

Role of Foundations in Promoting Social Entrepreneurship for Community Welfare

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ABSTRACT

The purpose of this research is to find out the role of social entrepreneurship to promote social welfare of the community and what is the most effective way to do that This research used Neuro-Research method, which was a mixed method between qualitative method (exploration) and quantitative survey method (explanatory and confirmatory). The survey involved 50 presidents of foundations from all over Jakarta and 30 other participants. Content validity was determined via focus group discussion and construct validity using RASCH MODEL approach. The results indicated that the foundations which practised social entrepreneurship tended to be more innovative than those who did not. However, it was difficult to determine the social spirit and social mission of the foundations.

Keywords: Mission and welfare, Neuro-Research, social entrepreneurship, social spirit

INTRODUCTION

Rampant poverty and unemployment are serious problems faced by developing countries, which need attention. According to the Indonesia Central Bureau of Statistics or Badan Pusat Statistik (Central Bureau of Statistics), in 2017 10.70% of the population (about 3.8 million Indonesians) was considered poor in addition to 293,000 unemployed people in the country. In 2005, between 23.1% and 29.1% of the poor were concentrated in rural areas, while 12% of the

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poor lived in urban areas. There are many reasons for poverty and among others, it is due changes in consumptive expenses which increases the cost of life. In this case, urban areas witness higher poverty rates than the rural ones. Poverty is also due to unskilled labour that has an impact on household income (Warr, 2005).

A study in West Kalimantan found that the poverty rate is affected by unemployment (Yacoub, 2012) and it was the same scenario in Jakarta (Rika, 2014). The issue of poverty and power imbalances is a problem that requires a holistic approach because it deals with risks and uncertainties so that there is an adequate understanding of the context (Voorst, 2015).

Eventually, poverty and unemployment will lead to social problems that will affect = stability and economic growth. An example is the 1998 economic crisis in 1998 that aggravated poverty problem in Indonesia forcing the government to intervene in implementing strategies with social protection measures (Dhanani & Islam, 2002). Therefore, what is needed is a real solution to overcome the problems by promoting social entrepreneurship among the young who are backbone of the nation (Utomo, 2015).

Social entrepreneurship is a practice that integrates the creation of economic and social value for the wider community (Mair & Martí, 2004). Social entrepreneur understands social problems and uses his or her entrepreneurial skills to make social change, especially related to welfare,

education, and health (Santosa, 2007). If a business entrepreneur measures his or her success from their financial performance (profit or income), then the social entrepreneur's success is measured by the benefits felt by the community. Social entrepreneurship plays a real and significant role in solving social problems. Creation of social values and innovation is the main aim of social entrepreneurship (Firdaus, 2014).

Social entrepreneurship can enhance individual creativity, empathy, and entrepreneurship as well promote social problem-solving in society and contribute to developing sustainable national economy (Dobele, 2016). Social entrepreneurship also involves an innovative approach to addressing issues in education, environment, commerce, health and human rights that are widely regarded as building blocks in the sustainable development of a country. What makes social entrepreneurship unique and interesting is that ordinary people having social leadership and entrepreneurship are capable of doing extraordinary things even though we are often less aware of their presence (Mair & Nobos, 2006).

In the last few years, social entrepreneurship has become the main subject discussed among entrepreneurs, social institutions, and government. Social entrepreneurship is a new phenomenon in the movement of social change. This research aims to understand the role of social entrepreneurship to achieve social welfare and finds indicators sin achieving the welfare of social society.

Various researchers studied social entrepreneurship from many angles. The social entrepreneurship is about how business people integrate their social responsibility into their business operations. In other words, literature on social entrepreneurship highlights the work and social contribution of entrepreneur (Dacin, Dacin, & Tracey, 2011). A study using in-depth interview methods found that social entrepreneurship focused on social needs and was used to build social credibility and support for the organisation. This implies that the risks of the implementation of social entrepreneurship are related to social credibility and reputation ultimately, so that social entrepreneurship becomes important to be considered as a determinant factor for organisational sustainability (Shaw & Carter, 2007).

Another study attempted an analytical, critical and synthetic examination of the concept of social entrepreneurship by emphasising two concepts: social elements and entrepreneurial elements. They found a significant difference in social goals and what was regarded as a prominent feature in entrepreneurship. The study concluded that social entrepreneurship is done by those who have an exclusive purpose to create social value and pursue the realisation of their goals through several activities. That is done by recognising and taking advantage of opportunities to create value, improve innovation, tolerate risk and accept limited resources (Peredo & Mclean, 2006).

A group of people who usually perform this activity are usually incorporated in

an I called foundation. Generally, the foundation runs business processes that are closely related to social life. Law of the Republic of Indonesia No. 28 of 2004 and the amendment of Law No. 16 of 2001 about the foundation is not adequate to encourage foundations to adopt a social mission as part of its agenda. This law is open to many interpretations and its amendment was aimed at guaranteeing the legal rights of the foundation and restore its role to achieve certain goals in the social, religious and humanitarian fields (Indonesia, 2004).

This research attempts to capture how the foundations perform their entrepreneurial social function. Because of the importance of optimizing the function and the role of the foundation in applying social entrepreneurship, it is necessary to examine the factors that influence social entrepreneurship for its optimal application. This research also examines the role of demographic aspects of the implementation of social entrepreneurship in the foundation.

Therefore, the research examines the (1) concept of entrepreneurship, (2) the social missions of the foundation as a social entrepreneurship institution? (3) tendency of innovative condition of foundation as a social entrepreneurship institution (4) revenue model of the foundation as a social entrepreneurship institution (5) tendency of the socially-committed regular enterprises as a social entrepreneurship institution?, (6) dimensions of social mission, innovativeness, revenue model and socially-committed regular enterprises, and (7) difference in the capacity of the

foundation as a social entrepreneurship institution, if differentiated by age, gender and education?

LITERATURE REVIEW

Social entrepreneurship is a challenging activity because it seeks to overcome complex and systemic social problems (Lepoutre, Justo, Terjesen, & Bosma, 2013). Social entrepreneurship combines the spirit of the social mission with discipline, innovation and business determination (Dees, 1998). In addition, social and institutional environmental factors also promote social entrepreneurial activities that drive social improvement (Jiao, 2012).

Sociability affects all dimensions of social entrepreneurship, while openness gives positive effects to social vision, innovation and financial gain (Nga & Shamuganathan, 2012).

A behavioural theory of social entrepreneurship introduces new organisational typologies that make, measure, and sustain social change. Studying motivations and conditions upon which social enterprises develop will help in expanding research on yield management and social impact. As the focus of the different typologies of social enterprises is to produce measurable social impacts, researching the types of social organisations will advance research in the social sciences. The study will also look at the phenomenon of social entrepreneurship and explaining the company's unique social, characteristic, and typological behaviour will advance

research to create sustainable public wealth rather than just focusing on personal wealth and business performance.

While Schumpeter's entrepreneurial theory leads the literature on economic growth, social entrepreneurship theory can be a factor of sustainable of social development and feasible. This research will study the role of social entrepreneurs in creating new social institutions and structures, promoting social movements, and mobilise resources to create sustainable social impacts. The study is also an attempt to contribute to the literature on entrepreneurship by providing new insight into the behavior of social entrepreneurship. The result of this research is the behavioural theory of social entrepreneurship, which introduces new organisational typologies that create, measure and sustain social change (Ebrashi, 2012).

The association factor of social entrepreneurship involves three components: the ability to identify unequal conditions in society, realizing opportunities and acting to make significant changes to the local community (Listyorini, 2012). Social entrepreneurship plays a real and important role in solving social problems. The creation of social value and innovation is the main instrument in social entrepreneurship. This was done by BinaSwadaya and Mitra Bali with the aim to reduce poverty. Social goals with the impact of community empowerment become a significant value in the practice of social entrepreneurship (Firdaus, 2014).

MATERIALS AND METHODS

This study used a neuro-research method, a mixed method between qualitative method (exploration) and quantitative method (explanatory and confirmatory) (Fios, Sasmoko, & Gea, 2016; Sasmoko & Ying, 2015). Theoretical construct is the final conclusion of the theoretical study of the variables of “the role of social entrepreneurship in the pursuit of social welfare for social change” inspired by earlier research that has been contextualised to the study population in Jakarta which contains conceptual definitions, dimensions, and indicators. In Neuro-research, the theoretical construct is an academic prediction that must be proven through instrument calibration (construct validity) and field survey (Onwuegbuzie & Collins, 2007). Quantitative research, namely explanatory and confirmatory research was also undertaken.

Responses were measured using the Likert scale. The population is all 50 the chairmen of Foundations in Jakarta. Calibration of research instrument was done in two phases - validity content by focus group discussion to validate dimension, indicator, and contents of the instrument. Construct validity was done based on RASCH MODEL where item parameters can be estimated independently of the characteristics of sample calibration parameters (Curtis & Boman, 2007; Goh, Marais, & James, 2015; Lewandowski, 2015; Masters, 1982). The analysis used RASCH model which is an iterative procedure that begins by examining the overall item based

on the model (Medvedev, Siegert, Feng, Billington, Jang, & Krägeloh, 2016).

The decision to examine valid items that are not appropriate (outlier or misfit) based on: (a) outlier-sensitive fit of mean-square fit statistic between 0.5 s / d 1.5; (b) standardise fit statistic (ZSTD) that is test (t) for data fit with model equal to -1.9 s / d +1,9; And (c) the value of the point of correlation (Pt Mean Corr) of 0.4 s / d 0.85 (Sumintono & Widhiarso, 2013). Based on these calculations, out of 21 items, five items are invalid. Hence, the valid instrument implements 16 items with a reliability index of 0.93.

RESULTS

Research Result 1 (Exploratory Research)

The results of exploratory research via literature review showed suggested the concept of social entrepreneurship should be contextualised, in this case Indonesia, especially Jakarta, and considered the role of the foundation as an organisation that was engaged in social welfare.

This study focuses on social entrepreneurship in an attempt to achieve social welfare. The concept of social change used in this research refers to the capacity of the organisation to carry out its social mission, so that it can help overcome social problems to achieve social welfare; the latter is examined from several dimensions and indicators, namely explicit self-identification and grouping by goal, innovation, revenue and organisational social commitment.

Research Result 2 (Explanatory Research)

The following hypothesis is developed:

Hypothesis 1: The tendency of the condition of the foundation in general as a social entrepreneurship institution?

In showing social entrepreneurship, three categories were established: (a) no

social life, (b) sometimes has a social life, and (c) has a social spirit. Data analysis was done with the confidence interval at 5% significance level and produced lower and upper bound between 1.2705 and 2.1247. Based on these results, it can be concluded activities of the foundations tended to be significant at $\alpha < 0,05$ (only occasionally socially oriented).

Table 1
Result of Hypothesis 1

Tendency of Variable	Lower Bound	Upper Bound	Range	Min	Max	Conclusion
Social Entrepreneurship	1.2705	2.1247	8.80	1.09	7.71	Its activity as a foundation tends to be at the level of 'occasionally socially-oriented' significant at $\alpha < 0,05$.

Hypothesis 2: The tendency of the social mission condition of the foundation as a social entrepreneurship institution.

To establish the foundation's Social Mission (X1) condition, three categories of self-assessment are established: (a) lacks social mission, (b) sometimes has

social mission, and (c) has a full social mission. The data analysis was done with the confidence interval at 5% significance level and produced lower and upper bound between 2.1694 and 3.3198. Based on these results, it can be concluded the foundation's activities tended to be at "sometimes has social mission" significantly at $\alpha < 0.05$.

Table 2
Result of Hypothesis 2

Tendency of Variable	Lower Bound	Upper Bound	Range	Min	Max	Conclusion
Social Mission	2.1694	3.3198	6.58	-.12	6.46	Its activities as a foundation tend to be at the level of 'sometimes having a social mission' significant at $\alpha < 0.05$.

Hypothesis 3: The tendency of the innovative condition of the foundation as a social entrepreneurship institution.

In order to prove innovativeness condition (X2), three categories of self-assessment were established: (a) not innovative, (b) sometimes innovative,

and (c) innovative. Data analysis showed confidence interval at 5% significance level and produced lower and upper bound between 0.4802 and 3.5526. Based on these

results, it can be concluded that its activities as a foundation tend to be innovative significantly at $\alpha < 0.05$.

Table 3
Result of Hypothesis 3

Tendency of Variable	Lower Bound	Upper Bound	Range	Min	Max	Conclusion
Innovativeness condition	.4802	3.5526	24.14	13.00	11.14	Its activities as a foundation tend to have been significantly innovative at $\alpha < 0.05$.

Hypothesis 4: The tendency of the revenue model condition of the foundation as a social entrepreneurship institution.

oriented, and (c) fully revenue oriented. Data analysis showed confidence interval at 5% significance level and produced lower and upper bound between 1.7494 and 3.0322. Based on these results, it can be concluded that its activities as a foundation tend to be occasionally revenue-oriented significantly at $\alpha < 0.05$.

In proving the revenue model condition (X3), three categories of self-assessment of the foundation are established: (a) not revenue oriented, (b) sometimes revenue

Table 4
Result of Hypothesis 4

Tendency of Variable	Lower Bound	Upper Bound	Range	Min	Max	Conclusion
Revenue Model	1.7494	3.0322	10.48	2.54	7.94	Its activity as a foundation tends to occasionally revenue - oriented significantly at $\alpha < 0.05$.

Hypothesis 5: The tendency of the socially-committed regular enterprises condition of the foundation as a social entrepreneurship institution.

established: (a) has no socially-committed regular enterprises, (b) sometimes has socially-committed regular enterprises, and (c) fully has socially-committed regular enterprises. Data analysis was done with the confidence interval at 5% significance level and produced lower and upper bound

In evaluating foundations that s that are socially committed (X4), three categories are

between 1.8241 and 3.3755. Based on these results, it can be concluded that a foundation is considered to be socially-committed significantly at $\alpha < 0.05$.

Table 5
Result of Hypothesis 5

Tendency of variable	Lower Bound	Upper Bound	Range	Min	Max	Conclusion
Socially-Committed Regular Enterprises	1.8241	3.3755	11.58	-3.00	8.58	Its activities as a foundation tend to occasionally have social missions at $\alpha < 0.05$.

Hypothesis 6: Which one is the most decisive to realise the social entrepreneurship chairman foundation in Jakarta between the dimensions of social mission, innovativeness, revenue model and socially-committed regular enterprises.

The analytical approach is defined by a Binary Segmentation called Classification and Regression Trees. In this analysis, the researchers set the Prunning of Depth by 2; Parent of 2; And Child equal to 1, with significance level $\alpha < 0,05$. Summary of the results as follows.

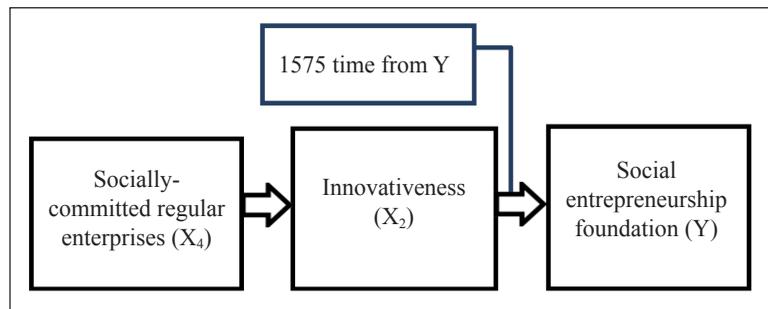


Figure 1. Results of binary segmentation analysis

The results of the analysis show that the innovativeness of Chairman of Foundation (X2) is the most dominant dimension to determine the realisation of the foundation as Social Entrepreneurship (Y). The more innovative foundation leaders in managing foundations, the foundation’s position as Social Entrepreneurship will increase

by 1,575 times from current conditions. If the Entrepreneurship Attitude (X2) is improved then the Business Paradigm (X1) will increase 5.2487 times. Meanwhile, the development capacity of the foundation is very determined by Socially-Committed Regular Enterprises.

Hypothesis 7: Difference in the capacity of the foundation as a social entrepreneurship institution, if differentiated by age, gender and education.

If the Social Entrepreneurship Chairman of the Foundation is reviewed from age category (X5), gender (X6) and level of education (X7), researchers found that there is no significantly difference at $\alpha < 0,05$. It means all age, gender and education backgrounds tend to be at the level of sometimes social and not fully yet as a social organization significantly on $\alpha < 0.05$.

DISCUSSION

Social entrepreneurship is an evolving concept (Chipeta, Koloba, & Surujlal, 2016).

The results of the present study show foundations in Indonesia have conducted activities that are focused on innovation and revenue generating with very limited social missions.

Therefore, the foundations must make efforts to transform themselves to be oriented towards social entrepreneurship as well. The chairman of the foundations must streamline their activities with a social mission in mind. Innovative social entrepreneurship must have a social mission.

Innovation deals with new ideas, outcomes, and methods (Pihie & Bagheri, 2011). Innovation is one of the important

factors for implementing sustainable practices that help the foundation to commit to carrying out the social vision, networking and ensuring financial returns for institutional sustainability (Nga & Shamuganathan, 2012).

Therefore, the foundation should be committed in its social practices and facilitate each individual to be more innovative with a social mission.

CONCLUSION

The study concludes that: 1) foundations only occasionally show social spiritedness and its social mission; 2) The foundation activities tended to be innovative and revenue-oriented occasionally; 5) The foundation has Socially- Committed Regular Enterprises occasionally; 6) Innovativeness of Chairman of Foundation is the most dominant dimension to achieve Social Entrepreneurship. The innovative nature of foundation leaders in managing foundations, and promoting social entrepreneurship will increase by 1,575 times from current conditions. Meanwhile, if the entrepreneurship attitude is improved, then the business paradigm will increase 5.2487 times. The Socially-Committed Regular Enterprises innovatively determine the capacity of development of foundation; 7) All age, gender and education backgrounds tend to be at the level of sometimes social and not fully recognised t as a social organisation.

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