Governance of Village-Owned Enterprise from The Perspective of Reinventing Government

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ABSTRACT
Act No. of 2014 concerning Village Government contains regulations concerning village decentralization to conduct a village's development in accordance with its respective potential. Based on these regulations, each village has a great role in achieving village development goals. Therefore, the establishment of BUM Desa (Village-owned Enterprises) is the right action to build a tradition of democracy in the village to achieve a higher economic degree of village communities in achieving prosperity. The objective of this study is how the public sector, especially the BUM Desa of the Tirta Mandiri, Ponggok Village, runs its institutions more competitive, effective, and efficient through the ten principles of Reinventing Government. This study used an exploratory qualitative approach. The data collection was obtained from several informants, including the Finance Chief, Secretary and Person in charge of BUM Desa of Tirta Mandiri, and the Ponggok Village Community. The data collection techniques were conducted by interviews, observation, and literature review. In this study, descriptive method was used as the data analysis method. Then, the collected data was analyzed using the interactive analysis method of Miles and Huberman, consisting of four stages. Based on the results of this study, it was revealed that the ten principles initiated by Osborne and Gaebler underlie the success in the management of BUM Desa of Tirta Mandiri in Ponggok Village, Klaten, Central Java.
INTRODUCTION

The role of Village-Owned Enterprises (Badan Usaha Milik Desa or BUM Desa) can be one entity that is vital for a village. Not only because of the direct income, but also other derivative things such as empowering village communities, and providing employment. On the one side, BUM Desa can be viewed as a motor that drives the village economy by benefiting from the results of operations (Pascal, 2016: 2). Simultaneously, the role of BUM Desa can also be noticed as opening a creative idea. For instance, a village has a BUM Desa that is engaged in the fisheries sector. As a result, the community in the village can trigger a new business, such as food stalls that provide fish menus. Moreover, the community can also open a creative industrial business such as processed fish into other products that can be marketed outside the region. Therefore, BUM Desa is believed to be one of the alternatives to enlarge or improve the financial condition of the village in the context of developing the village and also supporting the principle of village independence.

Tirta Mandiri Village-Owned Enterprise is located in the area of Ponggok Village, Polanharjo District, Klaten Regency. It is established on December 15th, 2009, based on Ponggok Village Regulation No. 6 of 2009 concerning Village-Owned Enterprises. The legal protection that houses this BUM Desa is Law Number 6 of 2014 concerning Village-Owned Enterprises. BUM Desa of Tirta Mandiri has three business units. First is Ponggok Ciblon. It is a new village tourism unit that started to be developed in September 2016. The existing water parks, consisting of children and adult swimming pools, are equipped with floating stalls and Galau reservoirs as fishing grounds. Secondly, the “Sumber Panguripan” Village Shop has been established since July 2016. It sells household needs and cooperates with the Indonesia Logistics Bureau (Badan Urusan Logistik or Bulog) by becoming an agent of Our Food House (Rumah Pangan Kita or RPK) in order to stabilize food prices. The third is Umbul Ponggok that has a natural pool developed into a famous snorkeling tour in Klaten. One of the things, which interests tourists when they come to Umbul Ponggok is having a photo session inside the water (http://bundestirtamandiri.co.id).

There have been many achievements attained by Ponggok Village through BUM Desa Tirta Mandiri. Even, the district officials, province, and ministry gave an appreciation of the BUM Tirta Mandiri Village performance. Minister of Finance, Sri Mulyani, expressed her admiration and felt proud of a Village-Owned Enterprise that can achieve a huge profit. Sri Mulyani then assured that BUM Tirta Mandiri Village would be used as a pilot for similar businesses throughout Indonesia. The profit allocation of BUM Tirta Mandiri Village has been used to finance the implementation of leading village programs such as education funding and health insurance. The form of direct assistance in the form of pocket money to students with a total value of Rp 300,000/month for 60 students (Junaedi Mulyono, 2016). The village government also provides village health insurance (jaminan kesehatan desa or jamkesdes) for residents who have not received national health insurance and regional health insurance (http://youtu.be/NajwaShihab).

By looking at the uniqueness of the aforementioned findings, the research identifies the management of BUM Tirta Mandiri Village through the perspective of reinventing government, adopted from the notions of Osborne and Gaebler (1992). Considering the idea of reinventing government is to run a bureaucracy so that the public sector runs a more competitive, effective, and efficient organization with good innovations. Various attempts are conducted by BUM Tirta Mandiri Village to stimulate public sector innovation based on ten principles of reinventing government.

Based on the background that has been described previously, it is necessary to find the answers to the following two research problems:
1. How is the governance of BUM Tirta Mandiri Village in Ponggok Village Klaten Regency from the perspective of the Reinventing Government?
2. What is the driving or inhibiting factor in the management of BUM Tirta Mandiri Village in Ponggok Village, Klaten Regency?

Literature Review

There are some previous studies related to this research. One of them is a study from Dewi (2017) entitled “The Development Impact of Umbul Ponggok Tourism Object on the Community Economy of Ponggok Village.” In the study, it
was revealed about how far the development of Umbul Ponggok as a tourist area could have an impact on the economy of the community. Despite taking the same area, Danaresa (2017), in her research entitled “Strategy for the Development of an Owned Enterprise Tirta Mandiri Ponggok Village,” explained how the development of one of the tourism sectors in Ponggok Village, Umbul Ponggok, had an impact on the community economy. Whereas in this study, it will analyze not only Umbul Ponggok, but all Tirta Mandiri Owned Enterprises as a strong entity through a reinventing government approach.

**Governance**

Governance, in its nature, is inseparable from the principles of good governance implementation. The indicators are participation, transparency, and accountability as the main elements. The concept of governance can only be realized in the institutional-formal state and bureaucracy. Therefore, the term governance includes a dynamic process of government bureaucracy, relations between institutions, the public sector, civil society, and private initiatives (Prasojo & Kurniawan, 2008: 4). The terminology for good governance has not been standard in terms. The definition of the term governance is currently diverse. It depends on how the environment, structural, cultural, and legal frameworks exist. Standards in defining governance as a combination of structures and processes that have been determined to be then able to inform, direct, manage, and monitor every activity of the organization in order to achieve the goals set. (http://www.mongabay.co.id).

**Village-Owned Enterprises (Badan Usaha Milik Desa or BUM Desa)**

The Village-Owned Enterprise is an institution formed by the village government and the community, and it manages the institution based on the needs and economy of the village (Pascal, 2016: 20). BUM Desa was formed based on the laws and regulations that apply to agreements between village communities. According to Agunggunanto, et al. (2016: 69) BUM Desa has a function as a commercial institution that aims to seek profit and social institutions through the contribution of providing social services that are in favor of the interests of the community. BUM Desa in various literature is always relied upon to become the main strength of the village economy. BUM Desa becomes a business unit that cooperates with village governments, regional governments, the private sector, and donor agencies on a larger scale (Pascal, 2016: 4). There are various types of Village-Owned Enterprises according to their business, as follows:

1. Serving, BUM Desa runs a social business that provides services to the community even without large profits.
2. Banking, BUM Desa runs a “money business” to meet the needs of the community.
3. Renting, BUM Desa runs a rental business for the needs of the local community.
4. Brokering, BUM Desa becomes an intermediary institution that connects a commodity with the market. The village established a village market, electricity payment services, and others.
5. Trading, BUM Desa runs a business that produces or trades certain goods to meet the needs of its people even though the market is actually broader.
6. Holding, BUM Desa acts as a joint venture or as a parent of stand-alone units.

The main characteristics of BUM Desa that distinguish other commercial institutions (PKDSP, 2007: 4-5) are; 1) Business entities are village-owned, and their management is conducted jointly; 2) Business capital of 51% comes from village funds, and 49% comes from community funds; 3) The operationalization is conducted based on the philosophy of local culture-based business; 4) Potential of the village and the results of available market information are the basis for running the business sector; 5) Earnings obtained by BUM Desa are used as an effort to improve the prosperity of members and the community based on the rules that have been prepared; 6) Facilities are supported by Province, Regency, and Village Governments; and 7) The operation of BUM Desa is supervised jointly by the Village Government, BPD, and members.

**Reinventing Government**

The idea of Reinventing Government that was sparked by David Osborne and Ted Gaebler is an idea that criticizes and refines these classic concepts and theories for optimizing bureaucratic public services (Wijayanto, Suryono & Sukanto, 2013: 1169). This idea emerged as a response to the

New ideas of Osborne and Gaebler's public service (2015, pp. 29-343) are contained in the book entitled Reinventing Government. Through the book, Osborne and Gaebler try to present the transformation of entrepreneurial spirit in the public sector (employing bureaucracy) that includes ten principles as follows:

1. Government catalyst: the government is expected to act as a catalyst and not as a player in the market.
2. Community-owned governance: governance empowers the community rather than serve. The government is expected to give some of its authority to socio-economic institutions and even the community to run their own economic and social life.
3. Competitive government: the government is expected to inject competition into service delivery. With competition, many public services can be improved without increasing costs.
4. The government that is driven by a mission: government activities are no longer driven by rules but on the mission to be achieved.
5. Results-oriented government: the government finances outcomes and not outputs and inputs.
6. Customer-oriented government: The government meets more customer needs and not bureaucracy.
8. Anticipatory governance: The government prevents rather than cure. The entrepreneurial government is not reactive but proactive. The government is not only trying to prevent problems but is working hard to anticipate the future, also using strategic planning to create a vision.
9. Decentralized government: The government decentralizes public organizations into participatory management, from hierarchy to participatory and teamwork.
10. Market-oriented government: The government supports the change through the market. It creates changes with market mechanisms (incentive systems) and not with administrative mechanisms (procedures and coercion systems).

**RESEARCH METHOD**

**Research Types and Approaches**

The approach used in this research was qualitative research with a descriptive exploratory type of research. Qualitative research is very suitable to be used, considering that this study described more about the phenomenon of public service governance, the role of the organization (community), social movements, or reciprocal relationships. According to Arikunto (1991), explorative, descriptive research aims to describe the state or status of a phenomenon. In this case, the researcher tries to describe things related to a situation.

**Data collection technique**

The main source of the obtained data referred to the three sources of components that were done in a row, starting from the literature review, observation, and then interviews. The literature review is generally obtained in the material that is divided into two. First is offline that can be in the form of books, journals, and other writings. The second was online material that can be in the form of websites. Then it was followed by informal, structured observations at BUM Tirta Mandiri Village and business units. Finally, it is ended by collecting data from informants using research techniques in the form of direct interviews to obtain accurate and detailed information about the governance of BUM Tirta Mandiri Village from the perspective of Reinventing Government.

**Data Analysis Technique**

The data analysis technique is the process of categorizing data, organizing them into patterns, categories, and basic units of description (Moleong, 2012: 280). In the case of this research, the analysis technique was done through a qualitative approach as conceived by Miles and Huberman as well as taking into account other relevant approaches such as Grounded Theory. In simple term, the Miles and Huberman model can be described as follows:
The collected data were then analyzed using the Miles and Huberman interactive analysis method that consists of four stages, namely: data collection, data reduction, data display, and conclusion. This study did not neglect verification during the research. Verification means re-asking the storyline in mind, a review of the field notes related to data, conclusions, and other sets of field findings.

**Research sites**

The location of this research is in BUM Tirta Mandiri Village Jl. Delanggu-Polanharjo, Ponggok Village, Polanharjo District, Klaten Regency, Central Java. The informants were the Village Head of Ponggok or who representing, the manager of the BUM Desa and the Ponggok village community. To provide additional information, this research will consider the informant of visitors and tourists who wasin one of the business units in BUM Tirta Mandiri Village. Thus, the researcher describes the characteristics of the object to be examined to get factual and systematic results.

**Results and Discussion**

In this study, Tirta Mandiri Village-Owned Enterprise is an object that has a role as the government, which is described in the concept of Reinventing Government by Osborne and Gaebler in 1992. The ideas in Reinventing Government include ten aspects that will be described in this study:

1. **BUM Catalyst Village**

   Through identification of catalyst related government, both from the government of Ponggok Village and BUM Tirta Mandiri Village, illustrates that there is an effort to guide rather than serve.

   Penasihat = Advisor
   Pengelola = Administrator
   Pengawas = Supervisor

   Figure 2. Core Organizational Structure of BUM Tirta Mandiri Village (Source: Data of BUM Tirta Mandiri Village, 2017)

   The Village Government guides BUM Tirta Mandiri Village with a strategic arrangement of the organization structure of BUM Tirta Mandiri Village management. Meanwhile, BUM Tirta Mandiri Village guides by opening opportunities for the community to meet the economic needs independently. The existence of structural separation from BUM Tirta Mandiri Village with the Government of Ponggok Village and the availability of facility guarantees were in line with the simultaneous actions given to the community. For instance, road access to Ponggok Village is the implementation of the concept of being a catalyst for the community.

   Figure 3. Various Business Initiatives from the Community (Source: Researcher’s Direct Documentation, 2019)

   2. **Community Owned BUM Desa**

   BUM Desa Tirta Mandiri is a BUM Desa that oriented in whatever is done by BUM Desa is from the community and for the community. It is evidenced by the involvement of the Ponggok Village community in the management of BUM Tirta Mandiri Village. The community involvement in Ponggok Village is from Human Resources (HR)
to involvement in investing in BUM Tirta Mandiri Village. Tirta Mandiri Village Owned Business Entity is used as a jointly owned Enterprise (community of Ponggok Village), which starts from the BUM Desa administrators that consist of the Ponggok Village community. Besides that, any profits derived from BUM Tirta Mandiri Village will be allocated to the interests of the Ponggok Village community. The existence of stock certificates issued by BUM Desa purposing in the community that can invest in BUM Desa is part of the BUM Desa Community Owned concept. The portion of revenue sharing for shareholder investors (residents of Ponggok) is 5-10% of the total Umbul Ponggok business unit income for each month. The shareholders (small and large) as of 2018 are 328 households with a total investment of 1,9 billion.

3. BUM Desa is Competitive

The largest income of BUM Tirta Mandiri Village is from the tourism sector, i.e., Umbul Ponggok. Although BUM Tirta Mandiri Village initially started based on initiation only to develop the natural potential possessed by Ponggok Village, Ponggok Village indirectly triggers BUM Tirta Mandiri Village to be competitive. One of the driving factors is that the village government develops business units other than BUM Tirta Mandiri Village in adding the village budget. That what makes BUM Tirta Mandiri Village indirectly becoming a Business Entity that must compete in its field besides trying to maintain revenue. One of which is the tourism sector. The Ponggok Village Government has 5 Umbul as Village Assets. Umbul, which is entrusted to BUM Tirta Mandiri Village, is Umbul Ponggok and competes with Umbul Sigedang, which is one of the Village Assets but has different parties in its management. As PT Tirta Investama which produces products (Aqua Mineral Water) and Umbul Besuki, which is one of the new attractions for the community (new tourism).

4. BUM Desa is Mission-Oriented

Osborne and Gaeber made the Expenditure Control Budget system an appropriate budget system for achieving the mission of an organization; that is, the initial budget planning system would then be budgeted as needed to achieve the organization's mission. This budget system is also implemented by BUM Tirta Mandiri Village, although there is no specific naming for the budget system at BUM Tirta Mandiri Village. BUM Tirta Mandiri village achieves the mission designed through the Money Follow Function budgeting carried out in BUM Tirta Mandiri village financial management, with
an allocation of 30% for APB Desa, 25% is saved for BUM Desa capital fertilization, 10% for BUM Village capital reserves, 10% for education and training funds, 15% incentives for commissioners, board of commissioners, and management, and 10% incentives for the Regulatory Body.

5. BUM Desa is Result-Oriented

BUM Desa finance the outcomes (results or quality of work) and not outputs and inputs (years of service or budget). It means that the government focuses on the results or the quality of the work rather than the work period. When aligned with the results-oriented concept that was invented by Osborne and Gaebler, the results-oriented government is a government that gives appreciation to employees based on achievements, so that the BUM Tirta Mandiri Village adheres to this. Evaluation and appreciation are done by BUM Tirta Mandiri Village in order to find out employee performance and give appreciation for each performance. In an effort to give appreciation to employees, BUM Tirta Mandiri Village conducts employee evaluations on a weekly, monthly, and annual period. A weekly evaluation is carried out by the business unit manager of the business units under it, with controlling results reported to the directors at the beginning of the month. It is followed by a monthly evaluation of managers in each business unit by providing controlling reports to the president director or board of directors. Then for the annual evaluation, it is carried out on a scale of 1 year of work and performed by all levels of staff, directors of commissioners, and BPD. This annual evaluation activity is carried out structurally.

6. BUM Desa is Customer-Oriented

In the concept of customer-oriented, it is expected there will be a fulfillment of customer needs and not bureaucracy. Listening to customer voices is an indicator of excellence in achievements related to this concept. Public institutions or government entrepreneurs, as a customer-oriented business, will learn to finance every customer’s needs or approach themselves to customers. In this case, BUM Tirta Mandiri Village slowly, in its development, began to glance at the customer’s will or began to be responsive to customer needs that have not been met. Adequate facilities began to be optimized in line with the development of each business unit in BUM Tirta Mandiri Village.

Although in performance, the Umbul Ponggok business unit is more massive in meeting the needs of visitors compared to other business units. The method used to attract customers is the integrated quality method. It means that in service, quality is very concerned.

Integrated quality control will emphasize constant measurement and quality improvement. Examples of integrated quality methods in the management of the Umbul Ponggok business unit are the addition of facilities for customer convenience as well as the addition of new playgrounds, and the Ponggok Ciblon business unit is making children’s swimming pools that were not previously available for children-specific swimming pools, also, maintaining the cleanliness of the swimming pool environment.

7. BUM Desa is Entrepreneurial

“Spending to save, or investment to get results,” that is the character seen in the entrepreneurial government. BUM Tirta Mandiri village makes the business as the main operation, by investing to get results. The process of initiating an entrepreneurial government is to be independent of the budget.
aspect that the government must seek other income apart from tax revenue. BUM Tirta Mandiri village was born based on the unrest of the village government that there was no sufficient supply of funds to be used to prosper the village community. It is because the village government is still dependent on the local government entirely. BUM Tirta Mandiri in the entrepreneur-oriented concept fulfills characteristics, such as investing in getting results by measuring ROI (Return on Investment). Profit motives are also carried out to develop commodities and productive businesses, namely optimizing the role of BUM Desa as the locomotive of village economic development. Also, it is supported by structural BUM Desa that is separate from the structure of the Village Government, and finally, BUM Tirta Mandiri Village must be independent in terms of the budget in meeting basic needs and not depend much on other parties.

This strategic planning is creating a vision. The process of strategic planning is; 1) Conducting ongoing situation research into the future, 2) Setting goals, 3) the process of developing strategies to achieve goals, and 4) measuring the results. BUM Tirta Mandiri Village also conducts strategic planning. It is evidenced by the efforts of BUM Desa in preparing its anticipatory organization through the maturation of human resources, which is implemented in the training of employees, in accordance with the needs in each work area, or it can be said that BUM Tirta Mandiri Village is empowering. A portrait of this activity can be seen from the activities of BUM Tirta Mandiri Village, which conducts workshops as well as training and collaborates with CSR PT BNI46 in the management process to improve employee capabilities, management systems, and service systems.

8. BUM Desa is Anticipatory

Anticipatory government is not only preventing problems but also trying to anticipate the future. Osborne and Gaebler initiated strategic planning, a way to anticipate the future or other ways to make decisions based on foresight.
9. BUM Desa Based on Decentralization

The government decentralizes public organizations into participatory management, from hierarchy to participatory and work teams. BUM Tirta Mandiri Village, in addition to decentralizing authority, also provides an understanding of the mission and measuring results to employees. One of them is using a system from the hierarchy to the system of participation and teamwork. BUM Tirta Mandiri Village applies a system of coordination patterns based on the organizational structure that has been designed. In addition to the hope that every problem can be responded to quickly and accurately, it is also expected to make every work post function properly. The pattern also used indirectly gives a sense of confidence to each employee in carrying out their duties.

10. BUM Desa is Market-Oriented

It is by pushing changes through market aspects. The Government of Ponggok Village through BUM Tirta Mandiri Village has indirectly created a strategic market or formed an environment so that the market can operate efficiently while ensuring the same quality of life and economic opportunities. However, in creating this market, BUM Tirta Mandiri village does not mean that it has fulfilled overall market demand. Not only creating a market, but BUM Tirta Mandiri Village must also be able to strive for the market to remain consistent. It is evidenced by the offer offered by BUM Tirta Mandiri Village, which is a tourism village. The village government saw the need for a tour that was owned by the community. With the demographic bonus of Klaten Village, which is the abundance of springs or pennies, the village springs are used by the village government to meet the demand for water tourism as a new form of market. This Tourism Village becomes a door for BUM Tirta Mandiri Village in creating a market system in the Ponggok Village environment, with the target customers, namely the surrounding community and even people from outside the area.

CONCLUSION

From various findings related to the Perspective of Reinventing Government in the management of Tirta Mandiri Village-Owned Enterprises (BUM Desa), it can be concluded that the governance of Tirta Mandiri Village-Owned Enterprises (BUM Desa) is proven to adhere to 10 concepts from the paradigm initiated by Osborne and Gaebler, namely the Reinventing Government, although the naming of concepts in the management process is not similar. Then, the results of the analysis of driving or inhibiting factors in BUM Tirta Mandiri Village are directed to Human Resources. Human Resources are key in the driving and inhibiting factors in the management process of Tirta Mandiri’s Owned Enterprises, Ponggok Village.

It is expected for further research to compare between two (2) BUM Desa institutions or more related to the governance. It is so that it can be compared as a whole regarding a good governance system. Future studies will be better if the focus is on one (1) or two (2) of the ten (10) ideas that were brainstormed by Osborne and Gaebler. It is intended to minimize the scope of research so that it can be more related to research analysis.
REFERENCE


