# Knowledge-Based Social Entrepreneurship and The Creation of Social Enterprises' in South East Asia: Indonesian Cases

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## ABSTRACT

This paper aims to elaborate further the concept of Social Engineer based on three typologies of Social Entrepreneurs suggested by Zahra et al (2009) which states that a revolutionary social change done by social entrepreneurs usually must confront some parties whose its status quo so is disturbed which in turn potential to cause conflict. Based on our empirical research through fieldwork, we conclude that both cases are successful in avoiding unnecessary confrontations. This is because of the role of social cosmopolitan entrepreneur actors who approach large scale community by taking into account of the global ideals while building communities' capability to ensure its independency and sustainability by recognizing their core problems. In two cases examined through qualitative approaches, the two global ideals are (1) the application of John Elkington's concept of Triple Bottom Line CSR of a pulp & paper company in Riau, Sumatera, Indonesia to the communities surrounding the company; (2) the implementation of the 10 principles of Fair Trade by a limited liability company in Ubud, Bali, Indonesia to the craftsmen communities. These cosmopolitan entrepreneur actors are successful in combining knowledge about what the Global world demands ("global ethics") and how to implement it to the communities' core needs in their own way ("local wisdom") harmoniously by adapting community approach.

Keywords: Social, Entrepreneurs, Company

# 1. INTRODUCTION

Today the phenomenon of social entrepreneurship is experiencing increased interest, both as a *praxis* and its theoretical interest. This phenomenon primarily met its popularity in the late 1990s and early 2000s, when there were significant political, economic and environmental changes; i.e. 6.3 billion human populations worldwide, nearly half of whom earn less than \$ 2 a day, 1 billion suffer from malnutrition, 1 billion lack of access to clean water, 2.4 billion have no access to proper sanitation, 50% of the world's population only gets a 5% share of total global revenue [1]. The social entrepreneur then appeared in the middle of stuttering governments and multilateral agencies to follow this dynamics. Nicholls (2006) says that the emergence of social entrepreneur is driven by the growth of a new generation of pragmatic, innovative and visionary social activists and their networks. These combine eclectically the business model, charity and social movement models to reconfigure solutions to the problems facing communities by creating new social values that ensure sustainability and community self-reliance.

Nicholls connects this phenomenon with the global supply and demand emerging in the dynamic. On the supply side, Nicholls notes that social entrepreneurship is driven by a global increase in per capita wealth/improved social mobility, extended productive lifetime, increased power of multinational corporations, better education levels and improved communications. In terms of demand, social entrepreneurship is driven by rising crises in environment and health, rising economic inequality, government inequality in public service delivery, retreat of government in the face of free market ideology, more developed roles for NGOs, and resource competition.

In various literatures, the term social entrepreneurship itself has not gained consensus on its definition. However, various efforts have never subsided in defining this term. This is due to the social entrepreneurship status itself that blurs the line between profit-making and philanthropic activity [2]. But experts such as Nicholls [1], Audretschand Sanders [3], Zahra [4], Soriano and Dobon [5] say that social entrepreneurship is affected by impact – and in turn has an impact on globalization; a phenomena that separate the "North" and "South". Technological advances bring new initiatives and innovations from entrepreneurs to provide alternatives beyond mass-consumption products or outlets. Not all offer genuinely authentic products, but emerging initiatives and innovations can be attributed to emerging strategies and creativity to address problems within a community [6]. From this vantage point the entrepreneurs who realize the social mission through social entrepreneurship activities start to emerge.

In this paper we do not see social entrepreneurship as something outward-looking; as a comparative advantage of the South, but to intrapolate *social entrepreneurship* as strategy of a community, especially the Southern hemispheres, to survive in a market economy, although globally it has not made a significant contribution. The division of the "North-South" also marks the difference of social entrepreneurship character between the two hemispheres. In the "South" context, the community (*Gemeinschaft*) becomes an important keyword, because based on the two cases we have research, the success of social entrepreneurship depends on the social value created by a small-scale community.

However, although their management is very local these communities are not repudiating the big ideas such as the idea of Millennium Development Goals' fair trade practices that globally accepted. These ideas are often brought by external figures from the community, in the sense that aside from being entrepreneurs, these figures are also typical of the world's citizens who have specific epistemic access (e.g. better education, awareness of global issues) to the global situation, but return to the community bringing a social mission. They return as heroes, problem-solvers of local problems with their diverse strategies. By returning to the community, social entrepreneurship can provide protection to the most vulnerable parties who crushed by the Goliath of globalization. In this context, they will become important actors, who in this paper will be called as the "cosmopolitan entrepreneur actors."

This paper aimed to discuss two issues. First is to discuss these strategies through two success stories of application of social entrepreneurship strategies to create a strong, independent and sustainable social enterprise. The first story tells about social enterprise which stands from Corporate Social Responsibility of a company namely PT Riau Andalan Pulp & Paper (PT RAPP) in PangkalanKerinci, Pelalawan, Riau, Sumatera, Indonesia, 1993-2005 to rural society in Pelalawan, Riau. This story did happen quite a while ago, but its relevance can still be drawn. This is due to the change in community management status previously held by the company to be more independent in the hands of the foundation that

specifically built to handles community development and empowerment there, even though the CSR initiative is emerging from the company. The time span from 1993 to 2005 was the moment of "experimentation" of CSR-based social enterprise creation. This story represents the success of social enterprise in the commercial sector, despite having different economic and product operations from companies that funds community development and empowerment in the region. It should be a remarkable note, that the program is undergoing a transformation closer to its social spectrum precisely when Indonesia is still in the economic crisis of 1997-1998. The second story is about the efforts of an entrepreneur figure from Ubud, Bali, Indonesia, named Agung Alit who founded a community of artisans in Ubud by applying fair trade principles as a guideline for community's social entrepreneurship through PT Mitra Bali Fair Trade (PT MBFT) along 1993 until now. The fair trade model contributes greatly to sustainable development by guaranteeing the rights of marginalized producers and workers, and offering better trading conditions while preserving their customs and traditions.

Our second purpose would be elaborating the theoretical framework coined by [7]. Both stories have significant differences in funding, resources, strategy, scales and business model. But both have the same characteristics of Zahra's Social Engineering typology.[8] They acknowledge, however, that much space is available to interpret the transformation of social entrepreneurship in the second decade of the 21st century. Both of our cases have some similarities to this model, but the differences are considerably plentiful as well. This interpretation would be our theoretical contribution, because these two stories do not precisely fit this Social Engineer model.

# 2. LITERATURE REVIEW

# 2.1 Mapping the Concepts

The concept of social enterprise and social entrepreneurship, however similar, but are difficult to clearly mapped. Not all social enterprise is an outcome of social entrepreneurship activity, although by definition, the boundary between the two concepts is very vague. Doherty [8] defines social enterprise as "organizational seeking business solutions to social problems." But this type of organization avoids business as the primary goal of enterprise and more relies on donations, grants, or cooperative systems [9].

Meanwhile, according to Tanimoto [9] a social enterprise has the following characteristics: (1) having a social mission, by looking at social issues in business operations, and supporting social mission through stakeholders and community; (2) social business, which is oriented to business development with stakeholders and community; and (3) social innovation, i.e., continuous social values that are realized in every new process of development of goods and services [10]. In addition, he identifies the types of social enterprise, especially in the Japanese context, as listed in the following table.

	Table 1	l. Types	of Social	Enterprise.
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Non-profit Organization	Non-profit venture, Social Welfare Corporation Intermediate Corporation, Cooperative	
For Profit Organization		
	Incorporated / Limited Private Company	Socially-oriented Company
		Social Business of Corporation (CSR)

Braunerhjelm& Hamilton also tend to distinguish these two notions based on the definitions made by [10], as not-for-profit private organizations providing goods or services directly related to their explicit aims to benefit the community. These activities are done by relying on a collective dynamics involving various types of stakeholders in their governing bodies, they place a high value on their autonomy and they bear economic risks linked to their activity [11]. From this definition we can find the notions of social entrepreneurship, because in practice in Italy, the legal umbrella that accommodates social enterprise can be widely applied to the sectors of defined social welfare utilities: welfare services, work integration, environmental services, health and education.

The sharp difference between these two concepts, according to Luke and Chu, is that not all social enterprise is social entrepreneurship. Both serve social needs by means of commercial, business or venture. But the term entrepreneurship is more often associated with the "identification of existing opportunities, innovations, and risks (Kirzner; Shane; Venkataraman and Sarasvathy), introducing something new to the market (Davidsson); such that social entrepreneurship involves seizing opportunity for market-changing innovation of a social purpose (Corner and Ho; Leadbeater, )." Social entrepreneurship can generally be defined as an innovation and social value creation activities, both on the non-profit, business and public [12]. Every entrepreneur is certainly trying to create a value. But what distinguishes them is that social entrepreneurs create social value in their business activities [13]. Business activities that lead to the creation of social values will certainly bring about social change in a society [14]. Social entrepreneurship has social and economic goals that run simultaneously in running every activity. Based on a variety of definitions, we can gather some important tenets in defining social entrepreneurship, as well as some new insights we gain through data analysis in the field. Here, we are greatly helped by the literature review conducted by Zahra as well as Braunerhjelmand Hamilton.

Based on the review of Zahra et al on the definition of social entrepreneurship spread in various writings from 1997 to 2007, social entrepreneurship has some indicators i.e. (1) social mission, namely that social entrepreneurship, although a business model, still has a strong social foundation as a its main mission. Meanwhile, profit or business serves as the second indicator, namely (2) the use profit as means to pursue that social mission. The business model is just one solution to the social problems facing entrepreneurs. What is important is how to provide solutions that (3) innovative, problem-solving approach through (4) entrepreneurialstrategies. Due to its problem-solving nature, social entrepreneurs can apply both casuistic and long-term solution based on epistemic vantage points to create a variety of entrepreneurial spirit-based strategies. Based on those indicators, they has proposed the definition of social entrepreneurship as the activities and processes undertaken to discover, define, and exploit opportunities in order to enhance social wealth by creating new ventures or managing existing organizations in an innovative manner. On the other hand, [14] also provides four similar indicators, i.e. (1) mission-driven; (2) act entrepreneurially through a combination of characteristics that sets them apart from other types of entrepreneurs; (3) act within entrepreneurially oriented organizations; (4) act within financially independent organizations [15].

Those two conceptualizations are standard definition based on the double bottom line between the social and the profit-oriented activities. On the other hand, Braunerhjelm and Hamilton, who examined the definition of social entrepreneurship until 2009, began incorporating environmental indicators into the definition, although neither of them built a valid definition. The concept of environment in their theory is not related to ecology, but rather to financial conditions, talents, capabilities, working atmosphere, colleagues, and so on, which enables these entrepreneurs to grow and respond to their stimulus [16]. But if the definition of this environment is expanded, this indicator makes the concept of social entrepreneurship becomes more widespread, as well as more complicated to be defined.

Environmental indicators in this context mean adding another assessment of the sustainability of a community, a *triple bottom line* involving the planet, in addition to people and profit. Our assumption, a social mission will not work without considering the ecological carrying capacity of the community. It is illogical to talk about sustainability if innovations and solutions run by an entrepreneurial operation are destructive to the environment. Elkington's model of triple bottom line have proven to be important measurement indicators for assessing the performance of a company's CSR program [16]. Moreover, this model is also proven to be used to assess the contemporary performance of a small-medium enterprise [17] as well as other entrepreneurship forms [18]. Sustainability also serves as an indicator of social enterprise success, namely through social change that occurs, which has continuity.

In the literature review of this concern, [18] emphasizes two perspectives. The first perspective emphasizes the concepts of sustainable development and the triple bottom line, while entrepreneurial activities remain subordinate to these The second perspective aligns the notion of the triple bottom line with the process perspective of entrepreneurship [19]. Despite the elaborated debate about the definition of sustainable entrepreneurship, we use this approach to add one more variable to the definition of social entrepreneurship.

Another important variable in defining social entrepreneurship is identity formation. While not considered as an important indicator in measuring the success of a social enterprise, but based on the two cases we studied, communal identity and community feelings (*Gemeinschaft*) play a major role in gluing the necessary ties to the success of a social mission as well as ensuring that the implementation of the triple bottom line. From Ferdinand Tönnies' *Gemeinschaft* and *Gesellschaft* (community and society) theory, identity as a community can contributes in creating the social ties that necessary to ensure sustainability [20]. Without intending to compare which is better between community and civil society, community values are particularly prominent in the two cases we studied, although the first community. This community is actually made possible by the existence of social enterprise, which in turn the values of this community also served as a mores for the running of social enterprise. Although this is not an indispensable indicator of social entrepreneurship, it is empirically proven to ensure the necessary social ties and structures in maintaining stability, while the stability itself is an important keyword for sustainability.

Thus we can draw six main indicators in the definition of social entrepreneurship, e.g. (1) social mission; (2) the use profit as means to pursue that social mission; (3) innovative, problem-solving approach; (4) the use of entrepreneurial strategies; (5) how sustainability is ensured; (6) the role of shared identity as the important aspect of Gemeinschaft. Thus, the definition of social entrepreneurship that is adequate for us is "a social mission that is run through innovation and other entrepreneurship strategies to solve existing problems in the community to create a sustainable solution for the sustainability of the community itself, with the guarantee of the order and stability built by common identity." These would be our main indicators in interpreting our cases.

More importantly, our definition is better associated with global conditions that underlie the emergence of social entrepreneurship activities. It would be highly relevant to consider that the cases we studied were cases occurring in the South, where access abroad is still relatively difficult for the community itself, except through the assistance of those acting as the cosmopolitan actors. Our hypothesis, the global-local dialectics will be harmonious when the cosmopolitan actors and particular communities synergize, not annihilate each other. In this context, we believe that the discussion regarding the sustainability and identity find relevance, so that the term "social enterprise" becomes stark.

# 2.2 Theoretical Framework

Most social entrepreneurship theories are derived from entrepreneurship models used by two major traditions, namely Anglo-Saxon and European (especially Austrian) traditions, as the epistemic conundrum of capitalism today. From these two traditions, Zahra et al, for example, reduced three social entrepreneurship typologies qualitatively – something odd because Zahra et al attempted to reduce the qualitative logic of positivistic models. The three models (Social Bricolage, Social Constructionism, Social Engineering) holds the theoretical underpinning of Hayek, Kirzner, and Schumpeter's economic theories that do not make particular theories about "social" entrepreneurship themselves, except theorizing the term entrepreneurship.

## 2.2.1 Social Bricolage

This typology is modeled on the thoughts of Friedrich A Hayek which emphasizes local knowledge or contextual information plays an important role in the entrepreneurial process. This type is among those who "perceive and act upon opportunities to address local social needs they are motivated and have the expertise and resources to address." These circles are very dependent on deep knowledge of the conditions experienced by their own communities, so that the scope this type is generally local and small scale. This knowledge is represented by the term Levi-Strauss "bricolage", i.e. "any source or repertoire that can be used and utilized to deal with a situation," or "resourcefulness and adaptability within an existing context." Zahra et al pointed that the main character of social bricoleur is "making do" of what is "available at hand." The knowledge, resources and repertoire are combined in such a way that they can be used to solve problems while opening or enhancing new opportunities. In an effort to solve the problem with whatever is available, social bricoleur has the principle of using anything regardless of conventional limitations, especially with regard to institutional or political settings. However, unlike the breakthrough strategy as technological entrepreneurs emphasize dramatic outcomes that outperform their competitors by breaking technological innovation, social bricoleur holds adaptability and improvisation of its actors to find strategies that match the availability of resources. Thus, social bricolage is considered close to the ideal of "social equilibrium," which ensures the existence of rules and social peace, as Parsons (1971) discloses.

### 2.2.2 Social Constructionism

Social constructionism borrows a model from Israel Kirzner with the main keywords "alertness to hitherto undiscovered opportunities" and "spontaneous learning." Both qualification drive entrepreneurs to innovation and discovery. Having both of these points is a preferred social constructionist advantage, but having the first point (innovation) alone is considered to be sufficient to run its entrepreneurship activities. Innovation is the implementation of new ideas or ways to solve the problems that exist. But these new ways do not necessarily involve new invention. The main characteristic of social constructionists is

their ability to overlook or alert market failures/market gaps, then use new innovations to address local problems with the goal of improving equilibrium, through solutions that can be generalized and applied to a variety of situations and scales. Another important feature of this circle is resource-driven, its dependence on considerable financial and human resources from outside, such as NGOs, government or foundations.

# 2.2.3 Social Engineering

Social Engineers received a theoretical foundation from Joseph A Schumpeter who is famous for his "creative destruction" jargon, i.e. an effort to continuously perform deconstruction and reconstruction to create new, more efficient systems. They attempt to solve problems on a relatively large scale by addressing issues from outside through revolutionary change. The main characteristic of these circles is to target systems, so they often attack systems of varying scale, from national, transnational, to global. Attacking the system is a natural tendency of these circles; is their ideology. Therefore, these entrepreneurs are often perceived to be a threat to the interests of the status quo, sometimes even seen as subversive and illegitimate. With this accusation, Social Engineers need resource from popular support and legitimacy by the masses. The famous example for this model is Grameen Bank by Muhammad Yunus in Bangladesh.

The problem of entrepreneurship these proposed typologies, at least for the type of social *bricoleur* and social constructionist, are that these typologies regarded entrepreneurship as the *function of capitalism*. We call this a shortcoming because by making entrepreneurship a function of capitalism, without examining the basis of capitalism as a moral philosophy, this will reduce the "social" meaning of the term itself. We consider Social Engineering typology quite adequate as a form of social entrepreneurship because of the strong social mission that it carries out. The problem is, however, adhere to the theory of Schumpeter itself, entrepreneurs with the Social Engineers character need to bring down smaller rivals in the competition in the market, because the key to entrepreneurship for Schumpeterian views is the ambition to enlarge their small businesses into big ventures. Entrepreneurs are those who are in Schumpeterian sense a "wild spirits" who come to destroy their rivals through innovation and new opportunity opportunities [21]. Thus, the self-interest and individualistic side of classical capitalism remains very strong in this model. Consequently, we need new theoretical basics for many cases grouped under the shades of "social" entrepreneurship.

This paper will examine two cases through two derivative models from this vantage point. These two models are made because the actors, resources, scale, strategy and entrepreneurial processes of these two models are different, but both shares the same tangent point in the context of sustainability and identity formation through the development of independence, albeit employing different strategies. The next equation lies in the ideology or moral philosophy of its entrepreneurial initiator (the "great man" school) [22]. On the other hand, the two cases we studied involve revolutionary system changes, thus traditionally belonging to Social Engineering typology. But the findings in the field do not fully match with this.

Two models of social entrepreneurship that we use in this paper is attempted to meet the six indicators of social entrepreneurship. In addition, both are also based on the acknowledgment of cosmopolitan entrepreneurial actors. This naming refers to the emergence of individual or collective actors who play an entrepreneurial function at the community level as well as global. As theorized by [22], "due to globalization and the increase of private authority, some individuals with a transformational orientation have now obtained new resources of power that allow for the novel non-state and non-collective agency." Therefore

she suggests three categories of individual agents increasingly relevant to global governance: i.e. celebrities, philanthropists and social entrepreneurs [23].

In regard to social entrepreneurship as our focus, Partszch emphasizes that one or a group of social entrepreneurs acts as "inventors of new ideas, norms, or products." She sees it as the first phase in a life cycle, as suggested by [23]. The next phase is the norm cascade, which makes a new norm of entrepreneurship spread until widely accepted, followed by the next phase that is the institutionalization of entrepreneurship norms that play a role to reorganize and choose the best options to implement the new norm. The last phase is the policy entrepreneur who plays a role to change the particular institutional arrangements and leverage resources to create new institutions that replace the old institutions. Not all phases in this life cycle must be met to make a person or a group of entrepreneurial social actors to become cosmopolitan entrepreneurs. In fact, many preconditions must be met, such as domestic government support, global networking, access to specific epistemic communities, domestic, regional, and global socio-political structures that should support and so on. The concept of the cosmopolitan entrepreneur actor matches the Social Engineer concept proposed by Zahra et al, while meeting the theoretical criteria of "the great man" theory.

# 2.3 Modeling the Concept

# 2.3.1 CSR as Social Entrepreneurship

The Organization for Economic Co-operation and Development (OECD) defines CSR as "a business contribution to Sustainable Development and that corporate behavior must not only ensure benefits to stakeholders, workers' worth and services and products and services to consumers, but also to respond to attention and social and environmental values." The World Business Council for Sustainable Development, also states that CSR's priority activities should include human rights, workers' rights, legal protection, supplier relations, community involvement, and CSR monitoring and performance assessment. The Commission for European Communications provides another definition of CSR as a socially responsible company is not a company that merely fulfills the obligations imposed on it under the rule of law, but does it exceeds the rule of law, implements investments in human capitals, the environment, and relations with stakeholders. This CSR implementation follows a new accounting method called a triple bottom line model by incorporating it into a sustainability report or corporate citizen report. The triple bottom line concept modeled by Elkington in 1997 has the principle that (1) relating to people, every constituent gets benefits and does not exploit or harm them; (2) relating to the planet, reducing or reducing adverse impacts on the environment, and (3) relating to profit, earning profit which is mostly enjoyed by the host society.

In this debate, according to Hemingway (2013), there are three perspectives on CSR that can be mapped. First is the perspective based on classical economic theory of market firmtheory. In perspective, fundamentalism this CSR or is accused of containing stakeholders who are considered not part of the business environment, and their existence is considered to disrupt corporate practices by demonstrating the firm's capitalisticexploitative practices and requiring companies to change such practices [24]. Second is for the business perspective, which utilizes Public case CSR Relations to regulate stakeholders' perceptions of the company's long-term operation. CSR is a company strategy to achieve long-term goals or interests as a competitive advantage. In other words, CSR in this perspective is a means-to-an-end or instrumental dimension. The third perspective is *multi-fiduciary perspective* that highlights the ethical responsibility of the company [25]. This perspective emphasizes discourse to create ethically/morally correct corporate behavior on the grounds to all treat stakeholders equitably and fairly, not merely as part of corporate strategy. [26].

In relation to corporate CSR programs, entrepreneurship for community development can be modeled as Corporate Social Entrepreneurship (CSE) as a motor of CSR change. These changes include the sustainability of economic development and the improvement of people's welfare. This effort is done by company-based entrepreneurship and relationships with existing small and medium enterprises (SMEs). CSE is a synthesis of social entrepreneurship and Corporate Entrepreneurship, a concept developed by [22] as "the process of extending the firm's domain of competence and corresponding opportunity set through innovative leveraging of resources, both within and outside its direct control, aimed at the simultaneous creation of economic and social value."[27]. The CSE was built with the ultimate goal of accelerating the company's organizational transformation into a stronger societal betterment [28]. Meanwhile, Austin and Reficco see CSE as a process of refreshing and promoting CSR development, not a new form of CSR. CSE is expected to create a social value chain through innovation and entrepreneurial business model. CSE, like all kinds of entrepreneurship, is about innovation, change, identification of new ways of doing business, and new strategies. But the principles of the social value chain also combine the company's willingness and the economic and social needs of its stakeholders, so that both parties can gain on a voluntary basis [28].

### 2.3.2 Fair Trade as Social Entrepreneurship

Fair trade is a form of trade that began in post World War II by organizations from America and Europe as a way to provide aid to war refugees, through the sale of handicraft items made by the population. Fair trade then evolved to bring a larger economy to one million small-scale producers worldwide. [29] In 1964, Oxfam made an initiative to establish Alternative Trading Organization (ATO) to disseminate the idea of fair trade. [30] In 1989, the International Federation for Alternative Trade (IFAT) was established by fair trade executives from Europe, Asia, America and Australia. In its development fair trade is supported by organizations such as Fair Trade Label Organizaton (FLO), World Fair Trade Organization (WFTO), Network of European Worldshop (NEWS) and European Fair Trade Association (EFTA). There are 10 principles implemented by fair trade to help marginalized producers, i.e.:

- a. Creating Opportunities for Economically Disadvantaged Producers, i.e. supporting marginalized small producers by creating a profitable opportunity.
- b. *Transparency and Accountability*, i.e. run a business in a transparent manner that involves members and producers in the decision-making process and the creation of open communication.
- c. *Fair Trading Practices*, i.e. trading with regard to social, economic, and environmental welfare of marginalized and non-profit producers.
- d. *Fair Payment*, i.e. fair payment that has been negotiated and approved by all parties through dialogue and participation. This consists of fair prices, fair wages and local living wages followed by an initial payment of at least 50%.
- e. *Ensuring no Child Labor and Forced Labor*, i.e. ensures not employing children and forced labor, and complies with the United Nations Convention on the Rights of the Child and the Law on Children.

- f. Commitment to Non Discrimination, Gender Equity and Women's Economic Empowerment and Freedom of Association, i.e. does not discriminate in recruitment, compensation, access to training, promotion, retirement based on race, caste, national origin, religion, sex or sexual orientation. Moreover, it consists of equal treatment, gain access to the same resources, and respect the right of all workers to join the union.
- g. Ensuring Good Working Condition, i.e. providing a safe and healthy working environment for employees and members, working hours and comfortable conditions, and raising awareness of health and safety issues.
- h. *Providing Capacity Building*, i.e. developing the skills and abilities of employees or members by developing special activities and capacity building.
- i. *Promoting Fair Trade*, i.e. raising awareness of the fair trade objectives, the need for greater equity in world trade through fair trade, and providing relevant, fair and honest information.
- j. *Respect for the Environment*, i.e. maximize the use of raw materials from sustainably managed sources, using environmentally friendly production technologies and minimize the impact of waste streams on the environment.

Fair trade can be regarded as a business model that leads to social entrepreneurship by the very idea of empowering socio-economic community through innovative solutions by applying the principle of fair trade in every business activity. In social entrepreneurship, fair trade acts as a cooperative effort that brings benefits to producers by paying fair and open jobs. Fair trade seeks to create conditions for producers in developing countries to be free from poverty. On the other hand, fair trade seeks to change the rules of international trade by raising consumer awareness. In this vantage point, by buying products labeled fair trade, consumers contribute in supporting fair trade and can be said as an *ethical consumerism*. [31].

## 3. METHODS

According to [15], most research on social entrepreneurship is using the method of case studies and success stories. Of the many case studies and success stories, most have different characteristics depending on the social, cultural, political, economic context, the community's position in globalization and so on. This makes a theoretical generalization of the term difficult. This difficulty also complicated by the paradigmatic status of the field. There is no adequate consensus in the positioning of social entrepreneurship in academic field. Some experts regard social entrepreneurship as a derivative of the discipline of entrepreneurship, so it has not become an actual or independent discipline. Meanwhile, according to literature review by Lehner andKansikas, social entrepreneurship becomes the subject of research for sociology discipline (Hockerts, Mair, and Robinson ; Kriauciunas, Parmigiani, and Rivera-Santos); entrepreneurship (Chell, Nicolopoulou, and Karatas-Ozkar; Corner and Ho); public management (Bagnoli and Megali; Meyskens et al.); ethics (Cornelius et al.), finance (Austin, Stevenson, and Wei Skillern), politics and institutions (Hemerijck; Dey and Steyaert), and psychology and education (Chand and Misra) [32]

The "social" bracket in the term does require a separate discussion involving interdisciplinary and multidisciplinary approaches. The contribution of various disciplines such as business management, sociology, anthropology to philosophy (ethics) is necessary to build an epistemic position of social entrepreneurship into an actual discipline. In addition, this difficulty is also contributed by very dynamic conditions. We are facing a slowing public offering of products and social services that result in unfulfilled needs and disequilibrium between developed and developing countries. As Braunerjelhm& Hamilton suggested, there is increasing "competition" between social enterprise and other non-profit sectors for donations and grants in the world of social entrepreneurship itself.

Thus, methodologically, we have to be satisfied with the available methods and theoretical framework. The method of case studies and grounded theory is still the most suitable method of finding theoretical foundation. Both of our cases will be discussed through qualitative methods with the main method of multiple cases studies by following the replication logic to find similarities and patterns between both cases studied then we perform analytical generalizations. Primary data is collected through fieldwork involving interviews and surveys as well as website tracking and numbers of available papers and reports as secondary data. In analytical generalization, we used phenomenological reduction to prove our hypothesis that the congruence between two very different cases of typology is at an ("irrational") ideological point as the basis of their social mission. This is related to our position that assumes that social entrepreneurship is an initiative that is not completely rational. Efforts to improve, solve social problems, build and develop societies by making value changes (sometimes at extreme point) by emphasizing social dimensions with actor motivation to make changes may be an adventure attempt to break new things, just like the meaning of *enterprise*. No matter how rational, we should still be prepared for the challenges and things we will not be fully prepared for anticipation. The two stories we will present have a point of similarity in the entrepreneurial actors' motivation to carry out social missions, the state of crisis they face when implementing programs and making crucial decisions, translating their vision and mission to their subordinate and organizing their community institutionally and can be monitored.

### 4. RESULT AND DISCUSSION

#### 4.1 Application of Model 1 - CSE of PT RAPP (1994-2005)

PT Riau Andalan Pulp & Paper (PT RAPP) is part of Royal Golden Eagle Group (RGE Group) founded by Medanese businessman SukantoTanoto that has become one of the leading players in the global fiber, pulp and paper industry. This company based on PangkalanKerinci, Pelalawan District, Riau Province, Sumatera, Indonesia, established effectively in 1994. This company owns major fiber plantations of 480,000 hectares from its 1 million hectares of land and manufacturing operations in Indonesia. Riau is one of Indonesia's natural resources, especially from oil and forest commodities.

In our case, the community in PangkalanKerinci has succeeded in overcoming their poverty through the successful implementation of the CSR program initiated by PT RAPP through participatory community development and empowerment programs. This is the clear evidence that the company can partner with stakeholders in mutually beneficial relationships. One successful partnership method is the creation of a network of independence and empowerment through CSR-based entrepreneurship programs, or the CSE. CSE can be considered as a new model in the implementation of CSR that emphasize aspects of self-reliance, sustainability and especially to change and educate the public mindset. The social problem faced by the community is primarily a high poverty rate in its 40.05% of 5.5 million people. Most of them worked as illegal logger. The emerging entrepreneurial spirit further strengthens and advances the region. In this case, PangkalanKerinci has been transformed from a backward area into an advanced district and a successful model of regional autonomy (Otonomi Daerah) for the central government. The mixture of social responsibility and commercial advantage finds a form that proves that the ethical/moral obligations of the

company must be carried out in accordance with the ideological value embedded in the minds of the corporate elite. In other words, in solving economic problems, according to our hypothesis, it can be done by using the economy itself as an "instrument" to realize the ideals of welfare of the community. To be short, the *economy is an extension of morality*. On the other hand, communities as the target of CSE also need to measure their success in the context of self-reliance and sustainability of CSE programs.

The key to this success lies in the "guts" of its founder who made a community empowerment program or CSR; namely the Community Empowerment Program of Riau or Program PemberdayaanMasyarakat Riau (PPMR) when the economy was in a crisis in 1999 and many companies were in a chaotic condition. Based on research conducted by Mursitama et al (2014), in 1999, this breakthrough can be seen as an anomaly, because in an atmosphere of post-crisis recovery, the company invested billions of rupiah for community development programs; a business that in the classical economic point of view considered non-market.[36] Prior to 1999, PT RAPP had indeed created a similar program, but in philanthropic, charitable and incidental nuances ("*candy giving*" programs). In other words, there is no established "ideological" or ethical foundation in its social responsibility program. In these conditions sustainability could not be discussed because the program is only carried out to meet the government' Forest Village Development program or BinaDesaHutan (1992).

However, after 1999 there has been renewal among PT RAPP elites regarding sustainable and responsible community development models, from CSR to CSE. This change expands business thinking as commercially profitable and a sustainable business. The trajectory of the implementation of the CSE can be seen in the establishment of Riau Community Empowerment Program (RCEP), in the context of post-crisis Indonesia 1998. These trajectories can be mapped into three main stages. i.e. (1) establishment stage; (2) deepening stage; and (3)transformation stage. Establishment stage was started in 1992 in the form of philanthropic activities and charity as incidental and sporadic as a form of CSR, coupled with the government's BinaDesaHutan program (1992). The provision of free assistance in the form of electrical generators is in turn deemed not educative so it was quickly abandoned.

The *deepening* stage is implemented by forming RCEP, by ending the philanthropic model and creating new departments in companies that handle CSR exclusively, methodologically and comprehensively. This stages runs through three major strategies, i.e. (1) being attentive to the community by providing opportunities for the community developmentand reduce poverty; (2) conserving biodiversity and the environment in general while enforcing business activities; and (3) strive to ensure the availability of a high-quality and inexpensive supply of wood that capable of competing internationally. This strategy is implemented concretely in four stages, i.e. (1) *integrated farming system* (1999) with cattle breeding as the core of empowerment, while integrating agriculture and fishery; (2) *social and infrastructure program* (1999); (3) *vocational training* (2000); and (4) *small and medium enterprises*.

At the *transformation* stage, the company then established ABCD Foundation (2005) as an independent foundation to provide the necessary assistance to the community. This foundation became a forum for coaching effectively. The foundation runs for six years and plugs in a new phase and methodology in the *community development* and *empowerment* [33].

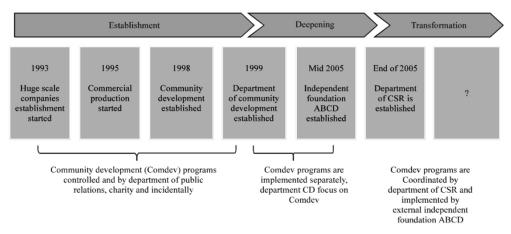


Figure 1. Trajectory CSR Riau Pulp & Paper Company.

The ABCD Foundation is designed as an extension of the RCEP's influence independently to avoid possible conflicts if community development programs are still under the clutch of the company, and able to embrace the interested parties and local bureaucrats. This independence makes the foundation has more authority to embrace the government of Nangroe Aceh Darussalam, Indonesia, for example, not limited to local communities of Riau. Another benefit of this independence is that the company still acts as a supplier of funds necessary for the realization of the foundation's program. On the other hand, the foundation is also entitled to receive assistance or funding from other parties outside the company, for example, the assistance from the government of Nangroe Aceh Darussalam. Within this assumption, foundations can play a larger role in improving the self-reliance of communities more broadly, rather than being oriented solely as corporate strategy. Below is the comparison between two conditions.

 Table 2. Comparison of Corporate -controlled and independent CSR Implementation.

	Pre-Foundation ABCD ( company-controlled )	ABCD Foundation ( independent )
1.	Implementation is too rigid and less practical because it depends on rigid corporate rules.	Program implementation is more flexible because the foundation can adjust real needs in the field.
2.	The purchase of goods and	more concise, not dependent on company
3.	Too tolerant of errors or problems.	More strict in dealing with errors and problems.
4.	Payment of goods and services is more complicated because it depends on credit and accounting firm.	Payment of goods and services is more flexible as it can be paid in cash.
5.	Overtime in programs'	The implementation of the community

	implementation should be paid by the company.	<i>development</i> program is considered a voluntary activity so the company does not consider this activity as a new expenditure item.
6.	The public has not been too open in terms of their aspirations to the company.	The community is more open to its aspirations because the foundation acts as the bridge between communities and companies. Information delivered more open.
7.	Results-oriented and product- oriented (e.g. widespread pepper farming or cattle ranching).	Oriented to a process that favors self- reliance and community participation.

Through these findings, CSE of PT RAPP has fulfilled its social mission with various community development and empowerment programs aimed at solving social problems innovatively as well as supporting sustainability programs. Innovation is done by applying an integrated farming system, a way of life that was never done before by the local community. These programs reap the profits that are fully returned to the community. Creation of communal identity occurred through the development of Pangkalan Kerinci into an independent district that became an icon of local government autonomy.

We can draw some conclusion from this case. (1) the goodwill of the company to contribute to community empowerment and protect the environment has an impact on the transformation of the company's internal values outward, which in turn brings good reputation and public legitimacy to the company; (2) social responsibility-based philanthropy or charity is not sufficient as ammunition for community development and empowerment; (3) the transformation of corporate ethical values into society and the application of CSE in all lines of business operations ensures the company's business sustainability and brings the company's reputation as an environmentally friendly company; (4) support from top management makes CSE not just an incidental program, but rather becomes something inherent in the company's business.

# 4.2 Application of Model 2 - PT Mitra Bali Fair Trade, Ubud, Bali, Indonesia (1993-2018)

Bali revenue relies heavily on tourism industry. However, the tourism industry in Bali not only has positive sides but also its dark sides. The benefits of the industry are generally enjoyed by a small portion of the craftsmen community in Bali, especially the owner of art shops in numerous tourist centers and the middlemen. On the contrary, the hard work of the craftsmen as the vital actors in the industry is rarely exposed. Craftsmen rarely receive a reasonable deposit before starting work. They also rarely informed to whom the products are sold, which countries their products are exported, and how much the actual selling price of their products. In the relationship between artisans and entrepreneurs there is no transparency that causes this as an unfair trading form.

Bali, especially in Ubud, is very lucky to have an organization that initiated a change, namely PT Mitra Bali Fair Trade (PT MBFT). PT MBFT is actively involved in helping the marginalized community of craftsmen to develop a fairer model of trade. The birth of this partnership is supported by the influential social entrepreneur who shape the fair business model, Agung Alit, as director and founder of PT MBFT. In his operation, Agung Alit as a social entrepreneur is supported by an NGO engaged in social entrepreneurship, i.e. the Ashoka Foundation. Such organization has an important role to help social entrepreneurs improve their ideas and make them a new global player type, as suggested by Partszch, by providing investment and assistance. Currently PT MBFT has 16 groups of craftsmen that spread around the main office of PT MBFT. These groups generally bonds by familial relations or kinship, something very typical in the Balinese communal system.

In connection with social mission indicator, PT MBFT is established based on the concerns about the fate of craftsmen who trapped in unfair craft trading system. Agung Alit as part of the community as well as a cosmopolitan actor implements the 10 principles that have been declared as SDGs that consists the concept of trading fairly. With the fairer trade, it is expected that each producer will get the optimal wage in order to alleviate their poverty. In relation to the use of profit as a means of pursuing social mission indicator, PT MBFT employs a fair profit-seeking effort that the revenue from that practice mostly poured for the prosperity of its fostered craftsmen community. This profit-seeking implements an innovative strategy as a problem-solving effort for the local community. The strategy is to run the 10 principles of fair trade including programs such as soft loans, toilets and sanitation, agricultural assistance, and "cow advocacy." The strategy is adopted to revolutionize the mindset and economic structure of local communities by using local wisdom that is adapted to the principles of fair trade. For example, in applying the principle of respect to the environment, Agung Alit speaks it according to the customs and semantics of local communities who are on average uneducated; such as "littering is an act of provoking nature's anger."

The Balinese are known for their deep customs, so the isomorphism strategy of the fair trade principle with local customs is a considered wise, regardless of the length of time it takes to change the mentality of the local community. Agung Alit utilizes his Balinese identity to create a sense of community (*Gemeinschaft*) by positioning himself as a patron and protector. The implementation of this strategy has not abandoned entrepreneurial measures, as PT MBFT emphasizes the independence and self-reliance of the craftsmen, especially in relation to the change of PT MBFT status which was originally shaped as an NGO (1993) to Limited Liability Company (1994). Profit as a means of achieving the social mission is fulfilled with guaranteed trust by the buyers of PT MBFT's craft, most of which are foreign importers. In relation to the environment, handicraft products exported by PT MBFT are based on renewable natural raw materials, such as coconut shell bowls, bamboo baskets, wooden accessories and ornaments, wooden bracelets, bracelets from recycled glass waste and others. Organic craft wastes are used as compost for reforestation projects which are used as animal feed or recycled into other handicraft products.

## 5. CONCLUSION

From the two stories we can conclude some findings that meet the principles of Social Engineering, as well as some points that distinguish the typology. The conformity of these principles can be found in the indicators (1) the existence of revolutionary and systemic social change, through the creative-destruction logic. In the case of PT RAPP we encounter an entrepreneur from a company that has the guts and recklessness to perform social transformations that are in calculation unfavorable, or even harms the company's finances. The transformation was done by "destroying" the local community old system that proved to be unsuccessful due to its dependence on natural products, which were often illegally obtained. In the second case, PT MBFT made a dramatic social change by synergizing and synthesizing fair trade principles with local livelihoods that depend on the

craft, without destroying local customs. This is done isomorphically to fit the semantics and local wisdom of the local community. In the first case, there is a resistance of the status quo society that relies on illegally obtained forest products. But in the second case, this kind of resistance is not found. The middlemen of handicraft products are involved as one of the main supporters of the fair trade system so as not to be harmed. The problem is the long time needed to approach the local crafts community.

(2) Both cases have the support of the masses that become the subject of entrepreneurship, as well as supported by parties outside the community and social entrepreneur actors. Although initially difficult, but both entrepreneur actors managed to get mass support. In the case of PT RAPP, this obtained when CSE's innovative experiments are paying off. In turn, attract the local governments and other regions support. In the case of PT MBFT, Agung Alit succeeded in gaining mass support because of its flexibility in integrating fair trade principles with local customs and practices.

(3) Both cases succeeded in implementing more efficient system changes, both in economic and social capital by implementing a beautiful triple bottom line. PT RAPP chooses to create a sustainable, integrated agriculture-based CSE to prevent the forest from illegal logging. This effort also enhances PT RAPP's reputation, given its operation that relies heavily on forest products. It is logical that sustainability of forests and their environments are sustained for their own enterprises, while creating an adequate ecological carrying capacity for the integrated community farming system. In the case of PT MBFT, it is clear that the utilization of renewable raw materials and the use of waste as compost for reforestation that contribute directly to community livestock becomes incontrovertible evidence for creating an efficient business, prosperous community and environmentally friendly.

(4) The next similarity of the two stories can also be found from the type of organization that follows the initiatives and innovation of individual figures and their embeddedness to their respective communities, based on their geographic proximity, while at the same time these two figures are cosmopolitan actors with more global awareness. Our finding, the basis of the social mission of both cases, is the "ideological" dimension of its initiators to make a social solution through economic means. Ideology does have a meaning that is difficult to define satisfactorily, as understanding social entrepreneurship itself. Ideology has an irrational dimension in relation to the emerging motivation and becomes a grip for the organization. This irrational dimension stems from values that are often difficult to explain in the business' calculative mindset. But because an enterprise needs organizational certainty, social enterprise must also apply rational organizational indicators. In the case of PT RAPP, social entrepreneurship activities are delegated to the ABCD Foundation in order to avoid distortion of profit-oriented corporate interests and CSEs that serve social interests. In the case of PT MBFT, social entrepreneurship activities are run by a Limited Liability Company that naturally has a tendency to profit-making. However, the support of Ashoka Foundation ensures that PT MBFT's business operations are on appropriate track. The organizational type is semi-professional, with an emphasis on operating in the hands of shareholders, who are closely related to the founder. Based on our in depth interviews with Agung Alit, he will delegate PT MBFT's operations later when he decides to quit, even though he stated that he would never quit to promote fair trade.

However, it differs from Zahra et al assumption that Social Engineer typology attempts to solve social problems on a large scale. In the case of PT RAPP that's exactly what happened. But in the case of PT MBFT social change can be done in a relatively small community scale albeit has a big impact to the international scale. The second difference is that the issue is not resolved externally. Issues are resolved from within the community, by

actors who are bound by the sense of community (*Gemeinschaft*) because their embeddedness. It is true that these entrepreneurial actors have cosmopolitan awareness that their efforts are made to fulfill a globally accepted ideals. But they are not outsiders of their communities, but rather than an insiders who have certain epistemic access. This locality does not necessarily make them into Social Bricolage or Social Constructionist typology because it is clear that their resources and knowledge are not from the local community, although in the case of PT RAPP CSE operations requires financial and human resources from outside. But by growing community self-reliance, PT RAPP is spared the category of resource-driven social entrepreneurship activities. Moreover, the solution offered by CSE PT RAPP is not necessarily a general model that can be applied universally, but depends on community response, geographical condition and ideological-cultural values.

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