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## SOCIAL ENTREPRENEURSHIP IN THE TIME OF COVID-19

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### ABSTRACT

*In the face of a modern global depression like the one we are facing today, where economy is foreseen to be contracting, capital gains wiped out, rise in unemployment, and the well-defined infrastructure network in more developed economies is shaken, it is important to once again go back to the principle of entrepreneurship. As a mean to survive, necessity-based entrepreneurship pushes individuals and businesses into a form of innovation that allows them to create gain in order to support their livelihood. In saying that however, in the time of crisis we are facing like today, a sense of community should also be at the forefront of entrepreneurs' mind, as it is not only enough to create gain for oneself, but the assistance for the wider community should also be provided. Hence, social entrepreneurship might be key in combating the impact of this economic crisis. This paper will examine how social entrepreneurs, by engaging with each other by forming an alliance or a network could continue to innovate as a means to find opportunities amidst the challenges of the current time. For the purpose of reaching the objective, a combination of both qualitative and quantitative research method is used, in which theories from related journals are studied that would be coupled with the analysis of financial figures collected from the case study. The finding of the research has suggested that social entrepreneurship might be part of the solution in combating the impact of economic crisis that stems from natural disaster, specifically in this case a pandemic of Covid-19.*

**Keywords:** social entrepreneurs, network, necessity-based entrepreneurs, economic crisis

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### Introduction

Being part of a growing economy, individuals are more likely to be entrepreneurs by necessity. Amoros et al. (2019) argued that in the absence of a well-defined national infrastructure framework which is a challenge faced by growing economies, people are likely to be faced with the challenge of no employment, hence prompted them to be self-sufficient as they have no other option but trying out new business ventures. The ability of individuals to turn challenges into opportunities as highlighted by Viinikainen (2013), then becomes crucial for entrepreneurs in growing economy to excel. Hence it could be argued that wealth creation or in the extreme case, the need to survive by creation of wealth would be the main goal for majority of entrepreneurs in growing economies.

As wealth creation takes center stage, social entrepreneurs are seldom found in developing nations. As achieving their social mission becomes their main objectives, social

entrepreneurs seldom find themselves able to attract good resources, as they are lacking competitive edge (Grimes, 2013). Even though Kazmi et al. (2016) have also argued that social entrepreneurs especially in developing nations actually promotes inclusion and economic sustainability, while Rametse & Shah (2012) discussed the increase in social entrepreneurship in developing economies like India. Shepherd & Williams (2014) also added that social entrepreneurship with its community-based strength would be the perfect answer to an economy recovering from a national or global disaster.

With all that being said, being social entrepreneurs in a developing economy still is a struggle. Especially in the current time where the world is facing a pandemic that has not been seen in the span of modern history (Gates, 2020). A global health crisis that soon put the world and its economy at standstill, wiping out decades of wealth creation. In China, it has already threatened to put a stop of its economic growth (Bradsher, 2020). While in the United States the pandemic has wiped out 22.8 Million jobs created in the past decade (Long, 2020). Experts have also warned that this is all just the beginning, with a threat of a ‘world recession worse than the great depression’ looming (Chan, 2020), with an optimistic view of global economy contracting by 3% this year (Jones et al., 2020). It is no difference in Indonesia. Akhlas (2020) has reported that the government has estimated that about 3.78 million people will fall into poverty while there will be additional 5.2 million workers that could become unemployed due to the current pandemic.

Looking into current situation however, with unemployment at a record high and community as a whole would be facing constraints in every aspects of their livelihood, a necessity-based entrepreneurship might be the key in the struggle for survival during this time of crisis and its aftermath. Further that than a social entrepreneurship in such that it will rally both resources available to it within the local community context that is born from necessity that in time would be able to turn challenges into opportunities might be the solution during this time. That is what this study aims to portray.

This study aims to answer the question of how well social entrepreneurship that is backed up by a well-established network could be a part of the solution to combat the effect of the economic crisis that currently is caused by Covid-19 pandemic, and how if the effect it brings is sufficient enough, it could be a blueprint to a form of relief to any potential economic crisis that might happen in the future.

For the purpose of satisfying the objective of this paper, the author would use a case study on the batik initiative network that founded and grew with the social entrepreneurial principle that in the beginning was formed based on necessity. This network consists of *Koperasi Batik BATARI*, *Yayasan Pendidikan Batik Surakarta (YPB)*, *BPRS Dana Mulia*, *PT Hamira*, and *Solo’s Bistro Restaurant*. This paper will discuss on how this group has started to implement initiatives to curb or minimize the negative economic impact this crisis has brought within the community it operates in. This initiative that was born out of necessity, an attempt to staying afloat in the time of economic hardship has instead transformed into a joint effort of all the parties within the network to synchronize their decision making in such that they are able to work and decide as one united body. This highlighted the need to fall back to the essence of the entrepreneurial principle to continue moving forward in the time of crisis like the present one and to be able to continue the effort post crisis time, while at the same time continuing with its social missions in helping the community in this time of crisis.

In the following section, we will discuss the review on literature that became the basis of this paper.

## **Literature Review**

### **Entrepreneurship**

## Definition

### ***Opportunity-Based entrepreneurship theory***

Murphy & Marvel (2008) described an entrepreneurial principle called opportunity-based entrepreneurship. With this type of entrepreneurship, the changes offered by entrepreneurs are limited. Instead, entrepreneurs here as heralded by the authors as followers of a 'truism entrepreneurship principle' instead of being the agent of change, use the change to their environment to propel their business. With this type of entrepreneurship, the key factor to the success of the effort is something called 'episodic knowledge'. The author described this knowledge as information about a particular and time and place which are irregular in nature and hardly be able to be predicted. This knowledge is what created the opportunities referred to by the theory.

### ***Necessity-Based entrepreneurship theory***

Kautonen & Palmroos (2009) have touched on the subject of necessity-based entrepreneurship. Even though the theory is still found to be controversial as it argued that individuals were pushed to being entrepreneurs by extenuating situation where no other option of employments exist while entrepreneurship at its core speaks of individuals own desire to become entrepreneurs with no coercion from any external factors. In saying that however, the authors have found that necessity-entrepreneurship do exist especially in developing nations where there is no adequate welfare systems ensuring basic necessity could be supported by the governments.

### ***Resource-Based entrepreneurship theory.***

Alvarez et al. (2001) discussed the matter of application of resource-based theory within the entrepreneurial concept. They began by emphasizing how important resource-based theory in forming strategic management decision. The author then argued that the logic behind a successful resource-based strategy lies in the ability of the decision maker in identifying the necessary resources and capabilities to maximize any economic potential. The authors then further argued that this ability to efficiently coordinate resources while applying the knowledge base already owned is integral to the success of any entrepreneurial endeavors.

## Characteristics of Entrepreneurs

Within their research, Korunka et al. (2003) discussed both the classic characteristics and the attitudes along with motives that make entrepreneurs. Some of the classical personality traits discussed were the need for achievement, internal locus of control, the willingness to take risk. While the newer research has also been known to cite attitude traits such as proactivity, action control, mental health, self-initiative, and motivations as crucial to entrepreneurs. In short, the study also believes that entrepreneurs' personality does not only include the classical traits, but also includes the 'entrepreneurial attitude orientation' along with 'action, choices, and process dimensions'.

Davidson & Gordon (2015) have hypothesized that in the time of major macroeconomic crisis like one we are currently facing, entrepreneurs would respond in four differing ways of 'disengagement, delay, compensation, and adaptation'. These responses in turn would also be influenced by commitment or the desire to persist. The authors have found that surprisingly, even though previous studies have found that in time of crisis, the chance of startups to cease operation is higher, there is a lack of behavior crises responses in such that if the entrepreneurs are committed to persist, the possibility of them to disengage is small. The authors also highlight that entrepreneurs that are more established, instead of the ones that are only just starting would be less likely to engage. This signals that longevity and potential resources along with network that comes with years of operation might be crucial

in the effort to persist.

Schumpeter innovative entrepreneur (Block)

Block (2016) has cited Schumpeter's theory of 'creative destruction' to describe entrepreneurship. In his writing he highlights the ability of entrepreneurs to be able to transform a business idea into marketable products and services and how it is key to a vibrant economy. Hence entrepreneurship that highlights innovation would be the fore front of positive movement within the economy. Innovative entrepreneurship excels in an environment where network and alliances are easy to form. However, in this paper, the author has also highlighted the possible disadvantages of this type of innovative entrepreneurship. He laments that this continuously innovative entrepreneurship might require a high knowledge base in the beginning that is research-driven hence an entrepreneurship effort that might require a high initial cost.

### Social Entrepreneurship

Dees (1998) describes social entrepreneurs as 'entrepreneurs with social mission'. What makes this breed of entrepreneurs differ from the other entrepreneurs is that the social mission is explicitly stated and becomes the goal of the organization. The operation will not revolve around wealth creation, but instead in achieving the social mission objectives. However, as these organizations have a slightly differing goal, the challenges faced are also different. As markets behave in a way that it rewards values created through wealth creation, in a way that success in wealth creation will come with the ability to attract better resources, the market is not exactly kind towards social entrepreneurs. Hence social entrepreneurs often rely on subsidies, charity or donations.

### **Special Role of Entrepreneurship**

#### Turning challenges into opportunities, linkage between opportunity-based entrepreneurship and necessity-based entrepreneurship

Viinikainen (2013) outlined the possibility of entrepreneurs to turn challenges into opportunities. This study actually offers a link between opportunity-based entrepreneurship, necessity-based entrepreneurship, and resource-based theory. The author argues that even though businesses are often developed from utilization of opportunities, the sustainability of those businesses depends on the ability of the management to mobilize resources correctly. The resource-based theory is crucial in determining the business model. On the other hand however, to survive in challenging environment that differs from the environment in which the business model was derived from, businesses will be required to innovate to survive. This innovation stems from 'necessity' that in turns will find the opportunities amidst the challenges faced. This need to act based on the necessity to survive is the base concept of necessity-based entrepreneurship. Once this endeavor succeeded, the cycle goes back to the opportunity-based entrepreneurship.

Amoros et al (2019) compared opportunity-based entrepreneurship with necessity-based entrepreneurship within the context of nation's stability. The study found that the stability of a nation coupled with a well-defined institutional framework is strongly correlated to the type of entrepreneurs in that nation. Higher stability with a more defined institutional framework would benefit opportunity-based entrepreneurs, while higher fragility will be a fertile ground for necessity-based entrepreneur.

#### Entrepreneurship in the face of natural disaster/ force majeure

Shepherd & Williams (2014) focused their study on the emergence of local social entrepreneurship in the time of hardship in the form of post-earthquake. The local community

by itself has local knowledge and access to resources unmatched by any other parties. Hence, in the time of natural disaster or global crisis, a more localized effort would be proven to be more beneficial to both the victims and the broader community. Their location would also be beneficial to the endeavor in such that they are on the ground, close to the victims, allowing them to deliver necessary assistance quickly.

Bullough et al. (2013) discussed what influenced entrepreneurs' decision at the time of war. Once again, the finding suggests that the observed danger might have negative impact to entrepreneurial motivation, this does not apply to resilient entrepreneurs. The authors have also added that even though with the backdrop of a war, entrepreneurship flourishes based on necessity and entrepreneurs would push forward if they are resilient and believe in their capabilities as entrepreneurs.

## **Research Method**

This study is a combination between qualitative and quantitative methods. For the purpose of this study, qualitative approach of examining relevant studies was done, specifically qualitative study using a case study as per outlined by Lewis (2015) in which knowledge base that was amassed through literature review was paired with financial analysis of the units within the case study to see the impact of the crisis and potentially if any the impact that could already be seen. This method is used because even though it is possible to draw similarities with economic crisis caused by natural disaster, there is nothing completely similar to the effect the current pandemic has on life in general. For that reason, a qualitative study in which literature review is done on matters relating to social entrepreneurship, entrepreneurship in the time of hardship or natural disaster, and social entrepreneurship in the face of natural disaster to derive theories in which this study would be based on. This would then be backed by analysis of the real financial effect the pandemic has brought and if it is already possible to see, the effect the measures made possible by the social entrepreneurship studied.

### **Subject of the Study**

The study was carried out by observing the real-life implication and experiences of the units within the network; both on the impacts the crisis has brought, and the initiatives started in the effort to curb the impacts.

### **Study Population**

The 11 units within the Batik BATARI network in which operation is based in Solo, Indonesia.

### **Analysis**

Important information is highlighted and then analyzed in the presentation.

## **Results and Discussion**

### **Background of the Case Study**

The pioneer of the group, *Koperasi Batik* BATARI was established in 1937 with a main purpose of providing a collective power for its members who mainly were batik craftsmen in such that it acted as the distributors as well as suppliers for the raw materials for its members. A necessity of its members nonetheless with the cooperative having a social mission of assisting its members. Even though it acted as a commercial body in dealing with both the

suppliers and customers of the businesses of its members, the core objective of the cooperative was not wealth creation in nature. As it grew with time, as a commercial institution with a solid economic standing and affiliation, it established a waqf foundation in 1957 namely *Yayasan Pendidikan BATARI* that is engaged in education sector, mainly in secondary and high school level. This waqf education foundation would then change its name into *Yayasan Pendidikan Batik* (YPB) Surakarta in 1962. The main objective of this foundation was to provide education to the local community that would also be profitable for the parties involved in the long run. In the present time, there are six schools managed by the foundation, namely SMA Batik 1, SMA Batik 2, SMK Batik 1, SMK Batik 2, SMP Batik Surakarta and SMP Batik Program Khusus.

YPB, following the principle adhered to by its founder also follows a business concept of ‘productive waqf foundation’ or a social entrepreneurship principle in such that the core objective of the foundation is the provision of education within the community it operates in, with any operational surplus is used to further develop the schools within the foundation while part of it is also used to give back to community. This is in-line with the definition of social entrepreneurship that was discussed by Dees (1998). This principle has been the backbone in which the foundation was founded and continued to grow. In its development, this network expanded to not only include BATARI and YPB, but also include units as followed:

PT Hamira, a commercial unit that is owned fully by YPB in which objectives is to focus on the provision of procurement service for schools, university, and other units within the BATARI network;

PT BPRS Dana Mulia, a financial institution in which majority of shares are held by the education foundations in which one of its main objectives is to provide financial service, both in the funding and financing department for the units within the network, as well as people employed by these units.

Solo’s Bistro, a restaurant that is jointly operated by BATARI and its business partner (Niekmat Rasa). This operation has also served although not exclusively part of the food and beverages needs of the units within the group, e.g meeting venue with food and lunch boxes.

Among the 11 units within the network, only three are profit making business ventures, while the other 8 focus on their individual social missions. The following is an illustration on how these units relate to each other.

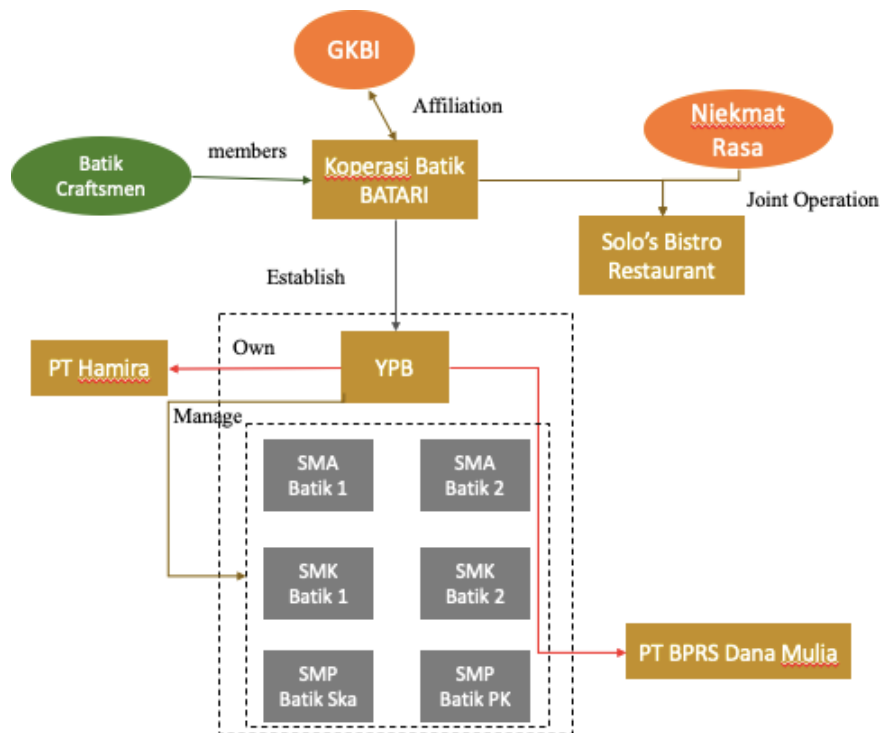


Figure 1. Illustration of Relationship between parties within the Batik BATARI network

Initially, this network was designed in such that all the units although independent could form a strategic alliance that is partly self-sustainable in a way that each transaction within the network would benefit both units involved or more, a strategic alliance so to speak. According to Isoraite (2009), strategic alliance is aimed to ‘benefit from strength of the other’ which then would turn into a collective competitive advantage that would be beneficial especially in trying time. However, as noble as this idea is, the real-life implementation was far from perfect. Marino et al. (2002) discussed how conflicting interests between parties involved could dampen the objectives of strategic alliance. Due to difference in goals, timeline, or objectives, often these units operated in a way that very far removed from the activities of others. There simply was no necessity that could propel these units to interact more than what was mandated by the foundations. These units could survive individually without having to transact with each other.

However, in the current time where economy is contracting, businesses are suffering, and people are losing jobs in the millions while government supervision is found to be lacking or late, there is a pressing need for any business unit to scramble for whatever means necessary to survive. Fortunately for units within this network, although often forgotten they each have each other for support. One of the earlier responses to the crisis once it was apparent that this crisis will not be short lived was to increase coordination between each unit. The focus of the coordination was to take stock on challenges and risks faced by each individual unit while at the same time assessing their individual excess capabilities. This was done to ensure resources could be pooled and then mobilized based on the correct priority. Hence instead of acting as a number of individual seemingly independent units, this network acts as a singular system.

The case study presented would focus on early days response of each individual units and their subsequent collective actions as a means to survive during the crisis caused by

Covid-19 and how this necessity to survive could turn into new opportunity. In addition to that, the solutions presented in this paper would also try to highlight how this network could still contribute to the community it operates as part of fulfillment of its social entrepreneurship mission.

**Current State**

This pandemic naturally has also impacted the units within the network. Following we will discuss impacts that are already felt by each individual unit.

Koperasi Batik BATARI

The main business of Koperasi Batik BATARI currently is the event venue business along with event equipment rental. As events are generally acts of gathering crowd that is ruled against the President mandate, *PP No 21 Tahun 2020*, no events were scheduled for the month of March, April, and May while ones already scheduled or booked were all postponed until further notice. With this in mind, there is no revenue made from the events related stream.

In March and April 2019, BATARI recorded an income of IDR 110 Million and IDR 95 Million respectively from the event related business with operational cost averaging at IDR 37 Million per month. This year’s March and April have seen zero revenue from this business while operational cost remains at last year’s level.

Schools Under Management of Batik Education Foundation

Due to the need to social distance with strict policy in place, all learning activities were forced to be conducted through online means. Although this in theory does not change the financial obligations of students to their respective schools, with the crisis causing major economic restrains to a good portion of the community, the ability of some of the students (and their parents) to pay monthly school fee has also been affected.

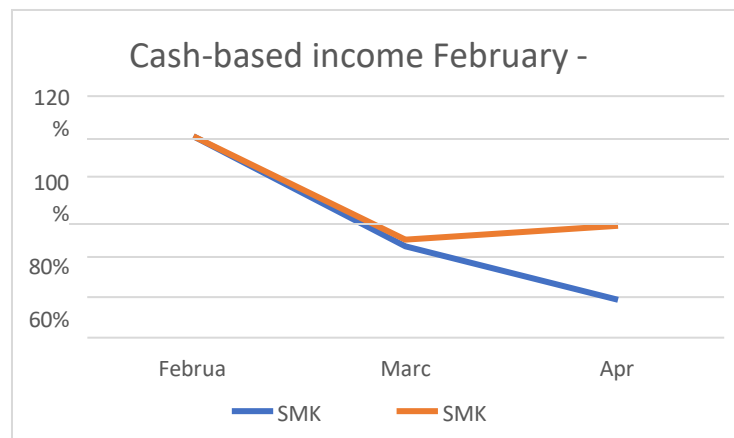


Figure 2. Comparison of cash-based income from school fee for the month of February to April 2020

Figure above shows the cash inflow of two of the schools under the management of YPB; SMK Batik 1 and SMK Batik 2, in the beginning of the pandemic. The figures are in percentage and using the cash inflow figures of February as 100% reference, as then the physical impacts of Covid-19 on school activities have not yet been felt. At that time, there was no policy of social distancing that impacts on economic activities were not yet apparent. Looking into these figures, we could see that in comparison to their cash inflow in February, both schools have experienced sharp decreased in cash inflow. SMK Batik 1 reported a decline of 55% in March, while in April, the cash inflow barely reached 20% of the figure in February.



SMK Batik 2, even though it was not affected as bad as SMK Batik 1, it still reported a decline in cash inflow of 51% in March, while it rebounded a little bit in April by amassing cash 56% of the February figure. This has shown how quickly the pandemic affected economic ability of students and their parents, that in turn has affected negatively towards the schools.

Now, as the new school year which also means the schools have had intake of new students. From the data amassed, we could see the following:

School	Student Intake 2020/2021 %
SMA Batik 1	100%
SMA Batik 2	53%
SMK Batik 1	95%
SMK Batik 2	88%
SMP Batik	83%
SMP Batik PK	76%

Figure 3. Percentage of 2020/2021 New Students Intake compared to 2019/2020 New Students Intake

From the figure above, most of the schools under the management of the foundation has faced a reduction of new students, compared to the previous year, except SMA Batik 1 that have achieved its maximum capacity. The rest of the schools have experienced a sharp decrease in intake of new students with SMA Batik 2 facing the sharpest decline. This could potentially affect incomes of the schools for the next three years.

#### PT BPRS Dana Mulia

As small and medium businesses were hit the worst, and a good portion of the bank's debtors and customers fall under this category, the bank was indirectly affected. The ability of the debtors to pay its monthly installment has been strained, while customers with savings have started to spend their savings. This has proven to be putting a strain to the cashflow of the bank. The figure below has shown the effect the situation had on both revenue that are non-cash based and cash standing along with its cash ratio to asset in the beginning of the pandemic.

The following was figure in percentage of cumulative April 2020 actual figure in comparison to the cumulative budget for the same month.

	Actual
Assets	
Credit Assets	98%
Others	77%
Total Assets	95%
Revenue	98%
Cash Ratio	11%

Figure 4. Percentage of Cumulative Actual Figure per April 2020 to the Cumulative Budget for April 2020

Even though figures did not deflect much from the budget, but potential risk in terms of inability of debtors to pay instalment and simultaneous withdrawal of customers' fund due

to arising needs caused by the crisis would put the bank's ability to conduct business as usual to suffer. As per end of April 2020, about 9% of the total credit assets have been put on credit restructure with options ranging from lengthening the duration of the debt payment or reducing the interest fee for the next few months. In addition to that, during Ramadan and Ied period, the Bank has seen a sharp decrease in savings causing a restrain in the cashratio.

PT Hamira

As the activities of the units dwindle, so does the procurement need of these units. Directly this affects the turnover and gross profit of PT Hamira that serves as procurement unit for the foundation and the units under its management.

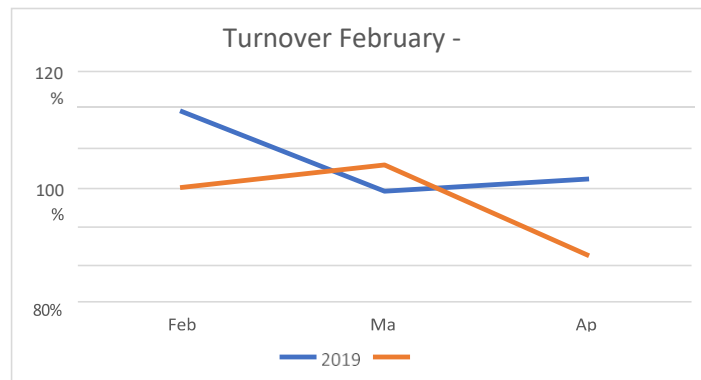


Figure 5. Comparison of Turnover in February until April of 2019 and 2020 (100% reference of Turnover February 2019)

Figure 5 above compares the turnover of PT Hamira in the month of February until April both in 2019 and 2020 with the turnover figure in February 2019 as 100% reference. Please note that February usually records a spike in turnover as schools are preparing for the new school year that is happening in May-June respectively. From the chart above, we could see that the turnover in 2020 behaves differently to the one in 2019. The spike that usually happens in February, in 2020 was recorded in March and in a much lower figure, signaling a delay and cost efficiency in necessary procurement that could only be attributed to the disruption in schools' activities caused by the pandemic. Not only that, apart from the figure in March 2020 that is higher than the figure in March 2019 due to the new school year's procurement, the turnover figures in 2020 for both February and April are lower than their respective 2019 figures. The number even fell into an alarmingly low figure in April 2020 that is approximately at 24% level of the figure recorded in February 2019.

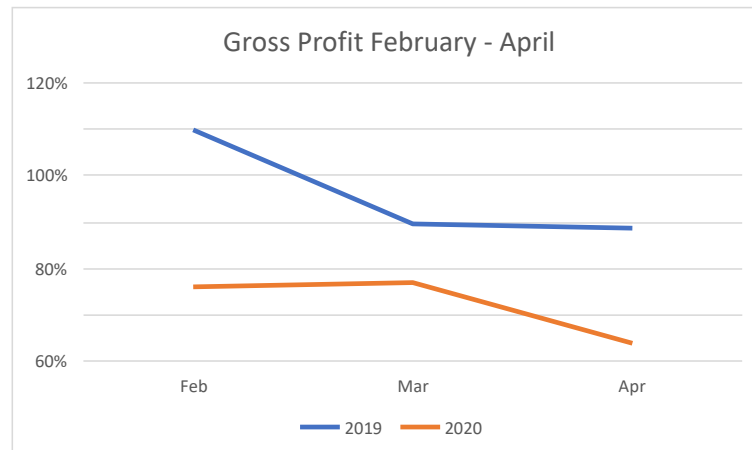


Figure 6. Comparison of Gross Profit in February until April of 2019 and 2020 (100% reference of Turnover February 2019)

Now we would discuss the effect had on Gross Profit. Figure 6 illustrated the comparison between the gross profit of PT Hamira in the month of February until April both in 2019 and 2020 with the turnover figure in February 2019 as 100% reference. Looking into the figure, we could safely say that gross profit is hit even worse than the turnover. April 2020 has recorded the lowest gross profit at 8% of gross profit recorded in February 2019.

#### Solo's Bistro Restaurant

In one of its articles published on March 27, 2020, Jakarta Post has cited that food and beverages industry has been one of the sectors in Indonesia that are most affected by Covid-19. Thirteen cities from seventeen that were observed have reported a fall in daily turnover. As people are staying in more and large gathering have been prohibited, this translated into people eating out less. This is no different in Solo, where Solo's Bistro is operating. In the start of the declaring the city's status as *Kejadian Luar Biasa* 'Extra Ordinary Event', there was a major drop of people's traffic within the city that forced a lot of restaurant to temporarily close due to close to none customers for the day. For Solo's Bistro itself looking into its April 2020 figure in comparison to the figure recorded in April 2019 has shown that turnover is only recorded at 5% of its 2019's counterpart. This is mainly due to the fact that the additional business stream to a dine-in stream that includes stream of catering, lunch box, events, and delivery have suffered even more so than the dine-in business. In April 2020 from 30 calendar days, the restaurant was only open for business for 17 days due to both regulation and lack of dine-in customers. This has affected the business greatly, especially in its ability to cover its operational cost, while at the same time keeping the staff employed.

As we can see from example above, the constraint is felt across all front, from the education provision, to internal supply chain service, to the food and beverage operation. Illustrated below is the effect felt by all units within the network.

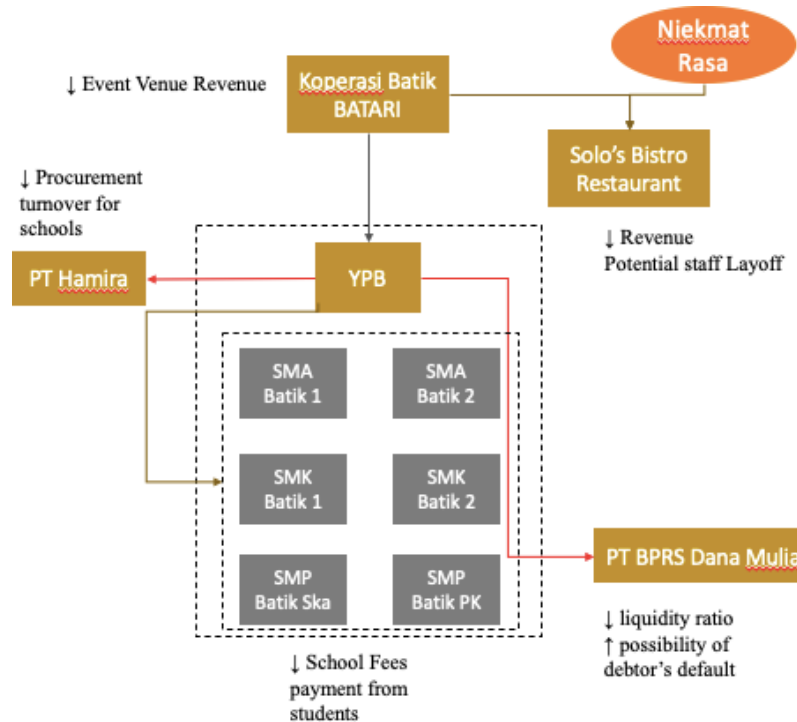


Figure 7. Issues faced by individual units due to Covid-19

The following section will discuss solution initiated by the network to ensure the survival of the collective units while at the same time staying true to its social entrepreneurship principle.

### Solution in Progress

Financial constraints that are felt across all the units within the network highlights a couple of different issues. Firstly, each individual units, although in better time would be able to survive and grow by their own, found that in a trying time like this where everyone is impacted in one way or another by this pandemic, there is a higher chance for each individual units in one way or another be faced with financial hardship; from payment default to vendors or employees, cashflow issue, or worst of all, the possibility of bankruptcy. This will in turn also creates more unemployment that will worsen the community's economic outlook.

However, as highlighted by Davidson & Gordon (2015) although the current economic situation is looking bleak, this network has the advantages of years of operation. This in turn translates to better fund reserve that might bring about the survival of the initiative, merely from the fact that it might be better prepared in terms of having enough savings to wait out the crisis, hence deciding not to disengage. Not only that, being an alliance of social entrepreneurs, this network also has a better community engagement which according to Shepherd & Williams (2014) would be a competitive edge in the time of natural disaster.

In saying that, these challenges faced by each individual unit forced them, out of necessity to innovate both individually and collectively in finding ways to weather this crisis. One of the ways to do it is to better coordinate with each other within the network so that collectively the units would be able to pool resources and to try to troubleshoot issues as a collective force instead of as independent units.

The followings are a few of problem-solving decisions that have been initiated by the units collectively, that ultimately would ensure the survival of individual units that in turn will ensure that each individual unit would be able to continue moving forward.

### Intensify Synergy between Units

Economic resistance of each individual unit differs. The reason varies from differing reputation; some schools have better academic standing than others, allowing it to attract students with better financial standing. The reason can also be from the heterogeneity of its counterparts; the bank that does not only serve the units within the network has a more diversified customers, hence a lower homogeneity risk. In saying that however, all parties are affected by this crisis as discussed in section V.

YPB, as the unit that has more units affected by this, has initiated to mitigate risk of payment default and lack of new students' intake by doing the following. It has secured an MoU with PT BPRS Dana Mulia for a provision of revolving loan for schools that really struggles with securing payments from its student, for example SMK Batik 1. In turn however, YPB has also committed in assisting the bank in securing any excess fund from the schools under its management, if the need arises for the bank to secure additional fund ensuring it meets the liquidity ratio threshold.

In tackling the possibility of low students' intake YPB agreed to provide scholarship for a certain number of students. First, the scholarship is given to well performing students that might struggle with paying school fees, while the second scheme will be given to students that will continue their studies within the network, for example from SMP Batik to SMA Batik or SMK Batik. This scholarship will be funded from the fund reserved gathered by the education foundation with potential of donation from external parties.

Illustrated below, the two initiatives that were based from increasing synergy between units within the network.

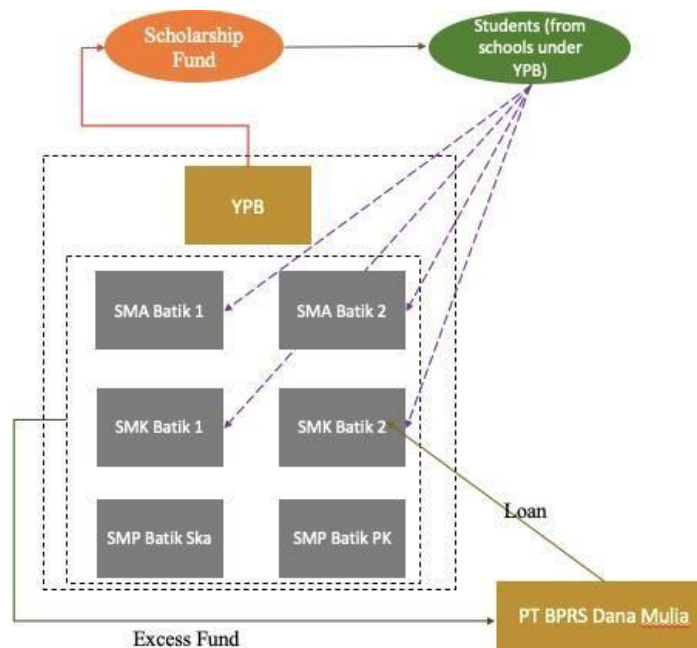


Figure 8. Increase Synergy between Units

### Creation of 'Special' Market Within the Network

Having eleven units within the network comes with a potential of untapped market. Some earlier initiatives have been mobilized by PT BPRS Dana Mulia in promoting its products as the direction it received from one of its major shareholders, YPB has been to maximize its captive market. Looking at its success and during a dire time like this, Koperasi

Batik BATARI tried to introduce something similar to the Solo's Bistro operation. With all revenue streams of the restaurant hit badly, Koperasi Batik BATARI as half of the business venture suggested an additional revenue streams of frozen food. In addition to that, Koperasi Batik BATARI has also secured an initial business agreement with YPB in such that Solo's Bistro is allowed to put chiller of its frozen food in each of the schools under the management of YPB, providing that any logistics matter would be handled by Hamira. This kicked start the production of Solo's Bistro, as the alternative was to close shop until the social distancing regulation has been lifted, potentially laying off most of the staff under its management.

Since the beginning of the initiative, for the two weeks following, about 200 portions of frozen food have been transacted within this network. This was done with minimum promotion as not all teachers nor school administration staff are always present in school. This example highlights the advantage of having such a network. As innovation is required to persist in a trying time, a market is required to be present for the result of the innovation. What better way to do that than to create such market, within the network it operates in to kick start its endeavor.

Illustrated below, the initiative explained above.

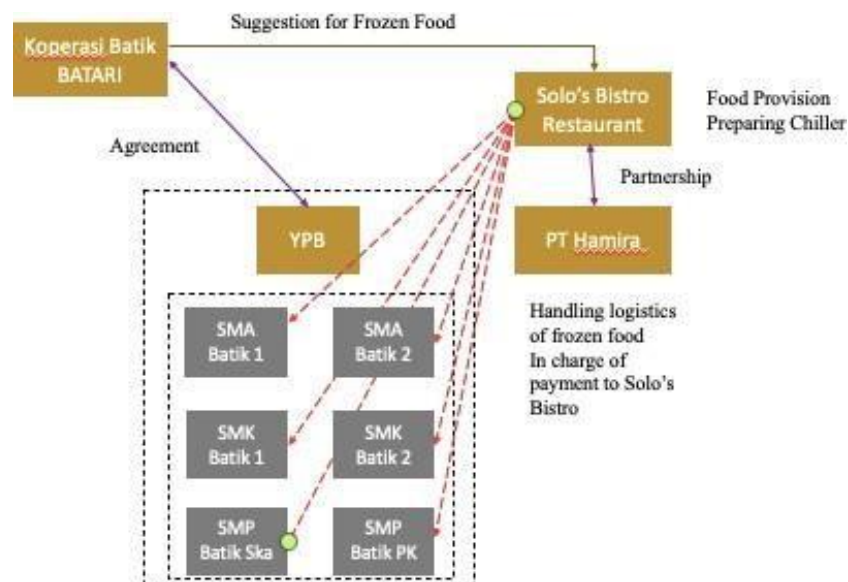


Figure 9. Creation of special market for frozen food within the network

## Conclusion and Implications

Covid-19 is the biggest health / economic crisis in modern history. The crisis that follows also highlights unpreparedness of both the government and business owners in dealing with crises on a scale of this magnitude. The exact magnitude of the impact is still unknown although academics and experts have signified that the impact of this crisis will be long lasting with no one could predict when, how, and whether we could emerged from this crisis or whether we have to make peace with the fact that Covid-19 is here to stay. If that is so, it also means measures will still be in place that will change the way people interact with each other, hence a change in the way business is conducted.

In saying that however, as illustrated by the case study above, it is not all hardship,

constraints, and challenges moving forward. There are opportunities that could stem from this crisis, as long as businesses continue to innovate, collaborate, in finding the most effective way in mobilizing resources and finding key business partners. The ability of businesses especially social entrepreneurs to be resilient and innovative would be able to convert these challenges into potential opportunities while at the same time benefiting the community it operates in. Early indication as of August 2020 has shown that the steps and actions introduced have increased each individual units' resilience. All of the schools under the management of the foundation have reported positive cash standing as of August 2020, PT Hamira, apart from the frozen food initiative has also introduced a procurement service for health protocols supply and has also reported a slight increase in profit. In addition to that, Solo's Bistro Restaurant has started to report a slight gross profit, while Koperasi BATARI has re-started the event venue business with strict health protocol in place.

This study in short, although it has not been able to show the full impact that social entrepreneurship had in combating economic crisis caused by Covid-19 pandemic, it has shown that social entrepreneurship could provide a certain relief both for the operating units within the network, and the people involved in the operation; which in this case ranges from teachers, schools managements, students, and staff of both the schools and the operating units. In ensuring that the businesses still manage to operate in the 'new normal' sense without having to stop operating completely, the measures discussed in this study have in a sense bought time for the businesses to be resilient in adapting and innovating to the current situation they are in.

This resilience and innovation, if paired with a semi self-sustaining network of businesses that could act as economic safety net for each other in a way that it provides both supply and demand, quick access to cashflow (in the form of loan), and with time armed with the capability to act as a collective power would ensure the longevity of every parties in the network. This longevity refers to the ability to survive even in the time of major economic crisis like today. This network is an example of a local community linked operation that even though each unit has their own agendas and interests, collectively these units could act as a bigger unit for stronger bargaining power and bigger shared resources, especially in the time of crisis like today.

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