

The Marketing Determinants of Social Enterprise Performance

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Abstract. Social enterprise performance is a research material that has not been much explored until now. Social enterprise performance requires in-depth research to determine influencing factors. The purpose of this study is to explore the determinants of affect social enterprise performance from a marketing perspective. The analysis is based on a quantitative approach by distributing survey questionnaires. This study involved 30 social entrepreneurship managers and owners as representative respondents. Sampling was done by purposive sampling method. Data analysis using structural equation modeling (SEM). Research result shows that social entrepreneurship, purpose, and process success affect social enterprise performance. Contrary to previous research, marketing orientation does not affect the performance of social enterprises.

Keywords: Social entrepreneurship; market orientation; purpose; process; social enterprise performance

1 Introduction

The development of social entrepreneurship in Indonesia has increased in the last two decades. Based on British Council data [1], it is known that there has been a very significant and continuous increase in the number of social enterprises from 2007 to 2017 in Indonesia. The performance of social entrepreneurship is very important to be researched. This is due to a significant factor that is able to accelerate poverty alleviation in all parts of the world from the Corporate Social Responsibility (CSR) Program and the emergence of social entrepreneurship [2]. The performance of social entrepreneurship itself does not only provide benefits to the company but also benefits the surrounding community. Problems occur when social entrepreneurship is not always able to be business-oriented towards the market (market orientation) because social entrepreneurship is more focused on production based on the ability of the surrounding community (social bricolage). Likewise in the course of their business, if social entrepreneurship actors do not have a strong goal to benefit the general public, then in the middle of the journey social entrepreneurship often turns back into commercial entrepreneurship. Furthermore, the process of marketing activities is often ignored because it is considered an expensive business activity [3]–[7]. However, no research examines the factors that affect the performance of social entrepreneurship based on a marketing perspective.

2 Literature Review and Hypothesis Development

This study was constructed using Resource Based Theory since its examine focuses on the internal environment of social entrepreneurship such as social entrepreneurship itself, market orientation, the purpose, and the process.

2.1 Social Entrepreneurship

Social entrepreneurship is entrepreneurship that is not only profit-oriented in every business activity but rather creates social benefits. In practice and research, there is still a lack of consensus about the exact meaning of social entrepreneurship[8]. Researchers also have different concepts, dimensions, and indicators of social entrepreneurship. According to the Dimensional Concepts and Models most widely used where social entrepreneurship consists of three dimensions, namely innovativeness, risk-taking, and proactivity [9], [10]. Moreover, Pinheiro and Mort & Weerawardena develop the concept of social entrepreneurship by adding the dimension of socialness [11], [12]. Thus, this study uses the dimensions of innovativeness, risk-taking, proactivity, and socialness. Hence, the hypotheses built are:

H₁: Social entrepreneurship has a positive and significant effect on social enterprise performance.

2.2 Market Orientation

Market orientation is an approach or business strategy that is able to understand and identify the current and future needs of consumers and stakeholders. Market orientation is generally measured based on several dimensions including consumer orientation [13], [14], competitive orientation [13], [14], functional coordination [13], inter-functional coordination [14]. Unlike the market orientation variable in conventional entrepreneurship, these dimensions cannot be applied to social entrepreneurship actors. This study uses the dimensions of intelligence generation, intelligence dissemination, and responsiveness as its measurement [11], [15], [16]. Researchers should not conduct market orientation testing only based on uni-dimensional approaches, yet comprehensively wider. Vice versa, this study uses behavioral forms of market orientation [17].

Products or services produced by social entrepreneurship will be accepted by the community if they are in accordance with market orientation. Based on the research results, market orientation is proven to be able to simultaneously improve social enterprise performance, both economic performance and social performance [11], [18]. Thereupon, the hypothesis that is built is as follows:

H₂: Market orientation has a positive and significant effect on social enterprise performance.

2.3 Purpose

The consistency of social entrepreneurship in providing social and sustainable impacts in their businesses is very dependent on the purpose of the social entrepreneurship actors themselves. The purpose of this study consists of indicators increasing social benefits and increasing economic benefits [19], [20]. This means how consistent the social entrepreneurship is with his goal to keep trying to provide a social impact on the environment

and the goal of improving the company's economy. The purpose of each social entrepreneurship differs. Entrepreneurial goals are also stated in the company's mission, even the company's mission cannot be changed immediately even though there are urgent social issues [21]. The purpose of social entrepreneurship is multidimensional[10]. This means that the purpose of SE actors does not only have an impact on one sector but the goals are based on various dimensions/sector social issues. Social entrepreneurship goals that are not strong will cause social entrepreneurship to convert back into conventional entrepreneurship [22]. Thus, the construct of the hypothesis that is built is as follows:

H₃: Purpose has a positive and significant effect on social enterprise performance

2.4 Process

A process can be described as a sequence of interrelated occurrences coalesce to transform an input into an output. In terms of the process, social entrepreneurship must be able to see any possible chances and able to connect the puzzle dot into a strategy that brings benefit along the process. The process variables in this study were measured through analysis of price points and the process of developing a new market segment[19], [20]. Thereof, the process can be hypothesized as follows:

H₄: Process has a positive and significant effect on social enterprise performance

2.5 Social Enterprise Performance

Social enterprise performance (SEP) is the performance of social business actors who apply a practical, innovative, and sustainable approach to have a positive impact on the lower economic class community and overcome the surrounding social problems. The performance of social entrepreneurship is determined by three dimensions of impact, namely environmental impact, social impact, and economic impact [23]. Meantime, Shin and Park gauge social enterprise performance with two dimensions, namely social performance, and economic performance [24]. This study measures the performance of social entrepreneurship through two dimensions, namely social performance (SEPs) and economic performance (SEPe). In other words, the performance of social entrepreneurship is judged to be good based on how many social benefits the entrepreneur provides, and the economic impact on the company. Often social enterprises cannot integrate and balance the economic interests/ profitability of the company and the social impact on society. In depth, various performance measuring tools developed to measure social enterprise's specific features. Some researchers are using the balanced scorecard to measure SEP while others attempt to integrate balanced scorecard, SROI, and GRI by dividing the purpose of performance measurement into internal purpose and external purpose [21].

Therefore, the proposed framework is as follows:

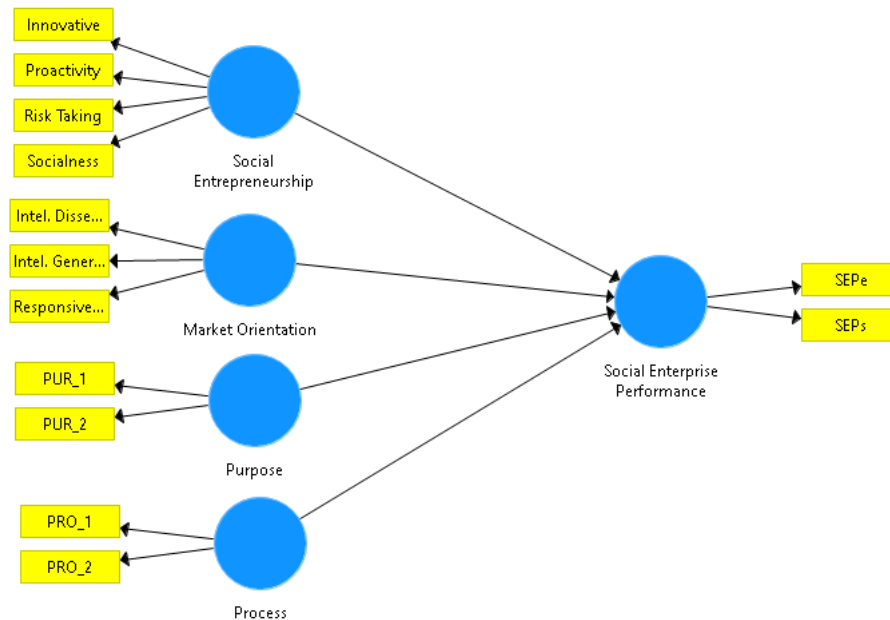


Fig 1. Proposed Framework

3 Method

This research is a type of quantitative research. The research was conducted by distributing questionnaires and researchers immediately went to the field to find out the phenomenon and the right empirical answers. The questionnaire was prepared using a Likert scale as the measurement scale. Purposive random sampling by convenience was used. The respondents in this study were leaders such as owners and managers of social entrepreneurship. However, a total of 30 respondents returned usable questionnaires; yielding a response rate of 30 percent

4 Result and Finding

4.1 Demographic Characteristics of Research Subjects

Based on the results of distributing questionnaires, there are several questionnaires stating that the company is not socially oriented. However, a number of 30 respondents used in this study were respondents who answered “yes” to social entrepreneurship. Based on the source of business income, as many as 14 respondents stated “Income from trade”, 11 respondents stated “Most of it comes from trading income” and 5 respondents stated, “Most of the income is from trade, some are from grants”. For the question "How is your profit/surplus used?", 2 respondents stated "funding environmental activities/third party activities for social

activities", 25 respondents stated "for development and growth activities" and 3 respondents stated "Cross subsidies between social missions and your business activities". This shows the development of the social entrepreneurship cycle, which initially only focused on grants and corporate social responsibility (CSR) funds for private and government companies, is now trying to realize 'sustainability development by focusing on the sustainability of the company itself to retain employees who are capable of working. the majority are in poverty. Some answers show that the balance between staying in business and social mission is also quite difficult to maintain, so cross-subsidies are needed.

4.2 Hypothesis

Hypothesis testing in this study was carried out using Structural Equation Modeling (SEM) using SMART-PLS software. The use of SMART-PLS software requires two evaluations, namely: 1) Evaluation of Measurement Model, and 2) Evaluation of Structural Model. It is described below:

1. Evaluation of Measurement Model

Evaluation of the Measurement Model is done by testing the validity and reliability. In this study, the validity test was carried out with convergent validity and discriminant validity. In the SEM-PLS model, an indicator is said to meet convergent validity if the outer loading value is > 0.7 with an Average Variance Extracted (AVE) value > 0.5 . The test results show that the outer loading value of the Risk-Taking and Socialness indicators on the Social Entrepreneurship; Intelligence Dissemination, and Intelligence Generation variables on the Market Orientation variable; the Purpose_1 indicator on the Purpose variable; and the Process_2 indicator on the Process variable is below 0.7.

This shows that the indicator is not valid in describing the construct of the research model. Thus, the six indicators were removed from the model. Subsequently, the re-test is carried out by producing a valid indicator value with the outer loading value > 0.7 as shown in Figure 2 below.

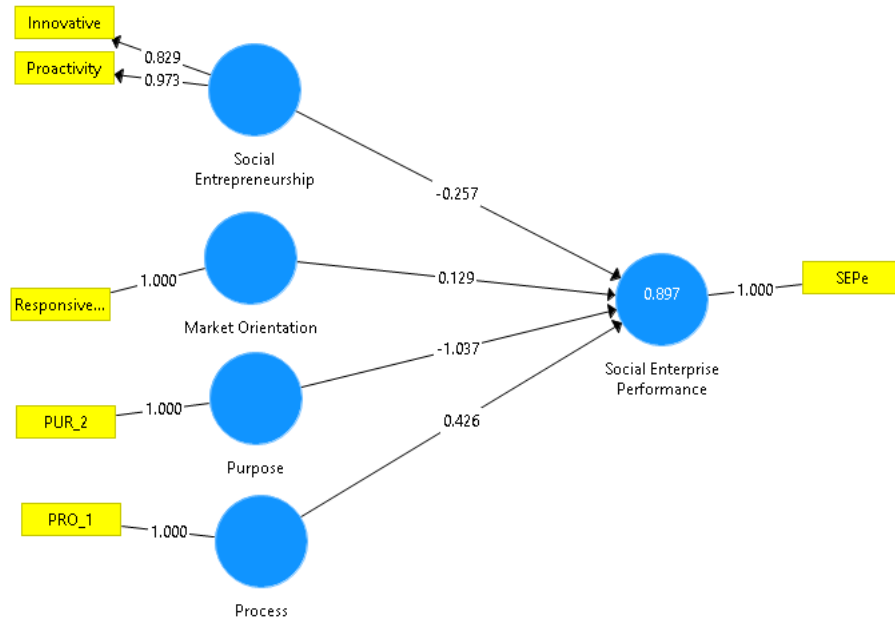


Fig 2. Evaluation of Measurement Model

Furthermore, the convergent validity test also looks at the AVE value with the AVE value requirement > 0.5 . The AVE value is shown in Table 1 below.

Table 1. Evaluation Value of Average Variance Extracted (AVE)

Variable	AVE
Market Orientation	1,000
Process	1,000
Purpose	1,000
Social Enterprise	1,000
Social Entrepreneurship	0.817

After the convergent validity test has a value in accordance with the requirements, then the discriminant validity test is then carried out by looking at the cross-loading value. The discriminant validity test is according to the criteria if the cross-loading indicator value in each variable is greater than the indicator value in other variables.

After conducting a validity test, the next step is to perform a reliability test. The reliability test was carried out by using Cronbach's alpha test and composite reliability test, where the composite reliability value and Cronbach's alpha value must be greater than 0.7. The composite reliability value is shown in Table 2 below.

Table 2. Composite Reliability Value

Variable	Composite Reliability	Cronbach's Alpha
<i>Market Orientation</i>	1,000	1,000
Process	1,000	1,000
Purpose	1,000	1,000
Social Entrepreneurship	0.817	0.808
Social Enterprise Performance	1,000	1,000

Based on Table 2 it is known that The value of Composite Reliability and Cronbach's value has met the criteria, which is greater than 0.7.

2. Evaluation of Structural Model

Evaluation of the structural model is carried out with the inner model test, namely the R-Square value, the path coefficient value, the t-statistic value, the predictive relevance value and the model of fit. Based on the results of data processing, the R-Square value is 0.897. Thus, it can be concluded that the market orientation, social entrepreneurship, purpose and process variables are able to explain the relationship with the social enterprise performance variable by 89.7%. Where the remaining 10.3% is influenced by other variables outside of this study. Furthermore, the path coefficient value is shown in Table 3.

Table 3. Path Coefficient Value

Variable	Social Enterprise Performance
<i>Market Orientation</i>	0.129
Process	0.426
<i>Purpose</i>	-1.037
<i>Social Entrepreneurship</i>	-0.257

Based on Table 3, it is known that the market orientation variable has a positive effect on social enterprise performance of 0.129. Likewise, the process variable has a positive influence on social enterprise performance of 0.426. On the other side, the purpose variable is proven to have a negative effect of 1,037 on social enterprise performance. Nevertheless, social entrepreneurship which has a negative influence on social enterprise performance is 0.257. The next evaluation of the structural model is to compare the t-statistic value with the t-table as shown in Table 4 below

Table 4. Marketing Performance T-Statistic Test Value

Variable	Social Enterprise Performance	
	<i>t-statistics</i>	<i>P-Values</i>
Market Orientation	1.051	0.294
Process	2,362	0.019
Purpose	8.386	0.000
Social Entrepreneurship	2.186	0.029

In SMART-PLS software, the relationship between variables is categorized as meeting the criteria if the t-statistic value is > 1.96 or the p-value is < 0.05 . Even easier, SMART-PLS automatically gives a red color if the p-values do not meet the criteria. The market orientation variable in this study does not meet the criteria because the t-statistic value is $1.051 < 1.96$ and the p-value is $0.294 > 0.05$. Thus, the results of this study can be concluded as follows

Table 5. Hypothesis Results

Hypothesis	<i>p-values</i> <0.05	Score
H1: Social entrepreneurship has a positive and significant effect on social enterprise performance.	0.029	Received
H2: Market orientation has a positive and significant effect on social enterprise performance.	0.294	Rejected
H3: Purpose has a positive and significant effect on social enterprise performance.	0.000	Received
H4: Process has a positive and significant effect on social enterprise performance.	0.019	Received

Furthermore, the predictive relevance value indicates whether the observation value is good or not. The value of predictive relevance is said to be good if it is between the range of values of 0 and 1. Based on the results of the blindfolding method on SMART-PLS, the predictive relevance value of $Q^2(=1-SSE/SSO)$ is 0.790. This shows that the observations made are quite good and describe the model in the study. In the final stage, the evaluation of the structural model is done by looking at the model of fit. The model of fit is shown based on the NFI value, where the higher the NFI value indicates the better the model. The NFI value in the saturated model and estimated model in this study is 0.838, which means that the construct model in this study is 83.8% very fit (good).

5 Conclusion

Based on the results of data analysis, it is known that social entrepreneurship variables consisting of innovative and proactivity affect the performance of social entrepreneurship. This is in line with the research results by Shin & Park who suggest that the value orientation of social entrepreneurship affects social enterprise performance [24].

Furthermore, it is known that the results of this study contradict the results of previous studies on the market orientation variable. The results of this study indicate that market orientation does not affect social enterprise performance. Whereas previous research stated that market orientation was able to positively affect social enterprise performance [11], [15]. Furthermore, the results of this study illustrate that only the responsiveness indicator is on the market orientation variable. Meanwhile, intelligence dissemination and intelligence generation are still an obstacle in every social entrepreneurship due to the limited competence of human resources.

In this study, it is known that the purpose of a social entrepreneur is the only variable that has the highest significance value. This is in accordance with the findings of the facts in the field that the purpose of an entrepreneur greatly affects the performance of social

entrepreneurship. If social entrepreneurs do not have a strong purpose to create benefits for society as the main orientation, and economics as the general orientation, then the social entrepreneurship actors can switch from social entrepreneurship to conventional entrepreneurship [22]. Based on the results of research on the purpose variable, there is one company that was originally social entrepreneurship, but in the middle of the road since 2020 it has become conventional entrepreneurship, namely Sahabat Kapas. Although in practice, the company has won the Minister of Law and Human Rights Award [25].

Furthermore, the process variables in the marketing perspective as measured using price point analysis and how the process of finding new segments is proven to affect social enterprise performance. This is because the performance of social entrepreneurship cannot only rely on marketing mix techniques in companies or conventional entrepreneurship. Social entrepreneurs must be able to explore the process of marketing activities and find the appropriate price (price point) because the targeted segment is generally a modest segment originating from the lower middle class. Likewise, new business segments were found, due to the limited competence of their employees and generally only utilizing human resources from the local environment in improvised conditions. If social entrepreneurship actors are responsive enough to see opportunities from each process, it might open the chance to make strategic alliances breakthroughs by utilizing surrounding resources to improve the performance of social entrepreneurship. Even based on a combination of Resource-Based View (RBV) and Resource-Dependency Theory (RDT) theory, the unification between strategic alliances and social bricolage can improve the social dimension of social enterprise performance (SEPs) [26].

This study boldly tested quantitatively the process and purpose variables which were originally the result of conceptual thinking through a qualitative approach [19]. The process and purpose are variables that are thought out and formed in depth with adjustments to social entrepreneurship. This is because social entrepreneurship is a unique type of entrepreneurship. After all, it is more concerned with social benefits than profit alone.

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