

**UNIVERSITI TEKNOLOGI MARA**

**THE INSTITUTIONALISATION  
AND GOVERNANCE OF VILLAGE-  
OWNED ENTERPRISE IN  
INDONESIA FOR SUSTAINABLE  
VALUE CREATION**

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## ABSTRACT

Village-owned Enterprise (VOE) in Indonesia provides a promising contribution to the rural empowerment program in Indonesia. VOE was designed to create more jobs and help market Village products to solve the rampant problems of unemployment, poverty, and inequality in the villages. Despite the enormous funding and support, most VOEs do not perform well and fail to create social value. This study uses the New Institutional Theory and Institutional Analysis and Design (IAD) to underpin the emergence and development of VOE in Indonesia. This study aims to examine the institutional contexts of the emergence and development of VOE in Indonesia, investigate the business model, the governance and the sustainable value creation of VOE in Indonesia. This thesis used a qualitative study, specifically a single case study method in discussing the objectives. VOE Panggung Lestari the winner of the ASEAN Leadership Award 2019 in Social Change is chosen as a single case study. Three stages of study are carried forward, first preliminary study by literature review and interviewing five VOEs management to understand the nature and phenomenon of VOE, second observation and in-depth interview to the key informants in Panggungharjo Village and third focus group discussion in national and local level and triangulation to the written documents and reports. The research divides the period of observation of the institutional context of the emergence and development of VOE into two periods. In the period I 2004-2014, this research finds evidence of institutionalisation of Village Owned Enterprise (VOE) in the form of isomorphism in the business models and governance. In the Period II of 2014-2021, the exogenous shocks of the regulation change, cognitive cultural shifting, and market failure triggered the institutional change in VOE. The institutional change is the evidence that a village such as Panggungharjo Village can identify, interpret, and modify the local institution to adapt to the institutional context change and to fit the new environment. This finding is consistent with the Institutional Analysis and Development and contrary to the New Institutional Theory. The role of the local leader and the supportive Village's local arena is the major contributor to the institutional change in Panggungharjo Village. Participative governance and professional management are effective in confronting legitimacy issues and maintaining public trust and support. This research noted the importance of cognitive cultural shifting toward open, trusting each other, cooperative, self-help, and persistence to ensure the Village's local actors work together toward the same goals. This research also outlines the VOE Panggung Lestari Sustainable Value Creation framework and checklist to help other VOEs manage the challenges and thrive in the establishment, growth, and maturity phase.

Keywords: Village-owned Enterprise, Institutional Entrepreneur, Social Enterprise Business Models, Participative Governance, Rural Empowerment, Sustainable Value Creation

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# TABLE OF CONTENTS

	<b>Page</b>
<b>CONFIRMATION BY PANEL OF EXAMINERS</b>	<b>ii</b>
<b>AUTHOR'S DECLARATION</b>	<b>iii</b>
<b>ABSTRACT</b>	<b>iv</b>
<b>ACKNOWLEDGMENT</b>	<b>v</b>
<b>TABLE OF CONTENT</b>	<b>vi</b>
<b>LIST OF TABLES</b>	<b>xi</b>
<b>LIST OF FIGURES</b>	<b>xii</b>
<b>CHAPTER ONE INTRODUCTION</b>	<b>1</b>
1.1 Research Background	1
1.2 Problem Statement	7
1.3 Research Objectives	9
1.4 Research Questions	11
1.5 Scope and Limitations of Study	14
1.6 Significance of Study	15
1.7 Thesis Overview	17
<b>CHAPTER TWO EXPLORATORY REVIEW OF VILLAGE-OWNED ENTERPRISE</b>	<b>18</b>
2.0 Introduction	18
2.1 The History of Village Regulation and Development in Indonesia	18
2.1.1 The Village in The Pre-Colonialisation Era	18
2.1.2 The Village Regulation In The Colonialisation Era	21
2.1.3 The Village Position In The Soekarno Era	22
2.1.4 The Village administration in the Suharto era	23
2.2 Indonesian Reformation Era and Public Sector Reforms	25
2.2.1 The Financial Crisis and The End of the New Order Era	25

2.2.2	Public Sector Reform in Reformation Era	27
2.2.3	Local Government Decentralisation and Village Government	29
2.3	The Village Fund and VOE Regulation	33
2.3.1	The Village Fund Policy	34
2.3.2	The VOE Regulation Pre and Post Law No 6/ 2014	37
3.0	Introduction	40
3.1	Institutional Theory and Institutional Context of VOE	40
3.1.1	The Development of Institutional Theory	40
3.1.2	The Basic Concepts of Institutional Theory	46
3.1.3	Legitimacy and Institutional Logics	49
3.1.4	Institutional Pillars	51
3.1.5	Institutionalisation, Isomorphic and Divergence	53
3.2	Institutional Context Change and Institutional Entrepreneur	54
3.2.1	The Institutional Analysis and Development Framework	55
3.2.1.1	The Concept of Rules in Institutional Analysis and Development	56
3.2.1.2	The Concept of Goods and Market Failure	58
3.2.1.3	The Action Arena in Institutional Analysis and Development	59
3.2.1.4	The Prediction of Outcome in Institutional Analysis and Development	60
3.2.2	The Institutional Entrepreneur capacity and constraints	62
3.3	The Hybrid Organisation and Social Enterprise	65
3.3.1	The Hybridity of VOE	65
3.3.2	Social Entrepreneur and Social Enterprise Characteristics	66
3.4	Social Enterprise and VOE Governance	68
3.4.1	Participative Governance	69
3.4.2	Co-Ownership of Social Enterprise	70
3.4.3	Managing tensions of Multi Stakeholders	71
3.4.4	Structure and Management of Social Enterprise	73
3.4.5	Performance and Accountability of Social Enterprise	74
3.5	Social Enterprise Business Models	76
3.5.1	The Characteristics of Social Enterprise Business Model	77
3.5.2	Integrating Social Mission in Business Process	81
3.6	Social Enterprise Sustainable Value Creation	84
3.6.1	Social Enterprise Challenges and Sustainability	84