

## ANALYSIS OF INNOVATION CULTURE AND SOUND GOVERNANCE IN THE MANDIRI VOE PROGRAM AT SIBOLAHOTANG VILLAGE, INDONESIA

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DOI: 10.30631/alrisalah.v22i2.1277

Submitted: October 18, 2022; Revised: December 27, 2022; Accepted: December 31, 2022

**Abstract:** This study aims to analyze the innovation culture of Village-Owned Enterprises (VOE) and the application of the sound governance dimension in developing programs for community welfare at Sibolahotang Sibulele Aritonang Sitampulak (SAS) Village. This was carried out using a qualitative descriptive method and the data were obtained through observation, interviews, and recording. Furthermore, the interview transcription data obtained from the field were analyzed using Manual Data Analysis Procedure (MDAP). The results showed the VOE innovation culture in Sibolahotang SAS Village has not been effective due to four challenges, namely weak Human Resources, the underdeveloped potential of the existing village assets, low financial resources, and the absence of cooperation with the private sector. The completion stage of these challenges entails conducting knowledge development training for Human Resources in savings and loan financial reporting for the Mandiri VOE program as well as collaborating with the private sector. Therefore, the village government is expected to provide facilities and infrastructure that can enhance the management of Mandiri VOE in order to run effectively and efficiently.

**Keyword:** Innovation Culture, Sound Governance, VOE, Community Welfare

**Abstrak:** Penelitian ini bertujuan untuk menganalisis budaya inovasi Badan Usaha Milik Desa (BUMDes) dan penerapan dimensi sound governance dalam mengembangkan program kesejahteraan masyarakat di Desa Sibolahotang Sibulele Aritonang Sitampulak (SAS). Penelitian ini dilakukan dengan menggunakan metode deskriptif kualitatif dan data diperoleh melalui observasi, wawancara, dan pencatatan. Selanjutnya data transkripsi wawancara yang diperoleh dari lapangan dianalisis dengan menggunakan *Manual Data Analysis Procedure* (MDAP). Hasil penelitian menunjukkan budaya inovasi BUMDes di Desa Sibolahotang SAS belum efektif karena empat tantangan yaitu Sumber Daya Manusia yang lemah, potensi aset desa yang belum berkembang, sumber keuangan yang rendah, dan tidak adanya kerjasama dengan pihak swasta. Tahapan penyelesaian tantangan tersebut adalah dengan melakukan pelatihan pengembangan pengetahuan Sumber Daya Manusia dalam pelaporan keuangan

simpan pinjam untuk program BUMDes Mandiri serta bekerjasama dengan pihak swasta. Oleh karena itu, pemerintah desa diharapkan dapat menyediakan sarana dan prasarana yang dapat meningkatkan pengelolaan BUMDes Mandiri agar berjalan efektif dan efisien.

**Kata Kunci:** Budaya Inovasi, Sound Governance, BUMDes, Kesejahteraan Masyarakat

## Introduction

The government has made serious efforts to enhance the village economy by overcoming developmental challenges using nine priority programs known as Nawacita. One implementation of this program is to change the development perspective which originally started and only accumulated in urban areas starting from the outskirts or villages.<sup>1</sup>

This is in line with the 3rd Nawacita agenda, namely developing Indonesia from the outskirts by strengthening regions and villages within the framework of a unitary state. This agenda is accommodated in the 2015-2019 National Medium-Term Development Plan, such as reducing the gap between villages and cities by accelerating the independent villages and local economic development as well as the linkages through rural development.<sup>2</sup>

VOE is a policy strategy to develop Indonesia from the outskirts through the development of village collective economic enterprises. Moreover, it is one of the policy strategies for improving the life quality of the

residents and a form of village economic independence that drives strategic business units for the collective economic enterprises.<sup>3</sup> The presence of VOE can be an antidote to the power of foreign and national corporations. Therefore, it is expected to drive the dynamics of the village economy, become a village-owned company, and bring an innovation culture to the economic welfare of the rural community.<sup>4</sup>

Innovation culture is the ability of organizations to define, implement, or develop new products and processes that regularly make the organization in everyday life. Also, innovation does not last long but excellence through systematic innovation capabilities can last by achieving these advantages. It is emphasized that no matter how good an innovation is, it will be meaningless when its culture, as a basis, does not show any changes.<sup>5</sup>

A government that applies the concept of good governance believes in three elements, namely government, the civil community, and the private sector. International is also an additional element that plays a central role in

<sup>1</sup> Y. P. Wicaksono, I. Surya, And E. Iskandar, "Peran Badan Usaha Milik Desa (Bumdes) Amanah Dalam Meningkatkan Pendapatan Asli Desa Padang Jaya Kecamatan Kuaro Kabupaten Paser," *Ejournal Ilmu Pemerintahan* 5, No. 4 (2017): 1637-50.

<sup>2</sup> State Secretariat, "Law Number 6 of 2014," No. 1 (2014): 1-103, [Http://Www.Setneg.Go.Id/Index.Php?Lang=En&Option=Com\\_Perundangan&Id=404095&Task=Detail&Catid=1&Itemid=42&Tahun=2014](Http://Www.Setneg.Go.Id/Index.Php?Lang=En&Option=Com_Perundangan&Id=404095&Task=Detail&Catid=1&Itemid=42&Tahun=2014).

<sup>3</sup> President of Indonesia, "Presidential Regulation Number 58 of 2020 on the Ministry of Villages, Development of Disadvantaged Regions, and Transmigration" 2, No. 032840 (2020): 1-24.

<sup>4</sup> Ely Triyo, Haryono, And Irwantoro, "Strategi Inovasi Badan Usaha Milik Desa (Bumdes) Dalam Meningkatkan Potensi Dan Kesejahteraan Ekonomi Masyarakat Desa (Studi Pada Bumdes Mandiri, Desa Morobakung, Kecamatan Manyar, Kabupaten Gresik) 1ely," *Cakrawala Journal* 14, No. 2 (2020): 172-82, <Https://Doi.Org/10.32781/Cakrawala.V14i2.353>.

<sup>5</sup> Mukhrizal Effendi Et Al., "Strategi Inovasi BUMDes Meningkatkan Potensi Dan Kesejahteraan Ekonomi Masyarakat," *Widya Cipta: Jurnal Sekretari Dan Manajemen* 6, No. 1 (2022): 61-67, <Https://Doi.Org/10.31294/Widyacipta.V6i1.11479>.

dealing with the impact of globalization.<sup>6</sup> The concept of sound governance is expected to be applied at the local level, especially in the VOE innovation culture. This is because, human needs are increasingly complex in the development of VOE, hence, it should be prepared to face global competition and free trade.

According to previous studies on Innovation Culture-Determinant of Firms' Sustainability, organizational culture promotes innovation and provides an innovation profile culture,<sup>7</sup> which can be used by managers to enhance their cultural environment as well as company performance. These reports have led to hypotheses for further findings. Lesmana Rian Andhika stated that governance is adopted because of the need to respond to various problems of government activity. There are several models of government governance as a result of the existence of new thinking to fill in the gaps of pre-existing concepts with a different approach and focus. Other results showed that the concept of governance has the essence and refers to government innovation as an effort to manage government activities, as well as contribute to providing good public services.<sup>8</sup>

Based on the current study, starting with the Sibolahotang SAS Village Regulation Number 5 of 2021 on the Establishment of VO<sup>9</sup> in article 3, savings and loan cooperative/unit is a sub-group of primary and secondary cooperative business units which carry out savings and loan business activities as well as sharia financing for its members. Article 1 paragraph 6 further stated that VOE is a legal entity established by the

village to manage a business, utilize assets, develop investment or productivity, provide services as well as other types of business for the greatest possible community welfare.

Sibolahotang SAS is one of the villages with a lot of potential natural resources managed by the community, such as a large agricultural land and the average resident who works as a farmer. Nevertheless, the development of VOE activity program is still not optimal in developing village potential due to the lack of local government support. Meanwhile, economic welfare instruments are very important to involve the community in managing Mandiri VOE which is designed by the government to make the community's lives better,<sup>10</sup> especially the economic welfare of Sibolahotang SAS

## Methods

This study was conducted using a qualitative descriptive approach and it describes the analysis of innovation culture as well as sound governance in the Mandiri VOE program at Sibolahotang SAS Village. The data were obtained through interviews with participants, observation by visiting the village office directly to ask questions about the program, as well as documentation study from laws and regulations, books, and research data.

The interview results were made in the form of transcripts and analyzed using the Manual Data Analysis Procedure (MDAP) technique.<sup>11</sup> MDAP is qualitative data that is carried out manually and consists of several stages, namely diaries, transcripts, coding,

<sup>6</sup> Lesmana Rian Andhika, "Sound Governance, Dynamic Governance, Dan Open Government (Comparative Concept Of Governance: Sound Governance, Dynamic Governance, And Open Government)," *Jurnal Ekonomi & Kebijakan Publik* 8, No. 2 (2017): 87-102.

<sup>7</sup> Toba Samosir Regent Regulation, "Number 8 of 2017," 2017, 1-27.

<sup>8</sup> Firdaus Firdaus, "Sound Governance In The Development Of Mamminasata Metropolitan

Areas In South Sulawesi Province," *Jkap (Jurnal Kebijakan Dan Administrasi Publik)* 20, No. 1 (2016): 1, <Https://Doi.Org/10.22146/Jkap.9915>.

<sup>9</sup> Balantang Village Regulation, "Number 5 of 2021," 2021.

<sup>10</sup> Law Number 11 of 2009, "Social Welfare," *Republic of Indonesia*, 2009, 12-42.

<sup>11</sup> Bungin, B. (2021). *Post - Qualitative Social Research Methods* (2nd Ed.). Jakarta: Kencana

categories, themes, and memos. Moreover, the participants were selected using a purposive sampling technique considering they are parties related to the Mandiri VOE program, both from the authorities, the community members involved in the program, and other parties. The initial coding was applied by giving the participants codes P1 to P12 in order to facilitate the coding process (table 1).

As the main source of research, the interview data will go through the following coding process to obtain Memos or main research topics. First, Open Coding, is the grouping or sorting of data into groups of initial concepts about the phenomenon being studied. Second, Axial Coding, the

unification of categories from the Open Coding concept that are classified into grouping subcategories to see data compaction in interview transcription data. Third, Selective Coding, the integration of the data compiled from categories or themes by articulating new understandings and results from the phenomenon studied.<sup>12</sup> After coding, the final results will be obtained from the Selective Coding analysis and subsequently described using Memos process or visualizing the existing data. In the MDAP series, the research carried out a modification by placing Memos after Coding and proceeded with the themes, namely the discussion of this report.

**Table 1. Characteristics of Participants**

| Participants | Name | Position              |
|--------------|------|-----------------------|
| P1           | CHT  | Village Head          |
| P2           | MA   | VOE Director          |
| P3           | RS   | VOE Manager           |
| P4           | TEM  | VOE Secretary         |
| P5           | FT   | VOE Treasurer         |
| P6           | LA   | VOE Management Member |
| P7           | HA   | Traditional Leader    |
| P8           | SP   | Priest                |
| P9           | HS   | Community             |
| P10          | DA   | Community             |
| P11          | PS   | Community             |
| P12          | ST   | Community             |

Source: Data processed by the researchers (2022)

## Results and Discussions

This study explained the results from the interview data and the following is a description of the coding:

### *Open Coding*

The open coding is derived from the interview data used as a transcription. The

following is an excerpt of open coding data results derived from interview transcripts:

The above table is an excerpt of open coding analysis where the initial data comes from transcripts of participants from P1-P12 and the interview part was directly from their words. The result of the coding process is concept code #39 which has been compressed. Therefore, this study only displays an excerpt of open coding, it further

<sup>12</sup> Ali Farazmand, "Globalization And Governance: A Theoretical Analysis," *Sound Governance : Policy And Administrative Innovations* 1, No. 1 (2004): 330.

compacts the concept and subsequently proceeds with the axial coding process (table 2).

### Axial Coding

In this section, #39 concept compaction codes are entered where the coding is a combination

of concept codes and subcategories. There are seventeen subcategories, with an innovation culture consisting of five dimensions and sound governance consisting of ten. For more details, the data are shown in table 3 below.

**Table 2. Open Coding Analysis**

| Participants | Transcription   | Draft Compaction   |
|--------------|---|--|
| P1           | <i>Before the management was formed, we held VOE learning socialization first, subsequently looked for prospective managers who could manage the enterprise and proceeded with deliberations. This is also based on the vision and mission of the organization. Furthermore, managers can make future work plans, hence they are mutually beneficial for the village and the community involved in the program (interview on 18 September 2022)</i> | #1 there is socialization before VOE is formed   |
| P2           | <i>We held VOE learning socialization first, and subsequently discussed the work plans to be carried out by the VOE team in this village (interview on 18 September 2022)</i>   | #2 there is a socialization strategy carried out with the Development Planning Deliberation          |
| P3           | <i>We can create business opportunities and the point is that all forms of business can generate results, such as savings and loans. Therefore, village business institutions are managed by the community and village government to strengthen the economy formed based on village needs and potential (interview on 19 September 2022)</i>  | #3 create business opportunities for the community and increase business capital                     |
| P4           | <i>VOE already has rules that are implemented in the form of Village Regulations. The clear strategy and management to be able to get funds at the enterprise affect community work and have active SME to improve the village economy, especially the community (interview on 19 September 2022)</i>   | #4 the structure is in accordance with the village regulation regarding VOE Sibolahotang SAS         |
| P5           | <i>In this case, VOE is under the auspices of the Village Government, hence the strategy undertaken requires cooperation with the community. As managers, we certainly try to optimize efforts and make the VOE funds productive, although in stages (interview on 20 September 2022)</i>   | #5 VOE team has collaborated with the community but is not optimal for creating a prosperous economy |

**Table 3. Axial Coding Analysis**

| Draft       | Subcategory   |
|-------------|---|
| Concept #1  | Subcategory #1 there is socialization before VOE is formed  |
| Concept #2  | Subcategory #2 there is a socialization strategy carried out with Development Planning Deliberation                           |
| Concept #3  | create business opportunities for the community and increase business capital   |
| Concept #4  | Subcategory #3 the structure is in accordance with Village Regulation on VOE as well as their respective duties and functions |
| Concept #5  |   |
| Concept #6  | the VOE team has collaborated with the community to create a prosperous economy   |
| Concept #7  | Subcategory #4 the VOE program can assist the community in increasing business capital  |
| Concept #8  | Subcategory #5 the VOE team already has transparency in the savings and loan program  |
| Concept #9  | traditional leaders and the community are involved in the transparency of VOE financial reports                               |
| Concept #10 |   |
| Concept #11 | Subcategory #6 processes in the VOE program are running well  |
| Concept #12 |   |
| Concept #13 | Subcategory #7 organizational structure has been formed, cleared and run according to their respective duties and functions   |
| Concept #14 |   |

|             |   |
|-------------|---|
| Concept #15 | Subcategory #8 savings and loan unit is in accordance with applicable policies  |
| Concept #16 |   |
| Concept #17 | Subcategory #9 the organizational structure already has village regulation regarding VOE  |
| Concept #18 |   |
| Concept #19 | Subcategory #10 the participation of the community in establishing the VOE program without harm   |
| Concept #20 |   |
| Concept #21 |   |
| Concept #22 |   |
| Concept #23 |   |
| Concept #24 | Subcategory #11 participation of traditional leaders and priests in realizing the economic welfare of the village   |
| Concept #25 |   |
| Concept #26 |   |
| Concept #27 |   |
| Concept #28 | Subcategory #12 the management and performance of VOE members are not optimal due to a lack of facilities and infrastructure  |
| Concept #29 |   |
| Concept #30 | Subcategory #13 the village regulation regarding Sibolahotang VOE already exists  |
| Concept #31 |   |
| Concept #32 | Subcategory #14 the service is already good for the community who borrow money for business capital   |
| Concept #33 | Subcategory #15 management is in accordance with the vision and mission of the village  |
| Concept #34 |   |
| Concept #35 | Subcategory #16 transparency regarding financial reports has been implemented properly, although manually by showing notes to the community who ask questions about a savings and loan unit's financial reports |
| Concept #36 | Subcategory #17   |
| Concept #37 | not optimal in manual financial reports   |
| Concept #38 | incomplete facilities and infrastructure in the VOE program for managing financial reports  |
| Concept #39 | slow process of monthly payments and rather large interest  |

Source: Processed by Researchers, 2022

The results of the seventeen subcategories from the Axial Coding analysis will subsequently proceed to the Selective Coding analysis to obtain general results from the study. The existing

categories are five dimensions of an innovation culture and ten dimensions of sound governance. The data are shown in table 4 below.

**Table 4. Selective Coding Analysis**

|                |   |
|----------------|---|
| Subcategory #1 | <b>Category #1 strategy</b><br>the strategy is carried out by the VOE team through socialization with the development planning deliberation and the community                           |
| Subcategory #2 | <b>Category #2 Support mechanism</b><br>There is enthusiasm from the community and traditional leaders to implement the VOE program   |
| Subcategory #3 | <b>Category #3 behavior that drives innovation</b><br>remind each other when there are errors in the form of wrong financial reports from the community who borrow for business capital |
| Subcategory #4 | <b>Category #4 communication</b><br>there is communication from the VOE team with the community as well as transparency regarding savings and loan financial reports                    |
| Subcategory #5 | <b>Category #5 process</b><br>the preparation of VOE goals, strategies, and work plans has been going well in accordance with their respective duties and functions                     |
| Subcategory #6 | <b>Category #6 Structure</b>  |
| Subcategory #7 | the organizational structure has been formed and runs according to their respective duties and functions  |
| Subcategory #8 | <b>Category #7 Cognition and Values</b><br>the members are consistent in carrying out their duties but some still do not participate because there is no clarity about wages/salaries   |
| Subcategory #9 | <b>Category #8 Constitution</b>   |

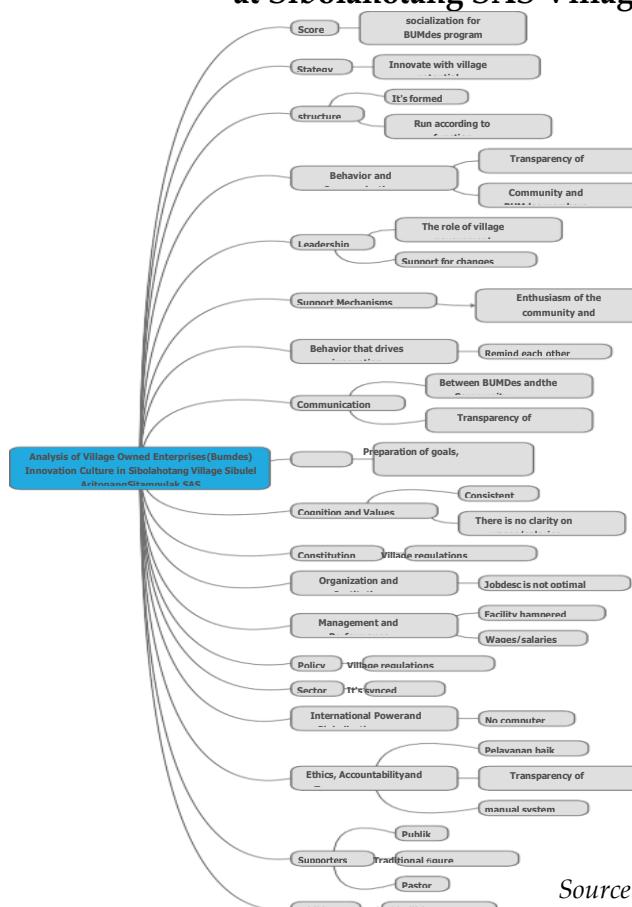
|                        |   |
|------------------------|---|
|                        | there is already a village regulation that contains the basics and organizational structure of VOE  |
| <b>Subcategory #10</b> | <b>Category #9 Organization and Institution</b><br>job descriptions in VOE management are not optimal   |
| <b>Subcategory #11</b> | <b>Category #10 Management and Performance</b><br>Human resources have not been optimal in implementing VOE because of hampered facilities and wages/salaries   |
| <b>Subcategory #12</b> | <b>Category #11 Policy</b><br>Sibolahotang SAS Village Regulation Number 5 of 2021 on the Establishment of VOE  |
| <b>Subcategory #13</b> | <b>Category #12 Sector</b><br>Efficiency in terms of program synchronization, objectives, and interests of the Sibolahotang SAS VOE unit shows that they have been synchronized with the existing program |
| <b>Subcategory #14</b> | <b>Category #13 International Power or Globalization</b><br>There is no computer which is very helpful and makes it easy to record financial reports by the VOE treasurer                                 |
| <b>Subcategory #15</b> | <b>Category #14 Ethics, Accountability, and Transparency</b><br>The service is already good and there is transparency in financial reporting but the weakness is a manual system                          |

*Source: Processed by Researchers, 2022*

The result of this selective coding is the final result of data analysis from compacting the concept of interview transcription. This coding provides a new understanding of the results. Furthermore, to complete the Manual Data

Analysis Procedure (MDAP) technique, the data were visualized using memos to describe the data points analyzed by coding. Memos are created using the mindmup.com application and the data are shown in Figure 1 below.

**Figure 1. Visualization of Innovation Culture and Sound Governance in the VOE program at Sibolahotang SAS Village**



*Source: Data processed by research teams (2022)*

The results of the memos are an overview of research data points that were analyzed using coding techniques.

Moreover, the theme of innovation culture and sound governance dimensions is addressed in the discussion section.

### ***Analysis of Innovation Culture to Develop the Mandiri VOE Program in Sibolahotang SAS Village***

The indicators used in this discussion refer to Martins & Terblanche i<sup>13</sup> where the variables influencing the innovation culture dimension include:

1. **Strategy**, shows that the mission and vision, when well defined, influence the creation of a strong culture in guiding the behavior and actions of organizational actors. Clear principles facilitate those involved in the organization to understand and keep moving in the same direction. Organizational goals as well as objectives express organizational values and can promote or hinder innovation.<sup>14</sup>

Innovation occurs in organizations with a mission and vision focusing on clients, management processes, leadership, and support mechanisms. Based on the results, the strategy implemented is that before the management is formed, a VOE learning socialization is held first, while the prospective managers who can manage VOE and holding deliberations are subsequently determined. This is also based on the organizational vision and mission. The managers can provide future work plans, hence they are mutually beneficial for the village and the community involved in the program.

Therefore, it can create business opportunities where all forms of business aim to prosper the village economy. One of the programs that have been running is savings and loan. Business institutions are managed by the community as well as the government to strengthen the economy and are formed based on the existing needs or potential of Sibolahotang SAS Village.

2. **Structure**, although the organizational structure is defined as the sum of the different parts of a business, some organizations recognize that different groups act in unusual ways thereby hindering the development of innovation. Organizational size is one of the factors influencing the structure and process of innovation. Large organizations have several advantages, such as greater availability of resources. However, they may be more bureaucratic, less flexible, and more resistant to change. The flexibility of the textile industry can be seen in its multi-tasking workforce and production. Based on the results, the VOE structure already has rules that are implemented in the form of Village Regulations.<sup>15</sup> The clear strategy as well as management for obtaining funds at VOE affects community work and have an active SME to improve the village economy, especially that of Sibolahotang SAS. The organizational structure for establishing VOE is clear and in accordance with their respective duties and functions. In this case, the organization is certainly under the auspices of the village government, therefore, the strategy undertaken

<sup>13</sup> Maharezta Putra Perkasa (2018). Pengaruh Inovasi Budaya Dan Kinerja Organisasi: Inovasi Produk Dan Proses Pada Umkm Di Yogyakarta

<sup>14</sup> Kresnawati Siti Hanila, "Strategi Inovasi Bumdes Dalam Meningkatkan Potensi Dan Kesejahteraan Ekonomi Masyarakat Pesisir Kabupaten Seluma Dengan Metode Criterium Plus-Ahp," *Management Insight: Jurnal Ilmiah Manajemen ISSN 14, No. 2 (2019):*

195-209,

<https://Doi.Org/10.33369/Insight.14.2.195-209>.

<sup>15</sup> Government of Indonesia, "Government Regulation Number 11 of 2021," *Government Regulation Number 11 of 2021 on Village-Owned Enterprises*, No. Village-Owned Enterprises (2021): 1-71.

certainly requires solid cooperation with the community. The managers certainly try to optimize the efforts of making the VOE funds productive in Sibolahotang SAS, even though in stages.

3. **Support mechanisms**, it should integrate organizational culture which create an environment with conditions in order to promote creativity and innovation.<sup>16</sup> Rewards and recognition as well as information and creativity are mechanisms that perform this function. An organizational culture that promotes creativity and innovation should allow time flexibility for the VOE team to be inspired and have clearer creativity. Information technology is a feature used for profitable performance innovation.<sup>17</sup> The results indicate that the Mandiri VOE program for the savings and loan unit can help the community in the form of additional capital for small businesses at home and reduce the unemployment rate in this village. Moreover, this program does not harm the community but even gets support with the aim of advancing their economy and having a prosperous life.
4. **Behavior driving innovation**, fault tolerance is very important in the development of an organizational culture that aims to increase creativity and innovation. Rewarding success as well as recognizing and celebrating failure leads to the remembrance of facts and people learning from mistakes. When employees are promoted to generate new ideas without being disadvantaged, there is an

incentive for creativity and innovation. Therefore, they feel surrounded by an atmosphere of responsibility through the profitable performance of organizational development based on multidisciplinary teams that provide members with feelings of support. Based on the results, to maintain the smooth running of the savings and loan units, there is still transparency for the community and parties who participate in evaluating the VOE results. Therefore, constraints and solutions to each problem can be identified. The community in this savings and loan unit is always involved in attending the evaluation, hence, there are no misunderstandings between the Village Government, the VOE team, as well as the community. The results of the organizational management are also held annually with community leaders involved in evaluating and solving problems as well as the transparency of the funds. One of the problems that often occurs is that people are in arrears of savings and loans for their business due to a lack of knowledge on how to manage the money.

5. **Communication**, an organizational culture that provides clear communication, based on trust, has a positive influence on creativity and the development of innovation.<sup>18</sup> By feeling confident and emotionally secure in the organization, employees can deviate at some point, thereby allowing those new possibilities to be conceived in creative and innovative ways. The results showed this has

<sup>16</sup> Triyo, Haryono, And Irwantoro, "Strategi Inovasi Badan Usaha Milik Desa (Bumdes) Dalam Meningkatkan Potensi Dan Kesejahteraan Ekonomi Masyarakat Desa (Studi Pada Bumdes Mandiri, Desa Morobakung, Kecamatan Manyar, Kabupaten Gresik) 1ely."

<sup>17</sup> Government of Indonesia, "the Minister of Village, Development of Disadvantaged Regions and Transmigration Regulation Number 22 of 2016,"

Jakarta, 2016, [Http://Jdih.Kemendesa.Go.Id/Katalog/Peraturan\\_Menteri\\_Desa\\_Pembangunan\\_Daerah\\_Tertinggal\\_Dan\\_Transmigrasi\\_Nomor\\_22\\_Tahun\\_2016](Http://Jdih.Kemendesa.Go.Id/Katalog/Peraturan_Menteri_Desa_Pembangunan_Daerah_Tertinggal_Dan_Transmigrasi_Nomor_22_Tahun_2016).

<sup>18</sup> Hanila, "Strategi Inovasi Bumdes Dalam Meningkatkan Potensi Dan Kesejahteraan Ekonomi Masyarakat Pesisir Kabupaten Seluma Dengan Metode Criterium Plus-Ahp."

happened to the VOE team and village officials who carried out open communication or transparency. The creation of communication between village officials, the VOE team, and the local community has gone well because this is the initial planning objective for the implementation of the Mandiri VOE program in Sibolahotang SAS. The community is required to act creatively and innovatively in implementing this program. Therefore, they need to trust each other by offering open communication or transparency in the financial reports of the savings and loan unit.

#### *Analysis on the Implementation of Sound Governance in Developing the Mandiri VOE Program at Sibolahotang SAS Village*

The second indicator used is the theory of Sound Governance dimensions in which each of these dimensions works together with good leadership. Moreover, the dynamic participation of interactive elements or components provides a quality governance system that is in line with shared expectations. Some of these dimensions are:

1. **Process.** Sound governance involves a government process with the interaction of all elements or stakeholders involved. However, it is not only about the internal and external processes but also the structure. Based on the interview results above, the process was carried out by the founder of Sibolahotang SAS Mandiri VOE with the village community. Furthermore, the preparation of VOE goals, strategies, and work plans has been going well in accordance with their respective duties and functions. One of the problems in managing the organization is in terms of financial preparation and decision-making by reporting financial information. Based on the results obtained from bills every month, some people are still in arrears of paying fees for savings and loan for

business capital. Therefore, it can be concluded that planning, which is the first indicator of the process principle, has been implemented in VOE management but financial reporting has not been optimal.

2. **Structure.** This savings and loan business in Sibolahotang SAS Village aims to serve community members. The interview results showed the organizational structure has been seen from efforts to carry out its duties and functions even though there are still many shortcomings. Moreover, it attempts to have consultations with those who carry out training for savings and loan business managers. This indicates that the number of employees in the four VOE is in accordance with the organization's work, meaning that the formation of savings and loan business units is related to the services carried out by the members.

3. **Cognition and value.** Cognition with value dimensions represents value systems that are unique to or deviate from governance structure and process. For example, the government system is unhealthy, corrupt, lacks institutionalization or legitimacy, and is highly dependent on external forces for legitimacy to remain in power. Therefore, it is highly dependent on a globalized and dominating power structure as well as a repressive government system. Based on the interview results on the cognition and value dimensions related to consistency, the Sibolahotang SAS VOE, in making decisions, has a clear agreement on the accurate procedure for carrying out duties. It can be concluded that the organization is consistent in making decisions for each of its activities and already has a clear agreement regarding the accurate procedure for carrying out its duties. However, the weakness is that cooperation with the team cannot be carried out optimally because the wages/salaries

earned by the members have not been explained.

4. **Constitution.** It is the most important aspect of the government constitution and system in the form of a basic guiding document for implementing the Mandiri VOE program. The interview results showed the VOE already has regulations that contain basics and organizational structure, hence, there is clarity of vision and mission. The division of duties and powers within the organization is clear and has been carried out properly in accordance with village regulations which have all articles of rights, obligations, sanctions, as well as prohibitions in VOE. Therefore, it can be concluded that this constitutional principle has been applied in the management of Sibolahotang SAS VOE. There are regulations containing the steps that should be carried out in case the organization experiences changes at any time.
5. **Organization and institution.** One dimension of sound governance is the organization and institution components or properties. However, an institution without a healthy organization will fail and be unable to carry out its plans. This consequently causes policy, structural, and process failure in the government system, hence, the government becomes unhealthy and unable to perform well or contribute to good governance. The interview results showed that the existence of a clear organizational structure within VOE is related to the compatibility between the organizational structure with the needs and objectives set together. In other words, the Sibolahotang SAS VOE already has a clear organizational structure and is in accordance with the needs and objectives

set together to manage the institution. This can also be seen from the existence of a job description in VOE management which shows that the suitability of labor division and competence is already stated in the organizational structure. Moreover, the division as well as formulation of duties, authorities, and responsibilities for each position are carried out in a clear or balanced manner. Therefore, it can be concluded that the organization and institution principles were applied in the VOE management, such as the existence of a job description for each enterprise and the existence of a concentration for the savings and loan unit at Sibolahotang SAS Village.

6. **Management and performance.** This dimension of sound governance is directly related and integral to the overall system. Performance alone is not enough, as the government needs to produce the desired results in the form of institutional and system legitimacy. Therefore, management should be informed of the latest knowledge, technology, capacities, resources, and skills, as well as essentials that need to be updated through research and development, training and upgrading, or capacity building. Without a good management system, the efficiency and effectiveness of sound governance will not be achieved, thereby resulting in poor performance. The results showed that the actual performance of VOE has not reached its target.<sup>19</sup> The compatibility of VOE activities with their implementation is in accordance with standard operating procedures (SOP). The target achievement for the savings and loan business unit has not been carried out optimally. This can be seen from the evidence that the community

<sup>19</sup> Etha Listiany Supardi And Gideon Setyo Budiwitjaksono, "Strategi Pengelolaan Badan Usaha Milik Desa (Bumdes) Dalam Upaya Meningkatkan Pendapatan Asli Desa Di Desa

Bungurasih," *Jemma (Journal Of Economic Management And Accounting)* 4, No. 2 (2021): 139, <Https://Doi.Org/10.35914/Jemma.V4i2.733>.

is in arrears of paying monthly fees in accordance with the amount of loan for their business capital. Therefore, to achieve the VOE program in Sibolahotang, they should have a commitment to work and responsibility for the agency. In conclusion, the management and performance principles have not been fully implemented in VOE management. This can be seen from the measurement of performance which is still standard, especially from the timely implementation of activities.

7. **Policy.** This kind of policy is to guide and provide direction to governance institutions and organizations to achieve the desired goals and objectives. The organizational policy directs and determines the rules, regulations, procedures, and values used for managing the organizational performance towards the same mission and goals desired from Good Governance. The mission of the Mandiri VOE at Sibolahotang SAS is as follows:
  - a. Developing VOE as a locomotive for economic activity and empowering rural communities in all fields.
  - b. Increasing Village Original Income.
  - c. Exploring and empowering village potential.
  - d. Strengthening the institution and expanding work networks through internal and external cooperation with various existing potentials to strengthen the village economy. The VOE has carried out direct and clear information or message for socialization activities. This can be seen from its human resources, namely staff who are quite good in terms of quality and quantity. Moreover, the village community has been involved in decision-making.
8. **Sector.** The sectoral dimension of government is important because it focuses on certain sectors, namely industry, agriculture, rural, urban, science,

research and development, education, health, transportation, and others. The direct participation of citizens, competent management, as well as knowledge and skills is also required in the performance of public organizations. Based on the results of the efficiency principle in this sector, which is related to program synchronization, the goals and interests of the VOE unit are in sync with the existing program. This can be seen from its ability to produce or provide services in accordance with the demands and needs of the community regarding savings or loans for business capital as well as the desire to develop VOE (business plan).

9. **International power or globalization.** In an accelerating globalization era, interdependence between nation-states, governments, and citizens is increasingly unequal with developments. This indicates intolerance towards certain behaviors of previous governments. Therefore, it is considered traditionally normal and internal for sovereign governments to demand the implementation of various rules, and regulations, agreed-upon at the regional or global level. Based on the results, in terms of ease of managing savings or loan independently, this VOE uses a computer and human resources, which are very helpful and made the recording of financial reports easy for the treasurer. This can be seen from the development of science and technology in advancing Sibolahotang SAS VOE as well as the assistance provided by the Community and Village Empowerment Service (DPMD) as an effort to improve the performance explained earlier. This principle was applied where VOE has not loaned to third parties.
10. **Ethics, accountability, and transparency.** The main feature of Sound Governance is its principled foundation on ethical values, accountability requirements, as well as structure and transparency values. The

main principles are against the potential for abuse and corruption of the system as well as the principles of efficiency and economy in the management or administration processes. From an ethical perspective, the interview results showed that Sibolahotang SAS VOE has provided accountability in all forms of activity and reports according to performance. Implementation and management have also followed the applicable processes or procedures. The VOE budget is based on the applicable village laws and regulations. In terms of the openness of this financial report, the weakness is the absence of access to information online and the use of a manual method. Therefore, the village community is recommended to discuss directly with the treasurer of the Sibolahotang SAS VOE regarding the financial report.

## Conclusion

Based on the results discussed above, the analysis of innovation culture and Sound Governance in developing the Mandiri VOE Program can be seen from the involvement of the community to develop their business by increasing capital in the savings or loan unit. However, there are limitations to the ability of human resources in implementing the program. This is due to the absence of training in knowledge to develop the potential that exists in the village. The facilities and infrastructure are inadequate, especially computer equipment that will be used by the General Treasurer in savings and loan financial reports. Furthermore, there is no collaboration with the private sector to help with capital or costs, and it is not too dependent on village income and expenditure budget funds. This type of VOE program can be improved by utilizing village potential in developing the economy for community welfare at Sibolahotang SAS.

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