
| RESEARCH ARTICLE

Social Culture Formation and Development of Village-Owned Enterprises as a Hybrid Organization in Indonesia: A Case Study in East Java

Asmuni¹ ✉ Raden Andi Sularso², Supranoto³ and Himawan Bayu Patriadi⁴

¹College of Administrative Sciences (STIA) Pembangunan Jember & Doctor Candidate of Administration Sciences, University of Jember, East Java, Indonesia

²Department of Economic and Business, University of Jember, East Java, Indonesia

³Department of Administration, University of Jember, East Java, Indonesia

⁴Department of International Relations, University of Jember, East Java, Indonesia

Corresponding Author: Asmuni, **E-mail:** asmunimumun4@gmail.com

| ABSTRACT

This study aimed to describe the development of Village-Owned Enterprises (BUM Desa) in Indonesia as hybrid organizations. A hybrid organization is formed with different institutions and becomes a new institution. In general, the new institution was created with a double mission. One remains for business-oriented, the other for social purposes. The study followed the guidelines for Village-Owned Enterprises designed uniformly to be implemented by all villages. This study uses studies in East Java to photograph Village-Owned Enterprises in Indonesia. Based on this case study in East Java, Village-Owned Enterprises was found to grow differently following the lines of the socio-cultural area. The results of this study found two important things. *First*, several Village-Owned Enterprises were successfully formed and then developed into Village-Owned Enterprises with the Advanced category; some villages failed to form Village-Owned Enterprises; some of them succeeded in establishing Village-Owned Enterprises, but the development was not good enough, so they were still the Beginner category. *Second*, even though it is based on formal institutions that are uniform and apply nationally, the process of forming and developing Village-owned Enterprises in East Java Province, according to initial expectations, turns out to follow the sociocultural divide. Regions with Mataraman and Arek socio-culture generally produce more Village-Owned Enterprises in the Advanced category. Meanwhile, the area with the Pandalungan socio-culture is relatively stagnant because it only produces a few Village-Owned Enterprises in the Advanced category. In conclusion, Village-Owned Enterprises grow differently in different socio-cultural areas. Socio-culture is a supporting factor in the formation and development of Village-Owned Enterprises.

| KEYWORDS

Village owned enterprise; institution; socio-cultural; hybrid organization; East Java Indonesia

| ARTICLE INFORMATION

ACCEPTED: 02 January 2024

PUBLISHED: 27 January 2024

DOI: 10.32996/jhsss.2024.6.1.6

1. Introduction

This study aimed to examine the formation and development of Village-Owned Enterprises in Indonesia. The enterprises are designed similarly in terms of their formation and implementation. However, a gap between normative regulations and field implementation results in different success levels.

Village-owned enterprises are hybrid organizations with two goals as profit-seeking businesses but with a social purpose. Article 89 of Law Number 6 of 2014 concerning Villages states that the results of Village-Owned Enterprises are used for community empowerment, social assistance, and revolving funds. This means that the enterprises are hybrid organizations. According to Dees

and Anderson (2006), organizations with a dual mission (*mission draft*) and management roots are similar to social enterprises, known as entrepreneurship. Multiple identities appear together in one organization, allowing for a core pluralistic identity (Cooney, 2011). Battilana and Lee (2014) stated that a hybrid organization combines several different organizational forms. Furthermore, Ebrahim et al. (2014) stated that such organizations pursue a social mission using market mechanisms. According to Bruton et al. (2015), a hybrid organization combines state and private ownership and control. It combines business and social aspects (Battilana & Lee, 2014). Hybrid organizations are the legitimacy of different institutional logics and survive and develop into new institutions (Battilana & Casciaro, 2012). In line with this, state and private ownership represent different institutional logics. In line with this, State-Owned Enterprises are considered hybrid organizations (Bruton et al., 2015)

The formation and development of Village-Owned Enterprises have been ongoing for almost a decade. The law mandates every village in Indonesia to establish these economic institutions. However, not all villages exercise the authority to use the overflow of funds as targeted activities, especially regarding economy and welfare. This makes more Village-Owned Enterprises advance, remain stagnant, or fail.

Since the enactment of the village law, the number of village-owned enterprises has been 45,273 from 2014 to 2021 (Kemendestran, 2022). With a total of 74,957 villages, more than half of the Village-Owned Enterprises have been established. Their performance is further monitored and evaluated by the government using online verification. This system maps the condition of the enterprises into beginner, developing, advanced, complete administrative, and legal entities.

Based on the Regulation of the Minister of Villages, Disadvantaged Regions and Transmigration (Permendestran) Number 3 of 2021, Village-Owned Enterprises are classified into advanced, developing, beginner, and pioneering. However, the growth classification is only recorded as advanced, developing, and beginner. The pioneering classification is equivalent to an enterprise that has not been established.

Village-owned enterprises were verified, referring to administrative completeness when registering online. Established Village-Owned Enterprises were registered online by 41,487, or 91.64% of all villages. The pass rate is 16,789 or 0.5% of those who qualify for registration. Only 2,304, or 13.7% of them, passed the online verification.

This study aimed to describe the formation and development of Village-Owned Enterprises as hybrid organizations supported by social culture. The businesses grow differently based on the macro-sociocultural level because normative rules are not enough to make them advanced Village-Owned Enterprises.

The study was conducted in East Java, Indonesia and found that provincial and national enterprises are similar. Some villages have not succeeded in establishing enterprises, but their number in Java is large. This is because the number of villages in East Java is larger than those outside the province. The number of enterprises in East Java is 6,992, greater than in Central and West Java, which have 6,301 and 5,625 enterprises, respectively (TNP2K & Australian, 2020).

After the introduction and study methods, this paper presents reviews of previous studies on the development of hybrid organizations. The next section discusses the findings and discussions regarding the formation and development of Village-Owned Enterprises in East Java. The results showed that the Village-Owned Enterprises are part of a hybrid organization with a dual mission formed from various institutions and have mixed identities.

This finding means that social culture supports the formation and development of Village-Owned Enterprises. Various areas have certain sociocultural differences related to the success of forming and developing enterprises. For instance, areas with Mataraman socio-culture generally have more advanced enterprises. The areas with the social culture of Pandalungan have stagnant enterprises. Although the sociocultural area is stagnating, it creates advanced village-owned enterprises. However, the general pattern of their formation and development showed that areas with Mataraman socio-culture are more advanced.

Village-owned enterprises are also supported by social and cultural gatherings, benefiting from cultures and diverse social statuses. This is the case in other more advanced social-cultural areas, such as Arek and Pantura.

2. Literature Review

In some literature and previous studies on Village-Owned Enterprises, the stories of success and failure are more critical than the narratives. Yudiardi & Karlina (2017) stated that village-owned enterprises support the development of the rural economy. In line with this, Hertel et al., (2018) stated that the enterprises are community-based companies.

Febrianti & Sunaryono (2022) found no differences in economic reliance between villages with enterprises and those that have no enterprises. Arifin et al. (2020) examined village funds and their use, including capital participation businesses. The study found that village funds and village-owned enterprises only increase benefits for the apparatus and their administrators.

Sofyani et al. (2019) explained that the performance of village-owned enterprises is influenced by teamwork, communication, transparency, and responsibility. Hanafi & Kusumastuti (2022) also stated that the poor performance is partly due to the managers' weak responsiveness and inability to create efficiency and effectiveness. This condition could be seen from the not-yet-optimal management of local village resources.

Sofyani et al. (2022) stated that village-owned enterprises lack professionalism and ownership in management. They have not impacted the economic development of rural communities. According to *Gurning & Ivanna (2022)*, social capital plays a role in establishing network elements and trust. Hanafi & Kusumastuti (2022) added that community participation is weak in their management. Huruta et al. (2020) stated that community social capital is the basis for its development. Additionally, Sidik (2015) showed that businesses fail due to the depletion of the social capital owned by residents.

Rohim et al. (2022) found that successful village-owned enterprises empowered women groups in the village. Badaruddin et al. (2021) also showed that the enterprises created village community empowerment in institutional, economic, and sociocultural aspects.

These previous studies show that, in many conditions and criteria, Village-Owned Enterprises are hybrid organizations whose emergence and development are influenced by several conditions. Tolbert et al. (2011) stated two explanations emphasizing an organization's external and internal strengths.

External strength is determined by the character of political institutions. Anheier & Krlev (2014) stated that the economic system and national welfare could influence the emergence of hybrid organizations in the social service sector. The political institutions' broader mandate towards villages creates economic institutions, such as village-owned enterprises.

The stability and shifts in political institutions also affect the logic considered the right guide for organizational action (Battilana et al., 2020). Hybridity arises to overcome the uncertainty of the dominating political rules (Nee & Matthews, 1996).

Another factor is *regulatory reform*. In the UK, Rawhouser et al. (2015) described regulation as offering new possibilities for combining profit and characteristics of social organizations. Sabeti (2011) also stated that the amalgamation of commercial objectives is not new. However, the most important factors in the hybrid institution are sustainability, governance design, ownership rules, and stakeholder relations.

The *cultural shift* also needs to be considered. Seelos et al. (2011) proposed that the emergence of hybrid organizations could be influenced by community-level characteristics, such as political stability and networks and local entrepreneurial traditions. Social welfare is now exerting influence in fields historically dominated by market and corporate logic. This is reflected in the claim that companies are socially and environmentally responsible (Hoffman et al., 2010).

Companies are accepted in a pluralistic society compared to a single one (Hoffman et al., 2010). Institutional orientation refers to the need to overcome the shortcomings of the social environment, especially in the private sector (Margolis & Walsh, 2011). This is because different societies' reasons and logic influence the organization (Delmestri, 2006).

Regarding internal strength, the founder's background and interests and the member composition influence the hybrid organization. Tracey et al. (2011) stated that the founders deliberately established an organization that provides social support to the unemployed through financially sustainable businesses. According to Smith & Besharov (2019), commitment is used to help people out of poverty. Lee & Battilana (2016) also stated that founder identity influences the creation of hybrid ventures. Other studies have shown the role of personal identity in forming entrepreneurs by combining social welfare and commercial logic (Wry & York, 2017).

3. Methods

This preliminary research was conducted with a quantitative paradigm and is descriptive in nature. The data collected and analyzed is secondary data, so this research can also be called a document study. The documents collected are data on the development of BUM Desa in East Java Province, which are compiled and published through BPS and related ministries, mass media reports, and a number of previous research results.

The data collected was then analysed to find the distribution of Village-Owned Enterprises in each district and the category. The Village-Owned Enterprises category has been determined by the ministry, namely beginner, Medium and advanced. The researcher, in this case, did not collect field data regarding the condition of Village-owned Enterprises to determine their category but used the results of ministry evaluations.

Data regarding the condition of Village-Owned Enterprises based on the category were then analysed for their geographical position according to the socio-cultural division of East Java Province, which had been developed by (Sutarto, 2006; Yuswadi, 2008). Based on this analysis, a map of the distribution of village-owned enterprises in East Java Province was obtained based on their socio-cultural category and basis.

4. Results

This study presents two findings about the cumulative formation and development of Village-Owned Enterprises in East Java. First, Village-Owned Enterprises are hybrid organizations, supporting many previous studies. Second, the findings explain the distribution of village-owned enterprises' formation and development in East Java following the line of socio-cultural areas. Table 1 shows the findings of the Village Owned Enterprise establishment in East Java, Indonesia:

Table 1.
Number of Villages with Village-Owned Enterprises in East Java

NO	Sociocultural	Villages does not have BUM Desa		Villages has BUM Desa		Total of Villages
		Total	%	Total	%	
1	Arek	348	20%	1380	80%	1728
2	Madura	115	12%	875	88%	990
3	Mataraman	242	10%	2198	90%	2440
4	Pandalungan	618	36%	1102	64%	1720
5	Pantura	378	31%	854	69%	1232
TOTAL		1701	21%	6409	79%	8110

Source: East Java Village and Community Empowerment Service, DDC v2.2.0 (Village Data Center) 2018-2022

The data in Table 1 shows that since enacting the Village Law, not all villages have been able to establish village-owned Enterprises. The facts in East Java are similar to the national conditions, where not all villages have established village-owned enterprises. However, the failure to establish a village-owned enterprise strengthens the initial assumption that normative rules alone cannot force an institution to create a new institution. The village must create an institution with a dual purpose of realizing business profits and solving social problems.

Table 1.1 shows the formation of village-owned enterprises in East Java, which are categorized based on sociocultural area lines. Social culture is divided into Mataraman Java, Ponoragan Java (Pantura), Arek, Samin, Tengger, Oseng, Pandalungan, Madura Island, Madura Bawean, and Madura Kangean (Sutarto, 2006). Each of these socio-cultures occupies a certain area, though it is not simple to make territorial boundaries. This is because of the high mobility of each supporter's movement and the presence of a mix of social cultures.

The socio-culture in East Java is simplified into five sociocultural areas. This opinion refers to the mapping of regional lines presented by Sutarto (2006), including Mataraman, Ponoragan (Pantura), Arek, Pandalungan, and Madura. Therefore, this finding follows the division of social and territorial lines in the culture regarding the growth of businesses in East Java.

Table 1.1 shows the trend of village-owned enterprises that failed to be formed to dominate the Pandalungan socio-cultural area. The total of villages in East Java Province that don't have village-owned enterprises in the Pandalungan socio-cultural area is the highest. Based on data from the Community and Village Empowerment Service (DPMD), until 2022, 36% of villages in the Pandalungan socio-cultural area did not have village-owned enterprises. The Pandalungan socio-cultural area covers several districts, including Pasuruan, Probolinggo, Lumajang, Jember, Situbondo, Bondowoso and Banyuwangi Regencies.

Another socio-cultural area in East Java province that has been slow to establish village-owned enterprises is the Pantura socio-cultural area. There are similarities between the formation of village-owned enterprises in this area and the Pandalungan socio-

cultural areas. Villages in the Pantura socio-cultural areas that failed to form village-owned enterprises were like three of the villages in this region. The Pantura socio-cultural area consists of Lamongan, Bojonegoro and Tuban Regencies.

Meanwhile, the Mataraman socio-cultural area is the region with the most villages that have successfully established village-owned enterprises in East Java. In this area, almost all villages have village-owned enterprises. Geoculturally, the Mataraman socio-cultural area covers the regencies of Pacitan, Ponorogo, Madiun, Magetan, Trenggalek, Tulungagung, Blitar, Kediri and Nganjuk.

The villages in the Madura socio-cultural area also claim to have been able to establish village-owned enterprises. This is proven by village-owned enterprises that have been successfully formed by villages in the Madura socio-cultural area, reaching 88%. The Madura socio-cultural area consists of the districts of Sumenep, Pamekasan, Sampang and Bangkalan.

The villages in the Arek socio-cultural are also very massive in forming village-owned enterprises. In this area, village-owned enterprises have been successfully established in over 80% of the existing villages. Arek's socio-cultural area includes Gresik, Sidoarjo, Mojokerto, Jombang and Malang Regencies.

Normative rules and sociocultural factors must be considered to influence the formation of institutions, such as Village-Owned Enterprises. Bruton et al. (2015) examined the laws, rules, and norms influencing an institutional hybrid. This view is similar to Scott (2014) that neo-institutional is stated by assumptions, laws, rules, norms, and boundaries in the organization. The recipient's social culture influences the acceptance and meaning of the new order in the emergence of Village-Owned Enterprises. A different term was conveyed (North, 1990, hal. 39) regarding the new order as a new institution.

Institutional success is determined by the code of ethics, norms of behavior, and conventions in daily activities. This situation is called coercion (rules) *informal constraints*. The formal coercion (rules) in forming this hybrid institution, including Village-owned enterprises, is only a small part, although tolerable. In contrast, informal coercion is a reflection showing the greater influence.

It is normal for village-owned enterprises to be formed and developed based on the village's success in establishing the institution. Established enterprises have also developed differently as beginners, developing (medium), and Advanced. Table 2 shows the distribution of Village-Owned Enterprises in East Java.

Table 2.
Distribution of Village-Owned Enterprises by Socio-cultural Region in East Java

NO	Sociocultural	Beginner		Medium/Developing		Advanced		Total of BUM Desa
		Total	%	Total	%	Total	%	
1	Arek	674	49%	486	35%	220	16%	1380
2	Madura	332	38%	477	55%	66	8%	875
3	Mataraman	751	34%	823	37%	624	28%	2198
4	Pandalungan	584	53%	349	32%	169	15%	1102
5	Pantura	605	71%	149	17%	100	12%	854
	Total	2946	46%	2284	36%	1179	18%	6409

Source: East Java Village and Community Empowerment Service, DDC v2.2.0 (Village Data Center) 2018-2022

Table 2 shows that the development of Village-Owned Enterprises in East Java is categorized based on sociocultural area lines. The results of measurements based on categories from the Ministry of Villages for Disadvantaged Regions and Transmigration show that village-owned enterprises in East Java are growing dynamically. Most of the village-owned enterprises in East Java grew as beginners, namely 46%. Some of the other village-owned enterprises are considered to be still developing. Meanwhile, village-owned enterprises that are considered advanced are only 18% of all village-owned enterprises in East Java. Based on the distribution of socio-cultural areas in East Java, village-owned enterprises with an advanced category appear on average in the Mataraman socio-cultural area. In comparison with other socio-cultural areas, the Mataraman socio-cultural area contributed to the success in the development of village-owned enterprises in the advanced category.

The pattern of development of village-owned enterprises in the Mataraman socio-cultural area confirms a linear condition. The successful formation of village-owned enterprises by villages in the socio-cultural area is in line with the results of the development category of village-owned enterprises. The higher the formation of village-owned enterprises by the villages in this socio-cultural area, the higher the quality of the development of village-owned enterprises. As evidence, more than 90% of the villages in the Mataraman socio-cultural area have succeeded in establishing village-owned enterprises. Then, of the villages that already have village-owned enterprises, 26% of them are in the advanced category. This number is the highest compared to other socio-cultural areas.

A similar pattern of development of village-owned enterprises is found in the Arek socio-cultural area. The villages in the Arek socio-cultural area that have succeeded in forming village business entities are almost as large as the villages in the Mataraman socio-cultural area. Although the development of village-owned enterprises in the advanced category is not as high as that found in the Mataraman socio-cultural area, village-owned enterprises in the Arek socio-cultural area are the second highest in the advanced category in East Java.

Other trends are found in several other socio-cultural areas. The success of villages in other socio-cultural areas, such as the Pantura and Madura, in forming village-owned enterprises, which were also high, was not accompanied by the quality of the development of village-owned enterprises. This is evidenced by village-owned enterprises in the Pantura and Madura socio-cultural areas, which only have a few village-owned enterprises with a fairly advanced category. Even village-owned enterprises are in the advanced category in the Madura socio-cultural area below 10%. In contrast, in this area, the average category of village-owned enterprises is beginner and medium/developing dominates. For example, more than 50% of village-owned enterprises in the Pantura socio-cultural area are in the beginner category.

Another trend is that the ability of villages to form village-owned enterprises is not significant. Therefore, it is found that in certain areas, such as the Pandalungan socio-cultural area, village-owned enterprises tend to be stagnant. Only 15% of villages in the Pandalungan socio-cultural area have village-owned enterprises with advanced categories. However, in the Pandalungan socio-cultural area, one of the best village-owned enterprises, Binor Energy, was founded.

The village-owned enterprises with the advanced category appear on average in the Mataraman sociocultural area. Other areas where the village-owned enterprises are in the beginner and developing categories dominate. However, this does not mean that other areas have no advanced category. The Mataraman socio-cultural area is among the most advanced village-owned enterprises, while areas such as the Pandalungan area are still in the beginner and developing category. However, the anomaly is that a stagnant village actually has an advanced village-owned enterprise.

The phenomenon is also found in several other socio-cultures. However, the growth in the advanced category is not spectacular in Mataraman, especially based on the number of village-owned enterprises. Other sociocultural areas show partial success. Table 3 shows the distribution of the best enterprises in East Java according to the main business type and sociocultural area.

Table 3.
Types of Best Village-Owned Enterprises in East Java

No	Sociocultural	Village-owned enterprises name	The main type of business	Impact
1	Arek	Lontar Sewu, Gresik	Ecotourism	Involving 103 Community Economic Enterprises
		Sekapuk, Gresik	Tourism and savings the loans,	Involving 20 Community Economic Enterprises
		Kerto Raharjo, Malang	Ecotourism	Involving 43 Community Economic Enterprises
		Sumber Sejahtera, Malang	Travel and business	Involving 50 Community Economic Enterprises
2	Madura	Ketapanrame, Mojokerto	Tourism and savings the loans, Mineral water	Involving 137 Community Economic Enterprises
		Delta Mulia, Pamekasan	Small business	not recorded

		Pelangi Nusantara, Sumenep	Tourism and small business	not recorded
		Mendak, Madiun	Tourism	Involving 10 Community Economic Enterprises
3	Mataraman	Barokah Jaya, Madiun	Tourism and Agriculture	not recorded
		Gema Mandiri, Magetan	Tourism and mineral water	not recorded
4	Pandalungan	Binor Energy, Probolinggo	Beach Tourism, Travel agency	Involving 14 Community Economic Enterprises
		Subur Rahardjo, Tuban	Tourism	Involving 2 Community Economic Enterprises
5	Pantura	Sarana Mandiri, Bojonegoro	Tourism	not recorded

Source: East Java Village and Community Empowerment Service 2022

Table 3 shows the best of the Village-Owned Enterprises in the advanced category spread across almost all socio-cultural areas. The Village-Owned Enterprises are advanced due to the existence of a *melting pot* centre. Yuswadi (2008) stated that cultural modifications are created because mixing in one area occurs at the centre of the cultural *melting pot*. Due to mixed cultures, these areas are open to new things, and the community is more pluralistic and tolerant of differences.

The success of the Village-Owned Enterprises shows the position of the cultural meeting centre spread over all socio-cultural areas. Almost all types of businesses maximize tourism potential, though it is insufficient without socio-cultural support. These facts provide clues about the potential resources explored into prospective business values that influence each other with the region's hybridized sociocultural conditions. Some villages with similar potential and business units are not successful without the sociocultural characteristics of the *melting pot*.

5. Discussion

The findings and previous studies showed that Village-Owned Enterprises are considered hybrid organizations. However, further questioning is possible because of the dynamics of the village-owned enterprises' growth, which have problems to be resolved. Therefore, in this subsection, this article discusses several things.

5.1 Socio-cultural is an external condition affecting Village-Owned Enterprises

Socio-culture was vital in the formation and development of Village-Owned Enterprises. This is in line with the cultural shift explained by Battilana et al. (2012) as an external factor supporting the success of hybrid organizations. External factors comprise sociocultural and political characteristics, stability, and regulation.

The findings showed that enterprises grow differently in the sociocultural area of East Java, Indonesia. The growth disparity implies the ability to accept formal rules to different degrees. It indicates community characteristics, willingness to accept new things, and forming and running new institutions such as village-owned enterprises. The position of the sociocultural areas with their localities, such as the degree of openness to receive external input, also plays a role in developing Village-Owned Enterprises.

Socio-culture could also turn environmental resources into profitable supporting factors. Although the village has potential resources, turning them into competitive business units is often difficult. Therefore, socio-culture is the driving force for integrating and segregating natural and human resources in regulating enterprises.

Socio-culture is also related to the village-owned enterprises' ability to collaborate with external parties. Many of the best village-owned enterprises in East Java cooperate with external parties, such as banks and other sources of financing. This means that the control of their founders or the village elites is increasingly melting.

5.2 Growth of Village-Owned Enterprises Center for Cultural and Social Diversity Meeting

The findings on the growth distribution of Village-Owned Enterprises in East Java explain several things. Many village-owned enterprises in the Mataraman socio-cultural area are growing well and highly developed in other areas. It means that sociocultural factors influence the growth of village-owned enterprises.

The findings reinforce the reasons that place socio-culture in East Java as one of the keys to its success. Regarding cultural shift, Battilana et al. (2012) stated that culture goes through a hybridity process to develop enterprises.

Cultural hybridity occurs because there is a cultural *melting pot*. Although Yuswadi (2008) stated that the meeting centre is only in the Pandalungan sociocultural area, cultural hybridity is also experienced in other areas. This explains why other areas in East Java have the best Village-Owned Enterprises. Many areas show cultural signs of hybridity, meaning it contributes to the development of enterprises, as seen in Pandalungan.

The cultural meeting centre also shows the people's complementary and diverse social status. This allows for the diversity of human resources in the management of village-owned enterprises and seeks the best resources to manage village-owned enterprises. On the other hand, in managing village-owned enterprises by empowering the weak resources.

5.3 Village-Owned Enterprises as Hybrid Organizations or Just Pseudo?

The flourishing of Village-Owned Enterprises with all their conditions indicates the occurrence of hybridity. As new institutions, the enterprises were promoted and forced formally on each village to be established, meaning hybridity does not occur naturally. This means that discussing the village-owned enterprises as hybrid organizations is not entirely correct. Therefore, this study discussed the businesses as quasi-hybrid organizations.

Village-owned enterprises closely resemble State Owned Enterprises. Bruton et al. (2015) defined state-owned enterprises as hybrid organizations. However, it is too much to equate the two types of enterprises because their institutional logic is different. State-owned enterprises are established on the government's authority in allocating and distributing natural and human resources. In contrast, village enterprises are technically created by the village, which has no authority as the state. Nurcholis et al. (2019) stated that villages are not fully part of the Indonesian government, such as the provincial, district city, or sub-district governments.

State-owned enterprises are established by a dominant state authority. In contrast, Village-Owned Enterprises are established by the village with limited authority. The village authority is limited, such as the unclear claim of village resources (assets). Therefore, their formation is filled with worries and is not immediate.

Village-owned enterprises are built on core businesses looking for limited resources. In comparison, State-Owned Enterprises are built on a clear core business and guaranteed resources. As the shareholder, the village government establishes an enterprise starting with a business field that is not yet right. This is because village resources are not mapped properly or are not considered commercially valuable entities. Although business management is filled with limited resources, State-Owned Enterprises are formed based on competitive business values. Business units are also managed by selected human resources.

Hybrid organizations represent a mix of business activities with social goals. Some experts refer to social enterprises or entrepreneurship as hybrid organizations. For instance, Dees & Anderson (2006) stated that social enterprises and entrepreneurship are hybrid organizations. Tykkyläinen (2019) emphasized the orientation of a social enterprise to grow together between its business activities and social goals. Furthermore, Ebrahim et al. (2014) stressed the importance of maintaining the hybridity of this dual institutional purpose. Smith & Besharov (2019) described the commitment of the founders and managers in hybrid organizations to help solve social problems.

The opinion shows that social enterprises grow naturally, and internal factors are closely related to the founder's background. The institutions are established from the start and implementation with the intention of empowerment and poverty alleviation. This is similar to the medium and small businesses that conduct business activities by involving many less empowered people with an entrepreneurial spirit. It means that the enterprises are built on the consciousness of their founder by involving marginalized groups.

The founders of Village-Owned Enterprises have diverse interests and lack a reputation for building socially based businesses. This was evidenced by the findings in East Java, where 46 %, 36%, and only 18% of enterprises are in the beginner, developing, and advanced categories, respectively. The development is understandable because formal rules guided the establishment of Village-Owned Enterprises. The dynamics depended on many things, including the founders' social culture and background. Therefore, this study views Village-Owned Enterprises as pseudo-hybrid organizations.

6. Conclusion

Social-culture supports the formation and development of Village-Owned Enterprises. Complements external factors such as political institutions' characteristics, stability, and formal provisions.

The growth of village-owned enterprises thrives in all socio-cultural areas in East Java, Indonesia. However, the average growth in the advanced category is seen in the Mataraman sociocultural area. The village-owned enterprises in the advanced category are also found in other socio-cultural areas due to a cultural melting centre. Studies show that many of East Java's best village-owned enterprises are spread over many sociocultural areas.

This phenomenon indicates that socio-culture drives the success of the village-owned enterprises. However, it strengthens the argument about socio-culture as the dominant factor influencing the success of village-owned enterprises. In these areas, hybridity occurs due to a cultural melting centre, making them grow into the advanced category.

This phenomenon also complicates the tidy concept of a hybrid organization envisioned by many experts. While village-owned enterprises share some characteristics of hybrid organizations, their forced establishment under government initiatives limits their organic growth and independence. This "pseudo-hybrid" status manifests in several ways. First, their core business often focuses on securing scarce resources, highlighting their dependence on external forces. Second, the village authority responsible for their creation lacks the clout and autonomy compared to the central government in establishing state-owned enterprises. Finally, the diverse interests and potentially limited professional expertise of their founders and implementers raise concerns about their ability to manage social-based businesses effectively. These limitations necessitate further investigation into fostering genuine hybridity in VOs through organic development, robust community engagement, and targeted capacity building efforts.

6.1 Recommendations for Future Researchers

For future researchers seeking to delve deeper into the success of village-owned enterprises (VOEs) in East Java, the socio-cultural landscape presents a rich tapestry beyond external factors, while the Mataraman area shines with advanced VOEs, cultural melting centers across diverse regions offer fertile ground for exploration. Understanding the nuanced influence of socio-cultural norms, values, and interactions on VOE governance, management, and resource usage will be key. Further investigation into the limitations of "pseudo-hybrid" VOEs, their dependence on government initiatives, and the impact of diverse interests and skill gaps among founders is crucial. Ultimately, research efforts should focus on fostering genuine hybridity through organic growth, promoting strong community engagement and ethical practices, and advocating for policy reforms that empower VOEs for sustainable development and positive social impact across East Java's vibrant cultural mosaic.

Funding: This research received no external funding.

Conflicts of Interest: The authors declare no conflict of interest.

Publisher's Note: All claims expressed in this article are solely those of the authors and do not necessarily represent those of their affiliated organizations, or those of the publisher, the editors and the reviewers.

References

- [1] Anheier, H. K., & Krlev, G. (2014). Welfare Regimes, Policy Reforms, and Hybridity. *American Behavioral Scientist*, 58(11), 1395–1411. <https://doi.org/10.1177/0002764214534669>
- [2] Arifin, B., Wicaksono, E., Tenrini, R. H., Wardhana, I. W., Setiawan, H., Damayanty, S. A., Solikin, A., Suhendra, M., Saputra, A. H., Ariutama, G. A., Djuned, P., Rahman, A. B., & Handoko, R. (2020). Village fund, village-owned-enterprises, and employment: Evidence from Indonesia. *Journal of Rural Studies*, 79(April), 382–394. <https://doi.org/10.1016/j.jrurstud.2020.08.052>
- [3] Badaruddin, B., Kariono, K., Ermansyah, E., & Sudarwati, L. (2021). Village community empowerment through village owned enterprise based on social capital in North Sumatera. *Asia Pacific Journal of Social Work and Development*, 31(3), 163–175. <https://doi.org/10.1080/02185385.2020.1765855>
- [4] Battilana, J., Besharov, M. ., & Mitzinneck, B. (2017). On Hybrids and Hybrid Organizing: A Review and Roadmap for Future Research. In *The SAGE Handbook of Organizational Institutionalism* (hal. 128–162). <https://doi.org/10.4135/9781446280669.n6>
- [5] Battilana, J., & Casciaro, T. (2012). Change agents, networks, and institutions: A contingency theory of organizational change. *Academy of Management Journal*, 55(2), 381–398. <https://doi.org/10.5465/amj.2009.0891>
- [6] Battilana, J., & Lee, M. (2014). Advancing Research on Hybrid Organizing - Insights from the Study of Social Enterprises. *Academy of Management Annals*, 8(1), 397–441. <https://doi.org/10.1080/19416520.2014.893615>
- [7] Battilana, J., Lee, M., Walker, J., & Dorsey, C. (2012). In search of the hybrid ideal. *Stanford Social Innovation Review*, 10(3 (Summer)), 51–55. http://ssir.org/articles/entry/in_search_of_the_hybrid_ideal
- [8] Bruton, G. D., Peng, M. W., Ahlstrom, D., Stan, C., & Xu, K. (2015). State-owned enterprises around the world as hybrid organizations. *Academy of Management Perspectives*, 29(1), 92–114. <https://doi.org/10.5465/amp.2013.0069>
- [9] Cooney, K. (2011). An exploratory study of social purpose business models in the United States. *Nonprofit and Voluntary Sector Quarterly*, 40(1), 185–196. <https://doi.org/10.1177/0899764009351591>
- [10] Dees, J. G., & Anderson, B. (2006). "Framing a theory of social entrepreneurship: building on two schools of practice and thought", Research on Social Entrepreneurship. *ARNOVA Occasional Paper Series*, 7(3), 39–66. https://cdn.ymaws.com/www.arnova.org/resource/resmgr/Publications/ARNOVA_Research_on_Social_En.pdf
- [11] Delmestri, G. (2006). Streams of inconsistent institutional influences: Middle managers as carriers of multiple identities. *Human Relations*,

- 59(11), 1515–1541. <https://doi.org/10.1177/0018726706072848>
- [12] Ebrahim, A., Battilana, J., & Mair, J. (2014a). The governance of social enterprises: Mission drift and accountability challenges in hybrid organizations. *Research in Organizational Behavior*, 34, 81–100. <https://doi.org/10.1016/j.riob.2014.09.001>
- [13] Ebrahim, A., Battilana, J., & Mair, J. (2014b). The governance of social enterprises: Mission drift and accountability challenges in hybrid organizations. *Research in Organizational Behavior*, 34, 81–100. <https://doi.org/10.1016/j.riob.2014.09.001>
- [14] Febrianti, S., & Sunaryono. (2022). The Role Of Village Owned Enterprises (Bumdes) In Improving The Economic Resilience Index (IKE) To Achieve Progress And Independence Of Villages In Mempawah Regency. *Jurnal Terapan Manajemen dan Bisnis*, 8, 1–11.
- [15] Gurning, F. T. R., & Ivanna, J. (2022). The Role of Social Capital in Improving Quality Village-Owned Enterprises (BUMDES). *Randwick International of Social Science Journal*, 3(2), 310–321. <https://doi.org/10.47175/rissj.v3i2.438>
- [16] Hanafi, H., & Kusumastuti, R. (2022). Capacity Mapping and Institutional Management Model of Village Owned Enterprises (BUMDes) in North Sumatra. *Proceedings of the Second International Conference on Public Policy, Social Computing and Development (ICOPOSDEV 2021)*, 642(Icopolosdev 2021), 442–450. <https://doi.org/https://doi.org/10.33258/birci.v5i2.5324> 14530
- [17] Hertel, C., Bacq, S., & Belz, F.-M. (2018). It Takes a Village to Sustain a Village: A Social Identity Perspective on Successful Community-Based Enterprise Academy of Management Discoveries It Takes A Village To Sustain A Village: A Social Identity Perspective On. *Academy of Management Discoveries*, 5(Sustainable Development), 1–61.
- [18] Hoffman, A. J., Badiane, K. K., & Haigh, N. (2010). Hybrid Organizations as Agents of Positive Social Change: Bridging the For-Profit & Non-Profit Divide (working paper, 2010). In *Ross School of Business Working Paper No. 1149*.
- [19] Huruta, A. D., Kundhani, E. Y., & Manurung, C. R. (2020). The development of village-owned enterprises: Lessons learned from Ponggok Village. *Masyarakat, Kebudayaan dan Politik*, 33(1), 77. <https://doi.org/10.20473/mkp.v33i12020.77-86>
- [20] Kemendestran. (2022). *Jumlah bumdes tahun 2014–2018*. kemendes.go.id. https://kemendes.go.id/berita/content/detail_infografis/Jumlah_bumdes_tahun_2014-2018
- [21] Lee, M., & Battilana, J. (2016). *Experience matters: Vicarious and experiential imprinting and the founding of Paper., hybrid social ventures*.
- [22] Margolis, J. D., & Walsh, J. R. (2011). Misery Loves Rethinking Companies: Social Initiatives. *Administrative Science Quarterly*, 48(2), 268–305. <http://asq.sagepub.com/content/48/2/268.short>
- [23] Nee, V., & Matthews, R. (1996). Market transition and societal transformation in reforming state socialism. *Annual Review of Sociology*, 22, 401–435. <https://doi.org/10.1146/annurev.soc.22.1.401>
- [24] North, D. C. (1990). Institutions, Institutional Change and Economic Performance. In *Political Economy of Institutions and Decisions*. CAMBRIDGE UNIVERSITY PRESS. <https://doi.org/10.1017/cbo9781139175302.016>
- [25] Nurcholih, C., Sakti, S. W. K., & Rachman, A. S. (2019). Village Administration in Indonesia: A Socio-Political Corporation Formed by State. *Open Journal of Political Science*, 09(02), 383–404. <https://doi.org/10.4236/ojps.2019.92021>
- [26] Rawhouser, H., Cummings, M., & Crane, A. (2015). Benefit corporation legislation and the emergence of a social hybrid category. *California Management Review*, 57(3), 13–35. <https://doi.org/10.1525/cmr.2015.57.3.13>
- [27] Rohim, A., Sunarsiyani, F. E., Makmun, S., Muttaqin, M. Z., Suryanti, M. S. D., & Evendi, A. (2022). Common Thread: The Management of Village-Owned Enterprises and Women's Empowerment. *Sustainability and climate change*, 15(3), 166–169. <https://doi.org/10.1089/scc.2022.0007>
- [28] Sabeti, H. (2011). Spotlight on The Good Company. The For-Benefit Enterprise. *Harvard Business Review*, 89(11), 1–7.
- [29] Scott, W. R. (2014). W. Richard SCOTT (1995). Institutions and Organizations. Ideas, Interests and Identities. *M@n@gement*, 17(2), 136–140. <https://doi.org/10.3917/mana.172.0136>
- [30] Seelos, C., Mair, J., Battilana, J., & Tina Dacin, M. (2011). *The Embeddedness of Social Entrepreneurship: Understanding Variation across Local Communities* (Vol. 3). [https://doi.org/10.1108/s0733-558x\(2011\)0000033013](https://doi.org/10.1108/s0733-558x(2011)0000033013)
- [31] Siahaan, A. Y., Pardede, P. D. K., & Hutapea, Y. F. (2021). Capacity Mapping and Institutional Management Model of Village Owned Enterprises (BUMDes) in North Sumatra. *Proceedings of the Second International Conference on Public Policy, Social Computing and Development (ICOPOSDEV 2021)*, 642(Icopolosdev 2021), 442–450. <https://doi.org/10.2991/assehr.k.220204.068>
- [32] Smith, W. K., & Besharov, M. L. (2017). Bowing before Dual Gods: How Structured Flexibility Sustains Organizational Hybridity*. In *Administrative Science Quarterly* (Vol. 64, Nomor 1). <https://doi.org/10.1177/0001839217750826>
- [33] Sofyani, H., Atmaja, R., & Rezki, S. B. (2019). Success Factors of Village-Owned Enterprises (BUMDes) Performance in Indonesia: An Exploratory Study. *Journal of Accounting and Investment*, 20(2). <https://doi.org/10.18196/jai.2002116>
- [34] Sutarto, A. (2006). "Sekilas tentang Masyarakat Pandalungan" *Makalah Pembekalan Jelajah Budaya 2006*, diselenggarakan Balai Kajian Sejarah dan Nilai Tradisional, Yogyakarta
- [35] TNP2K & Australian, G. (2020). Pendayagunaan Badan Usaha Milik Desa dalam Pemulihan Ekonomi Pascawabah Covid-19. In *tnp2k*. www.tnp2k.go.id
- [36] Tolbert, P. S., David, R. J., & Sine, W. D. (2011). Studying choice and change: The intersection of institutional theory and entrepreneurship research. *Organization Science*, 22(5), 1332–1344. <https://doi.org/10.1287/orsc.1100.0601>
- [37] Tracey, P., Phillips, N., & Jarvis, O. (2011). Bridging institutional entrepreneurship and the creation of new organizational forms: A multilevel model. *Organization Science*, 22(1), 60–80. <https://doi.org/10.1287/orsc.1090.0522>
- [38] Tykkyläinen, S. (2019). Why social enterprises pursue growth? Analysis of threats and opportunities. *Social Enterprise Journal*, 15(3), 376–396. <https://doi.org/10.1108/SEJ-04-2018-0033>
- [39] Wry, T., & York, J. G. (2017). An identity-based approach to social enterprise. *Academy of Management Review*, 42(3), 437–460. <https://doi.org/10.5465/amr.2013.0506>
- [40] Yudiardi, D., & Karlina, N. (2017). Identification of Supporting and Inhibiting Factors of BUMDES (VillageOwned Enterprises) Village Development Planning in Sukarame Darut. *Global Journal of Politics and Law Research*, 5, 1–14.
- [41] Yuswadi, H. (2008). Budaya Pandalungan: Multikulturalis dan Hibridisai Budaya Antar Etnik. In *Pemetaan Kebudayaan di Provinsi Jawa Timur, Sebuah Upaya Pencarian Nilai-nilai Positif* (hal. 53–69).