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### [JEP] Submission Acknowledgement

1 message

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**Revisi 1 : 06-05-2024**

**Optimizing the Role of Community-Based Enterprises Model to Improve its  
Performance and Competitiveness in Indonesia**

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**Abstract**

This study aims to identify the characteristics and roles of the village-owned enterprises (BUMDes) model and determine the appropriate development strategy as well as under the model to improve its performance and competitiveness. This research is a qualitative study with a case study approach. Data were taken using a purposive sampling technique from key persons the director of BUMDES, village officials, and the community as BUMDES partners in Semarang Regency. Data were analyzed using Atlas.ti and Analytical Networking Process (ANP) methods. The results of the study show that BUMDes in Semarang Regency leads to the community-based enterprises (CBE) model than social enterprises because some of the characteristics they have include the purpose of establishing BUMDes is to contribute to the village economy through the village income (PADes), improving the welfare of rural communities; BUMDes strategy to gain profits, and have strong social capital. Strategies to improve attractive marketing techniques and increase competence through joint training and mentoring are top priorities to improve performance and competitiveness. The limitation of the study is the sample should include the differentiated BUMDES based on village typology so that models and behavior can be identified according to their respective roots.

**Keywords:** model, community-based enterprises, BUMDES, strategy, performance, competitiveness

**1. INTRODUCTION**

According to Law No. 6 in 2014, empowering the village economy in Indonesia is the achievement of an independent village. Developing community independence and welfare by increasing knowledge, attitudes, skills, behavior, abilities, awareness, and utilizing resources can be reached through Village Community Empowerment. The real accomplishment of village community empowerment is Village Owned Enterprises (BUMDES). The uniqueness of each different region requires its handling. The level of sustainable prosperity, productivity, and wages in a region is determined by a region's ability to create and commercialize innovations (Porter et al., 2004). Strong commitment and competence are needed to mobilize the potential that exists in rural areas. On this side, the weakness of BUMDES is that they have not been able to explore the utilization of local potential (Agustina et al., 2021). Muhammad et al. (2021) found that the potential of the village in the form of local wisdom could be utilized to improve the standard of living of the community. However, it couldn't be achieved if a lack of coordination subsists in the institutional network that supports rural development (Porter et al., 2004).

BUMDES is a unique organization. One side is a vision to maximize profit, but the other side is an organization owned by society. The managerial decision-making must be in line with the needs of the community by utilizing existing social capital. Social capital is an important source for the development of entrepreneurship in rural areas (Ring et al., 2010). This means how to take advantage of processes between people that build networks, norms, and social trust, to facilitate mutually beneficial coordination and cooperation (Fathy, 2019). Success in prioritizing, safeguarding, and balancing the rising interests will lie in the leadership role. The manager's role should be empathetic and have a clear focus on the social beneficiary (Mason et al., 2007).

In practice, BUMDES often cannot operate properly due to wrong perceptions from society. There is a view that BUMDES must find its way to generate profits for the community. There is an incorrect understanding in society. It's causing society feel reluctant to contribute to BUMDES. They think it is the responsibility of the BUMDES manager and government to rush the BUMDES. Several studies support this, which is indicated by the low level of community participation. As a result, the community's contribution has not been optimal in the management of BUMDES (Lestari et al. 2019; Nurfakhirah et al., 2021). In addition to the government and BUMDES managers, good BUMDES management should not be separated from the role of the community (Jatmiko et al., 2021). In practice, in some villages, it is still ambiguous, in terms of the management and development of the BUMDES (Agustina et al., 2021; Widiastuti et al., 2019; Muhammad et al., 2021).

Taking into account the problems of BUMDES, several points are related to the problems of BUMDES in Semarang Regency. Besides the wrong perception of BUMDES, the big role of the government just in the planning stage (Nurfakhirah et al., 2021), management, and governance couldn't work out optimally (Lestari et al., 2019). The study of BUMDES governance, especially the sustainability and participatory principles, is the aspect that has not received attention and the aspect with the highest level of applicability (Widiastuti et al., 2019). Like small and medium-sized enterprises, BUMDES also faces problems with a lack of capital, skills, and technology. If it is not handled well, then the competitiveness will be bad (Maksum et al., 2020). Currently, there is very little research on competitiveness and how village environmental issues and the role of networks will affect the performance and competitiveness of BUMDES.

The obstacles in the BUMDES in Semarang Regency were allegedly due to a misperception about the shape of the BUMDES model. There is an assumption that BUMDES are Social Enterprises (Sofyani et al., 2020). Social Enterprises are different from Community-Based Enterprises. Community-Based Enterprise (CBE) is a form of entrepreneurship that is based on collective and individual interests as a fundamental complement and sees communal values and ideas of the common good as essential elements in creating enterprises, as well as pursuing economic and social goals for its members (Peredo & Chrisman, 2006; Puspita S & Widaningrum, 2020).

This study aims to identify the development model of BUMDES in Semarang Regency. In addition, it has to create the role and appropriate development strategy based on its model to improve performance and competitiveness. This study is significant to be carried out because there must be a mutual understanding that BUMDES are not strictly social enterprises, but the main point is community-based enterprises. With appropriate planning, a successful and interwoven business network will be formed from BUMDES. Its built upon will have a positive influence on the local society, the region, and its surroundings. According to Ring et al (2010), successful business networks in rural areas will have spillover effects in their communities and beyond. BUMDES can create sustainable economic competitiveness for rural communities.

## **2. RESEARCH METHODS**

The study is qualitative methods. It was conducted to determine, understand, and describe the characteristics and behavior of BUMDES in Semarang Regency. This information is used to determine the role of BUMDES. So, appropriate planning can be made. Data were obtained from interview transcripts, notes from field observations, photos of activities, activity videos, personal documents, and other documents. Data were taken using a purposive sampling technique. Purposive sampling was carried out based

on the level of development of BUMDES which represented 3 classifications: basic, growing, and developing. Key persons are BUMDes directors. Meanwhile, strategic planning for ANP involved village apparatus as well as the community in partnership with BUMDes. The profiles of BUMDES key persons are shown in Table 1.

**Table 1. The Information of BUMDES's Key Persons**

No	Code	Positioning in BUMDES	Name of Village	Classification of BUMDES
1.	KP1	Director in BUMDES Maju Mapan	Asinan	Basic
2.	KP2	Director in BUMDES Gerbang Lentera	Lerep	Growing
3.	KP3	Director in BUMDES Maju Director in BUMDES Rahayu	Jatirunggo	Growing
4.	KP4	Director in BUMDES Sido Sari	Pringsari	Growing
5.	KP5	Director in BUMDES Asung Daya	Jatijajar	Developing
6.	KP6	Director in BUMDES Sejahtera Bersama	Nyatnyono	Developing
7.	KP7	Director in BUMDES Bangun Jaya	Kesongo	Developing
8.	KP8	Director in BUMDES Untung Makmur	Branjang	Developing
9.	KP9	Director in BUMDES Rejo Mulyo	Gogik	Developing
10.	KP10	Director in BUMDES Sagar Manthan	Banyubiru	Developing

The model formulation for BUMDES in Semarang Regency was determined using the Atlas.ti. Atlas.ti is a qualitative data analysis (QDA) software, which is very useful in social science research (Hwang, 2008). Atlas.ti can read various types of data, such as audio data, video data, image data, and written data (articles, books, survey data, or interview transcripts) so that triangulation can be carried out with various types of data collection (Afriansyah, 2018).

Planning for performance and competitiveness at BUMDES in Semarang Regency is executed by the ANP method. Its considered 8 support elements, which are

3 elements for performance indicators and five elements for competitiveness indicators. The Performance indicators are determined based on the Law of No. 6 in 2014 concerning Villages, and the Regulation of the Minister of Villages, Development of Disadvantaged Regions, and Transmigration of the Republic of Indonesia No. 4 in 2015 concerning the Establishment, Management, and Dissolution of Village-Owned Enterprises. The performance elements are the ability to manage village potential, BUMDES's market growth, and BUMDES's profit growth. Meanwhile, competitiveness indicators are determined from Porter's Diamond Model. It consists of five elements, which are condition factors demand conditions; related and supporting industries; structure, strategy, and competition; and factors supporting the role of government.

Identification of the sub-elements that support the planning of improving the performance and competitiveness of BUMDES, based on the previous research. The six sub-elements are human resources, governance, BUMDES capital, social capital, products and business units, and marketing. Alternative strategies were taken from the results of need assessments with BUMDES key persons and strengthened from several previous studies related to BUMDES. There are six alternative strategies offered, specifically increasing competence through joint training and mentoring; network expansion, and partnerships; improved market research collaboration with stakeholders; increased mastery of technology and information; increased access to capital, and improvement of attractive marketing techniques.

### **3. RESULTS AND DISCUSSION**

#### **3.1. Empirical Results**

Analysis using the Atlas.ti method was carried out to analyze the BUMDes Model in Semarang Regency. According to the results of interviews with key persons, the BUMDES development model in Semarang Regency meets the characteristics of community-based enterprises, and only some are social enterprises. The findings show that BUMDES are profit-oriented, but not all of the profits are used for social activities. Rostiani et al. (2015) state that the social enterprises model has the main goal that all profits are purely for social purposes. Another characteristic of social enterprises is a social fund. The existence of social funds for social activities is the core or becomes for an organization's goals to have social impacts (Kay & McMullan, 2017). Routine social activities carried out by BUMDES come from the government such as distributing social assistance related to the relief for Family Outlook Program (PKH) and community groups affected by COVID-19. Besides distributing assistance from the government, several BUMDES have their social programs, including helping people with disabilities, stunting, and the elderly. Unfortunately, more BUMDEs have the social program but faced problems in terms of its sustainability or it has not been executed yet. As stated by KP10

*"Community services have not been implemented. The Memorandum of Association/ Articles of Association (AD/ART) has listed the percentage of SHU distribution for social and education funds but so far BUMDes has not been able to fulfill that"*

and KP9

*"There is a program to assist the disabled, the elderly, the underprivileged, but this has not been implemented yet"*

In the case of business units, social enterprises carry out a business that aims to ensure the sustainability of funds that will be used for social activities (Rostiani et al., 2015). The results show BUMDES business unit has a goal of reaching economic profit. Indeed, it has a social mission, but not purely for social purposes. For example, facilitating procurement or partnering with the community to provide products and services needed by members or their community.

In some activities, Community-Based Enterprises (CBE) Model has the same with the social enterprise model in term of the business unit and social activities. The finding shows that social activities carried out by this model are limited to distributing aid from the government to groups of people affected by COVID-19. Apart from two activities, the CBE model shows the following things. First, the purpose of BUMDES indicates that the main goals are mostly for the benefit of the village and the community as well as for the internal BUMDES. BUMDES are expected to absorb labor; and provide support as independent villages through contributions to the village income (PADes). In society, BUMDES can increase community income, and provide support to small enterprises, either in the form of cooperation or loans. Internally, BUMDES can increase profits, for the welfare of managers and employees. Second, a business strategy shows that BUMDES is actively promoting both offline/online; cooperation with other BUMDES and other parties, and making many innovations to expand the market. It is strengthen its existence to achieve the goals to be achieved (Figure 1). Third, strong social capital can be seen from the high participation of the community. BUMDES does not have obstacles in the availability of human resources. This also encourages BUMDES to provide products and services that refer to the needs and what is desired of the community. The reason is to foster a sense of community ownership of BUMDES. As stated by KP6

*"...Ideas from the community, we only facilitate the issue of permits, what questions, so that community involvement is more dominant, the sense of belonging is involved".*

KP5 said that *"... Yesterday there was also an event conducted by the local youths to attract the community. They hold an event to shop for groceries worth one hundred thousand. They are welcome if BUMDes want to promote or sell anything, whilst people come in droves to shop for groceries..."*.



Likewise with KP7

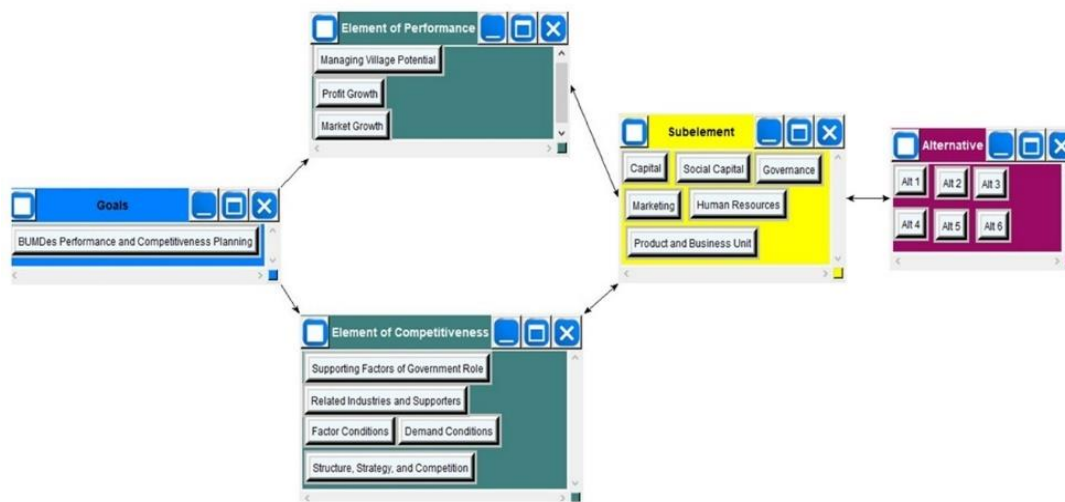
*“... BUMDes have 15 people, approximately 20 traders. It means the community indirectly supports it. So, We manage the culinary business, merchandise from the residents is entrusted to us...”*



From Figure 1 can be seen that BUMDES in Semarang Regency is mostly focused on the CBE model. The results of the interview also show that many BUMDES have stopped operating during the pandemic. It caused the diminishing of human resources. Business units have stopped because people have decreased purchasing power. Currently, BUMDES is starting to reorganize both its management and institutions. Therefore, post-covid is a good momentum for BUMDES to reorganize its orientation. If so far the business unit is only directed to gain economic benefits, in the future it is hoped that it will be able to process to activate social functions and play a more role as a social safety net for the community. Social entrepreneurship is an essential element for the emergence and success of community-based enterprises (Orozco-Quintero, 2010) and to increase “social value” (Peredo & McLean, 2006). Social enterprises play a role in maintaining economically viable communities to gain control over their resources. This business is based on an economic model with broader objectives, economic, social, cultural, and political (Berkes & Davidson–Hunt, 2007). Rostiani et al. (2015) states that all profits from the business are used to fund social activities and focuses. Therefore, the business is done only to ensure sustainable funding.

Based on the results of Atlas.ti, the BUMDES development model in Semarang Regency leads to the Community-Based Enterprises Model. The Analytical Networking Process (ANP) method is used to reach plan performance and competitiveness in the Community-based enterprises model at BUMDES. Barati et al. (2017) states that ANP is the development of the Analytical Hierarchy Process (AHP) model proposed by Saaty. The ANP model is a non-linear structured decision-making method with many attributes to model complex problems in the real world.

The main advantage of the ANP method is its ability to consider dependent factors and feedback systematically, as well as to accommodate quantitative and qualitative factors (Ascarya & Sakti, 2022). Decision-making is done using the multiple criteria decision-making (MCDM) method to see the relationship between clusters and hierarchies in the network structure whose elements are goals, criteria, sub-criteria, and alternatives (Cil & Turkan, 2013). The results of ANP can be seen in Figure 2.



Remark:

Alt 1: Improving competence through joint training and mentoring.  
 Alt 2: Network expansion and partnership.  
 Alt 3: Improved market research collaboration with stakeholders

Alt 4: Increased mastery of technology and information.  
 Alt 5: Improved access to capital.  
 Alt 6: Improved attractive marketing techniques.

**Figure 2. Analytical Networking Process Result**

Source: Processed by the authors

Figure 2 shows the Analytical Networking Process method to obtain the priority planning strategies for performance and competitiveness in the community-based enterprises model. The ANP model has five clusters, namely objectives, performance elements (three indicators), competitiveness elements (five indicators), problem sub-elements (six indicators), and planning alternatives (six alternatives). Data were obtained from in-depth interviews with informants. They are the BUMDES director and its stakeholders (village apparatus and the community).

The next step is to compare the value of pairwise comparison for each relationship to get a local priority weight calculation. Measurement criteria, the inconsistency value must be less than 10% (0.1). Recap of Pairwise Comparison Nilai Value Comparison can see in Table 2.

**Table 2. Recap of Pairwise Comparison Nilai Value Comparison Results**

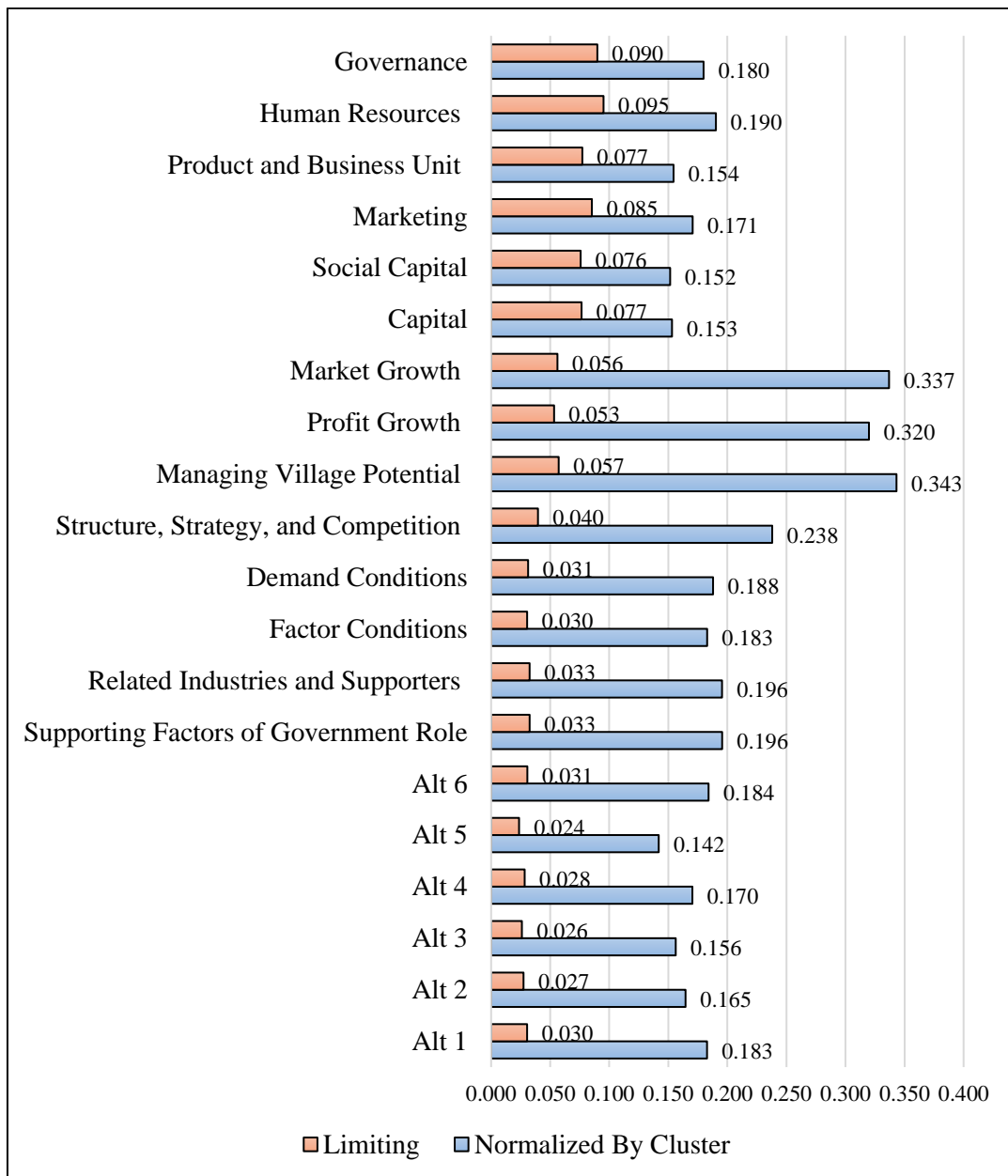
No	Node to Cluster	Inconsistency value
<b>Cluster to Performance Element</b>		
1	Planning to Performance Elements	0.05156
2	Capital to Performance Elements	0.00000
3	Social Capital to Performance Elements	0.00000
4	Marketing to Performance Elements	0.00000

5	Products and Business Units to Performance Elements	0.00000
6	Human Resources to Performance Elements	0.00000
7	Governance to Performance Elements	0.00000
<b>Cluster to Elements of Competitiveness</b>		
1	Planning to the Elements of Competitiveness	0.00000
2	Capital to Elements of Competitiveness	0.01308
3	Social Capital to Elements of Competitiveness	0.00000
4	Marketing to the Elements of Competitiveness	0.01308
5	Product and Business Unit to Competitive Element	0.00000
6	Human Resources to Elements of Competitiveness	0.00000
<b>Cluster to Sub-Elements</b>		
1	Managing Village Potential to Sub-Elements	0.00000
2	Profit Growth to Sub-Elements	0.00000
3	Market Growth to Sub-Elements	0.00873
4	Supporting Factors of Government Role to Sub-Elements	0.00873
5	Related Industries and Its Supporters to Sub-Elements	0.00000
6	Factor Conditions to Sub-Elements	0.00000
7	Demand Conditions to Sub-Elements	0.00000
8	Structure, Strategy, and Competition to Sub-Elements	0.00873
<b>Alternative to Sub-Elements</b>		
1	Alt 1 to Sub-Elements	0.00000
2	Alt 2 to Sub-Elements	0.00000
3	Alt 3 to Sub-Elements	0.01298
4	Alt 4 to Sub-Elements	0.01298
5	Alt 5 to Sub-Elements	0.00000
6	Alt 6 to Sub-Elements	0.03128
<b>Sub-Element to Alternative</b>		
1	Capital to Alternative	0.00000
2	Social Capital to Alternative	0.00873
3	Marketing to Alternatives	0.00000
4	Product and Business Unit to Alternative	0.00000
5	Human Resources to Alternative	0.01298
6	Governance to Alternative	0.00000

Source: Processed by the authors

Table 2 shows the value of inconsistency in pairwise comparisons of cluster competition in the alternative node expansion category, for all categories, the value is less than 10% (< 0.1). This indicates that the data obtained is consistent.

The alternative planning strategies presented from the normalized by cluster values can be seen in Figure 3. The priority of the strategy is obtained based on the average weighing of the informants' answers about the elements, sub-elements, and alternative strategies that are the priority and most important to achieve the goal.



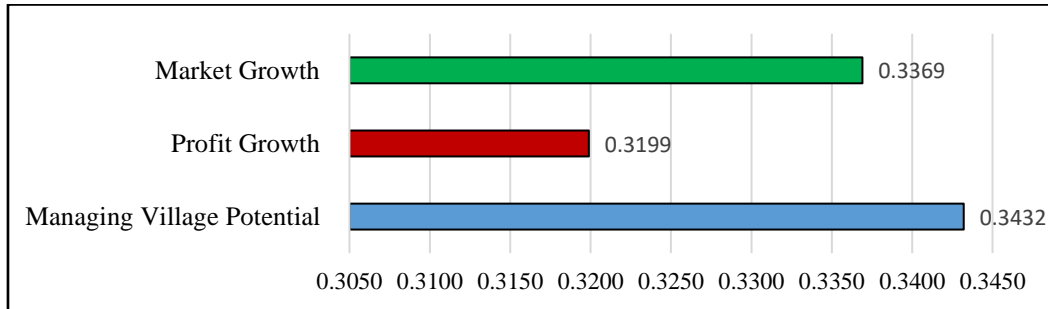
**Figure 3. Elements and Subelements**

Source: Processed by the authors

Figure 3 shows the alternative strategies for improving attractive marketing techniques and increasing competence through joint training and mentoring have the largest averages, respectively, which are 0.1841 and 0.1828. The second priority is the increase in mastery of technology and information by 0.1704 and the third priority is the expansion of networks and partnerships by 0.1646.

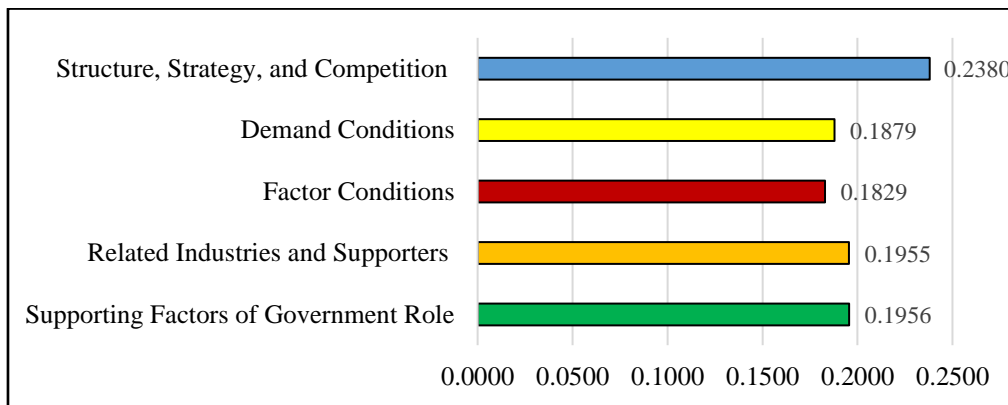
In the performance element, three indicators are considered, namely, market growth, profit growth, and managing village potential. Figure 4 shows the performance

indicator element manages village potential and has the highest weight, which is 0.3432 above market growth (0.3369) and profit growth (0.3199).



**Figure 4. Element of Performance**  
Source: Processed by the authors

Meanwhile, for competitiveness, five indicators are set. The indicators used to refer to Potter's diamond, namely structure, strategy, and competition; demand conditions; factor conditions; related and supporting industries; and factors supporting the role of government. See Figure 5.



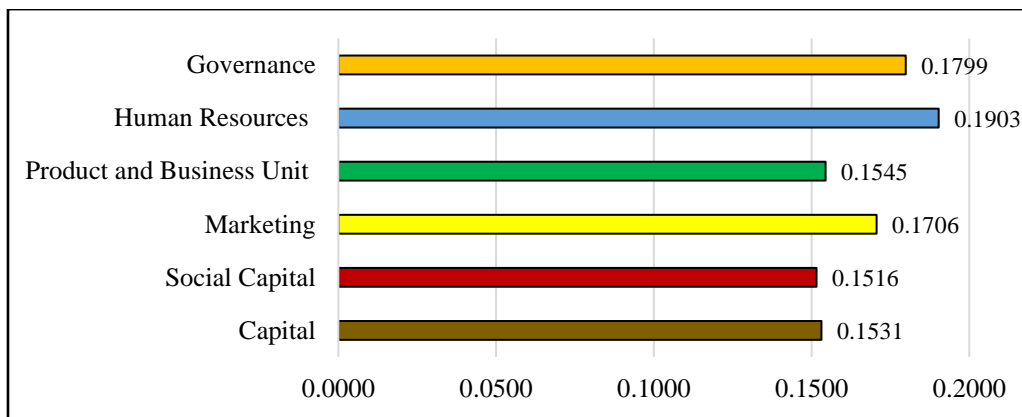
**Figure 5. Elements of Competitiveness**  
Source: Processed by the authors

Figure 5 can be seen that structure, strategy, and competition have the highest weight, which is 0.2380. This weight is higher than the indicator of supporting factors for the role of government and related and supporting industries. This indicates that the five pandemics are used by BUMDES to organize and improve the structure, strategy, and how to compete in business. Currently, BUMDES always maintains that it is not in a position as a competitor, but acts as a protector who provides support for small village businesses. It was said by KP5

*".. So the purpose of BUMDES in principle is to do whatever the community can't have, namely the business that has been done by our community, we don't want to interfere, don't want to compete with the community.."*

It is in line with (Sidik, 2020) which states BUMDES act as a holding, for example, in terms of product marketing one-stop by carrying a local village brand. BUMDES is not a competitor for community businesses.

In the sub-elements, it is used for the problems often faced by BUMDES. There are 6 sub-elements, among others: capital; social capital; marketing; products and business units; human resources, and governance. See Figure 6.



**Figure 6. Problem in Sub-Elements**

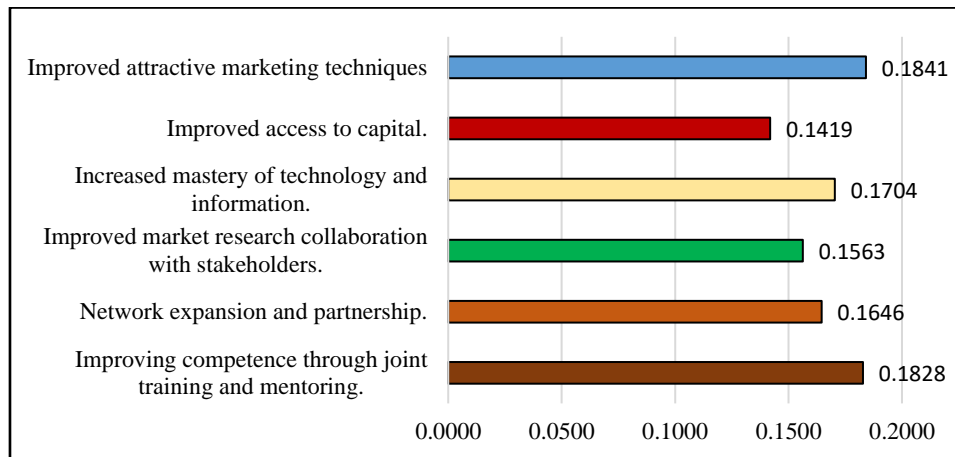
Source: Processed by the authors

Based on Figure 6, it can be seen that human resources have the highest weight, which is 0.1903. The second position is governance by 0.1799. The importance of human resources and governance for BUMDES was conveyed by KP9 that said

*“..tidying up the administration, to maximize neat finances, we must understand administration, good administration we can control the management”.*

BUMDES planning offers six alternatives, namely competence improvement through joint training and mentoring; network expansion and partnerships; increased market research collaboration with stakeholders; increasing mastery of technology and information; increasing access to capital, and improvement of attractive marketing techniques based on innovation and digitization. See Figure 7.





**Figure 7. Alternative Options**

Source: Processed by the authors

Figure 7 shows that for planning alternatives in the community-based enterprises model at BUMDES in Semarang Regency. The major 3 priorities are improving attractive marketing techniques (0.1841); competence through joint training and mentoring with a score of 0.1828 and increased mastery of technology and information. Rising access to capital and increasing market cooperation research, and collaboration with stakeholders are alternatives that are not a priority because they are only 0.1419 and 0.1563 respectively. The rater agreement value of 0.7028 from a range of 0-1 indicates a "strong" scale. It means the key persons are very unanimous in determining the alternatives that become policy priorities in the planning of the BUMDES model in Semarang Regency.

### 3.2. Discussion

Based on the results of in-depth interviews with BUMDES managers, village apparatus, and the community, we found that BUMDES in Semarang Regency lead to the community-based enterprises (CBE) Model. The goal of the BUMDES operation is a strong sign that BUMDES is not a social enterprise. In the network path, can be seen too that BUMDES in Semarang Regency is leading to CBE. Although there are some characteristics in common with social entrepreneurs, BUMDES are very strong in managing their social capital to achieve economic goals, especially contributing to village original income (PADes). To maintain its sustainability, the efforts made by BUMDES are to provide products and services that are needed by the community. This is the most interesting dimension because it relates to the nature of consumers (Prayoga, 2019) and becomes an important part of increasing competitiveness. The existence of preferences from consumers will encourage innovations in the village economy that are mutually beneficial for both consumers and producers. Another effort is by partnering with businesses that have been carried out by society. Peredo & Chrisman (2006) said CBE has a primary business that is based on collective and individual interests and sees communal values and ideas about the common good. In addition, the more community

involvement in BUMDES, the stronger its legitimacy in the village will be. In line with studies Vestrum et al. (2017) which state that the more individuals from a community are involved, the deeper the CBE is embedded in that community. It means if the inhabitant of the rural community considers the business credible, they will be more confident in supporting the business.

The finding is BUMDES in Semarang Regency has been running its business units under the Regulation of the Minister of Villages, Development of Disadvantaged Regions, and Transmigration of the Republic of Indonesia No 4 in 2015, especially its objective to optimize the assets and the village potentials. This profit orientation is crucial for BUMDES to strengthen contributions to the village income (PADes) to support the realization of village independence. It will make the village not depend on the government and give beneficiaries for the village prosperity. Kusuma D (2014) also said that the functions of BUMDES are: as a driving force for the village economy, as a business institution that generates village income (PADes), and as a means to accelerate the acceleration of improving welfare of rural communities. Alhamidi & Pakpahan (2018) also stated that BUMDES are expected to become village assets so that villages can have their income and are not dependent on funding sources from the central government. The role of the government is quite large in the development of BUMDES. If the roles and functions carried out by the government can facilitate and create a conducive climate, then BUMDES will be able to become a great asset for the village. Che (2017) stated that local governments can be a driving force in economic transition and development, provided they are empowered and constrained appropriately. If wanna have progress, BUMDES governance must be directed to be more professional and independent, even if BUMDES management must be held by people who have the competence and understanding of BUMDES (Zulfiani & Rivai, 2020).

Improving marketing techniques is a top priority for BUMDES to raise its performance and competitiveness. The underlying reason is that marketing can be used by BUMDES to identify needs; determine profit potential; target market; decide on various products or services, and define a program for the target market. This study also found that increasing competence through joint training and mentoring is crucial for human resource development. The training needs are very important for BUMDES which is on the criteria of growing and or developing because the success and progress of BUMDES are determined by the expertise skills and skills of human resources in managing BUMDES. This is also confirmed by Sakir et al. (2022) that training and mentoring will be able to increase the capacity and progress of BUMDES. Khamisah et al. (2021) also said that education, training, and mentoring will be able to reduce the gap between the conditions faced by BUMDES and the demands contained in government regulations. Its gap problem is also faced by BUMDes in Garut Regency (Kania et al., 2021).

The selected strategies support the implementation of Agency Theory, Glinkowska Theory, and Boguslaw Stewardship. The results show that managerial decision-making must be in line with the needs of the community by utilizing social

capital. This is done as an effort to reduce the lack of knowledge of BUMDES management and the low level of governance carried out by Agustina et al. (2021); Widiastuti et al. (2019); Sofyani et al. (2019); Jatmiko et al. (2021). Such efforts will be successful if managers have empathy and a clear focus on social beneficiaries (Mason et al., 2007). It is hoped that in the future, BUMDES with good planning and arrangement will have high competitiveness (Arias-Vargas et al., 2022).

The findings of this study also strengthen the opinion of Puspita S & Widaningrum (2020) that Community-Based Enterprise (CBE) is an approach used in developing countries to alleviate poverty and improve the welfare of people in rural areas. Another research finding is that the strength of CBE lies in its social capital. This condition implies that social capital is the driving force for BUMDES and is an ongoing process that will never run out. If managed properly, the quality will continue to improve and provide sustainable benefits for the community (Peredo & Chrisman, 2006; Ring et al., 2010; Fathy, 2019). The strength of culture and social capital in the community raises great demands for BUMDES to have a dual role. On the one hand, it is hoped that its contribution to PADes will be able to carry out its social mission. Cho & Kim (2017) states that economic performance is positively related to social performance. This indicates that although it is possible to realize it, it is not easy for BUMDES because it requires a strong financial foundation for it.

#### **4. CONCLUSION**

This article explores the behavior of BUMDES in Semarang Regency to define the basic model, whether the community-based enterprises (CBE) model or the social enterprises (SE) model. Identifying the existence of a model is very crucial to designing the orientation to be achieved for improving its performance and competitiveness. The results show that BUMDES leads to CBE model because its basic characteristics have the aim of improving the village economy with an indicator of the large contribution of BUMDES to PADes. BUMDES' orientation to profit, and large social capital strengthens the model. Planning the community-based enterprises in BUMDES to improve their performance and competitiveness, places a lot of emphasis on the capabilities of its human resources. Improving marketing techniques and increasing competence through joint training and mentoring are expected to be a learning and action process, to increase the capacity and progress of BUMDES.

The research also found that BUMDES have not been able to stand as purely social enterprises because they are constrained by the insecurity of social funds, in terms is its sustainability. Meanwhile, social activities carried out by many BUMDES are helping to distribute the aid program from the government for marginal and underprivileged groups. Each village has its uniqueness. Further research can conduct by distinguished BUMDES based on the typology of the village. If BUMDES is

differentiated based on its typology, the models and behaviors can be identified according to their respective roots.

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**Optimizing the Role of Community-Based Enterprises Model to Improve  
Performance and Competitiveness in Indonesia**

**Abstract**

This study aims to identify the characteristics and roles of the village-owned enterprises (BUMDes) model and determine the appropriate development strategy to improve performance and competitiveness. This research is a qualitative study with a case study approach. Data were taken from key persons the director of BUMDES, village officials, and the community as BUMDES partners in Semarang Regency. Data were analyzed using Atlas.ti and Analytical Networking Process (ANP) methods. The results show that BUMDes in Semarang Regency leads to the community-based enterprises (CBE) model than social enterprises because some of the characteristics they have to include the purpose of establishing BUMDes is to contribute to the village economy through the village income (PADes), improving the welfare of rural communities; BUMDes strategy to gain profits, and have strong social capital. Strategies to improve attractive marketing techniques and increase competence through joint training and mentoring are top priorities to improve performance and competitiveness. The limitation of the study is the sample should include the differentiated BUMDES based on village typology so that models and behavior can be identified according to their respective roots.

**Keywords:** model, community-based enterprises, BUMDES, strategy, performance, competitiveness

**JEL classification:** O17

**1. INTRODUCTION**

According to Law No. 6 in 2014, empowering the village economy in Indonesia is the achievement of an independent village. Developing community independence and welfare by increasing knowledge, attitudes, skills, behavior, abilities, awareness, and utilizing resources can be reached through Village Community Empowerment. According to Law No. 6 of 2014 concerning Villages, BUMDes is a village-owned business entity as one of the programs to empower the economy of rural communities. The Indonesian Government developed this program to encourage rural entrepreneurship growth by utilizing the potential of locally owned resources (Puspita S & Widaningrum, 2020). In the 2015 Regulation of the Ministry of Villages, Development of Disadvantaged Regions (Permendes), BUMDes aims to improve the village economy; optimize Village assets so

that they are useful for Village welfare; increase community efforts in managing the Village's economic potential; develop business cooperation plans between villages with third parties; creating opportunities and market networks that support citizens' public service needs; open employment opportunities; improving community welfare through improving public services; Village economic growth and equality; and increasing Village Community Income and Village Original Income.

The real accomplishment of village community empowerment is Village Owned Enterprises (BUMDES). The uniqueness of each different region requires its handling. The level of sustainable prosperity, productivity, and wages in a region is determined by a region's ability to create and commercialize innovations (Porter et al., 2004). Strong commitment and competence are needed to mobilize the potential that exists in rural areas. On this side, the weakness of BUMDES is that they have not been able to explore the utilization of local potential (Agustina et al., 2021). Muhammad et al. (2021) found that the potential of the village in the form of local wisdom could be utilized to improve the standard of living of the community. However, it couldn't be achieved if a lack of coordination subsists in the institutional network that supports rural development (Porter et al., 2004).

BUMDES is a unique organization. One side is a vision to maximize profit, but the other side is an organization owned by society. A study in South Korea (Cho and Kim, 2017) found that entrepreneurship is positively related to social performance through network communities and is not directly related to social performance. The managerial decision-making must align with the community's needs by utilizing existing social capital. Social capital is an important source for the development of entrepreneurship in rural areas (Ring et al., 2010). This means how to take advantage of processes between people that build networks, norms, and social trust, to facilitate mutually beneficial coordination and cooperation (Fathy, 2019). Success in prioritizing, safeguarding, and balancing the rising interests will lie in the leadership role. The manager's role should be empathetic and have a clear focus on the social beneficiary (Mason et al., 2007).

In practice, BUMDES often cannot operate properly due to wrong perceptions from society. There is a view that BUMDES must find its way to generate profits for the community. There is an incorrect understanding in society. It's causing society feel reluctant to contribute to BUMDES. They think it is the responsibility of the BUMDES manager and government to operate the BUMDES. Several studies support this, which is indicated by the low level of community participation. As a result, the community's contribution has not been optimal in the management of BUMDES (Lestari et al. 2019; Nurfakhirah et al., 2021). In addition to the government and BUMDES managers, good BUMDES management should not be separated from the role of the community (Jatmiko



et al., 2021). In practice, in some villages, it is still ambiguous, in terms of the management and development of the BUMDES (Agustina et al., 2021; Widiastuti et al., 2019; Muhammad et al., 2021).

Taking into account the problems of BUMDES, several points are related to the problems of BUMDES in Semarang Regency. Besides the wrong perception of BUMDES, the big role of the government just in the planning stage (Nurfakhirah et al., 2021), management and governance couldn't work out optimally (Lestari et al., 2019). The study of BUMDES governance, especially the sustainability and participatory principles, is the aspect that has not received attention and the element with the highest level of applicability (Widiastuti et al., 2019). Like small and medium-sized enterprises, BUMDES also faces problems with a lack of capital, skills, and technology. If it is not handled well, then the competitiveness will be bad (Maksum et al., 2020). Currently, there is very little research on competitiveness and how village environmental issues and the role of networks will affect the performance and competitiveness of BUMDES.

The obstacles in the BUMDES in Semarang Regency were allegedly due to a misperception about the shape of the BUMDES model. There is an assumption that BUMDES are Social Enterprises (Sofyani et al., 2020). The initial observations at BUMDes Sumber Rejeki, Kalikayen Village in the 2021 Independent Campus Grant Program show an incorrect understanding of society. BUMDes should not only Social-Based Owned Enterprises but more towards Community-Based Owned Enterprises. This misunderstanding leads to reluctance among people to contribute, as they believe that only BUMDes managers and village apparatus are responsible for operating BUMDES. Social Enterprises are different from Community-Based Enterprises. Community-Based Enterprise (CBE) is a form of entrepreneurship that is based on collective and individual interests as a fundamental complement and sees communal values and ideas of the common good as essential elements in creating enterprises, as well as pursuing economic and social goals for its members (Peredo & Chrisman, 2006; Puspita S & Widaningrum, 2020).

Misconceptions about the roles and responsibilities in the management of Badan Usaha Milik Desa (BUMDes) lead to the potential for collaborative development and community-driven initiatives within BUMDes being significantly hindered. This study aims to identify the development model of BUMDES in Semarang Regency. In addition, it has to create the role and appropriate development strategy based on its model to improve performance and competitiveness. This study is significant to be carried out because there must be a mutual understanding that BUMDES are not strictly social enterprises, but the main point is community-based enterprises. With appropriate planning, a successful and interwoven business network will be formed from BUMDES. Its built upon will have a positive influence on the local society, the region, and its

surroundings. According to Ring et al (2010), successful business networks in rural areas will have spillover effects in their communities and beyond. BUMDES can create sustainable economic competitiveness for rural communities.

## 2. RESEARCH METHODS

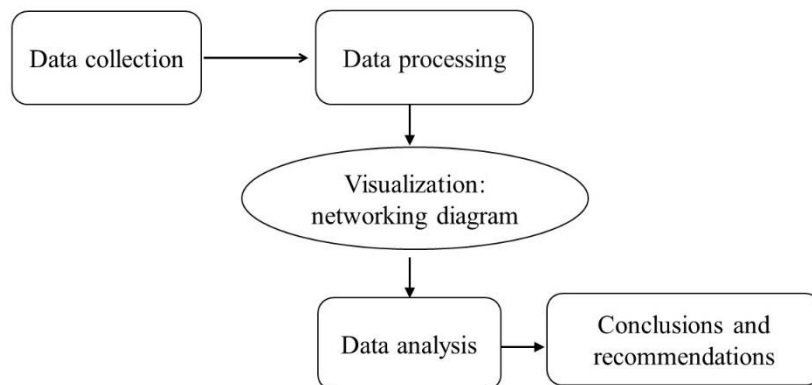
The study is qualitative methods. It was conducted to determine, understand, and describe the characteristics and behavior of BUMDES in Semarang Regency. This information is used to determine the role of BUMDES. So, appropriate planning can be made. Data were obtained from interview transcripts, notes from field observations, photos of activities, activity videos, personal documents, and other documents. In Atlas.ti analysis, purposive sampling was carried out based on the level of development of BUMDES which represented 3 classifications: basic, growing, and developing. This study was conducted at 10 BUMDes in Semarang Regency, which participated in the BUMDes Internship Program under the 2021 Merdeka Campus Grant, Department of Development Economics. These 10 BUMDes were chosen to represent the Growing and Developing category of BUMDes. Key persons are BUMDes directors. The profiles of BUMDES key persons are shown in Table 1.

**Table 1. The Information of BUMDES's Key Persons**

No	Code	Positioning in BUMDES	Name of Village	Classification of BUMDES
1.	KP1	Director in BUMDES Maju Mapan	Asinan	Basic
2.	KP2	Director in BUMDES Gerbang Lentera	Lerep	Growing
3.	KP3	Director in BUMDES Maju Director in BUMDES Rahayu	Jatirunggo	Growing
4.	KP4	Director in BUMDES Sido Sari	Pringsari	Growing
5.	KP5	Director in BUMDES Asung Daya	Jatijajar	Developing
6.	KP6	Director in BUMDES Sejahtera Bersama	Nyatnyono	Developing
7.	KP7	Director in BUMDES Bangun Jaya	Kesongo	Developing
8.	KP8	Director in BUMDES Untung Makmur	Branjang	Developing
9.	KP9	Director in BUMDES Rejo Mulyo	Gogik	Developing

Meanwhile, the strategic planning for ANP included collaboration with village officials and the community, in partnership with BUMDes, operating in the villages of Asinan, Lerep, Jatirunggo, Pringsari, Jatijajar, Nyatnyono, Kesongo, Branjang, Gogik, and Banyubiru.

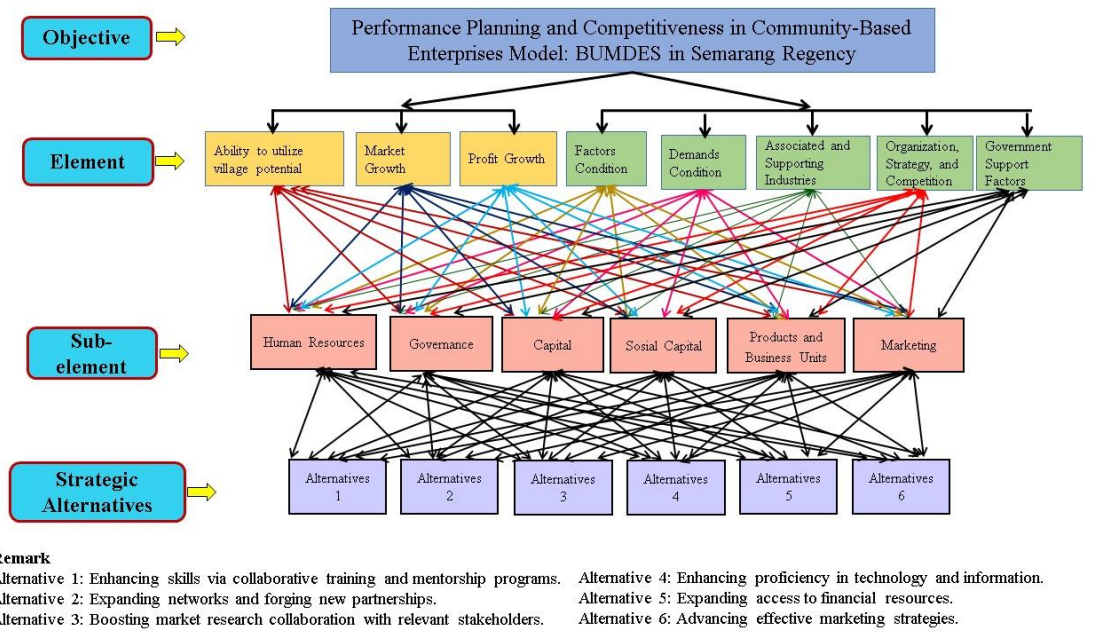
The model formulation for BUMDES in Semarang Regency was determined using the Atlas.ti. Atlas.ti is a qualitative data analysis (QDA) software, which is very useful in social science research (Hwang, 2008). Atlas.ti can read various types of data, such as audio data, video data, image data, and written data (articles, books, survey data, or interview transcripts) so that triangulation can be carried out with various types of data collection (Afriansyah, 2018). The stages of Atlas.ti analysis can be seen in Figure 1.



**Figure 1. Stage of Atlas.ti Analysis**

Figure 1 shows data processing carried out after various types of data, such as audio data, video data, image data, and written data from BUMDES are obtained. At this stage, researchers will attend 3 coding processes, namely open coding, axial coding, and selective coding. The analysis of the results is carried out after the visualization results gains in the form of a networking diagram.

Planning for performance and competitiveness at BUMDES in Semarang Regency is executed by the ANP method. The interview results with key persons were analyzed using Super Decisions v.3.0. The ANP method is shown in Figure 2.



**Figure 2. ANP Methods flow**

Figure 2 shows that the ANP method considers 8 support elements, which are 3 elements for performance indicators and five elements for competitiveness indicators. The Performance indicators are determined based on Law No. 6 in 2014 concerning Villages, and the Regulation of the Minister of Villages, Development of Disadvantaged Regions, and Transmigration of the Republic of Indonesia No. 4 in 2015 concerning the Establishment, Management, and Dissolution of Village-Owned Enterprises. The performance elements are the ability to manage village potential, BUMDES's market growth, and BUMDES's profit growth. Meanwhile, competitiveness indicators are determined from Porter's Diamond Model. It consists of five elements, which are condition factors demand conditions; related and supporting industries; structure, strategy, and competition; and factors supporting the role of government.

Identification of the sub-elements that support the planning of improving the performance and competitiveness of BUMDES, based on the previous research. The six sub-elements are human resources, governance, BUMDES capital, social capital, products and business units, and marketing. Alternative strategies were taken from the results of need assessments with BUMDES key persons and strengthened from several previous studies related to BUMDES. There are six alternative strategies offered, specifically increasing competence through joint training and mentoring; network expansion, and partnerships; improved market research collaboration with stakeholders;

increased mastery of technology and information; increased access to capital, and improvement of attractive marketing techniques.

### 3. RESULTS AND DISCUSSION

Analysis using the Atlas.ti method was carried out to analyze the BUMDes Model in Semarang Regency. According to the results of interviews with key persons, the BUMDES development model in Semarang Regency meets the characteristics of community-based enterprises, and only some are social enterprises. The findings show that BUMDES are profit-oriented, but not all of the profits are used for social activities. Rostiani et al. (2015) state that the social enterprises model has the main goal that all profits are purely for social purposes. Another characteristic of social enterprises is a social fund. The existence of social funds for social activities is the core or becomes for an organization's goals to have social impacts (Kay & McMullan, 2017). Routine social activities carried out by BUMDES come from the government such as distributing social assistance related to the relief for Family Outlook Program (PKH) and community groups affected by COVID-19. Besides distributing assistance from the government, several BUMDES have their social programs, including helping people with disabilities, stunting, and the elderly. Unfortunately, more BUMDEs have the social program but faced problems in terms of its sustainability or it has not been executed yet. As stated by KP10

*"Community services have not been implemented. The Memorandum of Association/ Articles of Association (AD/ART) has listed the percentage of SHU distribution for social and education funds but so far BUMDes has not been able to fulfill that"*

and KP9

*"There is a program to assist the disabled, the elderly, the underprivileged, but this has not been implemented yet"*

In the case of business units, social enterprises carry out a business that aims to ensure the sustainability of funds that will be used for social activities (Rostiani et al., 2015). The results show BUMDES business unit has a goal of reaching economic profit. Indeed, it has a social mission, but not purely for social purposes. For example, facilitating procurement or partnering with the community to provide products and services needed by members or their community.

In some activities, Community-Based Enterprises (CBE) Model has the same with the social enterprise model in term of the business unit and social activities. The finding shows that social activities carried out by this model are limited to distributing aid from the government to groups of people affected by COVID-19. Apart from two activities, the CBE model shows the following things. First, the purpose of BUMDES indicates that the main goals are mostly for the benefit of the village and the community

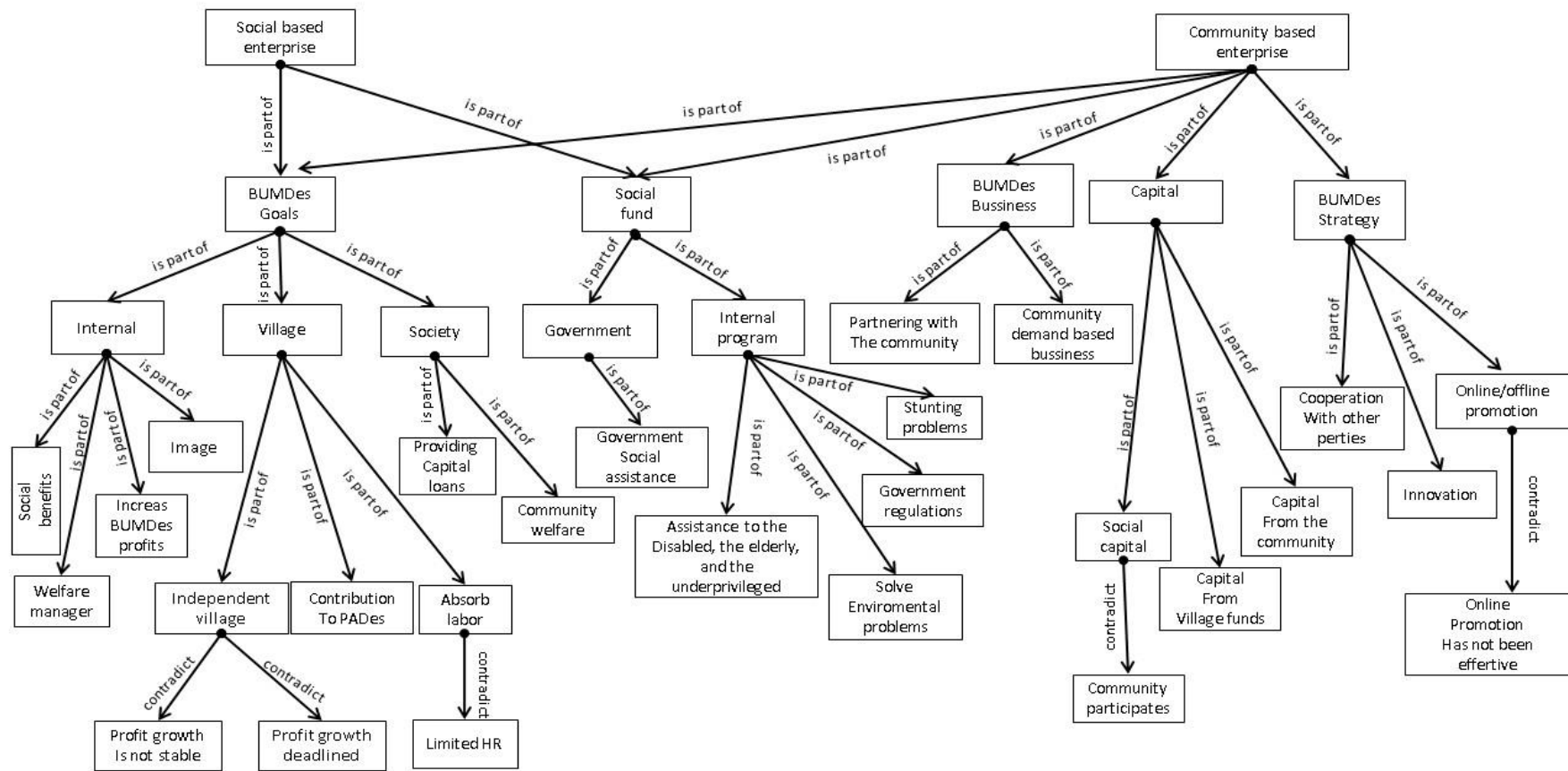
as well as for the internal BUMDES. BUMDES are expected to absorb labor; and provide support as independent villages through contributions to the village income (PADes). In society, BUMDES can increase community income, and provide support to small enterprises, either in the form of cooperation or loans. Internally, BUMDES can increase profits, for the welfare of managers and employees. Second, a business strategy shows that BUMDES is actively promoting both offline/online; cooperation with other BUMDES and other parties, and making many innovations to expand the market. It is strengthen its existence to achieve the goals to be achieved (Figure 1). Third, strong social capital can be seen from the high participation of the community. BUMDES does not have obstacles in the availability of human resources. This also encourages BUMDES to provide products and services that refer to the needs and what is desired of the community. The reason is to foster a sense of community ownership of BUMDES. As stated by KP6

*"...Ideas from the community, we only facilitate the issue of permits, what questions, so that community involvement is more dominant, the sense of belonging is involved".*

KP5 said that *"... Yesterday there was also an event conducted by the local youths to attract the community. They hold an event to shop for groceries worth one hundred thousand. They are welcome if BUMDes want to promote or sell anything, whilst people come in droves to shop for groceries..."*.

Likewise with KP7

*"... BUMDes have 15 people, approximately 20 traders. It means the community indirectly supports it. So, We manage the culinary business, merchandise from the residents is entrusted to us..."*



**Figure 3. Atlas.ti Analysis Results in Determining the Model of BUMDES Development in Semarang Regency**

Source: Processed by the authors

From Figure 3 can be seen that BUMDES in Semarang Regency is mostly focused on the CBE model. The results of the interview also show that many BUMDES have stopped operating during the pandemic. It caused the diminishing of human resources. Business units have stopped because people have decreased purchasing power. Currently, BUMDES is starting to reorganize both its management and institutions. Therefore, post-covid is a good momentum for BUMDES to reorganize its orientation. If so far the business unit is only directed to gain economic benefits, in the future it is hoped that it will be able to process to activate social functions and play a more role as a social safety net for the community. Social entrepreneurship is an essential element for the emergence and success of community-based enterprises (Orozco-Quintero, 2010) and to increase “social value” (Peredo & McLean, 2006). Social enterprises play a role in maintaining economically viable communities to gain control over their resources. This business is based on an economic model with broader objectives, economic, social, cultural, and political (Berkes & Davidson–Hunt, 2007). Rostiani et al. (2015) states that all profits from the business are used to fund social activities and focuses. Therefore, the business is done only to ensure sustainable funding.

Based on the results of Atlas.ti, the BUMDES development model in Semarang Regency leads to the Community-Based Enterprises Model. The Analytical Networking Process (ANP) method is used to reach plan performance and competitiveness in the Community-based enterprises model at BUMDES. Barati et al. (2017) state that ANP is the development of the Analytical Hierarchy Process (AHP) model proposed by Saaty. The ANP model is a non-linear structured decision-making method with many attributes to model complex problems in the real world.

The main advantage of the ANP method is its ability to consider dependent factors and feedback systematically and accommodate quantitative and qualitative factors (Ascarya & Sakti, 2022). Decision-making is done using the multiple criteria decision-making (MCDM) method to see the relationship between clusters and hierarchies in the network structure whose elements are goals, criteria, sub-criteria, and alternatives (Cil & Turkan, 2013).

Based on the analysis using the Analytical Networking Process (ANP) method, strategic priorities for performance planning and competitiveness in the Community-Based Enterprises Model at BUMDES in Semarang Regency have been identified. The ANP model consists of five clusters: objectives, performance elements (with 3 indicators), competitiveness elements (with 5 indicators), problem subelements (with 6 indicators), and planning alternatives (with 6 options). This data was gathered from in-depth interviews with key persons, specifically the Director of BUMDes. According to Figure 2, pairwise comparisons are carried out for each relationship to calculate local priority weight. Measurement criteria, the inconsistency value must be less than 10% (0.1). The recap result of the Pairwise Comparison Value Comparison can be seen in Table 2.



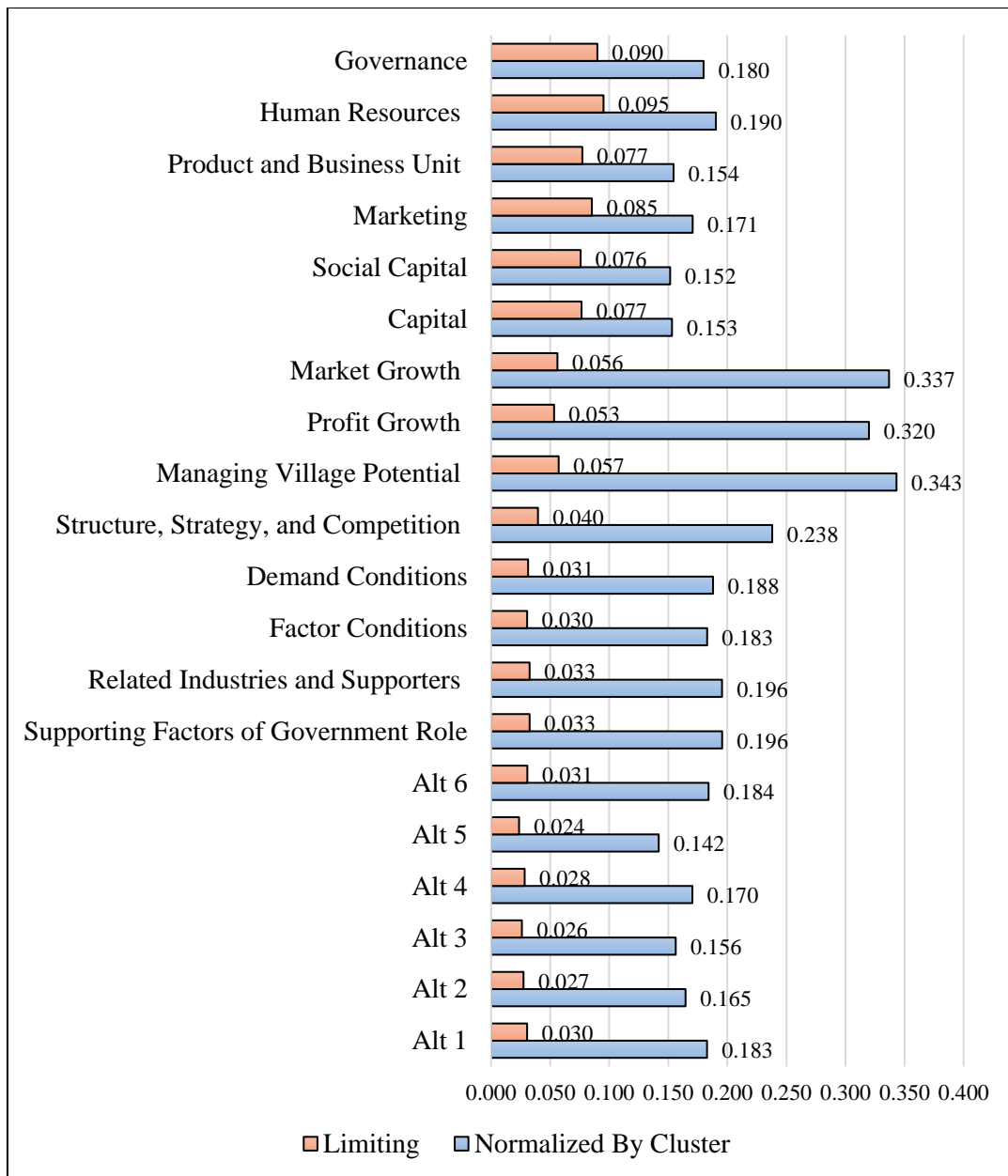
**Table 2. Recap of Pairwise Comparison Value Comparison Results**

No	Node to Cluster	Inconsistency value
<b>Cluster to Performance Element</b>		
1	Planning to Performance Elements	0.05156
2	Capital to Performance Elements	0.00000
3	Social Capital to Performance Elements	0.00000
4	Marketing to Performance Elements	0.00000
5	Products and Business Units to Performance Elements	0.00000
6	Human Resources to Performance Elements	0.00000
7	Governance to Performance Elements	0.00000
<b>Cluster to Elements of Competitiveness</b>		
1	Planning to the Elements of Competitiveness	0.00000
2	Capital to Elements of Competitiveness	0.01308
3	Social Capital to Elements of Competitiveness	0.00000
4	Marketing to the Elements of Competitiveness	0.01308
5	Product and Business Unit to Competitive Element	0.00000
6	Human Resources to Elements of Competitiveness	0.00000
<b>Cluster to Sub-Elements</b>		
1	Managing Village Potential to Sub-Elements	0.00000
2	Profit Growth to Sub-Elements	0.00000
3	Market Growth to Sub-Elements	0.00873
4	Supporting Factors of Government Role to Sub-Elements	0.00873
5	Related Industries and Its Supporters to Sub-Elements	0.00000
6	Factor Conditions to Sub-Elements	0.00000
7	Demand Conditions to Sub-Elements	0.00000
8	Structure, Strategy, and Competition to Sub-Elements	0.00873
<b>Alternative to Sub-Elements</b>		
1	Alt 1 to Sub-Elements	0.00000
2	Alt 2 to Sub-Elements	0.00000
3	Alt 3 to Sub-Elements	0.01298
4	Alt 4 to Sub-Elements	0.01298
5	Alt 5 to Sub-Elements	0.00000
6	Alt 6 to Sub-Elements	0.03128
<b>Sub-Element to Alternative</b>		
1	Capital to Alternative	0.00000
2	Social Capital to Alternative	0.00873
3	Marketing to Alternatives	0.00000
4	Product and Business Unit to Alternative	0.00000
5	Human Resources to Alternative	0.01298
6	Governance to Alternative	0.00000

Source: Processed by the authors

Table 2 shows the value of inconsistency in pairwise comparisons of cluster competition in the alternative node expansion category, for all categories, the value is less than 10% (< 0.1). This indicates that the data obtained is consistent.

The alternative planning strategies presented from the normalized by cluster values can be seen in Figure 4. The priority of the strategy is obtained based on the average weighing of the informants' answers about the elements, sub-elements, and alternative strategies that are the priority and most important to achieve the goal.

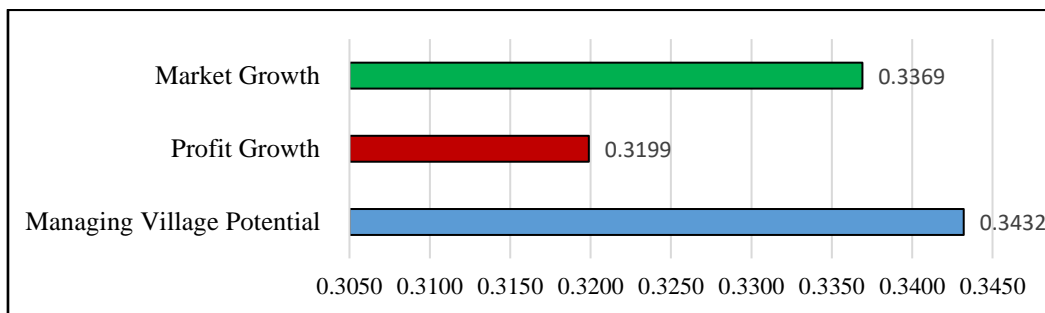


**Figure 3. Elements and Subelements**

Source: Processed by the authors

Figure 4 shows the alternative strategies for improving attractive marketing techniques and increasing competence through joint training and mentoring have the largest averages, respectively, which are 0.1841 and 0.1828. The second priority is the increase in mastery of technology and information by 0.1704 and the third priority is the expansion of networks and partnerships by 0.1646.

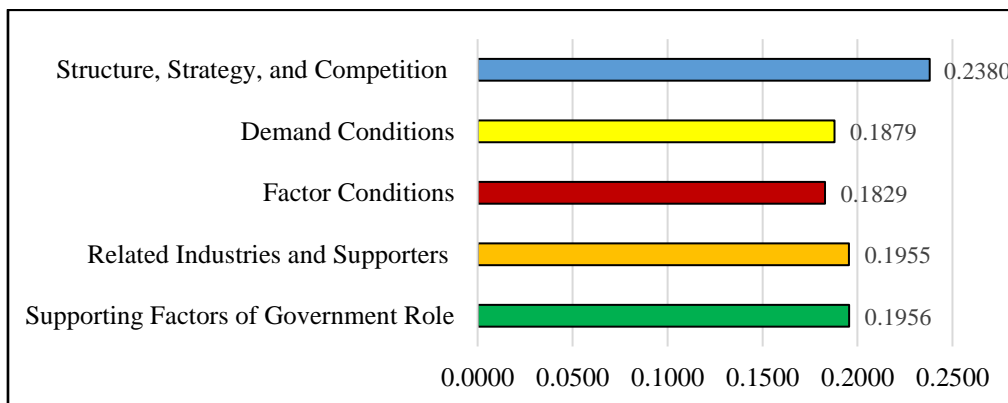
In the performance element, three indicators are considered, namely, market growth, profit growth, and managing village potential. Figure 5 shows the performance indicator element manages village potential and has the highest weight, which is 0.3432 above market growth (0.3369) and profit growth (0.3199).



**Figure 4. Element of Performance**

Source: Processed by the authors

Meanwhile, for competitiveness, five indicators are set. The indicators used to refer to Potter's diamond, namely structure, strategy, and competition; demand conditions; factor conditions; related and supporting industries; and factors supporting the role of government. See Figure 6.



**Figure 6. Elements of Competitiveness**

Source: Processed by the authors

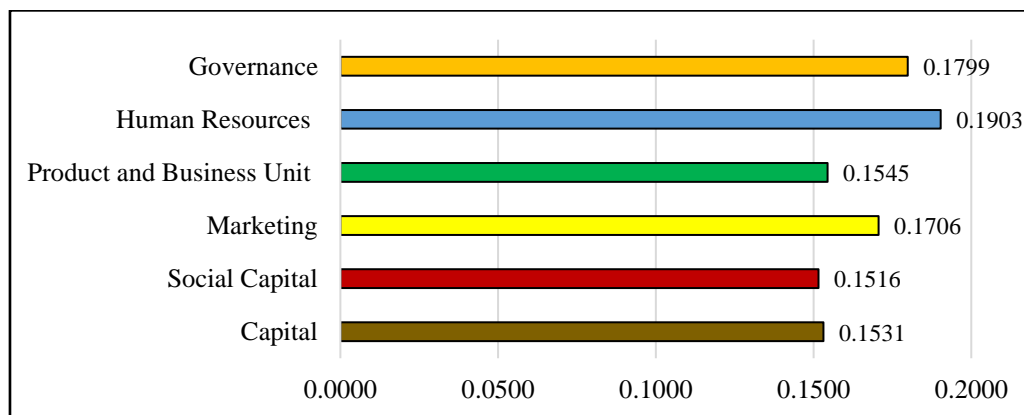
Figure 6 can be seen that structure, strategy, and competition have the highest weight, which is 0.2380. This weight is higher than the indicator of supporting factors for the role of government and related and supporting industries. This indicates that the five pandemics are used by BUMDES to organize and improve the structure, strategy, and

how to compete in business. Currently, BUMDES always maintains that it is not in a position as a competitor, but acts as a protector who provides support for small village businesses. It was said by KP5

*".. So the purpose of BUMDES in principle is to do whatever the community can't have, namely the business that has been done by our community, we don't want to interfere, don't want to compete with the community.."*

It is in line with (Sidik, 2020) which states BUMDES act as a holding, for example, in terms of product marketing one-stop by carrying a local village brand. BUMDES is not a competitor for community businesses.

In the sub-elements, it is used for the problems often faced by BUMDES. There are 6 sub-elements, among others: capital; social capital; marketing; products and business units; human resources, and governance. See Figure 7.



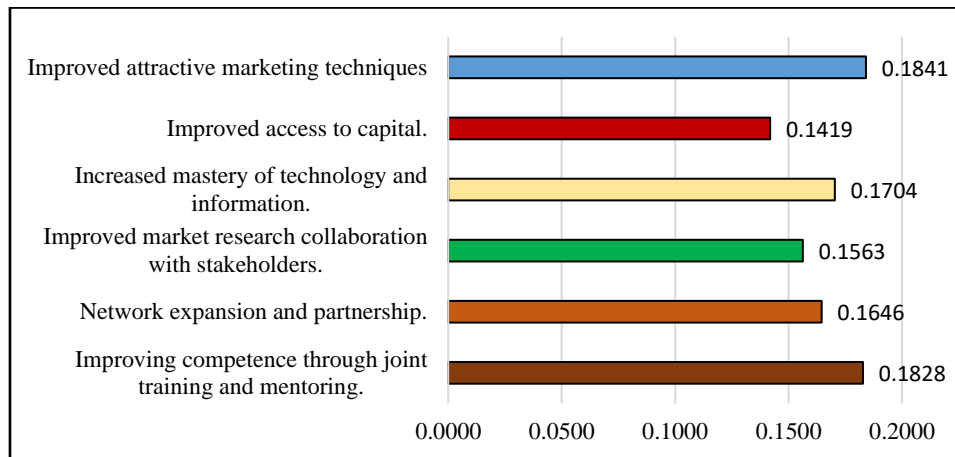
**Figure 7. Problem in Sub-Elements**

Source: Processed by the authors

Based on Figure 6, it can be seen that human resources have the highest weight, which is 0.1903. The second position is governance by 0.1799. The importance of human resources and governance for BUMDES was conveyed by KP9 that said

*"..tidying up the administration, to maximize neat finances, we must understand administration, good administration we can control the management"*.

BUMDES planning offers six alternatives, namely competence improvement through joint training and mentoring; network expansion and partnerships; increased market research collaboration with stakeholders; increasing mastery of technology and information; increasing access to capital, and improvement of attractive marketing techniques based on innovation and digitization. See Figure 8.



**Figure 8. Alternative Options**

Source: Processed by the authors

Figure 8 shows that for planning alternatives in the community-based enterprises model at BUMDES in Semarang Regency. The major 3 priorities are improving attractive marketing techniques (0.1841); competence through joint training and mentoring with a score of 0.1828 and increased mastery of technology and information. Rising access to capital and increasing market cooperation research, and collaboration with stakeholders are alternatives that are not a priority because they are only 0.1419 and 0.1563 respectively. The rater agreement value of 0.7028 from a range of 0-1 indicates a "strong" scale. It means the key persons are very unanimous in determining the alternatives that become policy priorities in the planning of the BUMDES model in Semarang Regency.

Based on the results of in-depth interviews with BUMDES managers, village apparatus, and the community, we found that BUMDES in Semarang Regency lead to the community-based enterprises (CBE) Model. The goal of the BUMDES operation is a strong sign that BUMDES is not a social enterprise. In the network path, can be seen too that BUMDES in Semarang Regency is leading to CBE. Although there are some characteristics in common with social entrepreneurs, BUMDES are very strong in managing their social capital to achieve economic goals, especially contributing to village original income (PADes). To maintain its sustainability, the efforts made by BUMDES are to provide products and services that are needed by the community. This is the most interesting dimension because it relates to the nature of consumers (Prayoga, 2019) and becomes an important part of increasing competitiveness. The existence of preferences from consumers will encourage innovations in the village economy that are mutually beneficial for both consumers and producers. Another effort is by partnering with businesses that have been carried out by society. Peredo & Chrisman (2006) said CBE has a primary business that is based on collective and individual interests and sees communal values and ideas about the common good. In addition, the more community involvement in BUMDES, the stronger its legitimacy in the village will be. In line with studies (Vestrum et al., 2017) which state that the more individuals from a community

are involved, the deeper the CBE is embedded in that community. It means if the inhabitant of the rural community considers the business credible, they will be more confident in supporting the business.

The finding is BUMDES in Semarang Regency has been running its business units under the Regulation of the Minister of Villages, Development of Disadvantaged Regions, and Transmigration of the Republic of Indonesia No 4 in 2015, especially its objective to optimize the assets and the village potentials. This profit orientation is crucial for BUMDES to strengthen contributions to the village income (PADes) to support the realization of village independence. It will make the village not depend on the government and give beneficiaries for the village prosperity. Kusuma D (2014) also said that the functions of BUMDES are: as a driving force for the village economy, as a business institution that generates village income (PADes), and as a means to accelerate the acceleration of improving welfare of rural communities. Alhamidi & Pakpahan (2018) also stated that BUMDES are expected to become village assets so that villages can have their income and are not dependent on funding sources from the central government. The role of the government is quite large in the development of BUMDES. If the roles and functions carried out by the government can facilitate and create a conducive climate, then BUMDES will be able to become a great asset for the village. (Che, 2017) stated that local governments can be a driving force in economic transition and development, provided they are empowered and constrained appropriately. If wanna have progress, BUMDES governance must be directed to be more professional and independent, even if BUMDES management must be held by people who have the competence and understanding of BUMDES (Zulfiani & Rivai, 2020).

Improving marketing techniques is a top priority for BUMDES to raise its performance and competitiveness. The underlying reason is that marketing can be used by BUMDES to identify needs; determine profit potential; target market; decide on various products or services, and define a program for the target market. This study also found that increasing competence through joint training and mentoring is crucial for human resource development. The training needs are very important for BUMDES which is on the criteria of growing and or developing because the success and progress of BUMDES are determined by the expertise skills and skills of human resources in managing BUMDES. This is also confirmed by Sakir et al. (2022) that training and mentoring will be able to increase the capacity and progress of BUMDES. Khamisah et al. (2021) also said that education, training, and mentoring will be able to reduce the gap between the conditions faced by BUMDES and the demands contained in government regulations. Its gap problem is also faced by BUMDes in Garut Regency (Kania et al., 2021).

The selected strategies support the implementation of Agency Theory, Glinkowska Theory, and Boguslaw Stewardship. The results show that managerial decision-making must be in line with the needs of the community by utilizing social capital. This is done as an effort to reduce the lack of knowledge of BUMDES management and the low level of governance carried out by Agustina et al. (2021);

Widiastuti et al. (2019); Sofyani et al. (2019); Jatmiko et al. (2021). Such efforts will be successful if managers have empathy and a clear focus on social beneficiaries (Mason et al., 2007). It is hoped that in the future, BUMDES with good planning and arrangement will have high competitiveness (Arias-Vargas et al., 2022).

The findings of this study also strengthen the opinion of Puspita S & Widaningrum (2020) that Community-Based Enterprise (CBE) is an approach used in developing countries to alleviate poverty and improve the welfare of people in rural areas. Another research finding is that the strength of CBE lies in its social capital. This condition implies that social capital is the driving force for BUMDES and is an ongoing process that will never run out. If managed properly, the quality will continue to improve and provide sustainable benefits for the community (Peredo & Chrisman, 2006; Ring et al., 2010; Fathy, 2019). The strength of culture and social capital in the community raises great demands for BUMDES to have a dual role. On the one hand, it is hoped that its contribution to PADes will be able to carry out its social mission. Cho & Kim (2017) states that economic performance is positively related to social performance. This indicates that although it is possible to realize it, it is not easy for BUMDES because it requires a strong financial foundation for it.

#### **4. CONCLUSION**

This article explores the behavior of BUMDES in Semarang Regency to define the basic model, whether the community-based enterprises (CBE) model or the social enterprises (SE) model. Identifying the existence of a model is very crucial to designing the orientation to be achieved for improving its performance and competitiveness. **The results show that BUMDES leads to the CBE model because its basic characteristics have the aim of improving the village economy with an indicator of the large contribution of BUMDES to PADes. BUMDES' orientation to profit, and large social capital strengthens the model. Planning the community-based enterprises in BUMDES to improve their performance and competitiveness, places a lot of emphasis on the capabilities of its human resources. Improving marketing techniques and increasing competence through joint training and mentoring are expected to be a learning and action process, to increase the capacity and progress of BUMDES.**

The research also found that BUMDES have not been able to stand as purely social enterprises because they are constrained by the insecurity of social funds, in terms of its sustainability. Meanwhile, social activities carried out by many BUMDES are helping to distribute the aid program from the government for marginal and underprivileged groups. Each village has its uniqueness. Further research can be conducted by distinguished BUMDES based on the typology of the village. If BUMDES is differentiated based on its typology, the models and behaviors can be identified according to their respective roots.

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**Optimizing the Role of Community-Based Enterprises to Improve Performance  
and Competitiveness in Indonesia**

**Abstract**

This study aims to identify the characteristics and roles of the village-owned enterprises (BUMDes) model and determine the appropriate development strategy to improve performance and competitiveness. This research is a qualitative study with a case study approach. Data were taken from key persons the director of BUMDES, village officials, and the community as BUMDES partners in Semarang Regency. Data were analyzed using Atlas.ti and Analytical Networking Process (ANP) methods. The results show that BUMDes in Semarang Regency leads to the community-based enterprises (CBE) model than social enterprises because some of the characteristics they have to include the purpose of establishing BUMDes is to contribute to the village economy through the village income (PADes), improving the welfare of rural communities; BUMDes strategy to gain profits, and have strong social capital. Strategies to improve attractive marketing techniques and increase competence through joint training and mentoring are top priorities to improve performance and competitiveness. The limitation of the study is the sample should include the differentiated BUMDES based on village typology so that models and behavior can be identified according to their respective roots.

**Keywords:** model, community-based enterprises, BUMDES, strategy, performance, competitiveness

**JEL classification:** O17

## **1. INTRODUCTION**

According to Law No. 6 in 2014, empowering the village economy in Indonesia is the achievement of an independent village. Developing community independence and welfare by increasing knowledge, attitudes, skills, behavior, abilities, awareness, and utilizing resources can be reached through Village Community Empowerment. According to Law No. 6 of 2014 concerning Villages, BUMDes is a village-owned business entity as one of the programs to empower the economy of rural communities. The Indonesian Government developed this program to encourage rural entrepreneurship growth by utilizing the potential of locally owned resources (Huruta et al., 2020; Sari, 2021). In the 2015 Regulation of the Ministry of Villages, Development of Disadvantaged Regions (Permendes), BUMDes aims to improve the village economy; optimize Village assets so

that they are useful for Village welfare; increase community efforts in managing the Village's economic potential; develop business cooperation plans between villages with third parties; creating opportunities and market networks that support citizens' public service needs; open employment opportunities; improving community welfare through improving public services; Village economic growth and equality; and increasing Village Community Income and Village Original Income.

The real accomplishment of village community empowerment is Village Owned Enterprises (BUMDES). The uniqueness of each different region requires its handling. The level of sustainable prosperity, productivity, and wages in a region is determined by a region's ability to create and commercialize innovations (Porter et al., 2004). Strong commitment and competence are needed to mobilize the potential that exists in rural areas. On this side, the weakness of BUMDES is that they have not been able to explore the utilization of local potential (Agustina et al., 2021). Muhammad et al. (2021) found that the potential of the village in the form of local wisdom could be utilized to improve the standard of living of the community. However, it couldn't be achieved if a lack of coordination subsists in the institutional network that supports rural development (Porter et al., 2004).

BUMDES is a unique organization. One side is a vision to maximize profit, but the other side is an organization owned by society. A study in South Korea (Cho and Kim, 2017) found that entrepreneurship is positively related to social performance through network communities and is not directly related to social performance. The managerial decision-making must align with the community's needs by utilizing existing social capital. Social capital is an important source for the development of entrepreneurship in rural areas (Ring et al., 2010). This means how to take advantage of processes between people that build networks, norms, and social trust, to facilitate mutually beneficial coordination and cooperation (Fathy, 2019). Success in prioritizing, safeguarding, and balancing the rising interests will lie in the leadership role. The manager's role should be empathetic and have a clear focus on the social beneficiary (Mason et al., 2007).

In practice, BUMDES often cannot operate properly due to wrong perceptions from society. There is a view that BUMDES must find its way to generate profits for the community. There is an incorrect understanding in society. It's causing society feel reluctant to contribute to BUMDES. They think it is the responsibility of the BUMDES manager and government to operate the BUMDES. Several studies support this, which is indicated by the low level of community participation. As a result, the community's contribution has not been optimal in the management of BUMDES (Lestari et al. 2019; Nurfakhirah et al., 2021). In addition to the government and BUMDES managers, good BUMDES management should not be separated from the role of the community (Jatmiko

et al., 2021). In practice, in some villages, it is still ambiguous, in terms of the management and development of the BUMDES (Agustina et al., 2021; Widiastuti et al., 2019; Muhammad et al., 2021).

Taking into account the problems of BUMDES, several points are related to the problems of BUMDES in Semarang Regency. Besides the wrong perception of BUMDES, the big role of the government just in the planning stage (Nurfakhirah et al., 2021), management and governance couldn't work out optimally (Lestari et al., 2019). The study of BUMDES governance, especially the sustainability and participatory principles, is the aspect that has not received attention and the element with the highest level of applicability (Widiastuti et al., 2019). Like small and medium-sized enterprises, BUMDES also faces problems with a lack of capital, skills, and technology. If it is not handled well, then the competitiveness will be bad (Maksum et al., 2020). Currently, there is very little research on competitiveness and how village environmental issues and the role of networks will affect the performance and competitiveness of BUMDES.

The obstacles in the BUMDES in Semarang Regency were allegedly due to a misperception about the shape of the BUMDES model. There is an assumption that BUMDES are Social Enterprises (Sofyani et al., 2020). The initial observations at BUMDes Sumber Rejeki, Kalikayen Village in the 2021 Independent Campus Grant Program show an incorrect understanding of society. BUMDes should not only Social-Based Owned Enterprises but more towards Community-Based Owned Enterprises. This misunderstanding leads to reluctance among people to contribute, as they believe that only BUMDes managers and village apparatus are responsible for operating BUMDES. Social Enterprises are different from Community-Based Enterprises. Community-Based Enterprise (CBE) is a form of entrepreneurship that is based on collective and individual interests as a fundamental complement and sees communal values and ideas of the common good as essential elements in creating enterprises, as well as pursuing economic and social goals for its members (Peredo & Chrisman, 2006; Huruta et al., 2020; Sari, 2021).

Misconceptions about the roles and responsibilities in the management of Badan Usaha Milik Desa (BUMDes) lead to the potential for collaborative development and community-driven initiatives within BUMDes being significantly hindered. This study aims to identify the development model of BUMDES in Semarang Regency. In addition, it has to create the role and appropriate development strategy based on its model to improve performance and competitiveness. This study is significant to be carried out because there must be a mutual understanding that BUMDES are not strictly social enterprises, but the main point is community-based enterprises. With appropriate planning, a successful and interwoven business network will be formed from BUMDES. Its built upon will have a positive influence on the local society, the region, and its

surroundings. According to Ring et al (2010), successful business networks in rural areas will have spillover effects in their communities and beyond. BUMDES can create sustainable economic competitiveness for rural communities.

## 2. RESEARCH METHODS

The study is qualitative methods. It was conducted to determine, understand, and describe the characteristics and behavior of BUMDES in Semarang Regency. This information is used to determine the role of BUMDES. So, appropriate planning can be made. Data were obtained from interview transcripts, notes from field observations, photos of activities, activity videos, personal documents, and other documents. In Atlas.ti analysis, purposive sampling was carried out based on the level of development of BUMDES which represented 3 classifications: basic, growing, and developing. This study was conducted at 10 BUMDes in Semarang Regency, which participated in the BUMDes Internship Program under the 2021 Merdeka Campus Grant, Department of Development Economics. These 10 BUMDes were chosen to represent the Growing and Developing category of BUMDes. Key persons are BUMDes directors. The profiles of BUMDES key persons are shown in Table 1.

**Table 1. The Information of BUMDES's Key Persons**

No	Code	Positioning in BUMDES	Name of Village	Classification of BUMDES
1.	KP1	Director in BUMDES Maju Mapan	Asinan	Basic
2.	KP2	Director in BUMDES Gerbang Lentera	Lerep	Growing
3.	KP3	Director in BUMDES Maju Director in BUMDES Rahayu	Jatirunggo	Growing
4.	KP4	Director in BUMDES Sido Sari	Pringsari	Growing
5.	KP5	Director in BUMDES Asung Daya	Jatijajar	Developing
6.	KP6	Director in BUMDES Sejahtera Bersama	Nyatnyono	Developing
7.	KP7	Director in BUMDES Bangun Jaya	Kesongo	Developing
8.	KP8	Director in BUMDES Untung Makmur	Branjang	Developing
9.	KP9	Director in BUMDES Rejo Mulyo	Gogik	Developing

Meanwhile, the strategic planning for ANP included collaboration with village officials and the community, in partnership with BUMDes, operating in the villages of Asinan, Lerep, Jatirunggo, Pringsari, Jatijajar, Nyatnyono, Kesongo, Branjang, Gogik, and Banyubiru.

The model formulation for BUMDES in Semarang Regency was determined using the Atlas.ti. Atlas.ti is a qualitative data analysis (QDA) software, which is very useful in social science research (Hwang, 2008). Atlas.ti can read various types of data, such as audio data, video data, image data, and written data (articles, books, survey data, or interview transcripts) so that triangulation can be carried out with various types of data collection (Afriansyah, 2018). The stages of Atlas.ti analysis can be seen in Figure 1.

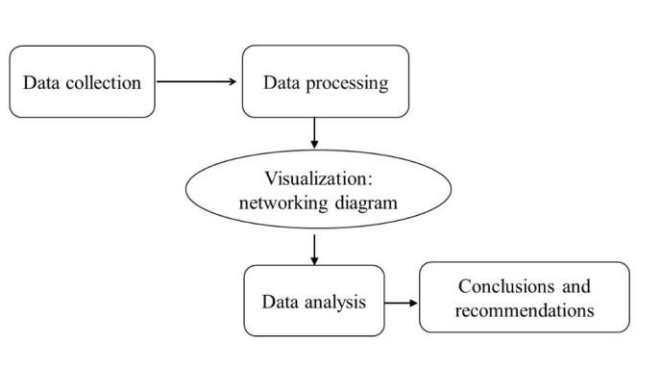
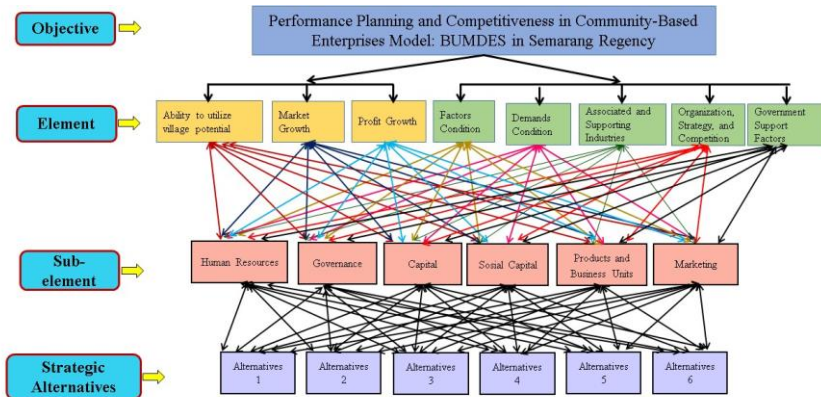


Figure 1. Stage of Atlas.ti Analysis

Figure 1 shows data processing carried out after various types of data, such as audio data, video data, image data, and written data from BUMDES are obtained. At this stage, researchers will attend 3 coding processes, namely open coding, axial coding, and selective coding. The analysis of the results is carried out after the visualization results gains in the form of a networking diagram.

Planning for performance and competitiveness at BUMDES in Semarang Regency is executed by the ANP method. The interview results with key persons were analyzed using Super Decisions v.3.0. The ANP method is shown in Figure 2.



**Remark**  
 Alternative 1: Enhancing skills via collaborative training and mentorship programs. Alternative 4: Enhancing proficiency in technology and information.  
 Alternative 2: Expanding networks and forging new partnerships. Alternative 5: Expanding access to financial resources.  
 Alternative 3: Boosting market research collaboration with relevant stakeholders. Alternative 6: Advancing effective marketing strategies.

**Figure 2. ANP Methods flow**

Figure 2 shows that the ANP method considers 8 support elements, which are 3 elements for performance indicators and five elements for competitiveness indicators. The Performance indicators are determined based on Law No. 6 in 2014 concerning Villages, and the Regulation of the Minister of Villages, Development of Disadvantaged Regions, and Transmigration of the Republic of Indonesia No. 4 in 2015 concerning the Establishment, Management, and Dissolution of Village-Owned Enterprises. The performance elements are the ability to manage village potential, BUMDES's market growth, and BUMDES's profit growth. Meanwhile, competitiveness indicators are determined from Porter's Diamond Model. It consists of five elements, which are condition factors demand conditions; related and supporting industries; structure, strategy, and competition; and factors supporting the role of government.

Identification of the sub-elements that support the planning of improving the performance and competitiveness of BUMDES, based on the previous research. The six sub-elements are human resources, governance, BUMDES capital, social capital, products and business units, and marketing. Alternative strategies were taken from the results of need assessments with BUMDES key persons and strengthened from several previous studies related to BUMDES. There are six alternative strategies offered, specifically increasing competence through joint training and mentoring; network expansion, and partnerships; improved market research collaboration with stakeholders;



increased mastery of technology and information; increased access to capital, and improvement of attractive marketing techniques.

### 3. RESULTS AND DISCUSSION

Analysis using the Atlas.ti method was carried out to analyze the BUMDes Model in Semarang Regency. According to the results of interviews with key persons, the BUMDES development model in Semarang Regency meets the characteristics of community-based enterprises, and only some are social enterprises. The findings show that BUMDES are profit-oriented, but not all of the profits are used for social activities. Rostiani et al. (2015) state that the social enterprises model has the main goal that all profits are purely for social purposes. Another characteristic of social enterprises is a social fund. The existence of social funds for social activities is the core or becomes for an organization's goals to have social impacts (Kay & McMullan, 2017). Routine social activities carried out by BUMDES come from the government such as distributing social assistance related to the relief for Family Outlook Program (PKH) and community groups affected by COVID-19. Besides distributing assistance from the government, several BUMDES have their social programs, including helping people with disabilities, stunting, and the elderly. Unfortunately, more BUMDEs have the social program but faced problems in terms of its sustainability or it has not been executed yet. As stated by KP10

*"Community services have not been implemented. The Memorandum of Association/ Articles of Association (AD/ART) has listed the percentage of SHU distribution for social and education funds but so far BUMDes has not been able to fulfill that"*

and KP9

*"There is a program to assist the disabled, the elderly, the underprivileged, but this has not been implemented yet"*

In the case of business units, social enterprises carry out a business that aims to ensure the sustainability of funds that will be used for social activities (Rostiani et al., 2015). The results show BUMDES business unit has a goal of reaching economic profit. Indeed, it has a social mission, but not purely for social purposes. For example, facilitating procurement or partnering with the community to provide products and services needed by members or their community.

In some activities, Community-Based Enterprises (CBE) Model has the same with the social enterprise model in term of the business unit and social activities. The finding shows that social activities carried out by this model are limited to distributing aid from the government to groups of people affected by COVID-19. Apart from two activities, the CBE model shows the following things. First, the purpose of BUMDES indicates that the main goals are mostly for the benefit of the village and the community

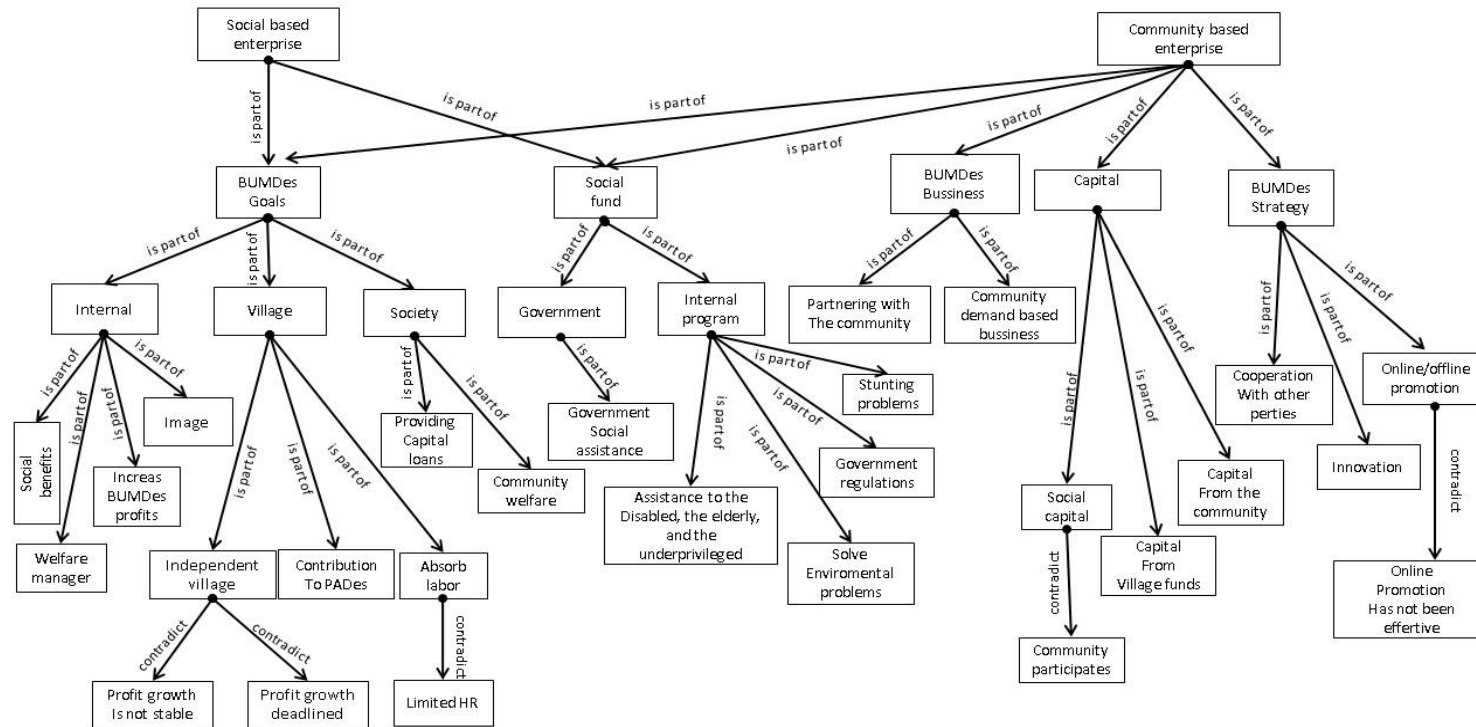
as well as for the internal BUMDES. BUMDES are expected to absorb labor; and provide support as independent villages through contributions to the village income (PADes). In society, BUMDES can increase community income, and provide support to small enterprises, either in the form of cooperation or loans. Internally, BUMDES can increase profits, for the welfare of managers and employees. Second, a business strategy shows that BUMDES is actively promoting both offline/online; cooperation with other BUMDES and other parties, and making many innovations to expand the market. It is strengthen its existence to achieve the goals to be achieved (Figure 1). Third, strong social capital can be seen from the high participation of the community. BUMDES does not have obstacles in the availability of human resources. This also encourages BUMDES to provide products and services that refer to the needs and what is desired of the community. The reason is to foster a sense of community ownership of BUMDES. As stated by KP6

*"...Ideas from the community, we only facilitate the issue of permits, what questions, so that community involvement is more dominant, the sense of belonging is involved".*

KP5 said that *"... Yesterday there was also an event conducted by the local youths to attract the community. They hold an event to shop for groceries worth one hundred thousand. They are welcome if BUMDes want to promote or sell anything, whilst people come in droves to shop for groceries..."*.

Likewise with KP7

*"... BUMDes have 15 people, approximately 20 traders. It means the community indirectly supports it. So, We manage the culinary business, merchandise from the residents is entrusted to us..."*



**Figure 3. Atlas.ti Analysis Results in Determining the Model of BUMDES Development in Semarang Regency**

Source: Processed by the authors

From Figure 3 can be seen that BUMDES in Semarang Regency is mostly focused on the CBE model. The results of the interview also show that many BUMDES have stopped operating during the pandemic. It caused the diminishing of human resources. Business units have stopped because people have decreased purchasing power. Currently, BUMDES is starting to reorganize both its management and institutions. Therefore, post-covid is a good momentum for BUMDES to reorganize its orientation. If so far the business unit is only directed to gain economic benefits, in the future it is hoped that it will be able to process to activate social functions and play a more role as a social safety net for the community. Social entrepreneurship is an essential element for the emergence and success of community-based enterprises (Orozco-Quintero, 2010) and to increase “social value” (Peredo & McLean, 2006). Social enterprises play a role in maintaining economically viable communities to gain control over their resources. This business is based on an economic model with broader objectives, economic, social, cultural, and political (Berkes & Davidson–Hunt, 2007). Rostiani et al. (2015) states that all profits from the business are used to fund social activities and focuses. Therefore, the business is done only to ensure sustainable funding.

Based on the results of Atlas.ti, the BUMDES development model in Semarang Regency leads to the Community-Based Enterprises Model. The Analytical Networking Process (ANP) method is used to reach plan performance and competitiveness in the Community-based enterprises model at BUMDES. Barati et al. (2017) state that ANP is the development of the Analytical Hierarchy Process (AHP) model proposed by Saaty. The ANP model is a non-linear structured decision-making method with many attributes to model complex problems in the real world.

The main advantage of the ANP method is its ability to consider dependent factors and feedback systematically and accommodate quantitative and qualitative factors (Ascarya & Sakti, 2022). Decision-making is done using the multiple criteria decision-making (MCDM) method to see the relationship between clusters and hierarchies in the network structure whose elements are goals, criteria, sub-criteria, and alternatives (Cil & Turkan, 2013).

Based on the analysis using the Analytical Networking Process (ANP) method, strategic priorities for performance planning and competitiveness in the Community-Based Enterprises Model at BUMDES in Semarang Regency have been identified. The ANP model consists of five clusters: objectives, performance elements (with 3 indicators), competitiveness elements (with 5 indicators), problem subelements (with 6 indicators), and planning alternatives (with 6 options). This data was gathered from in-depth interviews with key persons, specifically the Director of BUMDes. According to Figure 2, pairwise comparisons are carried out for each relationship to calculate local priority weight. Measurement criteria, the inconsistency value must be less than 10% (0.1). The recap result of the Pairwise Comparison Value Comparison can be seen in Table 2.

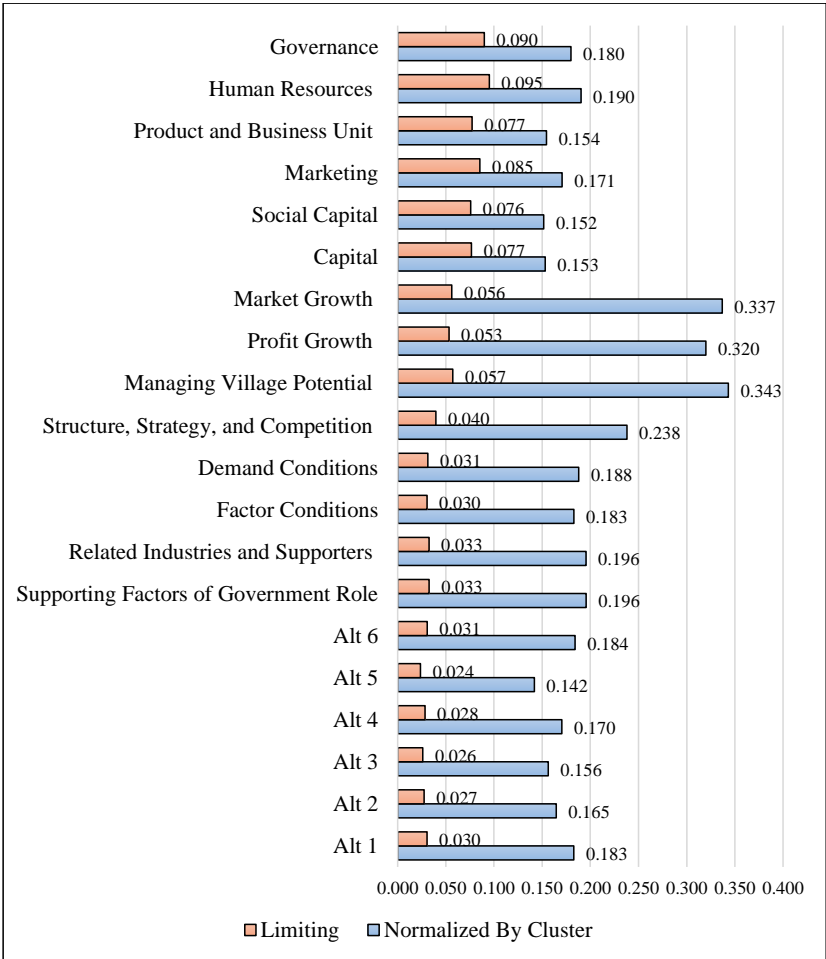
**Table 2. Recap of Pairwise Comparison Value Comparison Results**

No	Node to Cluster	Inconsistency value
<b>Cluster to Performance Element</b>		
1	Planning to Performance Elements	0.05156
2	Capital to Performance Elements	0.00000
3	Social Capital to Performance Elements	0.00000
4	Marketing to Performance Elements	0.00000
5	Products and Business Units to Performance Elements	0.00000
6	Human Resources to Performance Elements	0.00000
7	Governance to Performance Elements	0.00000
<b>Cluster to Elements of Competitiveness</b>		
1	Planning to the Elements of Competitiveness	0.00000
2	Capital to Elements of Competitiveness	0.01308
3	Social Capital to Elements of Competitiveness	0.00000
4	Marketing to the Elements of Competitiveness	0.01308
5	Product and Business Unit to Competitive Element	0.00000
6	Human Resources to Elements of Competitiveness	0.00000
<b>Cluster to Sub-Elements</b>		
1	Managing Village Potential to Sub-Elements	0.00000
2	Profit Growth to Sub-Elements	0.00000
3	Market Growth to Sub-Elements	0.00873
4	Supporting Factors of Government Role to Sub-Elements	0.00873
5	Related Industries and Its Supporters to Sub-Elements	0.00000
6	Factor Conditions to Sub-Elements	0.00000
7	Demand Conditions to Sub-Elements	0.00000
8	Structure, Strategy, and Competition to Sub-Elements	0.00873
<b>Alternative to Sub-Elements</b>		
1	Alt 1 to Sub-Elements	0.00000
2	Alt 2 to Sub-Elements	0.00000
3	Alt 3 to Sub-Elements	0.01298
4	Alt 4 to Sub-Elements	0.01298
5	Alt 5 to Sub-Elements	0.00000
6	Alt 6 to Sub-Elements	0.03128
<b>Sub-Element to Alternative</b>		
1	Capital to Alternative	0.00000
2	Social Capital to Alternative	0.00873
3	Marketing to Alternatives	0.00000
4	Product and Business Unit to Alternative	0.00000
5	Human Resources to Alternative	0.01298
6	Governance to Alternative	0.00000

Source: Processed by the authors

Table 2 shows the value of inconsistency in pairwise comparisons of cluster competition in the alternative node expansion category, for all categories, the value is less than 10% (< 0.1). This indicates that the data obtained is consistent.

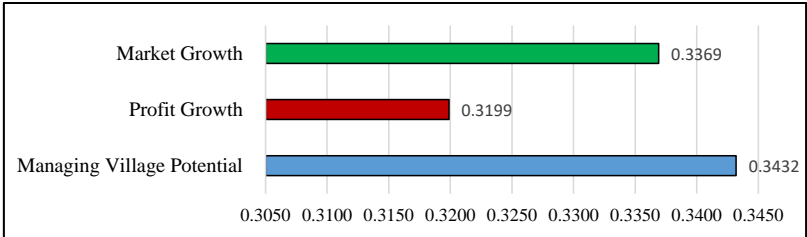
The alternative planning strategies presented from the normalized by cluster values can be seen in Figure 4. The priority of the strategy is obtained based on the average weighing of the informants' answers about the elements, sub-elements, and alternative strategies that are the priority and most important to achieve the goal.



**Figure 3. Elements and Subelements**  
 Source: Processed by the authors

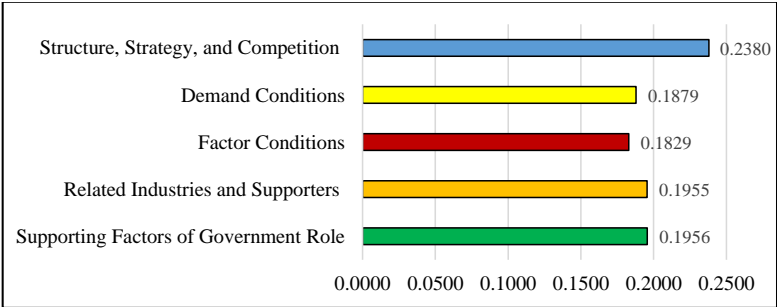
Figure 4 shows the alternative strategies for improving attractive marketing techniques and increasing competence through joint training and mentoring have the largest averages, respectively, which are 0.1841 and 0.1828. The second priority is the increase in mastery of technology and information by 0.1704 and the third priority is the expansion of networks and partnerships by 0.1646.

In the performance element, three indicators are considered, namely, market growth, profit growth, and managing village potential. Figure 5 shows the performance indicator element manages village potential and has the highest weight, which is 0.3432 above market growth (0.3369) and profit growth (0.3199).



**Figure 4. Element of Performance**  
Source: Processed by the authors

Meanwhile, for competitiveness, five indicators are set. The indicators used to refer to Potter's diamond, namely structure, strategy, and competition; demand conditions; factor conditions; related and supporting industries; and factors supporting the role of government. See Figure 6.



**Figure 6. Elements of Competitiveness**  
Source: Processed by the authors

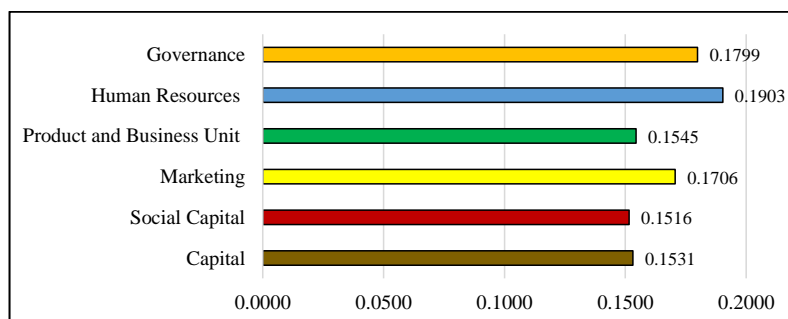
Figure 6 can be seen that structure, strategy, and competition have the highest weight, which is 0.2380. This weight is higher than the indicator of supporting factors for the role of government and related and supporting industries. This indicates that the five pandemics are used by BUMDES to organize and improve the structure, strategy, and

how to compete in business. Currently, BUMDES always maintains that it is not in a position as a competitor, but acts as a protector who provides support for small village businesses. It was said by KP5

*".. So the purpose of BUMDES in principle is to do whatever the community can't have, namely the business that has been done by our community, we don't want to interfere, don't want to compete with the community.."*

It is in line with (Sidik, 2020) which states BUMDES act as a holding, for example, in terms of product marketing one-stop by carrying a local village brand. BUMDES is not a competitor for community businesses.

In the sub-elements, it is used for the problems often faced by BUMDES. There are 6 sub-elements, among others: capital; social capital; marketing; products and business units; human resources, and governance. See Figure 7.



**Figure 7. Problem in Sub-Elements**

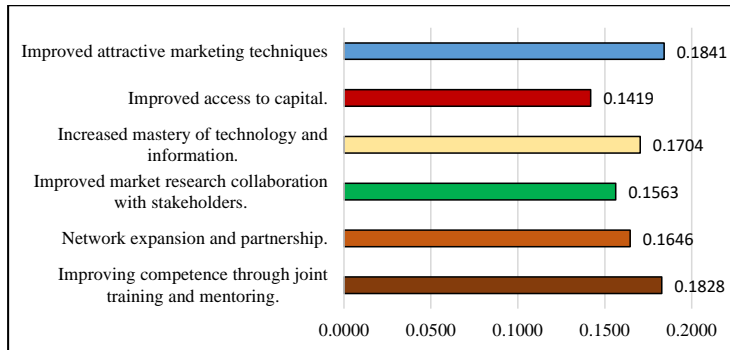
Source: Processed by the authors

Based on Figure 6, it can be seen that human resources have the highest weight, which is 0.1903. The second position is governance by 0.1799. The importance of human resources and governance for BUMDES was conveyed by KP9 that said

*"..tidying up the administration, to maximize neat finances, we must understand administration, good administration we can control the management"*.

BUMDES planning offers six alternatives, namely competence improvement through joint training and mentoring; network expansion and partnerships; increased market research collaboration with stakeholders; increasing mastery of technology and information; increasing access to capital, and improvement of attractive marketing techniques based on innovation and digitization. See Figure 8.





**Figure 8. Alternative Options**  
Source: Processed by the authors

Figure 8 shows that for planning alternatives in the community-based enterprises model at BUMDES in Semarang Regency. The major 3 priorities are improving attractive marketing techniques (0.1841); competence through joint training and mentoring with a score of 0.1828 and increased mastery of technology and information. Rising access to capital and increasing market cooperation research, and collaboration with stakeholders are alternatives that are not a priority because they are only 0.1419 and 0.1563 respectively. The rater agreement value of 0.7028 from a range of 0-1 indicates a "strong" scale. It means the key persons are very unanimous in determining the alternatives that become policy priorities in the planning of the BUMDES model in Semarang Regency.

Based on the results of in-depth interviews with BUMDES managers, village apparatus, and the community, we found that BUMDES in Semarang Regency lead to the community-based enterprises (CBE) Model. The goal of the BUMDES operation is a strong sign that BUMDES is not a social enterprise. In the network path, can be seen too that BUMDES in Semarang Regency is leading to CBE. Although there are some characteristics in common with social entrepreneurs, BUMDES are very strong in managing their social capital to achieve economic goals, especially contributing to village original income (PADes). To maintain its sustainability, the efforts made by BUMDES are to provide products and services that are needed by the community. This is the most interesting dimension because it relates to the nature of consumers (Prayoga, 2019) and becomes an important part of increasing competitiveness. The existence of preferences from consumers will encourage innovations in the village economy that are mutually beneficial for both consumers and producers. Another effort is by partnering with businesses that have been carried out by society. Peredo & Chrisman (2006) said CBE has a primary business that is based on collective and individual interests and sees communal values and ideas about the common good. In addition, the more community involvement in BUMDES, the stronger its legitimacy in the village will be. In line with studies (Vestrum et al., 2017) which state that the more individuals from a community

are involved, the deeper the CBE is embedded in that community. It means if the inhabitant of the rural community considers the business credible, they will be more confident in supporting the business.

The finding is BUMDES in Semarang Regency has been running its business units under the Regulation of the Minister of Villages, Development of Disadvantaged Regions, and Transmigration of the Republic of Indonesia No 4 in 2015, especially its objective to optimize the assets and the village potentials. This profit orientation is crucial for BUMDES to strengthen contributions to the village income (PADes) to support the realization of village independence. It will make the village not depend on the government and give beneficiaries for the village prosperity. Kusuma D (2014) also said that the functions of BUMDES are: as a driving force for the village economy, as a business institution that generates village income (PADes), and as a means to accelerate the acceleration of improving welfare of rural communities. Alhamidi & Pakpahan (2018) also stated that BUMDES are expected to become village assets so that villages can have their income and are not dependent on funding sources from the central government. The role of the government is quite large in the development of BUMDES. If the roles and functions carried out by the government can facilitate and create a conducive climate, then BUMDES will be able to become a great asset for the village. (Che, 2017) stated that local governments can be a driving force in economic transition and development, provided they are empowered and constrained appropriately. If wanna have progress, BUMDES governance must be directed to be more professional and independent, even if BUMDES management must be held by people who have the competence and understanding of BUMDES (Zulfiani & Rivai, 2020).

Improving marketing techniques is a top priority for BUMDES to raise its performance and competitiveness. The underlying reason is that marketing can be used by BUMDES to identify needs; determine profit potential; target market; decide on various products or services, and define a program for the target market. This study also found that increasing competence through joint training and mentoring is crucial for human resource development. The training needs are very important for BUMDES which is on the criteria of growing and or developing because the success and progress of BUMDES are determined by the expertise skills and skills of human resources in managing BUMDES. This is also confirmed by Sakir et al. (2022) that training and mentoring will be able to increase the capacity and progress of BUMDES. Khamisah et al. (2021) also said that education, training, and mentoring will be able to reduce the gap between the conditions faced by BUMDES and the demands contained in government regulations. Its gap problem is also faced by BUMDes in Garut Regency (Kania et al., 2021).

The selected strategies support the implementation of Agency Theory, Glinkowska Theory, and Boguslaw Stewardship. The results show that managerial decision-making must be in line with the needs of the community by utilizing social capital. This is done as an effort to reduce the lack of knowledge of BUMDES management and the low level of governance carried out by Agustina et al. (2021);

Widiastuti et al. (2019); Sofyani et al. (2019); Jatmiko et al. (2021). Such efforts will be successful if managers have empathy and a clear focus on social beneficiaries (Mason et al., 2007). It is hoped that in the future, BUMDES with good planning and arrangement will have high competitiveness (Arias-Vargas et al., 2022).

The findings of this study also strengthen the opinion of Vestrum et al. (2017) that Community-Based Enterprise (CBE) is an approach used in developing countries to alleviate poverty and improve the welfare of people in rural areas. Another research finding is that the strength of CBE lies in its social capital. This condition implies that social capital is the driving force for BUMDES and is an ongoing process that will never run out. If managed properly, the quality will continue to improve and provide sustainable benefits for the community (Peredo & Chrisman, 2006; Ring et al., 2010; Fathy, 2019). The strength of culture and social capital in the community raises great demands for BUMDES to have a dual role. On the one hand, it is hoped that its contribution to PADes can carry out its social mission. Cho & Kim (2017) states that economic performance is positively related to social performance. This indicates that although it is possible to realize it, it is not easy for BUMDES because it requires a strong financial foundation for it.

#### 4. CONCLUSION

This article explores the behavior of BUMDES in Semarang Regency to define the basic model, whether the community-based enterprises (CBE) model or the social enterprises (SE) model. Identifying the existence of a model is very crucial to designing the orientation to be achieved for improving its performance and competitiveness. The results show that BUMDES leads to the CBE model because its basic characteristics have the aim of improving the village economy with an indicator of the large contribution of BUMDES to PADes. BUMDES' orientation to profit, and large social capital strengthens the model. Planning the community-based enterprises in BUMDES to improve their performance and competitiveness, places a lot of emphasis on the capabilities of its human resources. Improving marketing techniques and increasing competence through joint training and mentoring are expected to be a learning and action process, to increase the capacity and progress of BUMDES.

The research also found that BUMDES have not been able to stand as purely social enterprises because they are constrained by the insecurity of social funds, in terms of its sustainability. Meanwhile, social activities carried out by many BUMDES are helping to distribute the aid program from the government for marginal and underprivileged groups. Each village has its uniqueness. Further research can be conducted by distinguished BUMDES based on the typology of the village. If BUMDES is differentiated based on its typology, the models and behaviors can be identified according to their respective roots.

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**Commented [A1]:** Sudah melakukan perbaikan untuk mengganti referensi Puspita S & Widaningrum 2020 karena:  
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- Sebaiknya hindari referensi skripsi dan tesis

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### [JEP] Editor Decision

1 message

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**Muhammad Anas** <[journals-noreply@ums.ac.id](mailto:journals-noreply@ums.ac.id)>  
To: Dyah Maya Nihayah <[dyah\\_maya@mail.unnes.ac.id](mailto:dyah_maya@mail.unnes.ac.id)>

Mon, Aug 5, 2024 at 11:14 AM

Dear Dr. Dyah Maya Nihayah,

We are delighted to inform you that your manuscript has been accepted for publication in our Journal for Volume 25 no. 1, 2024. However, please keep in mind that there might still be revisions that you need to do before your paper is ready for publication.

We thank you appreciate your hard work and patience throughout the submission and review process, and we look forward to your future submissions.

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