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SOCIAL ENTERPRISE CHALLENGES: CASE STUDY

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ABSTRACT

Social enterprises are income-generating businesses balancing its objectives of social and business concerns. It doesn’t matter whether the organisation is profit oriented or non-profit oriented. The goal of social enterprise needs to incorporate these two goals: to achieve social, cultural, community commercial or conservation outcomes; and, to earn income. Contextualising the topic to Surabaya Zoo in Indonesia, a short case study has been conducted to explore the issues in relation to the social enterprise concept. It has been observed that the Zoo is facing many management issues in relation to the social enterprise concept. A qualitative approach that follows content analysis of secondary data is used to arrive at projecting the observations and developing an alternative conceptual model that to make the operation of the zoo effective.

INTRODUCTION

The concept of social enterprise has developed as a new wave worldwide concept beyond the goals of monetary, social or environmental goal. A social enterprise is an organization that applies commercial strategies to maximize improvements in human and environmental well-being, rather than maximizing profits for external shareholders. Social enterprises can be structured as a for-profit or non-profit, and may take the form of a cooperative, mutual organization, a social business, or a charity organization (Ridley-Duff, and Bull, 2011). Many authors of social enterprise have varied views on the concept social enterprise. Some associate social enterprise as a social movement to solve community problems toward sustainable new social value. But some others relate it with a mixed mode of business and social movement. While, it is interesting to note that Phills and Denend (2005) sketch the role of entrepreneurial skills and market principles for social and environmental drive, Murphy and Coombes (2009) highlight the formation of social undertaking with a
business approach to advance a widen goal. In modern days, a new class of society has gained recognition for running up against both market and government failure. This case study has conducted in Surabaya Zoo, through a qualitative research method that to understand the issues related to social enterprise in its fine-tuned delivery to conservation, business, leadership and developmental outcomes.

SOCIAL ENTERPRISE CHALLENGES IN ZOO MANAGEMENT

It has been reported by many researchers the issues related to zoo management. The extraordinary challenge for zoo management is to maintain the wild animal by captive condition with the native natural environment to enhance the animal quality of life (Kleiman, 2010). Schnitzler et al (2008) outlines that current conservation provides traditional landscape but lack of natural approaches.

Fraser (2012) argues that human actions can provide benefits to captured animals such as shelter and health care with some ethical concerns, such as suffering, death and extinction of species. However, there has been a dispute over the maintaining wild animals in a zoo or an aquarium. This is about how a zoo should provide pivotal role to society, while some argue that natural way should be in a place without human intervention. Shani and Pizam (2010) oppose the idea of animal-based attraction on account of ecological sustainability. Kikuchi (2012) offers evident that using bear farming for traditional pharmacopoeia is economically unfeasible and suggest for cultivation of herbal. The ethical issue of zoo with good purposes such as conservation, science, education, and recreation is associated with the welfare of their animals. In 2005, the Millennium Ecosystem Assessment (MA) offered the first global ecosystem assessment to respond the declining ecosystem services. Kareiva (2011) called it as the best technical analysis of ecosystem service. Wickins-Drazilová, (2006) proposes natural behavior, freedom and dignity to challenge the classical measurement of animal welfare, i.e. physical health, long life and reproduction. Then, keeping a wild animal in a zoo causes the animal less pleasant life that it would be outside zoo. From the educational viewpoint, the key to making the welfare of the environment personally significant for students is to give them outside experiences while simultaneously developing their critical thinking and eco-literacy skills (Liz and Prescott, 2010). Randall (2011) offers evident that a trip to the zoo did positively and significantly affect conservation attitudes among teens and that the type of learning experience, i.e. formal education, did not significantly affect change in conservation attitude scores.
Vena (2009) indicates that an ecologically ethic springs from a theologically faithful environmental ethic, such as love as well as among God-human-nature relationship. Technology shapes environmental virtue ethic of care, which proposed relationship value between human and nonhuman world (Anthony, 2012).

**CONFLICT BETWEEN CONSERVATION AND DEVELOPMENT GOALS**

The institutional economics constitute collective actors, such as government, market and community with a system of established rule that structure social interaction (Morgan and Olsen, 2011). There is a gap between business interest with profitable private provision of public services and the reforming governments to protect and promote the public interest (Dixon, 2010).

Those who favor in liberal economics will promote an individual as an economic agent with freedom of choice, without government intervention, which became the dominant presence in the nineteenth century world-system (Man, 2012). This is built on the assumption that individuals are driven by self-interest and economic development is an outcome of the free play of such individuals (Basu, 2010).

The government intervention in conservation is not acceptable among the liberal economist for some reason. First, that self-seeking politician and bureaucrat spark off government failure, which fail to collect information and execute policy due to under pressure from interest group with selfish interests (McConnell, 2010; Basu, 2010). Secondly, the cost of government failure is greater than market failure, for example due to a lump sum intergovernmental transfer (Helm, 2010; Dahlby, 2011; Drofsma, 2011). Third, the public policy in conservation area raises conflict between conservation and development goals (Pollini, 2011). Then, market mechanism can embrace the ecosystem services through the monetary value or by making them excludable (Farley, 2010).

On the other hand, the interventionist argues that the government should involve within market to run up against the market failure. This school of thought proposes capacity building program to overcome the governance failure in which all stakeholders lead to joint decision making feasible for conservation (Mortimer, 2008; Lewis, 2012). Zittel (2006) indicates that the participatory approach with political institutions brings back mass participation in a place toward a higher quality of participation. However, Reagan (2006) points out that human living in
developing countries tends to accept the concept of patriarchy dominion over natural resource management.


Sheikhendin et al (2012) outline a common stereotype in environmental policy in which the science-policy discourse tends to be short-term political gain, while scientists have lack of responses to policy makers. Moreover, while professional judgment over ecological policy tends to be biased due to ad hoc and opaque process, McKenney (2010) suggests ecological policy with more structured, transparent, and defensible accounting framework.

The presence of exotic species cannot be considered solely on biological arguments, which must be combined with social and economic considerations. Despite the potential harm exotic species can cause to biodiversity, we regret the current global communication campaigns against them which are not context dependent and solely based on naturalistic and biological arguments (Prévot-Julliard et al, 2011).

A SOCIAL ENTERPRISE MODEL

Though the term of social entrepreneurship has been emerging in literature since 1960s, the conceptual boundaries of social entrepreneurship appear to be contested. The Nicholls (2006) identifies two major schools of thought, namely Social Enterprise Knowledge Network (SEKN) based in America and EMES European Research Network in Europe. This first network is associated with Harvard Business School and some Latin universities, while the second network is in line with European Union policy to promote social economy approaches.

The SEKN tends to promote good governance approach of the social enterprise model. The school of thought believes that greater transparency and sharing knowledge with asset mobility are the best strategies to overcome the economic crisis and environmental degradation (e.g. Alvord et al, 2005; Eccles and Krzus, 2010; Nielsen and Carranza, 2010). The European Union strongly supports the initiative of social enterprise
with a long tradition of the welfare state model (Defourny and Nyssens, 2010), while venture philanthropy is a quite popular model in the US. Beyond that, the initiative has emerged with various models.

In Latin America, social entrepreneurship has emerged with cooperation model and the social entrepreneur model in Asia has enhanced with integration between civic society and the state (Nicholls, 2006; Defourny and Kim, 2011). Despite different context from developing to industrialized countries, it seems that the strategy of social enterprise merely similar (Krlev, 2012). One of the most challenging issues for social enterprises is its legitimacy, which refers to what extend the organization achieve the mission.

Morris et al (2007) outlines that a legitimate role of non-profit entrepreneurship in non-profits aren’t associated with financial performance, but market orientation. Lindsay (2005) lays emphasis on indigenous entrepreneurship to set up a new venture with control from community and cultural value. Then, Hudon (2007) proposes right to credit as instrumental to economic development, though some critics from a Libertarian. Low and Davenport (2009) explore the potential for “mission-driven” non-profit organizations, such as zoos and aquaria for merging their mission of conservation education with their marketing activities through the operation of their shops and cafés.

Community participation could be one of the key determinants to promote conservation movement, especially when government and market failure is evident. The 2009 Nobel Prize winner, Ostrom reveals how human societies effectively manage common resources (Ostrom, 2009). From the institutional economics perspective, that the economy is shaped by enduring collective forces, include habits, norms, cultural and future development. The daily collective activities encourage people to invest in social capital, though some communal and inter-communal conflicts remain a common threat (Bannon, 2004).

**PROBLEM**

The Surabaya zoo (KBS) was one of the popular zoo in Indonesia, situated in detail 1 Street Surabaya, is the zoo that had been most complete in South-East Asia. The Surabaya zoo represents a participatory conservation management in Surabaya City in Indonesia. The management was under a wild-animal owner community, while the City Government provided the land for such activity. Every year, there is a stakeholder meeting attended by animal owners, experts and staffs.
As a major attraction in Surabaya City, the zoo is offering wildlife parks with animals with a vision statement to promote recreation, education, research and conservation. The zoo covers 15 hectares of green area in the middle of the city. This contributes to fill the environment target, which is 20% from 30% as the local development sets the target. This is a home for more than 4,000 animals, which belong to the local citizens (Surabaya Zoo, 2012). For comparison, Singapore zoo spread over 28 hectares of land area as a home for 2800 animals.

According to the Surabaya Zoo Annual Report, the number of visitors gradually increase from around one million in 2005 to two million people in 2011. During a public holiday in 2012, the number of visitors was nearly 300,000 people. However, the zoo has raised a controversy issue due to a number of animals suffering from poor quality of life. The overpopulated was a major issue over the last decade. In March 2012, around 180 pelicans couldn’t unfurl their wings without hitting a neighbor due to packed so tightly. Some tigers were emaciated, while 44 animals at the zoo were dying due to chronic diseases (Huffington Post, 2012). In 2011, nearly 250 animals died due to hunger, diseases and some other ridiculous reason. For example, the mountain goats died due to digestive problems. During the autopsy, the veterinarian found a plastic bag in its stomach. So is the death of a crocodile, which found 25 stones in his stomach (Tempo, 2012). Whereas the zoo limit the number of animals born in captivity, the management need to take consideration over “family planning” which was associated with extra cost to provide contraceptives and adequate facilities to separate males and females. This issue also sparked off international attention. Some Australian tour operators canceled their plans to visit Surabaya following media reports about the poor animals at the zoo (Tribunnews, 2012). The local council also received questions from the Japan, the Netherlands, South Korea and the UK (Kabar Bisnis, 2012).

**Issue of income growth**

The capacity to deal with population control is associated with the internal issue indicates human resource and financial problem. Most of the staff were a productive labor force, but a few numbers of fresh staffs due to high rate of turnover. Turning to the financial issue, the lowest point for the income of Surabaya Zoo occurred in 2010. At the time, the income dropped by -5.7%, while a couple years before the income growth was around 12% and 23%. The ROA of Surabaya Zoo was around 3%, which was much lower than the average of other stated-owned companies, which was around 4% (Surabaya Zoo, 2012).
Issue of manpower

However, the greatest challenge is the leadership issue. The succession issue has emerged since 2009. The succession idea came up during a general meeting, attended by animal owners, experts and staffs. Then, the conflict over who should handle the management came to a hard legal battle. During the long conflict, The Indonesian Forest Minister appointed ad hoc management from another zoo to handle Surabaya Zoo. However, the ad-hoc management didn’t only deal with conservation but also converted 30 staff from full time workers to contracted workers and then fired them. On the other hand, the City Government of Surabaya sets a plan to take over the management with $5.5 million of the proposed budget, which excepted from commercial bank (Surabaya Post, 2012).

ALTERNATIVE ENTERPRISE MODELS

The zoo is a typical model for conservation activity, which has embraced a business approach with a number of conservation and management tools (Faust et al, 2004). For example, European Association of Zoos and Aquaria (EAZA) represents 345 institutions in 41 countries with a mission to promote cooperation within the European zoo and aquarium community towards the goals of education, research and conservation. Another organization with similar industry, the World Association of Zoos and Aquariums (WAZA) sets a goal to support the zoos and aquariums toward environmental education and global conservation. Other conservation approaches urge more local community participation as well as local wisdom knowledge. For example, Cross et al (2012) promotes a tailored management approach, namely Participatory Adaptation for Conservation Targets (ACT) framework, which propose a local knowledge as an effective adaptation of management to climate change. Surabaya Zoo, the also comes to conservation activities, which is blended between entrepreneurial orientation and sustainable purposes. This case study aims to explore and develop a few alternative business models for Surabaya Zoo.

To draw some alternative model for Surabaya Zoo, this paper adopts a scenario approach. Schoemaker (1995) proposed a scenario approach then applied it for private sectors as well as government. That scenario model will help to increase understanding of uncertainties, corporate risk exposure, incorporate of alternative perspective and greater resilience of decision toward the future collaboratively to transform instead of adapting to a situation (Owalabi and Ben, 2011; Orlando, 2012; Kahane, 2012).
There are at least four scenarios for the future of Surabaya Zoo. The first and third models are associated with government intervention. The new management can be under the department of environment or a new management with a stated-owned enterprise model (Model 1). If the zoo is under the department of environment, then the new management will focus on the conservation issue instead of profit (Model 3). Hence, the social enterprise model will be no longer available. For those who favor community-based approach for social enterprise model, the enterprise won’t be able to survive unless it can choose a leader. After the management run up against leadership issue, then the organization needs some more financial resources to deal with such complicated problem. The last alternative, which out of the box, is to close down the zoo on account of a natural way, which should be in a place without human intervention.

The Surabaya Zoo is suffering from the failure of leadership transition. Any other social enterprises perhaps also still struggle with the management transition issue. According to Steven and Ardichvili, (2008), most of organizations are not equipped to deal with transition failure toward successful management transition. Viinamäki (2012) argues that former leader fails to facilitate and mentor value-guided working with open dialogue on values and ethics.

- To be able to gain sustainable movement, a social enterprise management also needs to invest in intellectual capital (i.e. knowledge, information, skills and experience) for the future leaders. Kong and Ramia (2010) point out that intellectual capital within non-profit organization helps to resource allocation (i.e. sharing knowledge, exchange expertise) and resource acquisition for fund rising and new volunteers.
• A code of conduct with the management transition needs to be taken into account. Muchiri et al (2012) suggests that transformational leadership call for articulating clear standards and expectation for leadership transition with social processes to enhance adaptability and resolving uncertainties. Otherwise, the transition failure will happen during the first few months (Steven and Valero, 2007).

• Turning to a conservation ethic, the Surabaya Zoo should take into account the quality of life of wild animals in a zoo for conservation purposes. This is about how a zoo should provide pivotal role to society, while some argue that natural way should be in a place without human intervention. The is an opportunity for critical and creative moral social entrepreneur to re-engage elements of ethical capital in the social organizational context with more naturalistic ethics, incorporating the best of virtue and other normative ethical theory (Bull et al, 2010)

CONCLUSION

The case of Surabaya Zoo offers a perfect example of social enterprise failure with serious long-term effects and calls for government intervention. The reason that fosters governments to go partnership with social enterprise or nonprofit organization relies on the belief that they share similar ethical and value orientations that will allow governments to reduce monitoring costs (David and Agarwal, 2010). In fact, there is a significant overlap in shared perception of conservation sector. While this premise of social enterprise comes to conservation activities within zoo management, there are also various levels of the social enterprise model, which falls into two perspectives, i.e. conservation goals and community participation. The conservation ethic draws attention on how social enterprise should engage conservation. Again, government becomes a home for last social enterprise rescue.

REFERENCES


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APPENDIX

Financial Highlight (million rupiah)

<table>
<thead>
<tr>
<th></th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
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<tbody>
<tr>
<td><strong>INCOME</strong></td>
<td></td>
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</tr>
<tr>
<td>Tickets</td>
<td>13,119</td>
<td>15,001</td>
<td>18,345</td>
<td>17,490</td>
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<tr>
<td>Dividend</td>
<td>2.5</td>
<td>82</td>
<td>367</td>
<td>245</td>
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<tr>
<td>Incomes</td>
<td>331</td>
<td>660</td>
<td>564</td>
<td>691</td>
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<tr>
<td>Other incomes</td>
<td>182</td>
<td>308</td>
<td>535</td>
<td>256</td>
</tr>
<tr>
<td>Total</td>
<td>13,636</td>
<td>16,052</td>
<td>19,812</td>
<td>18,683</td>
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<tr>
<td><strong>EXPENDITURE</strong></td>
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<tr>
<td>Salary</td>
<td>5,397</td>
<td>6,299</td>
<td>7,227</td>
<td>6,451</td>
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<tr>
<td>Conservation cost</td>
<td>2,790</td>
<td>3,522</td>
<td>4,032</td>
<td>4,332</td>
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<tr>
<td>Organization</td>
<td>1,104</td>
<td>1,267</td>
<td>1,041</td>
<td>1,267</td>
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<tr>
<td>Administration cost</td>
<td>1,458</td>
<td>1,420</td>
<td>1,726</td>
<td>1,894</td>
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<tr>
<td>Maintenance cost</td>
<td>435</td>
<td>808</td>
<td>660</td>
<td>646</td>
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<td>Direct cost</td>
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<td>1,768</td>
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<td>Marketing cost</td>
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<td>Others</td>
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Source: Surabaya Zoo