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MANAGEMENT | RESEARCH ARTICLE

Systematic review of the barriers to social enterprise performance using an institutional framework

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Abstract: This study uses a systematic review in examining the factors that may have a negative impact on social enterprises in Indonesia within an institutional framework. An institutional framework was used in this study to update existing studies. Moreover, this study is also intended to explore the obstacles that may exist in improving the performance of social entrepreneurs in Indonesia. A systematic review of the literature is the approach used in this analysis. A researcher can draw plausible observations and present generalizable research by carrying out a comprehensive literature analysis, which is found by predefined literature search techniques. This study was carried out in two stages to complement the systematic analysis, as described below. Eighteen references were found using the literature review criteria and used in the qualitative synthesis. The idea of social entrepreneurship was introduced by the Indonesian government in 2015. Social entrepreneurship has been impacted by the global downturn, political instability, government bureaucracy, and society. Building a solid regulatory system for social enterprise would aid in the success of these businesses. The Indonesian government should provide an awareness center as well as give recommendations to assist the community in navigating the complex cultural landscape. The significance of this study is that it has the potential to affect policy decisions in order to change the structural climate for social entrepreneurship. International investors who want

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to start a social enterprise in Indonesia can also learn about the institutional structure and how it affects their venture.

Subjects: Entrepreneurship; Small Business Management; Social Entrepreneurship

Keywords: social enterprise; institutional framework; barriers to improve; Indonesia

1. Introduction

Indonesia has seen a fair share of economic turmoil. Despite the financial turmoil, Indonesia has proven to be one of Southeast Asia's most resilient economies. The country has also made poverty reduction advancements, where the country's current poverty rate is 9.8% (World Bank, 2020). The progress, as mentioned earlier, has propelled the country into an upper-middle-income country.

Nevertheless, Indonesia still faces some setbacks in fiscal terms, mostly due to the current global COVID-19 crisis (World Bank, 2020). Despite the said challenges, the need to create an enabling environment that supports social enterprises remains ever present. Social enterprises could play a vital role in achieving the priorities within the immediate, medium-term plan of 2020–2024 (World Bank, 2020). Nugroho et al. (2019) describe social entrepreneurship as an approach to business, driven by social goals. Trivedi and Stokols (2011) postulate that although social enterprises pursue commercial interests, their profits are reinvested in community projects. Social enterprises will have an essential role in realizing these goals because social enterprises play an essential role in absorbing a large part of human capital (Vukmirović, 2014). As a result, the business environment in Indonesia must be favorable for social enterprises. Around the world, people are beginning to appreciate the role played by social enterprises (Vukmirović, 2014). While the concept of social entrepreneurship is still a relatively young one, it promises growth and inclusion (Kazmi et al., 2016). Social enterprises can solve vast social problems such as poverty, education, and climate change. Therefore, in a country on the path to rebuilding after disruption by cycles of crises, including the more recent COVID-19 crisis, which has caused economic devastation, social enterprises could provide a pathway for the country to achieve its economic goals.

Over the past two decades, the concept of social enterprises has been gradually emerging in Indonesia (Pratono & Sutanti, 2016). This gradual emergence is contextualized in the efforts to establish a local movement of Indonesian social enterprises that would bring together up to 100,000 social enterprises with the goal of sharing best practices and knowledge for sustainability (Pratono & Sutanti, 2016). Although the above does not truly represent the extent of social enterprise growth in the country, the same interest is rising. The above claim is evidenced by the growing research and government initiative to support social entrepreneurship (UNESCAP, 2018). The Indonesian government first acknowledged the concept of social entrepreneurship in 2015 by introducing the National Entrepreneurship Draft Bill, within which the definition of social enterprise was provided (UNESCAP, 2018). The Indonesian social entrepreneurship model follows a familiar model throughout Asia, comprising the state and civil society (Defourny & Kim, 2011).

However, along the way, social entrepreneurship will experience various obstacles in its development. A number of critical studies have shown that social businesses face high barriers to business penetration (Robinson, 2006), lack of capital (Austin et al., 2006), and barriers to contact with multiple stakeholder groups (Dey & Teasdale, 2016; Teasdale, 2012). Robinson (2006) identifies a number of barriers to business penetration that hinder social entrepreneurs from taking advantage of market opportunities. These obstacles include economic barriers, social barriers, institutional barriers, and cultural barriers. When social organizations are to thrive, these barriers are likely to remain. Low public understanding of social entrepreneurship (European Commission, 2015; Hynes, 2009; Lyon & Sepulveda, 2012) and the difficulties in obtaining financing (European Commission, 2015; Hynes, 2009; Santos et al., 2015) are external barriers to expansion. Internal barriers include a lack of a suitable market model that effectively combines the achievement of

multiple objectives (European Commission, 2015; Lyon & Sepulveda, 2012), narrow initial incentives to launch companies (Germak & Robinson, 2014), and a lack of staff with entrepreneurial intelligence (European Commission, 2015; Lyon & Sepulveda, 2012). In the absence of a clear institutional structure, informal obstacles will arise, stifling the development of new social ventures (Capelleras & Hoxha, 2010). Kolodko (2000) also said that while liberalization can help new venture development to some degree, institutional setting is critical for long-term growth. According to McMillan and Woodruff (2002), new social projects can be created in developing markets without institutional structures or government support. However, inadequate government policy can be an obstacle in the early stages of venture growth. The creation of new projects, especially social entrepreneurial ventures, requires an enabling institutional climate. To build the structural structure that will provide the requisite resources for social ventures, it was necessary to consider the difficulties faced by social ventures during their venture formation and growth periods.

This paper is important to do considering that many similar studies have been conducted to see the positive factors that affect the performance of social enterprises. In fact, there may be a barrier factor in improving the performance of social enterprises. This paper also uses the institutional framework as a basis for finding the possible barrier factors. The institutional framework is a set of rules needed to create a more fair playing field for business for all economic actors. By identifying the various things that exist in the institutional framework, we believe that we can determine the location of the obstacles and even the potential that exists.

This study uses a systematic review. Systematic review is a well-known methodology in medical studies because it effectively synthesizes literature in a reproducible, transparent, and systematic way (Davis et al., 2014); however, this method has not yet been popular in business research. This study is precise to explore the barriers to improving the performance of social enterprises in Indonesia.

2. Theoretical background

2.1. Literature review

The theory that applies to this study is the institutional environment (North, 2017). The theory of institutional economics is prominent within the discipline of institutional economics. Under the broader theoretical framework of institutional economics, the assumption is that the institutional environment is moderated by different rules that guide organizations and the behavior of individuals in social interaction (North, 2017). North (2017) argues that social actors' actions are moderated by three types of institutions, namely, cultural, social, and political. Moreover, North (2017) dichotomizes the institutions into formal and informal institutions. Formal institutions comprise laws, constitutions, and rules, while informal institutions comprise behaviors, self-imposed codes, and socially accepted conventions. Pacut (2020) offers advanced characterization of these institutions and notes that formal institutions are the institutions established by law, while social rules design informal institutions, which are transmitted, evolutionary, and enforced outside the law by the society. North (2017) states that institutions are an essential component within the discipline of institutional economics because they are the rules of actions and affect individuals' actions and groups. Therefore, the interaction between the agents within an institutional construct produces a far-reaching impact (North, 2017). While institutions or the written and the unwritten rules are at the heart of the institutional theory, Aidis (2017) argue that the focus should not be on the institutions but rather their impact or the part they play in an economy. The concept of social entrepreneurship is a phenomenon that can be analyzed from an institutional economics perspective because social entrepreneurship exists within an institutional environment. Plate 1 builds on the institutional economics theory espoused by North (2017) to diagrammatically represent the relationship between social enterprises and the institutional environment.

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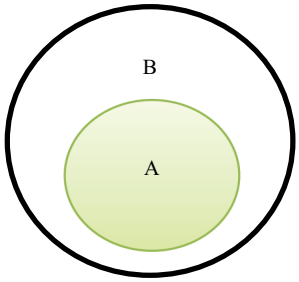
Plate 1. Social enterprises within the institutional environment.



Theoretical conceptualization of institutional environment interaction with social enterprises based on North's (2017) institutional theory

A. Social enterprises
B. Institutional environment

Based on the above theoretical framework and conceptualization, this systematic review examines the factors that are likely to adversely impact Indonesian social enterprises within an institutional framework. According to (Litan et al., 2009), entrepreneurial performance can be influenced by a variety of factors, including entrepreneurial history, academic institutions, regulatory climate, and economic rewards.

2.2. Economy

The local Indonesian context has had an impact on the growth of social entrepreneurship in the country. First, the expansion of the economy in the 1965–1997 period set the pace for business growth. According to the Asian Development Bank (2015), the gains were short-lived due to the Asian financial crisis, which led the country's growth to drop to 0.3%. Comparatively, the World Bank (2015) reported that the country's growth has risen from after the said crisis, albeit slowly, to record a growth of between 4% and 6%. The value of the two sources, namely, the Asian Development Bank (2015) and World Bank (2015), provides vital firsthand expert and objective account about the issue being studied. However, the country is yet to fully exploit its potential.

Pratono and Sutanti (2016) assert that industries such as fishing and agriculture are among the worst performing despite the country being the largest archipelago and having the largest landmass and population in Southeast Asia. At the same time, Quincieu (2015) highlights the outcome of the problem and notes that poverty is highly prevalent within the agricultural sector of Indonesia. Quincieu (2015) raises a valid point because it is expected that with the vast resources identified by Pratono and Sutanti (2016) above, people live in decent standards. Owing to the problem, as mentioned earlier, Indonesia's people, especially the people in low-income levels, spend almost 66% of their earnings on food (Pratono & Sutanti, 2016). Therefore, poverty can be assessed as one of the social goals that social enterprises could pursue once the economy stabilizes.

Social enterprises have distinctive and different characteristics from commercial enterprises. Companies are generally oriented to economic performance by solely looking for company profits and are less concerned about society and the environment, while social business businesses are for their own income but most of the profits are allocated to have a positive impact on society and the environment. This means that real social enterprises do not only depend on financial assistance or donors from the company's CSR funds, but seek to earn their own income, but part of the profits are used to achieve social and environmental missions. The problem is that not all social enterprises are able to earn their own income and their economic performance is low, so that their main social and environmental mission cannot be achieved optimally. On the other hand, there are also social enterprises trying to earn their own income and their economic performance increases, but their commitment to social and environmental missions is less strong so that their orientation tends to shift more strongly to business profits. The low ability to earn their own income, low economic performance, and limited achievement of social and environmental missions are indications of the overall low performance of social enterprises.

2.3. Politics/legal form

Many businesses in Indonesia are small enterprises (Pratono & Sutanti, 2016). According to Rahman (2015), p. 54% of all enterprises in Indonesia are small enterprises. While this number may seem high, more businesses have a vast opportunity, especially for businesses with a social orientation. Historically, Indonesia's political environment has not been enabling because it was under a dictatorial regime for a substantial amount of time (Pratono & Sutanti, 2016). As mentioned earlier, civil societies, which are at the forefront of many social undertakings, were discouraged. However, over the years, the situation has changed, with civil society being encouraged to take charge of Indonesia's livelihood improvement. According to Nix-Stevenson (2013), grassroots organizations, local governments, and international NGOs have actively addressed the local needs of people. Nix-Stevenson (2013) claims a valuable revelation for social enterprises because it shows a favorable political environment for social enterprises' success. Furthermore, Nix-Stevenson (2013) also highlights a framework of collaboration between the enterprises and the government at various levels. As espoused by Nix-Stevenson (2013), such a collaboration framework is essential for the growth and success of social enterprises.

Despite the positive portrayal of Indonesia's legal and political environment for social enterprises, some studies have found that the legal form or the country's politics is also an impediment to social enterprises' development. In a country-level analysis, Puumalainen et al. (2015) postulate that politics plays a role in institutional development. As a result, countries with sound legal and political processes tend to establish developed and strong formal institutions. In the Indonesian context, the findings by Puumalainen et al. (2015) show that the lack of a stable political and legal structure has, over time, been acting as a barrier to social entrepreneurship. Similar findings were reported by Irjayanti and Azis (2012), where they found that bad politics often leads to an unfavorable business environment characterized by high costs and inefficiencies.

Nevertheless, the above researchers do raise valid points that have been validated by other researchers. For instance, the characterization of Indonesian politics as a barrier to business growth, including social enterprises, was also shown by Al-Hyari et al. (2011) in Yordania. Al-Hyari et al. (2011) had the opportunity to carefully examine how Jordan's politics mediate an area such as exports. In addition, there was the opportunity for an in-depth analysis of factors affecting businesses. Nevertheless, it is essential to note that Jordan and Indonesia have different cultures and political histories. A valuable deduction from this section is that all the different researchers' arguments converge on the notion that politics is an institution that modulates the success of social enterprises, thus fitting within the institutional environment framework espoused by North (2017).

2.4. Government

Given the findings mentioned earlier, the Indonesian government has made improvements toward adopting the concept of social enterprises to solve social challenges. The evidence for the above argument lies in UNESCAP (2018), which asserts that Indonesia recognized social entrepreneurship in 2015. Several other approaches by the Indonesian government to support social enterprises are also reported in the literature. For instance, Moore (2004) documents the establishment of the Microenterprise Project in Indonesia in 1996, which received partial funding from the World Bank. Moore (2004) provides a valuable revelation showing that social enterprises' history might have begun in 1996. The importance of the Microenterprise Project of 1996 is that it provided a foundation for modern-day social entrepreneurship in Indonesia. Moreover, the value of Moore (2004) in the present research conforms to the institutional typology espoused by North (2017) because the government, like politics, is also an institution that affects decision-making.

In a similar approach to Moore (2004), Mustapha et al. (2008) also documents the same Microenterprise Project of 1996 referenced in Moore (2004). According to Mustapha et al. (2008), the Microenterprise Project of 1996 was set up to uplift villagers languishing in poverty, and Indonesia's government has had a long commitment to the idea of social enterprises.

Furthermore, Mustapha et al. (2008) identifies four factors that made the Microenterprise Project successful in Indonesia. The first factor was the combination of business skills training, the Microenterprise Program, and the literacy program into one initiative. The second factor was the training period, in which people in groups of six were trained by a technical resource person for 6 months. The third factor was initiating a learning fund for every member. Lastly, the fourth factor provided economic support and credit availability to the participants. Mustapha et al. (2008)'s characterization of the four success discussed factors above alludes to government involvement, and it shows that the Indonesian government was at the heart of the process.

However, this perception is countered by Cole (2007). Using ethnography, Cole (2007) studied some of the factors that hinder Indonesia's entrepreneurship. One of the factors that Cole identified is the hierarchical nature of the Indonesian government. Cole (2007) notes that the government has a firm grip on the country with the government's bureaucracy penetrating down to the local level, where a local government officer administers 12 households. The value of Cole (2007)'s study on this topic cannot be downplayed because it means that the researcher could obtain firsthand information through direct observation by spending time in the said country. Cole (2007)'s findings have shown that the government is a barrier to business growth and social enterprises' proliferation through its strict hierarchy and bureaucracy. These findings are valuable in this research due to the direct observation method employed in the ethnographic study and because the research was able to provide firsthand information about the observation.

2.5. Culture

Indonesian society is highly traditionalist. Like other Asian countries, it is also a highly group-oriented country compared to western societies, which are more individualistic. Consequentially, culture is a moderating factor for business because many businesses are family owned (Emerhub, 2017). Research by Emerhub (2017) indicates that the cultural code of Indonesia is highly stringent. One element of the said cultural code identified by Emerhub (2017) is business relationships. Emerhub (2017) states that the cultural code emphasizes on relationships before business. This code, which is unwritten or informal, falls within the institutional environment conceptualized by North (2017). Consequentially, the code is likely to negatively impact the growth of businesses, especially by foreigners intending to set up social enterprises due to a lack of knowledge about the code or a small social circle.

While culture is broad, Emerhub (2017) has applied a narrow approach by focusing on one dimension of culture, i.e., group orientation. Contrastingly, Adeney-Risakotta (2014) identified religion as an important cultural factor that influences Indonesia's business success. He notes that there are five religions recognized by the Indonesian government, namely, Buddhism, Catholicism, Hinduism, Islam, and Protestantism. In the context of the traditionalist Indonesian culture, religion is also likely to influence an enterprise's success primarily because one's social group is likely to be people with whom they share faith or religious practices. The cultural code of relationship first, followed by business, is likely to be complicated by religion. From the findings of Adeney-Risakotta (2014) and Emerhub (2017), the cultural code, and by extension, religion, is a possible barrier to the success of social enterprises within the theoretical framework of the institutional environment.

Nevertheless, Formichi (2012) has provided countering findings. Using findings from in-depth research on the topic, Formichi (2012) reported that religious movements have always been attempts, such as Islam, to set up organizations that support social empowerment. An example of such an organization is the Muslim Trading Community of 1905, which promotes fair trade. A notable difference between Formichi (2012), Emerhub (2017), and Adeney-Risakotta (2014) is that the latter two fail to mention the specific role culture has played in Indonesian social entrepreneurship. In Formichi (2012), religion has been identified as a basis of collectivism through the Muslim Trading Community. Religion plays the role of mobilizing people and resources for a social course.

Syamsuddin (2015) also studied religion's contribution to setting up social enterprises in Indonesia and reported exciting findings. Syamsuddin (2015) reported findings on the Muhammadiyah, a business organization that exemplified how religion within the cultural code moderated social entrepreneurship's success. According to Syamsuddin (2015), Muhammadiyah remains a societal organization with vast assets and operations in health, education, and financial inclusion. Unlike Emerhub (2017), culture, especially the religious dimension of the Indonesian culture, has played an essential role in the development of social entrepreneurship, as documented by Syamsuddin (2015) and Formichi (2012). Nevertheless, Indonesian culture remains a challenge and a barrier to business growth, especially social enterprises. Cole (2007) studied the Indonesian culture and reported that its high power distance nature is a barrier because it eliminates the freedom to act independently. Cole (2007) and Emerhub (2017) seem to be drawing from the same experience due to the possible influence of Hofstede's typology of cultural dimensions on the two researchers' works. Moreover, Cole (2007) and Emerhub (2017) have experience with the Indonesian culture, both having spent time there, which could explain the convergence of their ideas on the theme of culture.

3. Research methodology

3.1. The rationale for choice of methodology

This study utilizes a systematic review of the literature methodology. Applying this methodology in business research allows a researcher to research the area of interest while appreciating past research on the subject. The systematic review methodology of past research or literature review has been proposed as an ideal research methodology to cope with this development. It also enables the research to determine areas where there is a need for further research and enable the researcher to conceptualize a theory. Numerous strategies could be employed in conducting a literature review based on various factors, such as the study's purpose. Moreover, the research questions must be considered when selecting a research methodology (Snyder, 2019). However, a systematic review is appropriate when the research is narrow in focus or where the goal is to provide an overview of research evidence in a specific area (Snyder et al., 2016). Snyder et al. (2016) makes a valid point for the use of systematic review methodology in research.

In the present study, the research question, the goal of the study, and the nature of the subject being studied validate the use of systematic review. By employing a systematic review in this study, it is possible to explore extensive literature on Indonesia's social enterprise. The research question is particular because it seeks to understand the moderating variables for Indonesia's social enterprises. Therefore, a systematic review of literature provides the best methodology to identify high-quality studies for review. Based on the theoretical framework, namely, institutional environment, institutional economics, and how this theory applies to Indonesia's social enterprises, it is only rational to conduct extensive research to determine the said institutional factors and their impact. As a result, the systematic review methodology was a practical choice research approach because it profoundly explored the topic.

Furthermore, a systematic review is a renowned methodology within medical studies because it effectively synthesizes literature in a reproducible, transparent, and systematic manner (Davis et al., 2014). Despite these advantages, the method has not been popular in business research. Nevertheless, it still provides a credible way to study a business issue, such as the one presented in this study. Through a systematic review of literature, which is found through a predetermined literature search strategy, a researcher can make informed conclusions and produce generalizable research. To complete the systematic review, the research was carried out in two phases, as discussed hereunder.

3.2. Phase I

According to (Butler et al., 2016), the initial step in a systematic literature review is to identify the review's goal derived from the research question. Therefore, this research aims to identify the

obstacles to the performance of social enterprises in Indonesia. Charrois (2015) advises that a researcher should use at least two databases in a systematic review. Three databases, namely, Proquest, EBSCO, and Google Scholar, were selected for the literature search in the present study. On the same note, the Internet was also used to search for information about the topic. When searching for literature across the databases and the Internet, the same search phrases were used. The search phrases were as shown below.

3.2.1. The literature search phrases

The search phrases used are as follows: "Success factors and barriers to social enterprises," "social enterprises in Indonesia," "Indonesian social enterprises," "factors supporting social enterprises in Indonesia," "history of social enterprises in Indonesia," "types of social enterprises," "challenges faced by social enterprises in Southeast Asia," "the role of culture in success or failure of social enterprises," "how the Indonesian government supports the social enterprises," "the contribution of social enterprises to the economy," and "benefits of social entrepreneurship to the economy." Each of the phrases was used independently across the databases. Using the search phrases above, 200 articles were identified. The following inclusion and exclusion criteria, as shown in Table 1, were applied to select articles for the literature review.

3.3. Phase II

Phase II involved refining the articles in preparation for the systematic review.

The above strategy from search results to inclusion and exclusion criteria is represented in Plate 2.

Plate 2. Prisma chart.

Source: Own research

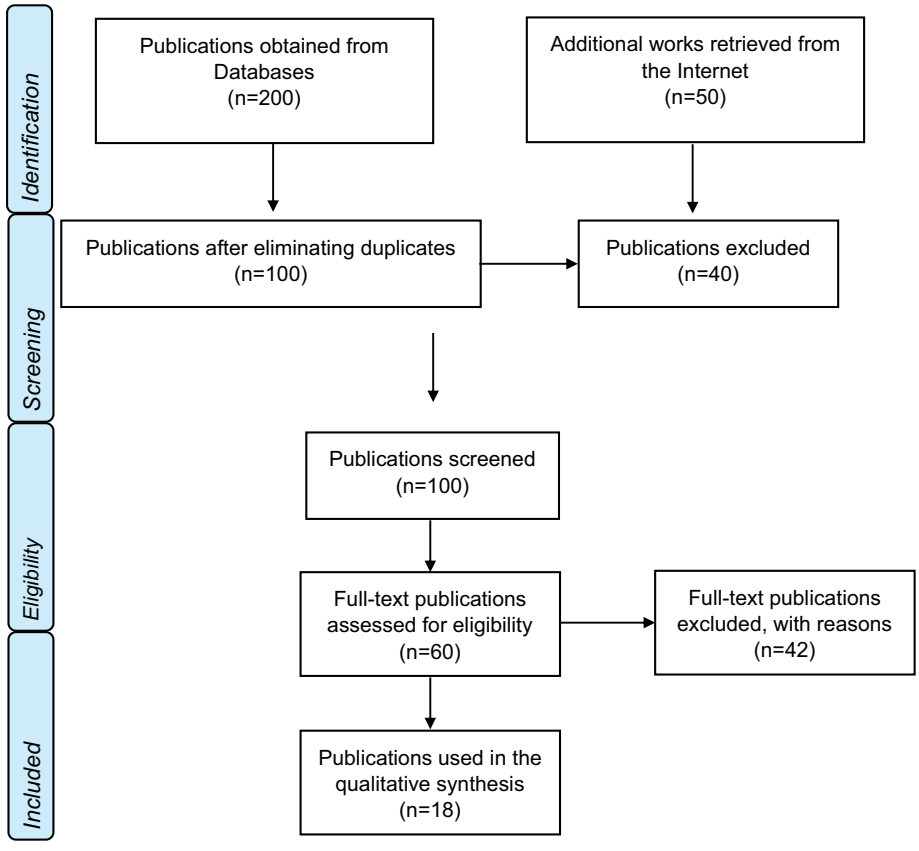


Table 1. Inclusion and exclusion criteria

Inclusion Criteria:

(1) All articles must be scholarly or expert in the field
(2) Articles must be published between 2000 and 2020
(3) Only articles in the English language
(4) Studies on Indonesia are given priority
(5) Relevance to the topic being studied
(6) Only full-text articles

Exclusion Criteria:

(1) Nonexpert website articles
(2) Articles published before 2000 with exemption to articles on the theory applied in the research at hand and articles with factual information
(3) Non-scholarly articles
(4) Irrelevance to topic

Source: Own research

4. Results

Using the literature search above, 18 sources were identified and included in the qualitative synthesis. A thematic analysis then followed where the researcher attempted to determine the recurring themes and the overarching ideas based on the research question. Table 2 shows the 18 resources included in the systematic review with the corresponding theme(s). There were four main themes or barriers to social enterprises' performance in Indonesia.

The literature's systematic review provided an advantaged insight into the themes that characterize the Indonesian institutional environment for social enterprises. From the insightful review, it emerged that conclusions regarding the barriers to performance of social enterprises in Indonesia in the context of institutional framework could be made from the four themes, namely, economy, politics, government, and culture. From the research, it was possible to conceptualize how a theme could be a barrier to social entrepreneurship. The themes are as follows.

4.1. Economy

The economy emerged as both a success factor and a barrier for social organizations. In the Indonesian context, the sources showed that the economy has been turbulent at best, with cycles of stability and instability (Asian Development Bank, 2015). Businesses will not perform well during an economic downturn. Therefore, social enterprises will also record poor performances. Thus, the economic environment becomes a barrier to the performance of social enterprises. On the same note, it was shown from the systematic review that owing to the turbulence in the Indonesian economy, the economic activities that support numerous livelihoods, such as agriculture and fishing, have deteriorated, thereby leading to social problems (Pratono & Sutanti, 2016). However, the problem of local communities is an opportunity for social enterprises to step in and provide the needed support. The economy can be a complex theme because of its dual property nature, where it creates an opportunity and a limitation for businesses.

4.2. Politics

The second emergent theme and barrier is politics (Al-Hyari et al., 2011; Irjayanti & Azis, 2012; Nix-Stevenson, 2013; Pratono & Sutanti, 2016; Rahman, 2015). Politics is an overarching factor in an institutional theory framework because it influences other socio-cultural and economic factors. For instance, political policies will have an impact on the economic outcomes of a country. Moreover, politics will impact business outcomes because of the legal framework that emanates from a political process. The present research has shown that Indonesia has suffered political instability cycles due to dictatorial leadership (Pratono & Sutanti, 2016). Such a regime does not allow

Table 2. Summary of themes table

Theme	Title	Author	Year Published
Economy	Country Dashboard: Indonesia	World Bank	2015
	Asian Development Outlook Supplement	Asian Development Bank	2015
	The ecosystem of social enterprise: Social culture, legal framework, and policy review in Indonesia	Pratono and Sutanti	2016
	Summary of Indonesia's Agriculture, Natural Resources, and Environment Sector Assessment	Quincieu	2015
Politics/legal form	*Indonesia's Private Sector Development Assessment*	Rahman	2015
	The ecosystem of social enterprise: Social culture, legal framework, and policy review in Indonesia	Pratono and Sutanti	2016
	Human response to natural disasters	Nix-Stevenson	2013
	Barrier Factors and Potential Solutions for Indonesian SMEs	Irjayanti and Azis	2012
	Exporting Performance and Manufacturing Activities in Jordanian SMEs: External Barriers and Relationships	Al-Hyari et al.	2011
	Comparing social entrepreneurship across nations: An exploratory study of institutional effects	Puumalainen et al.	2015
Government	Building an Inclusive and Creative Economy—The State of Social Enterprise in Indonesia	UNESCAP	2018
	Microenterprise development in Indonesia: Lessons for vocational educators	Moore	2004
	Social Entrepreneurship in Indonesia and China: From Micro Credit to Community Development	Mustapha *et al.*	2008
	Entrepreneurship and empowerment: Considering the barriers —a case study from Indonesia	Cole	2007

(*Continued*)

Theme	Title	Author	Year Published
Culture	*INDONESIA: Understanding Indonesian Business Culture*	Emerhub	2017
	Dealing with Diversity: Religion, Globalization, Violence, Gender, and Disaster in Indonesia	Adeney-Risakotta	2014
	Islam and the making of the nation: Kartosuwiryo and political Islam in twentieth-century Indonesia	Formichi.	2012
	Discourse: Muhammadiyah and modernizing Islam	Syamsuddin	2015
	Entrepreneurship and empowerment: Considering the barriers —a case study from Indonesia	Cole	2007

Source: Own research

participation of civil societies, which are essential for championing social courses. The present research has shown that Indonesia is yet to establish a healthy political environment characterized by a clear legal framework. The lack of a stable legal structure and political structure has adversely affected the performance of social enterprises. This research has revealed no civil societies in Indonesia at some point during the autonomy government and has also shown that there are opportunities for social enterprises, which will depend on the country's political health.

4.3. Government

The government is the third theme that emerged from the systematic review. Research showed that the government could be both an enabler and a barrier to the success of social enterprises. Some studies analyzed under this theme, such as Moore (2004), Mustapha et al. (2008), and UNESCAP (2018), show that the government has been at the forefront in laying the foundations to support social enterprises. Several initiatives documented include recognizing social entrepreneurship by the Indonesian government in 2015, as reported by UNESCAP (2018). Moore (2004) has also documented the Microenterprise Project of 1996 to support small businesses, indicating the government's commitment. Mustapha et al. (2008) documents the government's efforts, including access to credit, enhanced business knowledge, and increased participation. The results under this theme help validate the institutional theory because it shows that the government as an institution impacts the success of social enterprises. The government as a barrier to social enterprises' performance and growth was shown by Cole (2007). In Cole (2007)'s study, Indonesia's government is highly hierarchical, with the government being the country's key decision-maker. The nature of Indonesian government brings about inflexibility and bureaucracies, which are not suitable for business growth. Therefore, Cole (2007) showed that the government is a barrier to social enterprises' development. Specifically, foreign investors who might not be used to working in a highly regulated business environment may not feel comfortable working and setting up a business in Indonesia.

4.4. Culture

The literature review at hand also showed that culture is a moderating factor within an institutional theoretical framework. Cole (2007) and Emerhub (2017) showed a high power distance culture with the Indonesian people revering authority. Another element of the Indonesian culture

that might affect the success of social enterprises is its emphasis on relationships before business. In Emerhub (2017), it was reported that Indonesians value social contact and seek to know the people they intend to transact. From the findings, culture appeared to be a multifaceted institution. For instance, from Adeney-Risakotta (2014), religion is a vital part of Indonesian culture, with most faith being Islam. Therefore, people are likely to have closer relationships with people. They share common cultural traditions and beliefs, which are embodied by the Islamic in Indonesia. Therefore, this factor acts as a barrier to social enterprises' performance because a person from outside Indonesia might have difficulty establishing the said relationships.

Nevertheless, some studies, such as Formichi (2012) and Syamsuddin (2015), have positively reported religion as a cultural facet. Syamsuddin (2015) documented the Muhammadiyah organization, a religious-based organization with a social orientation and vast outreach touching the everyday lives of ordinary Indonesians. Once again, the culture within an institutional framework is both a barrier and an enabler of social enterprises.

5. Discussion

The pinnacle of the present research is the careful correlation of the institutions such as culture, politics, religion, and government, with the success or failure of social enterprises. From the start, this research set out to explore barriers of performance for social enterprises in Indonesia. Indonesia, being a country, has unique general and unique factors that might affect regular business performance. The factors are general in the sense that a business environment can be generalized. Similarly, it is unique in the sense that every country has a different socio-economic and political structure. Based on these theorizations, it was determined that the institutional theory borrowed from the discipline of institutional economic would be applicable in analyzing the issue at hand. The institutional theory is a valuable input in this essay because it provides a framework that unifies various Indonesian economy institutions, making it possible to determine how the said institutions are a barrier or an enabler to social entrepreneurship. As espoused in the work of North (2017), the value of institutional theory is that it has helped fulfill the research goals and identify the barriers to the success of social enterprises in Indonesia. The theoretical framework has broader applicability because it helps examine the contextual factors affecting a phenomenon. Although the theory has been applied from one perspective of social enterprises in the present study, its flexibility and possible applicability to numerous scenarios are some of the qualities that make the theory valuable. According to Yang and Su (2014), institutional theory helps understand behavior. Their claim is plausible because the present study showed that the Indonesian institutions' organizational behaviors, both formal and informal, converge to create an environment characterized by boundaries.

In a country's context, the boundaries could be understood to mean culture, government regulation, politics/legal form, and the market/economy. As mentioned earlier, the activities of businesses within such a country will be affected by the institutions. The said institutions can be barriers or enablers. According to Yang et al. (2012), the said institutions create rules that govern various actors' interactions within the institutional framework, which is the country. The question that then lingers is how do these institutions impede or support businesses such as social enterprises? In the present study, the interest is on social entrepreneurship impediment by Indonesia's institutional context. While firm-level strategies could help boost firm performance, the market-level factors or institutions, in this case, could be difficult to rearrange. For instance, in the present study, the findings have shown that the economy is an institutional factor. The Indonesian economy has faced turbulent times, with most of the crises being caused by broader contextual factors such as the fact that the Asian financial crisis affected all Asian countries. As a result, these are uncontrollable factors at the country level and will harm the local businesses. For example, a crisis-laden economy could suffer capital constraints due to the effect economic downturns have on credit lenders (Kwan, 2010). Consequentially, this will adversely affect businesses and social enterprises' performance because they will not have access to financial resources. In an institutional theory perspective, economic policies might hinder social enterprises'

growth or support the same. These policies become the rules in an institutional context, as espoused by North (2017).

In the theoretical framework of this research, politics has been identified as one of the institutions that create rules that affect businesses' performance, such as social enterprises. The present research has shown that the political arena or environment Indonesia has had also seen a fair share of turmoil, just like its economy. This political instability has not provided a favorable environment for social enterprises to thrive. Kozubikova et al. (2019) play an essential role in assessing entrepreneurs in setting up a business in a given location. These assertions have been seconded by Gupta (2020) by arguing that the political environment is an essential factor for business success.

Similarly, in Indonesia, the political environment needs to be sufficiently stable to support social enterprises' growth and success. The institution of politics is important because it is one institution that comprises the institutional theory with written or formal institutions. The institution of politics is central to the model because it produces the written rules and legal frameworks that govern how actors behave. Thoenig (2012) states that politics has a profound implication for society because it produces policies that live on for a long time and impact how the actors in an economy interact or engage. Thoenig (2012)'s characterization of the political institution in the Indonesian context is essential to note because, as aforementioned, Indonesia's troubled political history impacts the present performance of social enterprises. The political institution is an essential factor to note because political processes and outcomes are different from one country to another (Thoenig, 2012).

The political institution is closely related to the government institution. In the institutional theory context, the government might be thought of as the enforcer of the written rules that govern the interactions between actors in an institutional environment. According to Greif and Kingston (2011), the government is responsible for enforcing both the written and the unwritten rules in an institutional context. The characterization of Greif and Kingston (2011) of the government's role in an institutional framework brings forth a critical revelation that every institution has a role to play. As aforementioned, the role of politics and the legal form is to create the rules that will aid actors in interactions and negotiations. How the government enforces, the said rules will have implications on social entrepreneurship. For instance, if the rules enforced dictate that foreign startups or businesses be taxed heavily, startups with a social orientation will not set up businesses in a given country because they are not profit oriented (Lumpkin et al., 2013). If a government is inefficient in its enforcement of the said rules, the impact will be profound because it will mean that the cost of doing business will go up. Consequentially because social enterprises are not profit oriented, they might not be able to operate in an inefficient environment. As a result, Brousseau and Nicita (2010) have emphasized the need for governments to focus on policymaking to eliminate any inefficiencies. In the research at hand, it has been shown that Indonesia has been in a transition mode for a long time after the end of the dictatorial regime. Such a situation is why Brousseau and Nicita (2010) argue that governments inherit specific historical trajectories that affect their efficiency. Therefore, the current Indonesian government has inherited a history of noninclusion, a barrier to business growth. Regardless of the inherited trajectories, the government has a task to create an enabling environment for businesses' success, including social enterprises (Dobes et al., 2017). The Indonesian government has made progress in this area by putting in place mechanisms such as training and partnership with international organizations such as the UN and the World Bank and by adopting a legal framework. The approach agrees with the findings of Priess et al. (2017) that an appropriate business infrastructure must support business growth. Such infrastructure comprises support organizations such as credit lending banks and networks of entrepreneurs.

The culture was also determined in this research to be an institutional factor that affects social enterprises in Indonesia (Cole, 2007; Formichi, 2012). A general observation from the study is that

culture is broad, especially in a society such as Indonesia, because of religion. Culture is the embodiment of the unwritten code within the institutional theoretical framework. The Indonesian culture examined within an institutional framework shows that culture is a barrier to business performance because it determines how people interact and act. In the Indonesian context-specific characteristics of the culture, such as high power distance, emphasis on a relationship before business, and religion create a multifaceted institutional environment for business. This type of cultural characterization aligns with Schmidt (2006) argument that culture influences how people act.

6. Research implication

The value of this research is that it could influence policy-level decision-making to enhance social entrepreneurship's institutional environment. Moreover, foreign investors intending to launch a social enterprise in Indonesia could understand the institutional framework and how it might affect their business.

7. Recommendations

There is a need for the Indonesian government to develop a supportive legal framework (Triponel & Agapitova, 2017). Such a legal framework could embody a public-private partnership (Pittz & White, 2016). Moreover, it could provide social enterprises with some form of legitimacy (Nicholls, 2010).

Another recommendation is for Indonesia to introduce a social enterprise-oriented policy. Such a policy will enable social enterprises to navigate barriers such as the legal form, culture, and government bureaucracy. Such a policy should enhance capital access and guarantee democratic participation (Noya, 2015). According to Mendell et al. (2010), a policy supporting local social entrepreneurship is essential to create an enabling environment for the concept's success.

The third recommendation is the establishment of a financial support framework. As shown in the present study, economic turmoil adversely affected the social enterprises due to capital constraints. Setting up financial support frameworks is one strategy that could help social organizations perform better when faced with financial challenges. This strategy is documented to have worked well in Croatia (Kolaković et al., 2018). In an evidence approach, the same approach could work in Indonesia.

Setting up business incubation centers could also help breed local social entrepreneurs with the capability of solving social problems (Ramar & Muthukumaran, 2019).

8. Research limitation

There was a shortage of research on the topic of social enterprises in Indonesia. Perhaps this situation could improve in the future as the field develops in Indonesia because the concept is relatively young in the said country.

9. Conclusion

The institutional theoretical framework allows an insightful assessment of the factors that affect business performance. The application of the said theory has shown that social enterprises are affected by similar institutional factors as other types of businesses. The findings have shown that despite the concept of social enterprises being young in Indonesia, after being adopted by the Indonesian government in 2015, other challenges affect the success of social entrepreneurship. From the economic crises, political turmoil, government bureaucracy, to culture, Indonesia's institutional framework has been shown to have adverse consequences for businesses, including social enterprises. Economic crises, including deterioration due to the current COVID-19 pandemic, have made capital availability a challenge. Moreover, the crises have led to increased poverty levels for the population. As an institutional factor, the economy is both a success factor and a barrier for social enterprises. This problem could be resolved by enhancing public–private partnerships and by establishing financial support facilities for the

organizations. The political environment, as well as the government, also plays an essential role in business success. Establishing a sound legal framework for social enterprises will help these organizations succeed. The political institution plays a critical role in establishing rules, which are enforced by the government. Therefore, the two institutions with the institutional environment of social entrepreneurship in Indonesia should collaborate to create an enabling social enterprise environment. Culture has also been determined to play an essential part, while local social entrepreneurs might not have a problem navigating the cultural terrain. Foreign investors with social entrepreneurship in mind might find it difficult. Understanding the unwritten code, which is enforced by culture, might be problematic. The Indonesian government should create information centers and guidelines to help the said group navigate the multifaceted cultural terrain.

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