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The Study of Profit Interpretation in Social Enterprise Perspective

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Abstract:

Social enterprises have unique characteristics of business objectives, namely that there are profit elements as well as social elements in their business practices, so this research focuses on discussing the profit aspects and social objectives, and aims to explore and understand the meaning and treatment of profit in a social enterprise. Research data in the form of observations and interviews conducted on research sites with social enterprise business actors, as well as documentation related to the research theme. The social enterprise involved in this research is PT Garuda Sinar Perkasa Group in Samarinda. Data analysis is based on a case study approach which is carried out with stages of data reduction, coding and determining themes, then the results of the analysis are interpreted to find results that answer the research problems. The research results show that social enterprises in a circular economy are closely related to the concept of sustainability, where apart from aiming to pursue economic benefits (profit), social enterprises also run environmentally friendly businesses and are committed to changing behavior in society. In addition, integrated social value innovation in a company can be part of operational activities carried out simultaneously with economic activities or specifically focused on the field of community development. Social enterprises interpret profit not just as material profit, but how the creation of useful value that they produce (together with stakeholders) becomes a profit that is integrated into the company's understanding and the presence of spiritual elements that underlie the running of a social enterprise. The research contributes to the development of sustainability accounting knowledge regarding how social enterprise issues should be responded to in the field of accounting.

Key words: circular economy, profit, social enterprise, sustainability

Introduction:

The economic and social problems that arise as a result of the impact of the COVID-19 pandemic are increasingly affecting society. Solutions and support from various parties are needed to overcome and minimize this impact. Efforts to find this solution are also voiced by one form of business that collaborates economic, social and environmental aspects in its business practices. A business that does not only focus on making profits but also integrates social and environmental aspects into its vision and mission, this type of business is known as a social enterprise.

Basically, in the last few years, the concept of business in the form of social enterprise aimed at overcoming social problems has been experiencing development (Maulinda, 2018; Ridwan et al., 2020). These companies dedicate their existence to fulfilling missions that are fundamentally different from the main goals of conventional companies, such as maximizing profits for the benefit of owner or shareholder. But more than that, the concept of this business model has the aim of guiding social, community and environmental sustainability through the business structure it builds.

Furthermore, (Pirson et al., 2019) stated that the realization of this social enterprise carries social aspects and environmental preservation. This form of social enterprise is also present in the East Kalimantan region, such as PT. Garuda Sinar Perkasa Group (GSP), apart from being business oriented, the company's activities are also based on many things, including empowerment, environmental management, and early education regarding the benefits and dangers of used cooking oil waste. Currently, GSP is a partner of the Samarinda City Environmental Service (DLH) to process used cooking oil into biodiesel or diesel engine fuel through the Jeng Rinda (Samarinda Developing Waste Cooking) program.

Apart from their contribution to social and environmental impacts in society, from an accounting perspective, social enterprises are also interesting to look at from their operational side. There are several previous studies that discuss the existence of social enterprises (Corvo et al., 2020; Plerhoples, 2015; Sofia & Ifigeneia, 2021; Young & Lecy, 2013; Zharfan & Mp, 2020). The phenomenon of the role of companies in balancing their functions which must provide benefits to society alongside the obligation to obtain profits from the business they run (Besley & Ghatak, 2017). Many different types of companies operate under this banner, but the mantra of social enterprise remains to balance profit generation with social mission. Due to this matter, this study aims to explore and understand the meaning and treatment of profit in a social enterprise.

Literature Review:

The definition of Social Enterprise:

Social Enterprises or what are called social companies are alternative business models for achieving social goals (Bull, 2014; Desiana et al., 2022; Thompson, 2009) . Social enterprise is also defined by the EMES European Research Network as an organization with the explicit aim of benefiting society, which is initiated by a group of citizens and where the material interests of capital investors comply with existing boundaries or rules (Nyssens, 2015). In this case, social companies have a goal, namely to gain profit for the company but also have the obligation to provide great benefits to society.

(Plerhoples, 2015) defines a social company as a value-based company, namely social values that originate from the identity of the organization. So when a social enterprise does not provide something that is beneficial to the organization and society, it will be at risk of greenwashing and other problems experienced by management. (Corvo et al., 2020) emphasizes that explicit goals must focus clear goals on society so that the company can be directly useful to society.

In determining the organizational criteria for social enterprises, there are several approaches. (Sofia & Ifigeneia, 2021) emphasizes that the approach is considered very important for assessing understanding of social enterprise activities. One complex approach to understanding social enterprises is the EMES approach (Defourny & Nyssens, 2012) which consists of: the economic-entrepreneurial dimension, the social mission, and the participatory governance

Social Enterprises in Generating Profit-with Purpose:

A social enterprise is a business entity with legal for-profit and social commitment that is explicitly designed as an effort to overcome certain social problems (Zharfan & Mp, 2020). One of the roles that determines the progress of social activities is the manager's decision, in this case the manager also has the right to the profits obtained by the company, whereas with non-profit organizations, the manager's wages are fixed. For-profits and non-profits curb manager autonomy by setting rigid missions. In social enterprises, managers have discretion over the balance of profits and goals(Besley & Ghatak, 2017).

In running a social enterprise, there are two perspectives, namely the Promise side, and the opposite side, namely the Pessimism side. The Promise side is a "Promising" perspective because social enterprise can enable businesses to have certain types of pro-social preferences for expression and action, but becomes "Pessimistic" when human nature exceeds organizational rules thereby placing limits on what can be achieved. Both will illustrate the importance of non-selfish preferences in the functioning of social enterprises and whether non-egoistic values become embedded or malleable, which then becomes a key determinant of what can feasibly be achieved in market settings (Besley & Ghatak, 2017).

In addition, (Bull, 2014) states that on the social enterprise spectrum, at one end of the continuum are organizations driven by 'need' or 'social' and at the other end organizations driven by 'enterprise'. 'Social' led businesses tend to focus on informal organic organizational systems, utilizing loose business frameworks solely as a means of meeting social or environmental needs. Meanwhile, 'enterprise' driven business focuses on structured business organization systems, embracing business logic and business methods and discourse to meet social, environmental, and business needs.

Research Methodology:

This research is included in the realm of qualitative research, an interpretive paradigm using a case study approach. According to Creswell, (2015:73) what is meant by case here can be an event, process, activity, program, or one or several people. Furthermore, the type of case study used is a case study with a single instrument (single instrumental case study), which is a case study that focuses on just one issue or center of attention. To illustrate this issue, only one limited case is used (Creswell, 2015). So in this research, this approach is used to obtain an in-depth picture of the phenomenon regarding the concept of profit with purpose carried out by social enterprises so that the meaning of profit and how social enterprises treat these profits will be discovered.

This research was conducted in several objects in the form of social enterprises located in the city of Samarinda, GSP is a partner of the Samarinda City Government (Pemkot) and the Samarinda Environmental Service (DLH) in one of the city's flagship programs, namely Jelantah Membangun Samarinda (Jeng Rinda). In 2022, this program received an achievement from the Indonesian Record Museum (MURI) in the largest collection of Used Cooking Oil in Indonesia.

Result and Discussion:

Social Innovation in Environmental Management:

Basically, the used cooking oil collection activity in partnership with the government has been carried out by the company since 2019. Initially, the oil collection was only targeted at business, but in 2021 it expanded to include all civil servants (ASN) and non-civil servants (Non-ASN) within the Samarinda City Government. Then in 2022, it was further extended to encourage public participationin protecting the environment through used cooking oil collection, where the donation value from the collected oul would be allocated to developing a tourism site in Mount Steling, Samarinda City. According to Mr. Penza, GSP was granted authorithy by the government to manage the develpoment funds for the tourism project. A substansial amount of funding is needed to realize this goal, but the company is also demonstarting to the public that waste oflten ignored and harmful when improperly disposed, can actually have economic value and contribute to regional develpoment and environmental preservation. Mr. Penza further explained the impressive quantity of used oil they are able to collect:

> "…households often dispose of used oil after just one or two uses, even when the oil is still relatively good. Regardless of its color or condition, we mix it all for export, madam. Abroad, it is processed into biodiesel, or used as raw material, not entirely pure used oil, though. Why we used oil? Because our business focusses on that area. We collect 14 tons per month, and that's only from

> households-not including restaurants, hotel, and so on. Imagine how many tons would end up in the rivers every month if we didn'y collect it"

Looking at the growing social and environmental impact achieved by this social enterprise, GSP serves as an illustration of how impactful outcomes can be reinforced by strong governement support. This makes their strategy and innovation, particularly their collaboration with the government highly interesting.

Jeng Rinda is a social innovation initiated by GSP that aligns with the city government's vision and mission. Through this program backed by formal regulatioms, GSP is able to reach broader segments of society, thus making its mission-driven activities more widespread and effective. Prior to organazing one of the city's official programs, GSP's operations were limited to collecting used oil from business sectors in Samarinda. As the company's awareness grew regarding its role in supporting both the environment and society, its goals and strategies gradually shifted toward becoming a more developed form of social enterprise.

At the beginning of this social innovation, GSP attempted to educate business actors who were its oil collection partners because there are many small medium entreprises which still needs the waste management from their production process. However, as Mr. Penza stated, this was further developed by collaborating with schools, especially adiwiyata schools, with adopt environmentally friendly behaviors including energy and water conservation, subject based and extracurriculat learning on the environment, sanitation, tree planting and maintenance, and innovation related to green living. This aligns wuth the Ministry of Environement Regulation No. 52 of 2019 on " Environmental Awareness and Culture Movement in Schools." In line with this movement, GSP partnered with schools to encourage students to bring used cooking oil from home, which could be converted into savings or additional income. Instilling environmental awareness from early age became a key objective in cooperation with these schools.

For GSP, these social activities are categorized as part of their Corporate Social Responsibility efforts. As explained by Mr. Penza, CSR funds are managed under the community development division:

> "We use CSR funds to run this program for the community, since the benefits ultimately return to the people, and the funds are used to cover operational costs for the program."

This funding structure shows how the company integrates social value creation as part of its responsibility to the community.

Goal Framing theory offers a deeper understanding of why companies pursue "pro-social" goals- those that aim for collectibe benefits beyod mere profit-making and business survival. (Birkinshaw *et al*., 2014). Then Jacobs, (2017) defines social entreprise as going "beyond philantrophy" emphasizing sustainable and benefecial solutions to social issues. *Social enterprise* go beyond giving and receiving- they invest time and effort in building relationships,forging connections, and sharing skills, knowledge and strategies. This uniquely positions them to address persistents environmental challenges, as exemplified by PT. GSP in their efforts to educate and raise public awareness about environmental sustainability.

***Beyond Profit*: Conservation and Sustainable Business**

Social enterprise operate with a dual purpose: executing their social mission while applying entrepreneurial principles . Both are aimed at creating beneficial value (utility) for the enterprise itself and for all stakeholders involved. This study explores how two social enterprises generate such utility value through the lens of stakeholder relationships (Tapaninaho & Heikkinen, 2022).

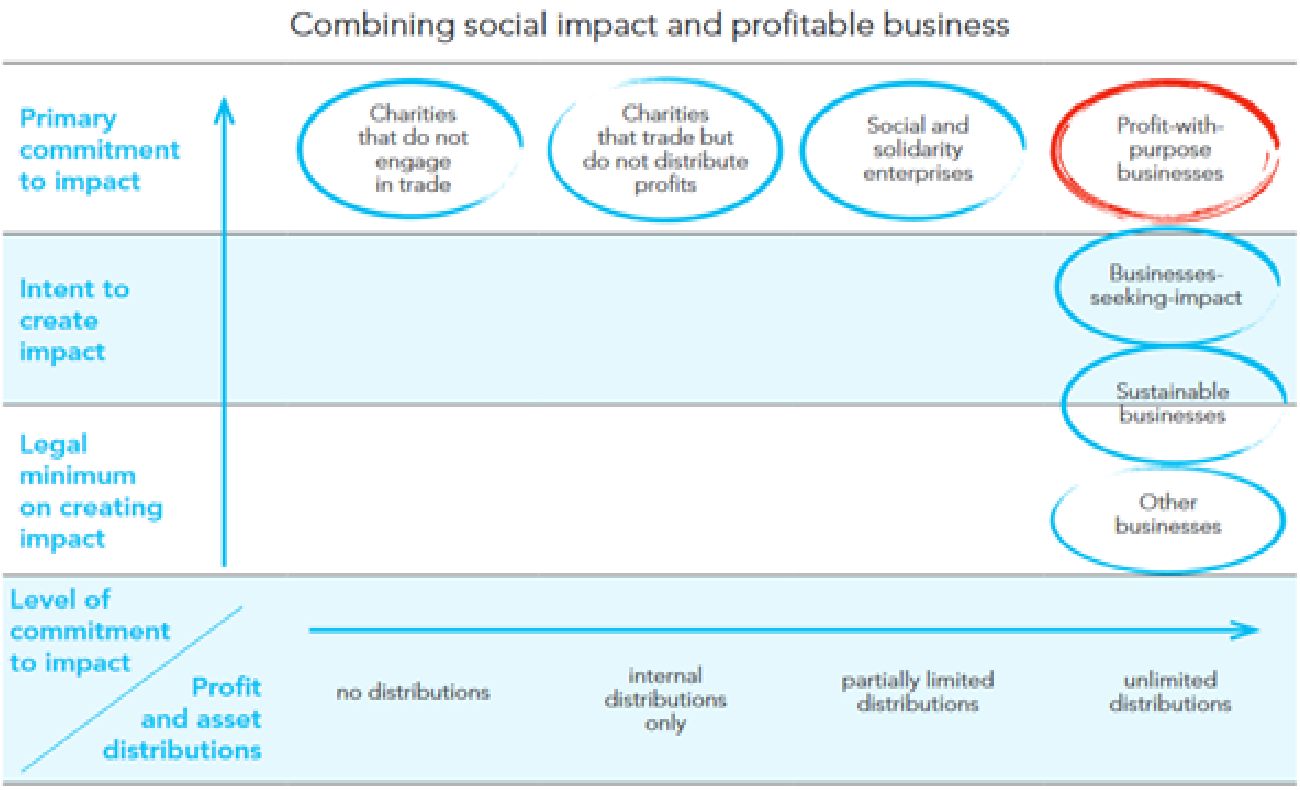
Value creation in social enterprises involves how companies generate impact in a circular economy that delivers economic, environmental, and social benefits. From a company-centric prespective, value creation remains focused on the firm's internal outcomes and does not yet contribute significantly to broader sustainable development. In contrast, the stakeholder-relationship perspectibe views value creation as a collective activity involving multiple parties across varios vomponents of the circular economy.

The social enterprises studied here demonstrate stakeholder involvement through their activities. For instance, PT. GSP has shown that social enterprises can indeed initiate and sustain collective stakeholder action within the circular economy. This is expempkified by the Jeng Rinda program, which received recognition from the Indonesian World Records Museum (MURI) and generated multi dimensional value at the local system level in Samarinda. Insoured by the success of this program. PT. GSP has launched and is developing a tourism village, a joint initiative involving collaboration between the company, government, and local community.

> "This is the tourism village that are focusing our efforts there. This is a relatively new city-level program, so we need to demonstratee its feasibility to public. Our goal is to show concrete results on Mount Steling. Once completed, we will hand the progrma back to the community, perhaps through the urban village office or neighborhood units (RT), so it can evolve into a BUMRT (community business unit or be managed using local funds. But first, we must prove that this program works."

From this statement, it is evident that PT GSP is innovating in a way that continuously engages all stakeholders to generate value for its business, its oil buyers, and Samarinda community. The company demonstratres a strong commitment to create positive, long term impact both society and the environment through sustainable business innovations. When mapped using the social impact and profitable business matrix, both enterprises fall into the "profit-with-purpose" quadrant.

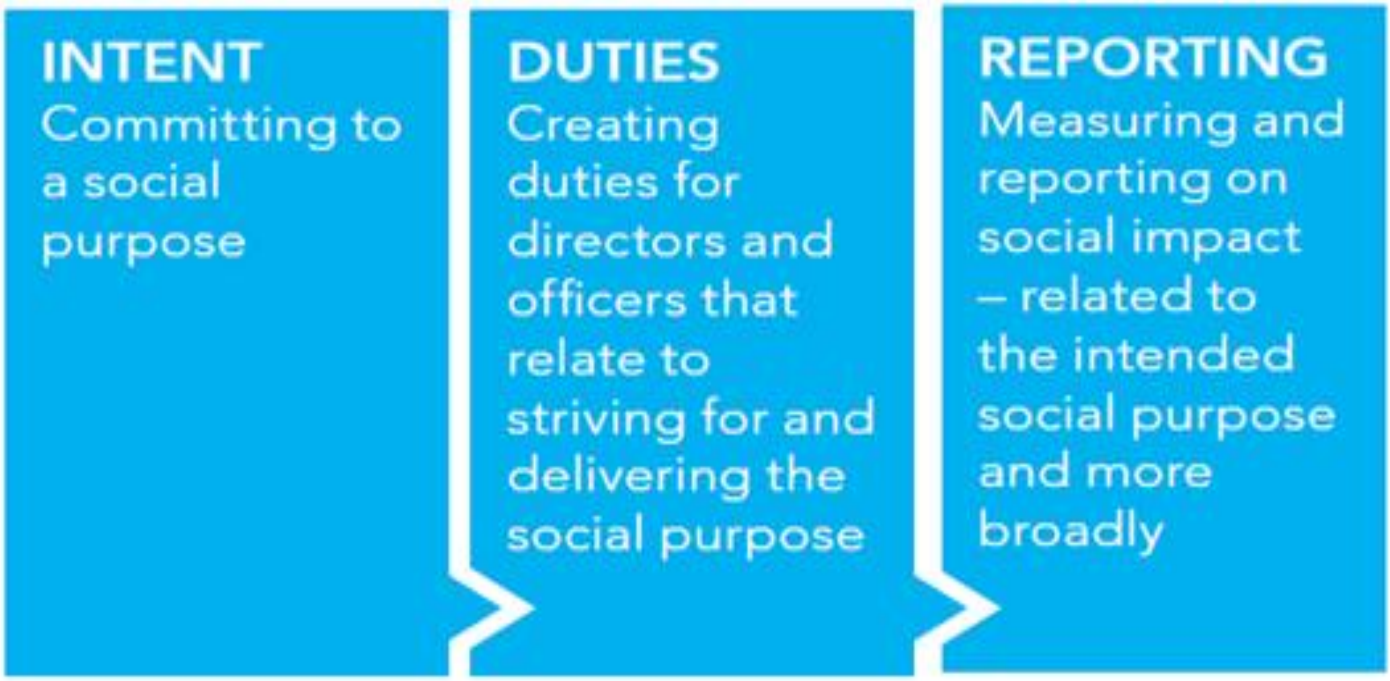
Figure 1. Social and matrix impacts and profitable business



Source: (Prior & Clark, 2014)

These types of enterprised meet the minimum characteristics of a "Profit with purpose" business, defined as "one that seeks, commits to, creates, and shows social impact." (Prior & Clark, 2014):

Figure 2. Characteristics of Profit with Purpose Business



Source: Prior & Clark, 2014

Profit, for social enterprised, is not limited to financial gain in the conventional sense. It also compasses the creation, innovation, and distribution of social value, which are integrated into the enterprise's understanding of success and sustainability.

Conclusion:

The strong intercommection between economic, environmental, and social aspects in social enterprised reflects the potential for society transformation through business. As part of the circular economy, social enterprises are closely tied to sustainability principles, not only striving for economic profit, but also engaging in environmentally friendly practices and community empowerment. Social value innovation is integrated into the enterprise through primary methods which functions and dedicated to specific divisions such as community development. Through these methods, social enterprises generate positive impacts within their operational regions. They draw strength from stakeholder support, including government bodies, BUMN, business actors, and local communities. Their involvement drives continual innovation aligned with sustainability values.

Moreover, profit is redefined, it is not merely marerial gain but also the shared creation of utility value with stakeholders, infused with a sense of purpose and sprituality that underpins the enterprise's mission. This positions social enterprised as key agents of behavioral change, particularly in raising environmental awareness. As such, social enterprises deserve greater visibility and support from both public and policymakers. Those that integrate profit with broader values represent the "profit with purpose" model. Adopting a stakeholder-relationship perspective, social enterprises aim for holistic vakue creation- benefiting both the business and its stakeholders. Crucially, value creation is not accomplished by the enterprise alone but is a product of collaborative stakeholder action. Future research can delve deeper into how stakeholders themselves perceive and define profit within the context of social value creation.

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