

## Designing Business Model Innovation for Sekolah Juara's Social Enterprise Sustainability

Atha Duzan Janitra<sup>1\*</sup>, Aurik Gustomo<sup>2</sup>

<sup>1,2</sup>Institut Teknologi Bandung

\*Email: athadjanitra@gmail.com

### Abstract

Indonesia's expansion of the 13-year compulsory education program has fundamentally altered the national educational landscape, reinforcing the state's role as the primary provider of basic education. This structural shift has presented unintended existential challenges for philanthropic schools like Sekolah Juara, which historically relied on donor funding to serve underprivileged communities. As public perception increasingly views education as a state responsibility, donor support has declined, leaving the organization at a strategic crossroads: facing rising financial constraints while operating a legacy donation-dependent model in an increasingly competitive environment. This study investigates how philanthropic schools can redesign their business models to achieve long-term financial sustainability without compromising their social missions. Employing a qualitative case study approach, the research draws on in-depth interviews, document analysis, and literature review to capture the strategic adaptations required in a post-donor context. The findings propose a Business Model Innovation (BMI) framework driven by four strategic imperatives: (1) the institutionalization of teaching quality, (2) excellence-based market positioning, (3) the development of quality-aligned revenue streams, and (4) the cultivation of a sustainable investment ecosystem. Theoretically, this study extends the BMI literature by highlighting the "capability-led" transformation required for educational social enterprises. Managerially, it offers a structured strategic pathway for non-profit leaders navigating the complex transition from donor dependency to organizational resilience.

**Keywords:** Business Model Innovation, Sekolah Juara, Social Enterprise Sustainability, Philanthropic Transition, Educational Management.

---

### A. INTRODUCTION

While education is universally recognized as a fundamental human right and a cornerstone of societal resilience (UNESCO, 2021), the mechanisms of its delivery are undergoing a profound structural transformation. Historically, where state capacity has been limited, philanthropic foundations and non-profit organizations have played a critical compensatory role, mobilizing donor resources to ensure access for marginalized populations (Banerjee, 2018; Rose, 2009). For decades, the sustainability of these institutions relied on a tacit social contract: donors provided funding because the state could not provide access. However, this traditional equilibrium is being disrupted.

In Indonesia, the aggressive expansion of the 13-year compulsory education program represents a significant triumph of public policy, substantially widening access for low-income households (Rosser, 2018). Yet, this success poses a paradoxical threat to the third sector. As the state effectively consolidates its role as the primary provider of free basic education, the "gap-filling" legitimacy of philanthropic schools is increasingly challenged. Donors, perceiving that the government has resolved the fundamental access problem, are redirecting their priorities, leading to a structural decline in the funding streams that once sustained charitable schools (Ebrahim et al., 2022).

This strategic dilemma is exemplified by Sekolah Juara, a philanthropic initiative that provides high-quality Islamic education to underprivileged communities. For years, Sekolah Juara's business model was anchored in a "mustahik-centric" philosophy, fully subsidized by donors who viewed their contributions as a necessary intervention. Today, the organization stands at a critical juncture. With the universalization of free public schooling, the donor narrative has weakened, leaving Sekolah Juara with mounting operational costs and a shrinking revenue base, yet it must continue to compete in an increasingly professionalized education market.

While the existing literature has extensively explored non-profit financial sustainability, the discourse remains largely focused on short-term tactics, such as fundraising efficiency and cost reduction (Samad et al., 2023). There is a paucity of empirical research on Business Model Innovation (BMI) within the specific context of

\* Corresponding author

philanthropic transitions—how donation-dependent schools in developing economies can structurally reinvent themselves into sustainable social enterprises without abandoning their social mission.

This study addresses this gap by examining Sekolah Juara's strategic transformation. By analyzing the shift from a donor-dependent charity to a resilience-oriented social enterprise, this research aims to: (1) diagnose the fragility of legacy philanthropic models in post-reform education systems, and (2) propose a comprehensive BMI framework that aligns financial viability with social impact. The findings offer a strategic roadmap for educational leaders navigating the complex terrain between dwindling charity and the imperatives of financial independence.

## B. METHODS

This study employs a single-case qualitative design to provide an in-depth examination of Sekolah Juara's strategic transition. A case study approach was selected as it allows for a holistic investigation of complex organizational phenomena—specifically, business model innovation within a constrained philanthropic context—where the boundaries between the phenomenon and its context are not clearly evident (Yin, 2018).

Data were gathered through a triangulation of three primary sources to ensure construct validity. First, semi-structured in-depth interviews were conducted with purposively selected key stakeholders, including foundation directors, school headteachers, and program managers. These participants were chosen for their direct involvement in strategic decision-making and their institutional memory of the organization's evolution. Second, a document analysis was conducted of internal strategic plans, financial reports (2018-2024), and operational guidelines to corroborate interview data and trace historical shifts in funding and governance. Third, a systematic literature review was integrated to situate the empirical findings within broader theoretical debates on social enterprise sustainability.

The collected data were analyzed using an inductive thematic analysis approach. The analytical process followed a three-stage coding protocol: (1) Open coding to identify initial concepts and recurring patterns regarding donor dependency and operational challenges; (2) Axial coding to cluster these concepts into higher-order categories such as "value creation gaps" and "legitimacy constraints"; and (3) Selective coding to synthesize these categories into the core theoretical dimensions of the proposed business model innovation framework. To ensure methodological rigor, validity was established through source triangulation (comparing interview perspectives with financial documents) and interpretive validation, in which preliminary findings were presented back to key participants for verification. Reflexivity was maintained throughout the process to mitigate researcher bias, ensuring that interpretations remained grounded in empirical evidence.

## C. RESULTS AND DISCUSSIONS

### *Diagnostic Analysis: The Fragility of the Legacy Model*

To develop an effective innovation strategy, it is imperative first to diagnose the structural limitations of the existing business model. Our analysis reveals that Sekolah Juara currently operates on a "Legacy Philanthropic Model," characterized by a heavy reliance on external subsidies to bridge the gap between high operational costs and low tuition fees. While this model successfully fulfilled its social mission during the early phases of establishment, it exhibits significant structural vulnerability in the current post-donor context. The organization faces a strategic "double-bind." On the one hand, donor contributions are declining as public education becomes increasingly accessible, leading donors to perceive that the state has sufficiently assumed responsibility for basic education.

On the other hand, the school struggles to offset this revenue loss through tuition increases, given its "affordability commitment." This aligns with findings by (Doherty et al., 2014), who note that philanthropic educational institutions often face severe structural fragility when external subsidies decline, particularly when their social mission constrains their pricing flexibility. The continued reliance on low tuition and residual donor support indicates a critical misalignment between the school's financial structure and its long-term sustainability requirements. Human Capital and Value Creation Gaps: The fragility of this model is further exacerbated by inconsistent mechanisms for value creation. Although the school aspires to deliver high-quality Islamic education, findings indicate that value creation is heavily dependent on individual teacher dedication rather than institutionalized systems. This observation is consistent with social enterprise literature, which emphasizes that mission delivery in education-focused organizations is deeply dependent on professional competencies and organizational learning systems (Bacq & Eddleston, 2018). Currently, the variability in instructional quality across

campuses suggests that value creation remains individualized rather than systematized, limiting the organization's scalability and resilience: legitimacy and Revenue Constraints.

Furthermore, there is a gap between internal educational practices and external perception. While the school delivers strong social value, this does not automatically convert into market legitimacy. The observed limitations in revenue diversification further reflect the early-stage development of value-capture mechanisms. As noted by (Nicholls, 2010), sustainable social enterprises require disciplined revenue experimentation and transparent accountability systems to attract mission-aligned capital. In the absence of such standardized evaluation and governance practices, Sekolah Juara struggles to reposition itself as a credible partner for long-term investors, despite its demonstrated social impact.

**Table 1. Diagnostic Shift: From Philanthropic Logic to Social Enterprise Logic**

Dimension	Legacy Philanthropic Model (Current State)	Sustainable Social Enterprise (Target State)
Core Value Proposition	Providing access to affordable/free education for people in need.	Delivering high-quality, character-based Islamic education with measurable impact.
Dominant Logic	Charity Logic: "Filling the gap" left by the state.	Excellence Logic: Competing on quality and distinct value drivers (morals, Quran, STEM).
Value Creation Mechanism	Dependent on individual teacher dedication and sporadic training (Person-Dependent).	Institutionalized via structured coaching systems and competency frameworks (System-Dependent).
Revenue Structure	Monolithic: Heavy reliance on declining donations and low tuition fees.	Diversified: Integrated revenue streams from tuition, educational products, and strategic partnerships.
Governance & Accountability	Informal: Limited reporting standards; variability in financial transparency.	Professional: "Investment-ready" governance with standardized impact metrics and financial discipline.
Stakeholder Perception	Viewed as a beneficiary of aid or a low-cost alternative.	Viewed as a credible partner for CSR and a strategic educational asset.

Source: Research data, 2025

### **Strategic Visioning and Gap Analysis**

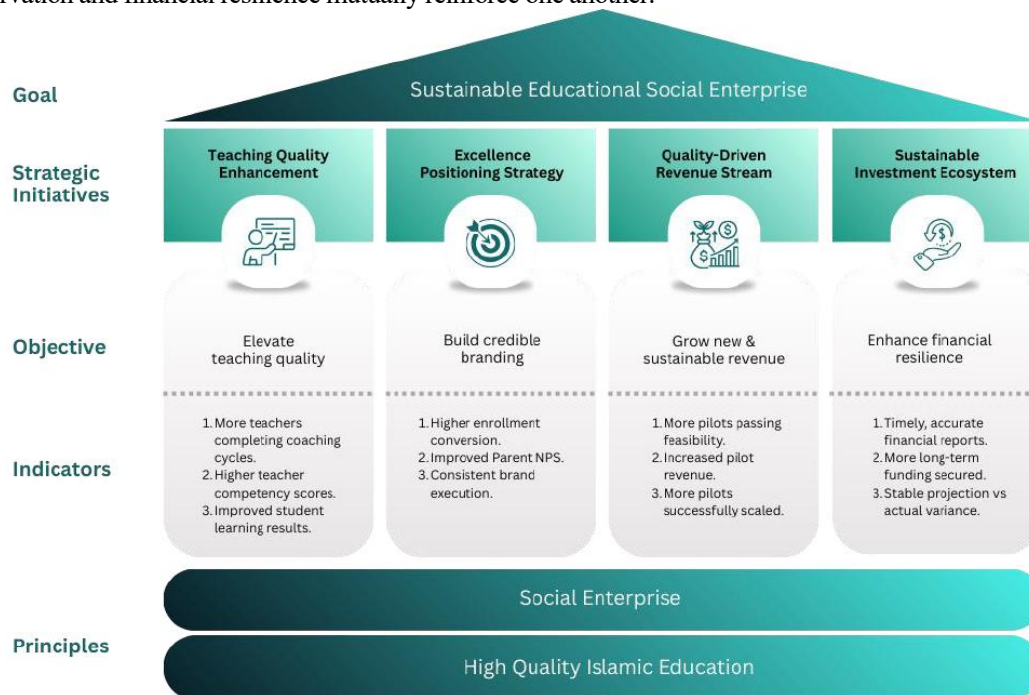
Navigating the transition from a donor-dependent charity to a sustainable social enterprise requires more than incremental adjustments; it demands a fundamental realignment of organizational identity with market realities. Strategic visioning serves as the framework for reinterpreting current capabilities, defining the desired future state, and mapping the pathways that connect the two (Grant, 2003). For Sekolah Juara, this process focuses on aligning its historical "mustahik-centric" mission with the emerging imperatives of operational independence (Kragulj et al., 2018). Despite the decline in donor funding, shifts in the educational landscape present meaningful opportunities. As families increasingly look beyond basic academic provision, there is a growing demand for values-driven schooling. Research indicates that parents in emerging economies increasingly prioritize educational institutions that align academic learning with moral and spiritual development, particularly in urban, low- to middle-income segments (Lee, Johnson, & Cheng, 2024). Sekolah Juara is well-positioned to meet this demand through its core identity pillars: (1) high-quality education integrating STEM and Quranic values, (2) ethical character formation, and (3) a teacher-centered ecosystem. However, a critical "Strategic Gap" exists between this potential value and the organization's current operational reality.

Firstly, a significant gap exists between internal quality and external recognition. While the school offers a distinctive blend of Islamic values and academic programming, this value is imperfectly visible to target parents and the broader community. The organization's legacy identity as a philanthropic provider creates a "branding friction" that hinders its ability to capture middle-income segments. Consequently, improvements in educational practice do not reliably translate into higher enrollment or willingness to pay, as the school lacks the evidence-based positioning systems needed to convert educational quality into parental trust and market legitimacy. Secondly, the analysis reveals a systemic shortfall in human capital development. While teacher competence is identified as the primary driver of value creation, current practices rely heavily on sporadic training and individual headmaster leadership rather than institutionalized coaching systems. This fragmentation creates vulnerability; when key personnel leave, educational quality fluctuates. Without a sustained, school-led mechanism for professional development, the organization cannot guarantee the consistent educational outcomes required to justify a transition to a fee-based or hybrid social enterprise model. Thirdly, there is a misalignment between the organization's funding needs and its investment readiness. Although there is growing interest from CSR programs and impact investors, Sekolah Juara lacks the credible "proof points" required to secure these partnerships. The

current business model suffers from revenue experiments that lack demand validation and governance structures that do not support transparent impact reporting. As noted by (Grant, 2003), recognizing such gaps is essential for prioritizing interventions. In this case, the absence of standardized impact metrics and financial discipline prevents the organization from tapping into mission-aligned capital, leaving potential resources inaccessible.

### ***The Four Pillars of Transformation: A Strategic Framework***

To bridge the identified strategic gaps, this study proposes a comprehensive sustainability framework comprising four integrated strategic initiatives. These initiatives are not merely operational improvements; they represent mechanisms for business model innovation designed to reconfigure internal capabilities and external relationships. As illustrated in Figure 1, the framework operates as an interdependent system in which mission preservation and financial resilience mutually reinforce one another.



**Figure 1. The Integrated Sustainability Framework for Sekolah Juara**

Source: Research data, 2025

The first pillar, Teaching Quality Enhancement, is analytically positioned as the central value creation mechanism. Empirical findings indicate that Sekolah Juara's educational value is currently generated through individual teacher dedication rather than institutionalized systems. This reliance on "person-dependent" models creates structural vulnerability, as noted by Battilana and Lee (2014), where hybrid organizations struggle to sustain performance during scaling. To address this, the initiative shifts the focus toward systematizing human capital development through structured coaching cycles and competency standards. This aligns with the resource-based view of social entrepreneurship, which posits that human capital is the critical resource for producing social value (Bacq & Eddleston, 2018). By embedding these capabilities organizationally, the school ensures that educational quality becomes a replicable asset rather than a variable outcome.

The second pillar addresses the "legitimacy gap." While the school delivers integrated academic and character-based education, this internal value is not consistently visible to external stakeholders. Excellence Positioning is therefore framed as a value delivery mechanism concerned with translating social impact into market legitimacy. Drawing on Mair and Martí (2006), strong social performance does not automatically result in external trust without deliberate articulation. This strategy moves beyond traditional marketing by using academic showcases and evidence-based reporting to shift parental perception. It aims to rebrand the institution from a "charitable provider" to a "center of excellence," thereby enabling the organization to capture broader market segments without compromising its accessibility mission.

The third pillar introduces a disciplined approach to revenue generation, designed to manage the tension between financial sustainability and mission integrity. Social enterprises often face "mission drift" when revenue activities become disconnected from core values (Teasdale, 2012; Doherty et al., 2014). The Quality-Driven Revenue Framework (QDRF) mitigates this risk by embedding educational alignment criteria into all commercial activities. Instead of ad-hoc fundraising, revenue streams—such as paid STEAM clubs or Qur'an intensives—are conceptualized as extensions of the value proposition. This ensures that financial growth directly reinforces educational quality, creating a coherent hybrid model in which economic and social logics are synergistic rather than competing.

The final pillar functions as a macro-level governance mechanism to secure long-term, mission-aligned capital. As the organization transitions from donation dependency, it faces a new requirement: "investment readiness." Research on impact investing highlights that capital providers increasingly seek organizations capable of demonstrating both social outcomes and financial discipline (Jackson & Harji, 2013; Nicholls, 2010). The Sustainable Investment Ecosystem addresses this by establishing rigorous impact measurement and transparent financial reporting. By upgrading governance standards, Sekolah Juara positions itself as a credible partner for Corporate Social Responsibility (CSR) programs and impact investors, transforming CSR from a passive funding source into a strategic competitive advantage.

### ***Proposed Business Model Innovation: From Charity to Social Enterprise***

The four strategic initiatives described above serve as the architectural pillars for a new, resilient business model. Unlike the legacy model, which treated social mission and financial sustainability as separate—and often competing—objectives, the proposed model integrates them into a coherent system. This transformation fundamentally reshapes the organization's logic of value creation, delivery, and capture. The most significant structural shift occurs in Value Creation. Previously, educational quality relied on "quality assurance monitoring" and individual teacher effort. In the new model, the Teaching Quality Enhancement system elevates teaching from a routine operational activity to a strategic asset. This ensures that the school's ability to create value is no longer dependent on personality or chance, but is supported by professional systems that are intentional, measurable, and improvable. In terms of Value Delivery, the model moves from passive availability to active positioning. The Excellence Positioning strategy transforms communication from a peripheral task into a strategic function. By using academic showcases and demonstrable outcomes, the school converts internal quality into external legitimacy, shifting the stakeholder relationship from "donors and beneficiaries" to "investors and clients".

Finally, Value Capture is reconfigured through the Quality-Driven Revenue Framework and Sustainable Investment Ecosystem. Instead of treating revenue generation as an "add-on" distraction, financial sustainability is integrated directly into the design of learning programs. Programs such as weekend learning camps or STEAM clubs leverage teacher expertise to serve community needs while generating surplus, thereby aligning financial incentives with mission delivery.

**Table 2. Business Model Evolution Matrix**

<b>BMC Component</b>	<b>Legacy Philanthropic Model (Before)</b>	<b>Sustainable Social Enterprise Model (After)</b>	<b>Mechanism of Change</b>
Value Creation	Person-Dependent: Relies on individual teacher dedication; vulnerable to turnover.	System-Dependent: Institutionalized via coaching cycles and competency frameworks.	<i>Teaching Quality Enhancement</i>
Value Delivery	Passive/Charity-Based: Relying on word-of-mouth in low-income areas; perceived as "free/cheap."	Active/Merit-Based: Evidence-based branding using academic showcases to signal quality.	<i>Excellence Positioning</i>
Value Capture (Internal)	Decoupled: Revenue activities (bazaars, etc.) are distractions from the core mission.	Integrated: Educational programs (clubs, training) generate revenue; profit aligns with purpose.	<i>Quality-Driven Revenue Framework</i>
Value Capture (External)	Donation-Dependent: Unpredictable funding based on pity or obligation.	Investment-Ready: Attracting CSR/Impact Capital through transparent impact reporting.	<i>Sustainable Investment Ecosystem</i>
Growth Logic	Survival: Focus on covering immediate deficits.	Resilience: Focus on scalable quality and long-term partnership.	<i>All Initiatives Combined</i>

Source: Research data, 2025

### ***Theoretical Implications***

The proposed model extends established frameworks of business model innovation (BMI). Consistent with the Business Model Canvas (Osterwalder & Pigneur, 2010), it retains the fundamental logic of value creation, delivery, and capture. However, unlike conventional applications that emphasize static configuration, this case demonstrates how BMI in social enterprises functions as a capability-led transformation. Specifically, it extends Hybrid Value Chain theory (Battilana & Lee, 2014) by showing that social and economic values are not merely balanced, but progressively integrated. Rather than treating revenue generation and impact as parallel tracks, the proposed model embeds financial mechanisms within educational value creation itself, thereby reducing the "mission drift" risks commonly associated with hybrid organizing.

### **D. CONCLUSION**

This study demonstrates that the sustainability challenge facing Sekolah Juara is not rooted in a lack of social legitimacy or educational commitment, but in fundamental misalignments across its business model components. While the organization possesses a strong mission and community trust, its "Legacy Philanthropic Model" is structurally fragile because value creation remains person-dependent, a charity narrative constrains value delivery, and value capture is heavily reliant on declining donor support. The transformation into a Sustainable Educational Social Enterprise, therefore, requires a holistic architectural shift. The four strategic initiatives identified—Teaching Quality Enhancement, Excellence Positioning, Quality-Driven Revenue, and a Sustainable Investment Ecosystem—collectively function to institutionalize quality and align financial mechanisms with the educational mission.

Theoretically, this research advances the literature on Business Model Innovation (BMI) by contextualizing it within the post-donor transition of non-profit organizations. Unlike conventional BMI applications that emphasize market expansion or efficiency gains, this study reveals that BMI in educational social enterprises operates as a "capability-led transformation". The findings suggest a distinct sequencing of innovation: human capital institutionalization (internal value creation) and legitimacy reconstruction (external value delivery) must precede attempts at revenue diversification. This challenges the view that financial sustainability can be achieved through revenue experiments alone, highlighting instead that mission preservation acts as both a constraint and a guide for innovation pathways.

### ***Managerial Implications and Future Research***

For practitioners, particularly leaders of philanthropic schools and educational foundations, this study offers a clear strategic imperative: to survive in a post-donor landscape, organizations must stop treating "quality" and "business" as separate domains. The path to financial independence lies in professionalizing teaching systems, articulating educational value through credible evidence, and adopting disciplined, investment-ready governance structures.

Future research should build upon these findings by conducting longitudinal studies to track the performance of these business model innovations over time. Additionally, comparative studies across different regulatory environments or cultural contexts would further refine our understanding of how institutional factors shape the sustainability pathways of education-focused social enterprises.

### **REFERENCES**

- Aguinis, H., & Glavas, A. (2019). On corporate social responsibility, sensemaking, and the search for meaningfulness through work. *Journal of Management*, 45(3), 1057–1086. <https://doi.org/10.1177/0149206317691575>
- Bacq, S., & Eddleston, K. A. (2018). A resource-based view of social entrepreneurship. *Academy of Management Review*, 43(1), 1–28.
- Banerjee, N. (2018). Globalization and US education policy. In A. Farzmand (Ed.), *Global encyclopedia of public administration, public policy, and governance* (pp. 1–7). Springer.
- Battilana, J., & Dorado, S. (2010). Building sustainable hybrid organizations: The case of commercial microfinance organizations. *Academy of Management Journal*, 53(6), 1419–1440.
- Battilana, J., & Lee, M. (2014). Advancing research on hybrid organizing. *Academy of Management Annals*, 8(1), 397–441.

- Doherty, B., Haugh, H., & Lyon, F. (2014). Social enterprises as hybrid organizations: A review and research agenda. *International Journal of Management Reviews*, 16(4), 417–436.
- Ebrahim, A., Battilana, J., & Mair, J. (2022). The governance of social enterprises: Mission drift and accountability challenges. *Academy of Management Annals*, 16(2), 545–586. <https://doi.org/10.5465/annals.2020.0124>
- Grant, R. M. (2003). Strategic planning in a turbulent environment: Evidence from the oil majors. *Long Range Planning*, 36(5), 491–517. [https://doi.org/10.1016/S0024-6301\(03\)00073-6](https://doi.org/10.1016/S0024-6301(03)00073-6)
- Jackson, E. T., & Harji, K. (2013). *Accelerating impact: Achievements, challenges, and what's next in building the impact investing industry*. Rockefeller Foundation.
- Kragulj, F., Kaiser, A., & Grisold, T. (2018). Identifying knowledge enablers in organizational visions: A synthesis of theory and practice. *Proceedings of the 51st Hawaii International Conference on System Sciences*.
- Lee, M. H., Johnson, A., & Cheng, A. (2024). How do parents choose schools for their children? Experimental evidence from the private Christian school sector. *Journal for the Scientific Study of Religion*, 63(3), 579–595. <https://doi.org/10.1111/jssr.12911>
- Mair, J., & Martí, I. (2006). Social entrepreneurship research: A source of explanation, prediction, and delight. *Journal of World Business*, 41(1), 36–44.
- Nicholls, A. (2010). Institutionalizing social entrepreneurship. *Journal of Social Entrepreneurship*, 1(1), 4–25.
- Nicholls, A., & Pharoah, C. (2008). *The landscape of social investment*. Skoll Centre for Social Entrepreneurship.
- Osterwalder, A., & Pigneur, Y. (2010). *Business model generation*. John Wiley & Sons.
- Rose, P. (2009). NGOs and education: Monitoring, evaluation and impact assessment. *Compare: A Journal of Comparative and International Education*, 39(4), 491–507. <https://doi.org/10.1080/03057920802178402>
- Rosser, A. (2018). Beyond access: Making Indonesia's education system work. *Journal of Contemporary Asia*, 48(1), 1–23. <https://doi.org/10.1080/00472336.2017.1343624>
- Samad, N. H. A., Ahmad, N. H., & Suria, K. (2023). Sustainability of non-profit organizations: A systematic review. *Accounting and Finance Research*, 12(2), 25–47.
- Seelos, C., Mair, J., Battilana, J., & Dacin, T. (2010). *The embeddedness of social entrepreneurship: Understanding variation across local communities (IESE Business School Research Paper No. D/858)*. IESE Business School.
- Teasdale, S. (2012). What's in a name? Making sense of social enterprise discourses. *Public Policy and Administration*, 27(2), 99–119.
- Teece, D. J. (2010). Business models, business strategy and innovation. *Long Range Planning*, 43(2-3), 172–194. <https://doi.org/10.1016/j.lrp.2009.07.003>
- UNESCO. (2021). *Reimagining our futures together: A new social contract for education*. UNESCO Publishing.