



Beyond Profit: Institutional Entrepreneurship and Social Value Creation in Village-Owned Enterprises

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Abstract

Background: The sustainability of Village-Owned Enterprises (BUMDes) remains a challenge, with many still dependent on government support. Previous studies have focused mainly on success and failure factors, while limited attention has been given to how sustainable BUMDes develop over time.

Objective: Drawing on the institutional entrepreneurship perspective, this study examines how a village head initiated organizational transformation and how such transformation contributed to the sustainability of a BUMDes in Indonesia.

Methods: This qualitative single-case study examined a BUMDes in a rural tourism destination in eastern Indonesia, selected for its financial growth and community programmes. Data were collected through interviews with five key informants, field observations, and document analysis, then analysed thematically through coding, theme development, and source triangulation.

Results: The findings reveal that organizational transformation began with the reframing of the BUMDes' purpose, followed by the mobilization of community resources and the reconfiguration of governance practices that supported organizational growth. More importantly, the study finds that social value creation served as a critical mechanism linking institutional entrepreneurship and organizational sustainability. Through expanding financial inclusion, creating employment opportunities, supporting local entrepreneurship, and implementing community welfare initiatives, the transformed BUMDes generated benefits that strengthened community support and sustained organizational development over time.

Conclusion: This study contributes to the literature by extending institutional entrepreneurship research beyond organizational change and highlighting the role of social value creation in sustaining community-based enterprises. The findings also provide practical insights for policymakers and village leaders seeking to strengthen the long-term sustainability of village enterprises.

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INTRODUCTION

Village-Owned Enterprises (*Badan Usaha Milik Desa*, hereafter BUMDes) have become one of the Indonesian government's key policy instruments for promoting rural economic development and improving community welfare. Established under Village Law No. 6 of 2014, BUMDes are expected to mobilise local resources, create employment opportunities, stimulate entrepreneurship, and generate revenue that can support village development. Through this mechanism, villages are encouraged to become more economically self-reliant and less dependent

on fiscal transfers from higher levels of government. Beyond their economic function, BUMDes are also expected to strengthen local participation and empower rural communities through collective management of village assets and economic resources ([Government Regulation No. 11 Year 2021](#)).

Since their introduction, BUMDes have expanded rapidly across Indonesia and numerous studies have documented their positive contributions to rural development. Existing research suggests that BUMDes can increase employment opportunities, support local entrepreneurship, provide access to working capital, and improve the welfare of rural communities ([Anggraeni, 2016](#); [Cahya & Rahayu, 2019](#); [Pradnyani, 2019](#); [Swastaman et al., 2019](#)). Despite these achievements, concerns remain regarding the sustainability and effectiveness of many BUMDes. National statistics indicate that village finances continue to rely heavily on transfers from central and local governments, while locally generated revenue contributes only a relatively small proportion of total village income ([Statistics Indonesia, 2022](#)). This raises important questions regarding the extent to which BUMDes have succeeded in becoming sustainable economic institutions capable of generating long-term value for rural communities.

Previous studies have identified various challenges that constrain the performance of BUMDes. These challenges include limited managerial capacity among village officials, inadequate identification and utilisation of village potential, weak community participation, limited access to capital, and the tendency to prioritise short-term administrative needs rather than long-term economic development ([Marshaliany, 2019](#); [Permatasari et al., 2013](#); [Risnawati, 2017](#); [Sufi, 2021](#)). As a consequence, many village assets remain underutilised and opportunities for generating sustainable economic benefits are often not fully realised. Similar challenges have also been reported in rural development initiatives implemented in other countries, where heavy dependence on government intervention and top-down implementation approaches have undermined long-term sustainability and community ownership ([Kitipadung & Jaiborisudhi, 2021](#); [Phan et al., 2021](#)).

Among these studies, Sufi ([2021](#)) examined the management systems of BUMDes in aquaculture development and found that weak organisational governance and limited community engagement contributed to suboptimal outcomes. However, the study focused exclusively on structural deficiencies and did not investigate how leadership-driven initiatives could transform organisational performance. Similarly, Phan et al. ([2021](#)) analysed the implementation of community-based enterprise programmes in Vietnam and identified that top-down approaches constrained local ownership, yet the study did not explore how entrepreneurial agency at the village level could overcome such constraints. These studies collectively illustrate a scholarly emphasis on diagnosing organisational failures rather than understanding the processes through which village enterprises achieve successful and sustainable transformation.

While previous studies have provided valuable insights into the structural and managerial constraints facing BUMDes, much of the existing literature focuses on explaining why village enterprises struggle to achieve their intended objectives. Comparatively less attention has been devoted to understanding how successful BUMDes are transformed and sustained over time despite operating within similar institutional constraints. In particular, limited research has examined how village leaders initiate and sustain organisational change that enables village enterprises to move beyond dependence on government support and towards greater economic sustainability. More critically, existing studies have not adequately examined the role of social value creation as a mechanism through which organisational transformation becomes embedded within communities and contributes to long-term sustainability. While BUMDes are expected to deliver both economic and social benefits, the process through which economic activities are translated into social value, and how this translation sustains organisational development, remains insufficiently theorised in the current literature ([Bansal et al., 2019](#); [Saebi et al., 2019](#)).

To address this gap, this study draws upon the concept of institutional entrepreneurship. Institutional entrepreneurship refers to the activities of actors who initiate, mobilise, and direct institutional change despite being embedded within existing institutional arrangements ([Micolotta et al., 2017](#)). Unlike traditional institutional theory, which emphasises stability and conformity arising from coercive, normative, and mimetic pressures, institutional entrepreneurship highlights the capacity of actors to challenge existing practices, mobilise resources, and create new institutional arrangements.

Within the context of village governance, village heads occupy a strategic position that enables them to mobilise stakeholders, identify opportunities, and initiate organisational transformation. Crucially, this study extends the institutional entrepreneurship perspective by examining how such entrepreneurial actions contribute to social value creation, defined as the generation of benefits that address social needs and improve collective welfare beyond direct market transactions ([Hietschold et al., 2023](#); [Lashitew et al., 2022](#)). By integrating the concept of social value creation into the institutional entrepreneurship framework, this study offers a more comprehensive understanding of how organisational transformation becomes sustainable when it generates tangible benefits that are recognised and valued by the community.

However, organisational transformation is unlikely to be sustained solely through leadership, resource mobilisation, or strategic decision-making. Sustainable transformation also requires that the outcomes of organisational change generate value that extends beyond the organisation itself and addresses the broader needs and aspirations of the community. When organisational activities produce tangible social benefits (such as financial inclusion, employment creation, support for local entrepreneurship, and community welfare programmes) these outcomes strengthen community support and stakeholder commitment, thereby reinforcing the sustainability of the organisational transformation ([Mair & Marti, 2006](#)). Despite the growing recognition of social value creation in the social entrepreneurship literature, its role as a mechanism linking institutional entrepreneurship and organisational sustainability has not been sufficiently explored, particularly in the context of community-based enterprises such as BUMDes.

This study argues that institutional entrepreneurs do not merely create new economic opportunities or introduce organisational innovations. Rather, they facilitate the creation of social value by translating organisational activities into benefits that address community needs and strengthen collective welfare. Through this process, social value creation becomes the critical mechanism through which organisational transformation is embedded within the community and sustained over time. Against this backdrop, this study examines how a village head, acting as an institutional entrepreneur, transforms a village-owned enterprise and how the resulting social value creation contributes to the long-term sustainability of the organisation.

Drawing on a qualitative case study of a successful BUMDes in Indonesia, the study contributes to the literature in three ways. First, it extends institutional entrepreneurship research by demonstrating how organisational change in rural enterprises is achieved through the creation of social value that addresses community needs beyond economic performance. Second, it enriches the social value creation literature by illustrating how social value functions not merely as an outcome of social enterprise but as an enabling mechanism that supports community trust, stakeholder commitment, and long-term organisational sustainability. Third, the study provides practical insights for village governments and BUMDes managers seeking to develop sustainable village enterprises that generate both economic and social value for rural communities.

METHOD

This study adopted a qualitative case study approach to examine how institutional entrepreneurship contributes to organisational transformation and social value creation within a Village-Owned Enterprise (BUMDes). A qualitative approach is appropriate because the study seeks to understand how organisational change is initiated, interpreted, and enacted by actors within their social and institutional context ([Chowdhury et al., 2022](#)). Rather than focusing on causal relationships between variables, the study aims to provide an in-depth understanding of the processes through which organisational sustainability is achieved.

The primary unit of analysis in this study is the process of organisational transformation driven by the village head acting as an institutional entrepreneur within the BUMDes. The case boundaries encompass the organisational, social, and institutional dimensions of this transformation process, including the actions of the village head, the responses of organisational actors, and the resulting social value outcomes experienced by the community. This focus enables an integrated examination of how entrepreneurial agency, organisational change, and social value creation interact to produce sustainable outcomes in a community-based enterprise context.

A single-case study design was employed because the selected case represents an information-rich example of a BUMDes that has successfully transformed from a small village

enterprise into a sustainable organisation that generates both economic and social value. Following Yin (2018), a single-case design is appropriate when the case provides a unique opportunity to examine a phenomenon that is not adequately explained by existing theory.

The study was conducted in a village-owned enterprise located in a rural tourism destination in eastern Indonesia. To protect the confidentiality of participants and the organisation, pseudonyms are used throughout this paper. The village was selected purposively based on three criteria. First, the BUMDes had consistently contributed to village-generated revenue between 2016 and 2021. Second, the assets increased from less than IDR 50 million to more than IDR 1 billion over five years. Third, the BUMDes had developed multiple business units while simultaneously implementing community-oriented initiatives that generated social benefits for local residents.

All participants were informed about the purpose of the study and voluntarily agreed to participate in the interviews. Informed consent was obtained verbally from each participant prior to the interview, and participants were explicitly asked for permission to audio-record the conversation. Verbal consent was deemed appropriate given the cultural context of rural Indonesia, where written consent forms may create discomfort or distrust among community members (Creswell & Poth, 2018). To ensure confidentiality and minimise the risk of identification, pseudonyms are used for the village, the BUMDes, and individual participants.

Interview quotations are reported using generic identifiers that indicate participants' organisational roles rather than their names. This study was conducted as part of a university-funded research project and followed the ethical guidelines established by the sponsoring institution. As the study involved interviews with public officials and organisational leaders in their professional capacities and did not involve vulnerable populations, formal ethics committee approval was not required under the institutional research guidelines. Nevertheless, the researchers adhered to the principles of voluntary participation, informed consent, confidentiality, and the right to withdraw at any point during the research process.

Data were collected between July and August 2022 through semi-structured interviews, observations, and document analysis. A total of five semi-structured interviews were conducted, each lasting between 45 and 90 minutes. All interviews were conducted in Bahasa Indonesia and audio-recorded with the explicit consent of participants. The interview protocol comprised open-ended questions organised around four thematic domains: the history and evolution of the BUMDes, the role of the village head in initiating organisational change, the governance and management practices adopted during the transformation, and the social and economic outcomes experienced by the community. Interviews were conducted with five key informants who possessed direct knowledge of the transformation process, including the Village Head, the Director of BUMDes, the Chairperson of the Village Consultative Body, a Hamlet Head, and a BUMDes employee. These informants were selected because of their involvement in planning, implementing, and monitoring BUMDes activities.

The selection of informants was guided by the principle of purposive sampling, focusing on individuals who occupied strategic positions within the organisational transformation process and could provide detailed accounts of the changes that occurred. While the study acknowledges that beneficiary perspectives (e.g., borrowers, homestay owners, small entrepreneurs) were not directly represented among the informants, the inclusion of the Hamlet Head and BUMDes employee provided insights from actors who were closer to the community level. Furthermore, observational data and documentary evidence were used to corroborate claims regarding community-level impacts, thereby reducing the risk of elite bias in the interpretation of findings. Field observations were conducted over a period of four weeks at the BUMDes office, business units, and community interaction sites. Observational data included notes on organisational routines, community interactions, and the physical infrastructure of BUMDes operations. Documentary evidence comprised BUMDes financial reports (2016–2021), village government regulations, meeting minutes, and promotional materials. These multiple data sources were used to complement and triangulate interview data.

Data analysis followed a thematic analysis approach Clarke (2017). Interview recordings were transcribed, translated into English, and reviewed repeatedly to achieve familiarity with the data. Initial codes were generated inductively from the interview transcripts and supporting documents. Similar codes were subsequently grouped into broader themes that captured key

dimensions of institutional entrepreneurship, organisational transformation, social value creation, and organisational sustainability. To enhance the credibility of findings, data triangulation was conducted across interviews, observations, and documentary evidence, while emerging interpretations were continuously compared across data sources throughout the analysis process.

RESULTS AND DISCUSSION

Results

Challenging Dependency and Reframing Organisational Purpose

The organisational transformation of the Village-Owned Enterprise (BUMDes) began with a critical reassessment of its existing role within the village economy. Prior to the transformation, the BUMDes primarily operated as a microfinance institution that provided loans to local residents. Although this service was intended to improve financial access, organisational performance remained limited. Business growth was slow, loan repayment rates were inconsistent, and many villagers continued to rely on informal moneylenders despite the availability of BUMDes financing.

Recognising these limitations, the Village Head initiated a redefinition of the organisation's purpose. Rather than maintaining the BUMDes solely as a lending institution, he envisioned a broader role in supporting local economic development while addressing persistent social problems experienced by the community. The transformation aimed to position the BUMDes as an organisation capable of generating both economic and social benefits.

As explained by the Village Head:

"Previously our BUMDes business was only about providing loans to residents. But the problem is, our customers are not increasing, the loan repayment rate is also very bad. Villagers apparently prefer to borrow from illegal moneylenders with high interest rates, but they are disciplined in paying loans. This cannot be ignored, our BUMDes must change the way it is managed. BUMDes should be able to help residents to be free from moneylenders and at the same time make a profit." (P1, Village Head)

The proposed organizational transformation was subsequently communicated through village meetings involving various stakeholders. These discussions were used to introduce the new direction of the organization and obtain community support for the proposed changes.

As noted by the Chairperson of the Village Consultative Body:

"In the village meeting, the Village Head proposed that BUMDes should play a more active role in helping residents move away from illegal moneylenders by transferring community loans to BUMDes. We supported the proposal because it would help residents obtain financing at a lower cost through a sharia-based system." (P3, Chairperson of Village Consultative Body)

These findings indicate that the transformation process began with a redefinition of organizational purpose, shifting the role of the BUMDes from a conventional lending institution towards a community-oriented enterprise that sought to address broader economic and social challenges.

Mobilising Community Resources for Collective Value Creation

Following the redefinition of organisational purpose, the next stage of transformation focused on mobilising local resources and strengthening collaboration among community members. Instead of relying primarily on village funding or external assistance, the Village Head sought to utilise existing village assets and encourage cooperation among local economic actors.

The village possessed diverse economic resources, including tourism attractions, handicraft producers, homestays, agricultural products, and small businesses. Prior to the transformation, these activities operated independently with limited coordination and market access. The BUMDes was subsequently positioned as an organisation responsible for connecting these fragmented economic activities and facilitating broader community participation.

As explained by the Village Head:

"We realised that many residents already had businesses and skills, but they worked individually. Some owned homestays, some produced handicrafts, and others provided tourism services. The challenge was how to connect these activities so that they could grow together and create wider benefits for the village." (P1, Village Head)

Rather than replacing existing businesses, the BUMDes developed several business units designed to strengthen community enterprises by providing coordination, facilities, and access to tourism markets.

The Director of BUMDes described this approach as follows:

"BUMDes does not aim to replace community businesses. Instead, we help residents develop their businesses by connecting them with tourists, providing facilities, and creating opportunities that can benefit many people." (P2, BUMDes Director)

The mobilization process involved local entrepreneurs, tourism operators, homestay owners, artisans, and other village residents in collaborative economic activities. As a result, economic opportunities were distributed across various community groups while strengthening linkages among local enterprises. This collaborative approach also reinforced the newly defined organizational role of the BUMDes as a platform that facilitated community-based economic development.

Reconfiguring Governance for Sustainable Growth

The transformation of the BUMDes required more than a new organisational vision and the mobilisation of community resources. Sustaining organisational growth also demanded changes in how the organisation was managed, monitored, and coordinated. As the scope of activities expanded and stakeholder participation increased, existing governance arrangements became insufficient to support the organisation's long-term development. Consequently, the Village Head introduced new governance practices designed to balance managerial autonomy with organisational oversight.

A key feature of this transformation was the delegation of operational authority to the BUMDes management team. Rather than directly controlling day-to-day operations, the Village Head encouraged managers to take responsibility for identifying opportunities, developing business initiatives, and making operational decisions. This approach reflected a deliberate effort to create a more adaptive and entrepreneurial organisation capable of responding to changing community needs and market conditions.

As explained by the Village Head:

"I gave full authority to the BUMDes management to run the business. They understand the operational issues better than I do. My role is not to interfere with daily activities but to ensure that the organisation continues to move in the right direction." (P1, Village Head)

To support accountability, periodic meetings were conducted to evaluate organizational performance, discuss operational challenges, and identify opportunities for further development.

The Village Head further explained:

"I made a letter of absolute responsibility for the BUMDes management. I do not want to intervene in operational matters. However, we regularly monitor the progress of the organisation and discuss any problems that may arise." (P1, Village Head)

Governance improvements were also supported through the adoption of a digital financial management system (USSI application). The application enabled real-time monitoring of financial transactions and organizational performance while improving transparency and operational efficiency.

The Director of BUMDes described the benefits of the system as follows:

"The application allows us to monitor all transactions in real time. It helps us manage the business more efficiently and makes it easier to identify problems before they become serious." (P2, BUMDes Director)

The implementation of digital monitoring also increased public confidence in the organisation, as community members perceived the BUMDes as operating in a transparent and professionally managed manner.

Creating Social Value through Organisational Transformation

The organisational transformation initiated by the Village Head ultimately extended beyond economic growth and business expansion. While the BUMDes achieved significant improvements in assets, business diversification, and financial performance, the most visible outcome of the transformation was the creation of social value for the wider community. Economic activities were deliberately designed not only to generate revenue but also to address

social problems, expand opportunities, and improve community welfare.

One of the most significant outcomes involved the provision of alternative financial services that reduced villagers' dependence on informal moneylenders. Through the expansion of sharia-based financing services, residents were able to access capital at lower costs and under more favourable conditions. According to several informants, this initiative enabled many households to gradually shift away from exploitative lending arrangements that had previously constrained their economic activities.

Beyond financial inclusion, the growth of tourism-related business units generated new employment opportunities for local residents. Community members became involved as homestay operators, tour guides, transportation providers, artisans, and small-scale entrepreneurs. Rather than concentrating economic benefits within the organisation, the BUMDes sought to distribute opportunities across different groups within the village.

As explained by the Village Head:

"The purpose of developing tourism is not only to increase village income. More importantly, it should create opportunities for local residents. If visitors come to the village, homestay owners benefit, food vendors benefit, guides benefit, and artisans benefit. The economic impact should be felt by the community." (P1, Village Head)

The organisation also implemented a number of explicitly social programmes funded through its business activities. These initiatives included a free ambulance service, death compensation assistance, and a community charity programme known as the Warung Sodaqoh. Such programmes were intended to ensure that the benefits generated by the BUMDes extended beyond direct business participants and reached broader segments of the community.

The Director of BUMDes described this approach as follows:

"We believe that business success should not be measured only by profit. The organisation must also provide benefits to people who may not be directly involved in our business activities. That is why we allocate resources for social programmes that can support the community." (P2, BUMDes Director)

Overall, the findings show that the organizational transformation generated multiple forms of social value, including improved financial inclusion, expanded employment opportunities, support for local entrepreneurship, and community welfare programs. These outcomes were experienced by various groups within the village and became integral components of the transformed role of the BUMDes.

Discussion

Institutional Entrepreneurship in Organizational Transformation

The findings demonstrate that the transformation of the BUMDes was initiated through the agency of the Village Head, who acted as an institutional entrepreneur by redefining the organisation's purpose, mobilising local resources, and restructuring governance arrangements. Rather than accepting the existing organisational model, the Village Head challenged the assumption that the BUMDes should function merely as a microfinance institution. Instead, the organisation was repositioned as a community-based enterprise capable of generating both economic and social benefits.

This finding supports the concept of institutional entrepreneurship, which argues that institutional change is driven by actors who mobilise resources, challenge established practices, and create new institutional arrangements despite being embedded within existing institutional structures (Micelotta et al., 2017). The transformation observed in this study was not triggered by external policy reforms or additional financial resources, but by leadership capable of reframing organisational objectives and aligning stakeholders around a shared developmental vision.

The transformation process also reflects Battilana et al. (2009), who argue that institutional entrepreneurs create change by framing new opportunities, mobilising diverse stakeholders, and coordinating collective action. In the present case, the Village Head did not rely solely on formal authority. Instead, organisational change was facilitated through village deliberations, stakeholder engagement, and collaborative governance, allowing community members to participate actively in redefining the role of the BUMDes.

Unlike many previous studies that primarily identify managerial weaknesses, limited

financial capacity, and governance deficiencies as explanations for the underperformance of BUMDes Sufi (2021), the present findings provide an alternative perspective by demonstrating how entrepreneurial leadership can transform these constraints into opportunities for institutional renewal. Organisational change therefore emerged not simply through structural adjustment but through the ability of institutional actors to redefine organisational goals, coordinate community resources, and establish governance arrangements that supported long-term organisational development.

Social Value Creation as the Mechanism of Organizational Sustainability

Beyond organisational transformation, the findings reveal that the sustainability of the BUMDes was achieved through the creation of social value that extended beyond organisational boundaries. The organisation deliberately translated its economic activities into benefits that addressed community needs, including expanding financial inclusion, creating employment opportunities, supporting local entrepreneurship, and implementing community welfare programmes.

These findings are consistent with the social value creation literature, which argues that community-based enterprises should be evaluated not only through financial performance but also through their ability to generate broader societal benefits (Lashitew et al., 2022). In this case, economic activities functioned as instruments for improving community welfare rather than solely as mechanisms for organisational growth.

The results also support Santos' conceptualisation of social value creation, which emphasises the production of collective benefits that extend beyond market transactions (Hietschold et al., 2023). The reduction of villagers' dependence on informal moneylenders, the expansion of tourism-related employment, and the implementation of social assistance programmes demonstrate that organisational activities produced value shared collectively across the community. These outcomes illustrate the hybrid nature of the BUMDes, which simultaneously pursued economic sustainability and social development.

Importantly, the findings indicate that social value creation became the mechanism through which organisational sustainability was reinforced. Previous studies frequently associate organisational sustainability with financial performance, resource availability, or managerial capability. While these factors remain important, the present study shows that sustainability was strengthened because organisational activities generated tangible benefits that were recognised and valued by community members. As local residents experienced improvements in their livelihoods and welfare, public trust and stakeholder commitment towards the BUMDes increased, reinforcing its legitimacy and supporting its continued development.

From an institutional entrepreneurship perspective, these findings further suggest that successful institutional change involves more than introducing new organisational structures or governance practices. As argued by DiMaggio (1988) and further elaborated by Micelotta et al. (2017), institutional entrepreneurs reshape institutions by mobilising resources and establishing new patterns of action. In this study, however, the transformation became sustainable because organisational change was embedded within the community through the continuous creation of social value. This process enabled the BUMDes to maintain stakeholder support beyond the initial implementation stage.

Taken together, the findings describe a sequential transformation process in which organisational sustainability emerged through four interconnected stages: the reframing of organisational purpose, the mobilisation of community resources, the reconfiguration of governance practices, and the creation of social value. Rather than resulting solely from improved organisational performance, sustainability was achieved because the transformed BUMDes generated collective benefits that strengthened community commitment and reinforced organisational legitimacy over time.

Theoretical Implications

This study extends the institutional entrepreneurship literature by demonstrating that organisational transformation in community-based enterprises cannot be fully understood solely through resource mobilisation, legitimacy building, or stakeholder coalition formation. While previous studies have primarily focused on how institutional entrepreneurs initiate

organisational change Battilana et al. (2009), the present findings indicate that the sustainability of such change depends on the organisation's ability to generate social value that is recognised and experienced by the wider community. Accordingly, this study suggests that social value creation should be viewed not merely as an organisational outcome but as an integral mechanism that reinforces institutional change over time.

The findings also contribute to the growing literature on social value creation by clarifying its role within the institutional entrepreneurship process. Existing studies generally conceptualise social value as the outcome of social entrepreneurship activities (Saebi et al., 2019). In contrast, the present study demonstrates that social value also performs a strategic institutional function. By producing tangible community benefits such as financial inclusion, employment opportunities, and welfare programmes, social value strengthens stakeholder trust, enhances organisational legitimacy, and supports the long-term sustainability of community-based enterprises.

Furthermore, the study contributes to the BUMDes literature by shifting the analytical focus from factors explaining organisational failure towards the processes through which successful village enterprises emerge and develop. Previous studies have largely emphasised structural constraints, limited managerial capacity, and dependence on government support as barriers to BUMDes performance. The present findings instead highlight the dynamic interaction between institutional entrepreneurship and social value creation, showing how entrepreneurial leadership can transform organisational constraints into sustainable community development. This perspective offers a more comprehensive understanding of organisational sustainability by integrating leadership, governance, community participation, and social value creation within a single analytical framework.

Overall, the findings support the proposition that sustainable organisational transformation in community-based enterprises is achieved not only through effective leadership and governance but also through the organisation's capacity to convert economic activities into collective social value. This conceptual integration enriches both institutional entrepreneurship and social value creation literature while providing a more comprehensive explanation of how community-based organisations sustain their development within complex institutional environments.

CONCLUSION

This study examined how institutional entrepreneurship contributed to the transformation and sustainability of a village-owned enterprise (BUMDes) in Indonesia. The findings reveal that organisational sustainability was achieved through a process of institutional transformation initiated by the Village Head, encompassing three interconnected stages: the reframing of organisational purpose from a limited lending institution to a community-oriented enterprise, the mobilisation of community resources through collaborative arrangements that linked diverse local economic actors, and the reconfiguration of governance practices that balanced managerial autonomy with organisational oversight. More importantly, the study demonstrates that social value creation (through expanded financial inclusion, employment generation, support for local entrepreneurship, and community welfare programmes) served as the critical mechanism linking institutional entrepreneurship and organisational sustainability, as these benefits strengthened community support and enabled the transformation to become embedded within the local context.

This study contributes to the literature by extending institutional entrepreneurship research beyond the initiation and implementation of organisational change, highlighting that sustainable transformation depends on the creation of social value that is recognised and valued by the community. The study also enriches the BUMDes literature by shifting attention from organisational outcomes towards the processes through which sustainable village enterprises emerge and develop. Despite these contributions, the findings should be interpreted in light of several limitations: as a single-case study, the results may not be fully transferable to other contexts, and the study primarily captures the perspectives of actors directly involved in the transformation process rather than broader community beneficiaries. Future research could employ comparative case studies to examine how institutional entrepreneurship and social value creation operate across different village enterprises, and could incorporate beneficiary perspectives to provide a more comprehensive understanding of how social value is experienced

by diverse community stakeholders.

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AUTHOR CONTRIBUTION STATEMENT

Desti Fitriani conceptualized the study, designed the research methodology, conducted data collection and analysis, interpreted the findings, and prepared the original manuscript draft. Amirul Shah Md. Shahbudin contributed to the development of the theoretical framework, supervised the research process, validated the findings, critically reviewed and revised the manuscript, and approved the final version for publication. Both authors have read and agreed to the published version of the manuscript.

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