STRENGTHENING THE GOVERNANCE OF VILLAGE-Owned Business Entity (BUMDes) for Sociopreneurship Encouragement

Abdul Ghofar¹, Edriana Pangestuti², Putu Prima Wulandari³, Hendi Subandi⁴ and Areta Widya Kusumadewi⁵

¹,³,⁴,⁵ Accounting Department, Faculty of Economics and Business, Universitas Brawijaya, Indonesia
² Faculty of Administrative Science, Universitas Brawijaya, Indonesia

ABSTRACT

Purpose — The purpose of this study is to strengthen Governance of Village-Owned Business Entity (BUMDes) governance system by identifying and assuring intellectual capital, such as: (1) brainstorming on human resource capacity improvement through the aspects of management, business plan, business process, finance and tax, information technology and marketing strategy; (2) BUMDes intellectual capital mapping as an attempt to improve the company’s value; (3) identifying and mapping strategies for community-based economy development; (4) creating a role model in strengthening BUMDes governance to encourage socio entrepreneurship (sociopreneurship).

Design/methodology/approach — This is qualitative study and uses case study approach, so the result is analytical and descriptive in written or verbal words from observed behavior. The population of this study is all BUMDes throughout Indonesia, and the object of the sample is BUMDes Cahaya Lestari, a village-owned entity located in Sumenep, East Java, Indonesia. The entity was selected as it is newly established and requires necessary development.
Findings — The findings of this study are that there is no good governance in the BUMDes. So that researchers provide a model of strengthening governance. This community service is limited one BUMDes.

Practical implications — The practical implications is that the model for strengthening BUMDes governance can be applied by BUMDes in Indonesia.

Originality/value — This paper presents a case of BUMDes governance, i.e Indonesia. It is hoped that this case will help prove an example of implementing BUMDes governance in Indonesia with weak governance that may have an impact on the viability of BUMDes.

Keywords — BUMDes, Community-based economy, Good corporate governance, Intellectual capital, Sociopreneurship

Paper type — Case study

Keywords: BUMDes; community-based economy; good corporate governance; intellectual capital; sociopreneurship

INTRODUCTION

The Village-Owned Business Entity (BUMDes) selected as the community service partner is BUMDes Cahaya Lestari of Rombasan village in Pragaan sub district of Sumenep regency. Topographically, the village is located at 0-84 m above sea level. Its 2223 Ha of land area is under 3% slope, surging 3.1 – 15% at 25 Ha. With the average rainfall of about 1,112.4 mm per year, which is relatively low, the humidity of this tropical area is less than 65%. The average temperature ranges from 24 to 32 degree Celsius, and the lowest rainfall occurs during June to October. The climate is similar to Sumenep regency, tropical with two
seasons, rainy season during November to April and dry season from April to November.

Administratively, the area of Rombasan Village is 127.45 Ha, located 7 Km from Pragaan sub district, about 36 Km from Sumenep regency. Its region is bordered on the north by Kertagena Laok village of Kadur sub district of Pamekasan regency, on the east by Larangan Perreng and Sentol Laok villages, on the south by Sendang Village, and on the west by Kauara Timur village. Rombasan is one of the villages appointed by Sumenep regency government to be developed into tourism village as it is rich with natural products such as dragon fruit, peanut, palmyra palm, and coconut and with Madura culture. The appointment made the village head, Muhlis Hidayat, allocate a special budget to develop the village through BUMDes program with the support of other village officials, villagers of Rombasan, and ASIDEWI (Indonesian Tourism Village Association) of Sumenep. The local government opened a 2-hectare plantation land for pitaya, coconut sport, longan, durian, and many other fruits for tourism objects. However, this opportunity seemed to be unavailing as its BUMDes, Cahaya Lestari, tends to rely on futsal court rental and motorcycle repair business despite the chance of attaining more economic added value by implementing BUMDes program.

Cahaya Lestari was established based on the Village Regulation number 3 of 2018, as informed by Rofiq Romadlan. Its income comes from renting futsal courts and running motorcycle repair business, contributing the monthly income of seven million rupiahs, but now it starts producing pitaya jenang, a glutinous rice-based snack, and peanut butter. However, its business activities were hampered by poor facilities, human resource capacity and knowledge – mainly in administration and finance, information technology usage, business process, and marketing strategy. This profile implies that the BUMDes has not been appropriately
governed, particularly in recognizing its assets in terms of intellectual capital.

A business entity will be considered reliable and qualified for stimulating economic growth if it is able to indicate adequate value achievement. This can be realized by strengthening governance and recognizing important assets through intellectual capital mapping and providing innovative and marketable business opportunity. In the context of Rombasan village, successful BUMDes governance can stimulate and create socio entrepreneurship through community-based economy, whose implementation is based on human resource development and economy (by introducing community-based economy), technology transfer and diffusion (through technology training and product information-based marketing), IT innovation and institution (through management, business process, finance, and tax), local culture development (through local wisdom based on intellectual capital mapping), basic social service (creating employment by utilizing local agricultural products) and disaster mitigation, climate change adaptation and toughness (by emphasizing on the importance of preserving environmental sustainability as an attempt of developing fruit picking tourism object and education tourism in the village).

The objective of this study is to strengthen BUMDes governance system by identifying and assuring intellectual capital, such as: (1) brainstorming on human resource capacity improvement through the aspects of management, business plan, business process, finance and tax, information technology and marketing strategy; (2) BUMDes intellectual capital mapping as an attempt to improve the company’s value; (3) identifying and mapping strategies for community-based economy development; (4) creating a role model in strengthening BUMDes governance to encourage socio entrepreneurship.
LITERATURE REVIEW

1. Corporate Governance

Good Corporate governance (GCG) is a system used to direct and control business activities in company, government, or organization (Levillain & Segrestin, 2019; Shahid & Abbas, 2019; OECD, 2007). Corporate governance controls the job description, right and obligation of those who are related to the life of the company, including shareholders, management board, managers, and all of non-shareholders (Levillain & Segrestin, 2019). GCG is a principle of conducting the process and the management of a company based on rules, regulations and business ethics. GCG is defined as a controlling and internal monitoring system, reporting mechanism on suspect deviation, information technology governance, and principle of ethical behavior.

Commission on Global Governance (1995) on “Our Global Neighborhood” states that governance is a sum of various ways performed by individual and institutions, public and private, to manage common business. This includes institution and formal regime employed in informal management and establishment of agreed obedience by some people and institutions for their own purpose. Some of the principles of GCG are transparency, accountability, responsibility, Independency, fairness.

GCG is defined as structure and process to direct and control the company in order to achieve company’s goal in an effective way. The definition and purpose of governance is varied based on the system, law, culture, situation, and the business sector. Corporate governance based on agency theory focuses on management and capital provider (shareholders and debtholders) conformity.

The history of GCG began following shareholders’ reaction in United States in 1980s whose interests were conflicted (Shahid & Abbas, 2019). Various scandals occurred among big companies, in both Indonesia and
United States, and hence, to guarantee and secure shareholders’ right, the concept of empowering commissioners has emerged as one of GCG establishment discourse. In Indonesia, the concept of GCG gained recognition following the 1997 monetary crisis due to the absence of corporate governance, negligence on regulations, and corruption, collusion, and nepotism practices.

Governance indicators are classified into six principles; they are (1) cooperation, (2) participatory, (3) emancipatory, (4) transparency, (5) accountability, and (6) going concern (Leung et al., 2019). The governance indicators for BUMDes is stipulated based on literature review, regulation, and input from FGD with the entity. BUMDes is an example of a business entity with hybrid characteristic (economic and social) based on social enterprise concept. It is an economic business entity requiring tradeoff between efficiency and profit through social missions as its goal. The tradeoff between the two purposes (profit and social) is set as mission-integrated problems.

2. BUMDes Governance

Governance is component, function, and mechanism within BUMDes combined to achieve its goal. The fundamental principle of BUMDes is good governance, consisting of transparency, accountability, responsibility, independence, fairness, participation, and emancipation. Good governance supports BUMDes’ performance and longevity (Humphreys et al., 2019; Gonzalez-Navarro & Quintana-Domeque, 2015; Guo & Bernstein, 2004).

BUMDes serves as a learning facility for villagers to improve their managerial capacity, entrepreneurship, good village governance, leadership, trust and collective action. BUMDes transforms programs initiated by the government (government driven; government project) into “village property”. The establishment of BUMDes is one of the village’s
choices in trying to establish profitable business based on Village Regulation article 87 chapter 1, Local Government Regulation concerning the establishment, organization and management, and the disestablishment of BUMDes.

3. Social Enterprise

Social enterprise is viewed as an agent of mindset and behavior changes as reflected in innovative products and services (Leung et al., 2019; Celik, 2019). The enterprise is to solve social problems related to poverty, starvation and inequality that continue to grow (Doyle, 2019; Wong et al., 2017; Wong et al., 2013). As a problem-solving method, it performs through business approach model. It is also business entity that brings about social mission as its goal and generates profit to solve social mission need. Today, it provides employment for disabled, poor, and ex-prisoners, offers solution against poverty, and provides education for poor children to solve social problems. It also offers fast solutions through the operation of social business models, which create new values for the society in chasing new opportunity and filling the gap in business to solve social problem. Social enterprise solves social problems through business, which concept is to combine efficiency, innovation, value, passion, and purpose to generate economical and non-economical profit.

Social enterprise is expected to contribute to innovative ideas that lead to market development, employment, and business model to assure the balance between business sustainability and social objective. Social enterprise has grown to response common interest and social contract, and it collaborates individual interests through humanity value recognition and individual rule in social environment (Doyle, 2019). Leung et al. (2019) stated the need of distinguishing between social enterprise and social entrepreneur. In short, social entrepreneur is an attempt to involve social missions and implement them into an entity. In
profit vs. non-profit organization, social enterprise is an organization concerning economic and social return. Social enterprises comprise of (1) non-profit organization attaining income or profit, (2) non-profit or profit organization concerning balance of social mission and profit, and (3) profit organization focusing on social responsibility (Wu et al., 2020; Doyle, 2019; Leung et al., 2019; Celik, 2019; Cheng et al., 2019).

4. Social Enterprise in BUMDes

BUMDes is characterized by its social enterprise characteristic. Social enterprise is aimed at achieving social mission and performing business using market mechanism (Doyle, 2019; Wu et al., 2020). BUMDes uses social mission to solve social problems occur in the village, such as unemployment, waste, clean water, electricity, and affordable staples, in addition to business that BUMDes conducts. BUMDes is not merely looking for profit; it is also improving community welfare. Organizations using business approach to achieve social mission and effort are called as Social Enterprises (Social Business Entities).

Doyle (2019) classified governance into its designation: for profit-based or nonprofit-based entity. Profit based entity tends to implement stewardship governance focusing on shareholders’ interest. The development of the third sector on social enterprise has emerged a new governance theory accommodating profit and social characteristics. Corporate governance paradigm focusing on public corporation does not fit to be implemented in social enterprise. Doyle (2019) proposed the combination of stakeholder governance and participatory governance, where both parties influence one another in achieving the organization’s mission, called as Sociopreneurship.

METHOD
This qualitative study uses case study approach, so the result is analytical and descriptive in written or verbal words from observed behavior. The object of this study is BUMDes Cahaya Lestari, a village-owned entity located in Sumenep, East Java, Indonesia. The entity was selected as it is newly established and requires necessary development.

This study uses primary and secondary data. As the former was derived from main source through procedures and techniques of interview, observation, and special measuring instrument designed according to its purpose, the latter was derived from indirect source in form of literature, law and regulation, and other official documents.

The data of this research was collected in stages. First, the intellectual and structural capital of the BUMDes was identified and assured using brainstorming through Focus Group Discussion (FGD), which was conducted in forms of discussion concerning the attempts taken by the management to make the BUMDes a pioneer in encouraging community-based economy. The second stage is trainings in management (business plan, managerial function), finance and tax, operational and production strategy, technology and information, and business marketing strategy aimed at making the BUMDes comprehensively developed in both regulatory and academic terms. Partners were welcome to participate in this program by facilitating the FGD and holding meeting between the BUMDes, BPD, village officials and community leaders. The third stage is interview with village government (village head) and the entity’s management (BUMDes chief and division heads). The fourth stage is direct observation.

FINDINGS AND DISCUSSION

BUMDes Cahaya Lestari, a village-owned entity in Rombasan Village of Sumenep was established in 2016 with three business units: Goods and Service Procurement, Saving and Loan, and Trade. The
members are Rombasan villagers, particularly those with entrepreneurship skill, who have lived and resided in the village for at least two years. They are good in attitude, honest, fair, skillful, commanding, and loyal to the village’s economy. Below is the Organization Structure of BUMDes Cahaya Lestari.

Figure 1. Board of Management of BUMDes Cahaya Lestari
Source: Board of Management Data of BUMDes Cahaya Lestari (2019)

Village Regulation regarding the Establishment of Village-Owned Business Entity (BUMDes) of Rombasan stipulated stated that the board of management is limited to a five-year period of service and is eligible for re-election in the following period.

The business unit of BUMDes Cahaya Lestari consists of the following sub units.
1. Goods and Service Procurement Unit
   This unit supplies building material and Sanitation in Drinking Water Supply (SPAM) service
2. Loan Saving and Loan Unit
   This unit is responsible for providing loan and saving services for all people of Rombasan villagers, regardless they have business or not. This unit cooperates with Bank Jatim through the village officials.
3. Trade Unit
   This unit is responsible for all entity’s business in selling:
   a. Agricultural products, such as palmyra palm, pitaya, banana, coconut.
   b. Craft products from wood and bamboo craft products. The wood craft products are wrist watch, key chains, stationery cases, etc.

BUMDes Cahaya Lestari was established in 2016 according to Village Regulation number 4 of 2015 regarding the Establishment of Village-Owned Business Entity (BUMDes) of Rombasan. The management team has been reshuffled twice due to the management’s lack of confidence caused by inadequate managerial skill, which went on during the administration of the second management team. Therefore, managing the intellectual capital of the entity’s personnel is necessary. Based on the observation, it is considered that BUMDes Cahaya Lestari deals with sociopreneurship.

**FINDING**

1. **Intellectual Capital**
   Intellectual capital is the key for operating BUMDes. It covers human capital, structural capital and relation capital. Human capital encompasses human resource in term of individual management of BUMDes (Martinez-Bravo et al., 2011; Martinez-Bravo et al., 2014;
Malesky & Schuler, 2013). Structural capital consists of the entity’s board of management, while relation capital involves the entity’s relations with external parties, such as capital provider, sponsors, public and government, including village government, local government and central government.

Based on the survey and interviews, the intellectual capital of BUMDes Cahaya Lestari consists of the followings. 1) Human capital is human resource as individuals in BUMDes’ management. The managerial skill of the personnel of BUMDes Cahaya Lestari is considered poor, as reflected in each and all units’ financial statement, in addition to the lack of administration skill and knowledge in tax. The people in the management team have poor skill in technology (computer and internet). The setback forbade them from achieving the organization’s goal of establishing a tourism village, as expected by the village and the local government. To achieve the goal, skill, perseverance, accuracy, patience and tenacity are needed in managing BUMDes. 2) Structural capital deals with how the organizational structure of BUMDes Cahaya Lestari operates the organization well. The entity’s management did not perform well, evidenced by village government’s intervention in its administration. However, the intervention is likely inevitable due to inadequate human capital. The plan of promoting the village as a tourism village met its end due to some factors, such as lack of human resource and the poor use of organization’s structure. There are only a few people who were active in managing the entity. 3) Relation capital concerns with the relationship between BUMDes Cahaya Lestari’s management with external parties, such as capital provider (investor), sponsors, public, village government, local government, central government, academics, and banking sector. The relation capital of BUMDes Cahaya Lestari has not been optimal due to the lack of human resource. This is reflected in poor administration.
report, poor financial statement, poor tax administration, and poor way of applying sponsorship.

2. **Failure of Becoming a Tourism Village**

The village has been appointed to be a tourism village by the government. However, BUMDes Cahaya Lestari could not perform a significant growth after its three years of establishment. Based on the interview and the results of the analysis, problems restraining the development of the entity’s business units are as follows.

1) Lack of intellectual capital within the management team. People employed in BUMDes Cahaya Lestari were reported to have poor knowledge and skill in operating information technology and making reports. This is due to the staffs’ low education; most of them are senior high school and elementary school graduates. Below is the transcript of the interview with the Chief of BUMDes Cahaya Lestari:

“...Our problem relies on human resources. They lack of skill in making financial statement and [doing] administration [job]. Most of them are not able to operate computer and hence it is impossible for them to make good reports, and most of them are low in education. We need trainings. And here we have some people who are eager to have entrepreneurship trainings. However, we, as BUMDes Cahaya Lestari’s management, doubtful about how we sell our products, and we think that it is better to have external supports for some kind of trainings and counsels...”

---

1 Interview result of Chief of BUMDes Cahaya Lestari, Mr. Rofiq Romadlan on 6 August 2019.
2) Reshuffles, that have been done twice, did not help the development of BUMDes Cahaya Lestari.

3) Rombasan villagers did not show any interest, motivation and understanding about the importance of BUMDes. They do not have passion in entrepreneurship although, in fact, they have the potentials in forms of talents and ideas.

4) Many have thought that the BUMDes was established merely for profit; only a few who understand that the profit will eventually distributed for the betterment of all villagers.

5) Efforts are needed to encourage people and the management of BUMDes Cahaya Lestari to establish a socio-entrepreneurship spirit.

6) In financial management, the entity’s units do not separate between individual and unit financing, and hence it is difficult to manage loss and profit.

7) Conflict of interest among village officials takes place.

8) There is no Standard Operating Procedure (SOP).

9) BUMDes Cahaya Lestari is still poor in governance quality.

To cope with the problems, BUMDes Cahaya Lestari requires trainings using forum group discussion (FGD) related to the followings.

1) Governance for BUMDes

    The materials presented to the BUMDes are related to the implementation of good governance principles, which consist of transparency, accountability, participation, emancipation, and supervision. Transparency in managing the entity is necessary for the sake of all stakeholders. Accountability, both internal and external, deals with the responsibility of the management to all BUMDes’ shareholders. Participative is one of the characteristics that must be had by BUMDes’ management staff, village government, and public as it is the manifestation of sense of belonging to BUMDes’ operations.
Emancipation is related to shareholders who have the privilege as instituted in village regulation related to BUMDes management. Supervision is necessary during the operation of the entity as it controls and anticipates possible fraudulence behavior.

Below are results of discussions in FGD and trainings for BUMDes Cahaya Lestari’s members:

Member: “……oh I see, so this is how governance is. We did not notice [that] this is how it should be, and we think that the governance for our BUMDes needs improvement as our current governance system has not covered all principles of good governance that you have mentioned before. We conclude that our current governance system is far from good”

Speaker: “Rather than saying that the governance is far from good, [it is better to say that] it needs stronger governance to manage BUMDes. As we have previously discussed, you have conducted some good governance principles, such as supervision, participation, emancipation, transparency and accountability. However, improvements are necessary to achieve this BUMDes’ goals and targets”2

Based on the results of the FGD, it is concluded that BUMDes Cahaya Lestari requires stronger governance to encourage sociopreneurship.

2 Result of discussion between the speaker (Abdul Ghofar) and a training and FGD participant (Ghazali Mawardi), first week, 27 July 2019.
2) Tax

This subject equips BUMDes management and the community with tax knowledge. Understanding about tax is necessary as it enables the management to correctly calculate expenses for salary, taxable employers (sponsors/private companies), rents, and other taxes. Taxes that might be included in the entity’s budget planning are PPh 21, PPh 22, PPh 23, PPh Final, and PPN. Most of the participants did not understand about tax when doing the businesses. Many of them hesitated to speak about tax as they thought that each business will be taxed. Below are the results of discussion in FGD with the participants.

“Frankly speaking, we don’t understand about tax, in what way tax applies and when to pay it. What I assume is that when I have a business, then I must pay the tax. Therefore, I hesitated to report my tax. And today I figure out that it is not like the way I thought it was.”

Based on FGD results, it is concluded that some of the participants thought that tax is a specter for business doers. They assumed that each business doer (SME) must pay 1% tax of their profit. Therefore, it is important to improve the knowledge of BUMDes’ management staffs’ regarding tax, which the main goal is to prevent them from avoiding tax payment. It is also necessary to share information that the paid tax will be distributed to the whole nation to build infrastructure.

3) Financial Management

This subject trains the participant to manage financial matters such as predicting asset flow, expenditure, future profit, and possible

---

3 Result of discussion between the speaker (Edriana Pangestuti) and a training and FGD participant (Ghazali Mawardi), first week, 27 July 2019.
finances. During the session, some information below was shared between participants, i.e. the BUMDes’ management and people as business doers.

Participant 1: “I want to ask and share several things. I understand that our BUMDes has not been able to manage our finance in a proper way. We have never even thought of asset flow and future profits for our units. Currently, our sole income is from [renting] futsal court. And what I want to ask you is that, if the financial management is conducted, who will be in charge of it, or which level should do it? The BUMDes or the units?”

Participant 2: “We are here as the community and the suppliers goods sold by BUMDes. Do we need to make our own financial management? As we have never made our financial management”

4) Business Plan, Product Innovation, and Business Process

This subject is related to business plan, product innovation, and business process as described in the following details.

a. Business Plan

Business plan is the key for business doers to get the best of their business as it helps determining the correct target for longer business sustainability. The plan starts from product

---

4 Result of discussion between the speaker (Putu Prima Wulandari) and a training and FGD participant (treasurer of BUMDes Cahaya Lestari, Zainuri), first week, 27 July 2019.

5 Result of discussion between the speaker (Putu Prima Wulandari) with a training participant (business doer) and a training and FGD participant (Widatul Jamilah), first week, 27 July 2019.
b. Product Innovation

Product innovation is important for business doers in developing their products. This answers questions about kind of products to be produced and the ability of the product to survive in the presence of new competitors. Business doers must develop their products by releasing new goods, menu, model (for crafts), or service to keep their business growing.

c. Business Process

Business doers (including the BUMDes’ management staffs) ought to understand their business process and products. Such business process consists of income from sales and capital, procurement and expenditure cycle, payroll cycle (in case there are employees), production cycle (if producing goods), documenting cycle (simple bookkeeping), and distribution. Therefore, there should be procedures and cycles in form of SOP, which facilitates related parties to run the business, minimize possible violence, and control the business process.

Below are results of discussion between speaker and FGD and training participants:

“...I think this FGD is very useful for us in developing our BUMDes and motivating our people to participate. Currently we don’t have any SOP due to our lack of knowledge and skill. Today we heard about SOP for the first time and I encourage all of us to work together to establish our new SOP.”

---

6 Result of discussion between the speaker (Sigit Pramono) and a training and FGD participant (treasurer of BUMDes Cahaya Lestari, Zainuri), first week, 27 July 2019.

Vol. 29, No. 3 December 2021
© Centre for Indonesian Accounting and Management Research
Postgraduate Program, Brawijaya University
Based on the discussion, it is concluded that SOP is needed to run the business process. The establishment of SOP is aimed at strengthening governance in encouraging sociopreneurship.

5) Simple bookkeeping for BUMDes and micro business

This subject gears the participant with the skill of creating simple financial statement, which is called by small business doers as bookkeeping. The followings are procedures for preparing financial statements.

a. Separating business asset from individual asset
b. Understanding accounts to be used and making sure the consistency of the usage
c. Understanding items to be recorded
d. Understanding simple financial statements to be prepared
e. Writing financial statements continuously and consistently

The financial statement must be readable and written upon the agreements of all members. In addition, the statement is to be used whenever new investors, including sponsors, are coming.

6) Branding and marketing strategy

This subject enables the participant to do branding and create marketing strategies. Branding is vital as it can be used as a media to influence consumer’s mind and memory about the products. Strong branding influences the memory of the consumers. The branding covers brand name, logo, and slogan. The marketing efforts must be designed for the correct target. It is necessary for business doers to pay attention to the cost and target for certain products and certain marketing method. The correct collaboration between branding and marketing will bring positive changes to business sustainability.

In addition, business doers must consider about product packaging. Simple and interesting packaging will enhance
consumer's buying interest, which later on enables them to increase the price of their products. Higher price means higher profit due to the fact that consumers tend to get attracted to product packaging. Perfect packaging reduces consumer’s consideration about price.

7) Utilizing information technology for product marketing.

Marketing is closely related to the use of information technology, particularly after the Industrial Revolution 4.0 where everything is based on digital platform and internet. Information technology, such as Instagram, Facebook, WhatsApp, Line, websites, and blogs are useful for faster product marketing. The social media requires internet support. Information technology may cut down marketing cost, which traditionally paid for printing brochures, pamphlet, or flyer and renting advertisement boards. However, people of Rombasan have not used these media optimally, and most of them are not familiar with digital and internet-based information technology. Social media-based marketing requires daily updates to get the consumers alert and, therefore, trainings on the use of information technology for marketing are necessary.

Discussion and Recommendation

Based on the analysis about problems faced by BUMDes management and the results of the FGD, the followings are suggestions for the entity.

1. BUMDes’ management and the community should be encouraged to maintain their entrepreneurship spirit by involving social environment.

2. Trainings regarding business plan, financial management, simple financial statement preparation, tax planning, branding and marketing strategy, and utilization of information technology for
marketing should be provided. Such trainings must be given by experts in their fields.

3. BUMDes governance should be strengthened. One of the ways is creating BUMDes-governance strengthening model to improve sociopreneurship.

The recommendation derived from this activity will be discussed using BUMDes governance strengthening model and BUMDes human resource strengthening model to ensure the well performance of good governance in BUMDes. Below are the models for BUMDes governance and human resource strengthening.
Below is the model of BUMDes governance and sociopreneurship strengthening.

**Figure 2. Strategic Mapping for BUMDes Governance Strengthening**

Source: Data processed

According to the chart above, the three strengthening dimensions are as follows.
1. **Dimension 1** is comprised of good governance principles that must be implemented in managing BUMDes. The principles are detailed below.

   a. **Transparency** - BUMDes management must be transparent to shareholders in terms of management and financial reporting.
   
   b. **Accountability** - BUMDes management must be accountable to the shareholders.
   
   c. **Cooperation** - BUMDes management must be cooperative. The management and the shareholders should be able to work together and avoid conflict between them, except conflict caused by the intention of certain individual or parties of committing violations and actions that potentially restraints BUMDes’ activities.
   
   d. **Participation** - All shareholders must participate in managing BUMDes as their participation is vital in the administration of the BUMDes.
   
   e. **Emancipation** - Emancipation in managing the BUMDes is related to each individual’s privilege, from management staff (internal) to shareholders (external).
   
   f. **Going Concern** - Going concern is related to BUMDes’ sustainability, where the five governance principles are conducted to keep BUMDes sustainable. Therefore, innovations are necessary in managing BUMDes.

2. **Dimension 2** covers the strategic management. All of the components must be related. The components are BUMDes management (finance and operation), village government, consumers, villagers, sustainable environment and learning, explained below.

   a. **Finance** - Finance covers financial management by BUMDes management, including selling, surplus, time precision, and financial statement.
b. Village Government - Village government is appointed as the supervisor of the BUMDes, in addition to its roles as supporter, supervisor, capital provider (PADes), and taxpayer-in-charge.

c. Consumer - Consumers are those who buy goods or service provided by the BUMDes to get income. Both new and old consumers must be served well to maintain consumer’s satisfaction and return.

d. Community - Community here means business doers. BUMDes is established to develop villagers’ potentials to be commercially active people through BUMDes. Thus, goods sold by BUMDes are those produced by the villagers, and they have the opportunity to be recruited as BUMDes employees. The purchase and recruitment conducted by the BUMDes are considered as the entity’s social support, and the generated profit will be returned to the community in form of social aids. Therefore, the community may participate in supporting the BUMDes, from which they can get income from goods that they sell.

e. Operation - Operation is related to all BUMDes’ activities, particularly that deal with its productivity, management and community, quality, SOP, and intellectual capital. BUMDes must acquire SOP to minimize possible violation by individual while also strengthening intellectual capital.

f. Environment - Environment is related to facilities provided by BUMDes for the community. The entity must also write reports as their responsibility for social and natural environments affected by their business.

g. Learning - Learning is related to facilities provided by BUMDes for its employees. The facilities include on and off the job trainings; all of which are intended to improve employees’ satisfaction,
which eventually improve their passion to work. Such learnings must also strengthen the intellectual capital of the management.

3. **Dimension 3** consists of parties that can improve BUMDes development with whom the entity should work with. They are as follows.

   a. Academics - Academics share their knowledge through trainings or technical counselling.


   c. Community - Community here includes culinary community, entrepreneur community, and other communities that can promote BUMDes products to the public.

   d. Government - The government here are local and central government, including the office of trade and industry and the ministry of finance.

   e. Financial Institution - Financial institution here refers to institutions owned by Indonesian banking that can provide trainings related to capital, loan, and saving.

   f. Media - Media here refers newspaper, magazine, local television station, and other media that can be used to promote BUMDes’ products in addition to social media such as Instagram, Facebook, WhatsApp, etc.

After reviewing BUMDes’ governance, it is concluded that human resource plays a vital role. Competent human resource is essential for the good management of BUMDes. Human resource strengthening is required following the governance strengthening. Below is the model of human resource strengthening for creating sociopreneurship.
Based on the figure above, BUMDes’ human resource is required to:

1) understand the BUMDes’ philosophy;
   BUMDes management must understand the organization’s philosophy. BUMDes is defined as a business entity that does not merely seek on profit; it instead plays a social role to improve the community’s welfare. The welfare portrays not only economic but also health, environmental, social, and cultural perspectives.

2) acquire socio-enterprise/social entrepreneurship mindset;
   BUMDes management must have the mindset and spirit of entrepreneurship, not merely opportunity and profit. They must consider any chance and opportunity to support the community and ensure environmental welfare. This kind of attitude does not emerge from individual; it must be nurtured and developed through gradual trainings.

3) be capable of identifying potential;
   BUMDes management must be able to identify available potentials.

4) be capable of seeking business opportunity;

**Figure 3. Human Resource Strengthening Model**
Source: Data processed
BUMDes management must be able to seek business opportunity in their surrounding environment.

5) be capable of developing business models;
The management must be able to think of how they can acquire the ability to develop a business model and convert opportunity into profit. At this stage, BUMDes management are required to develop business models by considering target consumers and segments and projecting the number of targets.

6) be capable of developing business feasibility and business plan;
BUMDes management are required to develop business feasibility and business plan. Such business feasibility is considered based on the capability of the business to be sold.

7) be capable of developing institutional plan;
BUMDes management are required to develop institutional plan from statutes, bylaws, organizational structure, job description, and SOP according to the purpose of the entity.

8) be capable of performing management with do, plan, check, and action principles;
Based on their strategic plan and working plan as well as BUMDes’ annual, quarterly, monthly and weekly budgets, BUMDes management must be able to generate ideas. They are also required to facilitate, monetize, and lead the practice, in addition to running the mechanism for distributing and disbursing budget according to SOP. They must be responsible for the implementation and the financing of the organization’s business. Lastly, BUMDes management are required to write their report, make evaluations, and take any follow up actions to assure the sustainability of the BUMDes’ improvements.

9) be capable of advancing the business;
BUMDes management must be able to advance their business by marketing their products through digital equipment such as information technology and enhance the market access by establishing BUMDes networks, collaborating with third parties, and synergizing their programs with those established by the village, local, and central government.

10) be self-motivated;

BUMDes management must be self-motivated to improve themselves by acquiring knowledge through experiences and learnings in order to perform better for their organization.

CONCLUSION

The management of BUMDes Cahaya Lestari is now under development process. BUMDes Cahaya Lestari has reshuffled their management twice as a response to the incapability of some of its management staffs in performing their duties, which had led to poor management. Problems were identified in BUMDes Cahaya Lestari management, mainly lack of competent human resource as reflected in its financial statement reporting, business plan, tax planning, business skill, sociopreneurship spirit, product marketing, and motivation; all of which are driven by low education level. In addition, poor management is also indicated by unavailability of SOP, so the entity needs improvement and development in intellectual capital. FGD and training were conducted for BUMDes management and the community as the stakeholders. The trainings were intended to provide them knowledge and skill of entrepreneurship, motivation in managing the BUMDes, encouragement to maintain entrepreneurship spirit. The activities were also aimed at seeking any information that can be used to derive correct
measures for BUMDes governance strengthening to encourage sociopreneurship.

BUMDes governance strengthening models were designed into three dimensions. The first dimension is related to BUMDes’ good governance principles, while the second dimension is related to the strategic mapping on BUMDes’ management, and the third dimension is related to parties involved in the management. Following the governance strengthening model, human resource strengthening model was established; it consists of ten components; they are understanding about BUMDes’ philosophy, socio-enterprise mindset/socio entrepreneurship mindset procurement, potential identification ability, business model development ability, business feasibility and business plan development ability, institutional development ability, management ability with do, plan, check and action principles, business enhancement ability, and self-motivation. This community service is limited one BUMDes. Therefore, future projects are expected to involve more BUMDes, by which comparisons can be made. Interviews, FGD, and trainings are still applicable as they allow the analysis on different problems and creation of more detailed models for BUMDes governance strengthening and human resource strengthening.
REFERENCES


Wu, Y., Sun, X., Sun, L., and Choguill, C. L. 2020. Optimizing the governance model of urban villages based on integration of