

Conference Paper

Internationalization of Social Enterprise: Scaling Up the Social Innovation in Indonesia

Aluisius Hery Pratono¹, Deddy Marciano¹, Suyanto¹, and Bok Gyo Jeong²

¹Universitas Surabaya, Indonesia

²Kent University, USA

Abstract

This study aims to understand how the internationalization of social enterprise occurs with support from the international non-profit organizations by inter-organizational learning. The case study in Indonesia was undertaken to understand the transformation of non-profit and charity organizations, which adopt the concept of social enterprises from their international partners. To understand the inter-organizational learning, this study used an interpretive research strategy, which was designed to examine how people make sense of their major life experiences that leads them. The findings indicate the process of inter-organizational learning from network selection to a value distribution in which the action part of the breakthrough innovation process is a cycle leading to the implementation of knowledge. The adoption of social enterprise principles in social innovation is a signal of movement from talking to action by developing and deploying innovative business models.

Keywords: social enterprise, internationalization, inter-organizational learning

Corresponding Author:

Aluisius Hery Pratono

hery_pra@staff.ubaya.ac.id

Received: 29 August 2018

Accepted: 18 September 2018

Published: 11 November 2018

Publishing services provided by
Knowledge E

© Aluisius Hery Pratono

et al. This article is distributed
under the terms of the [Creative](#)

[Commons Attribution License](#),

which permits unrestricted use
and redistribution provided that
the original author and source
are credited.

Selection and Peer-review
under the responsibility of the
ICOI-2018 Conference
Committee.

1. Introduction

The recent economic crisis and fiscal austerity policies have driven a number of changes and contradictions in the third-sector economies. Social enterprise (SE) offers a promising avenue of better livelihood opportunities and affordable services to million vulnerable people in Asian countries [1]. Social enterprise has been acknowledged as the survival strategy for non-profit organizations to survive under the increased competition, falling donation, and rising cost [24].

There has been a proliferation of organisations aiming to support social enterprises but also shape the nature of the wider social entrepreneurship field, for example, Ashoka, UnLtd, the Skoll Foundation, the Social Enterprise Alliance, etc. (Nicholls, 2010), yet to date these organisations themselves, and the networks and networking they enable are little studied. At the early level, a social enterprise may rely on international

OPEN ACCESS

funding and it has the capability to gain support from government and private sector [15].

The development of network structures is relevant with stages of organization development [9]. However, there are some evident tensions between forces of globalization and those of subsistence, between profit and sufficiency, between local and global demand [18]. One of the challenging questions is whether governance model is relevant for social enterprises to ensure both their autonomy and their focus on social goals [4].

This study aims to understand the internationalization of social enterprise by addressing the questions on how non-profit and charity organizations under conditions of resource scarcity and institutional voids leverage their networks in organizational learning process. The case study approach was adopted to explore the institutional dimension of non-profit and charity organizations to achieve their social missions by adopting the concept of social enterprises.

2. Literature Review

The learning organizations concern their selves with the organizational practice to enhance the learning process and develop learning capability [19], whether continuous or major overhaul and involves professional industrial system [14]. At inter-organizational context, the learning capability is essential to acquire, assimilate, and apply the external knowledge [13].

Partner identification is essential to gain benefit from the effective inter-organizational learning [20]. This involves the cognitive effort of managers to determine the process of selection [11]. Networks with various stakeholders is expected to provide more opportunities for new combinations with great variety of inputs [10].

This involves various activities from idea generation, conversion, to diffusion [8]. Another study identifies similar concepts, such as generating an idea, developing innovation, and diffusion of the innovation [26]. The synchronization process appertains suppliers sharing demand forecasts, inventory levels, sales and consumption information [2].

At the early stage of organization development, the organization may rely on a unique resource when competitors have difficulty to imitate [23]. The low-cost strategy allows the organization to expand the strategy to innovation [5]. Hence, the process of scaling-up social innovation at the inter-organizational learning concerns the efficiency-oriented value creation, which covers production and delivery process [26].

At advance level, the inter-organizational learning shifts from a return on sales perspective to return on investment [17]. The organizations may get support from the certification agency that sets and enforces a certain standard to deal with asymmetric information between producers and end-user buyers [3]. The flexibility-oriented value creation mechanism becomes the main concern, which includes the development of after-sales service and support [26].

External factors may determine efficiency in cross- and multi-disciplinary collaborations [21]. The new entrants may rely on co-creating value as the partners dominate the social relationship with the amount of content creation [2]. Linking and arousal from the targeted customers become a challenging issue for the new players [22]. It is essential to ensure a positive relationship that collaboration benefit through developing a regular and continuous communication with the aim to achieve a proper level of integration [7].

3. Methods

To understand how the inter-organizational learning process in the social enterprise context, this study used a qualitative approach. This study focuses on the perception of local non-profit organizations on the internationalization of social enterprises. The collaboration between international agencies and local organizations in Indonesia was undertaken to evaluate the inter-organizational learning process, which concerns on inclusive business, innovation, and technology transfer.

Data preparation was the second step that concerns on data observation and interview with open-ended questions. This step focused to understand the setting, the people's lives, and in lines of the recorded data. Hence, some key players were identified, including the actors from the international non-profit organizations, managers of non-profit organizations, and local business partners.

That was flexible interview to encourage the research participant sharing their experiences. The careful adaptation became the main concern to motivate the participant to elaborate the context and problem at hand with non-judgmental questions. This approach allowed researchers to responded unanticipated statements and stories to emerge [25].

The research note was used as the data was collected from interviews and observation. Each interview used a unique approach to encourage the participants to share their experiences were vary. In order to gain a rich and balanced information, the

survey involved triangulation that involved various interviews and observations. This approach also served as a cross-validation method [12].

The next step is coding that researcher categorized the meaning units within each of the domains into which they have been organized. This interactive process of dialogue with the data took priority over the data but the understanding was inevitably facilitated by previous understanding [6]. Some initial codes stood out from interview and observation: 'fair trade', 'inclusiveness', 'technology transfer', 'innovation'. Through comparing them with previous studies, the researcher defined ideas that best fit and interpret the data as some concept at the inter-organizational learning process.

4. Results and Discussion

Table 1 demonstrates how the observed social enterprises gained benefit from networks through generating social innovation. The international non-government organizations provide a pivotal role in the informational intermediary function. They may conduct various activities, such as seminars, workshops, exhibitions, or competitions with the aim of promoting the principle social enterprises. A social enterprise may join some workshop provided by different intermediary organizations, who perform the function of providing information access. Joining the international activities earned the observed social enterprise a reputation as the capability to scale up access.

The relational function occurs when the interests of some social enterprises are carefully aligned. This level of scaling up of social innovation involves knowledge translation and knowledge exchange. Some observed social enterprises agreed to go partnership to explore the tradition value of local communities, where business appeals emerged on the basis of local tradition. This occurs when they communicate sustainable performance and quality expectation to meet the sustainable business

The traditional non-profit organizations focus on advocacy activities, would thus not be considered as typical social enterprises, although clear-cut boundaries should be avoided. The social missions are associated with the organizations' target groups, which belong to marginalized communities. Social enterprises are directly involved in the production of goods or the provision of services to people. The proliferation in organizations aiming to support social enterprises has encouraged the observed non-profit organizations to drift their mission from merely focusing on social activities to the social enterprise model.

As SE promotes participatory approach, the community members are encouraged to become involved in their activities, including product development, marketing, distribution, as well as social works. Under stiff market competition, the demand for the customized approach in innovative product and services. This raises a tension between various division in community levels, such as product development, supply chain management, and marketing division.

In social activities, there is also a potential conflict of interest between cost-center and profit-center divisions. The morally driven social entrepreneurial activity is quite demanding but crucial for sustainable community development. It appears that every organization has different stages of maturity. The ability of community members to become active partners was more developed where there was evidence of pre-existing community regeneration activity. A conflict of interest between business orientation and social mission often springs from the external forces beyond their control [16].

The intermediary organizations play a pivotal role in conformity to the principles of social enterprise. The process of enlisting intermediaries uses various methods, such as workshop, seminar, exhibition, and another event with aims at promoting cross-collaboration. The result indicates a joint strategy process, which ensures the conformity to gain social support from intermediary organizations. Further collaboration was expressed on the interest alignment by creating open innovation and generating relational capital. This study demonstrates the various level of capability to identify a relevant network structure is essential to scale up social innovation for social enterprise.

Under conditions of resource scarcity, non-profit and charity organization that relied on their networks in start-up, to grow, and to achieve their social missions are encouraged to select the networks with a strong intention on social purposes since the start-up level. Competing stakeholders may risk a conflict of interest. Hence, the governance structure of a social enterprise should enable it to gain trust from its stakeholders. In the age of start-ups, the corporate landscape is quickly shifting, with more and more jobseekers drawn to the appeal of working for a smaller company.

Multilateral feedback is essential for facilitating capacity building by holding partners accountable to meet the international standards. This call for an intervention from policymakers to promote social enterprises. Hence the equitable value distribution is essential for enhancing social innovation by opening access to strategic resources and knowledge. Unless there is a social support from customers to promote a fair

trade system, the social enterprises will have difficulty to promote the equitable value distribution.

The action part of the breakthrough innovation process is a cycle leading to the implementation of knowledge. The adoption of social enterprise principles in social innovation is a signal of movement from talking to action by developing and deploying innovative business models. This requires a commitment to truly a breakthrough innovation that challenges unprecedented collaboration between social enterprises as well as across all other actors in society.

Table 1: Comparison of criteria of interorganizational learning to social enterprise.

TABLE 1

Dimensions	Typical criteria of interorganizational learning	Induced criteria from social enterprise
1. Open innovation	At the early stage of organization development, the organization may rely on a unique resource when competitors have difficulty to imitate.	The local partners try to identify the best example from the international partners on how to generate income. The process of enlisting intermediaries uses various methods, such as workshop, seminar, exhibition, and another event with aims at promoting cross-collaboration
2. Partnert identification	The synchronization process appertains suppliers sharing demand forecasts, inventory levels, sales and consumption information.	To maximize the result with efficient value creation, the international organizations carried out a selection process of local partners with great capability to achieve the expected performance.
3. Mission drifting	At advance level, the inter-organizational learning shifts from a return on sales perspective to return on investment.	The proliferation in organizations aiming to support social enterprises has encouraged the observed non-profit organizations to drift their mission from merely focusing on social activities to the social enterprise model.
4. Scaling-up the process	The process of scaling-up social innovation at the inter-organizational learning concerns the efficiency-oriented value creation, which covers production and delivery process.	The joint strategy plays a pivotal role in conformity to the principles of social enterprise, which ensures the conformity to gain social support from intermediary organizations. Further collaboration was expressed on the interest alignment by creating open innovation and generating relational capital.

5. Conclusion

This study demonstrates the inter-organizational learning by transforming the institutional dimension of the charitable and non-profit organizations in which the observed organizations leverage their networks. Drawing on non-profit and charity organizations in Indonesia context, the findings reveal various steps on the inter-organizational learning, such as network selection, finding intermediaries to establish a value distribution. The process involves the international non-government organizations that play a pivotal role in informational intermediary function. This study extends the work of internationalization of social enterprise by adopting the concept of inter-organizational learning and cross-cultural collaboration.

Funding

This research was funded by the Indonesian Ministry of Research, Technology, and Higher Education.

References

- [1] Asian Development Bank. (2013). *Social Enterprise in Asia: Business with a Mission*. Philippines: Asian Development Bank.
- [2] Barber, E. (2008). How to measure the "value" in value chains. *International Journal of Physical Distribution & Logistics Management*, vol. 38, no. 9, pp. 685–698.
- [3] Cruz, L. B. and Boehe, D. M. (2008). CSR in the global marketplace: Toward sustainable global value chains. *Management Decision*, vol. 46, no. 8, pp. 1187–1209.
- [4] Defourny, J. and Kim, S.-Y. (2011). Emerging models of social enterprise in Eastern Asia: A cross-country analysis. *Social Enterprise Journal*, vol. 7, no. 1, pp. 86–111.
- [5] Ding, Y., Malleret, V., and Velamuri, S. R. (2016). Institutional complexity and the strategy behaviors of SMEs in transition environments. *International Journal of Emerging Markets*, vol. 11, no. 4, pp. 514–532.
- [6] Eliot, R. and Timulak, L. (2015). Descriptive and interpretative approaches to qualitative research, in J. Miles and P. Gilbert (eds.) *A Handbook of Research Methods for Clinical and Health Psychology*, pp. 147–159. Oxford: Oxford University Press.
- [7] Gauri, P. and Rosendo-Rios, V. (2016). Organizational cross-cultural differences in the context of innovation-oriented partnerships. *Cross Culture & Strategic Management*, vol. 23, no. 1, pp. 128–157.

- [8] Hansen, M. T. and Birkinshaw, J. (June 2007). The innovative value chain. *Harvard Business Review*.
- [9] Jonsson, S. and Lindbergh, J. (2013). The development of social capital and financing of entrepreneurial firms: from financial bootstrapping to bank funding. *Entrepreneurship Theory and Practice*, vol. 37, no. 4, pp. 661–686.
- [10] Lumpkin, G. T., Moss, T. W., Grass, D. M., et al. (2011). Entrepreneurial processes in social context: How are they different, if at all? *Small Business Economics*, vol. 40, no. 3, pp. 761–783.
- [11] Lumpkin, G., Cogliser, C., and Schneider, D. (2009). Understanding and measuring autonomy: An entrepreneurial orientation perspective. *Entrepreneurship Theory and Practice*, vol. 33, no. 1, pp. 47–69.
- [12] Miles, J. and Gilbert, P. (2005). *A Handbook of Research Method for Clinical and Health Psychology*. Oxford: Oxford University Press.
- [13] Omidvar, O., Edler, J., and Malik, K. (2017). Development of absorptive capacity over time and across boundaries: The case of R&D consortia. *Long Range Planning*, vol. 50, no. 5, pp. 665–683.
- [14] Parnaby, J. and Towill, D. R. (2012). Exploiting the concept of a manufacturing system part IV: The innovative action learning organization. *Journal of Manufacturing Technology Management*, vol. 23, no. 6, pp. 733–752.
- [15] Pratono, A. H. and Sutanti, A. (2016). The ecosystem of social enterprise: Social culture, legal framework, and policy review in Indonesia. *Pacific Science Review B: Humanities and Social Sciences*, vol. 1, no. 2, pp. 85–91.
- [16] Pratono, A. H. and Tjahjono, G. (2017). How does materialistic attitude influence the impact of corporate brand on the customers' intention to donate to corporates' charity? *Humanomics*, vol. 33, no. 4, pp. 484–498.
- [17] Randall, W. S., Nowicki, D. R., Deshpande, G., et al. (2014). Converting knowledge into value. Gaining insights from service dominant logic and neuroeconomics. *International Journal of Physical Distribution & Logistic Management*, vol. 44, no. 89, pp. 655–670.
- [18] Rigg, J. (2014). *More Than the Soil: Rural Change in Southeast Asia*. London: Routledge.
- [19] Rupčić, N. (2017). Intergenerational learning and knowledge transfer – Challenges and opportunities. *The Learning Organization*. Retrieved from <https://doi.org/10.1108/TLO-11-2017-0117>
- [20] Schilke, O. (2014). On the contingent value of dynamic capabilities from competitive advantage: The nonlinear moderating effect of environmental dynamism. *Strategic Management Journal*, vol. 35, no. 2, pp. 179–203.

- [21] Sik, A. (2016). Creative in cross-domain collaborations: Searching factors to increase efficiency. *Management Research Review*, vol. 39, no. 2, pp. 144-166.
- [22] Sung, B., Hartley, N., Vanman, E., et al. (2016). How can the word "NEW" evoke customers' experiences of novelty and interest? *Journal of Retailing and Consumer Services*, vol. 31, nos. 1-2, pp. 166-173.
- [23] Thóme, K. M. and Medeiros, J. J. (2016). Drivers of successful international business strategy. Insights from the evolution of a trading company. *International Journal of Emerging Markets*, vol. 11, no. 1, pp. 89-110.
- [24] Wang, H., Alon, I., and Kimble, C. (2015). Dialogue in the dark: Shedding light on the development of social enterprises in China. *Global Business and Organizational Excellence*, vol. 34, no. 4, pp. 60-69.
- [25] Zhang, L. E. and Guttormsen, D. S. (2016). "Multiculturalism" as a key methodological challenge during in-depth interviewing in international business research. *Cross Cultural & Strategic Management*, vol. 23, no. 2, pp. 232-256.
- [26] Zhang, Y., and Gregory, M. (2011). Managing global network operation along the engineering value chain. *International Journal of Operation & Production Management*, vol. 31, no. 7, pp. 736-764.