

Capacity Building in Improving the Performance of Village-Owned Enterprises in Sumedang Regency

Akadun Akadun, Lalas Sulastri

STIA Sebelas April
Sumedang, Indonesia

akadun64@gmail.com, lalassulastri04@gmail.com

Hidayat Hidayat

Universitas Nurtanio
Bandung, Indonesia

hidayat_dr@gmail.com

Abstract—The study aims to analyze the building capacity in improving the performance of Village-Owned Enterprises in Sumedang Regency. The product of this study was the Manual for Capacity Building in Improving the Performance of Village-Owned Enterprises in Sumedang Regency. Based on tools and criteria of measurements as village head support, cashflow, managerial professionalism, financial reporting, service quality, employee development, customer maintenance, profit and development funding, the Village-Owned Enterprises in Sumedang Regency were mostly low performers, only 20 media. Through interviews and FDGs with managers, experts, village counselors, regional device, a strategy of capacity building to improve the performance of Village-Owned Enterprises, first, counseling to low-performing village-owned enterprises; secondly, mentoring to village-Owned enterprises performed moderately; and third, the empowerment to a high-performance village-owned enterprise. Capacity building of Village-Owned Enterprises was done by developing institutional capacity, management, and human resources.

Keywords—*performace; institutional; management; human resources*

I. INTRODUCTION

Study of a company could not be separated from the analysis between capital owners and company managers There two types of theories: traditional corporate theory and agency theory [1]. In traditional corporate theory there was no strict demarcation between capital owners and managers. In the theory of traditional companies, same owners with managers.

Agency theory suggested the relationship between capital owners and agents where the owner was an entity that delegated authority to manage the company to the agent, managing investor wealth; maintain the desired level of prosperity both principal and agent [2].

Agency theory was divided into two, namely the theory of stewardship and good governance. Agency Theory viewed each agent as individualistic, opportunistic, and self-serving, while stewardship theory viewed agents as collectivist, pro-organizational, and trustworthy [3]. Stewardship theory describes motivated agents managing the company for the benefit of the organization not for their personal interests [4]; managers act in such a way as to maximize the interests of the company and the contemporary business environment forces

management to conduct business ethically, innovatively, but profitably [5].

In practice the theory of agency often raised a conflict of interest between the principle and the agent because the possibility of the agent acting was not in accordance with the principal's interests so that it triggers agency costs [6]; agents satisfied personal interests [5]; the company was seen as a set of contracts between factors of production, with each factor motivated by self-interest [7]. Cadbury Report reported fraud scandals involving agents of a number of large companies such as Enron and WorldCom where these scandals had an impact on the collapse of capital owners' trust [8]. From various field realities above, agency theory got criticism from those who call themselves as supporters of corporate governance theory.

Corporate Governance was understood as a system that regulates and controls a company; to create added value for all stakeholders [9]. Good corporate governance could be carried out properly when a company carries out the principles of transparency, accountability, participation, certainty, and fairness [1]. Agency theory, stewardship, good corporate brought to the performance of the company or organization.

In the praxis of BUMDes Management, three theories could be simultaneously applied in order to improve the performance of BUMDes. The village government as the main shareholder could choose the manager with a tendency to have a professional attitude that could improve the performance of BUMDes so that it could provide added value to the village. In order to ensure the high performance of BUMDes, good corporate governance needed to be implemented so that it could direct and control the managers to work in the interests of the village, not just their own interests.

The condition of BUMDes had a low performance on average due to various problems including: (1) the establishment was only a formality[10], (2) the management was not optimal, many villages did not have qualified human resources; (3) low awareness of business unit owners in the village to join; (4) the low political will and political action of the village head in improving the performance of BUMDes; (5) inaccuracy in choosing and determining the type of business; (6) lack of guidance and facilitation by the Regional Government; (7) lack of socialization of the importance of BUMDes.

Research Anantanyu showed that the effectiveness of institutional capacity development was influenced by conformity with the main tasks and functions or areas of business, individual capacity development, and the participation of the target [11]. Several other studies also showed that the effectiveness of capacity development could improve the performance of BUMDesa if it was in line with the principles of empowerment [12]; institutionalization of BUMD included organizational models, management models, and facilitation models [13]; professional management application [14]; good production strategies for goods and services [15]; the role of the village government from the facilitator, mediator, manager, and performance supervisor of BUMDes [16]; socialization of BUMDes programs as well as community participation and awareness in implementing BUMDes programs [17].

Based on the background of thought above, this study aims to describe and analyze capacity building in improving the performance of BUMDes in Sumedang Regency both in capacity of institutional, management and human resources.

II. METHOD

BUMDes was a business entity that all or most of its capital was owned by the Village through direct participation from Village assets which were separated in order to manage assets, services, and other businesses for the maximum welfare of the Village community [18]. BUMDes could run businesses in the economic field and / or public services. BUMDes could run social business/ serving to the community; renting; brokering; trading; financial business; holding.

The target of this research was 55 BUMDes that have been running in Sumedang Regency, so the respondents are 55 managers. The informants were the head of the department, the

head of the field, and the section head of the Office of Community and Village Empowerment, Village Assistance Officers, BUMDes Forum Administrators, district devices, village officials, and BUMDes managers. The Focus Discussion Group invited a number of village government science experts, micro-economic experts, practitioners/ entrepreneurs, as well as leaders of the Community and Village Empowerment Service, BUMDes managers, and BUMDes Forum administrators.

Primary data were collected by using questionnaire, interview and observation technique while secondary data was collected through documentation study, especially the legislation. Data was processed by data reduction procedures, data presentation, conclusions. The technique of examination of data harmony with triangulation both triangulation data source and data collection technique. Qualitative analysis was used to analyze the data obtained.

III. RESULTS

A. Performance of BUMDes in Sumedang Regency

Performance of the company was the productivity of the company in carrying out activities to produce a product that can provide value to the company [19]. Measurement of the performance of BUMDes in Sumedang Regency using Balance Scorecard was not done. Based on cashflow criteria and indicators, village head support, manager professionalism, financial reports, service quality or production quality, employee development, customer maintenance, profits, and development funds, there is a medium and low-performance BUM Desa as table 1 below.

TABLE I. MEDIUM AND LOW PERFORMANCE OF BUMDES IN SUMEDANG REGENCY

Performance of BUMDes in Sumedang Regency					
No	Medium	No	Low	No	Low
1	Mitra Raharja Desa Sukapura	1	Sariksa Desa Naluk	21	Toga Jaya Desa Kertamekar
2	Harmonis Desa Cikoneng Kulon Ganeas	2	Trunah Berkah Desa Trunamanggala	22	Raksa Desa Desa Kertaharja
3	Ganeas Sejahera Desa Geneas	3	Mukti Saluyu Desa Cikurubuk	23	Amanah Desa Cigentur
4	Sugih Mukti Desa Situraja Utara	4	Wibawa Mukti Desa Sekarwangi	24	Mekar Hirup Desa Jatihurip
5	Bina karya Desa Cibereum Wetan	5	Karya Mukti Desa Citengah	25	Margi Makmur Desa Margi Makmur
6	Medal Mandiri Desa Cipacing	6	Mitra Karya Desa Gunasari	26	Jaya Mandiri Desa Pasir Reungit
7	Sawargi Mandiri Desa Pasirnunjang	7	Tarungjaya Desa Cibuluh	27	Subur Makmur Desa Legok Kaler
8	Sagara Herang Desa Ciharang	8	Haruna Sari Desa Wanasari	28	Pengadegan Desa Pengadegan
9	Bugel Raharja Desa Bugel	9	Lestari Alam Desa Cipeutey	29	Mitra Mandiri Desa Ranjeng
10	Putra Pelabuan Desa Pelabuan	10	Bagja Satata Desa Darmaraja	30	Mekar Mukti Desa Sundamekar
11	Mitra Mandiri Desa Ranjeng	11	Jagadiwangsa Desa Cikusi	31	Sinar Wenang Desa Pawenang
12	Al Karomah Desa Pasigaran	12	Amanah Mandiri Desa Jatimukti	32	Tunas Harapan Desa Tarikolot

Table 1. Cont.

<i>No</i>	<i>Medium</i>	<i>No</i>	<i>Low</i>	<i>No</i>	<i>Low</i>
13	Berdikari Desa Citali	13	Sauyunan Desa Hegarmanah	33	Cipta Karya Mandiri Desa Sindanggalih
14	Bhakti Utama Desa Cilembu	14	Maju Bersama Desa Cisempur	34	Mangun Berkah Desa Mangunarga
15	PT. Mitra Bum Desa Bersama Desa Conggeang Kulon	15	Lugerta Desa Ciuyah	35	Mekarsari Desa Tanjungsari
16	Bumi Anugrah Desa Babakan Asem	16	Saluyu Desa Cipandanwangi		
17	Bhakti Asih Desa Pada Asih	17	Medal Raharja Desa Bantarmara		
18	Tirta Mandiri Desa Jambu	18	Buana Karya Desa Cikareo Utara		
19	Karya Mandiri Desa Karedok	19	Nanjung Desa Cikoneng		
20	Mekar Sejahtera Desa Buana Mekar	20	Sukawening Maning Desa Sukawening		

B. Triggers Performance of BUMDes in Sumedang Regency

Performance of BUMDes was influenced by several factors. First, support to the village to BUMDes in the form of financial support for capital participation from the village government and political will and political action of the village head on the sustainability of BUMDes. Second, the manager was professional. Third, the selection of the type of BUMDes business was wrong. Fourth, the replacement of the village with the new village head where the old village head tried to ask for default on the results of the effort to develop BUMDes in the village (not even a few who tried to pull BUMDes assets into private assets; in some cases, some village officials did not return the funds borrowed).

Fifth, the replacement of the village head with the new village head where the new village head did not want to continue the achievements and performance of the BUMDes. Sixth, the village apparatus and / or the BUMDes manager moved or got a new job or business would leave the BUMDes they manage. This could lead to a decline in performance or even not running BUMDes.

C. BUMDes Capacity Building in Sumedang Regency

Of the 276 villages, only 85 villages had established BUMDes, 191 Villages had not established BUMDes. However, only 55 BUMDes have been running, with details of 20 medium-sized BUMDes and 35 low-performing. Based on this data, capacity building strategies to improve the performance of BUMDes in Sumedang Regency included institutional, management and human resources of BUMDes. Capacity building of BUMDes institutional was related to the arrangement of laws and organization. The institutional capacity building strategy was carried out with counseling (dissemination of regulations on BUMDes and technical guidance for managing BUMDes), mentoring (making village regulations related to BUMDes; management of BUMDes) and empowerment (delivery of implementation instructions and technical instructions on village regulation making; assistance of modules institutional development and job descriptions of BUMDes) techniques.

Capacity building of management by creating a system and management mechanism in carrying out work in the form of a standard operating procedure. Management capacity building with counseling (SOP technical guidance for managing BUMDes), mentoring (Making SOP for managing BUMDes) and empowerment (Financial assistance for BUMDes that developed SOPs in managing BUMDes; BUMDes Management Competition; BUMDes Accreditation) techniques.

Capacity Building of human resource by improving of professionalism of the BUMDes management. The capacity building of BUMDes was also carried out with counseling (education and training of entrepreneurship, product development, marketing for managers of BUMDes), mentoring (mentoring the management of BUMDes in the production of goods and services, marketing goods and services, and making financial reports) and empowerment (Development of Customer-based BUMDes management, Development of quality management of BUMDes, Selection of Exemplary BUMDes Managers) techniques.

IV. DISCUSSION

In the business world, performance measurement initially only measured financial performance and management [20]. In its development, the performance measurement of organizations of business and services organization was carried out with the Balance Scorecard (BSC) model. The BSC performance measurement model was developed by Kaplan and Norton in 1992. Kaplan and Norton developed performance measurement of organizations of business and services which basically combine perspectives on financial performance measurement with non-financial performance perspectives such as customer perspectives, internal business perspectives and learning and growth perspectives [21].

The results of research showed that performance measurement could not use Kaplan and Norton models. Conditions indicate that in general management had not been carried out professionally, starting from determining managers, determining fields and types of businesses, production and service activities, and financial reports. Researchers made

accommodation on Kaplan and Norton's performance measurement models, the results showed the same thing, the BUMDes management was also less professional so that out of 85 BUMDes, it turned out that 55 of them were running businesses. Of the 55 BUMDes, 20 are medium-performing and 35 are low-performing.

The results of the study showed that an important factor influencing the performance of BUMDes was the government's policy to encourage village heads to manage BUMDes well and sustainably; in addition to the manager's professionalism. The results of the research that triggers of BUMDes performance above are in line with the results of the research: Anantanyu [11]; Gunawan [14]; Hayyuna et al. [15]; Chintary and Lestari [16]; and Ryanti [17] as stated above.

Performance of company could be improved with capacity building. Performance of company was seen capacity building as an effort intended to develop a variety of strategies, improve the efficiency, effectiveness, and responsiveness of government performance [22]. Performance of company was seen capacity building as a special task that relates to factors in a particular organization or system at a certain time [23]. From various literature, it could be summarized some dimensions of capacity building for the government, including: human resource development; strengthening of organization and management; provision of resources, facilities and infrastructure [24].

The BUMDes capacity building strategy from the results of the research showed that institutional capacity building was carried out through counseling, mentoring, and empowerment aimed at how to strengthen the legal basis and organization of BUMDes. Management capacity building was carried out through counseling, mentoring, and empowerment aimed at how the quality of customer-oriented management processes (such as production, services, production processes, financial reports). HR capacity building was carried out through counseling, mentoring, and empowerment aimed at how the ability of BUMDes managers in operational technical aspects such as the method of production of goods and services was effective and efficient.

Strategy of capacity building of BUMDes was in line with the research results of Mubarak [12]; that capacity building was in line with the principles of empowerment; that institutionalization of BUMDes included organizational models, management models, and facilitation models; and that capacity building must apply management professionally.

V. CONCLUSION

The provisions of the legislation had not legitimized the village government to properly develop and manage BUMDes. In addition, the performance of BUMDes was also influenced by the political will and actions of the village head, the professionalism of the manager, and the determination of the type of business. The capacity development of BUMDes was carried out with the strategy of developing institutional capacity, management, and HR where each strategy was through counseling, mentoring, and empowerment.

REFERENCES

- [1] A. Akadun, *Administrasi Perusahaan Negara*. Bandung: C.V. Alfabeta, 2009.
- [2] E.F. Brigham and J.F. Houtson, *Manajemen Keuangan, Edisi Bahasa Indonesia*. Jakarta: Erlangga, 2001.
- [3] J.H. Davis, F.D. Schoorman, and L. Donaldson, "To a Stewardship Theory of Management," *Academy of Management Review*, vol. 22, no. 1, pp. 20-47, 1997.
- [4] L. Donaldson and J.H. Davis, "Stewardship Theory or Agency Theory: CEO Governance and Shareholder Return," *Australian Journal of Management*, vol. 16, no. 1, pp. 49-65, 1991.
- [5] N. Podruc, D. Filipovic, and S. Milic, *Critical Overview of Agency Theory*. Retrived from: [http:// www.freepatentsonline.com/artikel/Annals-DAAAM-Proceedings/ 246014179.htm](http://www.freepatentsonline.com/artikel/Annals-DAAAM-Proceedings/246014179.htm), 2010.
- [6] J. Robert and P. Gagaring, "Corporate Governance, Ukuran Perusahaan, Dan Leverage Terhadap Manajemen Laba Perusahaan Manufaktur Indonesia," *Jurnal Akuntansi Dan Auditing*, p. 43-54, 2011.
- [7] E.F. Fama, "Agency Problems and the Theory of the Firm," *Journal of Political Economy*, vol. 88, pp. 288-307, 1980.
- [8] A. Calbury, *Report of the Committee on the Financial Aspects of Corporate Governance*. London: Gee & Co. Ltd., 1992.
- [9] M. Djokosantoso, *Good Corporate Culture Sebagai Inti Good Corporate Governance*. Jakarta: PT Elex Media Komputindo, 2005.
- [10] R. Ramadana and C. Berlian, "Keberadaan BUMDes sebagai Penguatan Ekonomi Desa," *Jurnal Administrasi Publik*, no. 6, 2013.
- [11] A. Sapja, "Kelembagaan Petani: Peran dan Strategi Pengembangan Kapasitasnya," *Jurnal SEPA*, vol. 7, no. 2, pp. 102-109, 2011.
- [12] M. Zaki, "Evaluasi Pemberdayaan Masyarakat Ditinjau dari Pengembangan Kapasitas pada Kegiatan PNPM Mandiri Perkotaan di Desa Sastrodirjan Kabupaten Pekalongan. Tesis. Semarang: Universitas Diponegoro, 2010.
- [13] M. Sayuti, "Pelembagaan Badan Usaha Milik Desa (BUMDes) sebagai Pengerak Potensi Ekonomi Desa dalam Upaya Pengentasan Kemiskinan di Kabupaten Donggala," *Jurnal Academica FISIP Untad*, vol. 3, no. 2, pp. 717-728, 2011.
- [14] G. Ketut, "Manajemen BUMDes dalam Menekan Laju Urbanisasi, WidyaTech," *Jurnal Sains dan Teknologi Universitas Panji Sakti Singaraja*, vol. 10, no. 3, 2011.
- [15] R. Hayyuna, R.N. Pratiwi, and L.I. Mindarti, "Strategi Manajemen Aset BUMDes dalam rangka Meningkatkan Pendapatan Desa (Studi pada BUMDes di Desa Sekapuk Kecamatan Ujungpangkah Kabupaten Gresik)," *Jurnal Administrasi Publik (JAP)*, vol. 2, no. 1, pp. 1-5, 2014.
- [16] V.Q. Chintary and A.W. Lestari, "Peran Pemerintah dalam Mengelola Badan Usaha Milik Desa," *Jurnal Ilmu Sosial dan Ilmu Politik*, vol. 5, no. 2, pp. 59-63, 2016.
- [17] R. Ryanti, "Partisipasi Masyarakat dalam Pelaksanaan Program Badan Usaha Milik Desa (BUMDes) di Desa Swarga Bara Kabupaten Kutai Timur," *Jurnal Politik Muda*, vol. 4, no. 1, pp. 116-125, 2017.
- [18] Peraturan Menteri Desa, Pembangunan Daerah Tertinggal, dan Transmigrasi Nomor 4 Tahun 2015 tentang Pendirian, Pengurusan, dan Pengelolaan, dan Pembubaran BUMDes.
- [19] D. Sari, "Pengaruh Sistem Pengendalian Internal Pemerintah, Implementasi Standar Akuntansi Pemerintahan, Penyelesaian Temuan Audit terhadap Kualitas Laporan Keuangan Pemerintah Daerah dan Implikasinya Terhadap Penerapan Prinsip-prinsip Tata Kelola Pemerintahan," *IJEB Indonesia Journal of Economics and Business*, pp. 116-124, 2012.
- [20] F. Irham, *Manajemen Kinerja dan Aplikasi*. Bandung: Alfabeta, 2013.
- [21] R.S. Kaplan and D.P. Norton, *Menerapkan Strategi Menjadi Aksi Balanced Scorecard, Alih Bahasa Pete R. Yosi Pasla*. Jakarta: Penerbit Erlangga, 2000.
- [22] S. Riyadi, *The Capacity Building for Local Government Toward Good Governance*. Disampaikan dalam Workshop Reformasi Birokrasi pada tanggal 30 Juni di Kendari, 2006.

[23] M. Anni, What Do We Know About Capacity Building?, An Overview of Existing Knowledge and Good Practice, World Health Organization (Department of Health Service Provision), Geneva, 2001.

[24] A. Fiszbein, "The Emergence of Local Capacity: Lesson From Columbia," World Development, vol. 25, no. 7, pp. 1029-1043, 1997.