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Exploring Integrated Governance to Stimulate Sustainable Performance of Village-Owned Enterprises

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Abstract:

Good governance integration may assist Village-Owned Enterprises (BUMDes) in achieving sustainable performance. This study focused on the adoption of governance principles and their impact on sustainable performance at BUMDes Mutiara Welirang in Mojokerto, East Java, Indonesia. This study used an exploratory descriptive qualitative approach using a single case to explore the phenomenon in depth. Data collecting methods include structured interviews, field observations, focus group discussions, and document studies. The method of determining informants is divided into two stages: purposive sampling to identify important informants based on specific criteria and snowball sampling for supporting informants. Data were processed using thematic analysis to identify, analyze, and report on interview findings. The study's findings show that BUMDes Mutiara Welirang's governance procedures incorporate cooperative, participatory, emancipatory, transparent, accountable, and sustainable principles. The integration of BUMDes governance serves as the foundation for achieving sustainable performance in not only economic but also social, environmental, and cultural dimensions. This study's implications include improving the welfare of multiple stakeholders in financial, social, environmental, and organizational cultural dimensions. This study also provides theoretical benefits, such as serving as a role model for BUMDes governance in Indonesia to achieve sustainable performance.

Keywords: *Integrated Governance, Village-Owned Enterprises (BUMDes), Sustainable Performance*

Abstrak:

Penerapan integrasi tata kelola yang baik mampu mendorong Badan Usaha Milik Desa (BUMDes) memperoleh kinerja berkelanjutan. Fokus penelitian ini mengeksplorasi penerapan integrasi prinsip-prinsip tata kelola serta pengaruhnya pada kinerja berkelanjutan pada BUMDes Mutiara Welirang, Mojokerto, Jawa Timur, Indonesia. Penelitian ini menggunakan pendekatan *exploratory descriptive qualitative* dengan kasus tunggal untuk menggambarkan fenomena secara mendalam. Pengumpulan data melalui wawancara terstruktur, observasi lapangan, focus group discussion dan studi dokumen pendukung. Metode penentuan informan melalui dua tahap, yaitu purposive sampling untuk menentukan informan kunci berdasarkan kriteria-kriteria tertentu, dan snowball sampling untuk informan pendukung. Data dianalisis menggunakan analisis tematik untuk mengidentifikasi, menganalisis dan melaporkan berdasarkan hasil wawancara. Hasil penelitian menunjukkan bahwa praktik tata kelola BUMDes Mutiara Welirang telah menerapkan tata kelola terintegrasi meliputi kooperatif, partisipatif, emansipatif, transparansi, akuntabel, dan sustainable. Integrasi tata kelola BUMDes menjadi dasar mewujudkan kinerja berkelanjutan yang tidak hanya pada aspek ekonomi namun juga sosial, lingkungan, dan budaya. Implikasi penelitian ini adalah meningkatkan kesejahteraan multi pihak baik aspek keuangan, sosial, lingkungan serta budaya organisasi. Penelitian ini juga memberikan manfaat teoretis yaitu menjadi role model tata kelola bagi BUMDes di Indonesia untuk menciptakan kinerja berkelanjutan.

Kata Kunci: *Tata Kelola Terintegrasi, Badan Usaha Milik Desa (BUMDes), Kinerja Berkelanjutan*

INTRODUCTION

Village-owned enterprises (BUMDes) are founded by the village government and managed autonomously and professionally with money derived fully or primarily from village assets (Srirejeki, Faturahman, Warsidi, Ulfah, & Herwiyanti, 2020). BUMDes are collective economic institutions that play a significant role in optimizing village economies (Afwa, 2018; Kurnianto & Iswanu, 2021; Rodiyah, 2019). The purpose of BUMDes is to administer village-owned enterprises that serve as a productive economic vehicle for village communities, according to the potential and needs of each community. The administration of village-owned enterprises is also intended to assist in the resolution of communal issues by mobilizing local resources that are difficult for profit-oriented businesses to do. Due to the critical function of BUMDes, the government has built a solid framework, as stated in Government Regulation (PP) No. 11 of 2021, respecting Village-Owned Enterprises.

In theory, the establishment of BUMDes serves as a cornerstone of village economic activities, either as social and commercial institutions or for profit (Kurnianto & Iswanu, 2021; Srirejeki et al., 2020). In the social environment, the establishment of BUMDes benefits the community by contributing to the resolution of social problems and the provision of social services. Meanwhile, BUMDes' role as a commercial entity is projected to help increase the village's original income. In practice, BUMDes can be made up of legal companies that operate as business institutions, with BUMDes and the community sharing ownership. BUMDes, for example, can establish a microfinance institution or a limited liability corporation.

Village viewers and academics have performed studies on the performance of village-owned enterprises (BUMDes). According to research conducted by the Village Renewal Development Forum (FPPD) and the Australian Community Development and Civil Society Strengthening Scheme (ACCESS), the failure of BUMDes performance is due to the lack of legitimacy and adhesion of BUMDes in the community, resulting in BUMDes being considered a government project (Sukasmanto, 2014). Several additional studies, however, suggest that BUMDes performance has a significant impact on enhancing the economy and community welfare (Fauziah & Rifa'i, 2023; Hibatullah & Shodiqin, 2023; Sidik, Nasution, & Herawati, 2019). BUMDes' success is undoubtedly linked to the role of effective governance (Sidik et al., 2019). This means that BUMDes with excellent governance can demonstrate performance and favorably impact the community's economy.

Governance is described as the structure, process, and technique used to command and control an institution in order to fulfill its goals successfully (Widiastuti, Putra, Utami, & Suryanto, 2019). BUMDes governance differs from corporate governance, which seeks to maximize the value of a company. BUMDes governance aims to strengthen the village economy through strong cooperation, a feeling of community, and societal solidarity (Kurnianto & Iswanu, 2021). Furthermore, the BUMDes administration has two missions: social and economic (Kurniasih, Setyoko, Imron, & Wijaya, 2019). The social mission is to meet the needs of the community, empower the community, and create chances for the community to participate in BUMDes management, from planning to responsibility. BUMDes' economic objective is profit-driven; hence, a professional governance framework is required to boost village income and distribute profits fairly to the community.

Governance is a management philosophy focused on protecting the interests of stakeholders who are directly or indirectly involved in the company's activities (Burak et al., 2017). This means that corporate governance ensures that the company's reporting on the current state of the firm is thorough, accurate, and timely. Furthermore, corporate governance is described as the total process designed to align conflicting interests among stakeholders (Burak, O. Erdil, & E. Altındağ, 2017). Business companies are expected to perform well and consistently, with shareholder security and stakeholder interests protected by the principles outlined. Village-owned enterprises (BUMDes) are evaluated based on their objectives, which include both social and

economic goals that are closely related to the features of social enterprises (Kurniasih et al., 2019). Experts define social enterprises as corporate organizations that operate for social and environmental goals, as well as the benefits achieved, rather than for profit (Defourny & Nyssens, 2008; Peattie & Morley, 2008). Therefore, stakeholder participation in this governance is very vital (Thompson & Doherty, 2006). Another definition states that social enterprises are hybrid companies that aim to achieve both social/environmental and financial goals (Doherty, Haugh, & Lyon, 2014). As a hybrid organization, BUMDes is interested in adopting governance concepts in an integrated manner.

Although there were earlier studies on BUMDes governance, there has been no full and integrated discussion of its impact on the performance of sustainable institutions. Previous research has only partially investigated the application of the principles of accountability (Kurniasih et al., 2019), accountability and transparency (Amerieska, Andhayani, & Nugrahani, 2021), collaboration, accountability, and transparency (Sofi & Mutiarin, 2018), transparency, accountability, justice, and participation (Handayani, Garad, Suyadi, & Tubastuvi, 2023). Furthermore, studies on organizational governance have been conducted more in the corporate sector with the goal of achieving economic profit (Burak et al., 2017; Jan, Lai, & Tahir, 2021; Janggu, Darus, Zain, & Sawani, 2014; Ngatno, Apriatni, & Youlianto, 2021), whereas researchers have not extensively studied governance in BUMDes. Indeed, BUMDes needs to be carried out optimally and on time by integrating the principles of transparency, accountability, cooperation, participation, emancipation, and sustainability (Purnomo, 2016; Widiastuti et al., 2019), all of which lead to long-term performance. Sustainable performance in this setting is influenced by economic, social, environmental, and cultural elements (Aras & Crowther, 2008; Janggu et al., 2014), all of which are pertinent to BUMDes' aims.

According to sustainability theory, corporations must respond to community concerns such as social, environmental, and economic welfare (Meadows, Meadows, Randers, & Behrens, 2018). The concept of sustainability is now being developed and implemented in numerous businesses. Corporate sustainability is characterized by the Triple Bottom Line idea, which includes economic, social, and environmental factors (Elkington & Rowlands, 1999). According to the same opinion, companies' sustainable performance criteria have three dimensions: environmental, social, and economic (Janggu et al., 2014). Furthermore, other research emphasizes the need to include organizational culture characteristics alongside economic, social, and environmental dimensions because it is the most important part of organizational sustainability (Aras & Crowther, 2008). Sustainable performance affects not only society in the future but also the organization itself. As a result, the organization's environmental performance, such as a positive organizational culture, is an investment in the future (Waddock & Graves, 1997).

The implementation of excellent governance principles allows BUMDes to achieve high performance consistently. In contrast, ineffective BUMDes governance leads to poor performance and stakeholder dissatisfaction. According to a recent study, BUMDes challenges in Indonesia are in a condition of "suspended animation" because of weak governance, and the goal of strengthening the economics of rural communities is falling short of expectations (Jusniarti & Kartika, 2024). Previous research has also shown that BUMDes have a minimal impact on rural development (Hilmawan et al., 2023). As a result, to create shared value and fulfill its objective, BUMDes must prioritize management, monitoring, and accountability. This argument confirms earlier study indicating that sustainable performance (corporate sustainability performance-CSP) is heavily reliant on the quality of good corporate governance (GCG) since effective implementation maintains stakeholder trust (Tjahjadi, Soewarno, & Mustikaningtiyas, 2021). Other studies have shown that excellent institutional governance is critical to increasing long-term performance. Implementing Good Corporate Governance can help to build stakeholder trust in the institution's sustainable performance (Hussain, Rigoni, & Orij, 2018). This demonstrates that holistic BUMDes governance plays a critical role in ensuring sustainable performance. Previous studies have also

shown that BUMDes have a variety of challenges or governance risks that impact sustainable performance (Amerieska, Narsa, & Ningsih, 2023).

This study is essential for conducting because there has been limited study on the thorough implantation of BUMDes governance and its impact on institutional performance. This study specifically intends to investigate the implementation of governance principles in BUMDes and its impact on sustainable institutional performance. The goal is to become a role model for BUMDes governance that is relevant to current demands. This integrated governance model will be quite valuable to BUMDes management when adopting comprehensive governance. Furthermore, the village government might use this model as a reference for developing BUMDes governance policies. Meanwhile, for BUMDes partners, this model provides insight into sustainability commercial viability.

RESEARCH METHOD

Research Design

This study used an exploratory descriptive qualitative approach to provide a thorough overview of a poorly understood event (Hunter, McCallum, & Howes, 2019). This study employed a single case to provide a thorough understanding of a "case" or constrained system of events, activities, and processes involving one or more individuals (Yin, 2014). The mandate of the Higher Education for Villages (Pertides) program, organized by the Ministry of Villages, Development of Disadvantaged Regions, and Transmigration (Kemendes-PDTT) in 2024 as part of the framework of developing the nation from the roots of society, serves as the foundation for this research. This activity mandate was specifically focused on the building of governance for Village-Owned Enterprises (BUMDes) in water source conservation regions. For a variety of factors, BUMDes Mutiara Welirang in Mojokerto, East Java, Indonesia, was chosen as the site of a single case study to fulfill the activities mandate. First, it has enhanced community welfare over the last four years by running five business units: water source management, trash management, village tourism, animal stalls, and savings and loans. Second, in 2020, BUMDes Mutiara Welirang was recognized as the best BUMDes in Mojokerto Regency and East Java province. Third, the institution's performance was consistent enough that in 2023, BUMDes Mutiara Welirang was honored as an inspiring BUMDes in the category of national-level beneficial BUMDes organized by the Republic of Indonesia's Ministry of Villages, Disadvantaged Regions, and Transmigration.

Data Collection

Data was collected with structured personal interviews, field observations, focus group discussions, and document studies (Yin, 2014). The process of identifying research informants occurred in two steps. First, key informants were selected using purposive sampling approaches, which involves identifying informants based on certain criteria, such as being involved in the development of BUMDes and making a significant contribution to their management. The key informant in this study was the director of BUMDes Mutiara Welirang. Second, supporting informants were identified using the snowball sampling technique based on key informant suggestions. Supporting informants include the Village Head, Secretary of Ketapanrame Village, Directors of each business unit, business unit workers, and community leaders, as shown in the table below:

Table 1. Informant Data

| Name | Position | Thema |
|--------------|---|--|
| Informant 1 | Director of BUMDes | Governance, Sustainable Performance |
| Informant 2 | Head of Ketapanrame Village | Governance, Sustainable Performance |
| Informant 3 | Village Secretary | Governance, Sustainable Performance |
| Informant 4 | Director of Drinking Water Management Services Unit | Governance |
| Informant 5 | Director of Environmental Cleaning Management Services Unit | Governance |
| Informant 6 | Director of Tourism Management Unit | Governance |
| Informant 7 | Director of Land Management and Livestock Pen Business Unit | Governance |
| Informant 8 | Director of Savings and Loan Management and Partnership Business Unit | Governance |
| Informant 9 | Drinking Water Management Services Unit Staff | Governance |
| Informant 10 | Environmental Cleaning Management Service Unit Staff | Governance |
| Informant 11 | Tourism Management Unit Staff | Governance |
| Informant 12 | Staff of Land Management and Livestock Pen Business Unit | Governance |
| Informant 13 | Staff of Savings and Loan Management and Partnership Business Unit | Governance |
| Informant 14 | Community Leaders | Advantages of Governance and Sustainable Performance |
| Informant 15 | Community Leaders | Advantages of Governance and Sustainable Performance |
| Informant 16 | Community | Advantages of Governance and Sustainable Performance |

Source: Processed Data, 2024

Data Analysis

Thematic analysis was employed to identify, analyze, and report on the research data (Braun & Clarke, 2006). This data analysis method was selected because it is easy to access and flexible, which is consistent with the nature of qualitative descriptive research. The steps for thematic analysis are as follows:

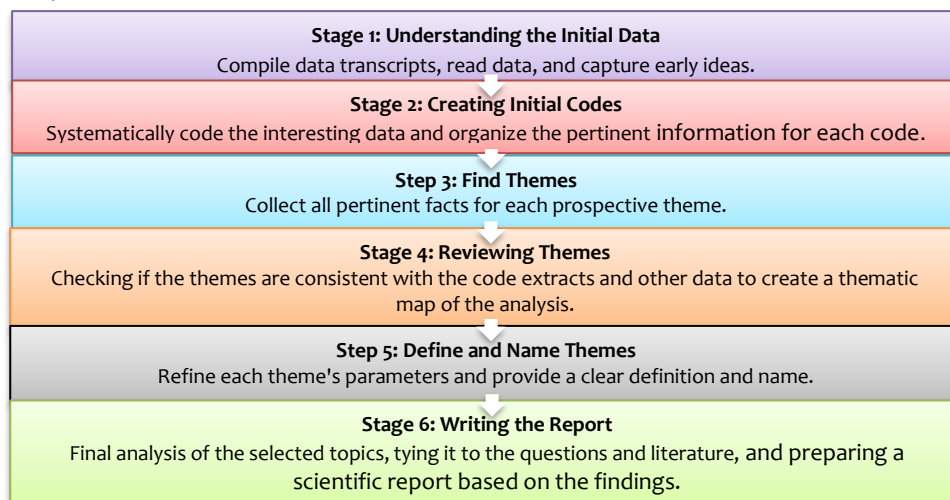


Figure 1. Data Analysis Stage
Source: Braun & Clarke (2006)

RESULT AND DISCUSSION

The results section examines empirical data findings on the governance implementation of the Mutiara Welirang Village-Owned Enterprise (BUMDes) in Ketapanrame, Mojokerto, East Java, Indonesia, based on informant interviews. BUMDes governance values include cooperation, participation, emancipation, transparency, accountability, and sustainability.

1. Cooperation

BUMDes Mutiara Welirang, Ketapanrame includes five business entities that collaborate. Even though each business unit has internal power, each has a work program that complements the others. This synergistic balance creates BUMDes governance, which is characterized by local communities. The notion of community management has resulted in a mutually beneficial collaboration pattern. The goal is to accomplish BUMDes' business sustainability while also having an impact on the community's social, environmental, and economic well-being. In addition to developing a cooperative pattern with the community, BUMDes Mutiara Welirang establishes communication with the local and central administrations. Another synergy was formed with investors from outside the region who invested in the Ketapanrame Village area. Furthermore, interaction between financial and educational organizations is being strengthened to promote the area's development. All cooperation that has been developed indicates constructive multi-party synergy, transforming Ketapanrame Village into a promising area.

"In deciding on an activity, we still share authority. If there is a water-related issue, the water unit manager plays the primary role. So other unit managers should not be preoccupied with other units." (Informant 6).

"... yeah, we are also working to improve communication with the local administration. For example, Taman Ghanjaran once received \$5 million from the Mojokerto Regency Government, and its sustained development requires investment from, by, and for the Ketapanrame community." (Informant 2).

2. Participation

The Ketapanrame village authority recognizes that community engagement is critical to taking responsibility for the progress of BUMDes Mutiara Welirang. The establishment of BUMDes Mutiara Welirang will have an impact on the village community, either directly or indirectly. Tourism from other regions can harm local cultural values. Social engagement between BUMDes business unit management and communities outside Ketapanrame village has the potential to be unpleasant and harm local values. In this framework, the village government continues to encourage residents to be fully involved. Community approval of BUMDes work programs is critical to the organization's survival in combating negative issues that harm the local image. Internal BUMDes managers are also involved in participatory practices, which are achieved by implementing a good work culture that includes cooperation and helping each other when there are work obstacles, as well as harmonious social interactions between employees both vertically and horizontally, which is known as compassion. The village administration and BUMDes Mutiara Welirang managers understand how essential employees and the village community are to the overall BUMDes process. For them, BUMDes must exist, be able to act, and deliver advantages to its inhabitants.

"Finally, we established the management so that BUMDes has a large economic impact, as well as an influence on the community and village income. So, in 2010, we attempted to add five more BUMDes units, including environmental and village trash cleaning units, kiosk and cage rental units, tourism units, savings and loan, and partnership units." (Informant 2).

"In accordance with our motto, BUMDes must be present, capable of acting, and beneficial. The same applies to employees; I continue to promote compassion, mutual aid, and teamwork. As a result, our presence must be capable of resolving community issues. As a result, our business units and activities are designed to address community issues." (Informant 1).

3. Emancipation

The informants characterized emancipatory as giving equal possibilities for controlling BUMDes regardless of gender, class, or religion. They believe that the principle of competence is essential to good governance. Its embodiment is the provision of chances for competent rural women to participate in the management of BUMDes. Local women are active citizen profiles capable of identifying and optimizing local assets, as well as developing sustainable livelihoods to help them avoid economic hardship. Village women choose to organize as one of their income-generating tactics to create sustainable livelihoods. In addition to village women, informants said that vulnerable or disabled persons are given equal opportunity as agents of village change to ensure that village members do not feel abandoned by the local administration. The training program to strengthen the capacity of BUMDes is carried out through active involvement. In this context, training programs focus on inclusive village asset management and business plan development. Furthermore, BUMDes helps disabled and low-income women's groups sell their companies by branding their results.

"The village authority promotes competent women to manage BUMDes. The aim is equality and emancipation. But it must remain professional." (Informant 3).

"To ensure that people do not feel excluded, men and women, as well as vulnerable or disabled persons, must be provided equal space. Everyone has the right to advance, and BUMDes plays an important part in improving everyone's well-being. (Informant 1).

4. Transparency

Interviews with informants revealed that transparency of information and community involvement through the expression of thoughts or ideas are crucial aspects. They think that BUMDes management's success is influenced by its honesty with the community (public). The community has the right to complete and open information about their responsibilities for resource management and regulatory compliance. Accountability is implemented by the submission of financial reports on a regular basis, specifically, the timely release of information on data procedures and facts (monthly, semester, and yearly), clarity and ease of understanding, accuracy, comparability, and accessibility. Furthermore, BUMDes managers make public disclosures on financial conditions, management composition, and planning methods, as well as the outcomes of activities to be carried out. The informants also stated that the goal of communicating information is to create a check and balance mechanism for both managers and the community.

"Every month, BUMDes managers compile reports for submission to the community so that the community is aware of the state. Usually submitted once a month, six months apart, and at the end of the year." (Informant 15).

"Typically submitted during a meeting in paper form, then forwarded to the Village Head at the lowest level. Furthermore, the report is shown on the village notice board in the Village Office." (Informant 2).

5. Accountability

According to the interview results, accountability is a sort of organizational responsibility in managing public resources. BUMDes management understands that they must be accountable to the community to achieve strong organizational governance. Because this mandate has been given by the village and community, they will submit their performance to the party with the authority to monitor management implementation. This accountability is implemented both vertically and horizontally. Vertical accountability is transferred to a higher authority, specifically the Village Head. Meanwhile, horizontal accountability extends to the larger community and the environment. BUMDes managers stressed the need for governance responsibility to ensure transparency, financial stability, and sustainable business practices. This accountability effectively aids in the management of economic activities, the engagement of stakeholders, and the encouragement of community involvement, all of which contribute to long-term corporate operations.

"The BUMDes must continue to perform well. As a result, we will continue to adjust to demonstrate accountability. We communicate all developments to both the Village Head and the community during village meetings." (Informant 1).

"We continue to make managerial improvements. For example, we produce financial reports on a regular basis to ensure financial liquidity for operational stability, ensuring that this BUMDes survives and grows well." (Informant 6).

6. Sustainability

The findings of the field investigation indicate that the informants have a long-term orientation. They hope that the currently managed BUMDes will continue to grow into the future generation. The existence of a managed business must contribute positively to long-term performance. The implementation focuses on solid financial performance, environmental and natural resource conservation, employment, public health, public relations, stakeholder involvement, and the organization's economic impact. To make this ambition a reality, the managers also hope that the leaders in each line will demonstrate strong leadership commitment. Both Village Head and BUMDes management are responsible for communicating long-term management goals, ambitions, and values. According to the informants, the viability of BUMDes is dependent on social legitimacy for community empowerment and the village's economic ecosystem.

"We want BUMDes' business to continue to develop. We have made numerous efforts to improve performance, including financial, work-related, and human resource initiatives." (Informant 8).

"To maintain the existence of BUMDes, we involve local communities in the workforce aspect. We provide health facilities and relations between community groups." (Informant 3).

This section explores study findings on the governance of BUMDes Mutiara Welirang and their implications for the institution's sustainable performance. BUMDes Mutiara Welirang may be found at Ketapanrame Village, Trawas District, Mojokerto, East Java. BUMDes Mutiara Welirang conducts five business units, which include drinking water management, environmental cleanliness management, tourism management, land and livestock pen management, savings and loan management, and partnerships.

1. Governance of Village Owned Enterprises (BUMDes)

Governance is a management philosophy focused on protecting the interests of stakeholders who are directly or indirectly involved in company activities (Burak et al., 2017). In this

context, corporate governance guarantees that reporting on actual business activities is thorough, accurate, and timely so that governance serves as the foundation for the organization's excellent performance. This study looks at the governance of BUMDes, which is a hybrid organization with a distinct mission from that of a corporate corporation. According to Doherty et al. (2014), social businesses, also known as hybrid organizations, are organizations that prioritize social, environmental, and financial aims. Based on informant data, the concepts of BUMDes governance can be defined as follows:

a. Cooperation

Cooperative means that all parties involved and stakeholders in the management of BUMDes work well together to ensure the business's success and sustainability. The performance of the management of BUMDes Mutiara Welirang business divisions is inextricably linked to the existing cooperation patterns. Collaboration among business unit managers and public-private sector collaborations demonstrates a mechanism for achieving common goals. Informants indicated that many business programs cannot be implemented without strong cooperation. This informant's statement represents a concept of cooperation as constructively exploring differences and seeking solutions through autonomous activity for common goals (Fadeeva, 2005; Plummer, Telfer, & Hashimoto, 2006). Thus, parties who collaborate in managing BUMDes get a competitive edge.

The informants also stressed the importance of social capital in promoting multi-party cooperative behavior. In terms of partnership, it is referred to as an inclusive collaborative method capable of creating social capital for long-term regional development (Kernel, 2005). BUMDes Mutiara Welirang's administration also forms multi-party relationships, specifically with producers (nature, local culture, and society), suppliers (tourism sector), consumers (tourists), educational institutions, and financial institutions, to integrate community requirements. The informants also stated that the goal of this partnership is to achieve unanimity and harmony that is focused on new prospects and innovative solutions. They believe that collaboration must encompass the perspectives of all stakeholders whose roles and duties have already been determined so that they can contribute to the goals. An empirical investigation of the management of BUMDes Mutiara Welirang revealed several key elements of the collaboration pattern that was developed, including stakeholder interdependence, constructive problem-solving, decision-sharing, stakeholders bearing collective responsibility, and collaboration as a dynamic process. This pattern of cooperation is synonymous with the phrase "multi-stakeholder partnership," which refers to cooperation that results in the interchange and application of ideas and creative techniques to develop solutions (Graci, 2013). Some principles underpin multi-stakeholder collaboration at the village level, including providing a cohesive environmental vision, sharing knowledge, increasing action, and protecting Ketapanrame's resources.

b. Participation

The participative concept states that all parties participating in BUMDes are willing to contribute voluntary support and contributions to promote the growth of BUMDes firms (Kurnianto & Iswanu, 2021). The goal of participatory governance at BUMDes Mutiara Welirang business units is to empower the Ketapanrame village community to engage actively in decision-making and benefit-sharing. Participatory practice and orientation also foster a positive organizational culture, including healthy interactions between employees, bosses, and subordinates. BUMDes management and village governments continue to work to combine activities that improve community knowledge and skills with those that generate cash. For them, BUMDes must be present and capable of acting and providing advantages to their citizens. The balance of knowledge, skills, and income-oriented in Ketapanrame village's community engagement activities is consistent with studies on participatory planning for the development of tourist destinations (Mowforth & Munt, 2015; Spenceley & Goodwin, 2007). However, empirical research indicates that establishing active

participation in village communities is difficult. The informants stressed this since the Ketapanrame village community is from a rural culture that lacks information. Prior research have discovered similar findings on the absence of knowledge on regional development for communities in underdeveloped countries (Goodwin, 2002; Stone & Stone, 2011).

BUMDes Mutiara Welirang's management collaborated with the village government to develop three formulations: preparation, action, and results. The planning stage includes mobilizing resources, identifying all stakeholders, and selecting communities to participate. The action stage involves planning, implementing, monitoring, and assessing. All formulations allude to community engagement aimed at achieving economic, social, and cultural success in each BUMDes Mutiara Welirang business unit. Investigations on community engagement in Ketapanrame village have revealed that involvement, representation, resource accessibility, independence, and openness are key components. This pattern of community participation is consistent with the planning of protected area destination development (Bello, Carr, & Lovelock, 2016). Stakeholders and the government have praised the various efforts made by BUMDes Mutiara Welirang managers to encourage community engagement. Significant company development demonstrates the effectiveness of designing and implementing participation-based enterprises.

c. Emancipation

The governance of BUMDes by appointing competent rural women exemplifies the notion of emancipation. Although village women are not managers, their contribution to management is unique. Emancipation in BUMDes governance has expanded beyond traditional ideals, encompassing a broader range of individuals seeking liberty inside the organizational structure. In a modern context, this governance practice is quite similar to the conventional definition, which states that equality is a principle to be implemented rather than an ideal to be accomplished (Huault, Perret, & Spicer, 2014). In addition to equity, it appears that advancing women's leadership roles helps BUMDes governance in a variety of ways. Empirical evidence on equality shows that including women in roles improves governance practices, performance, innovation, and reputation (Ali, Ng, & Kulik, 2014; Brammer, Millington, & Pavelin, 2009; Kakabadse et al., 2015; Miller & Del Carmen Triana, 2009).

The realization of village women's participation in this organizational structure is a departure from previous notions and is consistent with emancipation ideology (Welzel, 2013). This theory focuses on the emergence of universal freedom and existence free of oppression in human society. Welzel (2013) contends that human empowerment develops along three paths, according to evolutionary reasoning. First, action resources (which result in the capacity to exercise universal freedom). Second, emancipatory values promote universal freedom. Third, civic rights (which ensure the exercise of universal freedom). The three components of human empowerment are related by two successive mechanisms. First, consider how existential empowerment relates to psychological empowerment. Emancipatory values grow when action resources are widely distributed (Welzel, 2012). Second, examine the relationship between psychological and institutional empowerment. The growth of emancipatory values creates societal pressure to implement and strengthen civil rights (Welzel, 2014).

d. Transparency

BUMDes Mutiara Welirang's sustainable governance is characterized by increased transparency. Transparency is implemented by BUMDes managers' efforts to communicate information on a regular basis. Transparency entails providing stakeholders such as BUMDes management, village governments, and the community with accurate and reliable information on the organization's financial performance, governance, partnership structure, commercial activities, and other topics. Modern researchers refer to this effort as "making visible," which means increased transparency (Florini, 2000). This means that BUMDes management's performance is communicated to the public, who have the right to complete and open information regarding

resource management and regulatory compliance. BUMDes managers feel a strong affinity to the principle of transparency, which aids in managerial decision-making. This fact also lends weight to empirical research that shows that more transparency facilitates, among other things, more accountable, democratic, and effective decision-making and sustainability-oriented actions (Gheyle & Ville, 2017; Weil, Graham, & Fung, 2013).

Transparency support is also provided by disclosing to the public information on financial conditions, management structure, and planning methods, as well as the outcomes of activities to be completed under BUMDes governance. This approach is consistent with the explicit disclosure of information (Gupta, 2008), specifically the openness of information in the sphere of public accountability. Transparency of information and public disclosure benefit BUMDes managers. They believe that this principle represents the community's right to know, be accountable, make choices, and participate. Transparency is required to increase the economic value of environmental services or performance, which leads to market exchange. The disclosure of information is designed to rationalize and improve decision-making. As a result, it is widely assumed that greater transparency will lead to increased public trust. As a result, boosting openness in governance procedures is critical for fostering long-term development and preventing financial mismanagement, both of which benefit society.

e. Accountability

Accountability or responsibility for BUMDes managers is strongly tied to the management mandate. Hence, it must be communicated properly, both technically and administratively. According to the notion of accountability, the person issuing the mandate is the principal, and the one receiving it is the agent (Benish & Mattei, 2020). In this scenario, the principal is the Village Head, and the agents are BUMDes-approved business managers. If noticed, BUMDes managers' accountability procedures are carried out vertically and horizontally, or in other words, hybrid accountability, which includes public, market, and social responsibilities (Benish & Mattei, 2020; Mashaw, 2006). The Village Head represents the state's authoritative and hierarchical logic, which serves as the foundation for public accountability. The principle of governance is contingent on the validity and supremacy of applicable law. This comprises the various forms of political, legal, and administrative accountability in public government (Mulgan, 2006).

Market accountability is based on both the competitive market logic and the managerial logic of BUMDes governance. This is intended to guide managers and all employees toward the aim of generating profits while giving managers the authority to run BUMDes successfully. In this setting, all BUMDes managers are focused on meeting financial and governance objectives. The initiative aims to enhance BUMDes' positive attributes by increasing human resources, infrastructure, and target market orientation. Market accountability depends on "consumer sovereignty," which allows customers to hold producers accountable for product quality, pricing, and ability to match preferences (Lodge & Stirton, 2010). Social accountability replicates civil society's logic in communities and cultures. They are created in a variety of social networks, including families, professions, and volunteer organizations. The substance of social accountability is produced by members of a group (such as a professional group); they are typically informal, and accountability is maintained by social pressure and reciprocal commitments among members. All accountability is carried out since it is inextricably linked to the confidence of diverse parties. This finding supports the study's claim that the higher the level of accountability, the greater the stakeholders' trust (Choubey & Bhargava, 2018; Grossi & Thomasson, 2015).

f. Sustainability

The focus of sustainability in BUMDes management is on the future, which is carried out with the option of using resources that are not constrained by decisions made today. Furthermore, all current costs are long-term investments. These sustainable operations will have an impact on both society and the company in the future. This fact implies that excellent organizational

performance today is an investment in the organization's future (Waddock & Graves, 1997). BUMDes' sustainable performance is oriented toward effective financial implementation, the environment and natural resources, employment, community relations, and stakeholder involvement, which corresponds to "a two-dimensional matrix" in sustainability theory (Aras & Crowther, 2008). As a result, all BUMDes managers must grasp the reality of the organization's environment, as well as the amount to which BUMDes is firmly embedded in it, by considering the past, present, and future. This effectively makes everyone a stakeholder, both now and in the future.

Effective BUMDes sustainability requires broad support from governmental officials, internal leadership, and the community. This strategy is referred to as an effective internal corporate governance system, and it influences BUMDes' intra-corporate organization. More particularly, the BUMDes management structure, capital, incentives, and disclosure transparency serve as internal governance mechanisms (Kohl & Schaefer, 2012). Internal governance methods rely on evolving cultural variables because they are interdependent with external mechanisms and dependent on the location of the business. As a result, a BUMDes leadership style is required to establish strategic goals to assure long-term success and survival. Because the quality of BUMDes' governance methods and mechanisms is critical to its long-term viability, according to the World Business Council for Sustainable Development's recommendations (Ludwig & Sassen, 2022), a focus on ethical business practices, a broad risk management system, and long-term value creation can be realized if understood and properly applied.

2. Village-Owned Enterprises (BUMDes) Governance and Sustainable Performance

Organizational governance is oriented toward protecting the interests of stakeholders who are directly or indirectly involved in company activities (Al-Malkawi, Pillai, & Bhatti, 2014; Burak et al., 2017). Furthermore, excellent governance is very likely to boost stakeholder trust, as prior empirical studies have shown that the stronger corporate governance, the higher the level of stakeholder trust (Aras & Crowther, 2008). Competent organizational governance is required to maintain multi-party interests. In this context, BUMDes Mutiara Welirang's governance as a research locus must ensure that actual business activities adhere to comprehensive governance principles, making governance the foundation for the organization's excellent performance.

This study describes the adoption of complete governance concepts in BUMDes Mutiara Welirang, Ketapanrame Village, Mojokerto, such as cooperative, participatory, emancipatory, transparency, accountability, and sustainability. Comprehensive governance is acknowledged as having the potential to encourage BUMDes to achieve high and long-term performance in terms of economy, organizational culture, and social and environmental factors. The impact can considerably increase stakeholder concern. This empirical phenomenon is consistent with previous research findings that sustainable performance (corporate sustainability performance-CSP) can be achieved through good corporate governance (GCG), as effective implementation will maintain stakeholder trust (Tjahjadi et al., 2021). Other research has found that Good Corporate Governance can boost stakeholder trust in an institution's long-term success (Hussain et al., 2018). It can be stated that the adoption of comprehensive BUMDes governance plays an important role in achieving long-term institutional success.

In this study, sustainable performance is defined as four dimensions: economic, organizational culture, social, and environmental aspects, which are broader and more comprehensive in the context of sustainable performance (Aras & Crowther, 2008; Elkington & Rowlands, 1999; Janggu et al., 2014; Zaid, Wang, Adib, Sahyouni, & T. F. Abuhijleh, 2020). Informants reported that BUMDes managers had integrated their organizational governance concepts with long-term performance goals. The implementation of cooperative, participative, emancipatory, transparency, accountability, and sustainability principles always results in economic, organizational culture, social, and environmental objectives. Managers understand that stakeholder demands and institutional influences urge them to include the four pillars of

sustainable performance, namely economic, organizational culture, social, and environmental, into their internal policies and plans. Informants also stressed the current necessity of establishing company goals that focus not only on economic (financial) issues and developing organizational culture but also on how BUMDes can contribute to the community's environmental and social well-being.

BUMDes Mutiara Welirang's sustainable performance is based on a healthy financial system that does not harm the environment or natural resources and maintains positive relationships with employees, the community, and stakeholders. The economic side is demonstrated by BUMDes Mutiara Welirang's ability to increase the economic well-being of its employees and society through five integrated BUMDes business units. Empirical data demonstrate that well-managed Sumber Gempong tourism increases visitor visitation, which boosts local community income. Labor from the local community is also distributed across five BUMDes business groups. Good employment management, promoting employee competence and rights, and fostering harmonious and *welas asih* (compassionate interactions) between BUMDes employees on both a horizontal and vertical level are all examples of the corporate culture. The social aspect is demonstrated by the positive relationships among stakeholders, including the village government, BUMDes managers, and the Ketapanrame village community. Informants stated that BUMDes must be able to act and deliver benefits to their citizens. Informants indicated that the conservation of the Sumber Gempong spring demonstrates BUMDes' environmental performance. Even though the area has become a popular tourist destination, the tourism management remains committed to environmental protection. The orientation of sustainable performance, which leads to financial, organizational culture, social, and environmental factors, was earlier described as "a two-dimensional matrix" in sustainability theory (Aras & Crowther, 2008).

The use of comprehensive governance principles at BUMDes Mutiara Welirang encourages them to achieve good and lasting results. This finding supports earlier research indicating that high organizational performance today is an investment in the organization's future (Waddock & Graves, 1997). This study discovered that document partial work on BUMDes governance, such as the principles of accountability (Kurniasih et al., 2019), accountability and transparency (Amerieska et al., 2021), collaboration, accountability and transparency (Sofi & Mutiarin, 2018), and the application of the principles of transparency, accountability, justice, and participation (Handayani et al., 2023), are associated with sustainable performance. As a result, this study encourages the development of BUMDes using integrated governance principles to increase multi-party welfare in all dimensions. The following table summarizes the above-mentioned description of comprehensive governance at BUMDes Mutiara Welirang and its impact on achieving sustainable performance:

Table 2. BUMDes Governance Practices and Sustainable Performance

| No | Governance Principles | Governance Practices | Sustainable Performance |
|----|-----------------------|--|---|
| 1 | Cooperation | <ul style="list-style-type: none"> ▪ Integration of work programs across five BUMDes business units. ▪ Prioritizing the principle of from, by, and for the community. ▪ Effective collaboration among BUMDes, the community, local and central governments, external investors, financial institutions, and educational institutions. | <ul style="list-style-type: none"> ▪ Economic aspect. The ability of BUMDes Mutiara Welirang to promote the community's economic well-being through five integrated BUMDes businesses. |
| 2 | Participation | <ul style="list-style-type: none"> ▪ Community members actively participate in work program preparation, execution, and evaluation. ▪ Community engagement in managing BUMDes and business units. | <ul style="list-style-type: none"> ▪ Social aspect. Harmonious relationships among stakeholders, including the local government, BUMDes managers, and the |
| 3 | Emancipation | <ul style="list-style-type: none"> ▪ Provide equal space for the community, including men, women, and vulnerable or disabled residents. ▪ Offer the opportunity for capable village women to administer BUMDes. | |

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| | | | |
|---|----------------|--|--|
| | | <ul style="list-style-type: none"> ▪ Competent disabled individuals are involved in managing BUMDes. ▪ BUMDes promotes disabled and low-income women's businesses. | Ketapanrame village community. |
| 4 | Transparency | <ul style="list-style-type: none"> ▪ BUMDes managers must produce financial reports on a regular basis. ▪ Data procedures and facts should be clear, accurate, and easily accessible. ▪ BUMDes managers inform the public regarding financial conditions, management structure, and work programs. | <ul style="list-style-type: none"> ▪ Environmental aspects. Conservation of environmentally friendly water sources. |
| 5 | Accountability | <ul style="list-style-type: none"> ▪ BUMDes managers provide performance reports at village meetings for both vertical (Village Head) and horizontal (Community) levels. ▪ BUMDes managers consistently develop their management skills. | <ul style="list-style-type: none"> ▪ Cultural aspects. Prioritizing employee competency, employee rights such as compensation, job security, and sustaining harmonious and <i>welas asih</i> (compassionate relationships) between BUMDes employees both horizontally and vertically. |
| 6 | Sustainability | <ul style="list-style-type: none"> ▪ Manages financial liquidity to ensure operational stability. ▪ BUMDes management aims to enhance financial performance, work programs, and human resources. ▪ Engage local communities in the integration of BUMDes staff. ▪ Maintain positive social relationships among stakeholders. | |

Source: Research Finding, 2024

The explanation demonstrates that integrated BUMDes governance practices, encompassing cooperative, participatory, emancipatory, transparent, accountable, and sustainable characteristics, can achieve sustainable performance in economic, social, environmental, and cultural domains. Governance principles that are successfully applied in an integrated manner provide a stimulus for long-term performance, which serves as the organization's outlet. This governance implementation pattern has the potential to serve as a new role model for BUMDes governance, which was designed as an organization to maximize village economies. The following picture depicts how BUMDes governance concepts were integrated to boost sustainable performance.

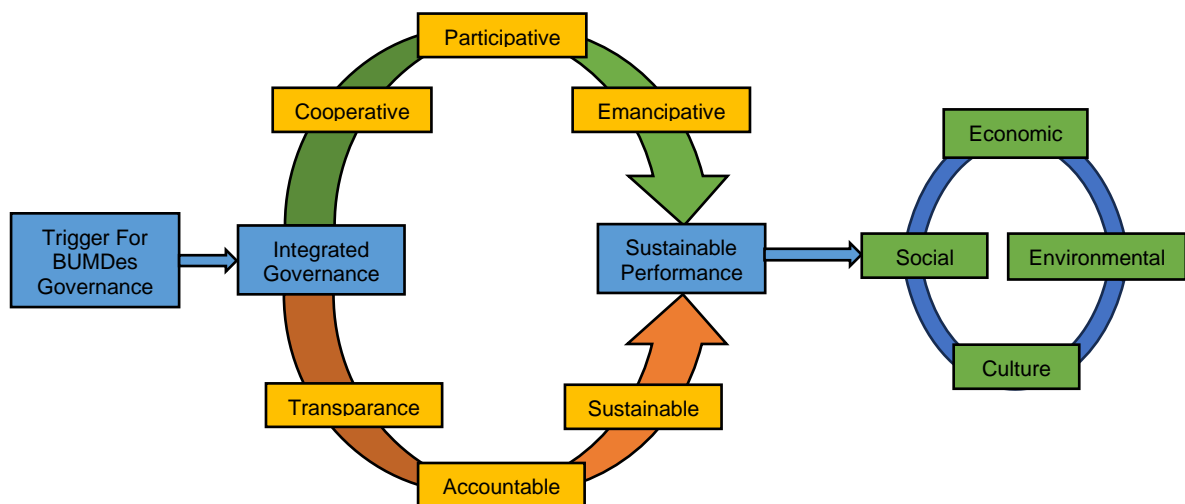


Figure 2. Integrated BUMDes Governance Model
Source: Research Finding, 2024

CONCLUSION

Good governance is essential to BUMDes' long-term viability; thus, management must prioritize it. Good governance processes encourage BUMDes to demonstrate sustainable performance, which increases stakeholder trust. This study discovered integrated governance methods at BUMDes Mutiara Welirang, Ketapanrame Village, such as cooperative, participatory, emancipatory, transparent, accountable, and sustainable. The intriguing finding is that comprehensive BUMDes governance procedures serve as the foundation for achieving long-term performance in not only economic but also social, environmental, and cultural areas.

The findings of this study have favorable implications for the growth of institutions using integrated organizational governance principles. Furthermore, the findings of this study have implications for increasing the welfare of multi-party systems in terms of financial, social, environmental, and organizational culture. In addition to practical consequences, this study is projected to bring theoretical benefits, specifically as a reference for governance for BUMDes in Indonesia to ensure long-term performance.

According to the research findings, this study employed a qualitative technique and selected a single case to investigate and analyze integrated governance practices, allowing future research to be completed and perfected using a multi-case qualitative research approach. Furthermore, a quantitative method with a broader scope is an effective way to examine governance principles and their impact on long-term performance.

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