The Role of Social Entrepreneurship on Kampong Development in the City of Semarang

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Abstract

Social entrepreneurship (SE) could be implemented to reveal the contribution of potential business opportunity and added value creation for its surrounding community. In the context of SME and cluster development, the SE implementation is more likely to be found in the kampong area, which has a high level of kinship system. This condition makes the application of local entrepreneurship in some cases potentially forms the characteristic of kampong through the diffusion of business innovation. This research depicts how the role of social entrepreneurs is capable of creating the characteristics of creative kampong by taking the study area in Semarang City. Through the cluster business approach, the result of this research shows the entrepreneurship transformation in becoming social entrepreneurship, in line with the development of kampong to become creative kampong by the role of social entrepreneurship. This entrepreneurship transformation occurs because of the stimulation of absorbed innovation transfer massively by the community. The implementation of local entrepreneurship has indeed influenced the characteristics of kampong and in some extents, can create the identity of creative kampong in Semarang City.

Keywords: innovation; kampong; social entrepreneurship

1. Introduction

The urbanization of Indonesia began in late 1960 with cities in Indonesia were growing at an average of 4.1% per year; it is a faster pace than other Asian country cities. In 2025, or less than ten years away, estimated that 68% of Indonesians are urban residents, while urban land in Indonesia increased by 2016 from 8,900 to 10,000 km2, with an increase of 1.1% per year (World Bank, 2016). The growth of urban areas occurs through the transformation of the rural areas that turn into urban kampongs (Setiawan, 2010). Kampong terminology has initially been used by the Malay community to introduce the rural system. Moreover, in its development, the term of kampong is used to describe the phenomenon of housing in urban built independently by migrant (J. F. C. Turner, 1972).

Newman in Roychansyah (2010) stated that a business that is made to manage population density and environment in kampong would directly correlate with land optimization, the efficiency of urban infrastructure

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needs, and positive effects. Technology intensification saw as intensiveness, also embossed externalities of economic activities or processes that effect on innovation and investment (Knudsen, Florida, Stolarick, & Gates, 2008).

Entrepreneurship contribution to Kampong development is important due to its added value from economic activities. The main entrepreneurship components that influence the business activities in kampong are related to financial, human and capital factors (Phelps & Wijaya, 2016). The social entrepreneurship is relevant in the rural development discourses. Recently, social entrepreneurship becomes increasingly popular among researchers due to the contribution and prominence in the current rural society transformation. There is a tendency in the rural area that the entrepreneurs seek to create ventures which is not only getting profit but also sharing the value added to the society, especially the settlers. The term of social entrepreneurship refers to the value that a company adds to society in three fields, i.e. (1) economic benefit to the society, (2) ecological benefit to the environment, and (3) social benefit to people and their quality of life (Rey-Martí, Ribeiro-Soriano, & Sánchez-García, 2015).

Urbanization acceleration of cities in Indonesia which forms the Indonesian population depends on the environment of the city. At the same time, the development of environmental and urban life in Indonesia is alarming. Physically, the city development has characterized by urban sprawl with the advent of Kampong Kota (Setiawan, 2010). An increasing number of transformation from a rural to an urban economy makes Indonesia predicted to have 68% of its population living in cities (Creaco & Querini, 2003). Semarang as one of the biggest city in Indonesia, based on the results of the population registration in 2015, has a recorded population as many as 1,595,267 inhabitants with population growth during 2015 amounted to 0.65%. Based on population data of Semarang, the poor percentage was 20.85% of all population. It is about 114,939 families / 367,848 inhabitants according to the results of the verification and identification data of the poor in Semarang 2015.

The majority of poor people in Semarang occupied several sub-districts in downtown, such as “kampong kota.” Based on Regional Space Planning (RTRW) Semarang city 2011-2031, several villages in Semarang retained because it has historical value and a strong community by the direction of the settlement area of space utilization. Kampong residential development in addition to changing social conditions is also changing the economic conditions of the society. Many Kampons at this time, identified from economic factors through entrepreneurship that they have earned. Entrepreneurs in this kampong have the business chain from upstream to downstream and multiplier effects on the surrounding area. This research is important because it helps the city government which is currently focusing on increasing kampong capacity through the economic sector.

2. Methods

The history of the term ‘social entrepreneurship’ can be traced to the publication of Demos think-tank report entitled The Rise of the Social Entrepreneur (Leadbeater, 1997) in the United Kingdom and probably a little earlier in the United States to the publication of New Social Entrepreneurs by the Roberts Foundation (Emerson & Twersky, 1996). Before this, some of the activities under the rubric of social entrepreneurship were either termed ‘community development’ or those in ‘social purpose organizations.’

In other definition, social entrepreneurship typically refers to the phenomenon of applying business expertise and market-based skills in the non-profit sector such as when non-profit organizations develop innovative approaches to earn income (Reis, 1999; Thompson, 2002). Considering to the approaches of social entrepreneurship (Alvord, Brown, & Letts, 2002), social entrepreneurship viewed as combining commercial enterprises with social impacts (Emerson & Twersky, 1996), as innovating for social impacts (Dees, 1998) and as catalysts for social transformation.

Social entrepreneurship practice covers most of the basic principle of entrepreneurship; however social entrepreneurship more focuses on searching and recognizing the process of opportunity and pursing the opportunity to create social value (Duke University, 2003 in Brock & Steiner, 2009). Social entrepreneurs slightly different from entrepreneurs in general, they aware and responsive to generate profit and intent to achieve and sustain their mission, yet profit is not their end goal (Dees & Haas, 1998). Profit is not the gauge of value creation; nor is customer satisfaction; social impact is the gauge whereby “mission-related impact becomes the central criterion, not wealth creation.” Social entrepreneurship consequently is the act of marshaling resources to develop a social enterprise. According to Gray, Healy, and Crofts (2003 in Brock & Steiner, 2009), a social enterprise refers to a broad set of approaches that use business acumen to address social goals such as market research, efficiency, and impact evaluation. They solve social problem innovatively, using opportunity based oriented, and actively searching for new alternatives to achieve positive social impact significantly (Dees, Emerson, & Economy, 2002).

Brock & Steiner (2009) also classified seven most common elements; these definitions were addressing social needs/problems that make a positive contribution the community, innovation, scaling a social venture, resource acquisition to accomplish the organization’s mission, opportunity recognition, creating a sustainable business model and measuring outcomes.

Looking up in history, kampong Kota was firstly named as “kampung pribumi” in the colonial city by Dutch people. The characteristics of kampong Kota are (1) inhabited by high-density people with unclear land ownership status; (2) housing with poor condition, infrastructure, and public utilities. Kampong is often used to determine the difference between urban and rural meaning. It is then used to describe a settlement that is self-built by migrants in the urban area who come from rural (Kustiwan, Ukrin, & Aulia, 2015).
Comparing to desa, Geertz, (1965) stated that people in kampong have better education, more skilled labor, as well as management of society and companies (Sihombing, 2004).

Kampong Kota, as the settlement area for low-income people living in the city, is built spontaneously and unplanned so that there is no formal structure or guidance during its development. For its spontaneous and unplanned process, kampong Kota has weaknesses in its infrastructure condition. Infrastructure that serves the people inside kampong tends to be not sustainable and un-adaptive with changes that may occur (Kustiwan et al., 2015). As the conclusion, the characteristics of kampong Kota based on those definitions are: (1) The residents still have characteristics and behavior of village life that are related to strong bond or kinship; (2) The condition of building and the environment is not physically good and well-organized; (3) High density of building and people; (4) Less public utility, such as water, sanitation, waste, etc.

To understand the characteristics of kampong Kota, Kustiwan et al. (2015) stated that there is an alternative solution to develop it. Kampong Kota can be developed by increasing its creativity in carrying out the living environment (Kustiwan et al., 2015). Creativity itself is related to innovation and the reason why innovations emerge — further, the development of creativity and innovation startup by entrepreneurs.

Martin & Osberg (2015) identified social entrepreneurs as the drivers of transformation in society and as the group that targets unjust and unsustainable systems and transform them into entirely new sustainable systems. The study sees (social) entrepreneurs as viable agents of change for solving business and social problems, not the architecture of their cause (York & Venkataraman, 2010). Sustainable entrepreneurship is seen as a puissant apparatus for creating a sustainable and fair society (Hall, Mairesse, & Mohren, 2010). Furthermore, empirical studies show that SE has a strong influence on social value (Felicio, Gonçalves, & Gonçalves, 2013).

The research design reflected that our study has a strong influence on social value in the kampong. The survey in the study cities paid attention to the importance of kampong urban to the entrepreneur. By studying social entrepreneurship in 4 kampons development, we saw the correlation between them. We started the investigation by reviewing the literature regarding social entrepreneur in sustainable kampong development. In data collection, we draw collected for the condition of kampong in Semarang city in 2017.

This paper focuses on the role of social entrepreneurship in four kampons (Kampong “Traditional Snack” Siroto, Kampong “Aquaponic” Kandri, Kampong “Batik Alam” Malon, and Kampong “Gulai” Bustaman), all of these kampons have characteristic of the social entrepreneur and type of kampong in Semarang. This paper also becomes a case study for field empirical understanding context of the role of social entrepreneurship, in line with the development of kampong to become creative kampong by the role of social entrepreneurship. Moreover, the implementation of local entrepreneurship has indeed influenced the characteristics of kampong and in some extents, can create the identity of creative kampong in Semarang City. The research collected data by using purposive sampling through an in-depth interview with the entrepreneurs of kamongs in Semarang. The data represented from Kampong Bustaman, Kampong Kandri, Kampong Malon, and Kampong Siroto and local government in Semarang. The research elaborates on the aspects that relate to innovation, social entrepreneur, and kampong development.

The data supplemented by interviews with stakeholders in Semarang city and enterprises or business in four kampons (Kampong Batik Alam Malon, Kampong Aquaponic Kandri, Kampong Gulai Kambing Bustaman, and Kampong Makanan Ringan Siroto). We studied the history of kampons in Semarang. Moreover, we also interviewed entrepreneurs in Kamongs to find data about economic activities, leader of local communities, organization, local NGOs to find out historical of kampong and Economic Section in Bappeda Semarang as represented Government. The interviews typically lasted 90 minutes and covered issues relating to the formation, organization and strategic priorities and their impacts on the topic of social entrepreneurship in each kampong.

3. Result and Discussion
3.1 Kampong Development in Semarang City

The history of Semarang City as the capital of Central Java province and a coastal city has a long record. At the time of the kingdom, Semarang City was under the authority of Demak until the year 1,547 Semarang city known as a city of trade and peasants by the colonial government. The city of Semarang at that time consisted of various ethnic such as Javanese, Chinese, and Dutch. At the beginning of this period, the population growth in Semarang was not significant.

Transformation of the city began from Semarang flourished as an entrepot of exported commodities from outer island to be sent to foreign countries. Many foreigners such as Dutch, Chinese and East Asian people (Indian and Gujarati) migrated to Semarang for trading activities. As a result, the city grew rapidly, and Semarang becomes the third largest harbor in Java Island. Under the Dutch colonial authority, Semarang administrative boundary had been expanded three times, by the year of 1886, the year of 1894 and the year of 1902 (Setioko, 2010).

Kampong Kota as an embryo of city development gives identity in growth and development of the City (Lindarni & Handayani, 2014). Semarang is separated into two characters, first is a downtown area (center of the city) and second is in the hilly area. Challenges of kampons located in downtown areas are vulnerable to stress, both physically and non-physically related to the dynamics that inhabit the village. For the second characteristic in the hilly area, most of the kampons are the transition from rural area became the urban area. The main factor of both characteristics is where the potential of kampong (socio, economic and culture) is still not developed well.
Figure 1 explains the characteristic of kampong in Semarang named after the profession of the majority of the population in that area. Some of the toponyms located in the center of the ancient Semarang government (around Bubakan) are: Kampong Batik (batik crafters); Pedamara (place of trade of resin / dye batik); Sayangan (crafters of household appliances of metal / copper), Petudungan (crafters place); Difficulty (crafters / leather businessmen); Relief (where the gutters), Jalan Petolongan, Gandekan (place of gold craftsman), Street of Gandekan; Gendingan (gamelan maker), and so on.

3.2 Type of Kampong in Semarang

The classification of Kampong development is by the government, kampongs in Semarang City were classified by location and by development (World Bank, 1995). First, kampong is classified by location into Open Kampong and Semi-Open Kampong because kampong has access to the main street of the city. However, it is now difficult to find. Most of the area beside the main road is used for trading and service area. For urban kampong, some of them are traversed by main roads, while for urban, peri-urban areas access to major roads takes little time. The semi-open kampong type is Kampong Bustaman. Kampong Bustaman located in the center of the city is at the center of trade (along the way of MT Hariono), so the kampong surrounded by the area of trades and services.

The other classification is kampong that located in the peri-urban area are; Fringe kampong and rural kampong. Fringe kampong in Semarang City represented with Kampong Siroto located in Banyumanik Sub District, and it has the characteristics of Fringe Kampong. This classification identifies the characteristics of Kampong Siroto area located in Banyumanik Subdistrict which is the development of the southern Semarang settlement area. Further, Kampong in the city of Semarang is classified as rural kampong found in several places, especially in the southern part of the city such as District Banyumanik, Gunungpati, Mijen, and Ngaliyan. The study areas in this study categorized as Rural Kampong are Kampong Malon and Kampong Aquaponic. Both of these kampongs have agricultural potential. As a kampong town that has the characteristics of rural kampong, these two kampongs have no obstacles in accessing public facilities. Ease to access public facilities is due to the city of Semarang has sufficient overall City.

3.3 Type of Kampong Development

Type kampong by kampong development: kampong development in Semarang is separated into two types based on its location, kampong in center of the city and kampong in peri-urban. Peri-urban area characteristic is dominated by traditional kampong. Characteristic of traditional kampong development is mostly old and built by the earliest inhabitants lived in the city. Traditional kampongs in Semarang City flourished in coastal areas, where Semarang City is known as a port city. The development of the city and the entry of the colonial era changed the traditional village and began to develop towards the south of the City. The other type of kampong development developed by the government, the kampons was developed by Dutch colonial period, the development of kampong follows the role and function of urban support, this is reflected in the naming of kampong by the economic activities undertaken by the community. Development of increasingly crowded kampong, the colonial government to plan the construction of residential areas in the hills in the area of Gajahmungkur and inhabited by the upper middle class.

3.4 Social Entrepreneurship in the kampong at Semarang City

3.4.1 Process of entrepreneurship

The process of achieving entrepreneurship described by certain researchers, the reference to this study is the notion from (Kirchhoff, 1994) who defined that entrepreneurship is a process with five steps. The first step is a commercial invention, invention into a marketable product or service. Social entrepreneurship also as a process of creating value by combining resources, which are intended initially to explore
opportunities to create social value by stimulating social change, in new ways (Schumpeter, 1942). Kampong Batik Alam Malon Champion is also as a batik innovator in the city of Semarang long enough has been lost. Business actors revive batik-batik Semarang by using city landmarks as batik patterns. From this development and see the potential of nature, the innovation developed the natural batik.

Looking at how business expanded, the business scale is identified by two periods—the beginning and the current conditions. By seeing the growth, it can be known the factors that affect the scale of business. Majority of firm or company in kampongs in Semarang city is small company/firm, with 2-5 workers each entrepreneur. An example is in Kampong Siroti, this kampong is known as traditional snack hawkers, and they include as microscale entrepreneur, it is small business units or individuals. The business actors are still home scale; each house has a specific product.

Business development cannot separate from the role of stakeholders either through training or programs for small entrepreneurs. Small-scale business actors in Semarang City's kampongs in their development also cannot be separated from related stakeholders in academic, private and government. Stakeholders also support the financial aspect, because in general economic conditions in Kampongs are classified as a low level.

3.4.2 Type of Entrepreneurship

From the process of entrepreneurship generated types of entrepreneurship, Managerial of entrepreneurship in the sense of organizing and coordinating. Secondly, we made a distinction between business-owners or self-employed (including owner-managers of incorporated firms) and employees. Based on this double dichotomy of self-employed versus employee and entrepreneurial versus managerial, three types of entrepreneurs may be distinguished. These three types are the Schumpeterian entrepreneurs the intrapreneurs and the managerial business owners who are entrepreneurs in a formal sense only (Calandra, Mauro, Cutugno, & Martino, 2016). From the process of entrepreneurship generated types of entrepreneurship, managerial of entrepreneurship in the sense of organizing and coordinating. The survey results conducted in the four locations was gained by identifying production management, human resources management, marketing management, and financial management; these three types of management are still individual and simple. Entrepreneurship is the manifest ability and willingness of individuals, on their own, in teams, within and outside existing organizations, to Perceive and create new economic opportunities (new products, new production methods, new organizational schemes, and new product-market combinations) and to introduce their ideas in the market (Table 1).

<table>
<thead>
<tr>
<th>Table 1. Type of Entrepreneurship in Kampong by Schumpeter</th>
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<tbody>
<tr>
<td><strong>Self-employed</strong></td>
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<tr>
<td>Schumpeterian entrepreneurs</td>
</tr>
<tr>
<td>• Kampong Siroti</td>
</tr>
<tr>
<td>• Kampong Kandri</td>
</tr>
<tr>
<td>• Kampong Malon</td>
</tr>
<tr>
<td><strong>Employee</strong></td>
</tr>
<tr>
<td>Intrapreneurs</td>
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<tr>
<td><strong>Managerial</strong></td>
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<tr>
<td>Managerial business owners</td>
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<tr>
<td>• Kampong Bustaman</td>
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<tr>
<td><strong>Executive managers</strong></td>
</tr>
</tbody>
</table>

Source: Modify from Schumpeter 2003

3.4.3 Social Entrepreneurship in Kampong Development

The social transformation of entrepreneurship according to Brock & Kim (2011), social entrepreneurship is the creation of social impact by developing and implementing a sustainable business model which draws innovative solutions that benefit the disadvantaged and, ultimately, society (Figure 2).

![Figure 2. Social entrepreneurship in Kampong Development Framework](source: Author's Analysis, 2018)

The social impact should involve and prosper community or stakeholders (Brock & Steiner, 2009) from this definition, the variable that measures in kampong identify from organization, principles, programs, and activities of entrepreneurs in the kampong. First, an organization aspect that became the main driving factor in social entrepreneurship is the organization of the business group because in decision-making the problem solving is more effective if the issues come from the community. In all four kampons in the study area, there is the organizational structure of a business and social organizations. The function of the organization is as a mean to accommodate business activities from producing to marketing and training. Kampons in Semarang City own the development of the principle followed up with programs both from business actors
and the community. Parties outside the Kampong intervene most of the programs undertaken by business actors and Kampong communities. These stakeholders provide information and training to improve business and community quality.

The result of social impact analysis related to the community and entrepreneur such as networks, norms and social trust that facilitate coordination and cooperation for mutual benefit (Krishna, 2002; Putnam, 1995), contribute to economic development (Tan, Williams, & Tan, 2005). Variables activities and programs have a significant impact on the community. For activity variables, business activities undertaken by entrepreneurs have an impact on the absorption of labor. On the other hand, the program variables, for the impact to the community perceived with the results diversifies products that impact the existence of new businesses to support the core business.

On the other hand, organizational and principles variables still have no significant impact. Business organizations related to the social effects are limited to business activities. The principle of entrepreneurial social impact on society also has not affected the pattern of social life. Members of a business group only do the principle of social entrepreneurship.

Innovation is an inseparable part of entrepreneurship. Schumpeter mostly sees an entrepreneur as an innovator whose role in economic development establishes a relationship between entrepreneurship and innovation (Backhaus, 2003; Szabo & Herman, 2012). There are several types of innovations that are commonly cited as encompassing marketing, product, process. Schumpeter used five categories to classify entrepreneurial innovation: a new product/service, a new strategy or method, a new market, a new source of supply/labor, and a new organizational or industrial structure. Social innovation is an inseparable element in delivering value through social entrepreneurship. Social innovation provides a community in kampong solution in social and environmental issues while building their business. From five categories of social entrepreneurs in a kampong in Semarang mostly deliver new product and a new strategy.

The sustainable business model for an entrepreneur in kampong develops a business model that sustained over time. It is important for an organization, especially an organization that balances creating economic value and a social mission (Brock & Steiner, 2009). The business model is integrated developing customer relationships, building a core strategy, cultivating strategic resources and creating a value network (Hamel, 2000).

The results of social entrepreneurship process analysis were gained by identifying social impact, sustainable business model and innovation solution resulted in the role of social entrepreneurship to improve social capability and empowerment related to issues and problems in the study area (Figure 3).

4. Conclusion

Role of social entrepreneurship in kampong identifies three main dimensions that are related to the classification proposed. First is adaptive capacity referring to the entrepreneur ability to identify and take advantage of emerging market opportunities. Second, absorptive capacity represents the entrepreneur ability to recognize the value of new information garnered from outside kampong, assimilate it, and put it to good commercial use. Third, innovation capacity refers to the entrepreneur ability to mobilize and combine the knowledge of its employees to create new knowledge, resulting in a new product or process. Kampong development distinguished from an entrepreneur’s innovativeness, which as we have previously observed, represents the propensity to pursue new processes or products and shows the willingness of the entrepreneur to engage in creativity and experimentation. Social entrepreneurship produces a social integration mechanism, being able to transform the potential external knowledge into a firm’s distinctive capabilities. Social entrepreneurs provide access for external information and specific tacit knowledge that is difficult to obtain with other ways and favors the development of community business.

References


