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Article

Unlocking potential social value creation to improve digital startup performance: The role of government institutional support and social entrepreneurship

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Unlocking Potential Social Value Creation to Improve Digital Startup Performance: The Role of Government Institutional Support and Social Entrepreneurship

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Abstract

The main goal of social entrepreneurship is to achieve organizational performance while facing various challenges, including a lack of financial support and difficulty harmonizing commercial activities with social missions. The authors suggest that government institutional support can revitalize social entrepreneurship through financial support and various policy measures. In addition, social entrepreneurship can increase the creation of social change to meet their social needs, known as social value creation. Hence, this study proposes institutional factors and social entrepreneurship as predictors of social value creation. Social value creation mediates the relationship between social entrepreneurship and organizational performance grounded on innovation theory. The study applies structural equation modeling with AMOS-24 software to test the research hypotheses with 249 Indonesian digital startups with a social impact as a sample. The results find that government institutional support can increase social entrepreneurship and enhance social value creation. As hypothesized, social value creation is a mediator in improving organizational performance. This study contributes to a comprehensive understanding of government institutional support, social entrepreneurship, social value creation, and organizational performance.

Keywords

Government institutional support, Social entrepreneurship, Social value creation, Innovation theory, Digital start-up

JEL Classification

L26, M13

Introduction

Social entrepreneurship is one of the most innovative and practical approaches to poverty alleviation and job creation, especially in developing countries (Kiblera et al., 2018). Social entrepreneurs focus on social welfare to create social values such as poverty reduction, unemployment, and environmental degradation (Bansal et al., 2019). Social entrepreneurs can play an essential role in solving social problems using innovative strategies (Vézina et al., 2018). Social entrepreneurs can drive social change by solving social issues, increasing social inclusion, and providing innovative solutions to improve organizational performance (Adro et al., 2021). However, many studies have reported different results. Palacios et al. (2019) found that social entrepreneurship has no impact on organizational performance, and Gali et al. (2020) found that social entrepreneurship does not affect financial performance. According to Naderi et al. (2019), social entrepreneurship can significantly improve organizational performance (Naderi et al., 2019; Ogbo et al., 2019). The results of empirical studies on the impact of social entrepreneurship on organizational performance are inconsistent and require further research.

Previous research has revealed several things about the failure of social entrepreneurship to improve organizational performance, such as lack of education in entrepreneurship, lack of financial support (Ogbo et al., 2019), and the difficulty of regulation to create a new company (Seda & Ismail, 2019). In addition, social entrepreneurship focuses on profits, not the resulting social impact (Ebrashi, 2012). Previous studies have shown that overcoming these deficiencies is closely linked to the role and support of the government (Seda & Ismail, 2019). Government institutional support has become an essential variable for increasing the number of social entrepreneurs through financial support, education, and training (Saberi & Hamdan, 2018). Previous studies have

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defined social entrepreneurship as the social impact of economic activity (Saebi et al., 2019). This activity requires government support, including simple restrictions on starting a new business (Saber & Hamdan, 2018). Ren et al. (2019), government support can encourage social entrepreneurs to find new solutions to overcome social problems. Consistent with Shu (2019) found that government institutional support has a positive impact on social entrepreneurship.

Conflicting studies of social entrepreneurship and organizational performance provide the theoretical view that social entrepreneurship is essential but insufficient for improving organizational performance. Previous studies have discussed enhancing organizational performance (Naderi et al., 2019; Saebi et al., 2019). According to Naderi (2019), social entrepreneurs must contribute to the community by improving the quality of products and services of social value, such as promoting community development or solving social problems. Creating social value helps organisations achieve better performance through innovative activities (Jiatong et al., 2021; Naderi et al., 2019; Saebi et al., 2019; Zulkefly et al., 2021). In line with the spirit of innovation theory, innovation theory emphasizes the role of an organisation to use, create, procure, and develop its resources for the benefit of the organisation and others (Goldsmith & Kerr, 1991; Schumpeter, 1934). Therefore, we conclude from the literature and empirical result above to raise the possibility of social value creation as a mediator between social entrepreneurship and organizational performance. The present examination addresses the following research question considering the discussion above.

- How does government institutional support affect social entrepreneurship?
- How does social entrepreneurship able to improve organizational performance?
- How does social entrepreneurship affect social value creation?
- Does social value creation affect organizational performance?
- Does social value creation mediate the relationship between social entrepreneurship and organizational performance?

This study aims to develop and test models of social value creation, government institutional support, social entrepreneurship, and organizational performance, especially in new business organisations (Berg & Mitra, 2022; Zahra et al., 2009). Therefore, we chose a digital startup to test our research model in line with previous research (Faludi, 2020; Semcow & Morrison, 2018). According to Faludi (2020), technology must play a role in spreading value creation, and startups can create social value through innovative business approaches (Khan et al., 2021; Semcow & Morrison, 2018). From a theoretical point of view, this research contributes to developing management science literature through social value creation variables. This paper highlights the impact of social value creation on organizational performance. On the managerial side, social value creation and its consequences can help an organisation develop new strategies to improve performance. The following section describes the literature review and research methods, followed by empirical analysis results, the implications, limitations, and future research directions.

Literature Review and Hypotheses

Social Value Creation in the Framework of Innovation Theory

The potential impact of innovations has attracted the attention of many researchers (Hostettler, 2018; Jiatong et al., 2021; Zulkefly et al., 2021), such as social change (Yang et al., 2019) created by social entrepreneurs. A social entrepreneur can generate new ideas for solving various social problems by creating a new social problem-solving organisation. Social innovations created by social entrepreneurs emerge as a response to rising social inequality. The ability of social entrepreneurs to develop innovations with social values seems to be the primary source of improving organizational performance recently. Therefore, today's innovation must meet every need of all interests. Innovation must have a social impact (Adro & Fernandes, 2021). Previous studies have focused on the outputs of social entrepreneurship, such as social capital (Naderi et al., 2019), social network (Jiatong et al., 2021), and social performance (Gali et al., 2020). However, organisations must combine innovation with social values to improve performance in the current situation (Berg & Mitra, 2022; Vézina et al., 2018). Our social value creation studies are rooted in innovation theory (Schumpeter, 1934), focusing on creating new values of innovation, especially in companies with a high R&D culture and technological advantages, such as digital startups.

For digital startups, the process of creating new products and services is initiated by intense R&D by looking at the problems in the market. That's why the creation of innovation created by startups can bring new social value creation (Berg & Mitra, 2022; Faludi, 2020). Schumpeter was the first to place the centrality of the entrepreneur on economic progress. Schumpeter argues that innovation is essential for entrepreneurship. Entrepreneurs create change because they can introduce innovation by creating new organisations (Schumpeter, 1934). Innovators can develop new ideas to solve various problems, especially social problems, by creating new organisations to solve social issues. Organisations must believe that creating innovations with social values is helpful for the company and the community, which can improve the company's image and performance.

Government Support and Social Entrepreneurship

Government supports for entrepreneurship could provide access to many essential resources, such as training, tax breaks, and financial grantees (Enzensberger et al., 2002; Shu et al., 2019). The role of government support can encourage companies to seek new solutions to environmental and social problems. Government support can help entrepreneurs access foreign investment and promote their innovations better (Tse et al., 2021). In other words, government support can strengthen the implementation of social entrepreneurship (Bozhikin et al., 2019), especially in developing countries. Developing countries have conducted various activities to support entrepreneurship, such as education and training, research and development, infrastructure improvement, market openness, financial and technical entrepreneurship, and multiple policies supporting and eliminating social entrepreneurship problems (Bussy & Kelly, 2010; Okpa et al., 2014).

Governments can see entrepreneurship as an integral part of increasing income and creating jobs for the community. Therefore, the government supports entrepreneurship and integrates entrepreneurial activity with government programs; this also applies to developing countries like Indonesia. The Indonesian government has set three pillars for encouraging digital transformation: creating digital infrastructure, regulations, and a digital ecosystem by creating activities to provide digital entrepreneurial opportunities to young Indonesian talents, for example, gerakan1000startupdigital and startup4industry. Adopting new technologies can enable Indonesian firms to transition more efficiently, develop new products, and exploit new markets (Indonesia, 2020). From the explanation above, the entrepreneurial spirit can grow through the availability of government institutional support (Saberri & Hamdan, 2018). Government support has become essential for developing entrepreneurship. We thus propose hypothesis 1:

H1: Government institutional support positively influences social entrepreneurship

Social Entrepreneurship and Organizational Performance

Research on social entrepreneurship has not been fully considered, and there is an urgent need to contribute to theory and practice (Stirzaker et al., 2021; Urbano & Toledano, 2010). An essential role of social entrepreneurship is to discover, define and leverage opportunities to increase social value by creating and innovatively managing new businesses or existing organisations (Zahra et al., 2009). Social entrepreneurship can solve problems by finding practical, innovative, and sustainable solutions, such as reducing unemployment and poverty. The broader definition of social entrepreneurship refers to creative activities with social goals in the nonprofit and commercial sectors to address social issues and promote social change (Austin et al., 2006; Dees & Anderson, 2003). However, social entrepreneurship is not a charitable institution.

Entrepreneurs need profits to maintain their organisation (Palacios-Marqués et al., 2019), create new organisations, develop business models, and implement innovative programs to promote innovation (Gupta et al., 2020). According to Naderi (2019) and Kraus (2021), social entrepreneurship can improve organizational performance through activities to increase social impact, solve social problems, and focus on partnerships with other companies and governments to ensure more significant and faster achievement of social missions. According to research by Valle Mestre et al. (2021) on 213 social economy companies in Spain, results confirm the positive effect of social entrepreneurship on performance (Valle Mestre et al., 2021). However, there are differences in research. Palacios (2019) showed that social entrepreneurship did not positively affect organizational performance, whereas the indirect effect was significant with distinctive competency in marketing as a mediator. Therefore, as can be inferred from the literature and empirical evidence above, social entrepreneurship is essential in introducing innovation to improve organizational performance. Based on previous literature, we postulate hypothesis 2:

H2: Social entrepreneurship positively influences organizational performance

Social Entrepreneurship and Social Value Creation

Social impact has received much research attention (Costa & Pesci, 2016). Social impact has been conceptualized in the literature using terms such as social performance, social relationship (Muller, 2020), and social value (Acs et al., 2011; Dufaysa & Huybrechts, 2014; Felício et al., 2013). Social impact is an essential part of the social entrepreneurship phenomenon. Social impact changes physiological and subjective states, motives and emotions, cognitions and beliefs, values and behaviour, which occur in individuals due to other people's accurate, implied, or imaginary presence or actions (Latane, 1981). In short, social impact is the change in value in work, social status, and social relationships that results from the emergence of social activity from the social entrepreneurial spirit (Zulkefly et al., 2021). Social entrepreneurship research can empower the discovery of new strategies for organisations to improve their performance through creating social value.

Social entrepreneurship has a new orientation in making a social impact, such as social value creation (Weerawardena et al., 2021), which seems to be characteristic of almost all forms of entrepreneurship. Creating social value explains the company's strategic direction between raising money for a social mission and making money by doing something valuable to society (Brieger & Clercq, 2019; Weerawardena et al., 2021). According to Naderi (2019), social entrepreneurship can create social values. Social entrepreneurs can choose the most appropriate social impact materials for social change in their environment, such as health, education, and job opportunities for the community. Lorenzo (2020) found that social entrepreneurship positively impacts social value

creation, and the ability of organisations to create social value impacts positive change in social groups, communities, and society (Lorenzo-Afable et al., 2020). Eng et al. (2020) researched three UK-based international charities and found social entrepreneurship creates social value in the international social entrepreneurship landscape. Therefore, the innovation also enables changes to strategic objectives to provide more social impact, such as creating social value. Social entrepreneurs are drivers of change; they are pioneers of innovation in the social field by developing business models and creating products with a social mission (Halberstadt et al., 2021). Therefore, inferring from the literature and empirical above, the study hypothesis 3:

H3: Social entrepreneurship positively influences social value creation

Social Value Creation and Organizational Performance

Today, innovations must create more value in the long term for all interests (Saebi et al., 2019), from gaining competitive advantage to creating impact, which will improve organizational performance (Rawhouser et al., 2017; Saebi et al., 2019). Organisations with technological advantages and innovation capabilities can be able to generate and spread the value of innovation across sectors. They can affect beneficial change for those who can collaborate with creation. The company's concern for social issues will provide value by paying particular attention to social problems. Organisations that can highlight innovation with social value will exceed the competitors, have high profitability, more significant market opportunities, and survive in the market (Felício et al., 2013), which will improve their performance (Naderi et al., 2019). Therefore, social enterprise can create novelty by focusing on making social value to maximize organisation profits. Studies on social value creation can add insight that social entrepreneurship can create business models that combine social value creation and profit for organisations (Son et al., 2018). According to Zahra et al. (2009), companies increasingly recognize the benefits of creating social value to improve performance. According to Bacq et al. (2016), Entrepreneurial activity creates social value and economic benefit. Social value creation is associated with continuously creating social benefits for its beneficiaries, giving adequate contributions to the local community, and playing a role in the local community. Social value is essential for organizational performance (Son et al., 2018). Hence, we suggest hypothesis 4:

H4: Social value creation positively influences organizational performance

Social Value Creation Mediates Social Entrepreneurship and Organizational Performance

This study starts from a problem with inconsistent findings on the effect of social entrepreneurship on organizational performance, so we provide a social value creation variable as a basis for improving organizational performance. Social entrepreneurship seizes the opportunity for change in the social realm by delivering creative and innovative solutions to overcome social problems (Halberstadt et al., 2021). Social entrepreneurs are often considered social enterprises (Adro et al., 2021), but social entrepreneurs need organizational performance to be consistent in the market (Gali et al., 2020). For example, Gali et al. (2020), social entrepreneurship can achieve superior social performance and generate economic value by designing and creating social value to address unmet social needs. Previous research has also corroborated social and economic goals (Halberstadt et al., 2021; Spietha et al., 2018). Therefore, social entrepreneurship must create innovation with social value characteristics to pursue organizational performance (Naderi et al., 2019). Several studies have shown that social value creation is an essential mediator of social entrepreneurship and organizational performance (Felício et al., 2013; Naderi et al., 2019). Therefore, we propose a mediation hypothesis 5:

H5: Social value creation mediates social entrepreneurship and organizational performance

Methods

Sample Design, Data Collection, and Common Method Bias

We chose a digital startup in Indonesia to test our proposed model for several reasons. First, startups can provide solutions to social problems through innovation (Halberstadt et al., 2021). Second, startups can create social value through innovative business approaches (Semcow & Morrison, 2018). Data collection from the agency directory of the Indonesian Ministry of Creative Economy (MIKTI, 2018) and 1000startupdigital.id. The key informants in this research are level C (CEO, CTO, CMO), top-level managers, or founders. Researchers selected respondents based on the ability of key informants to understand the social value generated by the company, which is essential to ensure errors caused by informants can be minimized. We are selecting cluster sampling as the sampling technique. This technique is most appropriate when the population spreads over a large area (Haseeb et al., 2019). In cluster sampling, several steps should be followed: first, create a cluster and then randomly select some significant groups as recommended. We divide thirty-four provinces in Indonesia into nine startup deployment groups, including Jabodetabek, Central Java, Special Region of Yogyakarta, West Java, East Java, Bali and NTB, Kalimantan, Sulawesi, and Sumatra. The researcher chose Jabodetabek because Jabodetabek has 763 startups covering 76.9% of the total number of startups in Indonesia. The startup used in this study is startups that have launched products on the market, already have users, have a legal entity, and have been established for at least one year. Due to the COVID-19 situation in Indonesia, we used an online questionnaire (Ball, 2019) by sending a cover letter and a research questionnaire (shown in table 2) to 763 respondents. This research takes starting from

October 2020 to October 2021. We also applied several research methods, such as employing a local research company to increase the level of respondents' participation in this study, after the researcher sent the questionnaire, the researcher and local research company called to the respondents a month after sending the email; of Indonesia's 763 digital startups, only 249 digital startups participated in this research, constituting 58.7% (249/424) as the effective response rate, this is because some startups are not yet legal entities, have not launched products in the market, and refused to be involved in the research, some startups were inaccessible by researchers.

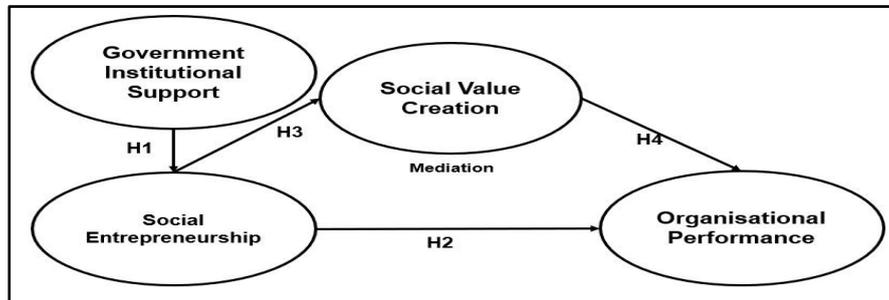


Fig 1. Structural model.

This research uses a self-reported survey and is prone to common method bias (Podsakoff et al., 2003). Common Method Bias (CMB) testing to avoid the causes of errors in measurement or data testing. The principle of the test is to include all items from all research constructs. This study suggests that no single factor explains the conflict of more than 50% to indicate no CMB in this study. We perform Harman's single test factor test (Aguirre-Urreta & Hu, 2019). We found the variance value was at 43.8%, Still below the standard 50% (Podsakoff et al., 2012), so the research data is not disturbed by variance. Characteristics of respondents can be seen in table 1.

Table 1. Characteristics of the respondents.

Gender	Percentage	Business sector	Percentage
Male	57%	E-commerce	42.2%
Female	42.2%	Fintech	26.1%
Age		Crowdfunding	1.2%
Below 30 years	86%	Others	29.6%
30-39 years	14%	Position	
Firm age		Level C	31.7%
Below five years	86.3%	Manager	68.3%
5-10 years	13.7%	Others	0
Employees		Social focus	
0-10 employees	55.8%	No social impact	15.3%
11-20 employees	44.9%	Targeting social impact	84.7%
> 20 employees	0	Profit focus	
		Nonprofit	0
		For-profit	100%

Source: Authors

E-commerce is the largest sector, with 42.2% of the total respondents. E-commerce supports social values for society, such as job creation, and helps facilitate market access for small and medium industries that adopt technology to promote their products. Fintech became the second-largest presentation in the digital startup sector, with 26.1% of total respondents. Financial technology, providing benefits and social value from the financing sector, and limited financing are significant problems for small and medium enterprises. Financial technology can help businesspeople and the general public who do not have access to bank loans. And the smallest, with a percentage of 1.2%, is crowdfunding, a digital startup that collects funds and distributes them back to the community through social actions.

Development of Measures

In this study, we used the scales available in some literature. Some scales are retained in their original form. In

comparison, others have been modified and reformulated to suit the purpose and context of this study. Government institutional support was measured using a four-item scale based on Shu et al. (2019). The measure of social entrepreneurship was assessed by Palacios (2019), whereas social entrepreneurship was measured using six items. Social value creation was measured using a three-item scale based on Naderi (2019). Organizational performance was measured using a seven-item scale based on Palacios (2019). The final scaled items are presented in table 2.

Validity and Reliability of the Measurement Scales

Confirmatory factor analysis was performed to evaluate the validity and reliability of the indicators used to measure the construct. We found the data distribution of our data has been normalized. The result for the measurement models and the normality test for all constructs are presented in table 2.

Table 2. Measurement of validity and reliability of the construct.

Construct and source	An operational measure of a construct	Skew	c.r	Kurt.	c.r	SFL	t-value	CR	AVE
Government institutional support	Model fit indexes: df=2; RMSA= 0.49; GFI= 0.994 AGFI= 0.969; TLI= 0.984; CFI= 0.995 The central and local governments have provided us with the necessary technical information and support.	-.187	-1.203	-.734	-2.364	0.78	7.443	0.75	0.44
	The central and local governments have supported us in seeking financial resources.	-.183	-1.179	-.408	-1.316	0.67	7.022		
	The central and local governments have provided us with beneficial policies and projects.	-.181	-1.163	-.662	-2.131	0.59	6.783		
	The central and local governments have provided direct financial support such as tax reduction and subsidies.	-.262	-1.686	-.482	-1.553	0.57			
Social entrepreneurship	Model fit indexes: df= 3; RMSA=0.031; GFI= 0.995; AGFI= 0.966; TLI= 0.995; CFI= 0.999 The company's strategy considers ethical components in its formulation. There is management commitment to the surrounding social problems.	.012	.079	-.468	-1.509	0.94		0.85	0.75
	The social benefits are considered when evaluating the different methodologies necessary to address a problem.	.062	.398	-.569	-1.831	0.61	7.550		
	When defining the company's objectives, not all have an economic component; some have a social character.	.076	.489	-.574	-1.848	0.61	8.116		
	The company seeks information on business projects that, at the same time, can have a social benefit.	.158	1.019	-.675	-2.175	0.91	11.454		
	The company allocates part of its budget and its activity to obtaining goods and services that, besides being viable, benefit the neediest sectors of society.	-.092	-.594	-.345	-1.110	0.54	7.643		
		-.012	-.075	-.144	-.144	0.51	6.962		
Social value creation	Model fit indexes: df=1; RMSA= 0.052; GFI= 0.996; AGFI= 0.973; TLI= 0.991; CFI= 0.997 This enterprise continuously creates social benefits for its beneficiaries.	-.181	-1.169	-.386	-1.244	0.68		0.78	0.67
	This enterprise gives adequate contributions to the local community.	-.111	-.714	-.438	-1.409	0.87	13.775		
	This enterprise plays a role in the local community beyond the mere profit generation.	-.024	-.155	-.501	-1.615	0.66	11.038		
Organizational performance	Model fit indexes: df= 11; RMSA= 0.049; GFI= 0.980; AGFI= 0.948; TLI= 0.989; CFI= 0.994 Quality of product or service.	-.010	-.068	-.406	-1.307	0.81		0.91	0.86
	The success of new products or services.	-.292	-1.884	-.130	-.419	0.79	15.834		
	Customer retention rate.	-.145	-.936	-.497	-1.602	0.82	14.409		
	Level of sales.	-.090	-.581	-.648	-2.086	0.78	13.146		
	Return on capital.	-.172	-1.111	-.782	-2.518	0.79	13.458		
	Gross profit margin.	.056	.364	-.608	-1.960	0.77	12.888		
	Return on investment.	.180	1.161	-.721	-2.322	0.70	11.661		

Notes: SFL= Standardized factor loadings; Measurement on a 5-point Likert scale 1= "strongly disagree"; 5 = "Strongly agree."

Loading factors from each construct demonstrated the results that reflect variables. The value of the reliability

construct was > 0.7 (Hair et al., 2013); extracted variance value was > 0.4 (Sharma, 1996); and the t-value was ≥ 1.96. All data processing results indicated the required number.

Results

To test the proposed model, we use CB-SEM and SEM-AMOS 24 software to get the results of testing our models and hypotheses. We use structural equations using AMOS software because SEM-AMOS is an analytical method that can simultaneously try the importance and weight of variable indicators (Arbuckle, 2016). Second, SEM-AMOS is a valuable tool for testing theory (Hooper et al., 2007). Third, SEM-AMOS allows the testing of mediation hypotheses (Hayes, 2015). We adopted the Sobel test for a mediation-hypotheses analysis (Hayes, 2015).

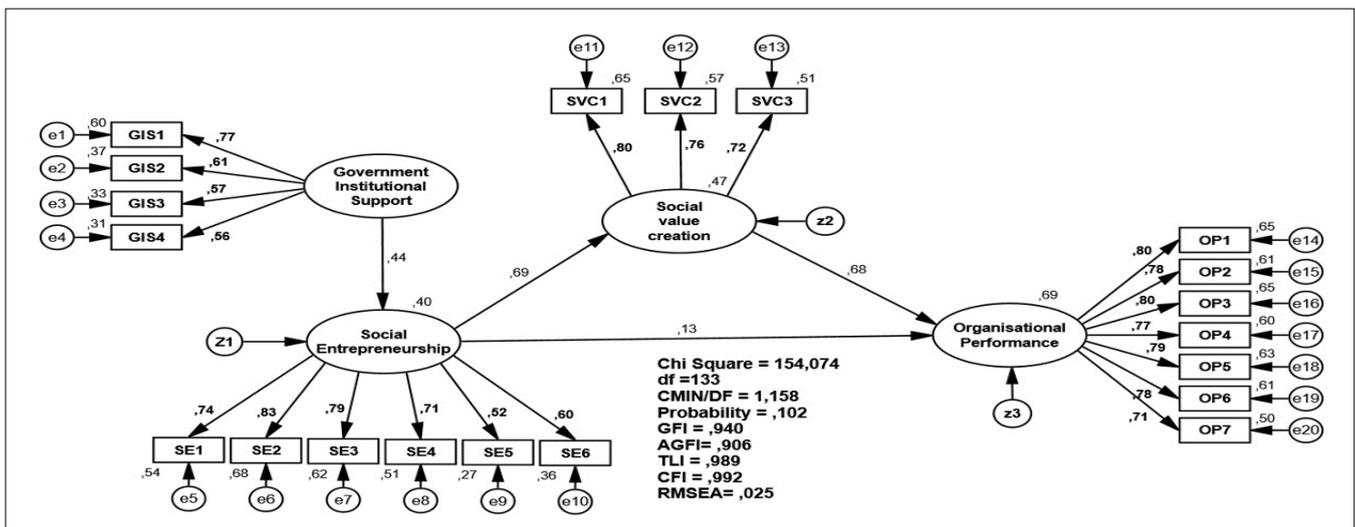


Fig 2. Conceptual research model.

Table 3 demonstrates the test results. All hypotheses except Hypothesis 2 were validated with a significant p < 0.001. Moreover, the regression coefficient of the path for H1 = 0.436 H2 = 0.130; H3 = 0.685; and H4 = 0.681, with critical ratio or t-values > 2.0. It indicated that hypotheses 1,3,4 were supported.

Table 3. Hypothesis testing.

Hypothesis	Standardized estimate	Critical Ratio	p-value	Result
H1: GIS→SE	0.436	5.382	0.000	Supported
H2: SE→OP	0.130	1.571	0.116	Not supported
H3: SE→SVC	0.685	8.190	0.000	Supported
H4: SVC→OP	0.681	6.931	0.000	Supported
SVL mediates SE and OP		Z-Value= 7.361	0.000	Supported

Source: Authors

Score for model fit index indicate acceptable fit measures $\chi^2 = 154.074$; $df = 133$; $RMSE = 0.025$; $TLI = 0.98$; $CFI = 0.992$; $AGFI = 0.906$; $GFI = 0.940$.

Discussion, Conclusion, Implications, Limitations, and Future Research

This study investigates the role of social entrepreneurship in converting the benefits of government institutional support into organizational performance, which is rooted in innovation theory. Social entrepreneurship has a role in solving social problems through innovative and creative approaches to pursue company performance without ignoring social impacts. The first results show that this study can conceptualize government institutional support to improve social entrepreneurship as construction. Second, social entrepreneurs cannot improve the performance of an organisation. Third, the vital role of social value creation in improving organisation performance. Finally, the structural model emphasizes creating social value as a bridge between social entrepreneurship and organizational performance.

The first research question shows that government institutional support positively affects social entrepreneurship. Government support will also increase the enthusiasm of entrepreneurs to innovate, especially innovations that lead to social change continuously. In line with previous research, the importance of government support for emerging new entrepreneurs is a severe concern in earlier research (Ogbo et al., 2019; Valle Mestre et al., 2021).

The Indonesian government continues to support the development of Indonesia's digital economy. The low number of workers absorbed from the Indonesian public sector is a problem for the government. The government can focus on supporting entrepreneurship because of its potential to contribute to economic growth and job creation. All stakeholders must collaborate to create innovation and a favourable environment for developing new ideas and solutions related to economic modernisation.

Furthermore, as previously hypothesized, social entrepreneurship cannot improve organizational performance. Social entrepreneurs are looking for business opportunities that provide value that benefits social life, the environment, and well-being. Difficulty in raising funds and building public confidence in leveraging the innovations offered by social entrepreneurs are challenges facing start-ups. Users or consumers still retain their traditional value, which is difficult to replace. Presenting the same product or service under different names, coupled with the rapid growth of new startups that mimic the startups of their predecessors, will intensify the competition between startups. The lack of public reaction to the novelty of products and services can be exacerbated by unequal technology distribution and disadvantaged startups. The result is consistent with the findings of earlier studies (Hajek et al, 2015 or Palacios-Marqués et al., 2019).

We did not expect the rejection of the hypothesis about the influence of social entrepreneurship on organizational performance. However, the denial of this hypothesis provides us with new insights into the role of social entrepreneurship in improving organizational performance. The key to the company's success in improving organizational performance is its ability to create inherent values in the innovations produced, mainly social values.

In contrast, social entrepreneurship focuses on pursuing organizational performance without notice of social value. Therefore, organisations must highlight social value creation as a strategy to improve organizational performance. Our findings show that social value creation has the power to enhance organizational performance through continuously creating social benefits for its beneficiaries, giving adequate contributions to the local community, plays a role in the local community that goes beyond the mere generation of profits.

Finally, our proposed hypothesis is to mediate social entrepreneurship with organizational performance through social value creation (Korsgaard & Anderson, 2011; sundaramurthy et al., 2013; Weerawardena et al., 2021). Creating social value is an effective, efficient, and sustainable way to get out of social inequality. Social value is the idea of social entrepreneurship through creating an organisation that targets social impact. Social entrepreneurship focuses on how market-based business model approaches can address social problems and lead to social change.

Conclusion

This study shows that social entrepreneurship significantly creates social values and improves organizational performance, as supported by previous research (Naderi et al., 2019; Ozdemir, 2013; sundaramurthy et al., 2013). The results of this study are consistent with the general argument that social entrepreneurs must be able to transform government support to create new strategies through a startup that remains oriented to organisation performance but without ignoring social values as a driver of organizational performance (Fridhi, 2021; Hostettler, 2018; Saebi et al., 2019; Semcow & Morrison, 2018; Shu et al., 2019).

This research's findings contribute to the knowledge of the theoretical essence of an innovation theory application in management for a digital startup. The results of this study indicate that social entrepreneurship is one of the critical antecedents of social value creation that can affect organizational performance. Several researchers have examined the effects of social entrepreneurship on social value creation, particularly in the context of startups (Berg & Mitra, 2022; Faludi, 2020). According to Zahra et al. (2009), the innovations generated by entrepreneurs are inseparable from social value through creating new businesses or managing existing organisations. Thus, we enrich the innovation literature (Schumpeter, 1934) by adopting social value creation and empirically examining its role in improving organizational performance. Innovation is not limited to new products and services. Organisations also need to consider the value of innovation. We also resonate with Goldsmith (1991) or Myskova et al. (2015).

The current study's findings provide several managerial contributions to a digital startup. Digital startups must leverage and maximize government support to create socially impacting innovations. Digital startups must shift their perspective from creating new products and services to creating social impact. Businesses must look for alternative strategies to improve performance, such as significantly developing social values, when the environment changes and competition gets more challenging. Organisations can use social value creation as an organisation strategy to improve organizational performance. Start-ups can create jobs, promote acquiring goods and services as needed, encourage interest in social welfare initiatives, and strengthen cooperation between traditional companies. The main managerial contribution follows from the findings of this study. The impact of structural paths through this research model confirms that social value creation is key to improving organizational performance.

This research is inseparable from research limitations. First, we use the perspective of innovation theory to bridge the research gap between social entrepreneurship and organizational performance. We suggest looking at other theoretical perspectives to bridge this research gap, such as service-dominant logic, to see how companies create

shared value with social communities and society in a collaborative manner between companies and communities. The second limitation is that future research can look at the perceived social impact of social beneficiaries from digital startups, such as small and medium enterprises and people who feel a social change from startups. Third, future research can use non-digital startups as a unit of analysis. Fourth, future researchers can adopt different approaches to test for common method bias, such as using marker variables. Finally, the rejection of the hypothesis of social entrepreneurship on organizational performance can provide opportunities to explore the role of other mediators or moderator variables that may enhance the results of this study.

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