ENERGI

Entrepreneurship, Institutional Innovation and Sustainable Rural Growth in Indonesia [Tahun 2]

Fikri Zul Fahmi[1]*, Melia Famiola[2], Fardiah Qonita Ummi Naila[1]

[1] School of Architecture, Planning and Policy Development, Institut Teknologi Bandung

[2] School of Business and Management, Institut Teknologi Bandung

BACKGROUND

Entrepreneurial action in public institutions is usually discussed through urban and state settings (Harvey, 1989; Miao & Phelps, 2019; Phelps & Miao, 2020; Sheffield & Valler, 2023). Yet rural institutions face a different mix of opportunities and constraints—and we know much less about how public actors respond from within these settings.

Rurality is not simply a place on the map. It brings together social, economic, cultural, spatial and institutional conditions that shape what local actors can do (Halfacree, 2006; Gallent & Gkartzios, 2019). These conditions do not dictate a response; they become important when actors interpret them as development concerns.

RESEARCH QUESTION

How do public actors respond entrepreneurially to development challenges that become significant under different rural conditions?

KEYWORDS | rural intrapreneurialism • rurality • village governance • BUMDes/VOEs • Indonesia

CONCEPTUAL FRAMEWORK

RURAL INTRAPRENEURIALISM

Entrepreneurial practices within public institutions through which public actors respond to development challenges shaped by rural conditions.

THREE INTERACTING MECHANISMS

1 Deliberative leadership — bringing concerns and interests into discussion, building shared understanding and legitimacy (Healey et al., 2003).

2 Institutional innovation — adapting or recombining rules, roles, relationships and organisational arrangements (Sheffield & Valler, 2023).

3 Outcome orientation — learning from implementation, assessing consequences and adjusting responses (Miao & Phelps, 2019; Sheffield & Valler, 2023).

The mechanisms are neither fixed stages nor an exhaustive checklist. They interact iteratively, with different emphases depending on the institutional problem at hand.

SELECTED REFERENCES

Gallent & Gkartzios (2019). Defining rurality and the scope of rural planning. In The Routledge Companion to Rural Planning, 17–27.

Halfacree (2006). Rural Space: Constructing a Three-Fold Architecture. In The Handbook of Rural Studies, 44–62.

Harvey (1989). From managerialism to entrepreneurialism. Geografiska Annaler B, 71(1), 3–17.

Healey et al. (2003). Place, identity and local politics. In Deliberative Policy Analysis, 60–87.

Miao & Phelps (2019). The intrapreneurial state. Territory, Politics, Governance, 7(3), 316–335.

Phelps & Miao (2020). Varieties of urban entrepreneurialism. Dialogues in Human Geography, 10(3), 304–321.

Sheffield & Valler (2023). "Dealing" with governance and planning? Planning Theory & Practice, 24(4), 453–472.

METHODS

COMPARATIVE QUALITATIVE CASE STUDY

Three BUMDes/VOEs in Temanggung Regency, Central Java, selected to compare contrasting rural conditions within one governance framework.

DATA & ANALYSIS

29 interviews (5 regency-level; 24 village-level), field observations and document analysis. Iterative coding and cross-case comparison traced how local conditions became institutional concerns and how actors developed responses.

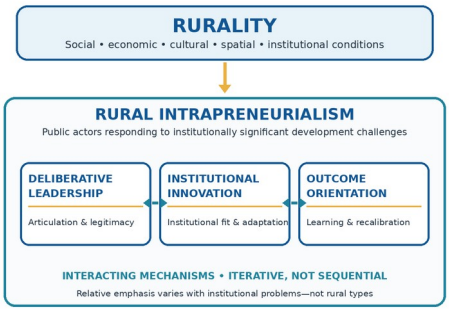


Figure 1. Rural intrapreneurialism framework.

THREE VILLAGES, THREE INSTITUTIONAL CHALLENGES

DRONO | AGRICULTURE & SEASONALITY

More than three-quarters of the village workforce depends on seasonal agriculture. Tobacco income is concentrated around a short harvest period, leaving household liquidity tight for much of the year. The VOE's savings-and-loan unit responded with two repayment options: monthly instalments for regular earners and *yarnen*, aligned with the tobacco harvest, for farming households. The challenge was to make formal financial arrangements fit seasonal livelihoods.

"We created the system based on our own understanding." — VOE manager, Drono

TLAHAB | AGRICULTURE & TOURISM

Tobacco and highland farming continue alongside growing nature- and culture-based tourism. The same roads, landscapes and local resources serve farmers and visitors, sometimes creating competing demands. Village actors integrated ticketing between Posong and Taman Posong, coordinated road use during harvest, and assessed tourism not only through revenue but also through social benefits and its relationship with farming.

"Farming was here before tourism." — Posong unit manager, Tlahab

BARANG | PERIPHERALITY & BASIC SERVICES

Limited access to formal waste services made household waste management a collective village concern. The VOE connected a commercial futsal facility with an essential service: part of the facility's revenue subsidises waste management, helping keep household fees affordable. Developing the facility also required phased investment and negotiation with regency-level officials to secure administrative approval.

"Income from the futsal court is used to subsidize waste services..." — VOE manager, Barang

FINDINGS

THE SAME MECHANISMS, DIFFERENT EMPHASES

DRONO → INSTITUTIONAL INNOVATION

The central issue was institutional fit: standard monthly repayment did not match harvest-based income. Managers adapted the repayment calendar without abandoning accountability.

TLAHAB → OUTCOME ORIENTATION

Tourism was judged against a wider set of outcomes—business performance, village revenue, infrastructure, social benefits and the continuity of agricultural livelihoods.

BARANG → DELIBERATIVE LEADERSHIP

Collective discussion helped legitimise the use of village resources for a commercial facility whose returns would support an essential public service.

CROSS-CASE INSIGHT

All three mechanisms appeared in every case. What changed was their relative emphasis, depending on the institutional problem—not on a fixed category of rurality. Their interaction was iterative, not a linear sequence.

DISCUSSION & IMPLICATIONS

THEORETICAL CONTRIBUTION

The cases show why rurality should be part of the explanation—not just the backdrop—for entrepreneurial practices in public institutions. Rural conditions become consequential through the ways public actors interpret them and work within existing institutional arrangements.

The study extends urban- and state-centred debates on public-sector entrepreneurialism (Miao & Phelps, 2019; Sheffield & Valler, 2023). It shows that institutional responses may involve adapting and recombining existing arrangements, not simply introducing something entirely new.

IMPLICATIONS FOR RURAL GOVERNANCE

- Give village actors room to interpret local challenges and adapt institutional arrangements.
- Pair regulatory flexibility with accountability and coordination across levels of government.
- Provide practical knowledge and administrative support, rather than imposing one-size-fits-all institutional models.

CONCLUSION

Rural intrapreneurialism is an open, context-sensitive way to understand how public institutions respond entrepreneurially to development challenges. Across the three Temanggung cases, rurality shaped the problems actors recognised, while the response emerged through deliberation, institutional adaptation and learning.

STUDY SCOPE

Three cases in one regency; the findings support analytical, not statistical, generalisation.

Riset Unggulan ITB 2026 • Directorate of Research and Innovation • Project ID 2235/IT1.B07.1/TA.00/2026