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Transforming NGO Projects into Social Enterprise

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ABSTRACT

Introduction: Non-Government Organization (NGO) is Non-Profit Organization founded to create social impact without looking for profit. NGOs are generally funded through charitable donations, however, many of those sources of funds have dried up. For sustainability, NGOs need to find ways to enhance their sustainability, diversify their income source and become less dependent on donors. This research will study Global Peace Foundation Indonesia using Gap Analysis to find how to transform an NGO into a Social Enterprise and the innovation of the business model needed.

Literature Review: This research benchmarks Fowler's steps of social enterprise, Ann Mei Chang's hybrid organization, and Burkett's social business model.

Research Methodology: This research collects primary and secondary data through interviews, FGD, and desk research. The data obtained data from the collection methods will be processed and analyzed with a qualitative approach: logic model, PESTEL Analysis, and SWOT Analysis.

Result and Discussion: From the logic model of Global Peace Foundation Indonesia, can be seen that some projects can potentially be transformed into a social enterprise, and the nearest industry to those projects are Tourism Industry. Continuing the logic model analysis, PESTEL Analysis was done, and the result showed some positive opportunity in the tourism industry that relate to what Global Peace Foundation Indonesia value. As there's a positive opportunity, SWOT Analysis was used to find the strategies to implement. Those Analyses were used to produce the Value Proposition Canvas and Social Business Model of Global Peace Foundation Indonesia.

Conclusion and Recommendation: Fowler's steps of Social Enterprise are slightly different from the transforming steps of Global Peace Foundation Indonesia. This research can be used by other field affiliates of the Global Peace Foundation and other NGOs who want to transform into social enterprises too. Future research can focus on the assigning human resource and leadership to the transformation process.

KEYWORDS: Hybrid Organizations, NGO, Social Enterprise, Social Business Model Canvas, sustainability, Tourism

I. INTRODUCTION

A. Background

Non-Government Organization (NGO) is Non-Profit Organization founded to create social impact without looking for profit. NGOs are generally funded through charitable donations, however, many of those sources of funds have dried up. For sustainability, NGOs need to find ways to enhance their sustainability, diversify their income source and become less dependent on donors. As a consequence, many NGOs transformed into social enterprise (Dahles et al., 2020).

Creating a professional organizational structure, engaging commercial income methods, and legitimizing the social-commercial business model are the three domains of institutional work that make up the change of NPO into the social enterprise (Ko & Liu, 2021). The Social Enterprise Model can offer NPOs a fresh solution to the issues of reformation and transformation that they will undoubtedly confront in the future (Hsu & Yen, 2019).

B. Profile

Global Peace Foundation Indonesia (GPFI) is an affiliate of Global Peace Foundation, a non-sectarian, non-partisan, nonprofit organization, that promotes an innovative, values-based approach to peacebuilding, guided by the vision of One Family under God. GPF engages and organizes a global network of public and private sector partners who develop community, national, and regional peace-building models as the foundation for an ethical and cohesive society.

4199 *Corresponding Author: Shintya Rahmi Utami

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IJCSRR @ 2023



Global Peace Foundation Indonesia's unique approach to peacebuilding is interfaith leadership, strengthening family values, and fostering a culture of service. There are some projects run by Global Peace Foundation Indonesia; Leadership Development, Community Development, Global Peace Volunteer Camp, Global Peace Youth Adventure, Peace Project, and Global Peace Youth Exchange. Global Peace Foundation Indonesia received donations and grants to run those projects, for financial sustainability some of those projects need to be transformed into social enterprises.

Global Peace Foundation Indonesia is governed by Trustee Board, Executive Board, and Advisory Board. Trustee Board is in charge of the overall Global Peace Foundation Indonesia's overall governance and strategic direction. Executive Board is in charge of running Global Peace Foundation Indonesia's day-to-day operations and management. The advisory board is made up of external experts who offer counsel to Global Peace Foundation Indonesia. The Organization Structure of Global Peace Foundation Indonesia can be seen in the image below



Figure I.1 Organization Structure of Global Peace Foundation Indonesia

C. Business Issue

Gap Analysis is used to understand more about the business issue

Table I.1 Gap Analysis of Global Peace Foundation Indonesia

	Current State	Future State	Gap
What	GPF Indonesia has some	Some projects can be transformed into	The GPF project not only creates
	social projects	a social enterprise	positive social change, but economy
Where	Projects in 8 cities in	Project all over Indonesia	GPF projects can expand to 36 more
	Indonesia		provinces
When	Occasionally when the	Having yearly projects planned anually	having regular projects
	fund available		
Who	NGO governed by Board	Social Enterprise governed by Board of	Social Enterprise governed by
	of Trustee	Commissionaire and Directors	different people
How	Rely on donations and	Generate Revenue through the sale of	Financial sustainability of GPF
	grants	tour services	Indonesia

D. Research Question

Based on the Background mentioned, here are some questions raised;

- 1. How to Transform NGO Into Social Enterprise
- 2. What is the innovation of the business model needed to adjust the finding of this research?

4200 *Corresponding Author: Shintya Rahmi Utami

Volume 06 Issue 07 July 2023 Available at: www.ijcsrr.org Page No. 4199-4211

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Volume 06 Issue 07 July 2023

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IJCSRR @ 2023



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E. Research Objective

Through this research based on the problem and market opportunities, the objectives of this research are:

- 1. Finding Ways to Transform NGOs Into Social Enterprise
- 2. Implementing innovation of the business model found in this research

II. LITERATURE REVIEW

A. Social Enterprise

The Social Enterprise is an entrepreneurial venture that is focused on the end goal of creating positive social change as well as a steady revenue. Unlike NGOs that just focus on social impact, a social enterprise must focus on social needs by providing different products or services and using their earned revenue alone or along with grants in order to operate. Social Enterprises do not measure their success on profit but on the power to affect social change (Oberoi et al., 2019)

Nonprofits are using entrepreneurial strategies more often to tackle societal issues and make a sustainable social impact. The institutional Entrepreneurship approach can be used in order to comprehend the processes and strategies for nonprofits to change into social enterprises. Here is the social Enterprise Process steps (Fowler et al., 2019).

- 1. Identification of Institutional Entrepreneurs
- 2. Shifting Organizational Identity
- 3. Creating Entrepreneurial Governance Structure
- 4. Developing Social Entrepreneurial Activities
- 5. Engaging in Strategic Partnership
- 6. Diffusing New Practices and Norms

Alex Osterwalder and Yves Pigneur designed the Business Model Canvas (BMC) collaborating with 470 practitioners from around the world. BMC provides a straightforward visual on one page that we can innovate for a business model. In order to effectively apply the BMC for social enterprise, we must separate commercial and impact models before integrating them into the narrative of the business model (Burkett, n.d.).

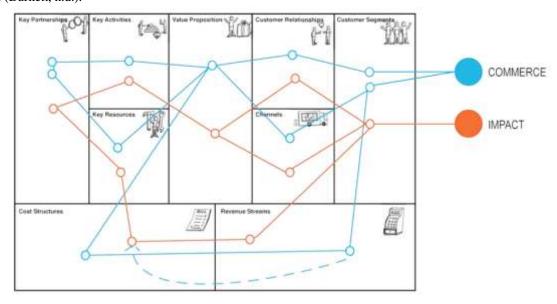


Figure II. 1 Social Business Model Canvas

Contrary to traditional Business Models, Social Business Models assign priority to social values rather than economic return. There are four Social Business Model Value Drivers (Spieth et al., 2019):

- 1. Responsible Efficiency that emphasizes social value over price
- 2. Impact Complementarities where social and economic benefits are interdependent through enabling partners within the

4201 *Corresponding Author: Shintya Rahmi Utami

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ISSN: 2581-8341

Volume 06 Issue 07 July 2023

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IJCSRR @ 2023



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community

- 3. Shared Values focus on social value community development that growing multipliers by the values-based selection of partners and customers
- 4. Integration Novelties where social value creation and intermediation are integrated

B. Hybrid Organization

According to Ann Mei Chang in her book Lean Impact, a hybrid organization is one that blends the market-driven strategy of a for-profit company with the social objective of a nonprofit. Hybrid Organizations use corporate principles and entrepreneurial strategies to develop long-lasting answers to social issues. Chang stresses the significance of diversifying revenue streams while discussing the financial plans of hybrid organizations. Chang advises investigating various funding options as a result to achieve financial stability. There are some financial schemes and strategies discussed in the Lean Impact book:

- 1. Earned Income: By offering goods or services that are directly relevant to their social goal, hybrid organizations can make money to fund their operations by creating products that are in demand.
- 2. Cross Subsidization: This strategy entails using income from successful operations to pay for the expenses of achieving social effects. Hybrid organizations can support their social programs by combining initiatives that generate cash with those that are focused on making effects.
- Impact Investing: Hybrid organizations can entice investment from parties interested in both financial gains and social
 effects. Impact investors provide money to hybrid organizations in the hopes that they will also produce quantifiable social
 benefits.
- 4. Partnerships and Alliances: Partnerships with other organizations, companies, or governmental agencies can provide hybrid organizations access to more information, capital, and expertise. Hybrid organizations can increase their impact and broaden their reach by utilizing a partnership.
- 5. Crowdfunding: Through online platforms, hybrid organizations can raise money from many people who are committed to their purpose. Using crowdfunding to engage the public and raise money can be a successful strategy.
- 6. Grants and Philanthropy: These conventional types of funding can offer vital early-stage assistance or project-specific funding.

Hybrid organizations produce social and economic value because of the change their actions create. In order to allocate resources and objectively improve public interest activities inside hybrid organizations, public administrations must employ a variety of methods, one of which is social impact evaluation. Impact assessment is broken down into the five components of the value chain (inputs, activities, outputs, outcomes, and impact), which ensures a linear characterization of the value created by change with procedural objectivity capable of appreciating the complexity of hybrid organizations (Esposito et al., 2021)

C. Business Evaluation Analysis

Internal Analysis

A logic model is a methodical and visual way to communicate how we understand the connections between the tools we have at our disposal to run our program, the actions we want to do, and the changes or outcomes we want to see (Volf, n.d.)

External Analysis

PESTEL Analysis is used to understand the external factor that can affect the potential that an organization can get. The organization can mitigate and predict the risk by analyzing those external factors and leveraging the opportunities. Factors that will be analyzed with PESTEL Analysis are; political, economic, sociocultural, technology, Environmental, and Legal.

4202 *Corresponding Author: Shintya Rahmi Utami

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Volume 06 Issue 07 July 2023

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IJCSRR @ 2023





Figure II. 2 PESTEL Analysis (Source: corporatefinanceinstitute.com)

SWOT Analysis

Organizations can use SWOT Analysis to discover Strengths, Weaknesses, Opportunities, and Threats relevant to project planning. It aims to pinpoint the internal and external elements that are favorable and unfavorable to achieve the goals. SWOT Analysis can be used to build a strategy by using the TOWS matrix that combines each strength, weakness, opportunity, and threat with another.

₽.	SWOT ANALYSIS	
	Strengths	Weaknesses
	1.	1.
	2.	2.
	3.	3.
	4.	4.
Opportunities	Opportunity-Strength	Opportunity-
1.	strategies	Weakness strategies
2.	Use strengths to take	Overcome weaknesses by
3.	advantage of	taking advantage of
4.	opportunities	opportunities
т.	1.	1.
	2.	2.
Threats	Threat-Strength	Threat-Weakness
1.	strategies	Strategies
2.	Use strengths to avoid	Minimize weaknesses
3.	threats	and avoid threats
4.	1.	1.
1.	2.	2.

Figure II. 3 SWOT Analysis (Souce:www.wikipedia.org)

D. Research Model

The main business issue of this research is finding a way to transform NGO projects into social enterprises through the exploration of external and internal resources to examine the value creation in order to create the business model solution with the social enterprise approach.

4203 *Corresponding Author: Shintya Rahmi Utami

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IJCSRR @ 2023



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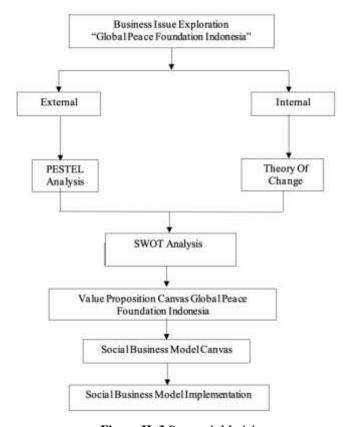


Figure II. 3 Research Model

III. RESEARCH METHODOLOGY

A. Research Design



Figure III. 1 Research Design

B. Data Collection Methods

There are 2 types of data that need to be collected; Primary Data and Secondary Data.

Primary Data
 In order to get the primary data, different approaches are used in this study. For the market side, the interview will be conducted at schools, universities, or other organizations that need sustainable tour programs. This questionnaire is used to

4204 *Corresponding Author: Shintya Rahmi Utami

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IJCSRR @ 2023



www.ijcsrr.org

get input from the target market of Global Peace Foundation Indonesia. For the supply side, interviews will be conducted with the respondents who will be involved in the business process of the social enterprise.

2. Secondary Data

Secondary data is collected through some exploration of the data and information from several sources. Desk research will be conducted to get the data.

Table III. 1 Data Collection Methods

No	Source	Data	Method
1.	Target Market	Input	Interview
2.	People involved in business process	Business Process	FGD
3.	Internet	supporting	Desk research

C. Data Analysis Methods

The data obtained data from the collection methods will be processed and analyzed with a qualitative approach. There are 3 methods used to analyze the data:

- 1. Internal Analysis (Logic Model)
- 2. External Analysis (PESTEL Analysis)
- 3. SWOT Analysis

The final result of this research is the recommendation of a business model for Global Peace Foundation Indonesia's projects in the form of a social enterprise.

IV. RESULT AND DISCUSSION

A. Analysis

Internal Analysis

Logic Model Analysis is used to identify which projects or activities that can be transformed into a social enterprise and define the social impact that Global Peace Foundation Indonesia wants to achieve through various activities by identifying the current issues that Global Peace Foundation Indonesia wants to solve. Through the Focus Group Discussion among the teams, below are the Logic Model Analysis of Global Peace Foundation Indonesia

Table IV. 1 Logic Model of Global Peace Foundation Indonesia

Issue	Input	Activity	Output	Outcome	Impact
- Mental	- 6 staffs	- Community	- 3000	- Increasing youth self-	Leadership and
health and	- 3 interns	Development	youths	mastery for inner peace	Development for the
Inner Peace	- 30	- Peacebuilders Practicum	empo-	- Increasing youth	youth and Cohesive
issues	volunteers	- Peace! Project	wered	leadership and	Society for the local
among	- 12	- GPY Adventure	in 2024	teamwork	community
youth	influencer	- GPV Camp	- 5	- Increasing youth	
- Social	S	- GPY Exchange	commu	empathy	
Fragmentati	- 14	- Service Project	-nities	- Enhancing local	
on in the	university	- Pancasila Forum	develop	community resilience	
Community	partners	- Interfaith Dialogue	-ped by	- Developing the local	
		- Ugen Seminar	2024	community's economy	
		- CVE/PVE			

Looking at the activities of Global Peace Foundation Indonesia, the most related industry that can fulfill the expected Impact is the tourism industry. Community Development, Peace! Project, GPY Adventure, GPV Camp, GPY Exchange, service project, countering

4205 *Corresponding Author: Shintya Rahmi Utami Volume 06 Issue 07 July 2023

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Volume 06 Issue 07 July 2023

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IJCSRR @ 2023



www.ijcsrr.org

violent extremism (CVE), and interfaith dialogue are the activities that potentially can be transformed into a social enterprise in tourism.

External Analysis

Knowing that tourism is the most related industry to current Global Peace Foundation Indonesia projects, PESTEL Analysis in tourism conducted by the Executive and cross-functional teams of Global Peace Foundation. Here is the result:

Table IV. 2 PESTEL Analysis of Global Peace Foundation Indonesia

STEL Analysis of Global Peace Foundation Indonesia				
POLITICAL				
Government	Indonesian government encourages the creation of initiatives for community-based			
Support	tourism that aim to strengthen local communities and protect cultural assets.			
Political Stability	Indonesia has political stability that smoothen policy implementation for tourism sector fostering investor confidence and ensuring tourist safety			
Government Regulations	Law No. 10/2009 on tourism provides guidelines for the management, development, and promotion of tourism as well as for the protection of tourist rights and responsibilities			
Visa Policies	To make traveling easier and draw in foreign tourists, the Indonesian Government has introduced a number of visa policies including e-visas, visa on arrival, and visa-free entry for nationals of specific nations			
ECONOMIC				
Economic Growth	The sustained economic growth in Indonesia has aided in the development of the middle class and boosted disposable cash for domestic travel			
Infrastructure Development	Investments in the construction of infrastructure, including roads, hotels, and airports, are required to support the expansion of the tourism sector			
Exchange Rates Changes in exchange rates can impact both domestic and international tra- making Indonesia more or less affordable to tourists from abroad				
SOCIAL				
Demographics Trends	There is increased demand for domestic and international travel is mostly due to Indonesia's expanding middle class			
	The Indonesian Government prioritizes raising the level of human capital in the			
Tourism	tourism sector which involves offering training courses, financial aid, and			
Education	educational efforts to help tourism industry personnel improve their knowledge and skills			
Social Media and	Travel behavior has been influenced by the pervasiveness of social media and			
Technology	technology, with travelers now seeking for real and social media able experiences			
Lifestyle Trends	Some Lifestyle trends aligned with the services are; adventure and outdoor activities, sustainable and responsible tourism, cultural immersion and authentic experience, wellness and mindfulness tourism, and influencer culture.			
Cultural Diversity	Tourists looking for unique experiences and cultural immersion find Indonesia to be an appealing destination due to its vast culture and heritage			

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4206 *Corresponding Author: Shintya Rahmi Utami

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ISSN: 2581-8341

Volume 06 Issue 07 July 2023

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	TECHNOLOGICAL		
Т	Internet Penetration	Online reservations and access to travel information have been made easier because to Indonesia's rising internet usage, which has helped travelers plan their vacations	
	Mobile Technology	The manner that visitors find information, make hotel reservations, and discuss their travel experiences has changed as a result of the widespread use of smartphones and mobile apps	
	Technological Advancements	VR Tours and online travel agencies have the potential to improve the tourism industry and draw more tourists	
	ENVIRONMENTAL		
E	Natural Attractions	The abundance of natural beauty in Indonesia is a major factor in drawing tourists.	
-	Climate Change	Tourism's quick expansion may cause climate change problem	
	Natural Disaster	Natural disasters are common in Indonesia, which can have an effect on the infrastructure and security of the tourism industry	
	LEGAL		
L	Safety and Security	The bombing and increased number of extremists can cause travel banned or travel advisory to not enter Indonesia	
	Regulation and Compliance	Sustainable tourism development depends on adherence to legal and regulatory requirements such as labor laws, environmental laws, and health and safety standards	
	Intellectual Property	To maintain Indonesia's cultural legacy, it is crucial to protect intellectual property rights, especially those for traditional cultural manifestations and indigenous knowledge	

SWOT Analysis

Combining external and internal analysis of Global Peace Foundation Indonesia, the executive and cross-functional team of Global Peace Foundation put it together to find the strategy to execute by using SWOT and TOWS Analysis.

Table IV. 2 SWOT and TOWS Analysis of Global Peace Foundation Indonesia

Strengths	Weaknesses
1. Strong vision and mission that	1. Weak Marketing and
give impact nation-building	Communication
and community development	2. Lack of entrepreneurial
2. Extensive Global and national	mindset in the team
network	3. Resource constraints that
3. Interfaith collaboration for	impact the scope of programs
social cohesion	4. Lack of using technology and
4. Track record in peacebuilding	digital
initiatives engaging grassroots	

4207 *Corresponding Author: Shintya Rahmi Utami

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IJCSRR @ 2023



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Opportunities

- 1. Government support for community-based tourism
- 2. Demographic trends where there is increased demand for travel
- 3. Travelers looking for real and social-media able experience
- 4. The abundance of natural beauty in Indonesia
- 1. Utilize Indonesia's cultural and 1. Work natural beauty to develop a unique social media able experience with the local community developed
- 2. Create specialized interfaith travel packages that highlight the experience to enter other 2 religious worship houses and having a dialogue with the religious leaders
- with local community and Key Opinion Leader (KOL) to offer unique social media and experiences and launch successful marketing initiatives to draw tourists
- Create user-friendly mobile apps, websites, and online booking platforms to appeal to tech-savvy tourists

Threats

- 1. Natural disasters can affect the infrastructure and security of
- neighboring countries
- 3. Bombing and increasing of the extremist group caused travel banned to Indonesia
- 4. Climate change caused by rapid growth of tourism
- 1. Work with local officials and the community to enhance safety by having Preventing Violent Extremism (PVE) programs
- 2. Competitive destinations from 2. Create a series of travel packages that include neighboring countries where 2 GPF operates to experience
- Cultivate the creativity, teamwork. and an entrepreneurial mindset inside the team to produce distinctive experiences that can impact the community at the same time
 - digital Utilize tools platforms to promote ethical and tourism implement measures to reduce tourism's environmental impact and fight climate change

B. Business Solution

Value Proposition Canvas

By doing an empathy interview with the customers, this research is able to capture the pains, gains, and jobs of the customer.





Value proposition

Customer segments

Figure IV 1. Value Proposition Canvas Global Peace Foundation Indonesia

Social Business Model Canvas

4208 *Corresponding Author: Shintya Rahmi Utami

ISSN: 2581-8341

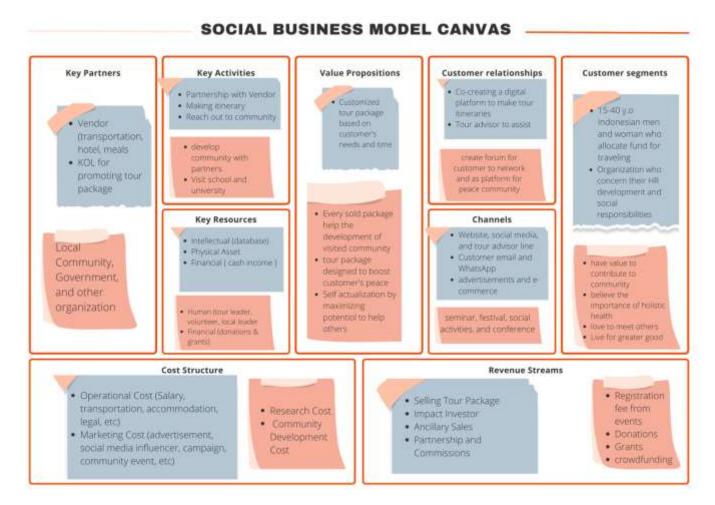
Volume 06 Issue 07 July 2023

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C. Implementation Plan and Justification

Having Social Business Model Canvas, there are several things that need to be done in order to successfully transform GPF Indonesia's social project into a social enterprise. Here is the implementation Plan:

- 1. Deciding the governance be a separate entity from the NGO Global Peace Foundation Indonesia
- 2. Execution and Operations by putting into practice the strategies from TOWS Analysis and activities listed in each Social Business Model Canvas component. Objective Key Result (OKR) can be used as a tool to monitor the development and make required corrections.
- 3. Building solid connections, gaining access to resources, and extending networks depend on developing partnerships and engaging stakeholders. Global Peace Foundation Indonesia can garner support, use expertise, access new markets, and improve its value proposition by interacting with customers, employees, investors, suppliers, and community partners. This will raise the brand's reputation, build customer trust, and open up new business prospects
- 4. Use the marketing strategy outlined in the TOWS Analysis to get customers by utilizing digital marketing. By clearly communicating the unique value proposition of the social enterprise, it can help to attract and retain customers.
- 5. Customer Acquisition and Retention using identified channels in the Social Business Model Canvas is important to create lasting relationships, foster customer loyalty, and boost customer lifetime value. Happy and loyal customers most likely will recommend the service to others and become a repeat customer
- 6. Effective financial management is essential for the expansion of the social enterprise. Global Peace Foundation Indonesia can make wise financial decisions and maintain financial stability by tracking and managing its financial performance, which includes revenue, cost, and profitability.

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IJCSRR @ 2023



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- 7. Scaling and Expanding the Business allows access to a wider market, taking advantage of economies of scale, targeting new customer categories, diversifying revenue, and ensuring the long-term success of the social enterprise.
- 8. Continues improvement, evaluation, and adaptation ensure the social enterprise maintains its competitiveness and adjusts to shifting customer demands and market circumstances. Global Peace Foundation Indonesia can make wise decisions, spot areas for development, and adjust its plans and operations to be competitive, pertinent, and successful in the long run by routinely assessing performance, getting feedback, and keeping an eye on tourism industry trends.

V. CONCLUSION AND RECOMMENDATION

A. Conclusion

There are 2 questions that can be answered by this research; how to transform an NGO project into a Social Enterprise and what is the innovation of the business model needed to adjust the finding of this research?

Different from the Social Enterprise process by Fowler, transforming an NGO project into a social enterprise from this research can be done by doing these steps:

- 1. Identify the NGO project that potentially can be developed into a social enterprise
- 2. Examine the NGO project's current mission and impact to see how well it adheres to the tenets of a social enterprise
- 3. Do the external and internal analysis to give the overview to develop Social Business Model
- 4. Develop a value proposition
- 5. Identify a sustainable Social Business Model
- 6. Establish governance and legal structure
- 7. Execute the Social Business Innovation
- 8. Develop strategic partnership
- 9. Implement marketing strategy
- 10. Build financial stability
- 11. Scaling and expanding the business
- 12. Continues improvement, evaluation, and adaptation

Some innovations of the social business model needed to adjust the finding of this research are:

- 1. Value Proposition
- 2. Revenue Generation Model for financial sustainability
- 3. Customer relations and the channels
- 4. Market Positioning
- 5. Partnership and collaboration
- 6. Technology Integration

B. Recommendation

This research can be used by other field affiliates of the Global Peace Foundation and other NGOs who want to transform into social enterprises too. This research focuses on transforming NGO projects into social enterprises using Social Business Model Canvas, but it didn't touch on the Human Resource side of the transformation process. Future research can focus on the assigning human resource and leadership to the transformation process.

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4210 *Corresponding Author: Shintya Rahmi Utami Volume 06 Issue 07 July 2023

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4211 *Corresponding Author: Shintya Rahmi Utami

Page No. 4199-4211