



RESEARCH ARTICLE

Corporate Strategy and The Dynamics of Nurturing Business Units in The Payang Sejahtera Village-Owned Enterprise: An Evaluative Analysis

Blegoh Andi Setya Utama^{1*}, Siti Nurjanah², Saparuddin Muchtar³^{1,2,3} Postgraduate School, Universitas Negeri Jakarta, East Jakarta, Indonesia

ARTICLE INFO	ABSTRACT
Received: Oct 2, 2024	Villages and indigenous peoples have an important role as autonomous entities with traditions and customs. After the New Order era of centralization, decentralization through Law No. 6/2014 strengthened the role of villages in local governance. One of the innovations of decentralization is the establishment of BUM Desa that manage the potential of local resources for village welfare. BUM Desa Tirta Mandiri of Ponggok Village is a successful example, while BUM Desa Payang Sejahtera in Kutai Kartanegara succeeded in changing the status of Sungai Payang Village from underdeveloped to independent. This research analyzes the corporate strategy and nurturing style of the business units in BUM Desa Payang Sejahtera, using the "Four Logics of Corporate Strategy" framework. The research findings show that the BUM Desa successfully implemented strategies according to local potential, with business diversification that provides positive economic and social impacts. This research provides practical guidance for BUM Desa outside Java, particularly in natural resource-rich areas, to design sustainable business strategies.
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*Corresponding Author:	
blegohandisetyautama_991792	
1008@mhs.unj.ac.id	

INTRODUCTION

Villages in Indonesia have genuine autonomy that must be respected by the state (Hurint, 2023; Inten, 2018). However, during the New Order era, villages received little attention. After reformasi, decentralization through Law No. 32/2004 and Law No. 6/2014 gave villages greater authority to manage governance and public services.

The establishment of Village-Owned Enterprises (BUM Desa) plays an important role in village economic development, utilizing local potential (Widianingsih et al., 2020). However, the abundance of natural resources does not always lead to prosperity, as seen in Aceh, Kalimantan, and Papua (Tambunan, 2019; Sitompul & Putri, 2020). BUM Desa management must be professional and sustainable for community welfare.

The success of BUM Desa, such as BUM Desa Tirta Mandiri in Ponggok Village and BUM Desa Payang Sejahtera in Kutai Kartanegara, shows the great potential of proper management (Setiya et al., 2019; Jalil, 2021). BUM Desa Payang Sejahtera, with 11 business units, improved the status of Sungai Payang Village and recorded a turnover of IDR 14 billion in 2021 (Budiaris, 2021). However, this

success cannot simply be replicated elsewhere as BUM Desa management must be in line with local characteristics and potential.

Business diversification is an important strategy in BUM Desa, but managers often lack understanding of corporate strategy (Sull et al., 2017). The Four Logics of Corporate Strategy matrix can help identify the relationship between business units and the parent company for optimal strategy. In addition, lack of skills in governance and financial management hinders the growth of BUM Desa, so managerial training and support is necessary to improve business capacity and sustainability, making BUM Desa a strategic instrument for sustainable village economic growth.

Based on the literature and empirical experience, the author is interested in examining the outstanding management of BUM Desa, both in terms of concept and output. This research will ask several questions to explore data in the field, including:

- 1) What is the corporate strategy applied by BUM Desa Payang Sejahtera and how is the evaluation process?
- 2) What is the nurturing style of the existing business units in BUM Desa Payang Sejahtera?

This study analyzes the corporate strategy of BUM Desa Payang Sejahtera using the Four Logics of Corporate Strategy matrix to determine the best strategy in managing business units that provide added value to the village. The study also explores the implementation of the corporate strategy, evaluation of its implementation, as well as the parenting style in managing the business unit. The results are expected to strengthen the concept of corporate strategy and management of BUM Desa that is professional, sustainable, and based on community empowerment.

OVERVIEW

In the last four years, Sungai Payang Village has successfully improved its status from “Very Disadvantaged Village” to “Advanced Village” thanks to the important role of BUM Desa Payang Sejahtera. This success has made BUM Desa the driving force of the village economy with revenues that exceed the national average. Bung Hatta's statement, “Indonesia will shine because of the candles in the village,” reflects the vital role of BUM Desa in local economic progress.

Corporate Strategy in BUM Desa Management

BUM Desa's corporate strategy is important to achieve long-term goals and sustainability. David (2011) states that business strategy includes geographic expansion, diversification, and product development. Wheelen and Hunger (2010) mention levels of strategy, namely corporate strategy, stability, and retrenchment, as well as business strategies that focus on products and business units. BUM Desa Payang Sejahtera implements a sustainability-oriented business diversification and innovation strategy, making it key to creating profits and supporting the village's economic progress.

Theories that Support BUM Desa Management

Industrial Organization (IO) theory highlights that industry structure affects firm behavior and performance. Porter (1979) introduced five market forces: bargaining power of suppliers, bargaining power of consumers, threat of substitute products, threat of new entrants, and intensity of competition. In oligopolistic structures, entry/exit barriers and market forces often stem from structural or behavioral barriers (Porter, 1980).

Organizational Economics (OE) theory sees the firm as a unit with its structural logic and functions. These include transaction cost economics, which assesses the efficiency of activities based on coordination costs, and agency theory, which addresses the relationship between owners and managers (Williamson, 1975; Barney et al., 2008). Failed markets, for example due to opportunism or uncertainty, often make activities more efficiently carried out within the firm (Furrer, 2011).

Corporate Strategy Evaluation

Porter's Value Chain Analysis

Every company is a collection of activities undertaken to design, manufacture, market, deliver and support its products (Porter, 1985). All these activities can be depicted in a value chain as shown in the following figure:

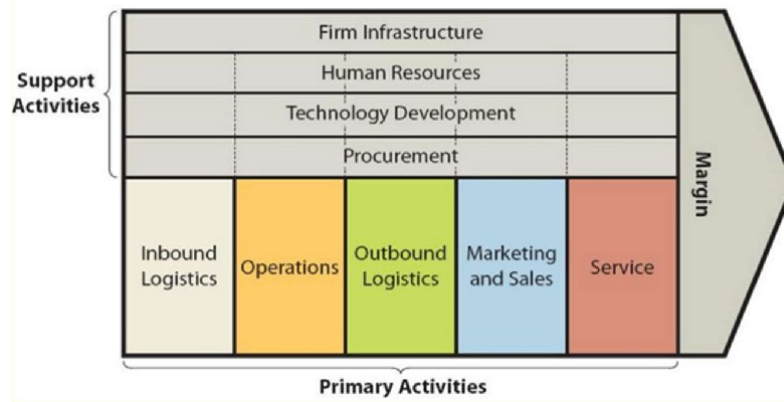


Figure 1 Porter's Value Chain by John Dudovskiy

(Source: Dudovskiy, 2022)

The value chain developed by Porter (1985) consists of two main categories: primary and supporting activities. Primary activities are described as follows:

In-bound Logistics

Porter (1985) suggests that in-bound logistics includes all activities related to receiving, storing, and separating inputs for use before they become products such as receiving raw materials, warehousing and returning to suppliers.

Operations

Porter (1985) suggests that operations are activities related to changing raw materials into final products such as production, packaging, testing, and maintenance processes.

Out-bond Logistics

Porter (1985) suggests that out-bond logistics is an activity related to the collection, storage and distribution of products to buyers such as storage and warehousing of finished goods, product delivery and product ordering arrangements.

Marketing and Sales

Porter (1985) argues that marketing and sales are activities related to providing information to consumers about products and efforts to attract buyers to priduk with advertising, promotion, pricing and selection of distribution channels.

Service

Porter (1985) suggests that service or after service is an activity related to the provision of services and services to increase and maintain the value of the product, such as installation, training, repair and product customization.

Meanwhile, the supporting activities proposed by Porter (1985) are described as follows:

Procurement

Porter (1985) suggests that procurement is the purchase of raw material inputs used in the company's value chain process and not on what raw materials are purchased.

Technology Development

Porter (1985) argues that technology development is an activity related to the company's efforts to improve products and processes in the value chain. This relates to the knowledge, procedures or equipment used.

Human Resource Management

Porter (1985) suggests that human resource management consists of recruitment activities, training, employee development and all compensation related to employees.

Firm Infrastructure

Porter (1985) suggests that firm infrastructure consists of various activities such as general management, planning, finance, accounting, law and government and quality management.

Matriks Four Logics of Corporate Strategy

In assessing corporate strategy, the Four Logics of Corporate Strategy can be used. This concept compares the dependence of business units on the corporation and the dependence of business units on other business units. Sull et al (2017) offer a matrix to look at these two dependencies and the result is 4 (four) choices of corporate strategy logic, which are shown in Figure 2.

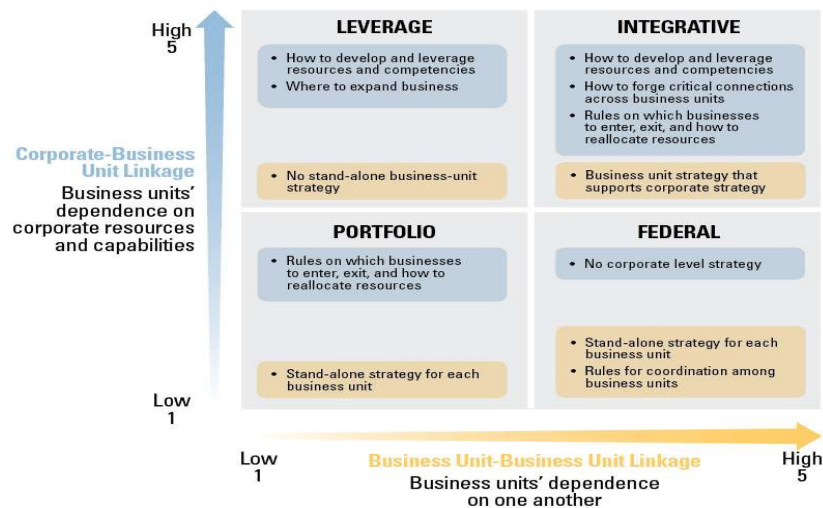


Figure 2 Four Logics of Corporate Strategy

(Source: Sull et al., 2017)

From the matrix above, the position and strategy that can be applied to business units in a corporation can be determined, with the following explanation:

Portfolio

Sull et al (2017) suggest that business units in the Portfolio quadrant can act as independent units that do not depend on the resources and capabilities of the parent company because they have a low level of dependence on resources and capabilities and also do not require coordination and cooperation with other business units. The strategy that can be applied to business units belonging to this group is a stand-alone strategy.

Leverage

Sull et.al (2017) suggest that business units in the Leverage quadrant are highly dependent on the resources and capabilities of the parent company but do not need coordination or assistance from other business units in the value creation process. The parent company must determine a strategy to develop and improve the resources and capabilities that this business unit has and needs.

Federal

Sull et.al (2017) argued that business units in the Federal quadrant are not too dependent on the resources and capabilities of the parent company but are highly dependent on coordination and cooperation with other business units. The parent company can develop rules and policies that regulate coordination between business units to facilitate synergy opportunities that may be encountered.

Integrative

Sull et.al (2017) suggest that business units in the Integrative quadrant are highly dependent on the resources and capabilities of the parent company and also need coordination and assistance from other business units. The business unit strategy must support the parent company. While the parent company must determine how to develop the resources and capabilities of business units, how to build critical relationships between business units and the allocation of resources owned.

Parenting Style

Holding companies have four main roles: first, setting goals and targets for the holding company and business units; second, managing the business portfolio; third, allocating resources to business units; fourth, designing, implementing and controlling administrative structures and processes. These tasks can be carried out using various approaches depending on the parenting style of the parent company. There are three parenting styles that can be applied to business units under the parent company's control.

Strategic Planning

This parenting style is applied by the parent company with high influence over the planning of the business unit, but flexible control. It is usually applied to similar businesses that depend on core competencies. Support functions are shared between business units, with strong organizational structure and control. The parent company encourages value creation through the utilization of shared resources and strategies such as acquisitions, alliances, or partnerships that increase overall value.

Strategic Control

This parenting style is applied by a parent company with medium influence over business unit planning and strict control. Typically, business units are interrelated and create profit opportunities through cooperation, although they do not focus on core competencies. The parent company leaves the planning and strategy to the business units, which are then assessed and supported by the parent financially and non-financially. Decentralization of authority allows business units to manage short- and long-term strategies, targets, and budgets, while the parent serves as a controller of business unit performance.

Financial Control

This style of parenting is applied by parent companies with low influence on business unit planning, but tight control over finances. Typically, parent companies that apply it are unrelated diversified and have various businesses in different industries. Corporate strategic control over the business unit tends to be low, and the parent acts as a business portfolio that gives full responsibility to the

business unit. The parent company's focus is on financial control, not strategic planning, and it serves as an efficient internal capital market.

Research Framework

The research conducted applies the Four Logics of Corporate Strategy framework which consists of several stages of analysis to obtain the desired research results, namely: (Sull et al., 2017)

Value chain activity analysis

Value chain analysis aims to understand each stage of business unit operations, identify needs and dependencies between business units and parent companies. The activities analyzed include primary (inbound logistics, operations, outbound logistics, marketing, services) and supporting activities (infrastructure, human resources, technology, procurement). Data was obtained through interviews with business unit managers, parent company directors, and direct observation. This analysis helps to see the relationship and dependency of business units on the resources and capabilities of the parent company and other business units.

Assessment of the level of dependency and relationship between the business unit and the parent company's resources and capabilities.

The assessment of the dependency of the business unit on the resources and capabilities of the parent company was conducted using the Four Logics of Corporate Strategy matrix questionnaire. The questionnaire consists of ten statements on a Likert scale, filled in by managers according to the condition of the business unit. The results were elaborated with interviews and value chain analysis to obtain more detailed data. The assessment of each statement was averaged and used as the Y-axis coordinate for mapping the business unit in the matrix.

Assessment of the level of dependence and relationship between business units and other business units

As in the previous stage, the assessment of the level of dependency and relationship between one business unit and another was carried out using the assessment on the questionnaire contained in the Four Logics of Corporate Strategy matrix and consisted of ten statements and used the same Likert scale in the previous stage. The questionnaire was filled out by each manager in each business unit and elaborated with the results of the value chain activity analysis and interviews conducted earlier.

Positioning of business units in the matrix

The scores obtained from the questionnaire became the coordinates of the business unit's position in the Four Logics of Corporate Strategy matrix. The level of dependency of the business unit on the resources and capabilities of the parent company becomes the Y-axis coordinate and the level of dependency between business units becomes the X-axis coordinate. Each axis uses a 5 (five) level Likert scale consisting of 1 = strongly disagree, 2 = disagree, 3 = neutral, 4 = agree, 5 = strongly agree. The quadrant on the matrix is divided into 4 (four) areas consisting of the portfolio quadrant at the bottom left of the matrix, the federal quadrant at the bottom right of the matrix, the leverage quadrant at the top left area of the matrix, and the integrative quadrant at the top right area of the matrix. The position coordinates obtained from the questionnaire place the business unit in the appropriate quadrant.

Strategy analysis

The business units are then located in the quadrant that corresponds to the conditions they are living in. From these quadrants, the appropriate strategies for the business units were determined, as well as the strategies required to be undertaken by the parent company in managing the business units in the quadrants. The corporate strategy used includes determining company policies and also the

allocation of resources and capabilities owned by the company for business units. Strategies for business units are determined such as stand-alone strategies and policies used to connect business units with other business units.

Parenting style analysis

After determining the business unit's position and appropriate strategy, an appropriate parenting style is selected based on the unit's dependency on the parent company. The applied parenting style includes strategic planning, strategic control, and financial control to maximize value creation. In Sungai Payang Village, BUM Desa Payang Sejahtera was established in 2013 to promote the economic independence of the village. This research analyzes the management strategy of BUM Desa with corporate strategy and nurturing style using the Four Logics of Corporate Strategy matrix to determine the position and strategy of the business unit.

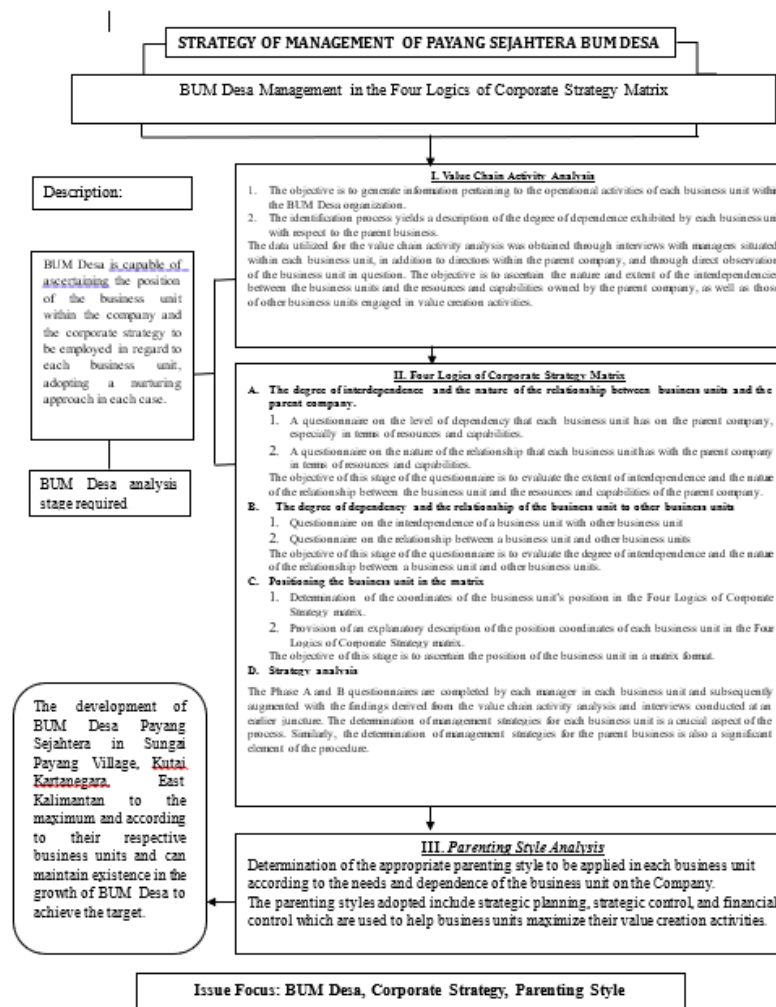


Figure 3 Research Framework (Processed by researchers, 2023)

RESEARCH METHODS

Research requires planning in data collection and analysis. The study on "BUM Desa Management Strategy: Case Study of BUM Desa Payang Sejahtera, Kutai Kartanegara" was designed to explore the procedures, duration, data sources, and analysis methods. The research location is BUM Desa Payang Sejahtera, Sungai Payang Village, Kutai Kartanegara, which was chosen due to its success in lifting

the village economy from a very underdeveloped status to an independent one with a national turnover.

This research developed a theoretically-based BUM Desa management strategy model to support the increase of Village Original Revenue (PADes). A qualitative approach was used, referring to the case study method that allows in-depth exploration of management strategies at BUM Desa Payang Sejahtera (Patton, 2006). This research adopted the Four Logics of Corporate Strategy Matrix (Sull et al., 2017) to evaluate the relationship of the business unit with the parent company and determine the optimal strategy.

This research aims to generate best practices that can be applied to other BUM Desa with similar conditions in Indonesia. Descriptive analysis was used to describe the phenomenon in detail. Data collection techniques involved interviews, FGDs, observation and documentation, utilizing primary data from direct interviews as well as secondary data from relevant documents, books, journals and articles (Moleong, 2005; Sutopo, 1996). The literature study underpinned the theoretical basis and data analysis, ensuring that the conclusions were relevant to the research on corporate strategy and business diversification.

RESEARCH RESULTS AND DISCUSSION

Corporate Strategy Applied by BUM Desa Payang Sejahtera and its Evaluation

BUM Desa Payang Sejahtera implements a strategy of business diversification and innovative approaches as part of a stability strategy for operational and financial sustainability. Based on the Four Logics of Corporate Strategy Matrix, all of its business units are in the integrative quadrant, indicating high dependency on the resources and capabilities of the parent company and synergies between business units. This strategy enables efficiency through coordination, such as the processing of catering waste into fertilizer by other business units, creating a mutually beneficial business ecosystem.

Diversification covers various sectors, including transportation services, catering, finance, and water supply, which are geared towards improving the village economy and adding value to the community. According to Pradana & Fitriyanti (2019), diversification at the BUM Desa level is often difficult to do, but BUM Desa Payang Sejahtera managed to take advantage of it thanks to integration and innovation. This is in line with Juwono's (2012) view on the importance of good holding company governance to support business units.

Innovative approaches are applied in products, processes, marketing and management, including the use of technology such as village management information systems to increase transparency and efficiency (Elsi et al., 2020). This strategy reflects adaptation to market changes, with a focus on stability and sustainability (D.E. Pratiwi et al., 2024). An approach that integrates economic, social, and environmental interests, as suggested by Alfarizi (2021) and Zaini (2022), makes BUM Desa Payang Sejahtera a model of innovative and sustainable village business management.

The finding of this research is the application of the Four Logics of Corporate Strategy Matrix in the context of BUM Desa, which has rarely been discussed before. This matrix provides a framework to understand the relationship between business units and the importance of coordination. It extends the often-used SWOT analysis, by showing how synergies between business units can overcome resource limitations, improve competitiveness, and create long-term value for the enterprise and the village community.

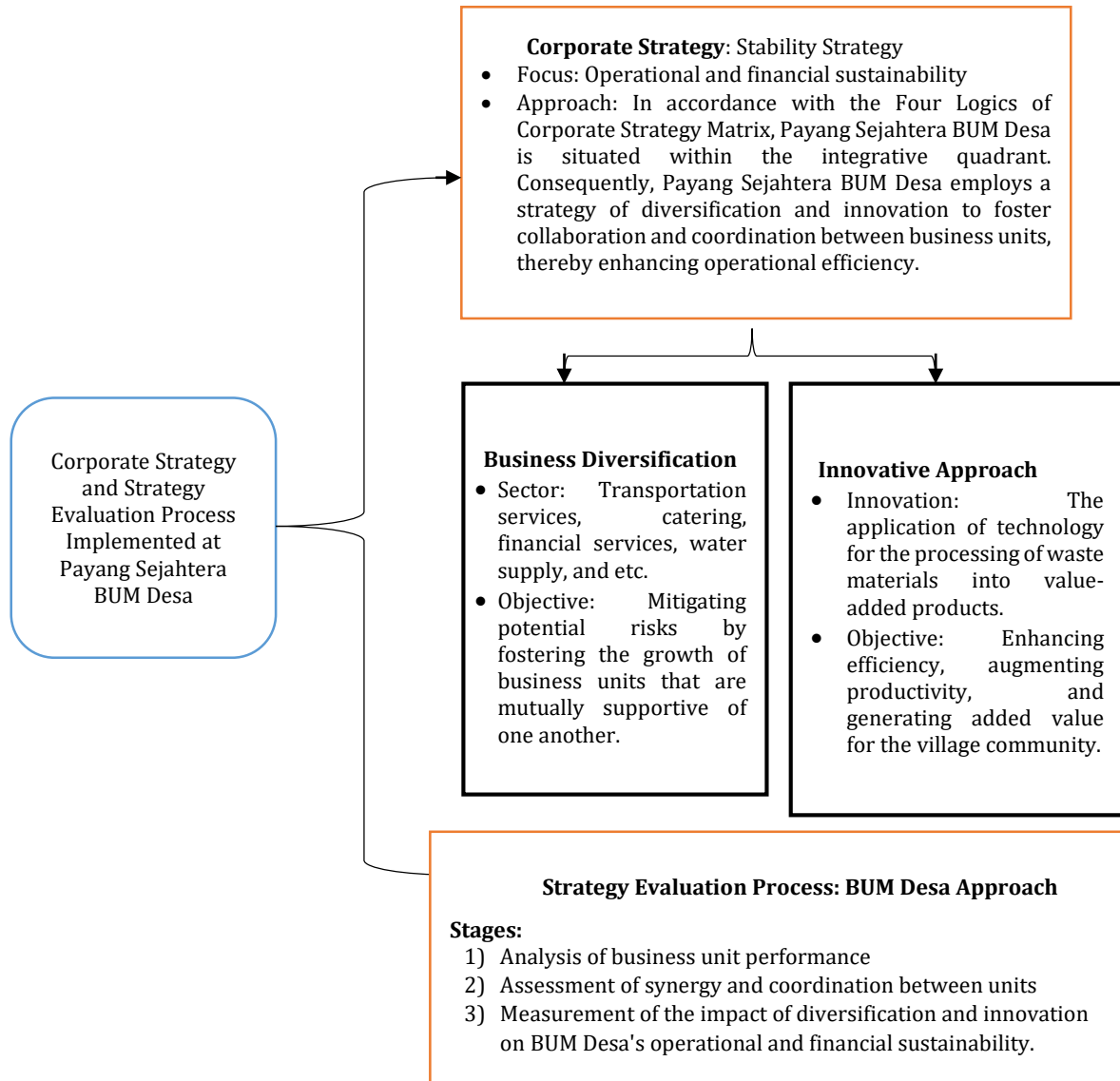


Figure 4 Visualization of Corporate Strategy Applied by BUM Desa Payang Sejahtera and its Evaluation

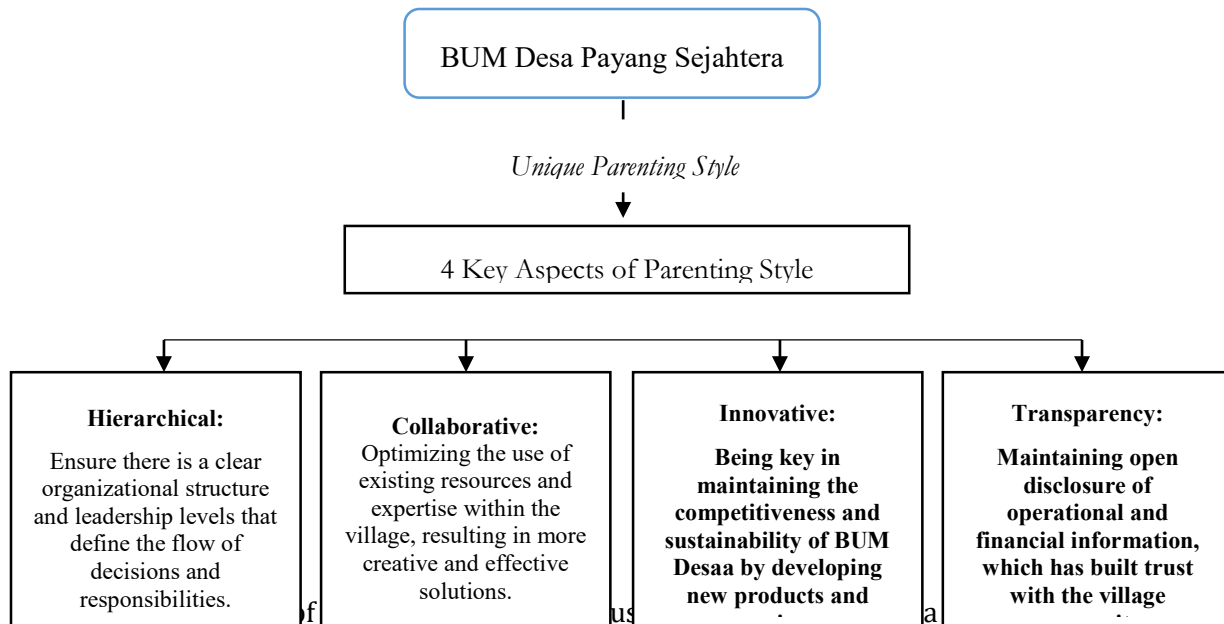
The Parenting style of business units in BUM Desa Payang Sejahtera

BUM Desa Payang Sejahtera adopts a nurturing style that includes hierarchical, collaborative, innovative, and transparency to improve operational performance. The hierarchical structure ensures clarity of decision flow (Wowor et al., 2019), while the collaborative approach encourages synergy and community involvement (Santosa et al., 2023). Innovation maintains competitiveness (Arianto et al., 2021), and transparency builds public trust (Santosa, 2023).

To support effectiveness, this BUM Desa integrates strategic planning, strategic control, and financial control. Strategic planning sets long-term goals by utilizing resources in an integrated manner, such as collaboration between the Catering and Layer Farming units. Strategic control is done through periodic evaluation with KPIs, such as sales or number of transactions, ensuring alignment of business units with the organization's vision. Financial control maintains financial transparency and integration of cash management, as proposed by Yentifa et al. (2019).

Within the Four Logics of Corporate Strategy framework, BUM Desa business units are in the Integrative quadrant, showing high dependency on the parent for resource allocation and inter-unit synergies (Sull et al., 2017). This nurturing style reinforces the findings of Pradini (2020), Supardi & Budiwitjaksono (2021) and Ash-Shiddiqy (2022), which highlight the importance of a structured approach based on hierarchy, collaboration, innovation and transparency.

The combination of strategic planning, control mechanisms, and a hierarchical, collaborative, innovative, and transparent approach provides a strong foundation for improving the operational and financial performance of BUM Desa Payang Sejahtera. This approach, as expressed by Yentifa et al. (2019), enables BUM Desa to cope with dynamic business and social changes while improving the welfare of village communities.



CONCLUSION

BUM Desa Payang Sejahtera has successfully implemented a corporate strategy based on business diversification, innovative approaches, and integration between business units within a stability strategy framework, as reflected in the Four Logics of Corporate Strategy Matrix in the integrative quadrant. Sector diversification, such as transportation services, catering, finance, and drinking water supply, supported by internal supply chain integration, creates an efficient and sustainable business ecosystem. Utilization of technology, such as village management information systems, increases efficiency, transparency, and adaptation to market changes.

A parenting style based on strategic planning, strategic control, and financial control strengthens planning, performance evaluation, and financial transparency, supported by hierarchical structures, collaboration, and innovation. This approach improves financial and operational performance while positively impacting village development, making it a replicable management model for maximizing local potential.

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