

THE DEVELOPMENT OF BUMDES (VILLAGE OWNED ENTERPRISES) SUSTAINABLE ENTREPRENEURSHIP MODEL IN INDONESIA

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Abstract

The establishment of BUMDes at the village government level is a strategic management of the central government to improve the village economy which is expected to have an impact on national economic growth. In practice, the existence of BUMDES currently faces the stagnant condition. Entrepreneurship has become a very important world phenomenon since couple of decades which considered as a solution to socio economic development. This paper is intended to analyze how sustainable entrepreneurship can be applied to Village-Owned Enterprises in Indonesia, and is expected to be a starting point and solution for developing sustainable BUMDes operations in Indonesia.

Keywords: Sustainability; Entrepreneurship; BUMDes

INTRODUCTION

Entrepreneurship has been recognized as a mechanism for generating economic benefits. However, due to the emergence of the concept of sustainable development as an urgent issue affecting the current global system, it has been shown that entrepreneurship should not be solely based on generating wealth. This gave rise to the idea of sustainable entrepreneurship, which has become a rapidly increasing concern in the last decade (Yepez, 2019). Entrepreneurship has been considered as a solution to social inequality and environmental degradation (Muñoz and Cohen, 2018; Yepez, 2019). Entrepreneurship has become a very important world phenomenon, especially since 1990, although its extent, nature and contribution to socio-economic development differ depending on the context in which it occurs (Omri., 2020). Entrepreneurship is the totality of the entrepreneur's mind, especially the total cognitive representation which is realized in the form of a business model (Najmaei, 2013; Perkmann & Spicer, 2010, Liddle, 2019). The business model is a concept in the field of strategic management, in addition to innovation, and entrepreneurship (Chesbrough and Appleyard, 2007; IBM, 2006, 2008; Johnson, et al., 2008; Voelpel, et al, 2004; Liddle and McElwee., 2019).

Entrepreneurship and Public Sector

Public sector entrepreneurship essentially includes what some would call government entrepreneurship (Luke & Verreynne, 2006; Luke, Verreynne, & Kearins, 2010). Behaviors associated with public sector entrepreneurship or government entrepreneurship are usually oriented towards reducing costs and increasing productivity (Osborne & Gaebler, 1992). At the same time, these behaviors must be consistent with and support the core values of public administration including accountability, sustainability, equity, responsiveness, and citizen satisfaction (Kim, 2010). Public entrepreneurship can help improve the efficiency and quality of services that public sector organizations provide to citizens (Piening, 2011). But public entrepreneurship can also go beyond service improvement by incorporating new and more effective public policy designs and new services and their implementation (Bernier, 2014; Osborne & Gaebler, 1992). Several benefits accrue to public sector organizations, when they exhibit entrepreneurial behavior, including increased innovation and productivity, and provide a platform for creating additional value for society and its citizens (Luke et al., 2010). There are significant differences between public and private sector organizations that influence the emergence and appearance of entrepreneurial behavior (Ring & Perry, 1985; Carnes 2019). An example of one such difference is the desired outcome. In particular, a focus on mission rather than profitability requires different behaviors and focuses in private nonprofit organizations and the public sector (LeRoux, 2005). Another difference is the clarity of organizational goals (Klein, Mahoney, McGahan, & Pitelis, 2013; Short, Moss, & Lumpkin, 2009); unlike many private for-profit companies, social enterprises and public sector organizations seek to create social, political, economic, and/or cultural value (Miller, Grimes, McMullen, & Vogus, 2012). Indeed, the importance of goals can be a strong motivation for individuals working in the public sector (Wright, 2001).

Entrepreneurship Indicators

Entrepreneurship refers to the business mindset of a company to be successful in sensing and recognizing business opportunities and business competitive advantages consisting of four new goal dimensions: proactive risk-taking attitude, integrative new idea generation, market leadership orientation, and utilization of modern technology as follows. First, a proactive risk-taking attitude involves a managerial perspective in investing significant resources in activities with a high probability of failure, which include incurring large debts or making large resource commitments in the hope of reaping high potential benefits (Cai et al., 2015). Second, the generation of new ideas refers to the company's competence to create new operational processes, promote people for new concepts and increase knowledge, and support financial plans to create new ideas to increase business potential, effectiveness, and efficiency (Grandi and Grimaldi, 2003). 2005). Most managerial research has found a positive

relationship between the generation of new ideas and innovation, creativity, competitiveness, and outstanding business performance (Rauch, et al., 2009). Third, regarding the marketing literature, market-leadership orientation has a positive effect on the innovation and performance of companies, which contributes to understanding the changing demands and needs of their customers (DeFoggi and Buck, 2009). Market leadership orientation refers to a strong mindset to be a business precursor that prioritizes new opportunities and innovations, takes risks in challenging situations and quickly adapts business methods to changing circumstances (Tsai, Chou, and Kuo, 2008). Fourth, modern technology is the application of knowledge, skills, methods, processes and scientific work used to apply in helping the transition to achieve better work, and increase efficiency and effectiveness (Tippins and Schi, 2003).

Village Owned Enterprises (BUMDes)

The establishment of BUMDes at the village government level is a strategic management of the central government to improve the village economy which is expected to have an impact on national economic growth (LSN., 2019). The existence of BUMDes is a form of public entrepreneurship, public entrepreneurship is an important element of innovation needed in the strategic management of government bureaucracy to increase economic growth (Mierlo, 1996). Law Number 6 of 2014 concerning Villages, makes the village the main basis of development. There are three main targets that become the attention of the mandate of the law, first; improvement of human resources in the village, second; increasing people's income through economic institutions, and third; poverty alleviation. The economic institutions referred to in Law Number 6 of 2014 are Village-Owned Enterprises (BUMDes), and are regulated in Village Minister Regulation No. 4 of 2015 concerning Village-Owned Enterprises (BUMDes). BUMDes has become an important part of national development, especially economic development in rural areas. The government is trying to revitalize BUMDes, through rural industrialization as an effort to create job opportunities. BUMDes scaling-up and integration with national supply chains, partnerships with the national private sector, and opening of distribution channels, so that superior village products through BUMDes enter the national and global marketplace. The authority to the Village Government to establish BUMDes, through Village Law no. 6 of 2014, is expected to be able to realize village independence in a sustainable manner. BUMDes as a village company, needs to present cooperation with various stakeholders who have the same goal, namely encouraging the acceleration of the village economy, and improving community welfare, acting as a commercial institution to seek profit, and also providing benefits to the community (Permendes PDTT., 2014).

BUMDes Weakness Problems

In these efforts to improve, BUMDes still have many weaknesses, tens of thousands of BUMDes have not been able to operate optimally and are even suspended, BUMDes still have weaknesses in terms of organizational management and business operations, as well as the lack of utilization of village potential, resulting in obstacles to sustainability. operational. The cause of BUMDes failure and Suri's death is generally due to the fact that many BUMDes managers hold concurrent positions, not focusing on their role as BUMDes management, so the goal of establishing BUMDes has not been achieved. In addition, the implications and complexity of the problems faced by BUMDes include all aspects, such as: There is no common understanding of the right business concept for BUMDes, the village head and village officials do not understand their authority, understanding of business concepts is still low, there is no disclosure of information and business management, corrupt behavior, trauma from failure in the SME business, weak managerial skills of BUMDes management, the absence of a competency test process, and BUMDes are also not attractive to the younger generation in general.

Sustainable Entrepreneurship for BUMDes

The idea of sustainable entrepreneurship, which has become a rapidly increasing concern in the last decade (Yepez, 2019). However, in practice in the field, it must be able to provide solutions to the business world, in this case BUMDes is the current central issue for the impasse in overcoming various problems of existing weaknesses. We believe that the solution to reduce the current problems of BUMDes is to apply the concept and implementation of sustainable entrepreneurship. The idea of sustainable entrepreneurship that can be applied to BUMDes is in the form of BUMDes business activities that must be oriented to two main things, namely BUMDes business activities or entrepreneurial activities based on the potential of the local village, and BUMDes entrepreneurial activities based on the aspirations and needs of the village community. The needs of the village community that always develop in accordance with the needs and aspirations of the village community must be able to be captured by the BUMDes manager and actualized in the form of BUMDes business activities to provide sustainable services to the community, this is where a strong synergy will be built between BUMDes entrepreneurial activities and the needs of the village community. The actualization of these synergies results in sustainable entrepreneurship. The community and BUMDes in the context of this entrepreneurial synergy will not only occur in the transaction process for product and service needs, but there will also be a synergistic process in investing funds from the community to provide support to BUMDes to raise capital to initiate a business product based on needs and aspirations. Public.

Conclusion

The idea of sustainable entrepreneurship that can be applied to Village Owned Enterprises (BUMDes), is expected to be a solution to solve the current problem of BUMDes weaknesses where most BUMDes in Indonesia are in a state of inactivity or suspended animation. The concept of sustainable entrepreneurship that we propose for BUMDes is an entrepreneurial concept where BUMDes entrepreneurial activities wherever to be carried out must be based on the needs and aspirations of the village community, including the benefits that will be obtained from this process is the existence of an investment agreement from the community to finance BUMDes business activities aimed at serving the needs and aspirations of the village community.

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