

Coordinating Political and Operational Authority in Village-Owned Enterprises: An Abductive Multiple-Case Study of Dual-Authority Governance in Indonesia

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Abstract: Purpose — This study examines how political and operational authority are coordinated in Village-Owned Enterprises (BUMDes) in Indonesia, and under what motivational and accountability conditions these governance configurations are associated with organizational capability development. Design/methodology/approach — An abductive multiple-case study design was employed. Data were collected from 13 BUMDes in Pulang Pisau Regency, Central Kalimantan, through 45 semi-structured interviews, four focus group discussions, and systematic document analysis. Three-stage coding (open, axial, selective) combined with cross-case comparison was used to develop a configurational explanation grounded in empirical patterns across nine active and four less-active BUMDes. Findings — The analysis reveals three observable governance behavior clusters: village head governance behaviors, director operational leadership behaviors, and dyadic coordination mechanisms. Accountability and transparency practices emerged as a cross-cutting condition. Mission orientation — an internalized commitment to community welfare — functions as a motivational condition that sustains governance coordination under resource constraints and adverse conditions. Active BUMDes exhibited stronger dual-authority coordination and more developed capabilities across four domains: human resource, innovation, partnership, and managerial capabilities. Research implications — This study extends dual-authority governance theory by proposing a configurational explanation of how political and operational functions are coordinated in hybrid village enterprises. It challenges the assumption that conventional, individual-leader models are universally applicable in community-embedded, resource-constrained organizational contexts. Practical implications — Findings highlight the importance of governance formalization (joint planning mechanisms, structured role differentiation), mission-aligned leadership selection, and accountability system development for strengthening BUMDes performance. Originality/value — This study offers a governance-configuration explanation—grounded in empirical evidence from 13 BUMDes—of how dual-authority coordination under mission-oriented conditions is associated with organizational capability development in Indonesian rural social enterprises.

Keywords: dual-authority governance, village-owned enterprises, BUMDes, organizational capabilities, abductive multiple-case study, Indonesia, rural social enterprise

1. INTRODUCTION

Village-Owned Enterprises (Badan Usaha Milik Desa, or BUMDes) were formally introduced through Law No. 6 of 2014 on Villages as strategic instruments for rural economic development in Indonesia (Sofyani et al., 2019). These enterprises embody a hybrid orientation, balancing economic sustainability with social development objectives. With more than 50,000 BUMDes established across approximately 74,000 villages in Indonesia, these organizations represent a significant institutional innovation in rural governance (Rares et al., 2023; Safri et al., 2025). However, performance disparities across BUMDes remain substantial and persistent.



Existing research has extensively documented the structural and economic dimensions of BUMDes performance (Indrawanto et al., 2025; Somiartha et al., 2024), and recent scholarship has identified adaptive business model strategies as critical success factors (Fahmi et al., 2025). Yet leadership dynamics and social governance mechanisms remain comparatively understudied. This gap is particularly significant because BUMDes leadership is fundamentally distinct from conventional enterprise management. The dual mandate — achieving financial viability while advancing social objectives — requires reconciling competing institutional logics and stakeholder interests (Gopakumar & Gupta, 2024). Moreover, BUMDes are deeply embedded within village governance structures, meaning their effective functioning depends critically on the relationship between the operational director and the village head.

A key gap in the literature is that existing scholarship on leadership in rural social enterprises focuses predominantly on individual leader traits and conventional leadership paradigms. This body of work largely overlooks the governance architecture through which dual authority — political authority vested in the village head and operational authority vested in the BUMDes director — is coordinated at the intra-organizational level. The village head holds political legitimacy, community mandate, and formal supervisory authority as chair of the advisory board (Penasihat), while the director holds technical competence and day-to-day management responsibility. How these two authority holders coordinate their functions, under what conditions coordination is effective, and how governance configuration relates to organizational capability development remain underexplored questions.

This study addresses the following research question: How are political and operational leadership functions coordinated in Village-Owned Enterprises, and under what motivational and accountability conditions are these configurations associated with organizational capability development?

This study's theoretical contribution is to extend dual-authority governance literature and hybrid organization theory (Battilana & Dorado, 2010) by proposing a governance-configuration explanation grounded in abductive multiple-case analysis. Rather than proposing a new leadership style or trait construct, this study describes observable governance behaviors and institutional practices through which political and operational functions are distributed, differentiated, and synchronized in community-embedded hybrid enterprises.

BUMDes governance is shaped not only by Law No. 6 of 2014 but also by Government Regulation No. 11 of 2021 on BUM Desa and Law No. 3 of 2024, which clarify organizational structure, accountability mechanisms, and governance responsibilities. These regulatory frameworks formally establish the dual-authority structure that is the focus of this study.

2. LITERATURE REVIEW AND THEORETICAL FRAMEWORK

2.1 Village-Owned Enterprises (BUMDes) in Indonesia

Village-Owned Enterprises (BUMDes) were established under Law No. 6 of 2014 as strategic instruments for rural development in Indonesia (Sofyani et al., 2019). The primary objectives of BUMDes are threefold: generating village income, creating employment opportunities, and enhancing community welfare (Astuti & Suaedi, 2018; Astuti & Megasyara, 2023). These enterprises are conceptualized as hybrid organizations that must balance dual institutional logics — economic efficiency and social mission (Battilana & Dorado, 2010).

BUMDes are classified according to the Village Development Index (IDM), which categorizes villages from Very Underdeveloped to Independent based on social, economic, and ecological indicators. BUMDes themselves are tiered into four performance categories: Maju (Advanced), Berkembang (Developing), Pemula (Beginner), and Perintis (Pioneer). This classification system reflects both the village's developmental stage and the enterprise's operational maturity.

Recent regulatory developments have further formalized BUMDes governance structures. Government Regulation No. 11 of 2021 (Pemerintah Republik Indonesia, 2021) on BUM Desa formally established the dual-authority governance architecture, separating the musyawarah desa (village deliberation assembly) as the highest

governance body, the supervisory board (Penasihat, chaired by the village head), and the operational management (director and staff). Law No. 3 of 2024 further clarified accountability obligations and inter-village BUMDes collaboration structures. These regulations are directly relevant to this study's analytical focus on the separation and coordination of political and operational authority.

2.2 Leadership in Rural and Community-Based Enterprises

Rural organizations operate under distinctive constraints: limited access to capital, markets, and technology, and deep embeddedness in local social systems (Somerville & McElwee, 2011). Leadership theories developed for conventional organizational contexts may not fully capture leadership dynamics in these settings.

Transformational leadership theory (Bass & Riggio, 2006) emphasizes vision articulation, intellectual stimulation, and individualized consideration. While these dimensions are relevant to organizational change, transformational leadership was developed primarily for hierarchical, individual-leader contexts and does not address the dual-authority structure characteristic of BUMDes governance.

Servant leadership (Greenleaf, 2013; van Dierendonck, 2011) prioritizes followers' and the community's welfare, making it conceptually relevant to social enterprises. However, servant leadership remains focused on individual leader dispositions rather than governance architecture or coordinating multiple authority holders.

Relational leadership theory (Uhl-Bien, 2006) conceptualizes leadership as socially constructed through interaction rather than residing in individual traits. This process-oriented perspective informs the analysis of dyadic coordination in this study, but relational leadership theory does not specify how formally asymmetric authority structures are coordinated.

Authentic leadership (Avolio & Gardner, 2005) emphasizes self-awareness, transparency, and moral grounding as foundations for trust. While these dimensions are relevant to accountability practices, authentic leadership remains an individual-leader construct and does not address dual-authority coordination.

Recent scholarship on paradoxical leadership (Gopakumar & Gupta, 2024) addresses the challenge of managing social-commercial tensions in social enterprises. This work is directly relevant to BUMDes' dual mandate. However, paradoxical leadership frames the challenge as an individual cognitive task — embracing contradictory demands simultaneously — rather than as a governance architecture challenge involving the coordination of two distinct authority holders.

A critical gap in this literature is that existing theories treat leadership as either individual or team-distributed, but none address the formally asymmetric dual-authority structure that regulatory design characterizes in BUMDes governance.

2.3 Dual-Authority Governance in Hybrid Organizations

Crosby and Bryson's (2010) integrative public leadership framework addresses cross-boundary collaboration and the creation of shared purpose across sectors. This framework is conceptually relevant to BUMDes, which operate at the intersection of public governance and economic enterprise. However, integrative public leadership operates primarily at the meso-macro level, focusing on inter-organizational and cross-sector dynamics. It does not address the micro-level intra-organizational dynamics of village governance, nor does it specify mission orientation as a foundational motivational condition.

Battilana and Dorado's (Battilana & Dorado, 2010) seminal work on hybrid organizations shows that enterprises pursuing dual institutional logics—social and commercial—face persistent tensions. They identify organizational culture and hiring practices as key mechanisms for managing these tensions. This study extends their framework by proposing that in BUMDes, dual logic is structurally inscribed in the governance architecture itself: the village head represents the social-community logic, while the director represents the economic-operational logic.

Effective coordination between these two authority holders becomes the institutional mechanism for managing hybrid tensions.

Smith et al. (2013) review mechanisms for managing social-business tensions in social enterprises and identify structural differentiation as one approach. This study builds on their work by examining how structural differentiation — the separation of political and operational authority — functions in practice within village-embedded hybrid enterprises.

Fischer and Sitkin (2023), along with Banks et al. (2016), have critiqued the proliferation of leadership constructs in organizational research, arguing that new constructs should be grounded in observable behaviors rather than traits, evaluations, or outcomes. This study responds to that critique by proposing a configurational explanation of dual-authority coordination grounded in observable governance behaviors and institutional practices, rather than proposing a new leadership style or trait construct.

2.4 Mission Orientation and Organizational Purpose

Social commitment, or mission orientation, refers to a deep dedication to community welfare and social value creation that distinguishes social enterprises from conventional businesses (Dees, 2018; Mair & Martí, 2006). This orientation is not merely corporate social responsibility added to a commercial enterprise; it is intrinsic to the identity and purpose of social enterprises (Austin et al., 2012).

In BUMDes, social responsibility is legally embedded in Law No. 6 of 2014, which mandates that these enterprises serve community welfare alongside economic objectives. However, legal

mandate alone does not ensure internalized commitment. Mission orientation in this study is conceptualized not as a mediating variable (which would imply a statistical indirect effect) but as a motivational condition — an internalized orientation that sustains governance coordination, sustains persistence under adversity, and shapes priority resolution when competing demands arise.

The risk of mission drift — the gradual shift away from social mission toward commercial priorities — has been extensively documented in social enterprise research (Ebrahim et al., 2014). BUMDes are particularly vulnerable to mission drift given their dual mandate and resource constraints. Ebrahim et al. (2014) emphasize that mission drift prevention requires robust accountability mechanisms. This study extends that argument by proposing that mission drift prevention also requires attention to leader selection and commitment formation at the founding stage, before accountability mechanisms can be effective.

2.5 Organizational Capabilities in Resource-Constrained Contexts

Organizational capabilities refer to an organization's capacity to deploy and coordinate resources to achieve desired outcomes (Amit & Schoemaker, 1993). The resource-based view (Barney, 1991) posits that sustainable competitive advantage derives from resources that are valuable, rare, inimitable, and non-substitutable. Dynamic capabilities theory (Teece, 2007; Teece et al., 1997) extends this framework by emphasizing the capacity to integrate, develop, and reconfigure resources in response to environmental change.

In the BUMDes context, Sofyani, Atmaja, and Rezki (Sofyani et al., 2019) identify four critical capability domains: (1) human resource capabilities, encompassing staff competence, management skills, and knowledge base; (2) innovation capabilities, including the development of new products, services, and processes; (3) partnership capabilities, involving collaboration with government agencies, NGOs, private enterprises, and other BUMDes; and (4) managerial capabilities, including planning, financial management, operational efficiency, and monitoring and evaluation systems.

In resource-constrained contexts such as rural Indonesia, governance quality and relational trust may matter as much as tangible resources for capability development. This study examines how governance configuration is associated with capability development across these four domains.

2.6 Provisional Analytical Framework

Drawing on the literature reviewed above, this study develops a provisional framework for abductive analysis. At the governance architecture level, two authority holders are identified: the village head, who holds political authority (legitimacy, community mandate, resource allocation power, and formal supervisory responsibility as chair of the advisory board), and the BUMDes director, who holds operational authority (management, technical functions, and service delivery). The coordination between these two authority holders constitutes the primary unit of analysis.

Mission orientation is positioned as a motivational condition — not a dimension of governance behavior — that shapes the quality, persistence, and community-orientation of governance practices. Accountability and transparency practices function as a cross-cutting institutional condition that enables or undermines coordination.

The provisional outcome of interest is organizational capability development across four domains: human resource, innovation, partnership, and managerial capabilities. The framework is explicitly presented as a provisional, abductively tested structure — not a pre-confirmed model. Figure 1 illustrates this provisional analytical framework.

[Figure 1: Provisional Analytical Framework — Village Head Governance Behaviors + Director Operational Behaviors + Dyadic Coordination Mechanisms → Organizational Capability Development (HR, Innovation, Partnership, Managerial), under Mission Orientation as Motivational Condition and Accountability Practices as institutional condition. Source: developed by authors based on literature and abductively refined from field data.]

3. RESEARCH METHODOLOGY

This study employs an abductive multiple-case study design, which is appropriate for developing theoretical explanations grounded in empirical patterns when prior theory is insufficient (Yin, 2018; Timmermans & Tavory, 2012). Abductive inference involves iterative movement between theoretical frameworks and empirical data, alternating between conceptual modification and data re-examination. Data collection (interviews) was conducted between March and June 2025; document analysis and secondary data collection occurred across 2024–2025.

3.1 Research Design and Sample

The research setting is Pulang Pisau Regency, Central Kalimantan, Indonesia. Fifteen villages were initially identified for inclusion; however, two villages lacked operational BUMDes. The effective unit of analysis comprises 13 BUMDes: nine active BUMDes (characterized by stable operations, regular income generation, salaried employees, and positive community impact) and four less-active BUMDes (characterized by unstable or no operations, no income generation, and limited community impact). The two non-operational villages are retained in the contextual profile for institutional landscape comparison but are not included in the primary analysis.

Purposive sampling was employed to select key informants based on their relevance to the research question and their ability to provide rich, detailed data. Participants included village heads ($n = 15$), BUMDes directors ($n = 13$), BUMDes staff ($n = 10$), and community members ($n = 7$), for a total of 45 participants.

3.2 Data Collection

Semi-structured interviews: Interviews were conducted in Indonesian (Bahasa Indonesia) between March and June 2025. The average interview duration was 63 minutes. All interviews were audio-recorded with participant consent and transcribed verbatim. Selected quotations were translated to English by the research team and back-checked by a bilingual colleague not involved in the analysis to ensure translation accuracy.

Focus group discussions (FGDs): Four FGDs were conducted — two with active BUMDes stakeholders and two with less-active BUMDes stakeholders. Each FGD involved 5–8 participants with mixed composition (directors, staff, and community representatives). The average FGD duration was 90 minutes. The second author moderated the FGDs, which were audio-recorded and transcribed.

Document analysis: We conducted a systematic review of 27 documents per relevant case. Documents included BUMDes annual reports, village fund allocation records, meeting minutes

from musyawarah desa, audit or supervisory board reports, and relevant government circulars. Documents were coded alongside interview transcripts to triangulate behavioral claims and verify factual assertions.

3.3 Analytical Approach

Data analysis followed a three-stage coding process consistent with grounded theory methodology (Corbin & Strauss, 2010): (1) open coding, which involved identifying initial concepts from raw data; (2) axial coding, which established relationships among categories; and (3) selective coding, which integrated categories into a configurational explanation.

Cross-case analysis (Yin, 2018) was employed to compare patterns across the 13 cases, which varied in governance configuration and performance level. Negative case analysis — deliberately seeking cases that disconfirm emerging patterns — was conducted at each analytical stage to test and refine the emerging framework.

Data triangulation was achieved by integrating interviews, FGDs, and documents. Member checking was conducted with nine participants to verify the accuracy of interpretations. Peer debriefing sessions were held among the research team, and audit trails were maintained throughout the analytical process.

Theoretical saturation was reached at interview 38, at which point no new codes or themes emerged (Guest et al., 2006; Saunders et al., 2018). Seven confirmatory interviews were conducted subsequently to confirm the stability of the coding framework.

It should be noted that the cross-case display matrix presented in Section 4.5 uses the phrase “thematic analysis” as a shorthand for the cross-case display methodology (Miles et al., 2014), which is distinct from Braun and Clarke’s (2006) reflexive thematic analysis. The primary coding procedure throughout this study was grounded theory coding (Corbin & Strauss, 2010).

3.4 Reflexivity and Positionality

The first author is a faculty member at Universitas Palangka Raya and has prior professional engagement with rural development programs in Central Kalimantan. This insider positioning provided access to key informants and contextual understanding but also carried the risk of confirmation bias. To mitigate this risk, the research team maintained a structured research journal documenting analytical decisions, conducted independent code review by the second and third authors, and implemented member checking with nine participants. The team systematically used negative case analysis to challenge emerging interpretations.

The research team acknowledges the potential for social desirability bias, particularly given the first author’s institutional affiliation and the sensitivity of governance and accountability topics. Participants may have been inclined to present their organizations and leadership practices in a favorable light. This limitation is addressed through triangulation with documentary evidence and FGD data, but it cannot be entirely eliminated.

3.5 Ethical Considerations

Formal ethics approval was not required per Universitas Palangka Raya policy for research involving non-vulnerable adult participants discussing professional governance practices. However, all participants provided informed consent before participating. Participants were informed of the research purpose, their right to withdraw at any time, and the measures taken to protect confidentiality. Identities and sensitive organizational information have been anonymized in all reporting. Data are securely stored and accessible only to the research team.

4. FINDINGS

This section presents findings from 45 interviews, four FGDs, and document review across 13 BUMDes in Pulang Pisau Regency. Figure 2 illustrates the inductive coding structure: 47 first-order concepts were grouped into 12 second-order themes, which were further integrated into four aggregate dimensions and one motivational condition. The aggregate dimensions and motivational condition were refined through iterative abductive cycles between the emergent patterns and the provisional framework presented in Section 2.6.

[Figure 2: Data Structure — From First-Order Concepts to Aggregate Dimensions. A hierarchical structure showing: 47 first-order concepts (left) → 12 second-order themes (middle) → 4 aggregate dimensions + 1 motivational condition (right). Source: developed by authors from empirical data.]

4.1 Case Profiles: Representative BUMDes

Three representative cases are presented to illustrate the range of governance configurations and performance outcomes observed in this study. Case labels have been anonymized to protect participant confidentiality.

Case A: BUMDes Sumber Kehidupan (Exemplary Active Case)

BUMDes Sumber Kehidupan was established in 2017 in Suidodadi Village, Maluku Sub-district. It holds a Maju (Advanced) classification and generates annual revenue exceeding IDR 300 million. The village head provides proactive support, allocating 15–20% of village funds to BUMDes operations, convening monthly coordination meetings, and providing public endorsement at musyawarah desa. The director, in his third year of tenure, described the governance relationship as follows:

“We do not separate our roles in a rigid way. The village head provides strategic direction and ensures community support, while I focus on day-to-day operations and business development. But we meet regularly to discuss challenges and align our priorities. This coordination is the foundation of our success.” (Active BUMDes A, Director, Interview 3, April 2025)

Suidodadi Village has an IDM score of 0.82 (Advanced), reflecting strong social, economic, and ecological development. BUMDes Sumber Kehidupan operates multiple business units, including retail, savings-and-loan services, and a tourism initiative based on local cultural assets.

Case B: BUMDes Maju Bersama Talio (Typical Active Case)

BUMDes Maju Bersama Talio, located in Talio Village, Pandih Batu Sub-district, was established in 2016 and holds a Berkembang (Developing) classification. It operates retail and savings-and-loan services and generates annual revenue of approximately IDR 75 million. The village head provides reactive support, responding to director requests but not initiating strategic coordination. A community member observed:

“Our BUMDes is functional, but it could be much stronger if the village head were more actively involved. The director does a good job with limited support, but there is no regular coordination or long-term planning.” (Active BUMDes B, Community Member, Interview 22, May 2025)

This case illustrates the minimum viable governance configuration for operational performance: functional but episodic director–village head coordination, sufficient to sustain basic operations but insufficient to drive capability development.

Case C: BUMDes Manggatan Utus (Deviant — Inactive Case)

BUMDes Manggatan Utus, located in Jabiren Village, was established in 2017 and holds a Perintis (Pioneer) classification. It has been inactive since 2022. The BUMDes was formed primarily for regulatory compliance rather than genuine community development purpose. A former director recounted:

“When the first director reported financial irregularities, the village head did not intervene. There was no accountability mechanism, no investigation, and no corrective action. The community lost trust, and no one wanted to

be involved after that. Once trust is broken, it is almost impossible to rebuild.” (Less-Active BUMDes C, Former Director, Interview 39, June 2025)

This case illustrates the irreversibility of trust collapse following accountability failure. Subsequent changes in personnel could not restore community confidence or operational viability.

4.2 Governance Behavior Clusters

Analysis of 45 interviews, four FGDs, and 27 documents revealed four observable governance behavior clusters that together characterize the dual-authority coordination pattern in BUMDes: (a) village head governance behaviors, (b) director operational leadership behaviors, (c) dyadic coordination mechanisms, and (d) accountability and transparency practices.

4.2.1 Village Head Governance Behaviors

Village head governance behaviors are defined as observable actions (not traits or evaluations) that reflect the exercise of political authority in support of BUMDes operations. These behaviors include: resource allocation decisions (the proportion of village funds directed to BUMDes); public endorsement at musyawarah desa; convening of coordination forums; regulatory facilitation (resolving permitting and inter-agency issues); and advocacy on behalf of BUMDes to district government.

In active BUMDes, village heads exhibited a consistent, proactive pattern across multiple types of support. They initiated agenda items rather than merely responding to director requests. One director from an active BUMDes stated:

“Our village head is truly committed to BUMDes success. He does not just give verbal support — he actively helps us navigate bureaucratic challenges, secures funding, and promotes BUMDes in every village meeting. His support is visible and consistent.” (Active BUMDes A, Director, Interview 3, April 2025)

In contrast, less-active BUMDes were characterized by compliance-only formation, absence of resource commitment, and non-intervention in governance failures. A director from a less-active BUMDes observed:

“Our village head established BUMDes because it was required by regulation, but he has no real interest in its success. He does not attend our meetings, does not allocate resources, and does not help when we face problems. We are on our own.” (Less-Active BUMDes E, Director, Interview 28, June 2025)

Negative case analysis identified two active BUMDes (Cases F and G) that demonstrated moderate capability development despite limited village head engagement. In these cases,

strong director initiative and established partnership networks from prior periods compensated for limited village head support. This pattern indicates that village head governance behavior is an important but not singularly sufficient condition for organizational capability development.

4.2.2 Director Operational Leadership Behaviors

Director operational leadership behaviors are defined as observable actions that reflect the exercise of operational authority in managing BUMDes activities. These behaviors include: business planning (annual strategic plans, unit financial projections); staff development (training coordination, mentoring, inter-BUMDes study visits); risk management (identification and escalation of financial and operational risks); business model innovation (development of new service lines, partnerships, and market channels); partnership building (relationship cultivation with government agencies, NGOs, private enterprises); and operational accountability (regular financial reporting, documentation of decisions).

Active BUMDes directors exhibited all six behavioral clusters. One director explained:

“Every quarter I prepare a written report for the village head and the supervisory board. If there are losses, I explain why and what corrective steps I have taken. Transparency is not optional — it is how we retain the community’s trust.” (Active BUMDes A, Director, Interview 4, April 2025)

Another director described partnership-building efforts:

“I identified three potential partners in 2024 — a district cooperative office, an NGO working on fisheries, and a private feed supplier. I built the relationship for six months before formalizing the memorandum of understanding. Partnership development requires patience and trust-building.” (Active BUMDes D, Director, Interview 12, May 2025)

In less-active BUMDes, directors showed limited or absent behavioral evidence across these clusters. Negative case analysis identified one less-active BUMDes (Case J) in which the director demonstrated relatively strong operational planning behaviors but could not sustain operations due to absent village head support and financial misconduct by a predecessor. This case supports the argument that director behaviors are necessary but not sufficient without governance architecture coordination.

4.2.3 Dyadic Coordination Mechanisms

Dyadic coordination mechanisms are defined as observable patterns of interaction between the village head and the BUMDes director. These patterns include: joint planning sessions (frequency, regularity, agenda structure); role boundary agreements (explicit versus implicit division of political and operational responsibilities); communication protocols (channels, frequency, escalation procedures); and unified public messaging in village forums.

In active BUMDes, coordination was structured, high-frequency, and characterized by clear role differentiation. Authority was exercised in a complementary rather than competitive manner. A village head from an active BUMDes described the coordination pattern:

“The director and I work as a team. We meet regularly to discuss progress, challenges, and plans. I trust his business judgment and give him autonomy in operations, while he respects my role in representing community interests and providing strategic direction. This mutual respect is essential.” (Active BUMDes A, Village Head, Interview 1, April 2025)

In less-active BUMDes, coordination was episodic, reactive, or absent. Role ambiguity and authority overlap created operational friction. The coordination pattern observed in this study is explicitly asymmetric: the village head holds political legitimacy and formal supervisory authority (as *Penasihat* under Government Regulation No. 11 of 2021 (Pemerintah Republik Indonesia, 2021)), while the director holds operational authority. Coordination is effective when each actor exercises authority within their domain while maintaining structured information exchange.

4.2.4 Accountability and Transparency Practices

Accountability and transparency practices are defined as observable institutional practices (replacing the trait-based “integrity” framing used in earlier drafts). These practices include: financial disclosure (regularity and scope of financial reports to *musyawarah desa*); separation of authority (procurement decisions independent of village head preference); independent verification (external audit or supervisory board review); appointment transparency (public announcement and merit-based selection of BUMDes staff); conflict-of-interest management; and community accountability mechanisms (public grievance channels, open forum Q&A in *musyawarah*).

In active BUMDes, financial reporting was routine, publicly accessible, and documented. A community member from an active BUMDes stated:

“We trust our BUMDes because the leaders are honest and transparent. They regularly report on finances and operations in village meetings. If we have questions, they answer openly. This transparency builds confidence.” (Active BUMDes B, Community Member, Interview 22, May 2025)

In less-active BUMDes, accountability mechanisms were absent or token. Case C illustrates the irreversibility of accountability failure: once financial misconduct occurred and the village head failed to intervene, community trust collapsed structurally. Subsequent changes in personnel could not restore it.

4.3 Mission Orientation as Motivational Condition

Cross-case analysis reveals that mission orientation — an internalized dedication to community welfare that transcends formal role obligations — operates as a motivational condition, not as a governance behavior dimension. Mission orientation is not directly observable in discrete acts; rather, it manifests as a pattern across multiple behavioral choices over time and reflects an internal orientation rather than a procedural practice.

Three observable manifestations of mission orientation were identified:

1. Relational legitimacy: Community members differentiated leaders motivated by mission from those motivated by administrative compliance. Mission-oriented leaders received higher discretionary trust and community participation.

2. Motivational persistence: Leaders with strong mission orientation maintained engagement through resource scarcity, political friction, and operational setbacks. Those without mission orientation disengaged when conditions deteriorated.

3. Priority resolution: When competing demands arose — personal gain versus community benefit, short-term efficiency versus long-term social mission — mission-oriented leaders consistently resolved toward community welfare.

A director from an exemplary active BUMDes articulated mission orientation as follows:

“For me, BUMDes is not just a job — it is a calling (panggilan). I grew up in this village and have seen the poverty and lack of opportunities. I want to create something that will benefit my children and my neighbors’ children. That is what keeps me going when things are difficult.” (Active BUMDes A, Director, Interview 3, April 2025)

Negative case analysis identified one active BUMDes (Case H) in which operational performance was sustained despite the director reporting low personal mission commitment. Sustainability in this case was attributed to strong institutional governance mechanisms (formal accountability structures and reliable village head support) that compensated for weaker mission orientation. This suggests that governance architecture and mission orientation are partially substitutable under specific conditions.

4.4 Organizational Capability Development in BUMDes

Four organizational capability domains were identified as central to BUMDes operations. The development pattern across domains differed substantially between active and less-active BUMDes, with governance behavior cluster strength consistently co-occurring with higher capability development — though the cross-sectional design of this study does not permit causal attribution.

4.4.1 Human Resource Capabilities

Human resource capabilities encompass staff competence, management skills, and knowledge base. In active BUMDes, human resource development was systematic and sustained. Activities included annual inter-regional study banding (comparative study visits), structured mentoring programs, staff certification programs, and village head facilitation of government training programs.

In less-active BUMDes, staff development was not systematic. Training was limited to one-time workshops, and staff turnover was high.

4.4.2 Innovation Capabilities

Innovation capabilities refer to the development of new products, services, and processes. In active BUMDes, innovation was incremental but consistent. Examples included digital payment integration, mobile retail services, and tourism product development based on local cultural and ecological assets. Directors' business model exploration and network leverage drove innovation.

In less-active BUMDes, innovation did not extend beyond the initial service line. In several cases, innovation attempts were abandoned due to resource withdrawal or lack of village head support.

4.4.3 Partnership Capabilities

Partnership capabilities involve collaboration with government agencies, NGOs, private enterprises, and other BUMDes. Active BUMDes cultivated extensive partnership networks. For example, Case A maintained partnerships with district government, provincial NGOs, three private enterprises, and two other BUMDes. Partnership cultivation was credited to director relationship-building combined with village head legitimacy endorsement.

Less-active BUMDes were isolated. A director from an active BUMDes noted:

"Government agencies in Palangka Raya will not partner with a BUMDes that has had financial problems. Reputation matters. Once you lose credibility, it is very difficult to attract partners." (Active BUMDes A, Director, Interview 4, April 2025)

4.4.4 Managerial Capabilities

Managerial capabilities include planning, financial management, operational efficiency, and monitoring and evaluation systems. Active BUMDes produced monthly performance reports, conducted annual strategic planning cycles, commissioned independent financial audits, and implemented director-led monitoring and evaluation systems.

Less-active BUMDes exhibited ad hoc decision-making, no performance-tracking systems, and reactive governance only.

Interconnection among capability domains: The four capability domains are interconnected. Human resource capability enables innovation; innovation and accountability attract partners; partnerships extend resources for human resource and managerial development; managerial capability ensures accountability and learning. These interdependencies do not constitute a self-reinforcing causal cycle in this study's cross-sectional design — they are observed as co-occurring patterns across cases with stronger governance coordination.

4.5 Cross-Case Synthesis

Table 2 presents a cross-case display matrix comparing governance behavior clusters and capability domains across the three representative cases and summarizing the broader patterns from nine active versus four less-active BUMDes.

Table 2: Cross-Case Display Matrix - Dual-Authority Governance and Organizational Capabilities. Matrix derived from 45 interviews, 4 FGDs, and 27 documents across 13 BUMDes; cross-case display methodology following Miles et al. (2014). Case labels correspond to anonymized identifiers.

Dimension / Capability	Case A (Exemplary Active)	Case B (Typical Active)	Case C (Deviant Inactive)	Broader Pattern (9 active vs 4 less-active)
Village Head Governance Behaviors	Proactive; weekly meetings; 15-20% village fund allocation; public endorsement in musyawarah desa	Reactive; resource allocation upon request; limited strategic guidance	Absent; compliance-only motivation; no resource provision or endorsement	Active: consistent, proactive; Less-active: absent or compliance-only

Director Operational Behaviors	Comprehensive; structured planning, staff development, partnership cultivation, financial reporting	Moderate; basic management; limited proactive initiative	None evident before organizational collapse	Active: all six behavioral clusters present; Less-active: 0-2 clusters
Dyadic Coordination	High; weekly joint planning; clear role differentiation; unified public messaging	Moderate; functional but episodic; some role ambiguity	None; trust broken following integrity failure; governance vacuum	Active: structured, high-frequency; Less-active: episodic or absent
Accountability Practices	High; routine public financial reporting; transparent decision-making; conflict-of-interest management	Moderate; financial reports produced but limited community access	Low; financial misconduct; village head non-intervention; community trust collapse	Active: regular, accessible, documented; Less-active: absent or token
Mission Orientation	Strong; director describes 'panggilan'; sustained effort despite low compensation	Moderate; professional responsibility primary driver	Absent in formal leadership; informal community attempts to sustain after collapse	Active: predominantly strong or moderate; Less-active: predominantly absent
HR Capability	High; annual studi banding; structured mentoring; certification	Moderate; occasional training; no systematic development	None	Active: structured development; Less-active: none
Innovation Capability	High; mobile retail; digital payments; tourism products	Low-moderate; incremental additions only	None	Active: consistent incremental innovation; Less-active: none
Partnership Capability	Extensive; government, NGOs, private, inter-BUMDes	Limited; one government agency partnership	None	Active: 2-5 active partnerships; Less-active: none
Managerial Capability	High; monthly reports; annual planning; independent audit	Moderate; basic bookkeeping; reactive planning	None	Active: systematic M&E; Less-active: ad hoc only

5. DISCUSSION

5.1 Dual-Authority Governance as a Configurational Explanation

This study reframes the analysis of leadership in BUMDes from an individual-leader or new-paradigm perspective to a governance-configuration perspective. Rather than proposing integrative leadership as a new leadership style, this section argues that the relevant theoretical contribution is a configurational explanation of how political and operational authority are coordinated in hybrid village enterprises.

Table 3 compares the governance configuration framework developed in this study with related theoretical approaches.

Table 3: Comparison of Governance Configuration Framework with Related Theoretical Approaches. Table developed by authors to position the governance configuration framework within existing leadership literature.

Approach	Unit of Analysis	Observed Behaviors/Practices	Authority Distribution	Coordination Mechanism	Boundary Conditions	Outcome Explained
This study (dual-authority governance configuration)	Village head + BUMDes director dyad	Resource allocation, public endorsement, business planning, accountability practices, joint planning	Asymmetric: political (VH) + operational (director)	Structured dyadic coordination; role differentiation	Mission orientation (motivational); accountability systems (institutional)	Organizational capability development
Integrative Public Leadership (Crosby & Bryson, 2010)	Cross-sector actors	Boundary-spanning, shared purpose creation	Symmetric or emergent	Collaborative forums; shared leadership	Cross-sector context	Public value creation
Transformational Leadership (Bass & Riggio, 2006)	Individual leader	Vision articulation, intellectual stimulation, individualized consideration	Hierarchical; leader-centric	Inspirational influence	Organizational change context	Follower performance; organizational change
Servant Leadership (Greenleaf, 2013)	Individual leader	Follower development, community welfare prioritization	Leader serves followers	Empowerment; stewardship	Values-driven context	Follower well-being; trust
Shared/Collective Leadership (Pearce & Conger, 2003)	Team or network	Distributed influence, mutual accountability	Symmetric; distributed	Peer coordination; shared responsibility	Team context	Team performance
Paradoxical Leadership (Gopakumar & Gupta, 2024)	Individual leader	Embracing contradictions, balancing tensions	Hierarchical; leader-centric	Cognitive integration of paradox	Hybrid organization context	Managing dual-logic tensions

Crosby and Bryson's (2010) integrative public leadership framework is the closest parallel to this study's approach. However, integrative public leadership operates at the meso-macro level, addressing cross-sector and inter-organizational dynamics. It does not address micro-level intra-organizational village governance dynamics. Moreover, integrative public leadership treats leadership as a role any actor can assume at organizational boundaries, whereas this study addresses formal asymmetric authority inscribed in regulatory structure. Finally, integrative public leadership does not specify mission orientation as a foundational motivational condition.

Transformational leadership (Bass & Riggio, 2006) is leader-centric and was developed for hierarchical organizations. It does not address dual authority or the primacy of social mission in hybrid enterprises.

Shared or collective leadership (Pearce & Conger, 2003) assumes symmetric role distribution and does not capture the formal political asymmetry of the village head (as Penasihat under Government Regulation No. 11 of 2021 (Pemerintah Republik Indonesia, 2021)) versus the BUMDes director.

Paradoxical leadership (Gopakumar & Gupta, 2024) addresses social-commercial tension as an individual cognitive challenge. This study reframes it as a governance architecture challenge — resolved through structured complementarity between two authority holders, not by one leader embracing paradox.

The key theoretical contribution of this study is to propose a governance-configuration explanation that avoids the construct proliferation critique (Fischer & Sitkin, 2023; Banks et al., 2016) by grounding analysis in observable behaviors and institutional practices rather than new trait or style claims.

5.2 Mission Orientation as Motivational Condition

This study reframes prior conceptualizations of social commitment or catalytic conditions. Mission orientation is not a governance dimension (it is not directly observable as discrete behavior) and not a statistical mediator. It is a motivational condition—an internalized orientation that shapes the quality, persistence, and community alignment of governance behaviors.

This contributes to the mission drift literature (Ebrahim et al., 2014). Ebrahim et al. (2014) emphasize that mission drift in social enterprises is driven by external commercial pressures and can be prevented through accountability mechanisms. This study extends that argument by identifying commitment deficit at the founding stage as a primary vulnerability mechanism in hybrid enterprises. In the less-active BUMDes examined in this study, mission drift was not primarily driven by external commercial pressure but by the absence of mission orientation at founding — BUMDes were formed for regulatory compliance rather than a genuine community development purpose.

The implication is that mission drift prevention in community-based hybrid enterprises requires attention to leader selection and founding-stage commitment formation, not only accountability mechanisms and governance structures.

5.3 Hybrid Organizations and BUMDes Institutional Context

Battilana and Dorado's (Battilana & Dorado, 2010) seminal work on hybrid organizations demonstrates that dual-logic tensions are managed through organizational culture and hiring practices. This study extends their framework by proposing that in BUMDes, dual logic is structurally inscribed in the governance architecture itself. The village head represents the social-community logic; the director represents the economic-operational logic. Effective coordination between these two authority holders is the institutional mechanism for managing hybrid tensions — not individual leaders embodying both logics.

This proposes a governance-based solution to hybrid organizational tensions, complementing Battilana and Dorado's culture-based solution.

BUMDes hybridity is further complicated by sociopolitical embeddedness. The village head's legitimacy derives from customary norms (adat), community relationships, and democratic mandate — rendering BUMDes governance inseparable from the political and cultural standing of the village head. This dimension is not captured by organizational-level hybrid organization frameworks, which typically focus on internal organizational dynamics rather than the organization's embeddedness within broader political and cultural systems.

5.4 Implications for Rural Development Policy and Practice

The findings of this study have several implications for rural development policy and practice in Indonesia and potentially in other contexts with similar community-embedded hybrid enterprises.

Leadership selection: BUMDes director selection criteria should extend beyond business competence to include mission orientation indicators, accountability track record, and collaborative governance capacity. Selection processes should assess candidates' commitment to community welfare and their ability to work effectively within dual-authority structures.

Governance formalization: Joint planning mechanisms and structured role differentiation between the director and the village head should be institutionalized through formal governance protocols. These protocols should be aligned with Government Regulation No. 11 of 2021 (Pemerintah Republik Indonesia, 2021) provisions on supervisory board functions and musyawarah desa accountability. Formalization reduces role ambiguity and provides a foundation for sustained coordination even when interpersonal relationships are strained.

Accountability system development: Accountability and transparency practices were the most consistently distinguishing factor between active and less-active BUMDes in this study. Investing in financial reporting infrastructure, community accountability forums, and conflict-of-interest protocols offers high-leverage governance improvements. Accountability systems should be accessible to community members with varying levels of literacy and technical knowledge.

Leadership development: Capacity-building programs should develop governance collaboration skills (role differentiation, conflict resolution, joint planning) alongside technical management competencies and reinforced mission orientation. Training should address the specific challenges of dual-authority coordination rather than focusing exclusively on individual leadership skills.

Cross-regency applicability: The dual-authority governance configuration described in this study is structurally present in all BUMDes by regulatory design (Government Regulation No. 11 of 2021 (Pemerintah Republik Indonesia, 2021)) — the coordination quality varies. Policy should focus on enabling conditions for effective coordination, not structural redesign. This

suggests that the findings of this study may be applicable across Indonesia's 50,000+ BUMDes, though empirical validation in other contexts is needed.

6. CONCLUSION

This study examined how political and operational authority are coordinated in Village-Owned Enterprises (BUMDes) in Indonesia, and under what motivational and accountability conditions these governance configurations are associated with organizational capability development.

Drawing on an abductive multiple-case analysis of 13 BUMDes in Pulang Pisau Regency, Central Kalimantan, the study identifies four observable governance behavior clusters—village head governance behaviors, director operational leadership behaviors, dyadic coordination mechanisms, and accountability and transparency practices—that together characterize the dual-authority governance configuration in BUMDes. Mission orientation functions as a motivational condition that sustains governance coordination under resource constraints and adverse conditions. Active BUMDes exhibited stronger dual-authority coordination and more developed capabilities across four domains: human resource, innovation, partnership, and managerial capabilities.

Principal theoretical contributions:

1. This study proposes a governance-configuration explanation of dual-authority coordination in hybrid village enterprises, grounded in observable behaviors and institutional practices rather than trait or style claims. This extends the dual-authority governance literature and responds to the construct-validity critique in leadership research (Fischer & Sitkin, 2023; Banks et al., 2016).

2. This study extends the mission drift literature (Ebrahim et al., 2014) by identifying commitment deficit at the founding stage as a primary vulnerability mechanism in hybrid enterprises — preceding the commercial pressures typically emphasized.

3. This study extends Battilana and Dorado's (Battilana & Dorado, 2010) work by proposing a governance-based solution to dual-logic tensions in hybrid organizations, complementing culture-based solutions.

Practical contributions:

This study offers actionable insights for governance formalization, leadership selection, and capacity-building program design across Indonesia's 50,000+ BUMDes ecosystem, aligned with Government Regulation No. 11 of 2021 (Pemerintah Republik Indonesia, 2021) and Law No. 3 of 2024 (Pemerintah Republik Indonesia, 2024).

Limitations and Future Research:

This study has several limitations that suggest directions for future research. First, this is a single-regency study in Central Kalimantan. Future research should include cross-regency or cross-provincial comparison to assess the generalizability of findings across different cultural, economic, and political contexts within Indonesia.

Second, the cross-sectional design does not permit establishment of temporal or causal relationships between governance configuration and capability development. Longitudinal research designs are needed to track how governance configurations evolve over the organizational lifecycle and to assess the direction and magnitude of relationships between governance practices and capability development.

Third, the insider positioning of the first author was mitigated but not eliminated by reflexive practices. Future studies should implement multi-researcher triangulation from the design stage, including researchers without prior professional engagement in the research setting.

Fourth, the classification of active versus less-active BUMDes was informed by official BUMDes tier data and community welfare impact assessments. Alternative explanations (sector, access to markets, village infrastructure, age of BUMDes, prior capital endowment) were considered during negative case analysis but could not be fully controlled. Future research should employ matched-pair designs or statistical controls to isolate the effects of governance configuration from other contextual factors.

Finally, future research should develop validated quantitative instruments to measure governance behavior clusters, enabling large-scale survey research. Cross-sectoral comparison with other community enterprise models (e.g., cooperatives, community development corporations) would illuminate which findings are specific to BUMDes and which are generalizable to community-embedded hybrid enterprises more broadly. Longitudinal tracking of governance configuration change over the organizational lifecycle would provide insight into critical transition points and intervention opportunities.

7. ACKNOWLEDGEMENT

The authors would like to acknowledge assistance from Scispace and LeapSpace for the literature review, Trinka for paraphrasing and text refinement, and automatic grammar checking during the preparation of this manuscript. The authors performed all composition, analysis, reference validation, revision, and final interpretation. The authors are fully responsible for the originality and accuracy of the article's content, not the tool.

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