

What to Do After Covid-19? The Market Intermediary Model to Indonesian Social Entrepreneurs

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ABSTRACT

This study aims to figure out the model of Market Intermediary for Indonesia social entrepreneurs Covid-19 as an effort to re-build the economic situation after pandemic. This explorative qualitative study includes 5 social enterprise SMEs in West Java focusing on agriculture and handicraft as the sample. They were asked a set of questionnaire and online interviewed regarding intermediary market in Covid-19 era. The data were then analyzed by triangulation technique. The results show that after Covid-19, both characteristic of socioentrepreneurs and the social enterprise (SMEs) in Indonesia has changed their way of distribution, packaging and promoting the product in website / platform / social media. Based on the findings of this study, the design of market intermediary can be concluded. It reflects the demands of the market and strengthen the mission that drives the business.

Keywords: Social Entrepreneurs, Social Enterprise, Socioentrepreneurs, Social Enterprise.

1. INTRODUCTION

WHO (World Health Organization) has announced that a new corona virus known as Covid-19 was first reported by the state of China in December 2019 and now has spread to at least 177 countries [1]. The Indonesian government, through the Ministry of Health, has instructed the implementation of Large-Scale Social Restrictions (PSBB) in certain areas with high number of cases in Indonesia to reduce the rate of transmission and spread of Covid-19. It aims to limit some activities of residents in an area suspected of being infected with the corona virus to prevent the possibility of wider spread [2]. However, this policy has led to certain economical problems. The Micro-Small Medium Enterprises (MSME) is one of the industry affected seriously. According to the Ministry of cooperatives and SMEs, there are around 37,000 MSMEs who report that they are very seriously affected. From these reports, 56 percent reported a decrease in sales, 22 percent reported problems in the financing aspect, 15 percent reported problems with distribution of goods, and 4 percent reported difficulties get raw materials [3].

MSMEs play important role in Indonesia's economic stability. Haryanti & Hidayah (2018) stated that the Indonesian Ministry of Cooperatives and SMEs reports that in terms of units, MSMEs have a share of around 99.99% (62.9 million units) of the total number of business operators in Indonesia (2017), while large businesses are only 0.01% or around 5400 units. Reference [4] also added that Micro Business absorbs around 107.2 million workers (89.2%), Small Business 5.7 million (4.74%), and Medium Enterprises 3.73 million (3.11%); while Large Enterprises absorbed around 3.58 million people. This means that as a whole, MSMEs absorb around 97% of the national workforce, while Large Enterprises only absorb around 3% of the total national workforce. Among others, Food and Beverage sector in MSMEs is one of the sectors that is directly affected by this pandemic. [5-6]. However, Ikhwan (2020) proposes that social entrepreneurship could be the solution in overcoming the economic unstability.

Reference [7] explains that social entrepreneurship is a type of business that "(1) aims at creating social value,

either exclusively or at least in some prominent way; (2) shows a capacity to recognize and take advantage of opportunities to create that value (“envision”); (3) employs innovation, ranging from outright invention to adapting someone else’s novelty, in creating and/or distributing social value; (4) accepts an above-average degree of risk in creating and disseminating social value; and (5) is resourceful in being relatively undaunted by scarce assets in pursuing their social venture”. [8] adds that the form of its business could be but not limited to microfinance institutions, educational programs, providing banking services in underserved areas and helping children orphaned by epidemic disease.

Reference [9] states that there are 9 different social business models related to social entrepreneurship. One of the models that has been implemented by Indonesian social entrepreneurs is the market intermediary model. This model helps clients through marketing or selling their clients' products or services for them. For example organizations that help small farmers struggle to market and sell their crops for them. This model is currently implemented by JAVARA, and Indonesian business that works along the agricultural supply chain from production to distribution to preserve this diversity by bringing community-based products to the world market [10]. Reference [10] adds that market intermediary models usually implement some principles, such as: social programs are business which main mission is to strengthen markets and facilitate financial security of clients by helping them develop and sell their products. This type of social entrepreneur achieves financial independence through the sale of products made by his clients. Thus, this model is considered to be effective to be implemented by social entrepreneurs during covid-19 pandemic.

In Indonesia, a research on how the market intermediary model can help and increase the sales volume or scale up the business has never been done. However, the similar topics on the market intermediary model was conducted by reference [11] in Australia. Therefore, this paper aims to enrich the study and explore the Implementation of the market intermediary model to Indonesian social entrepreneurs that focus on agriculture and handicraft.

1.1 Market Intermediary Model

Reference [9] identifies 9 social business models as entrepreneur support model, the market intermediary model, the employment model, the fee-for-service model, the low-income client model, the cooperative model, the market linkage model, the service subsidization model, and the organizational support model. The analysis is done with 3 factors that drive social business, namely mission, type of integration, and target population. Then, how these three factors intersect with 3 traditional business categories are explored in

order to produce those 9 types of specific social business models that can be adopted by any social entrepreneur. Market intermediary model is one of the social business models proposed by reference [9] that is commonly used in marketing of cooperative suppliers, fair trade, agriculture, and handicraft businesses [10]. Reference [12] add that this model give the opportunity for the “client” or small producers the access to the market and evenmore add the value to the client-made product in terms of product development; production and marketing assistance; and credit. Further [12] page 3 also states that in this model as shown fig.1 . “the social program is the business, its mission centers on strengthening markets and facilitating clients' financial security by helping them develop and sell their products. The social enterprise achieves financial self-sufficiency through the sale of its client-made products”.

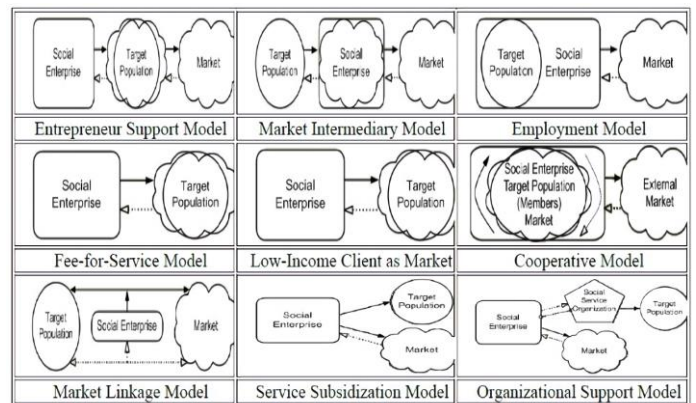


Figure 1. Grassl's business models of social enterprise (Grassl, 2012).

1.2 Social Entrepreneurship

Reference [13] define social entrepreneurship as “the process by which issues of social disadvantage are solved by social entrepreneurs who are active agents using business techniques to find innovative solutions to social problems, motivated by altruism rather than profit.” This term firstly emerged in the early 2000’s as a field of research, however social entrepreneurship had been a social phenomenon for long. Reference [13] also mention that currently social entrepreneurship is at an exciting stage of “infancy”. Despite of being short on theory and definition, it is high in motivation and passion. In short, being a social entrepreneur means that the enterprise have to put social goals over profitability. Further, [13] also mentioned that there are certain characteristics of social entrepreneur, such as: having entrepreneurial mindset, innovative, compassionate, and risk taker, based on fig. 2.

Social Entrepreneurs Characteristics	
Taking the initiative to start	Having the persistence to continue
Entrepreneurial Mind-set - Previous work experience - Knowledge, skills, and know-how Innovation - Create new products/services, delivery processes, and business models Compassionate and Humanitarian Aspects - Driven by compassion and social responsibility - Empathetic and understanding of gain rewards from benefiting others Risk-Taking - Challenges embedded in cultural norms - Face additional uncertainties and risks - Face political instability and economic difficulties	Perseverance - The ability to overcome adversity such as bureaucracy, corruption, and absence of government support - Overcome the absence of legal structure, financial support, culture, innovation, and other external challenges and barriers

Figure 2 Social entrepreneurs characteristics (Ghalwash et al, 2017)

Reference [14] adds that there are also several needs from social entrepreneurs. According to [14] proposed that people management and fund raising skills are needed to be trained since people new to the area might have a little previous experience. He also added that management control skill, peer group support network, as well as mentoring are also needed by the social entrepreneurs on fig.3 .

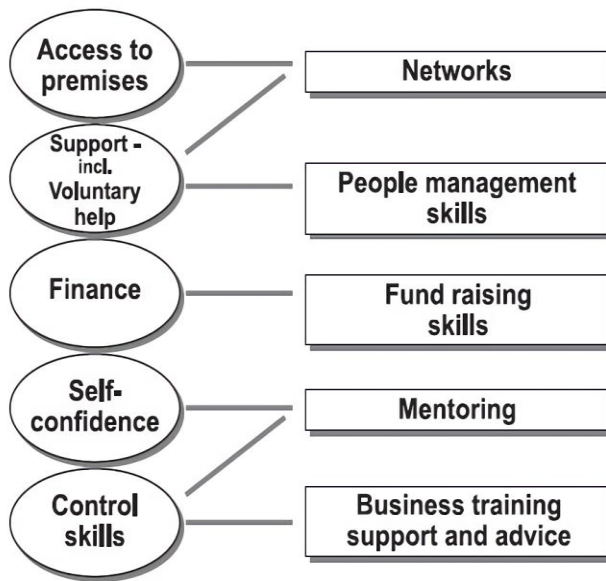


Figure 3 Social entrepreneurs needs (Thompson, 2002)

Meanwhile, [15] explains some challenges faced by the social entrepreneur categorized into three broad themes; institutional and operational (related to limited access to funding, technical support for social enterprises, and qualified employees), cultural and educational (related to limited recognition of social entrepreneurship as a field to the ordinary citizen which results in difficulties in attracting sponsorships) and policy making

and government related challenges (related to the new NGO law, taxation, tight monitoring and supervision, negative perception about the dealership with the government, and the individual nature of support that the government offers, instead of a systematic one).

2. METHODS

This research is an explorative qualitative research that includes 5 social enterprise SMEs in West Java that focus on agriculture and handicraft as the sample. Their business has run for at least 3 years. They were asked a set of questionnaire and online interviewed regarding intermediary market in Covid-19 era. The data were then analyzed by triangulation technique.

3. RESULTS AND DISCUSSION

The result of this research shows the socioentrepreneurs and social enterprise characteristics after covid-19 situation, as follow:

3.1 Taking Initiative to Start

3.1.1 Entrepreneurial Mindset

Covid-19 has not stopped the Indonesian sociopreneurs to block their mindset towards entrepreneurial business. In the covid-19 era, the challenge was the change of consumer’s behaviour which limit their activity to go to the traditional market. This has also changed to the distribution flow. This challenge was not the first time. This kind of situation happened several times when there was a decreasing number of market’s demand. However, Indonesia sociopreneurs still can manage the flow of the distribution to the end-market. Most of them adapt the situation by using *Pre Order* system so the distribution can be done in one-time delivery. These decisions are the act of on how sociopreneur *know how, knowledge, skill* and implemented the *previous work*.

3.1.2 Innovation

The sociopreneurs in Indonesia implement new innovation in terms of *website / platform/ social media looks, packaging and distribution*. The looks of the website / social media has changed to vary the more detailed features. The features such as *covid-19 protocols* were added. The packaging also attaches information about hygienic wrapping process.

3.1.3 Compassionate and Humanitarian Aspects

The mission of social in the business model in Covid-19 era is still and it doesn’t change. This is because the

business model is driven by compassion and social responsibility.

3.1.4 Risk-Taking

The sociopreneurs are more ready to face the challenge and uncertainties and political or economics difficulty.

3.1.5 Having the persistence to continue

The result of interview shows that after covid-19 the Indonesia sociopreneur still persistence in continue the business because there is an increasement of demand from the business partner since the change of economics and political situation occur.

The needs and demand in after covid-19 situation is different with the previous situation. It is limited access to funding since the economic situation has also changed, technical support for social enterprises is limited due to the covid-19 protocols, and qualified employees raises since there are many layoffs in this time of pandemic. Thus, the desain of the market intermediary model for Indonesia socio enterprise in agriculutre and handicraft after covid-19 sitation is draws, as follow fig.4 .

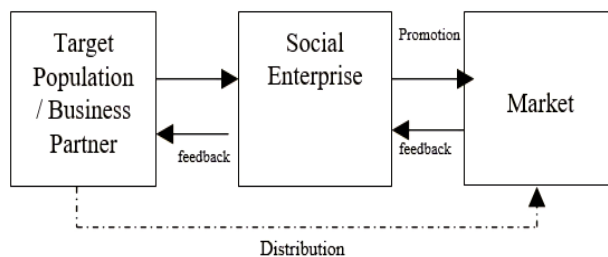


Figure 4. The desain of the market intermediary model for indonesia social enterprise after covid-19 situation

4. CONCLUSIONS

This study concludes that after Covid-19, both characteristic of socioentrepeneurs and the social enterprise (SMEs) in Indonesia has changed their way of distrubution packaging and promoting the product in website / platform / social media. Due to the analysis above, the design of market intermediary can be concluded. This design is reflecting the demands of the market and can stranghtening the mission that drives the business. This study is in a line with [12] that the model can help the business in social focus to compete in the market and still can uphold their mission. For further research, it recommends to know how effective is this design or model to the sales volume.

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