



Social Enterprise in Indonesia: Emerging Models under Transition Government

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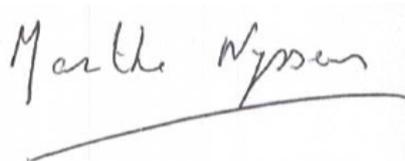
As intermediary products, ICSEM Working Papers provide a vehicle for a first dissemination of the Project's results to stimulate scholarly discussion and inform policy debates. A list of these papers is provided at the end of this document.

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Table of contents

1. Introduction	4
2. The dimensions of social enterprise	5
2.1. The EMES perspective	5
2.2. Typologies of SE models.....	5
3. Research methodology	7
4. Historical background	8
4.1. The political transition	8
4.2. The philanthropic tradition	9
4.3. The religious-based community and associative tradition	11
4.4. The cooperative tradition.....	13
5. The current business environment	14
6. Field analysis	17
6.1. Interview-based data.....	17
<i>Social mission</i>	17
<i>Legal form</i>	18
<i>Economic activities</i>	18
<i>Governance structure</i>	20
6.2. Application of existing typologies to the Indonesian context	20
7. Tentative typology of Indonesian SE models	22
Model A: Entrepreneurial NPO	22
Model B: Social cooperative (SC) model	23
Model C: Community development enterprise (CDE) model.....	25
Model D: Social business (SB) model	25
6. Concluding remarks	27
References	29
Appendix 1. Profile of the observed organizations	31
ICSEM Working Papers Series	33

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1. INTRODUCTION

Indonesia has been witnessing the development of the role of the third sector through the emergence of social enterprises. These initiatives aim to respond to various social problems, including mass unemployment, the great deficit of the public budget and fear of national disintegration, caused by the 1998 financial crisis. In fact, social enterprises—and more particularly the cooperative model—have played a pivotal role in the last decades in the country (Chaniago 1979; Baswir 2010).

The Indonesian Constitution underlines the fact that the economy is required to adopt the cooperative principles, and the emerging concept of social enterprise has raised attention for the Indonesian third sector. However, a precise view of the social enterprise concept is still lacking in Indonesia, for several reasons. First, the existing literature has relied so far only on cases presenting social activities or policy studies (Dacanay 2004; Idris and Hati 2013; Pratono et al. 2014). Secondly, there is no specific legal form for social enterprises in Indonesia, which implies an ambiguity in the implementation of social enterprise activities. The definition of social enterprise varies a lot according to the context as well as among the different schools of thought (Defourny and Nyssens 2010), and the Asian landscape of the social enterprise phenomenon is complex (Defourny and Kim 2011). Hence, more in-depth analysis is required to understand social enterprise models in Indonesia and move forward in the comparative analysis.

This study aims to put forward a tentative typology of social enterprise models in the Indonesian context to overcome this research gap. With a view to achieving this goal and to exploring the social movement in the Indonesian context, we decided to adopt a qualitative method. Beside our main research question, on what the typical social enterprise models in Indonesia are, we also analyzed (1) the way in which the economic activities support the social mission and (2) the decision-making process in the “social enterprise practices” of the observed organizations.

The present working paper consists of seven major sections, beside the present introduction. The first one (section 2) presents the existing literature, highlighting the EMES school of thought and typologies of social enterprise in which this study is anchored. Section 3 describes the research method, which is based on an exploratory approach. Section 4 discusses the historical context influencing social enterprises, while section 5 presents the current business context. Data collected about a sample of social enterprises is analyzed in section 6. In section 7, we put forward a tentative typology of SE models in the Indonesian context. Finally, the last section presents conclusions and discusses possible orientations for future studies.

2. THE DIMENSIONS OF SOCIAL ENTERPRISE

This section highlights the EMES perspective on social enterprise, in which the present study is anchored, as well as various typologies of SE models.

2.1. The EMES perspective

The EMES approach is based on indicators that reflect the various dimensions of social enterprise. As all other schools of thought, it underlines the creation of a “social value” as a fundamental principle of social enterprise; social impact is a key motive for all social enterprises (Defourny and Nyssens 2010). More precisely, the EMES conceptual approach stresses an explicit social goal, a participatory approach in the decision-making process and limited profit distribution. This implies norms, rules and standards that shape human-natural systems (Partzsch and Ziegler 2011).

Indeed, social enterprises lay emphasis on an entrepreneurial approach with greater focus on the social mission than on purely economic objectives (Chanet et al. 2011). The strained relationship between the social and business missions, which makes voluntary-based employment evolve into normal jobs, implies a progressive institutionalization (Nyssens 2006).

The governance structure reflects the purposes of the organization and the prevalence of social goals over financial and economic ones. Stakeholder involvement and motivational factors influence SEs’ ability to increase their social surplus (Borzaga et al. 2000). Hence, objectives, governance rules and economic aspects should be incorporated into the same analytical scheme if proper account is to be given of the institutional variety of social enterprises.

2.2. Typologies of SE models

There are various typologies of social enterprise models, such as those proposed by Alter (2006), Cheng and Ludlow (2008), Defourny and Kim (2011) and Defourny and Nyssens (2016).

The vision-based typology put forward by Alter (2006) distinguishes among various models of SE according to the relation between the enterprise’s business activities and its social activities:

- (1) SEs belonging to the embedded model conduct self-financed social programs through generating revenue for sustainability purposes.
- (2) SEs belonging to the integrated model manage a social program which overlaps with their business activities through sharing assets, costs and resources.
- (3) SEs belonging to the external relationship model run a business activity to fund their social program.

Cheng and Ludlow (2008) highlight social impact and propose a “vision-based” typology that includes three models:

- (1) Model 1: Social impact produced by a business organization that transfers some of its profit to social activities.
- (2) Model 2: Social impact produced by a business that manages a balance through minimizing financial return in order to increase the welfare of their stakeholders.
- (3) Model 3: Social impact produced by a business that generates profit as well as social return.

In an operational-based perspective, Alter (2006) distinguishes between seven different models of SE:

- (1) the “entrepreneurial support model” provides support to the targeted customers, which typically include financial institutions, technology providers, and professional service providers;
- (2) the “market intermediary model” focuses on a mediating role between the targeted clients and the markets. Typical organizations in this category are fair trade organizations and handicraft groups;
- (3) the “employment model” highlights employment opportunities. Organizations in this category target groups who face barrier to access the labor market, such as the disabled, homeless, at-risk youth, and former convicts;
- (4) the “fee-for-service model” allows the organization to sell its social services for cost recovery purposes;
- (5) in the “service subsidization model”, funding comes from selling the products to an external market. The commercialization allows the organization to achieve its mission;
- (6) the “market linkage model” refers to organizations that focus on providing support to their target group in order to get access to an external market. These organizations become brokers between buyers and their target group, providing market information;
- (7) the “organizational support model” is an “external” model, in which the social program and the business activities are separated.

Defourny and Kim (2011) identify five broad social enterprise models operating in several countries in Eastern Asia:

- (1) trading non-profit organizations;
- (2) work integration social enterprises (WISEs);
- (3) non-profit co-operatives;
- (4) social enterprises stemming from non-profit/for-profit partnerships;
- (5) community development enterprises.

In a recent work based on the first results of the ICSEM Project, Defourny and Nyssens (2016) identify four major SE models, generated by different institutional trajectories:

- (1) the entrepreneurial non-profit (ENP) model;
- (2) the social cooperative (SC) model;
- (3) the social business (SB) model;
- (4) the public-sector social enterprise (PSE) model.

We will see to what extent these classifications can be relevant for social enterprise in Indonesia.

3. RESEARCH METHODOLOGY

A qualitative approach was chosen for the present research, as several reasons made such approach suitable for our purpose. First, qualitative methods are well-suited to identify gaps in the literature and define possible contributions (Gabriel, 2015). With a view to uncovering the importance of the social enterprise phenomenon and to putting forward a typology of social enterprise models in the Indonesian context, the qualitative approach was thus expected to reap interesting results, providing fruitful inspiration for new ideas and research agendas.

Secondly, developing a tentative typology of social enterprise models in Indonesia on the basis of a literature review seemed impossible, due to the scarcity of existing literature. In such contexts, Eisenhardt and Katleen (2007) suggest building a theory from case studies as a research strategy. It was thus essential to clarify the research questions and to demonstrate that existing theory did not address these questions.

The data collection process included informal interviews, in-depth interviews and focus group discussions (FGD). Data were generated by two independent qualitative studies, both of which sought to capture the views and experiences of decision makers in social organizations and advisors in agencies providing sector support to promote social enterprise. The first stage of data collection involved informal interviews and a small focus group discussion in Jakarta. The participants were social activists taking part in a workshop series, organized in August 2015, about the “transformation of NGOs into social enterprises”. The workshop was part of a British Council project that sought to support the development of social enterprise in the country.

The second stage of data collection involved informal interviews with some leading social organizations in Indonesia. Participants were selected by applying the snowball sampling technique to the group of interviewees involved in the first stage of data collection. The interviews, based on a number of open questions, focused on exploring the critical incidents in which learning had occurred during the stages of planning, launching, developing, and managing the social enterprises.

Multiple case studies were then used to build a tentative typology of social enterprise models in Indonesia. We developed this tentative typology by recognizing patterns within and across cases. Eisenhardt and Graebner (2007) suggested recursive cycling on observing the data, developing theory with extant literature. Following Wegener and Aakjaer (2016), the construction and interpretation took place in relation to and interaction with other social practices. The content of each case was critically analyzed and open coded to propose a social enterprise typology.

4. HISTORICAL BACKGROUND

In order to understand the organizational landscape of social economy in Indonesia, it is essential to capture the historical development of this sector. Indeed, the Indonesian third sector experienced dictatorship regimes for over decades; these were followed by a transition government toward democracy. Three old traditions were identified as roots of the development of social enterprise, namely the philanthropic tradition; the religious-based community and associative tradition; and the cooperative tradition. Those three traditions (described in sections 4.2, 4.3 and 4.4 respectively) have survived through the successive ruling governments and political regimes (see section 4.1), i.e. the colonial governments, the Soekarno and Soeharto governments, as well as the transition government to a democratic regime.

4.1. The political transition

Under the authoritarian regime, three main types of civil society organizations could be distinguished, on the basis of their social mission: community-development, awareness-raising and advocacy-oriented organizations (Antlöv 2003). Community-development organizations worked mainly as contractors or consultants for the government, while the second type concerned popular mobilization, and the third type was associated with efforts to avoid government's intervention.

The first period of dictatorship occurred during the colonial governments. The Dutch colonial government ruled the country for over one hundred years; it was followed by Japan for a three-year period. The third sector (with the exception of cooperatives) emerged when the Dutch colonial government enacted the Civil Law, in 1848, and consequently relaxed the restriction that had hitherto prevailed on social activities. During the Japanese occupation, the third sector and traditional organizations were banned (Hasan and Onyx 2008).

The second period of dictatorship, referred to as "Soekarno's Guided Democracy", began in 1959, when the elected parliament was suspended. Soekarno outlined his vision of Indonesia's development in the MANIPOL/USDEK (*Manifesto Politik/Undang-Undang Dasar 1945, Sosialisme Indonesia, Demokrasi Terpimpin, Ekonomi Terpimpin, dan Kepribadian Indonesia*, or "Political manifesto, 1945 constitution, Indonesian socialism, guided democracy, guided economy, and Indonesian personality"). During that time, all social and political organizations were required to join the political program to help Soekarno achieve his vision of the revolution (Polman 2011). Soekarno had three major allies: the Nationalists, the Muslims, and the Communists. During that time, the mass mobilization was identified as a movement of the communist party (Hefner 2000).

The third dictatorship era occurred between 1965 and 1998, when Soeharto came into power. The government's foreign policy changed; ties with Western countries were strengthened and foreign aids were allowed. The government also introduced press censorship and controlled the political parties, the third sector, and other mass organizations. The cooperative was the only type of community-based organization that the government allowed,

while other mass organizations were strictly restricted. But although allowed, cooperatives were highly regulated, and the government mandated cooperatives in rural areas as development agents to promote food self-sufficiency programs. The government allocated resources to handle micro-credit schemes for farmers, supply agricultural inputs (fertilizers and rice varieties) and market farm commodities.

The transition government began in 1998. After Soeharto resigned, the country introduced the institution of liberal democracy, including popular general elections, public participation, and press freedom. In the immediate post-transition years, through Law No 22/1999 and Law No 25/1999, the central government delegated authority to the local governments to define development plans to meet the local demand. This policy allowed the development of local-government practices and resulted in a “fragmentation” of regional development (Firman 2009). In this context, civil society enjoyed a new advocacy role in public policy and community development: civil society organizations were indeed encouraged to get involved in all development planning activities.

4.2. The philanthropic tradition

Organizations belonging to the philanthropic tradition, which aim to provide public-interest services, became prominent during a period in Indonesian history that was characterized by gender inequality and a process of dismantling of the education system, and these issues became the main concerns of these organizations. This sector is dominated by non-profit organizations, which were also acknowledged as professional organizations, as the activists typically came from groups of medical doctors, traders, or students. These organizations first emerged as a countervailing power to the ruling government; in a subsequent stage, they became partners of the government and an intermediary institution between the government and society. For example, in 1903, women’s rights activist Raden Ajeng Kartini established a school to break with a tradition that marginalized women—providing education for women was taboo at the time. Her feminist agenda included education for women, professional training and abolition of polygyny (Kramarae and Spender 2001). As a daughter of Jepara Regent, Kartini had been able to attend a Dutch language primary school and had thus gained access to modern ideas. Her letters to her Dutch friends were published in a Dutch magazine. She financed the school she founded through voluntary aids and the sale of books (Hati 2013).

Besides Kartini, several other persons focused their efforts on the struggle for basic education. For example, Dewi Sartika founded the first school for women in Dutch East Indies. Between 1904 and 1912, she established nine midwife schools in West Java (Robinson 2008). Ki Hadjar Dewantara was another activist who fought to promote education for all; in 1922, he established the Taman Siswa school, a Javanese educational movement that strives to provide education for the native population. Ki Hadjar Dewantara believed that autonomy is essential to the success of organizations; Taman Siswa therefore operated as an independent organization and did not receive any subsidies from third parties (Kelch 2014).

During the Soeharto era (1965-1998), the government played a prominent role in promoting civil society organizations (CSOs) to solve social challenges, through the establishment of government-CSO partnerships. These “top-down” models were appropriate for the social enterprises established during this authoritarian regime. After the fall of Soeharto (after 1998), the government’s direct intervention in civil society was reduced. The analysis should thus distinguish between the emergence of social enterprises during (1965-1998) and after (from 1998 onward) the Soeharto regime.

Bina Swadaya is the best example of a social enterprise that has survived throughout the Soeharto era. In 1967, Bina Swadaya was established as a non-profit organization to help farmers gain knowledge and information. Agriculture is the main business of Bina Swadaya. The organization aims to promote agriculture intensification, post-harvest management, human and research development, and advocacy for farmer communities. The organization established a partnership with the government to promote community-based income-generating activities in wide areas, such as agribusiness, microfinance, environment and tourism (Bina Swadaya 2014).

With a view to sharing information, Bina Swadaya started publishing, in 1969, an agricultural magazine under the brand name of Trubus. The magazine experienced difficulties in the early stage of development. Print advertising revenue was low, due to lack of commercial interest, while distribution was costly. Hence, the organization changed the targeted customers, from illiterate farmers to wealthier customers with hobby farms. As the magazine business developed and became profitable, Bina Swadaya established, in 1980, a limited corporation, PT Penebar Swadaya. Bina Swadaya considered that implementing a legal and institutional separation between the foundation and the limited corporation (PT) was appropriate in order to accommodate the growing magazine business. In the early 2000s, PT Penebar Swadaya sold over 70,000 copies per month (Dacanay 2005). In 2005, the corporation began to publish other magazines, namely Penebar Plus, Griya Kreasi, and Cif. In 2006, another company, PT Trubus Media Swadaya, was established to handle the distribution. In 2012, the company managed 668 agencies in 32 provinces (Oriza 2014).

Beside the magazine business, in order to respond to the hobby farming community, the organization set up a farm shop company, PT Trubus Mitra Swadaya. The first shop was established under the form of a limited corporation in Central Jakarta. In 2012, there were more than 15 farm shops in Jakarta, Bogor, Bandung, Semarang, Yogyakarta, and Surabaya. The shops, named Toko Trubus, provide a huge variety of small crops and fruits to hobby farmers. In addition, the organization also manages another 15 limited corporations with various businesses, including microfinance, agribusiness, tourism, and community development. Overall, in 2010, the organization handled over IDR 20 billion (USD 2 million) per year and employed more than 1,000 workers (Adi 2011). In 2015, Bina Swadaya was active in eight areas of activity, namely community development (Bina Swadaya Consultant), microfinance (Bina Swadaya Cooperative, Bina Swadaya Microfinance), agribusiness (Trubus Mitra Swadaya, Trubus Pangan Swadaya), communication for development (Trubus Swadaya, Penebar Swadaya, Puspa Swara, Trubus Agrisarana, Niaga Swadaya), ecotourism (Cultural Education Program), printing (Sarana Kata Grafika), and training ground facilities (Wisma Hijau). Employing about 1,500 people and providing sustainable livelihoods for many others,

these social enterprises generate profits of over USD 5 million annually, which are used to finance 95% of Bina Swadaya's budget for its development work among the poor. Trubus Magazine is the most popular business among the subsidiary companies (Bina Swadaya 2014).

Nowadays, the government supports the emergence of third sector organizations by creating, through policies and regulations, a conducive environment for organizations to develop. In some cases, the government also offers credit schemes, entrepreneurial training and education. But overall, international development organizations play a more important role in strengthening CSOs in Indonesia than the government, insofar as they provide substantial funding. Moreover, ideas for solving social issues mostly come from individual founders (agents of change), in a "bottom-up" process, rather than from the government.

The global movement also influenced the practices of Indonesian philanthropy. For example, in 2014, at the invitation of Indonesian philanthropist Dato' Sri Dr Tahir, Bill Gates visited Indonesia to meet local billionaires and encourage them to allocate more financial resources to philanthropy. Gates and nine Indonesian philanthropists—Adrian Bramantyo Musyanif (Samali Hotels and Resorts); Hendro Gondokusumo (PT Intiland Development); Ted Sioeng (Sioeng Group); Edward Suryadjaya (Ortus Holdings); Benny Tjokrosaputro (PT Hanson International); Anne Patricia Sutanto (Pancaprima Ekabrothers); Henry Jaya Gunawan (PT Gala Bumi Perkasa); and Luntungan Honoris (PT Modernland Realty)—agreed to support a sustainable health initiative in Indonesia. They all committed to provide US\$ 5 million to support the health program for five years.

4.3. The religious-based community and associative tradition

Religion has played a pivotal role in the associative tradition in Indonesia. Indonesia is the world's most populous Muslim nation, but it is also characterized by religious diversity (Adeney-Risakotta 2014). The Indonesian Government recognizes five religions: Islam, Catholicism, Protestantism, Buddhism and Hinduism. Islam is the most popular religion among the 250 million inhabitants, which makes Indonesia the country with the largest community of Muslims in the world.

Market-based approaches with an associative tradition to solve social problems can be traced back to the early years of the history of the religious communities. For example, in 1905, the Muslim Trading Community (Syarikat Dagang Islam) was established in Surabaya with the aim to promote fair trade (Formichi 2012). To deal with the stiff competition in the textile industry and empower the local batik industry, this community established a cooperative. Another religious community established the Indonesian Merchant Association (Himpunan Saudagar Indonesia) in Bukittinggi in 1930. Both organizations agreed to focus on helping small business enterprises to allocate their surplus to apply for credit with a micro-finance institution, namely the National Bank in Surabaya (Kahin 2005).

Among Muslim organizations, the most prominent movements were Muhammadiyah and Nahdlatul Ulama. Both organizations bear testimony to the high resilience and adaptation capacity of religious organizations with a charitable tradition. Muhammadiyah was founded

in 1912 to reform the Islamic doctrine in Indonesia through providing public goods, i.e. basic education and health services. The traditionalist Muslim organization of Nahdlatul Ulama (NU) was established in 1926 in response to reformist pressure; its aim was to strengthen the role of Muslim scholars (*kyai*) within their boarding schools (*pesantren*). During the following years, other Islamic organizations emerged on different islands, such as Al Washiliyah in North Sumatra, Tarbiyah Islamiyah in South Sumatra, Nahdhatul Wathan in West Nusa Tenggara, Al Khairaat in Central Sulawesi, and Al Irsyad in Central Java (Chirzin 2000).

In terms of entrepreneurial practices, Muhammadiyah is the best example of the associative tradition. Muhammadiyah has been acknowledged as a societal organization with a huge amount of assets, various business and economic projects, and social activities. In 2015, Muhammadiyah reported to manage 4,623 kindergartens, 2,604 primary schools, 1,772 junior high schools, 1,143 senior high schools, and 172 universities. Muhammadiyah also provided basic health services through more than 70 hospitals and many smaller clinics, orphanages, retirement homes, schools for the disabled, and training centers. The organization also established more than 200 orphanages and homes for senior citizens (Syamsuddin 2015). In 2015, the annual income of the organization was around IDR 10 trillion (Abbas 2015).

Throughout its history, Muhammadiyah struggled to gain recognition from the government. Through the Government Letter of August 22, 1914, the Dutch Colonial Government in Indonesia acknowledged Muhammadiyah United as a formal organization. In 1971, through a letter of the Social Ministry, the Government of Indonesia acknowledged Muhammadiyah Islamic United as a social organization. In 1972, through letter No 14/DDA/1972 of the Ministry of Home Affairs, the Government of Indonesia acknowledged Muhammadiyah as a legal entity with the right to own and manage its assets, which allowed the organization to generate income from its service provision activities (Aljunied 2011). In 1987, the Government of Indonesia, through a statement letter of the Ministry of Law, recognized the work of Muhammadiyah in the field of health services. In 2010, the Ministry of Law and Human Rights recognized the work of Muhammadiyah in the fields of social activities, preaching of Islam (*da'wah*), education and health services (Muhammadiyah 2013).

Other religion-based social enterprises also emerged to provide public goods. The Catholic Church, for instance, also provided basic education and used schools effectively to spread Catholicism. In 1918, for example, the Jesuits established the Kanisius Foundation, which aims to promote basic education with Christian values. To generate income, the organization established the first Indonesian printing house in 1922 (Subanar 2001). In the 1950s, schooling became a priority for the Catholic Church in Flores, where more than 50% of Catholic followers were located. In Flores, the Catholic community managed more than 370 primary schools, with nearly 55,000 pupils and around 600 teachers. In 2000, the church still played a pivotal role in Flores, through the granting of significant subsidies. The Church schools enabled the Flores people to receive an education that was both modern and rooted in their local culture. Indeed, between 1940 and 1960, Flores was one of the most educated islands in Indonesia (Aritonang and Steerbink 2008).

4.4. The cooperative tradition

The cooperative movement in Indonesia is acknowledged as one of the largest components of civil society, with a great potential in terms of rural development and employment creation. In 2015, there were 150,223 cooperatives in Indonesia, with a total of 33.68 million members—which represents 14.14% of the country's total population. Cooperatives' contribution to the gross domestic product (GDP) was estimated at around 1.7%. Most cooperatives (around 70 per cent) are located in rural areas (Ministry of Cooperative and Small and Medium Enterprises 2015). The cooperative tradition can be traced back to the first Indonesian cooperative, which was founded in the 1890s, and to the enlightened supervision of Dutch expert J. H. Boeke¹. However, the Indonesian cooperative movement really began to develop in the early days of independence, when Hatta proposed that Indonesia's economy adopt the cooperative principles.

The story of Indonesia's cooperative tradition began in 1896, when Aria Wiria Atmadja established the first cooperative to provide credit to the civil servants in Purwokerto. The idea came from his colleague, de Woff van Westerrode, a Dutch civil servant who was stationed in Purwokerto and tried to apply the so-called "Ethical Policy"² (Van Zanden and Marks 2012). In the following years, other cooperatives emerged to meet the needs of particular groups of members, such as consumers, households or textile traders (Masngudi 1990).

Responding to the emerging cooperatives, the Dutch Colonial Government passed a Cooperative Law (*Verordening op de Cooperative Verenigingen*) in 1905. This regulation was similar to the Dutch cooperative law of 1876 in the Netherlands, which recognized cooperatives as legal entities, regulated by law. However, the regulation did not really enhance the development of cooperatives, as the government considered cooperatives as organizations that could be utilized as a political tool. The colonial government also invited Boeke to investigate whether the cooperative model was relevant in Indonesia (Rusdiyono 2009).

After conducting observations, Boeke concluded that the Dutch cooperative law was designed for a modern commercial sector, while the Indonesian cooperative societies were indigenous incorporated societies, which enjoyed financial privileges (Angelino 2012). Boeke argued that the new regulation should address the colonial credit system in Indonesia. This credit system was considered to be based on ruthless agents and seductive products, which brought the local peasants to become thirsty for credit (Henley and Boomgaard 2009).

¹ J. H. Boeke (1884-1956) was a professor at Leiden University, the Netherlands. He preferred to refer to the economic system in Indonesia as a "tropical colonial economy" rather than an "indigenous" or Eastern country to highlight the specific characteristics of this region (Boeke 1942).

² The concept of "*Ethische Politiek*" or "*Politik Etis*" emerged during an annual meeting of the Dutch Parliament, when Queen Wilhelmina (1880-1962) underlined the "moral duty" of the Netherlands to fight against poverty in colonial Indonesia. The stance was acknowledged as the "Ethical Policy". However, a clear definition of the concept has never been provided (Gin 2004).

Boeke was appointed as coordinator of the colonial Popular Credit Services in 1914. The regulation for cooperatives was revised to meet the specificities of indigenous cooperatives, resulting in the Regulation Scheme for Low-level Local Cooperatives (*Regeling Inlandsche Cooperatieve Verenigingen*) in 1915. Under Boeke's supervision, many village communities established cooperative societies to manage village rice barns. The first cooperative congress was held in 1930 and Muhammad Hatta proposed that cooperative principles guide the Indonesian Constitution. In the following years, between 1930 and 1932, the number of cooperatives increased from 7,848 to 14,134 units (Henley and Boomgaard 2009).

The Indonesian Constitution of 1945 shapes the economic system and mentions co-operation as a main element of the economy. Specifically, Article 38(1) of the Indonesian Constitution states that the "national economy shall be organized on a cooperative basis". The principle of free competition was thus rejected. The reason for this can be found in the Indonesian experience with the Dutch East India Company (*Vereenigde Oostindische Compagnie*); this company controlled the top of the economy, while the local indigenous people suffered from poor education and a lack of opportunities to set up enterprises (Hatta 1954).

The movement of community-based cooperatives convened in a national congress in 1947. The congress gained support from nearly 500 cooperatives from Java, Sumatra, Kalimantan and Sulawesi. The congress proposed the setting up of an independent council, the Indonesian Cooperative Council (DEKOPIN), with a view to promoting the values of cooperative. The organization had branches at the provincial, municipal and district levels. At the end of 1955, there were more than 11,000 cooperatives operated in Indonesia (Van Zanden and Marks 2012).

As mentioned above, between 1965 and 1998, cooperatives were highly regulated, and the government mandated cooperatives in rural area as development agents to promote food self-sufficiency programs. In this perspective, the government allocated more resources to handle micro-credit schemes for farmers, supplying agriculture inputs (fertilizers and rice varieties) and marketing farm commodities. The Government also guaranteed the market price of agricultural products, especially rice. The cooperative thus gained popularity thanks to the role it played in local economies (Swasono 2012). However, this movement was faced with great challenges, due the globalization of the economy and the open market policy implemented in the 1990s (Suradisastira 2006).

5. THE CURRENT BUSINESS ENVIRONMENT

This section highlights the current context in which modern social enterprises emerge and operate. This involves the role of the transition government and the impact of the global movement on social enterprise in the Indonesian context.

The transition that the country experienced in 1998, from an authoritarian to a democratic government, attracted international support, and local non-governmental organizations (NGO) experienced a dramatic upsurge. The government of Indonesia acknowledges three types of third sector organizations, namely foundations, associations, and non-legal entities. The foundation is a non-profit organization that can be founded by a legal entity or by an

individual. Associations refer to member-based organizations; in associations, those holding the ultimate decision-making rights are the members. Small-scale non-profit organizations active within a limited area are allowed to operate as non-legal entities or informal entities. Since the Indonesian government ratified the ILO Convention No 87 on Freedom of Association and Protection of the Right to Organise, in 1998, the number of NGOs and associations has been increasing, exploring various social issues for the community.

According to the Ministry of Law and Human Rights, in 2009, there were 21,301 foundations and 268 associations in the country (Local Assessment Team 2010). Quite logically, the non-legal organizations, *qua* informal organizations, were not registered. The prevailing regulations mandated that the third sector provide annual financial report to the public, but no efforts were made to implement sanctions for the organizations that neglected this obligation.

After a decade of political transition, international funding sources dried up and many NGOs suffered from a lack of financial resources. Social enterprise strategies then became popular to sustain the organizations' social mission. However, there has been much dispute over the definition of social enterprise in Indonesia. Some trainers and social activists put forward tentative definitions of SE focusing on social goals and social impacts, but they did not pay attention to the governance issue. Others would refer to small and medium enterprise development or creative industries. The growing interest in the subject of social enterprise has also been influenced by the global business paradigm shift.

The first initiative aiming to identify local social enterprises and to support their practices dates back to 1983, when Ashoka began to run its program in Bandung for far-reaching social change. Between 1965 and 1998, the Government of Indonesia controlled all social and economic activities, and the political pressure during this period prevented Ashoka from really supporting the growth of the field. In 1998, the financial crisis and the end of the authoritarian government led Ashoka to reorganise and launch a new strategy to support change makers—as, according to this organization, bringing about change should be the ultimate goal of social enterprise and a social entrepreneur is not just a social activist, but someone who brings about a ground-breaking social innovation in his/her field of social activism—through providing investment, capacity-building services, and networking opportunities. Ashoka fellows carry out many social innovations to solve existing problems in a wide range of sectors, including education, health, human rights, environment, fair trade and gender balance.

In 2009, Indonesia's Social Enterprise Association (*Asosiasi Kewirausahaan Indonesia*, or AKSI) was established with the goal of building networks for Indonesian social enterprises. These were expected to share knowledge and best practices with sustainable movements, and AKSI gained support from the government as well as multinational corporations. In April 2010, AKSI organized the first national meeting for Indonesian social enterprises. This meeting gained attention from the national government; the Vice Minister of Trade gave a speech during the meeting. The second meeting was held in 2012; various social innovators were invited, such as Ciptono, who successfully encourages schools for the disabled to run businesses. Other social entrepreneurs included Toto Sugito (Bike 2 Work Community), Djufry (Telapak Foundation), Agung Alit (Mitra Bali), and Indro Surono (Indonesia Organic Alliance). At the time of this second meeting, the Indonesian government did not yet provide significant

support to social entrepreneurship in Indonesia. Under the Cooperative and SME Ministry, the Indonesian government focused on support to small businesses among young entrepreneurs. Support to social enterprise development in Indonesia thus relied on funding agencies and multilateral agencies such as AUSAID, USAID and the World Bank.

The British Council in Indonesia started nurturing community-based social enterprises all over the country by organizing competitions for start-ups and organizations in their early stage of development (semi-established organizations); the selected organizations then benefited from capacity building, networking events and provision of seed fund. This program has been run jointly with the Arthur Guinness Foundation (AGF) since 2010. The recent work has raised the profile of the sector and continued supporting start-ups in Indonesia. The British Council has initiated a series of workshops in universities to support the establishment of an ecosystem conducive to the development of social enterprises by embedding the subject of social enterprise into teaching, advancing incubation, and carrying out community development work.

Funding from the World Bank provided opportunity for emerging social enterprises. In 2007, thanks to a loan granted by the World Bank, the government established PNPM Mandiri, the largest community-based development program in the country, with the aim of encouraging local communities to design their own development agenda. More than 73,000 villages became involved in this project. The government provided between 2 and 3 billion IDR to each village. The village communities were directly involved in decision-making and management of the program; this participatory and transparent framework provided opportunities for local communities to run various businesses.

Some NGOs and local universities, with support from international funding or from the private sector, established incubators to generate new social ventures, including through the transformation of NGOs into social enterprises. They aim to nurture business organizations with the purpose of providing a solution to social needs through various means, such as mentorship, networking and funding opportunities for early-stage social enterprises.

For example, the Development Bank of Singapore (DBS) supported the social enterprise movement in Indonesia through a corporate social responsibility program. In order to help social enterprises meet business challenges and to facilitate their access to seed and early-stage venture capital, the bank concluded a partnership with local organizations to conduct various activities: in 2016, DBS funded Universitas Indonesia to develop a handbook on social enterprise; in 2015, DBS conducted a boot camp for social entrepreneurs; DBS also supported Greeneration Indonesia, particularly on promoting waste management practices, and it supported local online shopping portal bukalapak.com to accommodate social entrepreneurs in marketing and selling their products online.

6. FIELD ANALYSIS

To answer the research questions, data was collected through interviews carried out in 12 social organizations. This section provides an analysis of the collected data.

6.1. Interview-based data

Social mission

The observed organizations all have a solid background of social activities. Their key goals, which reflect a strong social mission, are explicit, be it on their website or in their members' oral statements. The social missions are associated with the organizations' target groups, which belong to marginalized communities.

Our organization is dedicated to providing electricity infrastructure for poor people in remote areas. We strongly believe that social enterprise should come from social initiative first, and then be followed by a business approach.

Tri Mumpuni (IBEKA)

We support small and medium enterprises. That begins with a project funded by government and international NGOs. We then want the activities for our targeted group to become more sustainable.

Bastian (PUPUK)

We support local artists to show artistic expression. We are fully aware that we grow in a metropolitan city, which is more oriented to money-driven art. We believe that art should have a strong bargaining position against business interests.

Reza (Ruang Rupa)

Our financial institution aims to bring about a change of behavior in our community in physical, mental, emotional and spiritual terms.

Noberta (Pancur Kasih)

We provide support to women experiencing family and domestic violence.

Tiwi (Savy Amira)

We support the local indigenous people in Central Java. We advocate for the indigenous people's rights against a giant mining corporation.

Desantara Foundation

Appendix 1 shows that the social activities are the main activities of the observed organizations, which are formal organizations with a certain degree of institutionalization. The observed organizations begin their activities merely as advocacy-oriented organizations and then become partners of public authorities in their task of helping marginalized people.

Legal form

NGOs, cooperatives and foundations are among the most popular legal forms adopted by third sector initiatives for their social activities.

We prefer the foundation legal form for our organization. The foundation form is more relevant for any organization that intends to carry out significant social activities. ... We plan to establish a social enterprise under the legal form of a limited corporation with the aim of promoting fair trade among farmers.

Tri Mumpuni (IBEKA)

Our organization adopted the mutual society legal form. However, we encourage our target group to establish cooperatives, which allows them to focus on business activities, greater participation and member-based organization.

Tanjung (PUPUK)

We run a business with three divisions, namely services, partnership and a support center. We also run community development programs and microfinance activities. However, the microfinance activities encountered serious problems of non-performing loans. Then, we established a cooperative with more autonomy.

Dwi (Insan Persada Foundation)

In 2005, we established a limited liability publishing and printing company. However, our activists found it hard to do both business and social activities together. Then in 2011, we established a microfinance institution in Depok region. The microfinance program could not operate properly, and experienced repayment default due to lack of serious examination of the worthiness of the borrowers' projects. Now, we are thinking of establishing a limited liability consultancy company, which seems to fit within the organization's work, by deploying the senior managers to act as consultants.

Gozali (Desantara Foundation)

Economic activities

Social enterprises are directly involved in the production of goods or the provision of services to people. Traditional non-profit organizations, which only focus on advocacy activities, would thus not be considered as typical social enterprises, although clear-cut boundaries should be avoided (Defourny 2001).

We began with social activities, then moved to business activities for sustainability reasons. Our product is a micro power plant for people in a remote area.

Tri Mumpuni (IBEKA)

We developed economic programs that adhere to our mission, which aim to support the idea of art work in urban contexts and broaden cultural perspectives, such as exhibitions.

Reza (Ruang Rupa)

We are establishing a social enterprise as the second step of our business expansion. We began with a project that was funded by the government and international NGOs. The idea to run a social enterprise comes from business opportunities... Separating for-profit and non-profit activities into two different business models allows us to expand our businesses in the region and to diversify our business activities, for example through investing in various businesses such as seaweed and cacao farming industry.

Bastian (PUPUK)

However, the initiatives aiming to bring the social activities to meet the market have proved challenging.

It is an enormous challenge for us, as activists, to get familiar with business. We neither focus on social activities nor business.

Gozali (Desantara Foundation)

We are careful in building our image. We must maintain our identity, which makes us different from an art or advertising agency. Therefore, we are selective in accepting new works. Often, we work on projects that fit the client's budget, because we want to help them. We do not discuss pricing/budget, because we are more interested to learn about the proposed works. It is hard to put a price on the social value.

Reza (Ruang Rupa)

We sometimes find our staffs are not working at their optimal capacity, for instance in sales and marketing. They are not risk-takers, and not eager to generate income.

Hamid (PIRAC)

In many cases, our loan officers did not have the heart to ask for collateral for the loans; as a result, we made losses in case of default, when the borrowers did not repay their loans.

BMT

We had an annual member meeting to make a very important decision. We agreed that our organization would rely on its own resources; we would not receive any grant from any organization. Granting credit approval is the responsibility of the manager.

Noberta (Pancur Kasih)

Governance structure

Social enterprises in Indonesia have been emerging with the support of various organizations—parent organizations, donors, or stakeholders. The legal form adopted by the social enterprise determines its governance structure, which in turn influences its participation level. Competing stakeholders may risk conflict of interest. Hence, the governance structure of a social enterprise should enable it to gain trust from its stakeholders.

We run a limited liability corporation, which belongs to three organizations. The most challenging issue is to establish a rule of the game that actually combines the different organizations' culture. The common challenging issue is to define how to distribute the profit. Can you imagine that some of us were student activists, while some others have worked for companies with financial-benefit orientation?

Riza (Ruang Rupa)

The financial report is essential for our business. To build trust among our stakeholders, we provide accountable financial reports with support from an international public accountant.

Tri Mumpuni (IBEKA)

As part of the local economic development program, we established a cooperative with autonomous management and more autonomy. This allows us to deal with non-performing loans.

Dwi (Insan Persada Foundation)

When a business opportunity becomes apparent, we encourage the farmer community (our target group) to be independent from us through institutionalizing its activities, for example by establishing a cooperative, which allows them to gain access to opportunities. I believe that cooperative is the best model for a business with an aim to promote a participatory approach.

Tanjung (PUPUK)

We adopted a participatory nature, involving the various parties affected by the decision-making power, such as farmers. This is not based on capital ownership, but on mutual trust.

Sebastian (PUPUK)

6.2. Application of existing typologies to the Indonesian context

From the focus group discussion (FGD) findings on social enterprise dimensions discussed above and on the basis of some of the existing typologies described above (vision-based typology, operational typology and East Asian typology; see section 2.2), we attempt to classify social enterprises in Indonesia. Table 1 shows our proposed classification of the social enterprises that took part in the FGD study. In the last column of the table, we indicate the model to which these enterprises could be considered to belong in the tentative typology of SE in Indonesia that we put forward in section 7.

Table 1. Classification of the observed social enterprises according to existing typologies and to the proposed Indonesian typology

Organizations	Vision-based typology	Operational typology	East Asian typology	Indonesian typology
IBEKA	Integrated SE model	Entrepreneurial support model & Fee-for-service model	Trading NPO	Entrepreneurial NPO
Journal Perempuan	Integrated SE model	Service subsidization model & Fee-for-service model	Trading NPO	Entrepreneurial NPO
Savy Amira	Integrated SE model	Service subsidization model	WISE	Entrepreneurial NPO
Child Protection Commission	Integrated SE model	Service subsidization model	Trading NPO	Entrepreneurial NPO
Yayasan Prasasti Perdamaian	Integrated SE model	Employment model & Fee-for-service model	Trading NPO	Community development enterprise
Association for the Advancement of Small Businesses (PUPUK)	Embedded model	Market intermediary model & Fee-for-service model & Market linkage model	Trading NPO	Social business
Insan Persada Foundation	Integrated SE model	Service subsidization model	WISE	Community development enterprise
Pancur Kasih Cooperative	Embedded model	Entrepreneurial support model	Non-profit cooperative	Social cooperative
Community Organizer Association for Women in Small Business Assistance (ASPUK)	Embedded model	Market intermediary model & Fee-for-service model & Market linkage model	Trading NPO	Entrepreneurial NPO
Desantara Foundation	Integrated SE model	Service subsidization model	Trading NPO	Social business
Ruang Rupa	External relationship SE model	Entrepreneurial support model & Fee-for-service model	WISE	Social business
PIRAC	Integrated SE model	Service subsidization model	Trading NPO	Social business

From a vision-based perspective, it seems that each organization follows only one specific model. The organizations with an embedded model develop a self-financing social welfare program. Pancur Kasih receives income from financial education services provided to its members, while ASPUK provides market access to the beneficiaries. The integrated SEs, such as IBEKA, Savy Amira and the Desantara Foundation do not only run a community

development program for their target group; they also provide consulting services to the governmental and private sectors in order to generate income.

By contrast, from the operational perspective, some organizations may correspond to various models. PUPUK was considered to combine several models as the organization provides various services, such as selling social services, providing market access to their stakeholders and sometime acting as an intermediate between the market and the target groups. IBEKA provides access to technology and financial services to villagers in remote areas as well as consulting services to the governmental and private sectors. In some cases, the organization provides such products and services to the villagers for free.

Finally, from the East Asian typology perspective, the trading NPO model is more popular, among the observed organizations, than the other models, while the social business model is the most popular one in the proposed Indonesian typology.

7. TENTATIVE TYPOLOGY OF INDONESIAN SE MODELS

Drawing inspiration from the previous typologies and the SE traditions presented above, we attempt to put forward a typology of social enterprise models in Indonesia. We categorize social enterprises into four broad groups: an “entrepreneurial NPO” model, a “social cooperative” (SC) model, a “community development enterprise” (CDE) model, and a “social business” (SB) model, corresponding to social enterprises stemming from partnerships between non-profit and for-profit organizations.

Model A: Entrepreneurial NPO

Social enterprises in this group emerged from non-profit organizations with a strong philanthropy tradition. This model is adapted from Defourny and Nyssens (2016), who argue that small and medium-sized enterprises (SMEs) can be motivated by a mission balancing social and economic aspects. In the Indonesian context, SMEs play a pivotal role in terms of number of business units and job creation.

Social mission: It appears that small-sized enterprises tend to adopt an “integrated” social business model, i.e. they integrate their social mission and economic activities. Many of them are established to create jobs for the family and neighbors, then some of them implement additional initiatives to meet the demand for public goods. Enterprises that expand their business, evolving into medium-sized enterprises, tend to apply an “external” social business model; in other words, they create distinct entities for the social and business aspects of their activities. IBEKA, Savy Amira and ASPUK are among the enterprises that initiated their business with an integrated social business model, then evolved into organizations with an external social business model. IBEKA, for example, was launched by a small group of students who ran a social business in the micro-hydro industry; it then evolved into a large-scale organization generating income from the electricity sold to the Indonesian state-owned electricity company (PLN).

Finance: For enterprises in this group, self-financed social activities are part of their sustainability. These enterprises remain highly focused on their social mission and struggle to find a relevant business model to finance this social mission. These organizations typically offer multiple products/services, either by commercializing their social program as income-generating activities (e.g. training, research, or education services), or by developing products related to their social programs. In addition, they may expand their social mission; they may for instance sell products made by women within the frame of an empowerment program. In this case, the target group gets involved both directly and indirectly in the entrepreneurial activities.

Governance: From the governance perspective, small-sized organizations or informal organizations adopt a self-governing and independent governance model. They are not part of the government nor governed by the government or any other agencies, and they are established voluntarily. Many small-sized and informal SEs rely on a single person; some of them grow into medium-sized SEs with a single person as leader or manager and a small group of voluntary workers. These social enterprises involve their stakeholders and constituents in the decision-making process; however, these stakeholders are not involved in the governance structure (e.g., they do not sit on the board of directors). The enterprises develop strong relationships with their stakeholders and adopt civil norms such as a sense of respect, joint work (*kerja bakti*) and tolerance. Those that grow into larger organizations and begin new ventures may not grant autonomy to their subsidiaries: the strategic decisions relating to the new ventures may remain under the direct control of the parent organization, but such dependence may be considered positive, in that it can ensure that the social mission remains unchanged. In informal organizations, in many cases, the challenging issue for social enterprises belonging to this model is their lack of transparency, as they rarely publish annual reports.

Model B: Social cooperative (SC) model

The social cooperative model results from a move of mutual interest organizations towards a greater concern for the general interest. This model is adapted from Defourny and Nyssens (2016), who argue that social enterprises of this type result from the evolution of mutual interest associations—which can evolve either towards the entrepreneurial NPO model or the SC model. In the Indonesian context, social enterprises in this group have emerged from societal organizations, including religious group and professional organizations.

In some cases, SEs of this type experienced a sharp limitation of their autonomy under the authoritarian government, which strongly controlled them. As a result hereof, these enterprises now tend to avoid any financial support from the government or the private sector, which in the past had a destructive impact on their social bound. Pancur Kasih is the best example of this social enterprise model in our sample. Legally speaking, the organization is registered as a cooperative, but in order to bring about change and distinguish itself from other cooperatives, the organization refers to itself as a “credit union”—the idea behind this being to emphasize the organization’s autonomy and its independence from other organizations, such as the government and the private sector. Pancur Kasih fears that any financial support from the government or private enterprises would prevent the cooperative from focusing on its

own goal. Such fear is rooted in past experiences of government's intervention, under the authoritarian regime; the government provided financial support, thus gaining voters' support from the organizations' members. The organizations' lack of financial independence thus also resulted in a more general lack of autonomy.

Social mission: In line with the cooperative tradition, these social enterprises contribute not only through providing donations or community services³ but also through establishing partnership with local communities in need of logistical support. In microfinance programs, the contribution of social enterprises includes small loans with affordable interest rates as well as financial education and community development. It should also be underlined that many productive activities (e.g. community farming or activities of ex-migrant workers or street vendors) with primary social aims are developed at the local community level in a cooperative way but remain informal, legally speaking. Microfinance is the most popular field of activity among SCs in Indonesia.

Finance: The member base and mutual interest are essential elements to generate social capital, which aims to deal with the risk inherent in the microfinance sector. The member base and mutual interest also allow these SEs to be more consumer-oriented. For example, microfinance SCs meet the huge demand from the informal sector, as entrepreneurs in this sector find it difficult to obtain credits from traditional banks, due to lack of collateral and to administrative problems. The key success factor of microfinance social enterprises is their capability to provide loans that meet the needs and repayment capacity of their borrowers or members. The cooperative principles allow their members to distribute the surpluses and minimize the risk of non-performing loans. The community's involvement improves the organization's capacity to effectively deal with risk in microfinance and to keep overhead costs low. The cooperative can mobilize financial resources from individuals and organizations that support its social mission.

Governance: In order to achieve a higher autonomy level and promote the value of self-help, these SEs rely on their own resources rather than on financial support from the government or other funding organizations. The intention to promote democratic governance, i.e. equal voting power in the general assembly and limitation of capital shares' remuneration, is essential. Since these are membership-based organizations, members are expected to play a greater role in the governance than in other forms of SE.

The leadership as well as professional management are essential elements in the decision-making process of this type of social enterprise. The challenges for these SEs to promote good governance include establishing a general assembly with real power, holding regular elections of administrators, and complying with the democratic powers and duties of the cooperative. Information dissemination is essential for transparency; managers in some organizations thus promote an open attitude towards cooperative members, while administrators on the board of

³ Traditionally, charity activities are typically carried out during Ramadan and at the moment of the Sacrifice Feast (*Eid al-Adha*). Many companies offer food or clothing to the low-level staff and to poor people. Some mass organizations, like Muhammadiyah, Dewan Dakwah Islamiyah Indonesia, organize massive donation and have been managing charity activities for many decades.

directors adopt representativeness principles. In addition, coordination among cooperatives within the national and local cooperative councils is essential for effective negotiation with the community, government and business partners.

Model C: Community development enterprise (CDE) model

This model is adapted from Defourny and Kim (2011), who argue that this SE model focuses on local development in specific areas. In Indonesia, social enterprises of this type have been emerging following the abovementioned community-based development program PNPM Mandiri, in the 2007-2015 period. These SEs, launched thanks to initial financial resources provided by the PNPM Mandiri Project, focus on local economic development in rural and urban areas. They foster forms of community-based ownership.

Social mission: Community-based social enterprises strive to meet the problems of their community. These organizations, being strongly connected to their community, strongly focus on enhancing the practical relevance of their resource allocation to the benefit of the community. Their achievements are useful to the community members in terms of supporting positive social change and promoting social equity. They also strive to enhance their alliance capability with a view to gaining support for social innovation, and they establish partnerships with research institutions, the government or universities that are interested in sharing their innovations.

Finance: In enterprises of this type, the social and economic activities are unified. The business venture is created specifically for the target group. The SEs generate income from their activity of service provision to the local community, such as clean water provision or waste management. In some cases, these SEs suffered from allocating too much financial resources to the construction of infrastructures to meet the demands of isolated villages, where no public services were available.

Governance: Trust is an essential element of these organizations' sustainability. Local leaders thus have a fundamental role to play in making sure that the social enterprise is accountable to the community. Community members and entrepreneurs equitably share control of the business agenda through active and reciprocal involvement in the business design, implementation and dissemination. These social enterprises have a great potential to scale up, generate more jobs and return benefits to the community, beyond those directly employed in the enterprise. Under supervision from the community, which is represented on the board of directors, the SEs reinvest the profits for community benefit, and the assets belong to the community. The government plays a supporting role, but it is not part of the ownership structure. The local community has responsibility in many aspects of management of the entrepreneurial activities, and local community members are the direct beneficiaries.

Model D: Social business (SB) model

Social enterprises belonging to this group emerged with a strong market orientation. This model was adapted from Defourny and Kim (2011), who indicate that this SE model emerges as a result of governments encouraging partnerships between private companies and NPOs,

which in turn results in the setting up of new social ventures. In Indonesia, this type of social enterprise operates under the legal form of companies or for-profit organizations to gain credibility with their business partners. SE belonging to this model can be franchised entities of social enterprises from abroad and have a strong orientation toward the international market; examples include The Body Shop Indonesia and The Javara.

Social mission: The social mission is essential for SEs of this type, as the parent organizations mandate it. These social enterprises focus on mission-driven investments; they strive to achieve a social impact along with market rate returns through focusing on building financial sustainability. In some cases, it is a challenge for these SEs to achieve a balance between their social and economic goals, especially when the social mission becomes instrumental in gaining market shares and increasing profits.

Finance: Their strong market orientation enables social enterprises of this type to achieve financial sustainability, with the aim of achieving their social mission, such as promoting fair trade or providing market access to poor farmers or micro-enterprises. These social enterprises look for social investment opportunities with partners who take a similar approach to developing innovative new models and mechanisms to address social problems.

Since, as we have seen, these initiatives operate under the form of private companies, the social programs can overlap with business activities—they can share costs, assets, and program attributes. The financial strategy focuses on providing capital for the expansion of the activities and enhancing the networks with business partners to increase the scale and social impact of such activities. Along with their strong business orientation, these social enterprises leverage a good marketing capability, including pricing strategy, promotion and advertising, product distribution, and sales capability.

Governance: These social enterprises set targets, measure their own social impact, report on their financial performance, are held accountable with the same rigor as professional businesses and report on their activities and results to their parent organizations. These enterprises may pay dividends to their shareholders. More importantly, they share a social mission with all their shareholders. In many cases, the initiatives may receive grants from their parent organizations. In some cases, these initiatives just result from profit-maximizing strategies: some enterprises from the private sector establish social businesses to help the parent organization gain trust from their customers and stakeholders. Similarly, some businessmen establish social businesses to gain popularity as social activists, and some even use this popularity to become politicians.

In terms of governance, there is a strong relationship between the for-profit and the non-profit entities, although they are managed separately. The parent organizations choose the members of the board of directors or commissioners of the SE. This helps the non-profit organization stay in control of the business entity and ensure that profit sharing is carried out in the respect of the social mission. The legal structure may differ between the not-for-profit and the for-profit business entities. The non-profit entity may operate under the form of a foundation, whilst the economic venture may operate under the form of a limited liability company. The activities of the social and business entities may be unrelated to one another, but they are necessarily both

related to the social mission. The target group corresponds to the direct beneficiaries, although they may not participate directly in the activities.

Table 2. Tentative typology of SE models in Indonesia

SE models in Indonesia	Background	Vision-based typology	Governance and ownership structure
Entrepreneurial NPO model	SEs established with a strong philanthropy orientation; they try to develop business activities to support their social activities.	Integrated and/or external activities with a strong philanthropy orientation.	The decision-making process relies on individuals, founders or a group of stakeholders.
Social cooperative (SC) model	SEs resulting from the move of cooperatives or any other type of mutual interest organizations towards a concern for a more general interest.	Integrated activities, with a strong intention to gain more autonomy.	Member-based and independent governance.
Community development enterprise (CDE) model	SEs focusing on local economic development in a specific area. The business division was established to gain access to market opportunities for the products from the community development program.	Integrated activities: the business division was established to support the community development program.	The role of charismatic leaders as representatives of the community is essential.
Social business (SB) model	SEs resulting from organizations with a strong market capability establishing a social division.	The business division and social division are embedded to develop the self-financed social program.	Private companies with shareholders, sharing their mission with their stakeholders or parent organizations.

6. CONCLUDING REMARKS

This paper aimed to explore the social enterprise phenomenon in Indonesia with a specific focus on the EMES approach and its three dimensions—the social mission, the economic project and the governance dimension. In the Indonesian context, the philanthropic, community-based, and cooperative traditions were the main driving forces behind the emergence of social enterprise.

The Indonesian political context appears to play a pivotal role in the dynamics of evolution of the third sector, including social enterprises. The Indonesian Constitution of 1945 mandated the cooperative as Indonesia's economic model to respond to the dualism of economies during the colonialist era. However, this did not constitute a guarantee that the ruling party would

follow the initiative, and the intervention of the authoritarian government prevented the implementation of the participation principle of the cooperative model.

The emerging phenomenon of social enterprise in Indonesia became apparent during the transition from the authoritarian regime (before 1998) to the democratic regime (after 1998). This political context provided opportunities for the development of the third sector, with support from international funding organizations. Many social enterprises resulted from the transformation of NGOs; challenges in this transformation process were linked to the lack of entrepreneurial capacity and skills, and of an appropriate legal form for social enterprises. Indeed, there is no specific legal form dedicated to social enterprises in Indonesia, and selecting the most appropriate legal form, taking into account the many relevant aspects—including the accountability and governance structure, the funding structure and the taxation scheme—remains a challenge for social enterprises.

In general, most social enterprises in Indonesia choose a non-profit model and register under the legal form of a foundation, an association or a cooperative. The majority of the observed organizations utilize their entrepreneurial activities as a means to fund their social program. We highlighted four major SE models in Indonesia: the entrepreneurial NPO model, the social cooperative (SC) model, the community development enterprise (CDE) model, and the social business (SB) model.

Finally, we should acknowledge that the qualitative approach we developed also has clear limitations. The observed cases do not represent all social enterprises in Indonesia. A general survey and empirical studies are needed to provide a broader picture of social enterprises in the country. Deeper analysis should be conducted into the institutionalization process of Indonesian SEs; it should also determine how the integration between the market orientation and the social mission interacts with organizational cultures in the various social enterprise models. Future studies on governance may focus on cooperatives experiencing conflicts of interests between the role of government and their members.

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APPENDIX 1. PROFILE OF THE OBSERVED ORGANIZATIONS

	Organizations	Legal form	Social activities	Target groups
1	Jurnal Perempuan (Women Journal)	NGO	Policy advocacy on women rights, training for women Business activities: sales of handmade crafting business and books	Women
2	Savy Amira	NGO	Women crisis intervention centre Business activities: online second-hand products shop	Women suffering from domestic conflicts
3	Komisi Perlindungan Anak (Child Protection Commission)	Foundation	Policy advocacy Business activities: cookies shop	Children
4	Association for the Advancement of Small Businesses (PUPUK)	Association	Various SME business development activities, and CSR program Business activities: marketing agent for SMEs	Small and medium enterprises, farmers
5	Insan Persada Foundation	Foundation	Business activities: lending and saving financial activities	Poor people
6	Pancur Kasih Cooperative	Credit Union Cooperative	Business activities: lending and saving financial activities	Poor people
7	Community Organizer Association for Women in Small Business Assistance –ASPUK	NGO	Microfinance, retailer for their target groups' products (i.e. handicraft)	Women entrepreneurs
8	Desantara Foundation	Foundation	Business activities: limited liability publishing company, microfinance and	Indigenous people

	Organizations	Legal form	Social activities	Target groups
			consultant firm	
9	Ruang Rupa	Foundation	Holds exhibitions, festivals, art labs, workshops, research, and journal publications	Local artist
10	IBEKA (Yayasan Institute Bisnis and Ekonomi Kerakyatan/Institute of Business and Community-based Economic Foundation)	Foundation	Provides electricity infrastructure	Poor people in remote areas
11	Yayasan Prasasti Perdamaian (Dapur Bistik/Steak Kitchen)	Foundation	Food chain business	Drop-out students and former convicted terrorists
12	PIRAC (Public Interest Research and Advocacy Centre)	Foundation	Research, training, consultation and publication in fundraising	Civil society organizations

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