

Social Innovation Business Model: Case Study of Start-up Enterprise

— *Review of* —
**Integrative
 Business &
 Economics**
 — *Research* —

Rafiati Kania*

School of Business and Management, Institut Teknologi Bandung

Yuliani Dwi Lestari

School of Business and Management, Institut Teknologi Bandung

Wawan Dhewanto

School of Business and Management, Institut Teknologi Bandung

ABSTRACT

Understanding social innovation in the lens of profit enterprise tends to raise scholar attention to delve active collaborative relationship solving social problem. This study chooses start-up hand-made product enterprise which builds a long-term partnership with disabilities school. This business considerably offers the new solution to enhance the workability of disabilities student entering labor market. The result of this collaborative partnership has created innovative solution both in the area of business strategy and of disabilities empowerment. This paper aims to provide exploratory evidence of two aspects. First, entrepreneurial competencies which strengthening collaborative relationship. Second, business performance implication from social innovation business model that purposively design for social-profit motives. This study contributes to extent perspective of social business both in theoretical and managerial point of view.

Keywords: Social Innovation, Social Entrepreneurship, Disabilities Empowerment, Social Business Model

1. INTRODUCTION

Over the last three decades, social entrepreneurship has emerged as an active area of research and practice (Choi and Majumdar, 2014; Dufays and Huybrechts, 2014). Social entrepreneurship is an independent form of entrepreneurship that prioritizes social value creation, assumed by generating the form of social change or fulfill social needs, and within the broad concept of entrepreneurship research (Mair and Marti, 2006). Also, Dufays and Hubrechts (2014) divide the emergence of social entrepreneurship into three levels of research background, such as macro-level (socio-economic drivers), meso-level (opportunity), and micro-level (motivations of social entrepreneurs).

Social entrepreneurship has shaped social change by providing labor market for disabilities people. Furthermore, disabilities people as an object of social change has long been targeted by social business (Harris et al., 2014). This case study slightly different

from Harris et al. (2014) since social change targeted to disabilities student and implement in profit enterprise which produces hand-made product created by the students. Social mission and production of social change in social entrepreneurship have correlation with social innovation component. Pâunescu (2014) argue that social innovation consists of three aspects such as social mission, social value, and social change. Within these components, social innovation business provides new solutions for the particular social group and establish collaborative relationship. Besides, greater engagement of stakeholder, who collaborate with, will help enterprise to initiate, develop, and maintain social innovation activities successfully (Bhat and Altinay, 2013).

Mulgan et al. (2007) argue that innovation involves discovery process that needs sensitivity to find the unmet need and some ideas of how to work with it. In social innovation, the idea generation is stimulated by understanding needs and identifying potential solutions that come from social needs (Mulgam et al., 2007). Several studies of social innovation in profit enterprise has investigated the concept of corporate social responsibility (Altuna et al., 2015; Harazin and Kósi, 2013), workplace innovation (Furmanska-maruszak and Suldoska, 2016), communication in different social actions within social innovation project (Salim and Ellingstad, 2016), and corporate strategy (Herrera, 2015; Mirvis et al., 2016). This study applies in start-up enterprise, which entrepreneurial insight on motivation and business experience can be valuable to illustrate social innovation business model.

The structure of the paper is organized as follows. First, this paper will review the relevant literature pertaining social innovation. Second, the rationale for using a single case study and the methodological details to describe empirical analysis. Third, empirical evidence of entrepreneurial competencies and business performance. Fourth, conclusion section.

2. LITERATURE REVIEW

Emerging area of innovation that concern with social mission has been defined as social innovation (van der Have and Lubarcaba, 2010; Cajaiba-santana, 2014; Pâunescu, 2014; Salim and Elingstad, 2016). Social innovation also can be defined by addressing social mission, social value activity, and social change (Pânescu, 2014). Social Innovation has a significant commonality in sharing two 'core conceptual elements' encompasses 1) a change in social relationships, -systems, or -structures, and 2) such changes serve a shared human need/goal or solve a socially relevant problem (Van der Have and Lubarcaba, 2016). Various fields have been interested in the concept of social innovation. They include social entrepreneurship, design, technology, public policy, cities and urban development, social movements, and community development (Mulgan et.al, 2007). Social entrepreneurship scholar has attempted conceptualization of social innovation in the area of business in the last decade. However, scholars have not yet been able to construct a clear concept of social innovation (van der Have and Lubarcaba, 2016).

Research inquiry in profit venture has claimed social innovation as innovative ideas, products, or services motivated by the goal of meeting social needs (Altuna et.al, 2015; Salim and Elingstad, 2016; Fumanska-maruszak and Suldolska, 2016). Furthermore, the idea of social innovation has also been associated with fruitful collaborative relationship between enterprise and society through CSR program (Harazin and Kósi, 2013; Altuna et.al, 2015; Salim and Ellingstad, 2016), creating humanist workplace (Fumanska-maruszak and Suldolska, 2016), competitive advantage in corporate level (Harrera, 2015; Mirvis et.al, 2016)

3. METHODS

This study uses qualitative processes with an exploratory case study. The context of this study is start-up organization which produces hand-made product from vocational education that actively educates thirteen disabilities students who have particular disabilities such as deaf (2 students), quadriplegic (2 students), and mentally disabled (9 students). This start-up enterprise explicitly designs its business model for social purpose which aims to help their socio-economic welfare while profit orientation. This paper defined social value by activity serving the greater good and addressing higher priority over economic value in achieving business sustainability (Dietz and Porter, 2012; Wilburn and Wilburn, 2014). The selection of the case was built upon the entrepreneur motivation, which analyzes from a semi-structured interview, that in line with social innovation context. A single case study was deemed appropriate to gain in-depth account of social value antecedent and its impact on business performance. This paper also acknowledges that a single case may not provide sufficient evidence to make strong theoretical generalizations, but it may help to outline the argument for the existence of a phenomenon (Kelliher, 2005).

The main data source for empirical analysis has been direct, face-to-face interviews, for each around 30-60 minutes interviews. Data collection were involved semi-structured interviews with five key informants in obtaining in-depth information related to the research topic. Key informants were divided into two kinds of respondent (internal and external). From internal enterprise, key informants were the owner of enterprise, school headmaster, teacher who coordinates disabilities students in producing the product, and two quadriplegic students. This primary source of information was completed and triangulated from the distributor of the enterprise, as external firm, to gain certain information regarding business performance.

4. EMPIRICAL RESULT AND DISCUSSION

4.1 Start-up Enterprise Profile

This study firstly explores about competitive advantages of the enterprise. Based on the interview, the entrepreneur believed that the rareness of hand-made product as the

source of competitive advantage. Despite the product, the owner also believes social mission was also the source of competitive advantage in enterprise business model. The owner of the enterprise said, "Our business model aims to achieve the greater good for disabilities students, we hope they can be an independent person in the future." What the entrepreneur came to this vision was inspired by an internal source which business should promote the good for others without harming and an external source regarding disabilities students who born from low-income family and being subsidized by the school. Regarding profit, the entrepreneur also labeled her enterprise as profit orientation that perceives profit as sustainability indicator but still prioritized disabilities students when encountering unexpected profit. The entrepreneur stresses this by the statement "I give the students fix wages even if our revenue declining ." This statement illustrates what type of the enterprise that study explored. Based on Social Entrepreneur Matrix in Dietz and Porter (2012), the enterprise which research explored represented in Tipping Point organizations that respond to market needs but are not driven by the prioritized to make a profit. Masseti (2009) in Dietz and Porter (2012) classify The Body Shop as Tipping Point organization. Hence, this small enterprise business model seemingly equal with a big enterprise such as The Body Shop.

The entrepreneur creates a partnership with the headmaster to produce hand-made product within the umbrella of vocational education curriculum. This partnership has been established since 2013 and has achieved fruitful contribution to improve socio-economic disabilities welfare. From internal side, the entrepreneur argued that this collaboration has created new labor market for student who will become alumnus. Since established, there was one alumnus that work for the enterprise and also help the student to innovate the products. Based on the interview with alumni, "the enterprise has given us guidance about being creative and innovative to create competitive products". From this context, the enterprise has successfully created working climate that stimulates students to be innovative, and it leads to increase disabilities participation into the business market. This evidence also in line with social entrepreneurship contribution to develop employment pathway for disabilities people (Harris et.al, 2014).

4.2 Entrepreneurial Competencies: Opportunity Recognition and Social Motive

Social value creation involves opportunity recognition that potentially can lead social change (Felacio et.al, 2013). Based on an interview with the headmaster, disabilities school trained physical stability by vocational education based on student interest. One of the education is hand-crafting. Not only crafting, but school also help their economic welfare by selling their product to market. Inspired by the success of disabilities vocational education process in making a hand-made product to serve market demand in small scale. Before having partnership, the entrepreneur also perceived the unfair paid-rate from the existing handmade product produced by disabilities students. Hence, the owner ensures fairness paid rate for disabilities by giving them fixed wages. This action also inspired by entrepreneur`s knowledge on the economic status of the disabilities students who considerably from low-income families. This case study illustrates how entrepreneur recognizes the opportunity to innovate business model that marries social and profit purpose. Mirvis et.al (2016) define building deeper collaboration with a community that shares same vision in providing the sustainable solution for the social

purpose as one of the indicators in social innovation initiatives. The entrepreneur was the agent of change that has a particular knowledge to innovate for the greater good. The knowledge was community conditions in the market they will serve, understand how to produce and implement social innovation, and legitimacy to connect with community interest (Mirvis et.al, 2016). In short, the entrepreneur recognizes the opportunity to innovate for the greater good by knowing societal group target ("know-who"), knowing the purpose ("know-why"), and knowing potential resource ("know-what").

Opportunity recognition is not merely about the potential resource but also the sustainability of resources. Sustainability of resources ensures the enterprise for building a long-term partnership with the school. Based on interview, disabilities students are characterized as determined worker and eager to be learned when error found. The teacher of students who manage production process confirms this conviction by illustrating student competencies regarding the type of disabilities. Based on interview, deaf students are more enthusiastic with visual attractiveness and more reliable to handle an arduous task. Whereas, other disabilities also have their particular competencies but need more attention from the teacher. Although some limitation in operational aspects occurs, the students still have high eagerness to create the products. Based on the interview, student motivation to create the product came from brand appreciation from social media. With this appreciation, student perceived it as fulfilling aspect that motivates them to be innovative. Kulkarni (2015) argue that sustainable growth can be achieved if workers have an intrinsic motivation that perceives working as fulfilling, energizing, challenging, and interesting. Based on the interview, the entrepreneur considers the strength and weakness would not harm profit business as long as the students enjoy their work.

The ability to recognize business opportunity and to innovate is an integral part of the entrepreneurial process that actually has both in social and commercial entrepreneurship (Bacq and Janssen, 2011). The main differences between social and commercial entrepreneurship lay in the spirit of social motives that describe the enterprise motivation. Based on the interview, her social mission came from intrinsic motivation of the entrepreneur. The entrepreneur wants her business to bring goodness for disabilities students. The entrepreneur said, "My motivation is to enhance disabilities acceptance on their self and also from a wider community." This context also reveals intrinsic motivation which has pertained by the entrepreneur as business willingness to gain respect from others. Nielson and Parker (2010) argue that business should combine their economic motive by the goal of earning approval and respect of significant people with whom an actor interacts. In this context, earning approval and respect of people are considered as social motive of business that brings greater good for disabilities student also society perspective toward disabilities people.

Social motives of entrepreneur aim to provide economic enforcement by providing them fix wages and their spirit of life to work. The spirit of working was spread by the entrepreneur through providing workshop of creating the product and daily assist them to create the product. In this context, skill and knowledge background of the entrepreneur can influence to strengthen social motive of the entrepreneur to create change in the end. By transferring knowledge and active communication, disabilities student can find out the effective way to create a product in shorter time. Hence, working capability of disabilities student will be developed. It highlights similar evidence with Ulfah and

Dhewanto (2015) that skill and knowledge background can be influenced factor to foster the process of social change.

4.3 Business Performance Impact

Based on practice, social value prioritization will not harm their overall business performance. Instead, it creates better reputation valued by the consumer. Based on the interview with the distributor, the enterprise has their particular consumer that directly acknowledge the product when exhibition held. Some of the customers notice about disabilities while others are unnoticed. The distributor perceived the willingness to buy is came from product uniqueness, not for the social mission. Despite, distributor still perceived social act will give added value to enterprise business. Adhikari (2016) argue enterprise that engages in the social mission will increase enterprise value such as customer loyalty, reputation, and retain key stakeholder. Savaes and Tamayo (2012) argue that social mission will increase enterprise value if it mediated by public awareness built from advertising intensity. The entrepreneur perceives social mission advertising have to be managed with caution to prevent bias customer perspective regarding disabilities student employment.

Not only reputation, but the enterprise also gain benefit through product innovation from disabilities students. Based on practice, color combination and hand-craft model are designed by disabilities student itself. Entrepreneur perceived this as one of the social mission achievement from the business enterprise. Entrepreneur mission is "my business mission is to create disabilities student being creative and free to innovate product." This mission reflects learning orientation valued by social business model. It learning orientation creates firm to be innovative. Mahmoud (2016) reveals that commitment in learning and innovative orientation significantly determine business performance. In this case, social innovation business model can influence product innovation performance.

The entrepreneur believes that financial performance was indirectly affected by social mission inherited in the business model. Otherwise, the improvement of financial performance comes from product uniqueness rather than social initiatives. Sarvaes and Tamayo (2012) argue the same insight that social concern business has less impact on the profitability of the enterprise. Dees and Anderson (2003) also argue that social commitments can weaken profits in some ways. This argument also appropriate with entrepreneur dilemma. Based on the interview, entrepreneur still worries about the unstable emotion of disabilities student that will harm the productivity when demand increase. In line with social concern, the entrepreneur can't force them to have extra work while the process deals with school hours. Although this dilemma will harm financial performance, the enterprise still gains the benefit in financial performance such as expanding market share and increasing profit in last two years since first built.

5. CONCLUSION

This study aims to provide exploratory evidence of two aspects. First, entrepreneurial competencies to strength collaborative relationship. Second, business performance implication from social innovation business model that purposively design for profit motive. To strength collaborative relationship, the entrepreneur has particular capabilities to analyze sustainable opportunity and to reinvent social purpose. Vocational education was the suitable opportunity for the enterprise to establish collaboration. Along with the process of vocational education, disabilities student can strength their capability to be innovative. Enterprise attempt to add disabilities student in brand commercialization has successfully gained multiplier effect on consumer appreciation and student motivation in working. Business performance implication from social business model was reputation and product innovation.

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