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# Performance Optimization of Village-Owned Enterprises Through Business Management Training

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## ABSTRACT

Government regulations in improving the community welfare at the rural level are pursued by various strategies, one of which is through the establishment of Village-Owned Enterprises in each village. In the beginning of Village-Owned Enterprises (VOE) management by optimizing from village funds disbursed by the central government starting 2015. The purpose of establishing Village-Owned Enterprises is to optimize the village's superior resources or assets that are managed professionally so that they can become one of the sources of village income that can be used to develop the village. But until now the existence of Village-Owned Enterprises have been suspended because the concepts of establishment and management are not in accordance with the concept of rules. Therefore, business management training and the development of entrepreneurial mindset for the Village-Owned Enterprises organization. The training method is carried out by delivering the material in general, FGDs, and case studies. From the training results it is clear that Village-Owned Enterprises managers are able to (1) identify the right business opportunities to be developed in each village. (2) creating a work program (3) understanding the meaning of organizational structure and division of tasks and responsibilities (4) realizing that managing Village-Owned Enterprises must be professional and have a strong entrepreneurial spirit. (5) understand the management of VOE must be supported by IT and high commitment is needed.

**Keywords:** *Business Management, Performance, Village-Owned Enterprises*

## 1. INTRODUCTION

Village Fund Program (DD) aims to increase to sejahteran community and economic equality society. Based on data from the Ministry of Finance, it shows that the absorption of Village Funds is 40.8 T for the development sector and only 3.1 T for community empowerment (Ministry of Finance, 2017). These data indicate that the absorption of DD is still dominant in the development sector, while for the empowerment sector it is very minimal.

Without a balanced absorption of village funds for development and empowerment that are long-term in nature, it will be difficult for villages to be independent and be able to manage their potential. Thus, it is important for productive and long-term management of DD. Village funds that are managed professionally will be PADESA (Village

Original Income), one of which is through the formation of VOE (Ministry of Finance, 2017).

The development of village communities is directed at increasing village independence in utilizing and managing the economic potential of the village into productive economic activities to improve community welfare. To achieve this goal, the government, in this case the Ministry of Village, Development of Disadvantaged Areas, and Transmigration (Kemendes PDTT) through Ministry Regulation No. 4 of 2015, mandates that the village government establish Village-Owned Enterprises. VOE is a business entity that is wholly or most of the capital owned by the Village through direct participation originating from separated Village assets in order to manage assets, services and other businesses for the maximum welfare of the Village community.

Achieving k sejahteraan people tent unya not escape from prinsip economic justice, one of them

through the economic empowerment of the community equally. Therefore, it is necessary to have the concept of community empowerment directly through the existence of business centers in the village through the existence of VOE. This is in line with the plan of the Gresik Regency Government in order to optimize the potential of the sub-district in the northern part of the Regency. Gresik with the drafting of a detailed regency spatial plan (RDTRK) for the North Gresik region which aims to accelerate the industrial sector in Ujungpangkah, Sidayu, and parts of the Panceng area (Jawa Pos Online, accessed March 8, 2019).

Most of the village area is a potential fish pond. Furthermore, the location which is located on the edge around the coast produces quite a lot of fish catches so that it can be processed into various kinds of products that can be used as a source of community income. As a community, they can process and market their processed products independently, but the results are not optimal because there is no agency to oversee their business.

Based on the environmental conditions in Sidayu District, Gresik Regency, there are several potentials that can be developed optimally. From H acyl partner environmental analysis obtained information as follows: (1) The Government of the District Sidayu since 2018 has the desire to establish a VOE, but still do not have a plan and concrete steps in realizing the establishment of the VOE. (2) The Sidayu

District Government has identified the business fields that the VOE will undertake, but has not yet assessed their feasibility, resulting in difficulties in choosing what business sector to operate, if a VOE is formed. Since 2018, the Sidayu Gresik Subdistrict Government has the desire to establish VOE, but still has no plans and concrete steps in realizing the establishment of VOE. The Sidayu Subdistrict Government has identified the business fields that the VOE will work on, but have not yet assessed their feasibility, resulting in difficulties in choosing what business fields to operate, if a VOE is formed.

### ***1.1 Village-Owned Enterprises (VOE)***

VOE are one of the boosters of the community's economy, especially in rural areas. Law Number 6 of 2014 concerning Villages, provides legal protection for Village-Owned Enterprises as economic actors who manage the collective potential of villages to improve the welfare of village residents. The existence of Village Law Number 6 of 2014 is also expected to be a turning point for the emergence of a stronger role for Village-Owned Enterprises, especially in reviving the economy of rural communities.

Village-owned enterprises are one of the pillars of economic activity in the village that function as social and commercial institutions. Village-owned

enterprises as social institutions that side with the interests of the community through their contribution in the provision of social services. Meanwhile, as a commercial institution it aims to seek profit by offering local resources (goods and services) to the market.

The logic of establishing a Village-Owned Enterprise is based on the needs and potential of the village as well as an effort to improve community welfare. Planning and formation of Village-Owned Enterprises is built on community initiative, as well as the principles of participatory cooperatives, (user-owned, user-owned, and user-controlled), transparency, emancipation, accountability, and sustainability. with member-based and self-help mechanisms. Most importantly, management must be done professionally and independently.

### ***1.2 Management of VOE***

The principles of VOE management need to be elaborated in order to harmonize people's understanding and perceptions about it, including the village government, members (investors), the Village Supervisory Board, District Government, and the community. According to Ridlwan (2014), there are 6 (six) principles in VOE management, namely: 1) Cooperatives, all components involved in VOE must be able to work well together to develop and support their business. 2) Participatory, all components involved in VOE must be willing or asked to voluntarily provide support and contributions that can encourage VOE business progress. 3) Emancipatory, all components involved in VOE must be treated the same, regardless of group, ethnicity, and religion. 4) Transparent, every activity that can affect the public interest must be easily and transparently accessible by the whole community to find out about it. 5) Accountable, all business activities must be accounted for both technically and administratively, and 6) Sustainable, business activities must be developed and preserved by the community in the VOE environment.

## **2. METHOD**

This study employed a qualitative approach and case studies. The research subjects were VOE in Sidayu District, Gresik Regency. The research sample is by using a saturated sample, where members of the population become the research sample, amounting to 22 respondents. To obtain data on improving the performance of VOE, the study used data from interviews with representatives or heads of the VOE association, representatives of the sub-district as representatives of the government.

Interviews conducted semi-structure where researchers using interview guide has been prepared, will however be the outline of a research question in accordance with the mass-ah research

(Sugiyono, 2009). In this study, observations were made by direct observation of respondents and informants (Sugiyono, 2009).

The things that cannot be taken with these two techniques are carried out by literature studies. Triangulation was used to measure the validity of the data (Miles & Huberman, 1992; Moleong, 2007). The use of triangulation is useful for solving potential problems with regard to construct validity (Yin, 1997). The triangulation method was chosen by comparing the results of interviews with the results of observations, especially those related to improving the performance of VOE and the empowerment carried out by the Regional Regulatory Body and the impact of the policy on the performance of VOE. The results of the study were analyzed using interactive qualitative analysis techniques, with cycles of data collection, data reduction, data presentation and conclusion and verification (Miles & Huberman, 1992). To deepen the analysis, data analysis was also carried out according to Creswell (2015), namely (1) organizing data, (2) reading and making memos, (3) describing, classifying, and interpreting data into codes and themes, (4) presenting and visualizing.

### 3. RESULTS AND DISCUSSION

Community service activities for the PKM team of the Management Department, Faculty of Economics associated with the Training on the Establishment and Management of VOE in Sidayu District, Gresik Regency were carried out in 3 stages with the following results.

**Preparation**, before conducting training activities the team carries out internal coordination related to the training mechanism, the material provided, audience identification, activity targets and accountability reports. Then the team Faculty of Economics also makes formulir stuffing to know bagaimana pengelolaan VOE that already exist today and will be used as an instrument of this activity.

**Coordination**, coordinating the Team with the head of the Sidayu Sub-district Head, Mr. Nuryanto, the District Secretary and also several sub - district officials related to the training mechanism so that the following agreement was obtained: 1). The training was carried out in stages on September 5, 2019 at the Joint VOE Building, Sidayu District, Gresik Regency. 2). The number of participants consisted of VOE managers in each village in Sidayu District, Gresik Regency. 3). The material given is about: Problem Identification and Strategy of VOE management in Sidayu District, Gresik Regency; Management of VOE from HR and Financial Aspects, Operational and Marketing Aspects.

**The training technique** is carried out with the question and answer lecture method, assignments and group discussions, then the results are presented in front of the attendees.

The mechanism for implementing activities is in accordance with the learning scenarios created, which is providing material to participants about: a). Problem Identification and Management Strategy of VOE in Sidayu District, Gresik Regency; b). Management of VOE Management: from HR and Finance Aspects; c). Management of VOE Management: from the Operational and Marketing Aspects.

**Table 1.** Details of The Program Results

No	Activities	Material description	Presenter	Output
1	Socialization of the program for training and mentoring activities	Submission of PKM activity objectives Training Mechanism Training materials The benefits for the District, the Coordinator of VOE and Unesa	PKM Team sub-district Joint VOE coordinator	Agreement on implementing activities
2	Training on Establishment and Management of VOE in Kec. Sidayu Kab. Gresik provides materials for village representatives' VOE managers on: Identification of Problems and Management Strategies of VOE in Sidayu District, Gresik Regency Management of VOE Management: from HR and Financial Aspects Management of VOE Management: from the Operational and Marketing Aspects	The basis for the establishment of VOE Mechanism and conditions for establishing VOE Identification of Village Profile and potential Management of VOE Identification of existing problems Management strategy for VOE in Sidayu - Gresik District Management of VOE from HR, Finance, Operations and Marketing Aspects	PKM Team	Participants understand the correct VOE concept, the management mechanism The response of the participants was asking a lot of questions and were aware of their shortcomings and mistakes so far.
3	Charging documents about VOE management Presentation of Results	Identification of village profile and potential, Profile of VOEs of each village and problems of each VOE	Unesa Team	Description of the potential of the village and on VOE
4	Conduct a focus group discussion draft of the identification of VOE problems and future strategies	Summary of common problems VOE management strategy	Head of VOE Unesa District Party	- Mapping problems - Alternative forward strategies

The second meeting activity was to hold a *Focus group discussion* of the Team of the Management Department, Faculty of Economics, Unesa with the District Party, the Chairperson of the VOE and the Chair of the Village VOE to discuss the draft

identification of problems faced by VOE managers and alternative strategies in the future .

**Table 2. Focus Group Discussion On VOE Problems Mapping**

No	Name and Description of The Problem	Cause of Problem	Result of The Problem
1	Incorrect establishment mechanism	Not all District and Village parties understand the establishment rules Management of village funds	The establishment of a VOE condition for disbursing village funds
2	The lack of activeness of VOE managers	Unplanned formation and direct appointment of personnel.	VOE can not be run optimally, executive personnel are limited and must carry out all existing tasks
3	Selection of business fields is not the basis of village potential	The formation was not planned so that the initial orientation was to allocate village funds	The development is slow
4	The entrepreneurial mindset of the manager	Unplanned formation and selection of human resources	Low business spirit Lack of work ethic Management of VOE is less professional Does not consider business risk and return
5	Undeveloped business capital tends to get stuck	- Low entrepreneurial mindset from managers - Selection of unsuitable business types	VOE cannot develop optimally Funds around 30 million per year
6	Unclear work program	Lack of understanding of VOE	Its management is roadside and not visionary
8	Absence of performance targets	Lack of understanding of VOE	Its management is roadside and not visionary
9	Monitoring and evaluation activities are not yet optimal	Lack of understanding of VOE	Its management is roadside and not visionary

Table 2 shows that the problems in the district VOE of Sidayu, Gresik consists of nine points and can interfere with the existence VOE in each village. Besides that, the measurement of the performance of financial accountability from village funds given to each manager.

The amount of funds managed by VOE from Village Fund Program funds is approximately 30 million per year in each village in Sidayu District, Gresik Regency. These funds are still not managed professionally because a large enough amount should be managed optimally for the welfare of the community.

Participants who come during training activity shows repon very positively to this training because of this unprecedented the training. Enthusiastic in responding to the material provided . The number of questions from the participants regarding the material provided by the presenter. During the assignment to identify the problems that existed in each VOE, it was seen that they were working in earnest and then the results were presented in detail.

The occurrence of benchmarking between one VOE managers and others related to their problems; Participants do not leave the place until finished; Participants hope that this training will be followed up with mentoring; The sub-district and the manager of VOE will follow up for evaluation and performance appraisal of each.

#### 4. CONCLUSION

The management of VOE does not fully understand the concept of establishing a VOE, the mechanism for managing VOE to the Job desk of each member of the VOE organization . The understanding of the managers of la VOE is only limited to the arrangement of village funds for business . Most of the business types were selected for savings and loans because they were not based on village potential development .

By looking at the current conditions in the field and government regulations that prioritize village economic development through the village fund assistance policy, collaboration between parties is needed. The sub-district conducted a

mapping of the potential of each region; The village party needs to provide guidance to VOE managers so that the management of VOE is better managed; VOE to coordinate with the entire pengurus and the members VOE management professionals and the use of IT in supporting VOE services.

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