

Towards A Meaningful Social Enterprise: Key Elements and A New Perspective

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Abstract

Social enterprises (SE) represent a distinct approach within the economic framework by prioritizing social values such as social welfare, justice, sustainability, and economic well-being dimensions often marginalized by state policies or market mechanisms. However, variations in the diverse interpretations and implementations of SE have created a fragmented landscape, potentially limiting their strategic impact. This study aims to clarify the conceptual foundations and practical orientations of meaningful SEs to enhance their role in social innovation. Using a qualitative research design, this study integrates extensive literature review with an analysis of Indonesia's legal framework on SEs and in-depth interviews with 20 SE practitioners operating in environmental sustainability, community empowerment, indigenous economic development, and women's economic participation. The findings reveal four foundational principles of a meaningful SE: lifelong learning, innovation, adaptive capacity, and social action. Furthermore, five critical dimensions are emphasized to reframe SE paradigms: the interaction between market and non-market mechanisms, integration within state-business-society relations, disengagement from dominant paradigms, and the significance of immaterial value creation. This study contributes to advancing SE theory and practice by proposing a more inclusive and transformative framework that reinforces the role of SEs in its societal impact.

Keywords: Social Innovation; Institutional Innovation; Market and Non-Market Mechanism; Social Enterprise; Strategic Transformation.

1. Introduction

Social enterprise (SE) has emerged as a significant concept within the evolving business landscape. Conceptually, SE differs from conventional business models (Austin et al., 2006) by prioritizing the pursuit of a social mission (Mort et al., 2002; Bacq & Janssen, 2011) and advancement of social values (Martin & Osberg, 2007; Mort et al., 2002). While SE remains economically oriented, it is also deeply committed to promoting societal and economic well-being, social justice, and sustainability (Ranville & Barros, 2021).

The increasing significance of SE is reflected in the growth of academic research and the increasing number of SE entities worldwide. However, scholarly discourse on SE remain fragmented (Collavo, 2018), leading to varied interpretations and characteristics of concept SE (Bravo, 2016; Harun et al., 2017; Dees, 1998; Kim & Shin, 2022; Okano, 2019). These conceptualizations are often shaped by diverse contextual and ideological influences, which in turn affect discursive framing, actor motivations, and operational practices (Jarrod et al., 2019; Collavo, 2018).

This conceptual diversity has led to a lack of clarity regarding the foundational identity of SE. The absence of a unified framework has produced a wide range of organizational designs (Andersen et al., 2016; Collavo, 2018), potentially weakening SE's ability to maintain a consistent balance between social mission and economic objectives. Furthermore, this fragmentation has contributed to isolated operational practices, thereby reducing the collective economic and social impact of SE initiatives (Montgomery et al., 2012).

This study addresses a critical research gap in SE, which has predominantly focused on defining SE, understanding actor motivations, developing business models, and case-based approaches that often align SE with conventional market-driven perspectives. In contrast, this study aims to identify the fundamental elements underpin SE conceptualizations. In doing so, it seeks to build a more meaningful and cohesive SE framework that is detached from political interests, temporal agendas, and ideological hegemony.

2. Methods

This study employs an exploratory qualitative approach, utilizing both primary and secondary data. According to Gautam and Gautam (2023), qualitative research provides a comprehensive framework that seeks to establish its foundation within the research paradigm by recognizing the richness of meaning and the subjective interpretations of human experiences.

2.1. Data collection

The research encompasses a comparative analysis of SE concepts globally, incorporating an extensive literature review, and examines SE praxis in Indonesia through the lens of its legal framework and the experiences of SE practitioners. To achieve this comparison, primary data was collected through in-depth interviews with 20 SE practitioners from entities that have been operating for over five years. These organizations address various issues, including environmental sustainability, social welfare, women's empowerment, indigenous community development, and community-based enterprise development (Table 1). The interview protocol included a set of open-ended questions designed to explore practitioners' experiences and perspectives on these topics. Each interview lasted approximately 60-90 minutes and was conducted in a semi-structured format, allowing for both guided and spontaneous responses. The data gathered provided a deep understanding of SE practices within the context of Indonesia's legal framework and the diverse challenges faced by these organizations.

Table 1: List of Respondents

Name of Social Enterprise	Core Issues Addressed	Positions
Rekam Nusantara	Environmental sustainability and waste management	Operations director
Salam Rancage	Women's empowerment and waste management	Founder and CEO
Hutan Organik	Enterprise development and forest conservation	Operations director
KTH Wana Jaya Asri	Farmers' group empowerment and forest preservation	Group leader
Martani Pangan Sehat	Food self-sufficiency	Founder
Gerai Nusantara	Indigenous community enterprise development	Director of business development
Borneochic - NTFP	Non-timber forest product-based community enterprise development	Business development coordinator
Lamerenan	Women weavers' welfare and culture preservation	Founder and CEO
Minikinizz	Child health and environmental issue	Founder
BUMMA Kasepuhan	Community-based enterprise development	Head of BUMMA
PT. Eksplorasi Tanpa Batas	Youth development and MSMEs	Founder dan CEO
HeroWaste Indonesia	Environmental sustainability and waste management	Founder
PT. Platform Usaha Sosial	Entrepreneurship development	Senior Community Engagement Associate
PT. Panda Lestari WWF	Community enterprise and forest conservation	Group leader
CU Pancoran Kehidupan	Access to finance and enterprise	Board member
PT. Parara	Local, healthy, fair, and sustainable food system	President director
Garda Pangan	Food insecurity	Founder and CEO
Biyung Indonesia	Women's welfare	Founder
Aliet Green	Empowerment of farmer, women and persons with disabilities	Founder
Koperasi Simpan Usaha Mulyo Lestari	Social welfare and mitigation for human-wildlife conflict	Advisory board member

Secondary data was sourced from academic articles and books that explore SE conceptualization. Specifically, the study analyzes 43 rigorously selected articles. Searching the Scopus database using the search strings "social enterprise" OR "social entre*" OR "social business" (conducted in January 2024), which initially yielded 11,150 articles. Screening was then applied based on inclusion criteria (relevant articles with specified keywords, clear definition of social enterprise, written in English or Indonesian, full text, relevant to the research objectives), resulting in 1,662 articles. These were further assessed for eligibility, yielding 158 articles, and after thorough reading, 43 articles were selected.

To complement the legal framework perspective, this research incorporates Presidential Regulation of the Republic of Indonesia No. 2 of 2022 on National Entrepreneurship Development for 2021–2024. The study follows an iterative process to enhance understanding and approach the phenomenon more closely. Additionally, the researcher builds inferences based on established premises (Borges, 2015).

2.2. Data analysis

The data were analyzed using content analysis, focusing on identifying recurring patterns, themes, and deeper meanings within interview transcripts and selected literature. This process followed the dialectical approach proposed by Van Der Burg (2008), which juxtaposes theoretical or conceptual construct with practical realities to generate enriched interpretations.

The analysis was carried out in four key stages:

- 1) Exploratory coding of interview transcripts and literature sources to identify preliminary themes;
- 2) Categorization and comparative analysis with a focus on maintaining substantive consistency while critically examining the influence of dominant ideologies on SE practice;
- 3) Identification of key elements of SE based on their foundational premises, as informed by Borges (2015)
- 4) Extraction of key elements of SE based on their foundational premises, as informed by Borges (2015).

The process was supported by NVIVO 12 software, which facilitates the systematic management and organization of qualitative data. To ensure the credibility and trustworthiness of the findings, triangulation was employed across literature, Presidential Regulation of the Republic of Indonesia No. 2 of 2022 on National Entrepreneurship Development for 2021–2024, and empirical narratives. The researchers engaged in continuous reflexivity throughout the research process to minimize bias and to maintain analytical rigor, particularly when interpreting ideological or normative assumptions embedded in SE practices.

3. Result

3.1. Foundational principles of a meaningful SE

Based on an in-depth review of the literature and interviews with practitioners, this study identifies a set of core principles that characterize social enterprises (SEs). Figure 1. illustrates the interrelationship among these core principles. These principles distinguish SEs from conventional enterprises and form the foundation of their identity and practice.

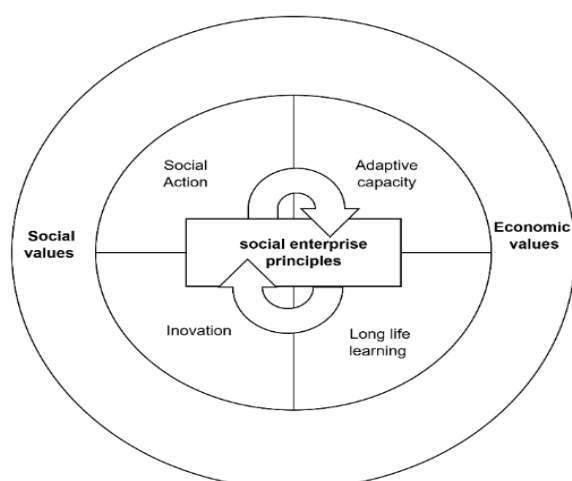


Fig. 1: Fundamental Principles of SE.

Source: Authors

1) Pursuit of Social and Economic Value

SEs aim to achieve both social and economic value (Dees, 1998; Alter, 2007; Kim & Shin, 2022). It is the prioritization of social value that fundamentally differentiates SEs from conventional enterprises (Austin et al., 2006; Akemu et al., 2016), and that drives their engagement in social transformation (Alvord et al., 2004; Brouard & Larivet, 2010; Haugh & Talwar, 2016). These social values include the provision of alternative solutions to ongoing societal problems (Alvord et al., 2004; Bacq & Janssen, 2011; Drayton, 2002; Santos, 2012). Social value forms a complex and unique foundation within SE business models. Economic value, while not the primary goal, plays a crucial role in supporting the sustainability of social missions. It manifests through the continuity of production activities, risk mitigation, and the ability to meet fair labor compensation (Defourny & Nyssens, 2014). To ensure long-term sustainability and impact, SEs must focus on sound financial management, strengthening their managerial capacity, and being sensitive to market demands. By aligning their operations with market needs, optimizing cost efficiencies, and driving revenue, SEs can enhance their economic resilience. These efforts not only contribute to social value creation but also enable SEs to scale their impact, ensuring both their progress and sustainability.

2) Adaptive Capacity

SEs demonstrate adaptive capacity, enabling them to respond effectively to dynamic environmental changes, whether social, economic, or institutional (Dees, 1998; Mort et al., 2002). This capacity supports their resilience and long-term sustainability.

SEs demonstrate adaptive capacity, enabling them to respond effectively to dynamic environmental changes, whether social, economic, or institutional (Dees, 1998; Mort et al., 2002). This capacity not only supports their resilience but also contributes to measurable economic outcomes. By adapting to changes, SEs can optimize resource allocation, improve operational, and better meet market demands. These adjustments lead to improved cost-effectiveness, increased revenue streams, and more stable financial performance, which are critical for their long-term sustainability. Therefore, the ability of SEs to adapt is directly linked to both their social mission and their economic viability.

3) Innovative Capability

Innovation is a core principle that enables SEs to develop new solutions and foster creativity in addressing social, environmental, and economic challenges (Verma, 2024; Mukherjee, 2023). Innovation has been widely recognized in the literature as a fundamental component of SE operational frameworks (Alvord et al., 2004; Alter, 2007; Austin et al., 2006; Bacq & Janssen, 2011). Beyond driving social value, innovation also plays a pivotal role in achieving measurable economic outcomes. By creating novel solutions, SEs can access new markets, optimize processes, and reduce operational costs. These innovations not only enhance their competitive advantage but also contribute to increased revenue, improved cost-efficiency, and stronger financial sustainability, which are essential for long-term success and impact (Weerakoon & McMurray, 2024; Indrawan et al., 2025).

4) Social Action

Social action reinforces the direct involvement of SEs in driving tangible social change. It manifests in a wide range of activities, including community participation in SE operations or engagement as beneficiaries of SE initiatives (Defourny & Nyssens, 2010; Palesangi, 2012; Reis, 1999).

5) Lifelong Learning

The principle of lifelong learning ensures that SEs continuously evolve through ongoing learning processes. In a constantly changing world, this principle is critical for SEs to remain relevant and responsive to emerging challenges. It enables SEs to stay adaptive, forward-looking, and sustainable over time.

In Figure 1, the principles of SE are represented by arrows symbolizing a dynamic, sustainable, and mutually reinforcing process among the core elements that constitute the SE itself. The circular motion of the arrows illustrates that principles such as adaptive capacity, social action, continuous learning, and innovation do not exist in isolation but are interconnected in a cycle that continually interacts and strengthens one another. This cycle reflects the notion that SEs are not static entities; rather, they evolve through ongoing reflection, adjustment, and renewal processes. Additionally, the arrows also represent how SEs maintain a balance between economic and social values through the integration of consistent practices and learning.

The principles outlined above, in addition to serving as a foundation, carry several significant implications for SEs. These principles strengthen the position of SEs as change agents with the capacity to transform social conditions. This is emphasized by the principle of social action, which positions SEs as active participants in driving social agendas, rather than merely responding to market demands. Furthermore, the principles of lifelong learning, innovation, and adaptive capacity highlight that SEs focus not only on outcomes but also on the collective learning process.

3.2. Bridging theory and practice in SE

To bridge theoretical and conceptual findings with practice in a dialectical process that enables richer understanding—as suggested by Van Der Burg (2008)—this study examined three key sources: a review of relevant literature, in-depth interview transcripts with SE practitioners, and the legal framework outlined in Presidential Regulation of the Republic of Indonesia No. 2/2022. Content analysis was conducted carefully, focusing on the identification of patterns, recurring themes, and underlying meanings across the data. The initial coding and categorization phase resulted in five key conceptual categories present across all three sources: SE actors, the underlying drivers of SE emergence, SE goals, strategic approaches, and core principles.

Social enterprise actors can take multiple forms, including individuals (Bacq & Janssen, 2011; Brinkerhoff, 2001; Light, 2006), community-based organizations (Bull & Crompton, 2006; Smallbone et al., 2001), business organizations (Alter, 2007; Haugh & Talwar, 2016), nonprofit organizations (Austin et al., 2006; Defourny & Nyssens, 2010; Ridley-Duff & Bull, 2019), and hybrid organizations (Brouard & Larivet, 2010; Mort et al., 2002; Kim & Shin, 2022). This diversity of actors was also confirmed in practice through interviews with respondents. However, from a legal standpoint, the regulation only explicitly identifies individuals as SE actors, omitting other potential forms.

The background or motivating factors for the rise of SEs emerged as a central theme across all sources. These drivers include various social problems (Alvord et al., 2004; Santos, 2012; Drayton, 2002), market failures (Thompson et al., 2000; Alter, 2007; Bacq & Janssen, 2011), state failures (Thompson et al., 2000), market forces (Thompson et al., 2000), and systemic economic injustice (Martin & Osberg, 2007). Among these, the presence of pressing social problems and strong market pressures were consistently identified across interviews and the legal framework.

However, respondents expressed skepticism about the adequacy of market-driven forces alone as a rationale for SE development. In practice, non-market factors such as cultural preservation were also identified as powerful motivators. For example, SEs such as Lamerenan, Gerai Nusantara, and Borneo Chic were deeply rooted in community efforts to preserve cultural heritage. Similarly, organizations like Biyung Indonesia and Martani emphasized that SE products often function as tools for social advocacy among Indigenous peoples, women, and marginalized groups. While literature often emphasizes market and state failures, these factors did not emerge as definitive conclusions from interviews with practitioners.

Another key category identified through comparative analysis is the purpose of SEs. Two dominant goals consistently found across literature, interviews, and legal texts are the pursuit of economic and social value (Alter, 2007; Gawel, 2014; Kim & Shin, 2022; Thake & Zadek, 1997). In addition, social transformation was identified as an overarching goal of SEs (Drayton, 2002; Dees, 1998). Two goals that appeared only in literature and the legal framework—but not mentioned directly by respondents—are support for government initiatives and contributions to national development (Haugh & Talwar, 2016). Literature also highlights the notion of SEs challenging hegemonic systems (Martin & Osberg, 2007), which respondents linked to critiques of current economic injustices. They expressed concern that markets are increasingly dominated by actors who disregard local, fair, healthy, and sustainable values. In this light, SE products serve not only as alternatives but also as acts of resistance against such dominant market forces. One goal mentioned exclusively in the legal framework is supporting the Sustainable Development Goals (SDGs), as well as the requirement to reinvest at least 51% of net profits into social missions.

The study also identified key strategies employed by SEs to achieve their goals, including business approaches, community empowerment, public service provision, and resource mobilization. Among these, business-oriented and service delivery approaches were consistently present across literature, legal texts, and interview data (Brinkerhoff, 2001; Dees, 1998; Haugh & Talwar, 2016; Johannisova et al., 2013). However, an emergent theme that surfaced specifically from respondent interviews is activism. Activism was framed as a vital strategy for pursuing social change and was described as an exercise in translating deeply held values into concrete actions.

Juxtapose of literature perspectives, legal frameworks and field studies can be seen in Figure 2.



Fig. 2: Juxtapose of Literature Perspectives, Legal Frameworks and Field Studies.

Source: Authors

Figure 2 illustrates the comparative analysis across perspectives, each of which presents distinct characteristics. The literature tends to be normative and conceptual, offering ideal frameworks that may not fully capture the practical challenges encountered in the field—such as regulatory barriers and imbalances of power within economic systems. In contrast, Indonesia's legal framework appears insufficient in addressing the lived realities of social enterprise practice. The regulation is primarily oriented toward administrative compliance and legal formalities, while field realities reveal deeper structural challenges, particularly in confronting systemic economic injustice. Moreover, the regulation's scope is narrowly framed around supporting the Sustainable Development Goals (SDGs), whereas many of the social issues addressed by SEs extend beyond the SDG framework. The provision mandating SEs to reinvest more than 50% of their net profits into social missions is perceived by practitioners as an excessive demand from the state, especially given the absence of adequate support mechanisms or enabling ecosystems. The field study findings emphasize dimensions often overlooked in both literature and policy—

namely, activism, economic injustice, and resistance to hegemony. These dimensions highlight the critical, transformative roles SEs play, which are not sufficiently recognized in the dominant discourses.

4. Discussion

4.1. Interacting core principles

The articulation of core principles—social and economic value creation, adaptive capacity, innovative capability, social action, and lifelong learning—highlights the multidimensional nature of social enterprises and their divergence from conventional enterprise logics. These principles collectively emphasize that SEs are not merely hybrid organizations balancing profit and purpose, but are ethically driven, context-responsive, and socially embedded institutions. Notably, the centrality of social value positions SEs as normative actors seeking systemic change, while economic value serves as a means rather than an end.

The inclusion of adaptive capacity and lifelong learning reflects the fluidity and uncertainty in the environments where SEs operate, particularly in developing contexts. Innovation, as emphasized in the literature, is not only a functional tool but also a transformative strategy that allows SEs to reimagine solutions outside dominant paradigms. Meanwhile, the principle of social action underscores the participatory and relational dimensions of SEs, grounding their legitimacy in community engagement and empowerment. Taken together, these principles suggest that SEs should not be confined within existing institutional or policy frames that prioritize quantifiable outputs but rather recognized for their complex, evolving, and value-centered contributions to social transformation.

4.2. Critique of the concept of social enterprise

The identification of key concepts from the comparative analysis of literature, the legal framework, and field data reveals several contradictions, ideological biases, and conceptual limitations that undermine their adequacy as a foundation for developing a meaningful social enterprise (SE) framework. These points of contention are discussed below.

1) Social Enterprise as Market-Driven

The emphasis in some literature on market forces as the primary driver of SE is conceptually insufficient. Such a view implies that SE is moved exclusively by market logic, disregarding the multitude of social, cultural, political, historical, and ideological factors embedded in communities. As Dufays and Huybrechts (2014) argue, economic phenomena do not occur in a vacuum; rather, they are embedded in networks of social relations. Accordingly, SE should also be understood in relation to non-market contexts.

This view is strongly supported by field findings, which reveal that market mechanisms are not the sole motivator for SE actors. Instead, both market and non-market logics play a proportional role in shaping SE practices. In reality, SE does not emerge merely from market demand—such as the willingness to pay for SE products—nor solely from supply-side motivations. Rather, SEs are also driven by moral imperatives and cultural commitments to produce goods that embody specific social values. As stated by De Bell & Bakker (2025), many social enterprises initially collaborate within a business context, but the complexity of social issues leads these collaborations to focus more deeply on social impact.

For instance, Parara promotes products rooted in the values of local, healthy, fair, and sustainable, while KMAN Gerai Nusantara seeks to assert the sovereignty and visibility of Indigenous communities across Indonesia. Similarly, Biyung Indonesia and Minikinizz were founded in response to pressing environmental degradation, positioning themselves as critiques of mainstream economic and industrial practices. These examples illustrate that portraying SE as solely driven by market mechanisms is inadequate. Social enterprises are deeply entangled in both market and non-market dynamics, and their motivations often reflect broader social commitments, resistance to injustice, and aspirations for systemic change.

2) Social Enterprise and the Domain of Market Failure

The dominant paradigm holds that a competitive market is the most effective mechanism for achieving optimal collective welfare, often referred to as Pareto optimality (Steyaert & Hjorth, 2006). Within this view, the market is conceived as a self-regulating system that operates across all industries through various market mechanisms (Mankiw, 2008). Such a market system is characterized by private property rights, minimal state intervention, and an economy driven primarily by the forces of competition.

Mankiw (2008) further elaborates that market failure occurs when markets are unable to allocate resources efficiently, when externalities (positive or negative) arise, or when government intervention disrupts the market mechanism. Within this logic, SE is often framed as operating within the domain of market failure, stepping in to address deficiencies left uncorrected by the market.

However, framing SE within the logic of market failure essentially endorses the assumptions of the dominant paradigm, in which SE is perceived as a compensatory mechanism for market inefficiencies (Newey, 2017). This perspective risks portraying SE as merely a functional supplement to an otherwise self-correcting system, implicitly validating principles such as individual freedom, competition, capital accumulation, and the minimization of state involvement.

This framing carries significant ethical and social implications. The dominant principles of competition, individualism, and growth orientation are deeply associated with utilitarian and anthropocentric worldviews—emphasizing efficiency, expansion, and personal gain. These values stand in contrast to the ethical foundations of SE as a form of social economy rooted in solidarity, inclusiveness, participation, and social justice.

By uncritically adopting the market failure narrative, there is a risk of marginalizing these foundational SE principles and reinforcing a narrow economic rationality that contradicts the transformative and justice-oriented aspirations of social enterprise. Therefore, a more nuanced understanding is required—one that recognizes the structural limitations of the market and affirms SE's role not merely as a corrective agent, but as an alternative economic logic embedded in diverse moral, social, and political commitments.

3) Social Enterprise within the Domain of Government Failure

Government failure refers to a condition in which the state is unable to fulfill its responsibility in delivering public welfare, particularly with regard to the provision of public goods. Additionally, government failure is often indicated by the state's inability to effectively intervene in correcting market failures (Beaton & Kennedy, 2020; Gleerup et al., 2019; Thompson, 2002). Contributing factors include rent-seeking behavior, inadequate information, bureaucratic inefficiencies, and other structural weaknesses that ultimately distance the state from its foundational welfare goals.

Framing SE as operating within the domain of government failure risks reinforcing the notion that SE emerges only in areas where the state has withdrawn or is minimally involved. As Dey & Teasdale (2015) argues, SE has increasingly been introduced as a tool of the

dominant paradigm—one that legitimizes the withdrawal of the state from the social welfare domain. Within this framing, SE is portrayed as a private entity that assumes responsibilities once held by the public sector.

Anchoring the development of SE within the logic of the dominant paradigm places SE in a paradoxical position. While this paradigm may have generated material welfare for certain groups, it has also produced substantial economic inequality, monopolistic structures, unethical business practices, environmental degradation, labor exploitation, and a host of other social problems (Yunus, 2008; Kim & Shin, 2022). Hickel (2020) further highlights that global inequality is exacerbated by the fact that 81% of material consumption growth is concentrated in wealthy nations.

These realities have prompted critical responses to the dominant paradigm, including the rise of alternative frameworks such as the degrowth paradigm (Demaria et al., 2013; Hickel, 2020), which challenge the foundational assumptions of perpetual economic expansion and market-centric development. If SE development continues to be framed within the parameters of this dominant model, it may struggle to achieve its deeper, transformative social values in a meaningful and systemic way.

In this regard, there is a need to reposition SE not merely as a response to the failures of the market or state, but as a structurally alternative model—one that challenges prevailing economic ideologies and advances a more inclusive, ethical, and justice-oriented vision of development. SEs should be positioned as a crucial component of business, working alongside the state, businesses, and society to improve the shared social conditions they collectively aspire to. In the context of Indonesia, Heriyati et al (2024) discusses that SE must work alongside both public and private institutions to create social impact for communities.

4) Social Enterprise as a Business Conception

Several scholars have described social enterprise (SE) as a business conception or model. Tan et al. (2005), and Hulgård (2011) emphasize that SE incorporates key business principles. As such, SE reflects certain logics and practices of business (Spicer et al., 2019). At the same time, SE also represents an idea or vision, an approach (Brinkerhoff, 2001; Ridley-Duff & Bull, 2019), an activity (Austin et al., 2006; Defourny & Nyssens, 2010; Harding, 2004), a behavior (Mort et al., 2002), and a mission-driven business model (Thompson et al., 2000; Korukonda, 2011). Nevertheless, Thompson et al. (2000) assert that SE is distinct from commercial business models in that it does not solely pursue profit maximization.

Business characteristics within SE are evident in a number of practices commonly associated with conventional enterprises, albeit with a greater emphasis on social dimensions. SEs capitalize on opportunities (Zahra et al., 2009; Martin & Osberg, 2007; Dees, 1998; Bacq & Janssen, 2011), apply market-based approaches (Bull & Crompton, 2006; Hulgård, 2011; Johannisova et al., 2013), provide goods and services (Defourny & Nyssens, 2010; Ridley-Duff & Bull, 2019), employ innovative methods (Austin et al., 2006; Brouard & Larivet, 2010; Mair & Lanuza, 2006; Reis, 1999; Tan et al., 2005; Zahra et al., 2009), demonstrate adaptability (Dees, 1998), and manage economic risks (Defourny & Nyssens, 2010; Mort et al., 2002; Peredo & McLean, 2006; Tan et al., 2005).

In some strands of literature, SE is associated with the notion of creating shared value (CSV)—a concept advanced by Porter and Kramer (2011), which emphasizes creating societal value by addressing collective needs and challenges. CSV is often linked to corporate social responsibility (CSR), where businesses contribute to social causes without fundamentally altering their profit-oriented business models. Consequently, numerous studies draw direct associations between SE and CSR (Kiladze et al., 2024; Myrskyläinen & Torkkeli, 2022).

However, a critical view of this association reveals a potential paradigmatic trap. Aligning SE too closely with business-as-usual or CSR risks reducing SE to an economic instrument that merely supplements core business operations with social initiatives. Under such interpretations, CSR may be seen as external to the business model—providing a veneer of social concern without transforming the underlying dominant paradigm. In contrast, SE is structurally and institutionally designed to prioritize and achieve social values, embedding them directly into the enterprise model rather than treating them as secondary or peripheral.

5) SE Opposes Economic Hegemony

Economic hegemony, as defined by Pahre (2005), refers to the dominance or significant influence exerted by a particular state or entity in shaping global economic structures and dynamics. The dominant paradigm, which has deeply permeated various aspects of life, exerts substantial influence over economic systems through the norms and values it promotes (Hickel, 2020).

Based on the present analysis, the social construction of social enterprise (SE) is often shaped—either explicitly or implicitly—by the dominant paradigm. This indicates that the prevailing framework operates in a hegemonic manner, embedding itself into the logic and functioning of SE across different contexts.

In light of this, there is a growing imperative for SE to detach itself from the hegemonic influence of the dominant economic paradigm. Rather than serving as a complementary or corrective tool within existing systems, SE should be envisioned as an alternative economic model—one capable of challenging normative assumptions and advancing more inclusive, just, and participatory modes of economic organization.

6) Reinvesting a Minimum of 51% of Net Profits into Social Missions

Social enterprises (SEs) are fundamentally committed to achieving social objectives (Alter, 2007; Bacq & Janssen, 2011; Bull & Crompton, 2006; Brouard & Larivet, 2010; Drayton, 2002; Defourny & Nyssens, 2010; Gawel, 2014). Their operations aim to address social problems through the advancement of core social values (Austin et al., 2006; Bacq & Janssen, 2011; Dees, 1998). These social values are reflected in SEs' contributions to social and economic welfare, social justice, and sustainability (Ridley-Duff & Bull, 2019).

In practice, SEs express their commitment to social missions through a wide range of socially oriented activities. These include, for example, food redistribution for low-income communities (Garda Pangan), provision of reusable sanitary pads for women in impoverished areas (Biyung Indonesia), and educational scholarships, among other initiatives. The nature of social missions carried out by SEs is often diverse, context-specific, and not always quantifiable in terms of profit reinvestment ratios.

Unlike traditional enterprises, SEs do not operate with profit maximization as their primary goal. Consequently, their social mission cannot always be reduced to a measurable percentage of net profit. Many SE activities are non-revenue generating, embedded within their business models, and often intangible or immaterial in nature. Such activities may include community mentoring, empowerment programs, advocacy work, and capacity-building trainings—all of which contribute meaningfully to social transformation, but fall outside conventional financial metrics.

The requirement—such as that imposed by Indonesia's legal framework—for SEs to reinvest a minimum of 51% of net profits into social missions, while well-intentioned, may fail to capture the embedded and non-financial nature of many SE contributions. A rigid numerical standard may undervalue the complexity and diversity of SE approaches, particularly in contexts where impact is expressed through process-oriented and relational strategies rather than profit-based accounting.

4.3. Social enterprise paradigm shift

Several narratives emerging from this study are proposed as responses to the critiques of prevailing conceptualizations of social enterprise (SE). These narratives represent efforts to reframe SE beyond the constraints of dominant paradigms and to offer a more contextually grounded and theoretically robust interpretation:

1) From “Market-Driven” to “Market and Non-Market Interaction.”

Rather than conceptualizing SE as purely market-driven, this study proposes that SE interacts with both market and non-market approaches. This reconceptualization opens broader pathways for SEs to simultaneously engage multiple strategies to achieve their social mission. Market and non-market approaches can operate at the micro (firm), meso (industry), and macro (national and global) levels (Winoto, 2020). This paradigm shift accommodates the non-market dimensions inherently embedded in SEs, such as social engagement and community involvement, as emphasized by Haugh and Talwar (2016) and Johanisova et al. (2013). In practice, SEs often operate within and for communities, highlighting the relational and participatory nature of their work (See Figure 3).

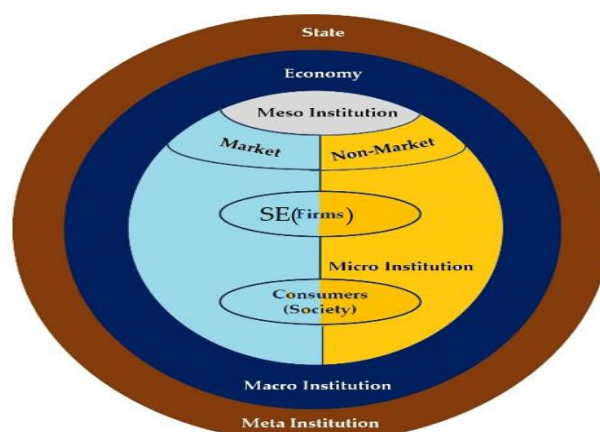


Fig. 3: SE Interacting with Market and Non-Market Mechanisms.

Source: Modified from Winoto (2020).

Figure 3 illustrates that SE integrate both market and non-market mechanisms as approaches that are pursued simultaneously. In practice, SEs do not solely operate based on market demands, as reflected in the principle of willingness to pay for SE products, or conversely, on the desire to sell products due to their availability. SEs also emerge from non-market mechanisms, such as the calling to produce goods that embody specific social values, as highlighted by Parara, which include Local, Healthy, Fair, and Sustainable values. Through SE, KMAN Gerai Nusantara also seeks to demonstrate that indigenous communities in various remote areas of the country exist and maintain sovereignty. Additionally, initiatives such as Biyung Indonesia and Minikinizz show how their presence as SEs serves as a critique of environmental pollution issues. These examples suggest that asserting that SEs are solely driven by market mechanisms is inadequate.

2) Decentering the Dominant Paradigm

SE must be neutralized from the normative assumptions of the dominant paradigm. Conceptualizing SE as a response to market failure or government failure implicitly accepts the dominant ideological logic, positioning SE merely as a compensatory mechanism (Newey, 2017). Such a framing reinforces assumptions tied to individualism, competition, capital accumulation, and the retreat of the state—values that are often misaligned with the ethical and collective foundation of SE.

3) Beyond Government Substitution: Collaborative Institutional Roles.

SEs are often situated in domains where state reach remains limited, particularly in addressing complex public goods such as education, healthcare, environmental protection, and social security. However, this does not imply that SEs should substitute for the state. SEs require collaborative engagement with the state and other institutions, including business and civil society, to fulfill their social mission. As Winoto (2021) argues, markets are embedded in legal and regulatory structures that are inherently shaped by the state. Moreover, SEs are historically, ideologically, and institutionally situated (Jarrodia et al., 2019; Collavo, 2018) and are deeply interconnected with society. Thus, SEs should be seen as actors that interact with both the state and communities within ethical and legal boundaries, not as entities that assume the state's role in isolation.

4) Differentiating SE from Commercial Enterprise.

SEs are distinct from conventional businesses whose sole orientation is the pursuit of economic value. Rather, SEs embody a social economy approach that integrates social and economic dimensions to promote community welfare (Steiner et al., 2022; Brieger et al., 2019; Rodríguez-Ramírez et al., 2022). While SEs engage in market activities, their orientation differs significantly—they do not aim to maximize shareholder profit but to generate social impact. As hybrid organizations (Matzembacher et al., 2020), SEs operate with dual logics: they leverage economic tools while being embedded in civil society and public value creation. Roy and Grant (2020) emphasize that hybrid organizations are defined not merely by mixed strategies, but by their capacity to disrupt conventional boundaries between private gain and public good.

5) SE as an Alternative Economic Institution.

SEs represent a form of alternative economic institution, grounded in ethical values such as solidarity, inclusiveness, participation, sustainability, and justice. In this regard, SEs challenge the ideological foundations of the dominant paradigm, which has historically structured economic life but also contributed to a range of persistent social and ecological crises.

6) Reassessing the 51% Reinvestment Rule.

Within Indonesia's legal framework, the stipulation that SEs must reinvest at least 51% of net profits into social missions appears misaligned with the reality of SE practice. This regulation implies that SEs first prioritize profit generation before allocating a portion to social causes, which contradicts the fundamental logic of SEs as mission-first enterprises. In reality, many SEs embed their social missions within their business models in ways that are not always profit-driven or financially measurable. Activities such as empowerment, advocacy, community education, and capacity building are often integral yet intangible. Therefore, the state should provide more

meaningful legal recognition and institutional support for SEs, including tailored incentives and regulatory mechanisms. One such step would be the legal acknowledgment of "social enterprise" as a distinct organizational form, separate from existing classifications such as limited liability companies (PT), foundations (yayasan), cooperatives, and others. The current legal structure in Indonesia offers limited institutional fit for SEs, many of which operate under legal forms that impose duties and constraints misaligned with the values and models of social enterprise. Figure 4 illustrates the paradigmatic shift required to reconceptualize SEs beyond conventional legal and economic framings.

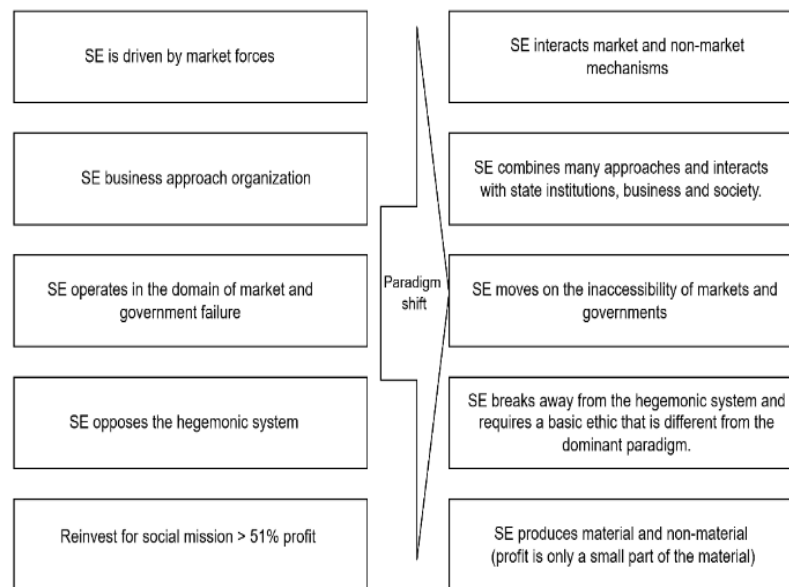


Fig. 4: Paradigm Shift in Social Enterprise.

Source: Authors

Figure 4 illustrates the paradigm shift necessary for SEs, which has significant implications for the understanding and practice of SE. This shift entails: (1) moving from a sole market-driven approach to an integration of both market and non-market mechanisms, allowing SEs to develop more flexible and context-specific sustainable strategies; (2) broadening the definition of business and business approaches to encompass institutions that integrate diverse methods and foster cross-institutional relations, enabling SEs to move beyond narrow, conventional business frameworks; (3) establishing a clear ethical foundation for SEs, emphasizing that their ethical basis differs from dominant ideologies, guiding them to consciously set moral boundaries around profit accumulation, capital growth, and power relations; (4) opening opportunities for the development of success indicators that go beyond narrow material measures to include intangible values; and (5) expanding opportunities for SEs to explore various forms of development through coalitions, social movements, and as agents of change.

To support the paradigm shift for SEs, several potential policy interventions are necessary. First, governments should establish legal and regulatory frameworks that recognize SEs' dual mission, offering incentives such as tax benefits and simplified registration processes. Additionally, public policy should integrate non-market mechanisms, such as social value measurement and ethical consumption, into national strategies to recognize SEs' broader social impacts. Policies should also incentivize ethical business practices, promoting fair labor standards and environmental sustainability through targeted tax credits (Rustandi et al., 2023). Another important intervention is the development of standardized social impact indicators to help SEs measure and communicate their non-material outcomes, fostering greater recognition. Governments should encourage cross-sectoral collaboration through public-private partnerships and joint initiatives, supporting an ecosystem where SEs can thrive (Susilowati et al. 2024). Additionally, creating specialized financial instruments like impact investment funds and low-interest loans would improve SEs' access to capital, allowing for sustainable growth (Yulius & Tampubolon 2015). Finally, promoting educational programs on social entrepreneurship and ethical business practices would build the necessary capacity for future SE leaders, ensuring a steady flow of skilled individuals equipped to drive the sector forward. These interventions collectively aim to create a supportive environment for SEs to thrive, balancing social impact with economic sustainability. To implement this, benchmarking can be conducted with countries that have already implemented specific policies related to social enterprises, such as Thailand (Doherty & Kittipanya-Ngam, 2021) and South Korea (Bidet et al., 2019).

In light of the findings presented, this study underscores the need to reconceptualize SE beyond dominant market-centric and institutional paradigms. By revealing the interactive role of market and non-market logics, the embeddedness of SEs in community dynamics, and the limitations of current legal frameworks, this research affirms SE as a distinct and evolving institutional form grounded in ethical, participatory, and justice-oriented values. Rather than positioning SE as a mere corrective to market or government failures, it should be understood as an alternative economic actor capable of reshaping how social value is defined and pursued. However, this study also reveals persistent conceptual tensions and institutional mismatches that merit further investigation. Future research should explore the context-specific operational models of SE across different socio-political settings, examine the long-term implications of legal recognition and regulatory reforms, and deepen the understanding of how SEs negotiate their identity and legitimacy amidst shifting economic, cultural, and ideological landscapes.

Further research could explore more comprehensively each principle and new paradigm identified in this study, using a larger sample within more specific contexts, such as particular industries or diverse geographic regions, to gain deeper insights.

5. Conclusions

This study advances the theorization of social enterprise (SE) by identifying four foundational principles—lifelong learning, innovation, adaptive capacity, and social action—and five critical dimensions that reframe SE beyond market-centric paradigms. These include the interaction of market and non-market mechanisms, integration within state-business-society relations, disengagement from dominant ideologies, and recognition of immaterial value creation. Together, these findings position SE as a transformative and socially embedded institution, rather than a mere corrective to systemic failures. The proposed framework encourages a more inclusive understanding of SE's societal role and invites further research into context-specific models, enabling policies, and strategies for sustaining its social mission in diverse institutional landscapes.

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Informed Consent Statement

Informed consent was obtained from all subjects involved in the study.

Data Availability Statement

The data presented in this study are available on request to the corresponding authors. The data are not publicly available to privacy concerns.

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Conflicts of Interest

The authors declare no conflicts of interest.

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