



Collaborative Governance and Entrepreneurial Strategies for Managing Merah Putih Village Cooperatives in Kediri Regency

Istiana Wijayanti Mala*, Sangrila Puspita Dewi, Khoyrul Anwar

Universitas Soerjo Ngawi, Jawa Timur, Indonesia.

ABSTRACT

General Background: The establishment of Merah Putih Village Cooperatives (Koperasi Desa Merah Putih/KDMP) represents a policy instrument for strengthening village-based economic empowerment. **Specific Background and Knowledge gap:** However, the effectiveness of this policy depends not only on institutional governance but also on the capacity of stakeholders to collaborate and develop entrepreneurial strategies. **Aims:** This study focuses on the management of KDMP as an instrument of village economic empowerment, with two sub-focuses: the implementation of collaborative governance and the development of entrepreneurial strategies. A qualitative case study was conducted at KDMP Wates Village, Wates District, and KDMP Bogem Village, Gurah District, Kediri Regency. Data were collected through in-depth interviews, observation, and documentation and analyzed using an interactive model. **Result:** The findings indicate that both cooperatives have established institutional legality, but human resource capacity, accountability, member participation, and organizational effectiveness require further strengthening. Collaborative governance has involved government, cooperative managers, village governments, and other stakeholders, although collaboration remains predominantly government-driven. Entrepreneurial strategies, particularly innovation, business diversification, and digitalization, have also not been optimally developed. **Novelty:** Based on these findings, the study proposes the Collaborative Governance–Entrepreneurial Strategy (CGES) Model, integrating institutional governance, multi-stakeholder collaboration, and entrepreneurial strategies. **Implication:** The model contributes a conceptual framework for strengthening cooperative competitiveness and sustainability while improving the effectiveness of village economic empowerment policies.

Keywords: institutional capacity, stakeholder participation, business diversification, village economic empowerment

INTRODUCTION

The establishment of Red and White Village Cooperatives (Koperasi Desa Merah Putih/KDMP) is a strategic Indonesian government policy to strengthen village economies and local economic resilience through community-based cooperatives founded on gotong royong. The program aims to shorten distribution chains, stabilize prices, create employment, and strengthen village economic functions (Saputri et al., 2025). Under Presidential Instruction No. 9 of 2025, KDMP serves not merely as a business organization but as an institutional instrument for community economic empowerment, promoting village self-reliance and sustainable local economic development (Siregar et al., 2026).

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*Correspondence:

Istiana Wijayanti Mala
istianawijayantimala@gmail.com

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However, the formal establishment of KDMP does not guarantee the achievement of its policy objectives. Early implementation has revealed challenges related to institutional readiness, human resource capacity, business sustainability, and market competitiveness, partly due to the predominantly top-down approach (Rabbani et al., 2026). These challenges are compounded by limited managerial experience, inadequate business literacy, and dependence on government support (Anisaah et al., 2026). Therefore, KDMP implementation should be assessed not only by institutional establishment but also by governance practices, stakeholder interactions, and organizational and entrepreneurial capacity to ensure sustainable operations.

Kediri Regency has implemented the KDMP program relatively rapidly. Documentary observations at the Office of Cooperatives and Micro Enterprises of Kediri Regency in May 2026 recorded 344 established KDMPs, with several commencing operations by mid-2026, including those in Wates Village (Wates District) and Bogem Village (Gurah District). Both cooperatives primarily engage in retailing essential household goods. Preliminary interviews with management indicated that their outlets had recently opened, offering approximately 100 product types supplied directly by Agrinas as the main distribution partner. At this early stage, implementation has focused on institutional establishment and operational readiness, while business development efforts have yet to prioritize competitiveness.

Preliminary observations in Wates and Bogem villages reveal challenges in collaborative governance and entrepreneurial strategy during the initial implementation of KDMP. Collaboration involves the central, local, and village governments, cooperative management, and community members as cooperative members. However, stakeholder coordination remains insufficiently structured, particularly in developing business units and expanding marketing networks. Trust-building, a key prerequisite for collaborative governance, has also faced challenges, as the early implementation phase has generated differing community perceptions regarding cooperative facility locations, expected program benefits, and management mechanisms.

The second issue concerns KDMP's entrepreneurial capacity to develop sustainable economic activities. In Wates and Bogem Villages, business operations remain concentrated on retailing basic household necessities, providing an initial foundation but lacking sufficient differentiation to establish a sustainable competitive advantage. Dependence on a single distribution partner may also constrain flexibility in product selection, pricing, and innovation (Huo et al., 2022). Therefore, the key challenge is to develop entrepreneurial strategies that enable KDMP to identify market opportunities, diversify products and services, build strategic partnerships, and adapt to changing consumer demands.

The entrepreneurial challenge is also reflected in the limited utilization of local economic potential. Although Wates and Bogem Villages rely on agriculture and micro-enterprises, their cooperatives remain focused on consumer goods distribution rather than higher value-added activities. Potential functions, including agricultural product aggregation, MSME marketing, post-harvest processing, and local value chain development, have not been integrated into their core business models. Consequently, KDMP's contribution to village economic empowerment may remain limited, positioning the cooperatives primarily as distribution outlets rather than institutions that connect, develop, and add value to the local economy.

Business sustainability represents a further challenge, as limited customer-base expansion constrains sales growth and raises concerns regarding KDMP's financial autonomy beyond the initial phase of government-supported establishment. Long-term institutional sustainability requires reducing dependence on continuous government intervention. Accordingly, revenue generation, customer relationship management, business diversification, and the mobilization of local economic resources are critical to transforming KDMP from a policy-induced institution into a financially autonomous and sustainable village economic organization.

These empirical conditions highlight the relevance of collaborative governance in KDMP implementation, as village economic empowerment requires coordination among actors with diverse resources, authority, knowledge, and interests beyond hierarchical government intervention. Ansell and Gash (2008) in Zaenuri et al. (2021) conceptualize collaborative governance as collective decision-making involving governmental and non-governmental actors through dialogue, trust-building, shared commitment, and joint responsibility. In the KDMP context, this framework helps examine resource coordination,

interest negotiation, trust-building, participatory decision-making, and shared responsibility in cooperative and business network development. This is particularly important during the early implementation stage, when institutional arrangements, stakeholder relationships, and responsibilities are still being established.

Collaborative governance alone cannot ensure KDMP sustainability, which also depends on the capacity to formulate and implement effective entrepreneurial strategies (Bryson et al., 2020). Beyond administrative management, KDMP requires an adaptive, innovative, and business-oriented approach to create economic value for members and communities. Entrepreneurial strategy encompasses identifying market opportunities, innovating products and services, establishing strategic partnerships, managing risks, and optimizing resources to achieve sustainable competitive advantage (Larassati et al., 2024). Effective governance may yield limited economic outcomes without entrepreneurial capacity, while entrepreneurial orientation may be constrained by weak coordination, trust, accountability, and stakeholder support. Thus, strengthening governance without transforming business strategies may produce institutions that are sound but economically less competitive (Kinaro et al., 2025).

Previous studies have examined cooperative governance, member participation, financial performance, community empowerment, entrepreneurial orientation, innovation, and competitiveness largely as separate issues. Consequently, limited research explains how entrepreneurial strategies function within the multi-actor governance environment shaped by public policy. Similarly, collaborative governance studies have primarily focused on public services, environmental management, and regional development, rather than village cooperatives established as instruments of national economic empowerment policy.

Existing studies largely treat collaborative governance and entrepreneurial strategy as separate analytical domains, limiting understanding of how stakeholder collaboration enables entrepreneurial strategies and how entrepreneurial capacity enhances the economic outcomes of collaborative governance. Consequently, the interaction among governance processes, stakeholder relationships, and entrepreneurial strategies in newly established village cooperatives remains insufficiently explained. This gap is particularly relevant to KDMP, which combines a public policy mandate with a market-oriented institutional function.

Empirical research on KDMP remains limited due to its recent emergence as a national policy initiative. Evidence on multi-stakeholder collaboration, trust and shared commitment, actor responsibilities, and entrepreneurial strategy development during early implementation is particularly scarce. Consequently, the dynamic relationship between policy implementation and business development in newly established village cooperatives remains insufficiently understood, highlighting the need to examine KDMP as both a cooperative institution and a policy implementation arena where governance and entrepreneurial processes evolve simultaneously.

This study examines KDMP at the intersection of public governance and entrepreneurial strategy, conceptualizing both as complementary components rather than separate dimensions. Collaborative governance provides the institutional foundation for stakeholder participation, trust, coordination, shared commitment, and accountability, while entrepreneurial strategy enables KDMP to identify economic opportunities, innovate, establish strategic partnerships, diversify business activities, and create sustainable economic value. This approach examines how institutional collaboration and entrepreneurial capacity interact in implementing village economic empowerment policies.

Wates and Bogem villages provide relevant empirical settings for examining KDMP implementation, as both cooperatives are in the early implementation stage within agricultural and micro-enterprise economies. Their reliance on basic retail, limited business differentiation, emerging stakeholder relationships, and challenges in expanding customer bases offer insights into how governance and business strategies develop simultaneously. Accordingly, this study examines not only KDMP establishment but also how the policy translates into institutional practices, stakeholder collaboration, and entrepreneurial activities at the village level.

This study contributes an integrative perspective linking collaborative governance and entrepreneurial strategy in KDMP implementation. It examines how stakeholder collaboration strengthens institutional conditions, while entrepreneurial strategy translates them into economic value, competitiveness, innovation, and business sustainability. This perspective extends collaborative governance research to village cooperatives as instruments of national public policy and situates entrepreneurial strategy within public governance and

policy implementation.

This study aims to analyze KDMP governance as an instrument of village economic empowerment policy, examine collaborative governance among stakeholders, and assess how entrepreneurial strategies strengthen cooperative competitiveness, innovation, and long-term sustainability. It also seeks to formulate an integrative governance model linking collaborative governance and entrepreneurial strategy, contributing to public administration and management scholarship while providing empirical insights for policymakers and cooperative stakeholders to strengthen KDMP's sustainability and economic functions in Indonesia.

RESEARCH METHODS

This study employed a qualitative case study approach to explore KDMP institutional governance, collaborative mechanisms, and entrepreneurial strategies (Annasthasya et al., 2025). This approach enabled an in-depth, holistic examination of implementation processes, stakeholder interactions, and the social context of policy implementation. The research was conducted at KDMPs in Wates and Bogem villages, Kediri Regency, Indonesia, purposively selected because both cooperatives had entered the operational stage, providing relevant empirical evidence for the study.

Data were collected through in-depth semi-structured interviews, non-participant observation, and document analysis (Purba et al., 2025). Interviews explored policy implementation, stakeholder roles, collaborative governance, and business development strategies, while observations examined daily cooperative operations in their natural settings. Document analysis covered the cooperatives' Articles of Association and Bylaws, establishment meeting minutes, activity and financial reports, annual work plans, relevant KDMP regulations, and official documents from the Village Governments and the Office of Cooperatives and Micro Enterprises of Kediri Regency.

Participants were selected through purposive sampling based on their knowledge, experience, and involvement in KDMP implementation and management (Campbell et al., 2020). Key informants included the Head of the Office of Cooperatives and Micro Enterprises of Kediri Regency, the Head of the Cooperative Institutional Development Division, the Village Heads of Wates and Bogem, and cooperative management members. Snowball sampling was used to broaden perspectives, while the final sample size was determined by data saturation, when information became repetitive and no significant new insights emerged. Informant characteristics and distribution are presented in Table 1.

Data were analyzed using the Interactive Data Analysis Model through three iterative stages: data condensation, data display, and conclusion drawing and verification, conducted continuously to ensure valid, consistent, and empirically grounded findings (Qomaruddin & Sa'diyah, 2024). Trustworthiness was ensured through source, methodological, and time triangulation by comparing information from multiple informants and evidence from interviews, observations, and document analysis conducted at different times (Saadah et al., 2022).

Table 1. Research Informants

No	Informant Category	Position/Role	Main Information Provided
1	Policy-maker	Head of the Office of Cooperatives and Micro Enterprises	KDMP policy direction, implementation, institutional development, and government support
2	Institutional coordinator	Head of the Cooperative Institutional Affairs Division	Institutional arrangements, supervision, coordination, and implementation mechanisms
3	Village government	Head of Wates Village	Village-level implementation, stakeholder coordination, community participation, and local economic potential
4	Village government	Head of Bogem Village	Village-level implementation, stakeholder coordination, community participation, and local economic potential
5	Cooperative management	Chairperson/manager of KDMP Wates	Cooperative governance, business operations, collaboration, marketing, and entrepreneurial strategy
6	Cooperative management	Chairperson/manager of KDMP Bogem	Cooperative governance, business operations, collaboration, marketing, and entrepreneurial strategy
7	Additional stakeholders	Relevant actors identified through snowball sampling	Stakeholder interaction, community participation, business networks, and supporting information

Source: Processed by the researchers, 2026

RESULT AND DISCUSSION

Governance of Koperasi Desa Merah Putih as an Instrument for the Implementation of Village Economic Empowerment Policy

This study examines KDMP governance through three dimensions: institutional governance, accountability, and organizational effectiveness, as indicators of village economic empowerment policy implementation (Juanda et al., 2026). These dimensions reflect cooperatives' capacity to implement government policies and fulfill their economic functions. Therefore, implementation success depends not only on formal establishment but also on strengthening institutional capacity, ensuring accountability, and generating tangible economic benefits for village communities (Mufid & Ardianti, 2025).

The findings show that KDMP implementation in Wates and Bogem villages followed government procedures, including village deliberations, preparation of the Articles of Association and Bylaws, election of management and supervisors, and legal registration. Both cooperatives obtained legal recognition and commenced business operations, consistent with Sutmasa (2026), who emphasize procedural compliance in policy implementation. However, administrative success does not guarantee substantive outcomes, as legal recognition is only the first step toward village economic empowerment. From a collaborative governance perspective, collaboration must extend beyond institutional formation to sustained trust, shared commitment, coordination, business networking, utilization of local economic potential, and collective problem-solving. This study distinguishes collaboration for

institution formation from collaboration for institution development. Accordingly, KDMP success should be assessed through collaboration quality, community participation, business network development and diversification, customer and turnover growth, local product utilization, and reduced dependence on government support. The policy challenge is therefore to transform established cooperatives into collaborative, adaptive, productive, and sustainable village economic institutions.

The findings indicate that KDMPs have established organizational structures consistent with cooperative principles, comprising the General Meeting of Members, Management Board, and Supervisory Board, with formally defined roles and responsibilities. However, institutional functions remain suboptimal, as operational decisions are concentrated in the Management Board, while supervision and member participation in strategic decision-making remain limited. Despite management's commitment to organizational development, human resource capacity varies, with most board members having limited experience in cooperative management, financial administration, marketing, and business strategy. These findings suggest that KDMP's main challenge is strengthening institutional capacity beyond formal structural establishment. Asyhabie et al. (2025), emphasize that institutions encompass not only organizational structures but also formal rules, actor capacities, and effective governance mechanisms. Therefore, organizational structures must be supported by stronger managerial competencies and organizational functions (Fuentes et al., 2020). Consistent with Retnani et al. (2026) limited managerial capacity, weak supervision, and low member participation constrain cooperative development. These challenges are partly attributable to KDMPs' recent establishment and ongoing institutional consolidation.

The findings show that KDMPs have begun implementing organizational administration and financial record-keeping, with management regularly reporting operational developments through village deliberations. However, member participation in proposing ideas, providing feedback, and expressing criticism remains limited, positioning members primarily as information recipients rather than active decision-makers. Business transactions are also recorded manually without an integrated information management system, indicating that accountability remains largely confined to basic administrative functions. Consistent with, public accountability extends beyond information disclosure to include evaluation, answerability, and responsibility toward stakeholders (Fatoni & Rachmawati, 2026). Therefore, KDMP accountability requires stronger member participation and digital administrative systems to enhance transparency, efficiency, and overall governance quality.

The findings indicate that KDMPs have entered the operational stage through retail outlets selling essential commodities, including rice, cooking oil, sugar, soap, and other daily necessities, thereby beginning to fulfill their intended economic service role. However, their activities remain concentrated on distributing consumer goods supplied by Agrinas, with limited business expansion and innovation. They have yet to develop business units based on local economic potential, such as agricultural processing, marketing village MSME products, or commercializing distinctive commodities from Wates and Bogem. Customer numbers and transaction volumes also remain unstable, limiting turnover growth and indicating an early stage of business development. These findings align with Gutterman (2023) who defines organizational effectiveness through goal achievement, adaptability, and long-term viability, and Purwati et al. (2021) who emphasize continuous innovation and the exploitation of business opportunities. Accordingly, KDMP effectiveness requires diversification based on local economic potential to move beyond consumer-goods distribution and become a driver of sustainable village economic development.

Overall, KDMP implementation has established legally recognized cooperatives that have entered the operational stage, but achievements remain stronger administratively than in substantive village economic empowerment. Although organizational structures comply with regulations, institutional functions and managerial capacity require strengthening. Accountability mechanisms are in place, but member participation and financial information systems remain underdeveloped. Meanwhile, retail outlets provide essential goods, yet business activities remain dominated by consumer-product distribution, with unstable transaction volumes and limited use of local economic potential. These findings indicate that KDMP governance remains at an early stage of institutionalization, with success reflected primarily in formal establishment rather than substantive economic empowerment. The key challenge is to transform institutional formation into sustainable village economic development.

Implementation of Collaborative Governance in the Management of *Koperasi Desa Merah Putih*

Collaborative governance is essential to achieving village economic empowerment through KDMP management. Its effectiveness depends not only on internal organizational capacity but also on meaningful collaboration and strategic synergy among stakeholders (Masiun & Elvi, 2025). This study therefore examines five dimensions: stakeholder engagement, coordination mechanisms, trust-building, shared commitment, and stakeholder dialogue.

Collaborative processes began during KDMP establishment, involving the central government as policy initiator, local government in institutional guidance and capacity-building, village governments in program dissemination and cooperative formation, management boards in organizational and business operations, and communities as members and service users. This multi-level involvement reflects collaborative governance; however, stakeholder relations remain government-driven, as decisions on establishment, business activities, operational procedures, and distribution systems largely follow central government directives, limiting the decision-making space of management and members. Thus, collaboration remains government-led, differing from Ansell and Gash's (2008) framework, which emphasizes relatively equal stakeholder participation through dialogue, negotiation, and consensus-building (Bonny & Cahlikova, 2025). Although multiple stakeholders are involved, authority remains unevenly distributed, a condition that can be understood within the top-down policy approach adopted during KDMP's initial establishment phase.

Coordination among KDMP stakeholders occurs through village deliberations, coordination meetings, program socialization, and regular meetings between the Office of Cooperatives and Micro Enterprises and cooperative management. These forums address implementation progress, administrative matters, and operational challenges. However, discussions remain focused on administration, with limited attention to business strategies, innovation, product diversification, and local economic potential. Consequently, coordination has yet to strengthen long-term cooperative capacity. As Lynch (2025) argues, collaborative governance requires collective action through shared learning, adaptive processes, and collaborative problem-solving, not merely coordination forums. Thus, KDMP coordination remains at an early stage, functioning primarily to implement policy rather than promote innovation, organizational learning, and sustainable cooperative development.

The findings show that trust-building in KDMP implementation is gradually emerging, with many community members supporting the cooperatives in anticipation of affordable essential goods and new village-level economic opportunities. However, some still perceive KDMP as a centrally initiated, top-down government program, limiting confidence in its long-term sustainability. These differing perceptions emerged during discussions on retail outlet locations and future business prospects. Thus, stakeholder trust remains nascent and has yet to develop into a strong collective commitment to the cooperatives' long-term growth and sustainability.

Stakeholder dialogue occurs through village deliberations and cooperative members' meetings, enabling village governments, cooperative management, and members to exchange information on cooperative establishment, retail operations, and KDMP implementation. However, interactions remain largely one-way, with management primarily disseminating information. Discussions on business performance, financial conditions, and business strategies are neither comprehensive nor intensive. Thus, although dialogue mechanisms exist, they remain informational rather than deliberative and have yet to support participatory decision-making and jointly agreed strategic decisions.

Overall, KDMP implementation in Wates and Bogem villages involves multiple stakeholders through defined roles, coordination forums, village deliberations, and cooperative operations, reflecting the cross-sectoral interaction and cooperation central to collaborative governance (Putritirano et al., 2025). However, collaboration remains focused on institutional establishment and initial operations rather than sustainable business development. Government dominance in decision-making, limited management and member participation in business strategy formulation, and administratively oriented coordination indicate an early stage of institutional collaboration (Grootjans et al., 2022). Achieving village economic empowerment therefore requires strengthening organizational capacity,

meaningful stakeholder participation, business partnerships, and innovation based on local economic potential, enabling implementation-focused relationships to evolve into sustainable strategic partnerships that enhance cooperative competitiveness and resilience.

Entrepreneurial Strategies for Enhancing the Competitiveness of Koperasi Desa Merah Putih

Entrepreneurial strategy is crucial to KDMP competitiveness and village economic empowerment. Long-term cooperative success depends not only on sound institutional structures and effective governance but also on the capacity to identify business opportunities, foster innovation, establish strategic partnerships, and develop sustainable business strategies (Junaidin et al., 2025). Accordingly, this study examines six dimensions of KDMP entrepreneurial strategy: entrepreneurial orientation, opportunity recognition and exploitation, innovation, strategic partnerships, marketing strategy, and business sustainability.

The findings indicate that KDMPs in Wates and Bogem villages remain at an early stage of entrepreneurial development. Their activities focus on retailing essential household goods, including rice, cooking oil, sugar, soap, and other daily necessities, mostly supplied through Agrinas as the primary distribution partner. Consequently, their business models remain centered on consumer-goods distribution, prioritizing operational stability over innovative, value-added, and productive ventures.

The findings show that entrepreneurial orientation in KDMPs remains operational rather than strategic, as management prioritizes retail continuity and the availability of essential goods over developing productive, value-added business units. This reflects the survival-oriented behavior of newly established cooperatives identified by Syamsari et al. (2022). However, the current approach remains misaligned with Rofiaty (2023) entrepreneurial orientation, which emphasizes innovation, proactiveness, opportunity-seeking, and risk management. Although the cooperatives have initiated economic activities, they have yet to develop adaptive business strategies to respond effectively to changing market demands and emerging economic opportunities.

The findings indicate that KDMPs in Wates and Bogem have yet to optimally exploit local economic potential, particularly in agriculture. They have not developed business units for agricultural processing, marketing village MSME products, or supplying agricultural inputs, remaining focused on retailing essential household goods. Local resource-based business development can create sustainable competitive advantages and strengthen village economies (Kania et al., 2021). From the Resource-Based View (RBV), competitive advantage depends on effectively leveraging unique, valuable, and difficult-to-imitate resources (Juliana et al., 2025). However, the cooperatives have yet to fully utilize local agricultural resources and other assets, limiting business differentiation. Consequently, their strategies remain dependent on externally supplied goods rather than optimizing endogenous village economic potential.

The findings indicate that innovation in KDMPs remains limited, with no new products or services beyond essential-goods retailing and no adoption of digital technologies for management, marketing, or member services. Operations rely on conventional face-to-face transactions, indicating that innovation is not yet integral to business development. This condition contrasts with the dynamic capabilities framework of Mauludin et al. (2025), which emphasizes sensing opportunities, seizing them through strategic action, and transforming organizational resources and processes to sustain competitiveness. Although KDMPs have established routine operations, their product, service, and digital innovations remain underdeveloped. Consequently, competitiveness still depends on the initial business model rather than innovation.

The findings show that KDMP business partnerships remain concentrated on Agrinas as the primary supplier of essential household goods, ensuring supply stability during initial operations. However, no broader partnerships have been established with farmer groups, MSMEs, Village-Owned Enterprises, financial institutions, universities, or private-sector organizations. Syaifuddin (2024), emphasizes that strategic partnership networks strengthen business capacity, expand market access, and foster innovation. Therefore, reliance on a single partner limits business development opportunities, reduces flexibility in responding to

market changes, and constrains the development of a resilient, diversified business ecosystem essential for long-term competitiveness and sustainability.

The findings indicate that KDMP marketing remains conventional, relying on physical retail outlets near residential areas, with no use of social media, digital marketing, or e-commerce. Consequently, market reach remains limited to village communities, constraining customer-base expansion and sales growth. In the digital economy, this limitation reduces competitiveness, as organizations that fail to adopt digital technologies for marketing and customer engagement face disadvantages in market access, customer relationships, and service delivery (Jabbouri et al., 2023). Thus, limited digital marketing adoption constrains KDMPs' ability to compete in an increasingly technology-driven marketplace.

The findings indicate that business sustainability remains a major challenge for KDMPs, as customer numbers and transaction volumes lack stable growth, causing fluctuations in sales turnover. Revenue remains heavily dependent on essential-goods retailing, with no business diversification. Consequently, the cooperatives' contribution to productive village economies remains limited. Although they distribute essential consumer goods, they have yet to become dynamic local economic institutions that generate added value by leveraging local resources and economic potential.

Overall, KDMPs in Wates and Bogem remain in the entrepreneurial development phase, having initiated business operations but not yet established a strong entrepreneurial orientation as a competitive advantage (Chen et al., 2023). Differences from previous studies of cooperatives with productive businesses largely reflect variations in organizational maturity and policy implementation contexts. As newly established cooperatives under a national policy initiative, KDMPs prioritize institutional formation and operational stability. Thus, limitations in innovation, business diversification, digital marketing, and strategic partnerships reflect their early development stage rather than necessarily indicating ineffective entrepreneurial strategies.

An Integrative Governance Model for Koperasi Desa Merah Putih Based on Collaborative Governance and Entrepreneurial Strategy

The findings indicate that KDMP policy implementation cannot be explained solely through institutional governance, collaborative governance, or entrepreneurial strategy. Instead, these three interdependent and mutually reinforcing dimensions form an integrated system for achieving rural economic empowerment.

Institutional governance provides the foundation for successful policy implementation. Legal entity status, Articles of Association and Bylaws, organizational structures, and operational commencement demonstrate formal legitimacy under the prevailing regulations. However, this legitimacy has not been matched by adequate organizational capacity, as reflected in limited managerial competencies, weak internal oversight, low member participation, and underdeveloped accountability systems. These conditions indicate that the cooperatives remain in the institutional formation stage, where formal legitimacy precedes the development of functional capacity (Albort-Morant & Ribeiro-Soriano, 2016). Thus, institutional governance is necessary but insufficient to build cooperatives capable of generating sustainable economic value.

Collaborative governance connects the central and local governments, village governments, cooperative management, members, and business partners through village deliberations, coordination meetings, technical assistance, and communication forums. However, collaboration remains government-led, with strategic decisions and business development not yet fully shaped by collective deliberation. This reflects a government-led collaboration model focused primarily on policy implementation rather than shared governance, limiting innovation, collective learning, and shared ownership of the cooperatives' long-term development (Khojastehpour & Samuel, 2026).

Entrepreneurial strategy is critical to the long-term sustainability of policy implementation. Although KDMP operates essential-goods retail outlets, its business orientation remains focused on operational stability. Diversification, product and service innovation, digitalization, local economic potential utilization, and strategic partnerships remain underdeveloped. This indicates that KDMP is still at the entrepreneurial development

stage, having initiated economic activities but not yet developed the innovative capabilities needed for sustainable competitive advantage (Makhloufi et al., 2021). Consequently, KDMP functions primarily as a consumer-goods distribution channel rather than a village-based economic institution that generates added value through local resources.

The three dimensions are interdependent in implementing village economic empowerment policies. Institutional governance establishes legitimacy, organizational structures, and accountability; collaborative governance connects stakeholders through coordination, role-sharing, trust-building, and resource mobilization; and entrepreneurial strategy translates collaboration into innovation, business diversification, market expansion, and competitiveness. In turn, improved entrepreneurial performance strengthens institutional capacity and expands collaborative networks through diverse economic partnerships. Thus, policy implementation effectiveness depends on integrating these dimensions into a coherent, mutually reinforcing management system.

Based on these three dimensions, this study proposes the Collaborative Governance–Entrepreneurial Strategy (CGES) Model, an integrative governance model for KDMP. Institutional governance provides legal legitimacy, organizational structures, and accountability; collaborative governance coordinates stakeholders through communication, role-sharing, and resource mobilization; and entrepreneurial strategy drives innovation, business diversification, local economic potential utilization, strategic partnerships, and market expansion. Their integration establishes a comprehensive framework linking effective policy implementation with sustainable business development. As illustrated in Figure 1, the CGES Model depicts the dynamic interrelationships among these dimensions in implementing village economic empowerment policies.



Figure 1. Village Economic Empowerment Policy Implementation Process

The CGES Model differs from previous models by integrating institutional governance, collaborative governance, and entrepreneurial strategy into a mutually reinforcing mechanism for implementing village economic empowerment policies. While collaborative governance emphasizes stakeholder dialogue, trust, shared commitment, coordination, and collective decision-making, entrepreneurial strategy focuses on innovation, market orientation, diversification, opportunity exploitation, and competitive advantage. Institutional governance addresses organizational structures, rules, legitimacy, capacity, transparency, and accountability. The CGES Model unifies these perspectives, conceptualizing policy implementation as the outcome of an organization's ability to integrate institutional governance, collaborative processes, and entrepreneurial strategies.

The CGES Model's primary novelty lies in the bridging role of collaborative governance, which connects institutional capacity with entrepreneurial capacity rather than merely coordinating government and stakeholders. Institutional governance establishes the foundation through legal legitimacy, organizational structure, authority distribution, accountability, transparency, and human resource capacity. Through dialogue, trust, shared commitment and responsibility, resource exchange, and multi-stakeholder coordination, collaborative governance activates these capacities. Entrepreneurial strategy then translates collaborative outcomes into innovation, business diversification, network development, local economic potential utilization, market orientation, and value creation. This relational mechanism is not explicitly captured when the three theoretical perspectives are applied separately.

The CGES Model's novelty also lies in the dynamic, reciprocal relationships among its three dimensions, rather than a linear sequence. It incorporates a feedback mechanism in which increased customers, turnover, business networks, added value, and organizational self-reliance strengthen institutional capacity, while improved performance expands partnerships and stakeholder participation. Conversely, weak institutional capacity can constrain collaboration, and non-inclusive collaboration can limit access to resources, information, markets, and innovation. Thus, the model conceptualizes policy implementation as a continuous cycle of institutional, collaborative, and entrepreneurial capacity building rather than a set of independent stages.

The findings distinguish between collaboration for institutional formation and development. Initially, collaboration establishes KDMP through village deliberations, role allocation, decision-making, and fulfillment of institutional requirements. After legal recognition, collaboration must extend to capacity building, business networks, market access, innovation, resource mobilization, and business problem-solving. Thus, collaborative governance effectiveness depends not only on stakeholder agreements but also on translating them into economic capabilities that create value for cooperative members and the wider village community.

The CGES Model extends collaborative governance by positioning collaboration as both a policy coordination mechanism and institutional infrastructure for accessing resources, knowledge, networks, and economic opportunities. It also extends entrepreneurial strategy by showing that innovation and competitive advantage in village cooperatives depend not only on internal capabilities but also on governance quality and resource mobilization through collaboration. Accordingly, entrepreneurial capacity emerges from the interaction of institutional and collaborative capacities, while entrepreneurial outcomes can subsequently strengthen both.

The CGES Model's theoretical contribution lies not in introducing new variables but in reframing the relationships among key dimensions of village economic policy implementation. It positions institutional governance as the organizational foundation, collaborative governance as the relational and resource-mobilizing mechanism, and entrepreneurial strategy as the value-creation mechanism. Together, these dimensions link policy legitimacy, organizational capacity, multi-stakeholder collaboration, and economic value creation. Therefore, KDMP policy success should be assessed not by legal establishment, collaborative forums, or business operations separately, but by their integration in developing adaptive, innovative, productive, competitive, and sustainable cooperatives for village economic empowerment.

CONCLUSION

This study concludes that the main challenge in implementing the KDMP policy is the transition from formal institutional formation to substantive economic empowerment. Although legal legitimacy and initial business operations have been achieved, KDMP development remains constrained by limited managerial capacity, weak member participation, government-dominated collaboration, limited business diversification, narrow partnership networks, and insufficient utilization of local economic potential. These findings indicate that KDMPs are still in the stage of institutional formation rather than institutional consolidation and economic transformation. Theoretically, this study contributes to the collaborative governance perspective through the CGES Model, which positions collaboration as a dynamic process evolving from collaboration for institution formation toward collaboration for institution development. Institutional governance provides the organizational foundation, collaborative governance mobilizes relationships, trust, shared responsibility, and resources, while entrepreneurial strategy transforms these resources into innovation, market expansion, economic value, and organizational sustainability. Thus, KDMP development should be understood as a mutually reinforcing process rather than a linear sequence. From a policy perspective, the central government should shift from establishment-oriented policies toward capacity- and performance-based development through managerial training, digital systems, financing access, and substantive performance indicators. Local governments should provide continuous mentoring involving village governments, universities, financial institutions, and business actors. Village governments should strengthen member participation and align KDMP planning with local economic potential, while KDMP management should diversify businesses, expand partnerships, adopt digital marketing, and develop value-added local products. These measures are essential to transform KDMP into an adaptive, participatory, innovative, competitive, and sustainable village economic institution.

ORIGINALITY STATEMENT

The author[s] declare that this article is their own work and to the best of their knowledge it contains no materials previously published or written by another person, or substantial proportions of material which have been accepted for the published of any other published materials, except where due acknowledgement is made in the article. Any contribution made to the research by others, with whom author[s] have work, is explicitly acknowledged in the article.

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