profit. They can generate profit as long as it is not distributed to shareholders. However, they usually do not intend to generate profit. The excess revenues should be reinvested back into the enterprises and help to pursue its mission. Hence, with this type of structure it is easy to protect the social mission (Coleman & Kariv, 2016). Although nonprofit social enterprises can generate revenue from commercial activities, they have to be careful. Too much focus on commercial activities can neglect the social mission (Dees J. G., 1998). As a result, they need to build their strategy carefully, balancing social programs and commercial activities.

### *For-profit*

For-profit social enterprises are driven by social and economic value simultaneously, providing goods or services in the market to customers as well as to beneficiaries. They take the form of commercial enterprises, but profits are used to address social problems. For-profit social enterprises are actively generating profit while serving a social purpose. They run as commercial enterprises which make them less

reliant on donations. They also have the right to provide financial returns to shareholders, just like commercial enterprises (Coleman & Kariv, 2016).

For-profit social enterprises do not have advantages such as tax-exempt and donation. They can gain external funding in the form of loans and investment. They can also choose to be privately owned or publicly traded to gain more access to capital. The most significant advantage of this structure is to have more control of resources compared to nonprofit social enterprises (Beugre, 2017). This situation is very attractive for social enterprises which value control highly in order to stick to their mission. As much as it looks better in terms of managing resources, they have to work carefully while generating profit and pursuing their social mission at the same time (Kickul & Lyons, 2016). Balancing between social and economic value may lead to a dilemma and tensions during the process, which causes for-profit social enterprises to become full commercial enterprises.

### Mixed

As social enterprises can be in the form of nonprofit and for-profit entities, they also can combine the structural elements of both. Mixed social enterprises refer to the structural elements, activities, processes, and values which combine a nonprofit and for-profit structure (Battilana, Lee, Walker, & Dorsey, 2012). This structure allows social enterprises to gain advantages from both structures. Mixed social enterprises aim to create social impact while pursuing economic goals at the same time. However, within the organization, mixed social enterprises may have two legalities. The nonprofit can keep focusing on pursuing the social mission while the for-profit can generate revenue to

support the nonprofit. In order to protect the social mission, the nonprofit entity usually owns shares in the for-profit entity.

In some cases, becoming a mixed social enterprise happens unexpectedly from internal urges such as founder's motivation, strategic decision to external constraints such as political situation, cultural demand, and resources access (Jarzabkowski, Michael, Rebecca, Gary, & Paul, 2013). While choosing this structure offers several opportunities to maintain sustainability, it can also lead to internal tension (Santos, 2012). Mixed social enterprises need to balance multiple identities, forms, and logic within one organization in order to diminish conflict (Smith & Besharov, 2017). If a mixed social enterprise can balance the value of social mission and economics appropriately, it will fuel the organization with creative solutions in solving problems as well as create more innovations.

Mixed social enterprises may create conflict over identity, raising the question 'who are we as an organization?' It also creates competing expectations between stakeholders who view the social enterprise from a different perspective. Some stakeholders may value financial performance compared to other stakeholders who focus on social impact (Pache & Santos, 2013). Such different expectations create what is called social-business tension, which tends to happen within mixed social enterprises. The hybridity of mixed social enterprises is associated with challenges either in the short-term or long-term due to the structural changes, environmental situations as well as social and business tensions. The previous study suggests that great attention to financial performance may cause social enterprises to drift away from their mission while over

emphasis on a social mission may hinder sustainability (Santos, Pache, & Birkholz, 2015). They need to evolve in order to sustain dual identities by maintaining stability and adaptation (Smith & Besharov, 2017). Leaders play an essential role to have a deep understanding of these two elements in response to tensions between them. Mixed social enterprises must adapt to survive, especially in a complex environment due to the combination approach.

### **1.5 Social Enterprise Model**

Business models have become one of the terms that is often used in business. However, the definition itself is still debated, and no generally accepted definition has emerged yet. Among its many definitions, understandings, and conceptualizations, studies believe that a business model is to understand how an enterprise does business as well as how they deliver value (Zott & Amit, 2010). Social enterprises are distinctive to commercial enterprise because they create social value. Hence, it is crucial to explore the business models of social enterprises. Previous studies on social entrepreneurship claim the importance of understanding social enterprises' business models which relate to social value creation (Mair & Schoen, 2007; Spieth, 2018). Understanding social enterprises' business models can provide insightful data about their core activities, and alignment between a social and economic goal in order to become sustainable (Santos, Pache, & Birkholz, 2015).

In general, a business model is a business concept that transformed into practice (Hamel, 2000). One of the early definitions shows that a business model represents the content, structure, and governance of strategies to create value by utilizing business

opportunities (Amit & Zott, 2001). The same author explains further by saying that a business model is a template of how an organization conducts business and delivers value to stakeholders (Zott & Amit, 2010). In its core, the purpose of a business model is to create and capture value through activities that produce products, either goods or services (Chesbrough, 2006). In order to create and deliver value, a business model contains four interconnected elements; customer value proposition as the most important to get right, profit formula, key resources and processes (Johnson, Christensen, & Kagermann, 2008). In the book 'Business Model Generation,' a business model is defined as the rationale or logic of how organizations create, deliver, and capture value (Osterwalder & Pigneur, 2010). In this definition comes the business model canvas that is divided into nine building blocks; customer segments, value propositions, channels, customer relationships, revenue streams, key resources, key activities, key partnerships, and cost structure. From these definitions, a business model depicts the logic behind organizational activities to create and capture value, represented through interrelated elements that address customer, value proposition, organizational structure and economy (Fielt, 2014).

Previous research found that business model plays an important part to become a self-sustained social enterprise (Santos, Pache, & Birkholz, 2015). Social enterprises, rather than standing in one specific position in an industry value chain, act proactively in creating their value networks. They start it from the early stage of the venture so that it will create long-term sustainability. As resources are needed to run the business, a social enterprise innovatively creates a business model that can provide them with strategic resources in a sustainable manner. By knowing the resources needed, social enterprises can apply the strategy required to get them. The procurement of resources is integrated

with the business model so that it will work together. Social enterprises have to gain knowledge about their customers, make interactions, and build a relationship with them. The customer integrates with the social value network, so they become a part of the value creation and capture the value created by the social enterprise (Mair & Schoen, 2007). A business model is an essential aspect for a social enterprise to be successful and sustainable because it reflects the strategy and the main activities.

As social enterprises have various definitions and understanding among people, it is hard to explain what kind of suitable business model is appropriate for them. The primary purpose of studying social enterprise business models is to develop the organization into a self-sustained venture that maintains both economic and social value. Prior research found that social enterprises should produce value by utilizing both social and economic rationale to make an impact (Spieth, 2018). Founders should have a clear focus to prioritize the social mission over the economic returns. Profitability should be seen as a means for ensuring self-sustainability, not as a goal. Social enterprises also need to have shared values among stakeholders in order to have everyone align with the social mission. Implementing multiple business models becomes an essential success factor for social enterprises. It is beneficial when a social enterprise is targeting different customer segments. Moreover, it can help social enterprises to create synergies among their businesses, which lead to bigger growth (Gebauer, Saul, Halidmann, & Kramer, 2017).

## **1.6 Social Enterprise Growth and Replication**

Growth or scaling up has always been a concern for social enterprises as it relates to generating social impact (Dees, Anderson, & Wei-skillern, 2004). A study defines



growth as increasing the number of customers and beneficiaries, along with the provided benefits followed by revenue maximization (Bocken, Fil, & Prabhu, 2016). Social enterprises often lack resources to make a meaningful impact (Albert, Dean, & Baron, 2016). Social enterprises are usually considered different from private or commercial enterprises. As a result, they get different treatment from donors, which may lead to a lack of resources. In order to grow, social enterprises should be treated no different from commercial enterprises (Hirzel, 2013). They should get access to finance, not just donations or grants, but also to capital investment and professional talents which make them sustainable and able to grow, creating social impact (Harvard Business Review, 2013).

According to Ashoka, a global organization that promotes social entrepreneurship, many social entrepreneurs are creative, entrepreneurial and generate great ideas. However, some of them are satisfied only with a small-scale mindset without having the intention or willingness to expand to another level (Praszkier & Nowak, 2012). A.T. Kearney, a global management consulting company, argues many social enterprises, especially the new and small ones, tend to focus on short-term performance compared to long-term sustainability (A.T. Kearney, 2015).

Moreover, the benefits of social enterprises are still questionable. When social enterprises are considered to have a lack of financial measurement with unclear social benefits, it makes it difficult to collect the resources needed to scale up (A.T. Kearney, 2015). This situation is worsened by the difficulty of procuring important resources needed to grow. Measuring impact is important for social enterprises to maintain their

credibility. Most social enterprises do not measure their impact due to financial constraints or do not know how to do it (McKinsey & Company, 2016). This lack of measurement restricts social enterprises' ability to grow and have a bigger impact.

Previous studies have highlighted the difficulties and challenges for social enterprises to grow. They find growth barriers come from three different levels; individual, organizational and institutional (Davies, Haugh, & Chambers, 2018). At the individual level, personal values shape the decision towards relationship to growth, relations with stakeholders and enterprise culture (Sastre-Castillo, Peris-Ortiz, & Danvila-Del Valle, 2015). Starting from the mindset of social entrepreneurs, values and motivation transform into the creation of social enterprises. At the organizational level, enterprise models can become a barrier because social enterprises juggle between social impact and financial sustainability. In order to maintain this, social enterprises have to balance both aspects without overlapping one another (Santos, Pache, & Birkholz, 2015). Meanwhile, from the institutional level, lack of awareness and common understanding among stakeholders make social enterprises difficult to grow. Moreover, in certain countries, government still has not established specific rules and regulations for social enterprises.

Replication is a means to growth as well as scaling of social impact (Dees, Anderson, & Wei-skillern, 2004) Replication is considered as an important process for social enterprises to create and multiply social value. It refers to enterprises ability to effectively reproduce models, methods and products in new areas (Bloom & Chatterji, 2009; Heinecke & Mayer, 2012). Previous studies argue that if a social enterprise can replicate the business model along with the strategy then it may create greater social value

(Meyskens, Robb-Post, Stamp, Carsrud, & Reynolds, 2010). Social enterprises are expected to replicate their businesses while maintaining the quality of its replication in order to reach more beneficiaries as well as maximize social impact (Beugre, 2017).

In this study, we describe replication by referring to three mechanisms for spreading social impact; dissemination, affiliation, and branching (Dees, Anderson, & Wei-skillern, 2004). Dissemination involves sharing the idea, providing information and technical capabilities to other organizations and letting them employ their own methods or strategy to bring innovation to the community (Coleman & Kariv, 2016). Dissemination is considered as an open-source method at a low cost because others usually just take the idea then apply it based on their own resources and strategy. It is also the fastest way to scale the impact. With disseminating, social enterprises have little control towards the implementation. They become the source of information and guidance for the others. In short, dissemination provides a recipe to others to use the enterprise model and replicate it independently.

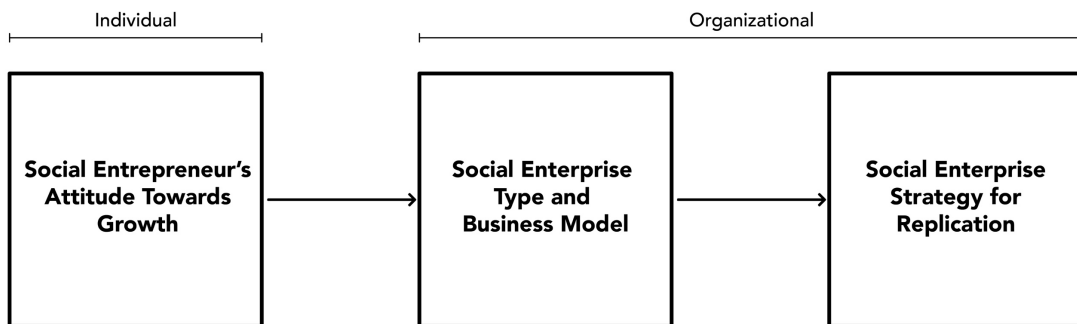
Affiliation means collaboration between a parent organization with other organizations for the sake of implementation in new areas (Heinecke & Mayer, 2012). The main benefit of affiliation is getting network values. Affiliation links social enterprises with other organizations that have knowledge and credibility within the local community. This strategy offers a broad range of possibilities for social enterprises to do replication. Affiliation allows social enterprises to partner with other organizations, sharing the same principle and mission. The nature of relationship and control depends on the negotiation between parties (Dees, Anderson, & Wei-skillern, 2004). Affiliation is

beneficial for social enterprises because they can maintain the brand image and increase the chance of successful replication.

Branching means a social enterprise carries out their own model and strategy, creating a branch in another area (Dees, Anderson, & Wei-skillern, 2004). Among these three mechanisms, branching requires the biggest cost and amount of resources, but it allows social enterprises to have the greatest centralized control (Kickul & Lyons, 2016). In order to have a successful replication, social enterprises depend heavily on available resources, practical knowledge, capabilities, as well as tough organization cultures. Although branching requires central coordination, social enterprises still have a chance to be locally adaptive to the community.

## CONCEPTUAL FRAMEWORK

Based on previous studies, there are few works of literature regarding the attitude of social entrepreneurs. However, prior studies suggest that social entrepreneurs possess different attitudes regarding social and economic value. Each social entrepreneur has their own preferences between these two values, either more social or more economical. Besides, previous studies also noted that entrepreneur attitudes are shaped by personal values that they hold, which influence their decisions (Sastre-Castillo, Peris-Ortiz, & Danvila-Del Valle, 2015). While social entrepreneurs possess the brain and the heart for creating social impact, it is vital to explore the social enterprises which they make in order to understand how they interact with stakeholders and create social impact (Leadbeater, 1997).



*Figure 1 - Conceptual Framework*

In this study, we propose dual level analysis starting from social entrepreneurs' attitude at the individual level in order to understand the social enterprise type and

business model related to strategy for replication at the organizational level (Figure 1). We aim to find the relationship between social entrepreneurs' attitudes toward growth, which influence their decisions on their social enterprises. We argue that social entrepreneurs' attitude shapes the type of legal structure of their social enterprises as well as the business model. Based on the type and the business model, we can understand the strategy associated with the replication mechanism.

In this regard, social entrepreneurs' beliefs and values toward growth reflect the cognitive attitude, followed by how they perceive growth in terms of social goal and economic goal as the affective attitude. Then, they shape their social enterprise structure and business model as well as the strategy for replication mechanism as the behavioral attitude. The dual level analysis will provide an in-depth examination of social entrepreneurs and social enterprises. Moreover, the findings will be more objective as it is not only based on the mindset of social entrepreneurs but also what the social enterprises do in order to generate and maximize social impact.

## **METHODS**

### **2.1 Research Context**

This study is conducted in Indonesia, specifically in the capital city, Jakarta. Indonesia, as a middle-income country, has continued to grow rapidly, considered as the biggest economy in Southeast Asia. Indonesia's GDP per capita has gradually increased to reach \$3847 in 2017. Indonesia has become the fourth most populous country in the world, and its population continues to increase. The strong economic growth happens due to various factors, especially infrastructure development and poverty reduction, that has been cut by more than half to reach 9.8% in 2018 (The World Bank Group, 2018). However, economic growth has not spread to all individuals who wish to leave inequality behind. Most of the development is still very much centralized in the capital, which means other areas in Indonesia are still left behind. There are still a lot of economic, social, and environmental issues, especially in rural areas. The imbalance of public welfare may widen the current gap between the rich and poor.

Social entrepreneurship in Indonesia is in the developing phase, shown by the trend of social investment. For the past few years, Indonesia has been seeing a trend of entrepreneurship, especially in the social sector. According to Indonesian high net worth individuals (HNWI), social impact is significant as it can eradicate social problems in the country (Asian Venture Philanthropy Network, 2017). Some sectors still dominate, which reflect the most common social problems in the country, such as agriculture, financial

services, healthcare, education, and fishery (UNDP, 2016). Despite the increasing interest in social entrepreneurship, Indonesian people still understand social issues differently (Forbes, 2013). Moreover, the government has not shown any reliable support for social entrepreneurship. For example, there are no specialized legal structures for social enterprises in the country.

Although there is no specific regulation, there are five legal structures that are mostly used by social enterprises in Indonesia. Firstly, a cooperative is an organization based on membership, which gets no tax aids. Secondly, a financial institution is an organization that provides microloans for social enterprises and community-based affiliations. Thirdly, a foundation is a charity organization that does not operate for profit. It can receive funding and no tax benefit. Fourthly, the association is a social purpose group created by at least three citizens without the intention to make a profit. Lastly, an enterprise is a limited liability organization which is actively generating profit. It is usually owned by shareholders and has investors (Boston Consulting Group, 2015; Asian Venture Philanthropy Network, 2017).

Many social enterprises emerge and operate in various regions to tackle particular issues. However, the ecosystem for social enterprises has not fully developed due to a lack of quality. Many social entrepreneurs do not have the intention to scale up because of market challenges. Also, the formalization of social enterprises in Indonesia is still immature. Most social enterprises in Indonesia are not prepared with scalable businesses starting from the mindset of social entrepreneurs, business model, and the ecosystem. Social enterprises faced with challenges such as skill gaps, overdependence on donations,



access to funding, no legal structures, and difficulty in tracking social impact (Asian Venture Philanthropy Network, 2018). However, this is not always the problem. Some social enterprises with a limited focus on a specific community sometimes do not have the intention to scale up. They limit their operation in the specific local area and have no intention to scale-up, becoming mature without expanding their size (Boston Consulting Group, 2015).

According to a report prepared by Angel Investment Network Indonesia (ANGIN) for the United Nations Development Programme (UNDP), Indonesian social enterprises can be divided into three categories; un-fundable, potential to be funded but need extra support, and investment-ready (UNDP, 2016). The first category mostly consists of NGOs during the transition to be social enterprises. However, most of them still lack quality, such as bad management, weak implementations, and low potential for scaling up. They may survive with a small local impact. Unfortunately, 70% of social enterprises in Indonesia are at this stage. The second one is not investment ready yet, but with the right guidance and support, it may have the opportunity. Around 20% of the enterprises are at this stage. Lastly, the social enterprises which are ready to be invested in, with some struggles during the process, accounted for around 10% of the social enterprises. Regarding the ecosystem of social entrepreneurship in Indonesia, prior research found that the ease of doing business is crucial for social enterprises (Pratono & Sutanti, 2016). It affects the ability of social enterprises to grow and become sustainable in the long-term. It means social enterprises in Indonesia should define a business model that quickly adapts to the business environment and sticks to their social mission. Hence, it is

appropriate to dig deeper into the mind of social entrepreneurs on how they perceive growth and replication.

## **2.2 Data Collection**

We started the data collection by searching the list of social enterprises from a website called Platform Usaha Sosial (PLUS), a collaborative space for social entrepreneurship enthusiasts in Indonesia. It is one of the most comprehensive organizations that promotes and supports social entrepreneurship ecosystem in Indonesia. Inside the website, there is a map that provides a directory of social enterprises in Indonesia. The listed social enterprises are categorized by the sector and the location, including a brief summary. Among hundreds of social enterprises listed, we filtered it to a specific location, Jakarta. Afterward, we researched for further data on the social enterprises, especially the reputation and the contact info with Google. Due to limited contact information of social enterprises, we managed to contact 40 social enterprises through email and by phone. In the email, a proposal was attached with dual language (Indonesian and English) regarding the inquiry for an interview. We asked for a one-on-one interview with one of the employees, specifically the founder or a senior level executive. Once they accepted to be interviewed, follow-up emails were sent containing the interview questions. Lastly, appointments were made regarding time and location.

Out of 40, six social enterprises accepted the request to be interviewed. They come from diverse industries such as sustainable energy, economic empowerment, agriculture, health, education, crowdsourcing and crowdfunding (Exhibit 2). The main characteristic of the interviewees is they are in an executive position such as founder, executive director

and chief operating officer. Holding management positions shows that they have experiences in the social business industry. They can provide us with a deep understanding and profound attitude about social entrepreneurship, especially towards their social enterprises. We conducted the interviews during the summer holiday in Jakarta, Indonesia. It was done within five days between late August until mid-September (Exhibit 3). The interviews happened in the social enterprise's office or the arranged place with the interviewees. The duration lasted on average between one to two hours. We recorded the interviews with a recording application within a smartphone. As the interviews occurred by following the flow but it is more like a discussion based on the questions. The questions are open-ended where both the interviewer and the interviewee can expand the conversation further. After all the interviews finished, we transcribed the recording based on the social enterprise before moving to the analysis part.

### **2.3 Analysis**

We aim to identify social entrepreneurs' attitude towards growth and replication. This study employs a qualitative approach by doing in-depth interviews with social entrepreneurs. In addition to using the interviews as primary data, secondary data from previous research is also utilized to answer the research question. Once the interviews are finished, they are transformed into transcripts in order to analyze in detail. We apply content analysis to each interviewed social enterprise in order to understand the point of view of social entrepreneurs regarding growth and replication.

Firstly, we describe the profile of the social enterprises, particularly their legal structure and purpose. Using the legal status, we categorize the interviewees into three

organizational forms of social enterprises; nonprofit, mixed and for-profit social enterprise. From these three classifications, we aim to explore the similarities and differences of our interviewees and the relation of legality towards attitude of the social entrepreneurs.

Secondly, we break down the analysis by following the social business model canvas (Tandemic, 2019), a reinvented version of the business model canvas (Osterwalder & Pigneur, 2010), specifically for the social business (Exhibit 1). Business Model Canvas allows business models to be understood in a simple way while maintaining the essence of business models for businesses (Osterwalder & Pigneur, 2010). As social enterprises have distinctive elements compared to traditional businesses, the business model canvas leads to the creation of the social business model canvas. It is divided into 13 parts or blocks compared to nine areas in the business model canvas (Tandemic, 2019)(Exhibit 1). Rather than emphasizing profit creation, the social business model canvas focuses on the impact created by the social enterprise for the beneficiary. Customer segment is divided into customers and beneficiaries. Sometimes beneficiaries do not buy and use the product of the social enterprise, but they still receive the benefit. Value proposition is divided into customer and beneficiary value proposition along with the impact measures. Social enterprises need to know if they really make a change. Types of intervention explain the types of product that the social enterprise provides. Surplus describes how a social enterprise reinvests their profit, making them different from a commercial enterprise. Utilizing this framework, we can understand the uniqueness of social enterprises by breaking down their business model.

We aim to understand distinctive factors that led our interviewees to develop social enterprises. Accordingly, the enterprise model provides us with initial explanation before moving to growth and replication. Among 10 elements of the canvas, we focus on items such as value proposition, segments, key activities, revenues and surplus which give us evidence regarding growth and replication. Initially, we explore the segments of each social enterprise. We can recognize the beneficiary and the customer in order to understand the target. We move to the value proposition based on the segments to discover the uniqueness of the social enterprises followed by the impact measures. Next, we explain the key activities that they do in order to serve the value proposition. Lastly, we identify the source of revenue for the enterprise as it will relate to the attention toward economic goal.

Lastly, we address the growth and replication as it is perceived by social entrepreneurs. Not only based on the statements from social entrepreneurs, the enterprise model will support our argument in this context. For growth, we divided growth into two components. First is the social-environmental growth, where social enterprises emphasize the result of their activities toward beneficiaries and society at large. Another component is economic-business growth, where social enterprises engage in revenue-generating activities to support their social mission. Based on these two components, we aim to understand how social entrepreneurs perceive growth as well as the attention they give to it. We also aim to explore how social entrepreneurs intend to achieve growth and to what extent they consider these two components necessary in order to pursue their mission. Following growth, we explore the choice of mechanism of replication based on social replication. We can find the action that social entrepreneurs take in relation to their

attitude towards growth. Based on the alternatives above, we learn that each strategy has its own positive and negative aspects in terms of cost and control. We aim to know which strategies are chosen by interviewed social entrepreneurs and why they chose it. By exploring the answer from social entrepreneurs, we may understand why the strategy is suitable for the growth of their social enterprises.

## FINDINGS

Figure 2 shows the different level of social goal and economic goal between nonprofit, mixed, and for-profit social enterprises. According to their statements, they are all pursuing a social mission as the primary objective. This similarity explains the distinctive factor that differentiates them from commercial enterprises. In that sense, all of our interviewees are high in chasing a social goal. On the contrary, they hold different attitudes about the economic goal. Nonprofit social enterprises have the lowest intention for economic goal. Nevertheless, it does not mean that they have no intention at all about the economic goal. Our findings show that nonprofit social enterprises have a secondary activity to generate revenue, though it is not a priority.

Meanwhile, mixed social enterprises have a moderate intention regarding the economic goal. For them, the economic goal is necessary to sustain the enterprise. From our findings, we find that mixed social enterprises have two entities; a foundation as the nonprofit entity and a limited company as the for-profit entity. Mixed social enterprises attempt to have several sources of revenue to reduce the reliance on donations or grants. Lastly, for-profit social enterprises are the ones with the highest intention to pursue an economic goal. For them, both the social goal and economic goal are the primary objective. They intend to maximize social impact as much as achieving profitability.

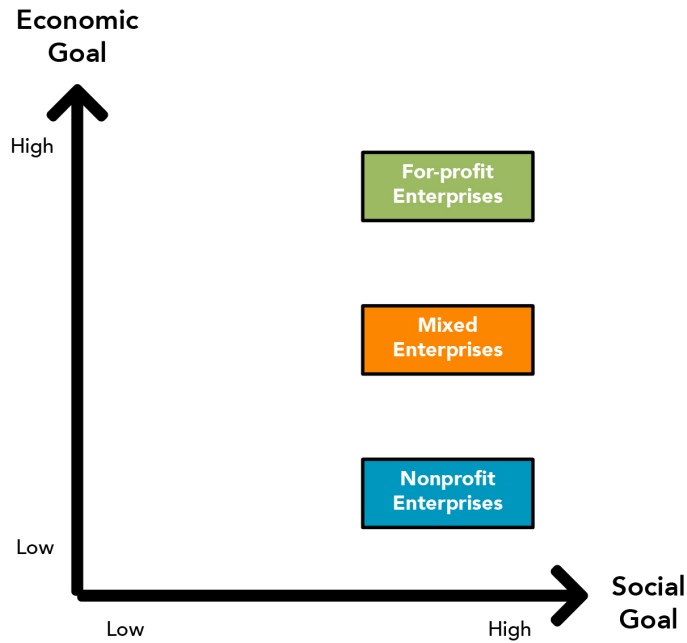


Figure 2 - Social Enterprise Structures Related to Goal Orientation

|                               | <b>Representative quotes toward goal orientation</b>   |
|-------------------------------|--|
| <b>For-Profit Enterprises</b> | <p><i>“It does not mean that all the things that we do is not calculated financially. We also want to earn income and generate profit from our business as long as we keep in our social mission.” (E3).</i></p> <p><i>“As business, we already focus to become profitable since the beginning [...] Because we also a for profit company with social and sustainable value.” (E5).</i></p>  |
| <b>Mixed Enterprises</b>      | <p><i>“We establish business entities where the profit is to support the operational, back-office cost from the foundation, so the foundation can do the social mission.” (E4).</i></p> <p><i>“At least we have revenue, even though we are not full a for-profit entity but we can be hybrid at least with a foundation and a limited company. Both are the pillar to get impact and profit, in order for the business to run.” (E6).</i></p>                         |
| <b>Nonprofit Enterprises</b>  | <p><i>“We chose foundation as our legal structure because it is the most suitable for us and we do not intend to generate profit. For us, if we get profits then it is good, if we do not get it at least we can still run the business” (E1).</i></p> <p><i>“Because what we want to achieve is not profit in terms of money but more on social return such as volunteers that register, bigger social media, wider reach out, exposure and influence.” (E2).</i></p> |

Table 1 - Social Enterprises' Statements Toward Goal Orientation



Figure 3 shows social enterprise structures regarding replication mechanism followed by the growth orientation. Replication mechanism is divided into three types; dissemination, affiliation, and branching (Dees, Anderson, & Wei-skillern, 2004). Growth orientation is comprised of social-environmental growth and economic-business growth. Our study finds that nonprofit social enterprises hold a positive attitude toward all three strategies of replication. Meanwhile, mixed social enterprises hold different attitudes depending on the entity. For the nonprofit entity, they are positive toward all three mechanisms. However, in the for-profit entity, dissemination receives negative attitudes compared to affiliation and branching. Concurrently, for-profit social enterprises share a similar attitude. We will analyze the relationship below in further elaboration.

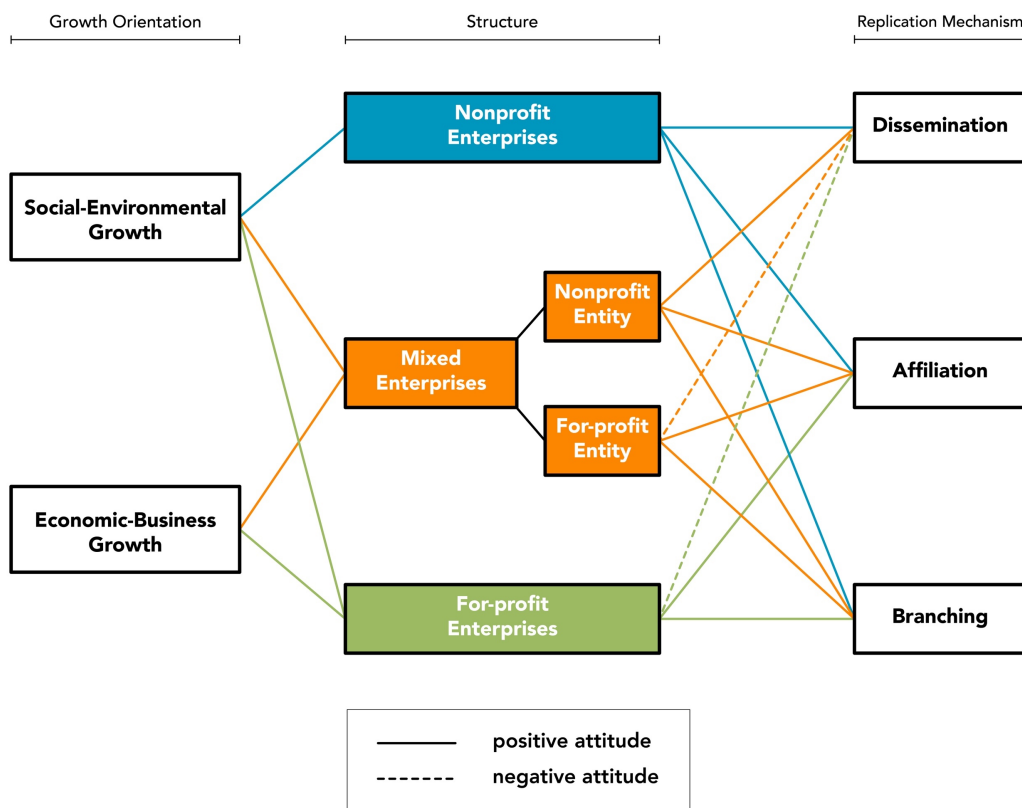


Figure 3 - Social Entrepreneurs' Attitude Towards Growth and Replication

### 3.1 Nonprofit Enterprises

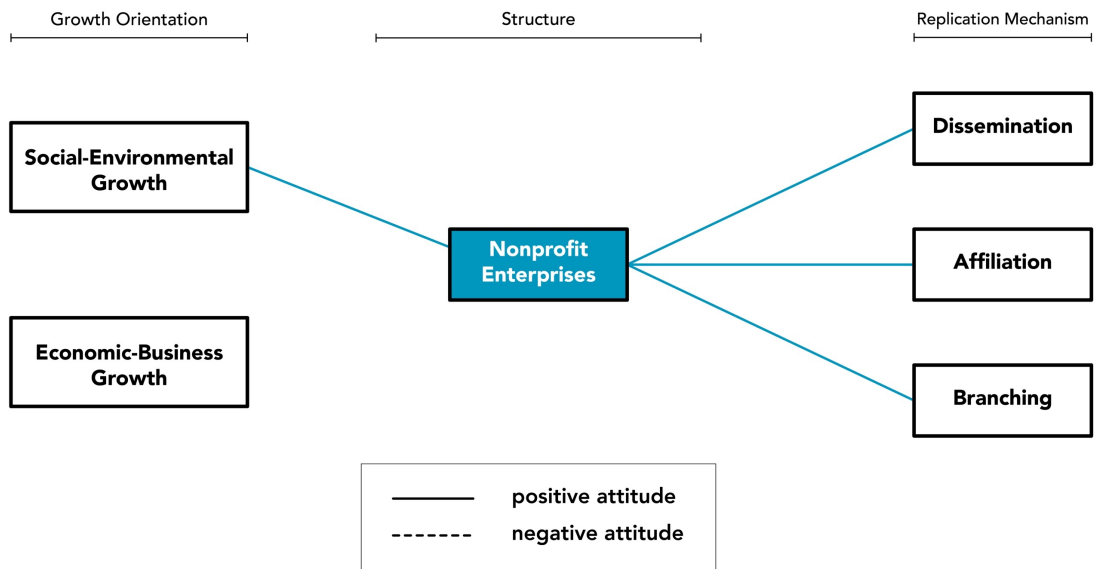


Figure 4 - Nonprofit Enterprises' Attitude Towards Growth and Replication

#### Enterprise Model

Table 1 shows nonprofit enterprises model in detail. From six samples, two of our interviewees are nonprofit social enterprises. Both of them chose a foundation as their legal structure. Foundation is also considered as the most popular structure for social enterprises in Indonesia because it is always associated with nonprofit organizations (Pratono & Sutanti, 2016; Ridley-Duff & Bull, 2016). One interviewee even acknowledges themselves merely as a nonprofit organization, not considering their organization as a social enterprise. As expected, nonprofit social enterprises rely heavily on external funding such as donations, grants, and charity in order to fill their economic resource. Since it was founded, the nonprofit social enterprises decided to emphasize the social mission with low intention or even no purpose of generating revenue.

Based on such attitude, we find nonprofit social enterprises define growth in terms of social impact. Predictably, nonprofit social enterprises are mission driven organizations. They show a heavy attention to their purpose, translating it into the vision and mission to address a specific social problem. They possess a unique point of view towards problems in society. Nonprofit social enterprises intend to create an incremental transformation in society. They identify problems and transform them into opportunities which become the social mission.

In addition, their activities do not stop with what is stated in their mission. People are invited to take part in their social mission so the social impact can be maximized. One interviewee said, *“What we are doing is also campaigning so that mutual cooperation or volunteerism becomes a new lifestyle [...] we want to push so people to be more aware, more understand with the environment and can contribute more”* (E2). Social capital becomes the core of social mission as it will generate empowerment. People and communities, especially the marginalized ones are empowered to become self-reliant. A founder stated *“Nurturing social capital is a main ingredient for a social businessman”* (E1). As social capital relates to welfare, benefits come in many forms. For example, an interviewee creates capacity building for beneficiaries so they have the ability to become independent in the future. He said *“The system that we use is called ‘community-based development’ so when we build it, we develop the people so they have a capacity to do it [...] But, we are not only building capacity, but also confidence. If we build capacity only without confidence, even if they are able, they will not want to do it”* (E1). This statement shows the nonprofit social enterprise intent to enlarge the benefits that they offer for the beneficiary.

In terms of segments, depending on the business, customer can be included as the beneficiary or separately. We find one interviewee views customer and beneficiary differently. The founder stated *“For me, the customer is someone who is coming to us and ask ‘I want to do something good for the community but my hands are limited. I don’t know how to do it, this and that. But you have the scheme, technology and knowledge to improve people’s lives’ [...] Our beneficiary is the whole community which needs electricity and economic development, to be helped”* (E1).

In this case, the customers are organizations who use the service of the social enterprise. While the beneficiaries are the ones who benefits from the activity. From this statement, customers also act as donors. In this type of relationship, nonprofit social enterprises act as the executor for the customer’s social activity. While in another situation, they collaborate with customers and create a social project together for the beneficiary. This relationship with other organizations means the business is business-to-business (B2B). Meanwhile, the beneficiary regarded as business-to-consumer (B2C) because they are directly getting benefits from the interaction between nonprofit social enterprises with the customers. In this case, the beneficiary is underprivileged communities in rural areas.

Another interviewee gives us a different insight because the customers also regarded as the beneficiary. In this case, our interviewee becomes the intermediary between two interdependent customer segments. The interviewee said *“So, it’s like, we’re the ‘marketplace’ actually, the medium to bring together those two (customer segments)*

*which at the beginning not meet or maybe meet up but not formally [...] it's to tidy up and ease the interaction" [...] We're in the middle which makes collaborations happen"* (E2). In this case, the enterprise intervenes in the middle, becoming the agent between them. We also find that beneficiaries tend to be more targeted than customers. Because the beneficiary is often specific to a local community or type of group of people, it becomes segmented. In terms of customers, it may become diversified because they use the product but do not get the benefits directly. Nonetheless, customers and beneficiaries may vary depending on the enterprise model.

Following segments, value propositions also adjusted to customer and beneficiary. Although some may act as both, value propositions become different if the beneficiaries are different from customers. Even if a customer also acts as beneficiary, they may receive a different value proposition. For example, our interviewee who has the same customer and beneficiary, provides different value propositions because the business serves two different segments. Another interviewee provides separate value propositions because a beneficiary receives benefits while a customer uses the product of the enterprise.

After delivering value propositions, social enterprises have to measure impact. As expected, nonprofit social enterprises measure impact based on social value. We find that they assess impact from number of beneficiaries, benefits provided for beneficiaries, social activities created, partnerships with organizations, or improved quality of life for beneficiaries. This insight is consistent with attention about fostering social capital.

As nonprofit social enterprises do not intend to generate revenue, finance has always been a liability. Although nonprofit social enterprises' revenue comes mainly from donations, we find that they also have other activities to generate revenue. These revenue generating activities are considered necessary but not as a primary objective. They stated;

*“We are hybrid. We generate income by ourselves when we create training. Because we use our knowledge and expertise which should be appreciated. But, when we build for the society, at best we get a salary from there called management fee” (E1).*

*“It's becoming hybrid, donation and selling services and now starting to try the merchandising business. So, for the future, it will sustain by itself” (E2).*

The statement above clarifies that the enterprise also has revenue generating activities. Revenue is not 100 percent generated from donations. It is created to reduce dependency because in a financial difficulty situation, it will hinder the enterprise's social activity and increase risks. As they are high in social value, predictably they utilize profits for the sake of beneficiaries by expanding social activities or providing more benefits.

### Growth

In accordance with the enterprise model, we find nonprofit social enterprises define growth from social impact. It is shown from the number of beneficiaries and benefits channeled to beneficiaries. When asked about what they think about growth, they stated:

*“Growth is not from the social enterprise but from social capital, from the welfare. We do not see growth from the monetary perspective only [...] Maybe we can say,*

*measuring it not only from the organization's perspective but from society as a whole"*  
(E1).

*"Because what we want to achieve is social return such as volunteers who register, bigger social media, wider reach out, exposure and influence rather than financial return [...] We measure growth from number of volunteers, organizations and events. We also measure from engagement rate from them. Our growth is from there"* (E2).

These statements explain that nonprofit social enterprises identify growth in terms of social goal or impact, not in economic terms. In contrast with traditional commercial organizations, growth is measured in terms of profitability. Economic value is seen as necessary as a means to pursue social mission, but not as a goal.

*"Most people usually trapped into the goal. It is a mean because what we search is development such as maintaining the culture, sustainability, social justice, all is called social capital. Development dimension is not financial accumulation but social capital enrichment"* (E1).

From this statement, we can see that growth is originated from social capital. For nonprofit social enterprises, growth is fulfilled from the impact they have in society. However, impact for each enterprise may not be the same due to different problems addressed and segments targeted. Growth for nonprofit social enterprises is not about making the enterprise bigger but about amplifying social impact.

When asked about the relationship between enterprise model and growth, one interviewee sees growth as a catalyst that shapes the enterprise model. Growth is

influencing the enterprise model in order to always adapt to the changing environment. As it may keep changing, the enterprise will stay within the social mission.

*“The bigger our growth, the more it will influence our business model. Maybe later, next year can be different or doing adaptation more and more which I don’t know where will we ended up [...] Because our model is influenced by growth, the strategy will follow it. The vision and mission are still the same” (E2).*

### Replication

Regarding replication, we find that nonprofit social enterprises consider replication as a method to expand their growth. Our finding suggests that nonprofit social enterprises tend to be more open to others replicating what they do. Replication is usually related to geographical growth because they intend to serve more beneficiaries. However, it should not be forgotten that replication requires adaptation. In order for replication to be successful, it requires adaptation to the local environment.

*“What I do is giving everyone even to you, anything that I have. That is my growth. Suppose, you create a social enterprise like me with your own thinking, then do it. I’m not hoping [this enterprise] to become big but I expect there are small-small [this enterprise] everywhere. Do not see it as a growth of the economy but as the growth of the number of people who share the same mission” (E1).*

This statement implies that nonprofit social enterprises are positive toward dissemination. They share ideas and strategy in order to have a bigger social impact. Dissemination is not a threat because the social enterprises are impact focused. In addition, they also believe in novelty. Although enterprise model and strategy are replicated by



others, it will not be the same. One interviewee stated *“Here, the business model from a social enterprise is unique. It is the uniqueness that you have to develop [...] In social business, there is no competition because everyone created differently. Even if you replicate my business, it will not be the same”* (E1).

In addition, as a nonprofit social enterprise is an impact focused organization, they believe in collective collaborations. They argue that social problems cannot be solved by themselves, but should be handled collectively as it will create a bigger impact. A founder said *“Because my hands are only two [...] there is a need for new small social enterprise out there. The population growth is what should we handle socially”* (E1).

Besides dissemination, we find that nonprofit social enterprises are supportive toward affiliation. One of the reasons is because nonprofit social enterprises mostly lack resources. From the relationship with other organizations, they can utilize more resources through affiliation without needing to have all the assets by themselves. By affiliating with other organizations who have a similar mindset, nonprofit social enterprises can pursue their social mission through the help of others. Moreover, affiliation is able to create network value or word-of-mouth for the social enterprise. Affiliation allows nonprofit social enterprises to maintain trust with partners and stakeholders. From there, it will be easier for them because it raises the credibility of the enterprise. They said;

*“What should be faced is the networking skill between young people. Because why? Other than having a strong heart, they need a strong network. If one fall, the others could help and support [...] It means the young people have to work together or collaborate”* (E1).

*“We focused on expanding our network with communities with loyal followers and from there if community says that we’re good, it will give good impression for people [...] At the end money is not the main thing but what is important is the human resource and the network [...] we make a lot of events and collaborate with others” (E2).*

Compared to dissemination and affiliation strategy, nonprofit social enterprises rarely intend to do branching because it requires abundant resources. Moreover, in order to make the branching strategy successful, they need to be secure first in internal capabilities. Rather than doing a branching strategy, they prefer to do dissemination and affiliation which are cost-effective and impactful, although it may lead to low control. Even if they intend to do branching, they focus on expanding beneficiaries not for financial accumulation. As mentioned *“if we have more budget, of course we can have more staff then we can put ourselves in a bigger presence, more areas which is the growth that we pursue” (E2).*

Table 2 - Nonprofit Enterprises Model

|                                     |                               | ENTERPRISE 1 (E1)  | ENTERPRISE 2 (E2)   |
|-------------------------------------|-------------------------------|--|---|
|                                     |                               | Description  |   |
| Profile                             | Industry                      | Sustainable energy and economic empowerment  | Crowdsourcing (multi-sided platform)  |
|                                     | Founded                       | 1992   | 2012  |
| Legal Structure                     |                               | Foundation   | Foundation  |
| Purpose                             |                               | Implement technology in villages or rural areas to improve people welfare using micro hydro. Empowering rural villagers to become self-reliance and gain economic freedom.                   | Becoming a platform to make collaboration between volunteers and organizations with social missions easier.   |
| <b>Social Business Model Canvas</b> |                               |  |   |
| Segments                            | Customer                      | Private, public, international organizations.  | Social organizations and volunteers.  |
|                                     | Beneficiary                   | Communities or villages that need help for electricity and economic empowerment.   | Social organizations and volunteers.  |
| Value Proposition                   | Customer Value Proposition    | To implement social activities or projects through the service of the social enterprise.   | Social organizations get to promote their activities and find volunteers. Volunteers get information about social activities and join the activity.   |
|                                     | Beneficiary Value Proposition | Get electricity in the village, get education, quality of life increased.  | Social organizations get to promote their activities and find volunteers. Volunteers get information about social activities and join the activity.   |
|                                     | Impact Measures               | Number of villages and communities helped, increased welfare and quality of life.  | Number of volunteers and social organizations connected, events held.   |
| Channels                            |                               | Partner with organizations and companies.<br>Networking (word-of-mouth).<br>Website.   | Website.<br>Social media.<br>Networking (events & word-of-mouth).   |
| Type of Intervention                |                               | Micro hydro, village coops, farming enhancement, household enterprises, local workshop.  | Website that connects social organizations and volunteers.  |
| Revenue                             |                               | Donation (yearly and per project).<br>Management or operational fee.<br>Creating workshops and trainings for organizations.  | Donation (yearly and per project).<br>Creating events with other organizations (profit sharing)<br>Selling merchandise.   |
| Surplus                             |                               | Savings for next project.<br>Create a new social activity or project in another place.   | Savings for next project.<br>Create a new social activity or in another place.  |
| Key resources                       |                               | Website, network with other organizations, volunteers, ability to build community spirit, strong brand identity.   | Website, network with other organizations, volunteers, strong brand identity.   |
| Key activities.                     |                               | Building electricity for villages. Capacity building to villagers. Creating proposals.<br>Teaching young people about social entrepreneurship.<br>Building network with other organizations. | Uniting social organizations and volunteers through a website.<br>Creating events such as a networking session between social organizations and volunteers.<br>Building partnership with other organizations to increase network. |
| Partners & Key Stakeholders         |                               | Social organizations.<br>Private and public organizations.<br>International organizations.   | Social organizations.<br>Volunteers.<br>Private and public organizations  |
| Cost structures                     |                               | Creating project in a village. Operational costs.  | Website maintenance. Operational costs. Creating events.  |

### 3.2 Mixed Enterprises

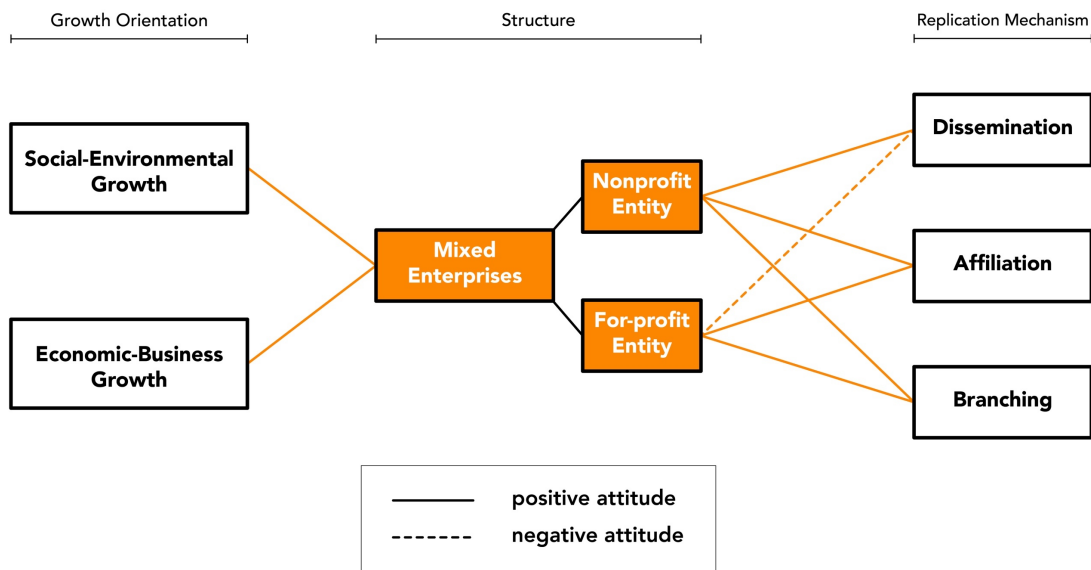


Figure 5 - Mixed Enterprises' Attitude Towards Growth and Replication

#### Enterprise Model

Table 2 shows the mixed enterprises model in detail. Two of our interviewees are mixed social enterprises. Mixed enterprises mean there are two legal entities within one organization. The first one is registered as a nonprofit which is responsible for pursuing a social mission. Another one is a for-profit entity which concentrates on generating revenue. Utilizing this method, mixed social enterprises can possess benefits from both structures (Battilana, Lee, Walker, & Dorsey, 2012). In principle, the for-profit becomes a source of funding for the non-profit. In our findings, the nonprofit entity registered as a foundation while the for-profit registered as a limited liability company. However, in hierarchical level, the nonprofit entity is above the for-profit entity. The nonprofit entity owns shares in the for-profit in order to control its actions while keeping the social mission. They stated;

*“We have entities, a foundation which pursuing the mission and a limited company which earning profit to support the mission. The business of the limited company, not necessarily related to the foundation, it can be separated” (E4).*

*“Because we are not a non-profit organization [...] our legality are two forms; foundation and limited company” (E6).*

Based on the finding above, we find that mixed social enterprises define growth in terms of social impact as well as economic sustainability. While their primary objective is to maximize social impact, they also intend to be economically sustainable. In addition, we also find that at first mixed social enterprises started as nonprofit social enterprises. Subsequently, as they grew and became mature, they decided to have another entity in order to gain more benefits and be more flexible. Flexibility here means that they can obtain revenue from more diverse sources and diminish dependence on donations as much as possible.

In our finding, both our interviewees are targeting underprivileged groups. However, the way they approach it is different. One interviewee has the customers also categorized as the beneficiaries. He said *“Our primary customer is children but we have a secondary customer which is their parent [...] They are included as our beneficiaries, but indirect. The primary is still the children itself” (E4)*. From this statement, we find that the enterprise serves two different segments which are related to each other. Even so, they have different yet complementary value propositions. Another interviewee has different customers and beneficiaries. This case is similar with the interviewee from the

nonprofit social enterprise. The founder stated *“The customer is the donor, who gives the money. Beneficiaries are they who could not afford, have a burden to pay for medical facilities”* (E6).

Similar to nonprofit social enterprises, mixed social enterprises measure impact from social value such as number of beneficiaries and benefits delivered. In terms of mission, they are the same as nonprofit social enterprises. The key differentiation is that mixed enterprises possess more attention towards economic value compared to nonprofit social enterprises.

In terms of revenue, we find mixed social enterprises to have more diverse methods due to the dual legalities. In the nonprofit, they can get donations while the for-profit earns revenue by itself. One interviewee stated *“We balance so there will be no domination in one aspect. Because if there is domination, it is really risky right?”* (E4). We also find that they partner with other organizations to gain more revenues. A founder stated *“We also help corporate social responsibility programs from companies, we are partnering and sharing profit with them”* (E6). Based on these statements, we find the intention toward economic value derives from a sustainability mindset. Though, they always make sure the profit is utilized to maximize social impact. They said it is important to maintain the profit to pursue the social mission. As they become financially sustainable, they can focus on pursuing their social mission without being hampered by the costs.

### Growth

We find that mixed social enterprises define growth in terms of social impact and economic sustainability. When asked about growth, they clarify that profit is one of the indicators. A founder stated “*The matrix always two; impact and profit. If you someone asks what is our matrix, then it will be how many patients we already fund, how many from them able to go back to their quality life (before sick), how many donations we channel, how many donors that we have and of course how’s our revenue. It means at least we are not a loss, because we are not a non-profit organization*” (E6). From this statement, we can see that social impact precedes profit. They believe that social and economic value should run together, reaching sustainability. Considering social impact as the primary objective, revenue generating activities are ensured to support social activities.

We also find that mixed social enterprises perceive growth as a gradual process. One interviewee explained “*We have to be operationally excellent which is everything we do have to be impactful and tangible, the method is standardized and right, the best possible way to achieve our social mission [...] even if we’re growing, second way, we don’t want to grow by our own cost, we want to grow by partnerships [...] we have to be ready with infrastructure*” (E4). This statement clarifies that growth for mixed social enterprises is based on social and economic value. For them, growth can be achieved if they are ready and fully prepared.

Moreover, we get an indication that partnership is seen as a vital factor for growth. Partnership provides advantages such as economies of scale and network value. In addition, it can increase the success rate of a project which is beneficial for beneficiaries.

Similar to nonprofit social enterprises, mixed social enterprises believe in collaboration in order to maximize the social impact. One interviewee said “*We enable local parties, to do things like what we do. There is our portion and their portion. So, in the end it will be like the principle of broomstick, if alone it will be broken but if together it will be stronger*” (E4).

In addition, we find that mixed social enterprises also define growth based on geographical growth. Accessing more regions means they can enlarge social impact by getting more customers, beneficiaries and even partners. One interviewee is even considering to expand abroad. According to him, the enterprise model is easy to replicate and there is a demand for it. Yet, in order to grow, they prefer to be stable from internal capabilities before deciding to grow again. Lastly, we find that social mission is still the core of the enterprise. Social mission is shaping the enterprise model as well as the strategy. They stated “*All of our strategy is for the social mission*” (E4), “*Our social mission can be said our business model too*” (E6).

### Replication

In accordance with growth, mixed social enterprises see replication as one of the methods. Our findings show that mixed social enterprises have different attitudes toward replication mechanism. This difference in attitude can be seen from the two legalities toward dissemination. From the nonprofit perspective, dissemination receives a positive attitude. It can magnify social impact as others will do similar or same social activities. However, from the for-profit side, dissemination gains a negative attitude. They stated;



*“It depends. In us, if we talk about the foundation, we are open about it. But if we talk in the ‘business’, it has a competitor. So, actually, opening up means creating an area for a competitor, competitor becomes advance, we lose in business, no profit, non-sustainability, no social mission. It depends on the context if we talk in terms of competition, it cannot, we are the same as commercial enterprises” (E4).*

*“In terms of impact, if you replicate then it may have bigger impact right, more people to be reached. But, if it is replicated by others, then there will be a market which can be grabbed by us but taken by another company. Basically, it reduces our revenue. So, I think there is a need for consideration in that part. The impact may get bigger, but the business may get smaller” (E6).*

We find that dissemination can become a threat for the enterprise. Dissemination is perceived differently from two different legalities. From the social impact perspective, dissemination can increase beneficiaries and amplify the result. However, from the business perspective, it may decrease profitability as it can create competition. Competitors can take the market share and threaten the enterprise. We see this as a tension between social and economic value within mixed social enterprises.

We also find that mixed social enterprises value affiliation positively. Affiliation can help the implementation as well as to cover costs. It also teaches the social enterprise to come up with new innovations through collaborations. A founder said *“we learn a lot about it from other companies [...] we adopt from the current actual business model in the market. I think the ideal is a collaboration” (E6)*. Although mixed social enterprises may show competitive behavior in terms of business, they also aim for collaborations.

Lastly, mixed social enterprises also aim to do branching. Compared to nonprofit social enterprises, mixed social enterprises have more stability in terms of finance. As a result, branching method is possible for them. As branching requires big costs and induces risk, mixed social enterprise can balance it with financial sustainability and the dual legalities.

Table 3 - Mixed Enterprises Model

|                                     |                               | ENTERPRISE 4 (E4)  | ENTERPRISE 6 (E6)  |
|-------------------------------------|-------------------------------|--|--|
|                                     |                               | Description  |  |
| Profile                             | Industry                      | Education and economic empowerment   | Health, crowdfunding   |
|                                     | Founded                       | 1999   | 2015   |
| Legal Structure                     |                               | Foundation and limited company   | Foundation and limited company   |
| Purpose                             |                               | Alleviate poverty by helping young generation through education and economic empowerment.  | Providing adequate or sufficient health facilities for everyone regardless economic level and geographical location.   |
| <b>Social Business Model Canvas</b> |                               |  |  |
| Segments                            | Customer                      | Children who cannot afford to go to school or have to dropout from school.   | People who want to donate.   |
|                                     | Beneficiary                   | The mother of the children.  | Patients who cannot afford or have burden to pay for medical facilities.   |
| Value Proposition                   | Customer Value Proposition    | Children get opportunity to continue school<br>Mothers get financial support through microloans  | Gain access to donate. Get detailed information and connected to the patients.   |
|                                     | Beneficiary Value Proposition |  | Get access and funding for medication.   |
|                                     | Impact Measures               | Number of children who can go back to school or able to go to school.<br>Number of children who can get jobs.<br>Number of mother who become financially independent and become self-reliance in the | Number of people who donate to patients.<br>Number of patients who become healthy and continue their lives.  |
| Channels                            |                               | Student recruitment.<br>Partnering with local organizations.<br>Visiting low-income communities.   | Website and social media.<br>Endorsers and influencers.<br>Doctors and hospitals.  |
| Type of Intervention                |                               | Microfinance/microloans.   | Medical crowdfunding platform (website).   |
| Revenue                             |                               | Interest from the microloans.<br>Revenue from business units (limited company).<br>Donation.   | Operational fee (10% from the donation).<br>Profit sharing with another organization when creating a project together.<br>Membership subscription.<br>Donation (not included as matrix). |
| Surplus                             |                               | Create new programs or projects in another place (increasing beneficiaries).   | Create new programs or projects in another place (increasing beneficiaries).   |
| Key resources                       |                               | Learning centers.<br>Website and social media (digital platform).<br>Network with other organizations.<br>Human resource   | Website and social media (digital platform).<br>Network with other organizations especially hospitals.   |
| Key activities.                     |                               | Providing microloans to mothers with a requirement that their children have to go to school.   | Provide funding from donors to patients that have problems getting medical access and paying treatment cost.   |
| Partners & Key Stakeholders         |                               | Local organizations to implement programs.<br>Private and public organizations (domestic and international).   | Hospitals.<br>Private and public organizations.  |
| Cost structures                     |                               | Core cost: back office.<br>Operational cost: learning center and business units.<br>Project cost.  | Operational cost: website maintenance, salary of employees.<br>Marketing.  |

### 3.3 For-profit enterprises

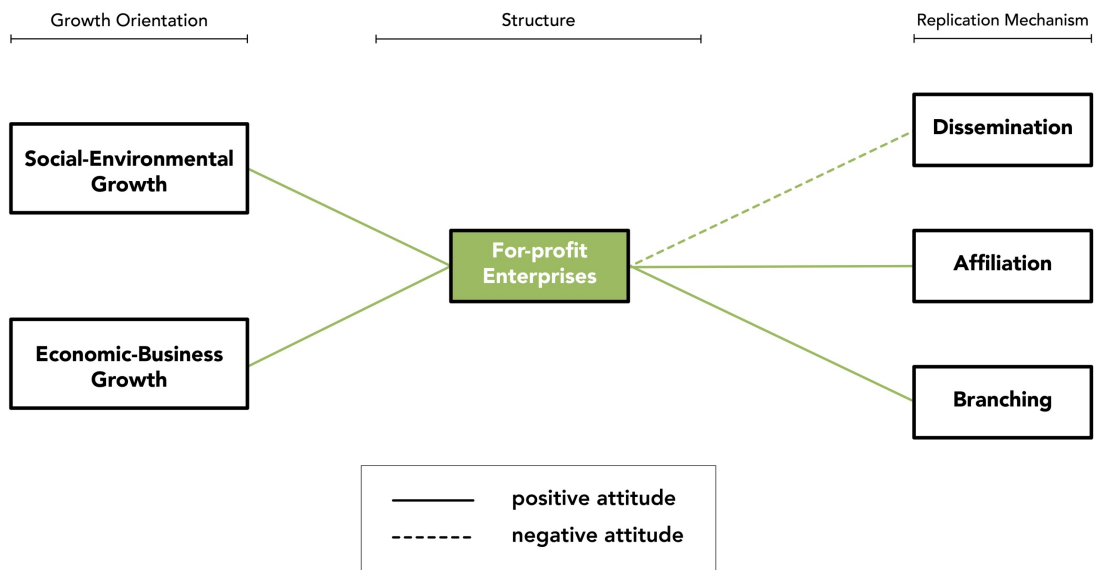


Figure 6 - For-profit Enterprises' Attitude Towards Growth and Replication

#### Enterprise Model

Table 3 shows the for-profit enterprises model in detail. The last two of our interviewees are for-profit social enterprises. While nonprofit and mixed social enterprises pursue social impact as the primary objective, for-profit social enterprises also intend to maximize profitability. One interviewee uses cooperative legal structure while another uses a limited liability organization. Cooperatives are popular in Indonesia, especially in the social entrepreneurship field. A cooperative is a legal form where the member also acts as owner, customer, and employer. The founder said he chose cooperative because it is the most suitable form to promote the triple bottom line principle. Meanwhile, limited liability organization is a form that is mostly used by commercial enterprises as their main objective is to generate profit and they are owned by shareholders.

Since the founding time, they intend to fund the business by themselves without asking for a donation. However, it does not mean that they are the same as traditional commercial enterprises. For-profit social enterprises have a primary objective of creating social impact and getting commercial success at the same time. They intend to make a profit while making a social impact simultaneously. One interviewee stated *“I want to balance both. It can raise profit for the company and at the same time to raise the current issue. Business value and social value cannot be separated”* (E5).

Just like nonprofit and mixed social enterprises, for-profit social enterprises are founded to create social-environmental impact. The beneficiary is the goal to for-profit social enterprises, as much as it is for nonprofit and mixed social enterprises. Our interviewee stated *“we want farmers to know how to calculate the commodity that they trade, the pricing [...] In general, it’s financial literacy to reduce inequality”* (E3). *“Like if we know the process, people can learn that nature is slow. Growing food takes time and not easy. People can appreciate more what they eat, try not to make it into waste”* (E5).

In terms of value proposition, just like other types of social enterprises, it will be aligned with the customer and beneficiary. One interviewee provides traceability and transparency between two segments that act as customer and beneficiary at the same time. Another one sticks to environmental value through urban farming, focusing on triple bottom line principle. Whether the customer is also regarded as the beneficiary or not, in the end, for-profit social enterprises deliver their social mission to these target segments.

At times, it is also possible to have indirect beneficiaries just like in this statement, *“Maybe these companies are direct beneficiaries, but their customers are the indirect beneficiaries. Even though, maybe their customers do not know the value”* (E5). In this regard, if the business is B2B, the customers of other businesses can be regarded as an indirect beneficiary for social enterprises.

For-profit social enterprises connect with customers and beneficiaries in different ways. Depending on the business model at the time, our interviewees have their own way of reaching out to customer and beneficiary. One interviewee does go to rural areas to understand and connect with the beneficiary and visit business owners to promote the product. Another interviewee focuses on utilizing digital marketing because it is cost effective and also prioritizes partnering with other organizations. Creating a network with partners is an important aspect as it can create word-of-mouth. One stated *“Current technology has helped us to reach customer easily and cost-effective. But we need to have a strategy to reach through that kind of channels [...] We know one place then we know another, the network value is really important [...] If they believe in us, they will believe to introduce us to their network”* (E5). In this regard, a partnership is seen as something important as it will resonate trust, and for-profit social enterprises can have more exposure.

Activities done by for-profit social enterprises are similar to traditional commercial enterprises as it uses a market-based approach. However, as the social mission stated, for-profit social enterprises will keep pursuing that mission through the activities. For some people, they may not be able to differentiate for-profit social enterprises with traditional commercial enterprises. One founder said *“We, to be honest,*

*since the beginning never acknowledge ourselves as a social enterprise because the one who gets the impact still in our circle” (E3), “Our business model is just like any other businesses but we inject social and environmental value in our product and activity. It is not like social enterprise should be like this and commercial enterprise should be like that. It is not about that. It can be how we treat the product, as a business model, we want to create a loop, everything is seen as one” (E5). Hence, for-profit social enterprises educate the customer and beneficiary regarding the value they hold. By doing so, customers become a part of the social mission. A founder said “many brands do not educate customers [...] because people get to know, then care, and choose which they can contribute also. People when they buy products, they want to become a part of the solutions. So, it is how we educate our customers, to generate income and sustain our social activity” (E5).*

### Growth

In terms of growth, for-profit social enterprises interpret growth both in social-environmental and economic-business. For the social-environmental growth, for-profit social enterprises want to serve more beneficiaries or make more changes in society through their activities. They stated, *“if we talk about growth, it’s not only about sales but also beneficiaries” (E3), “Growth also does not stop on upscaling production and getting a new customer. We also have growth in research and development, also another product” (E5). Growth is also interpreted as a new way to provide a new type of product for customer and beneficiary.*

Meanwhile, in the economic value area, they actively expand the business to become more profitable. A founder said, *“it is really important because cannot be denied, everything founded based on economy or money, so if there is no economic value, even if it is sustainable, people do not want to do it”* (E5). Another said *“We also want to earn from this too. It does not mean that all the things that we do are not calculated financially, but there are some particular ways that not incriminating another party”* (E3). They intend to scale up as long as they can maintain both the social-environmental and economic value.

They argue it is important to keep balance pursuing these two values. It is about matching the beneficiaries and the profit, alignment between them. If the profit increased, it means the beneficiary also have to increase. They are interpreting the balance from 3BL concept, which to maintain people, planet and profit. It becomes their barrier to not become unethical. One interviewee said if the profit keeps increasing but the beneficiary stays the same, it means they extort the people and planet.

Our interviewees also acknowledge that they give proportional pricing for their products. They intend to spread the social mission to many people as possible. One interviewee said *“But if the social value only reaches the high-class people then what is the point. Then we think of how to create a business model that can be implemented for all people [...] We don’t want to make it exclusive because we want to reach more market. There will be more people educated and get the impact, they will know that there is a product that gives value and so on”* (E5).



Compared to traditional commercial enterprises, they argue that the key differentiation is the social mission as a value added within their product. One interviewee said what they do is what they stated. He said many traditional commercial enterprises said they do business socially but in reality, it is just a gimmick or marketing. That's why to maintain the reputation, for-profit social enterprises educate their customer about what they do, and why it matters.

Another interviewee also said because they are a social enterprise, they have a unique business model that creates profit but is socially-environmentally friendly. He stated *"Our social business just like following standard business model, but in the value that we emphasize social and environmental value. That's why we also implement technology, to make it economical and reach the value."* (E5). They want to change the stigma of sustainable value in business.

### Replication

When asked about replication, both of our interviewees positively intended to do replication. They want to replicate in terms of geographical expansion or more locations. They see replication as a way to increase the number of beneficiaries. One interviewee said that they want to do production in other places, not only distribute the products. However, replication should be preceded by good internal capabilities. One founder said *"First, we have to automate it so we can be more agile to maneuver here and there. No matter the business, it should be automated as the first step of replication, next is replicated and later can be scaled up. If the automation phase cannot work, how can it be scaled up?"* (E3). It means before they decide to do replication, they need to know that

the current operation works well. Because replication may induce risk, they need to be sure before doing replication. Also, it is not guaranteed that the replication may succeed. Moreover, all the cost needed for replication is paid for by the for-profit social enterprise. They need to be careful in terms of the expense from replication.

As for-profit social enterprises, they also have a competitive attitude. One interviewee stated “*At the end, important things we keep behind our kitchen. But what we can share mostly general, like ideas, networks. But some things, are not that transparent. Since we are a for-profit enterprise with social and sustainable value*” (E5). This statement shows that for-profit social enterprises also have negative attitudes toward dissemination strategy. Although they very much support affiliation and branching strategy, dissemination can be a threat for the enterprise. It means between collaborative and competitive approach, there should be a balance and it depends heavily on the founder’s perspective.

Another interviewee also supports the collaborative approach between social enterprises. He said, “*what makes social enterprise different from the commercial enterprise is when social entrepreneurs meet-up, we become one community*” (E5). He believes that social enterprises should learn and help each other to pursue the social mission, although it may be different one after another.

Table 4 - For-profit Enterprises Model

|                                     |                               | ENTERPRISE 3 (E3)   | ENTERPRISE 5 (E5)  |
|-------------------------------------|-------------------------------|---|--|
|                                     |                               | Description   |  |
| Profile                             | Industry                      | Fair trade and capacity building  | Food and agriculture (urban farming)   |
|                                     | Founded                       | 2016  | 2015   |
| Legal Structure                     |                               | Cooperative   | Limited liability company (enterprise)   |
| Purpose                             |                               | Educating coffee farmers to know how to calculate the commodities (pricing).<br>Financial literacy in order to reduce inequality.   | Creating a better environment through sustainable and environmental friendly product.<br>Educating sustainable value to people to care more about environment. |
| <b>Social Business Model Canvas</b> |                               |   |  |
| Segments                            | Customer                      | Coffee shops and coffee drinkers.   | Restaurants, communities, companies, individual buyer.   |
|                                     | Beneficiary                   | Coffee farmers and coffee shops   |  |
| Value Proposition                   | Customer Value Proposition    | Coffee shops able to get high quality coffee with transparency (traceability) and learn how to create a good coffee.<br><br>Coffee drinker able to drink a good quality of coffee that traceable. | Get fresh vegetables with a high quality and environmental friendly (organic). Taking care of environmental value through the product.                         |
|                                     | Beneficiary Value Proposition | Coffee farmers get financial literacy, transparency about the price based on the condition in the city. Get better income because of fair trade.  |  |
|                                     | Impact Measures               | Number of beneficiaries in the village (coffee farmers) and the city (coffee shops).<br>Number of people using fair trade methods.<br>Coffee absorption yearly.                                   | Number of customers and beneficiaries who buy the product.   |
| Channels                            |                               | Partnering with coffee farmers in a village.<br>Direct contact to coffee shops in the city.<br>Partnering with coffee shops to serve coffee drinkers.   | Social media.<br>Education platform, events, word-of-mouth.  |
| Type of Intervention                |                               | Fair trade.<br>Coffee shops.  | Microgreen products.   |
| Revenue                             |                               | Selling coffee beans to coffee shops.<br>Sell coffee drink through a coffee shop. Wedding merchandise.  | Selling vegetables.<br>Designing for clients. Educational events.  |
| Surplus                             |                               | Do companion in villages to reach more coffee farmers.  | Create bigger production to serve more customers and beneficiaries. Open in another place.   |
| Key resources                       |                               | Network with coffee farmers and coffee shops. Own a coffee shop.  | Finance, human resource and partnerships.  |
| Key activities.                     |                               | Educating coffee farmers about the pricing of coffee.<br>Implementing the system of fair trade with coffee shops for a better welfare of coffee   | Food production near cities. Food supply. Training and workshop as education.<br>Coming to school and teaching young people to become young environmentalist.  |
| Partners & Key Stakeholders         |                               | Coffee farmers as supplier. Coffee shops as business partner.<br>A cooperative for training and legality.   | Local organizations to implement programs.<br>Private and public companies.  |
| Cost structures                     |                               | Buying coffee beans and companion in the village.   | Operational cost (staff salary) and production cost.   |

## DISCUSSION

The main objective of our study is to explore social entrepreneurs' attitudes toward growth and replication. Our study sheds light on how social entrepreneurs' attitude toward growth shapes the structure and business model of their social enterprises, which affect the strategy for replication. Based on insights from six samples, we find nonprofit, mixed, and for-profit social enterprises have different attitudes regarding growth as well as replication. First, we identify social enterprises' growth orientation to a social and economic goal (Figure 2). As they are social enterprises, all of them show great attention to social goals. Conversely, they value economic goals differently. We find nonprofit social enterprises have the lowest attention towards an economic goal, followed by mixed enterprises, then for-profit enterprises with the most substantial focus on economic goals.

Alignment with the goal orientation relates to how they perceive growth. All the social enterprises measure growth by social impact, represented by beneficiaries and benefits provided. Nonprofit social enterprises define growth purely in terms of social impact, highlighting the development of social capital. When we visit the office of nonprofit social enterprises, they have small offices with few employees. They said that they rely heavily on networks of people who share the same beliefs. One of the interviewees highlights the importance of social capital for empowerment on their website, showing that they focus on creating social impact. Another one shows their social

impact indicator on the homepage of their website. Moreover, their contribution for society is recognized by media even in the form of an international award for social enterprises all around the world. By explicitly showing the social impact created, nonprofit social enterprises can gain more exposure and make people believe in their cause.

For mixed social enterprises, they add economic sustainability alongside social impact. Although it is not a primary objective, they also consider economic value necessary to pursue a social mission and maintain sustainability. In the report from one interviewee, they mention the importance of becoming financially independent in order to sustain the business. Another interviewee presents their financial statement publicly so it will not raise questions from the public about their commitment to serve the social mission. Meanwhile, for-profit social enterprises express growth both in social impact as well as profitability. Their primary objectives are maximizing social impact and achieving commercial success simultaneously.

Among replication mechanisms, affiliation is the most favorable method by all enterprises. Partnerships with other organizations help social enterprises to overcome their liabilities. Having partners is beneficial for social enterprises as it becomes a learning process as well as boosts opportunities due to resource advantages (Lumpkin, Moss, Gras, Kato, & Amezcua, 2011). It helps them to gain the necessary resources and build a network value that is important to success (Meyskens, Robb-Post, Stamp, Carsrud, & Reynolds, 2010; Seelos C. , Mair, Battilana, & Dacin, 2011). In addition, affiliation can increase the success rate of social enterprises' implementation, which needs

adaptation to the local environment as well as to cover costs for the social activities. Through affiliation, social enterprises can get more exposure and promote open innovation as well as sharing capital (Pratono, Marciano, Suyanto, & Jeong, 2018).

Branching is advantageous for all social enterprises; however, it can be considered the hardest method. Branching needs the most resources and has the biggest risk since it cannot guarantee whether it will succeed or not. Most of the time, branching requires adaptation to a specific location to make it work. Among the three types of social enterprises, mixed and for-profit enterprises are the ones with a higher intention to apply it.

Interestingly, dissemination receives different attitudes from the social enterprises. Nonprofit social enterprise shows a positive attitude towards dissemination because it requires the least resources and makes it easy to spread the impact (Dees, Anderson, & Wei-skillern, 2004)(Figure 3). They are open for others replicating as long as it amplifies social impact. In contrast, mixed social enterprises possess conflicting attitudes based on the dual legalities (Figure 4). The nonprofit entity shows a positive attitude towards dissemination while the for-profit entity sees it negatively. We find it as dissemination will magnify the social impact, but in terms of business it will create competition and reduce revenue. Yet, due to the dual legalities, mixed social enterprises gain synergy by enjoying nonprofit and for-profit entity. They can reduce the tension which comes from pursuing both social and economic goal through two entities. The nonprofit entity can focus on generating social impact while the for-profit entity can generate revenue to support the nonprofit entity and sustain the business.

For-profit social enterprises also show such indications (Figure 5). While they may share information such as ideas and networks, they also tend to keep other information to themselves such as strategy, methods and the enterprise model. This finding supports that an open source method like dissemination is more suitable for social enterprise than business enterprise (Santos, 2012). While our study is all about social enterprises, we find that different attitudes occur because of different levels of attention between social and economic goals. It means although most social enterprises aim to magnify social impact, attention to economic growth may affect their attitude.

Summarizing from the finding of three types of social enterprises, our study highlights that the attitude of social entrepreneurs toward growth reflects their social enterprise's forms, activities and strategies. Insights from our study contribute to the literature and to business practice. First, we extend previous studies about social entrepreneurs' aspirations related to growth orientations (Kannothra, Manning, & Haigh, 2018). Our findings show social entrepreneurs perceive growth differently. Instead of supporting or hindering growth, we find that social entrepreneurs do not put a focus on it if it is conflicting with their values and motivation. Social entrepreneurs' point of view can be seen in a social mission as it also shapes the attitude.

Secondly, our study enriches prior studies regarding growth strategies (Kannothra, Manning, & Haigh, 2018; Bauwens, Huybrechts, & Dufays, 2019). In the beginning, we enhance literature by presenting cases from three enterprise structures. Hence, we can explore the different attitudes coming from each type and the relation to social

entrepreneurs' mindset. We also find that it is not only enterprise structures, but founders' mindset that shapes values and motivation, which also influence the attitude towards growth. Although the previous study argues that the success of social enterprises is hardly affected by legal structure (Katre, Salipante, Perelli, & Bird, 2012), we find structures show the attitude of social entrepreneurs towards growth. The attitude of social entrepreneurs is influential to the decision making and strategic choices for social enterprises.

As a previous study argues that the selection of strategies is derived from the social mission (Bauwens, Huybrechts, & Dufays, 2019), our study exposes the attitude of social entrepreneurs about growth as an influencing factor. We also imply that as social enterprises grow over time, there is a possibility that the orientation may change in the future. When social enterprises experience growth, they will be faced with more challenges in the field. Thus, strategies and orientations may evolve in order to adapt to changes.

While enterprise model can be a factor to restraint growth (Davies, Haugh, & Chambers, 2018), we find along the time, social enterprises renew the enterprise model to adjust to the environment. The legal structure may stay the same but the enterprise model may evolve over time. By continually optimizing the enterprise model, social enterprises can overcome their liabilities that hamper growth. Moreover, in our research context, the social enterprise field is growing but not well established. Our findings also suggest that enterprise models and growth are interdependent. At one time, the enterprise model might influence the growth but some other time the growth may influence the



enterprise model. Our study aligns with the previous study which said that social enterprises do not need a verified enterprise model to grow. In an uncertain situation, growth and replication can be taken as an experiment to develop the enterprise model over time (Dobson, Boone, Andries, & Daou, 2017). Hence, a social enterprise can test an updated or new enterprise model to address local needs.

Lastly, our findings also strengthen previous studies about the importance of social mission in social enterprises. In spite of different legal structures used, all of our interviewees clarified that social mission is the pillar of their business (Dees J. G., 1998). It is the root of social enterprises as it will shape the enterprise model and strategy chosen. While each enterprise model may have its own variations, all of them stay on the path of generating impact for society in their own unique methods (Defourny & Nyssens, 2017).

## CONCLUSION

### 5.1 Implications

The significance of this study provides insight into the field of social entrepreneurship. Our findings suggest that social entrepreneurs perceive growth differently in terms of social and economic goal, which influence their attitude towards replication. These different attitudes are reflected in their social enterprises' business model as well as strategy in order to pursue the social mission. This study challenges the way to measure the growth of social enterprises. For example, the nonprofit social enterprises from our finding measure their growth solely by social value rather than economic value. On the other hand, the mixed and for-profit social enterprises measure their growth in terms of social value as well as economic value.

In theoretical contribution, it is necessary for scholars to explore more what is the appropriate measurement for social enterprises. The growth of social enterprises depends on social entrepreneurs' attitude. It means measuring the growth of social enterprises is not the same as commercial enterprises. Social impact becomes the growth factor for social enterprises. Measuring social impact as a performance indicator, also known as impact investing, has been capturing attention lately (Forbes, 2018). Research can explore what kind of indicators are needed to measure the performance and growth of social enterprises. In business practice, this study shows that social entrepreneurs' attitude affects social enterprises' performance and growth. Some social enterprises do not have the intention to develop as an organization in terms of size or exposure. Rather than failing

to scale up, they prefer to stay small as long as they can maximize social impact. For example, nonprofit social enterprises believe that the important thing is to spread social impact as widely as possible. On the other hand, mixed and for-profit social enterprises also intend to grow as an organization, as it will support them to generate more significant social impact. They believe that by growing as an organization, they will reach more beneficiaries and maximize social impact. Hence, it is essential to explore what is the most appropriate way for social enterprises to be sustainable and maximize their social impact.

## **5.2 Limitations and Future Research**

Aside from the insights, our study is not complete without limitations that affect the result of our study. Firstly, our study is limited to the number of samples. Although our study provides in-depth interviews with the social entrepreneurs themselves, the data itself only covers six social enterprises. Future studies can use more social enterprises to enhance validity and accuracy. Secondly, our study is focused on one research context only, which is Indonesia. In Indonesia, the field of social entrepreneurship is still emerging and not well developed. Interference from the government is still nascent, which makes the ecosystem still part of an ongoing process. These two factors create a limited scope for our study, which makes it difficult to generalize the result on a bigger scale. Thirdly, our study focuses on the current perception of our interviewees. We did not explore the attitude based on the journey of the social enterprise, which may affect the mindset of social entrepreneurs. The history of social enterprises would provide more understanding if attitude changes occur over time toward growth and replication of social

enterprises. Therefore, future research regarding growth and replication of social enterprises are necessary to diminish these limitations and to enrich the insights.

Lastly, due to various limitations in our study, it opens opportunities to do more research on a bigger scale, especially in the number of samples. More samples will give more information and access to generalize the insight of growth and replication in the context of social entrepreneurship. Future research should be conducted in different industries to see whether there are differences and similarity between industries. The nature of each industry is different, which will give insights about the strategy and business model. Moreover, future studies should explore different nations, in the developing countries and developed countries. It will give insight into how each country affects the growth of social enterprises and what kind of strategy should be implemented to reach the most optimum result. Each country has different maturity and ecosystem of social enterprises, which very much influence the development of social enterprises. The direction towards future research will contribute to creating better knowledge in the works of literature as well as practices in the social entrepreneurship field.

### **5.3 Concluding Remarks**

This study examines the attitudes of social entrepreneurs toward growth and replication. It gives insights coming from dual-level analysis at the individual level as well as at the organizational level. It provides new insights and extends prior studies by suggesting that social entrepreneurs' attitude affects social enterprises' performance and success. The findings show that based on three structures of social enterprises– nonprofit, mixed and for-profit– all of them measure growth in terms of social impact, not economic

return, suggesting great attention to a social goal. Meanwhile, economic value is perceived differently, with nonprofit social enterprises having the lowest attention, followed by mixed and for-profit social enterprises. In terms of replication, affiliation and branching gain positive attitude from all types of social enterprises. However, dissemination receives different attitudes. For nonprofit social enterprises, they see dissemination positively as it can spread the social impact while for-profit social enterprises consider it harmful because it can create competition and lose profitability. Mixed social enterprises with dual legalities possess conflicting attitudes. For the nonprofit entity, dissemination is perceived positively but not for the for-profit entity. Hence, they can manage the tension coming from pursuing both social and economic goals. This study shed light regarding social entrepreneurs' attitudes towards growth and its impact on their social enterprises in terms of forms, business model, and replication strategy.

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Exhibit 2: Interview Details

|                               | <b>Enterprise 1<br/>(E1)</b>             | <b>Enterprise 2<br/>(E2)</b> | <b>Enterprise 3<br/>(E3)</b>    | <b>Enterprise 4<br/>(E4)</b>            | <b>Enterprise 5<br/>(E5)</b>        | <b>Enterprise 6<br/>(E6)</b> |
|-------------------------------|--|------------------------------|---------------------------------|---|-------------------------------------|------------------------------|
| <b>Industry</b>               | Sustainable energy, economic empowerment | Crowdsourcing                | Economic empowerment, education | Economic empowerment, education, health | Agriculture, education, food supply | Health, crowdfunding         |
| <b>Year Established</b>       | 1992                                     | 2013                         | 2016                            | 1999                                    | 2015                                | 2016                         |
| <b>Date</b>                   | Friday, 31 August 2018                   | Wednesday, 5 September 2018  | Friday, 7 September 2018        | Wednesday, 12 September 2018            | Friday, 14 September 2018           | Friday, 14 September 2018    |
| <b>Interviewee's Position</b> | Founder                                  | Executive Director           | Founder                         | Chief Operating Officer (COO)           | Founder                             | Founder                      |