
Strategy for Collaborative Governance in Developing Huyula MSMEs toward Sustainable Economic Growth in Lembah Hijau

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Abstract

Objective: This study aims to analyze the development strategy of Huyula Micro, Small, and Medium Enterprises (MSMEs) based on collaborative governance to achieve a sustainable economy in Lembah Hijau Village, Bone Bolango Regency. **Theoretical framework:** The study is grounded on three main concepts: business development strategy, collaborative governance, and sustainable economy. Business strategy emphasizes innovation, managerial capacity, and digitalization; collaborative governance highlights multi-stakeholder collaboration; while sustainable economy integrates economic, and social. **Literature review:** Previous studies reveal that MSMEs are vital contributors to Indonesia's economy, accounting for more than 60% of GDP and absorbing 97% of the workforce. However, they face challenges such as limited resources, weak managerial capacity, inadequate institutional infrastructure, and poor digital adoption. **Methods:** This research applies a descriptive qualitative approach, conducted over six months (June–October 2025). Data were collected through observation, semi-structured interviews with seven purposively selected informants (village government, community leaders, four MSME actors, and youth representatives), and focus group discussions (FGD). **Results:** The findings indicate that Huyula MSMEs remain at the start-up stage, constrained by managerial, marketing, and innovation limitations. Collaborative governance proved crucial, involving the village government as facilitator, MSME actors as innovators, local leaders as social legitimators, youth as digital promoters, and the private sectors as financing and distribution partners. The collaborative model strengthens human resource capacity, builds collective institutions, and integrates digital technology to expand market access. **Implications:** The study implies that collaborative governance fosters inclusive and sustainable economic practices, aligning with Sustainable Development Goals (SDGs) 8 (Decent Work and Economic Growth) and 12 (Responsible Consumption and Production). **Novelty:** This research contributes by formulating an ideal model of MSME development based on collaborative governance at the village level, integrating managerial empowerment, institutional strengthening, and digitalization.

Keywords: msme development, collaborative governance, sustainable economy, human resources, lembah hijau village.

INTRODUCTION

Micro, Small, and Medium Enterprises (MSMEs) have a strategic role in encouraging local economic growth and improving community welfare. MSMEs are the most important pillar in the Indonesian economy. Based on data from the Ministry of Cooperatives and SMEs, the number of MSMEs currently reaches 64.2 million, with a contribution to GDP of 61.07% or worth 8,573.89 trillion rupiah. The contribution of MSMEs to the Indonesian economy includes the ability to absorb 97% of the total existing workforce and can collect up to 60.4% of total investment [1], [2].

Empowering Micro, Small, and Medium Enterprises (MSMEs) is a key factor in advancing the local economy and improving the welfare of residents in various regions in Indonesia. Based on data from the Central Statistics Agency, the MSME sector accounts for around 60% of Indonesia's GDP and absorbs more than 97% of the national workforce. This sector makes a significant contribution to increasing employment, reducing poverty, and increasing income equity. In addition, MSMEs are the driving force of the regional economy, especially in reducing economic inequality between urban and rural areas [3].

In Bone Bolango Regency, the MSME sector also has an important role in encouraging local economic growth. This district has the potential for MSMEs as one of the main pillars that can accelerate regional economic development. Many MSMEs in Bone Bolango focus on local products such as handicrafts, agricultural products, and culinary specialties that have the potential to develop more widely, both at the local and national levels [4].

Based on the observation of Huyula MSMEs in Lembah Hijau village has not run optimally due to limited resources and the management of MSMEs that are still traditional and settled, this is also in accordance with the results of previous research which explains that broadly speaking, the factor that affects the limited human resources of the people of Lembah Hijau Village is the low human resource ability caused by the level of education that is still far from expectations [5]. The results of previous research revealed that the limited capacity of Human Resources (HR), inadequate institutional infrastructure, constraints on capital and financing, the use of technology that has not been optimal, and the development of partnerships still need to be improved [6].

One of the solutions to overcome the challenges faced by Huyula MSMEs is the implementation of *Collaborative Governance*, which involves cooperation between the government, the private sector, the community, and MSME actors [7]. Collaborative Governance is an approach where various stakeholders work together in formulating policies and strategies to address common problems [8]. The application of this approach can help MSMEs in obtaining better access to capital, training, and markets. Through this collaboration, relevant parties, such as village governments and the private sector, can develop programs that support MSME capacity building, ranging from managerial skills training to the application of environmentally friendly technology. The government can provide support in the form of policies that facilitate access to financing and markets, while the private sector can help in introducing Huyula MSME products to a wider market, either through distribution partnerships or digital platforms.

The relevance of Collaborative Governance in the context of MSME development is that this approach not only encourages inclusive economic development but also supports the achievement of a sustainable economy by paying attention to environmental and social sustainability aspects. Huyula MSMEs in Lembah Hijau Village have a strategic role in local economic development and environmental sustainability. As part of the local economy, MSMEs help create jobs for local communities, reduce economic inequality, and increase household income. In addition, MSMEs based on local products have the potential to maintain and preserve cultural values and local wisdom [9].

Based on the description above, the problem formulation can be formulated as follows:

1. What is the form of the collaborative governance-based Huyula MSME development strategy in realizing a sustainable economy in Lembah Hijau Village, Bonepantai District, Bone Bolango Regency?
2. What is the ideal model for the development of Huyula MSMEs based on collaborative governance to realize a sustainable economy in Lembah Hijau Village, Bonepantai District, Bone Bolango Regency?
3. What are the factors that determine the strategy for the development of Huyula MSMEs based on collaborative governance in realizing a sustainable economy in Lembah Hijau Village, Bonepantai District, Bone Bolango Regency?

LITERATURE REVIEW

Business development strategies are an important instrument in strengthening competitiveness and ensuring the sustainability of business organizations, including Micro, Small, and Medium Enterprises (MSMEs), that have a significant contribution to the Indonesian economy. According to David, strategy is understood as a means to achieve long-term goals by utilizing internal strengths and adapting them to the opportunities and challenges of the external environment. In the context of MSMEs, business development strategies emphasize the importance of product innovation, market diversification, digitalization, and strengthening management capacity to be able to survive in increasingly dynamic competition conditions [10].

Porter put forward three generic strategies that can be used as a reference for MSMEs in developing competitiveness. First, *Cost Leadership*, namely a strategy to reduce production and operational costs to be able to produce products at competitive prices. Second *Differentiation*: That is an effort to create added value through product innovation, service quality, and unique branding. Third *Focus Strategy*, that is, a strategy of focusing on a specific market segment by serving the specific needs of consumers. The application of this strategy to MSMEs can be adjusted to local conditions, for example, by utilizing local natural resources, local culture, or community networks as a competitive advantage [11], [12].

Several contemporary studies confirm that MSMEs that adopt innovation-based and digitalization-based strategies have proven to be more adaptive to global economic shocks, including during the COVID-19 pandemic. This strategy allows MSMEs to survive and develop by expanding market access, increasing production efficiency, and strengthening relationships with consumers through digital technology. Therefore, business development strategies cannot be separated from external environmental support, including public policy, mentoring, and multi-stakeholder collaboration. Thus, the concept of business development strategies for MSMEs is dynamic, contextual, and requires integration between cost efficiency, product innovation, market focus, and adequate institutional ecosystem support [11], [12].

The Concept of Collaborative Governance

Collaborative governance is seen as a relevant approach to address complex problems that cannot be solved by the government alone. Ansell and Gash define collaborative governance as a collective decision-making process that involves cross-sector actors (government, private, and community) through deliberative interaction and consensus [13]. Emerson, Nabatchi, and Balogh emphasized the existence of three key components, namely first shared motivation (trust, commitment, and mutual respect), second capacity for joint action (resources, leadership, and supporting institutions), and third principled engagement (transparent and inclusive communication process) [14]–[16].

In the context of MSME development, collaborative governance plays an important role because it brings together the needs of MSMEs with government support and market access through multi-stakeholder collaboration. The Ansell & Torfing study confirms that

collaborative governance increases policy effectiveness, strengthens social innovation, and expands program legitimacy. Therefore, cross-actor collaboration is an important foundation in formulating a sustainability-based MSME development strategy [17].

The Concept of Sustainable Economy

A sustainable economy is a development framework that integrates economic, social, and environmental aspects [18]. This concept was introduced through the Brundtland Report, which emphasizes meeting the needs of the current generation without sacrificing the needs of future generations [19]. A sustainable economy must pay attention to the importance of a balance between economic growth, social justice, and environmental carrying capacity [20].

In the global framework, the Sustainable Development Goals (SDGs) emphasize the importance of cross-sectoral cooperation to achieve an inclusive and environmentally friendly economy, especially in goal 8 (Decent Work and Economic Growth) and goal 12 (Responsible Consumption and Production) [21]. Research by Sachs et al shows that economic sustainability can only be achieved if small-scale businesses, including MSMEs, integrate the principles of environmental friendliness and social inclusivity in their business practices. Therefore, MSMEs are not only seen as economic entities but also as agents of sustainable development at the local level.

METHODOLOGY

This study uses a descriptive qualitative approach. According to Sugiono, qualitative research is research used to study the condition of natural objects, where researchers are key instruments [22]. In this study, a descriptive qualitative approach is carried out with the aim of understanding in depth the development strategy of Huyula MSMEs based on *Collaborative Governance* in the social, economic, and institutional context of the community of Lembah Hijau Village, Bonepantai District, Bone Bolango Regency. This approach was chosen because it can depict the reality of the field in its entirety and emphasizes the meaning built through the interaction of the actors involved.

This research was carried out for 6 months, from June to October 2025. This time span is used to conduct field observations, data collection through in-depth interviews and focus group discussions (*FGD*), validation of findings, and submission of research results. With this duration, researchers can obtain richer data and cross-check information from various sources.

The research informant is determined purposively, namely the sample determination technique, with certain considerations carried out by the researcher himself, which is based on the characteristics or characteristics of the population that are known in advance [22]. Purposive sampling in this study includes those who are considered to know and be directly involved in the development of Huyula MSMEs. The number of informants was seven people, consisting of the Head of Lembah Hijau Village as a representative of the village government, a community leader who provided a socio-cultural perspective, four Huyula MSME actors as the main actors in business management, and a representative of Karang Taruna who reflected the role of youth in village economic empowerment. This composition presents diverse perspectives among the government, the community, business actors, and the younger generation.

Data collection is carried out through three main techniques. First, observation of production, marketing, and institutional activities of MSMEs. Second, semi-structured interviews were designed to explore the experiences, strategies, and constraints of each informant. Third, FGDs are used to validate data and develop development strategies collaboratively.

The data analysis uses the interactive model of Miles, Huberman, and Saldana, which consists of three stages, namely data reduction, data presentation, and conclusion drawing [23]. The collected data is then grouped, organized, and interpreted to find patterns, themes, and relationships that fit the research focus. The validity of the data is strengthened by triangulation of sources and techniques, namely comparing the results of interviews, observations, and FGDs, so that research findings have high validity and can be accounted for [24].

RESULTS AND DISCUSSION

The Condition of Huyula MSMEs in Lembah Hijau Village

Based on the results of observations, it was found that seven Huyula MSME actors are active in the culinary sector (pastries, fried foods, coffee), services (rental of party equipment, youth warkop), and material production (bricks). The results of the interviews show that capital assistance from the village government is an important stimulus in increasing production capacity, but the main challenge still lies in the limitations of marketing, product innovation, and managerial skills. These findings are reinforced by the FGD, which indicates that MSMEs run individually without collective institutional support.

From the perspective of business development theory, this condition shows that Huyula MSMEs are in the early stages (*start-ups*) with characteristics of low production capacity, limited market orientation, and dependence on external capital. Internal factors in the form of business actors' skills and external factors in the form of market and institutional access are still the main obstacles.

Thus, the condition of Huyula MSMEs, which are still in the early stages of development, shows the importance of a strategic shift from simply relying on capital assistance to strengthening organizational capacity and adopting digital technology. This is in line with the results of Putro's research in the study of culinary MSMEs in Bogor, which emphasizes that organizational factors, such as managerial readiness and digital competence, have a significant influence on the success of business transformation. Furthermore, digitalization through social media, digital payment systems, and online service platforms has proven to contribute positively to improving the performance of MSMEs, including sales growth, operational efficiency, and expanding customer base [25].

Therefore, Huyula's MSME development strategy needs to be directed not only at providing capital but also at collective institutional development, increasing managerial literacy, and utilizing digital technology as a means of expanding the market and strengthening competitiveness.

Challenges of MSME Development

Based on the results of triangulating data obtained from observations, interviews, and FGDs, it can be explained that Huyula MSMEs still face several fundamental challenges in the process of developing their business. First, from the aspect of human resources, it can be seen that most MSME actors have limitations in management, finance, and digital literacy. This can be seen from the weak ability to record finances, business planning, and use digital technology in operations and marketing. Business actors admit that managerial and digital skills are still new things that they have not mastered. Second, regarding market access, Huyula MSME products are still in limited circulation in local areas. Business actors rely on consumers around the village, without a broader marketing strategy. There has been no serious effort to utilize social media, digital platforms, and regional distribution networks, so the opportunity for market expansion is still very minimal. Third, from an institutional perspective, Huyula MSMEs run independently without a collective forum in the form of cooperatives or associations. This condition results in a weak bargaining position in obtaining raw materials, access to capital, and market opportunities. Business actors tend to

rely on individual efforts, so there is no common strength that can strengthen competitiveness. Fourth, in the aspect of product innovation, the observation results show that the products produced are still simple, both in terms of variation, packaging, and branding. This has an impact on limited consumer appeal, as the product has not been able to display differentiation compared to similar products in the market. The lack of capital and innovative skills is an inhibiting factor in increasing product added value. Fifth, related to business networks, Huyula MSMEs are still minimally connected to the private sector, financial institutions, and local governments. As a result, they lack access to information, financing, and collaboration opportunities that can support business development. The limitations of this network also have an impact on the low ability of MSMEs to access training and new technology.

Overall, the findings show that Huyula MSMEs are still in the early stages of development, with the characteristics of limited production capacity, narrow marketing, and weak institutions. This condition indicates that without interventions in the form of increasing human resource capacity, strengthening institutions, and expanding networks and innovations, MSMEs will find it difficult to develop towards competitive and sustainable businesses.

This is supported by the results of research, as identified by Faiz, that without strengthening human resource competencies, digital culture, and institutional support, MSMEs find it difficult to access a wider market or adapt to changes in the business environment. Thus, these local findings confirm that strengthening managerial, marketing, and institutional networking factors is an important prerequisite for MSMEs to transform towards a competitive and sustainable business [26].

The Role of Actors in Collaborative Governance

The development of Huyula MSMEs cannot be separated from the concept of collaborative governance, where multi-stakeholder involvement is key. From the results of interviews and FGDs, the role of actors can be mapped as follows: First, the village government is a facilitator, provider of capital, regulation, and facilitation of training. These findings are in line with research that shows that the role of local governments in the form of policy interventions, regulatory facilitation, and training support can accelerate the adaptation of MSMEs to economic dynamics, including in the era of Industrial Revolution 4.0. Fiscal support and government regulations have also proven to contribute significantly to the growth of MSMEs in various regions [27]. Both MSME actors are the main actors in product production, processing, and innovation. The research found that access to credit and support for the business environment encourage MSME actors to innovate sustainably, thereby strengthening the competitiveness and sustainability of their businesses [28], [29]. Third, the Community/Local Leader is to provide social legitimacy, strengthen the consumption of local products. The involvement of the community and local leaders provides social legitimacy that strengthens the position of MSMEs in the domestic market. Studies in East Java show that local community consumption and support for MSME products a key factors in the success of community-based economic collaboration [30]. Fourth, Karang Taruna/Pemuda is an agent of digitization and product promotion through social media. The younger generation plays a role as digital transformation agents for MSMEs through the use of social media and digital platforms. Research on MSME digitalization strategies in the new normal era proves that the involvement of youth and community groups encourages effective online marketing and expands market access [31], [32]. Five Private/Financial Institutions are strategic partners in financing and distributing products. The private sector and financial institutions are strategic partners for MSMEs through the provision of access to financing and product distribution. International research confirms that digital financial inclusion through fintech and corporate CSR plays an important role in the development of MSMEs, while strengthening the sustainability of small businesses in both the formal and informal sectors [33].

This collaboration model fits into Ansell & Gash's framework that emphasizes *shared motivation, capacity for joint action* and *Principled Commitment*. For example, the role of Karang Taruna in digitalization is not only instrumental, but also integrative because it is driven by a sense of belonging to local products.

Table 1. The Role of Actors and the Dimension of Collaborative Governance

No	Actor	Main Role	Relational Value	Forms of Collaboration	CG Dimensions (Ansell & Gash)
1	Village Government	Facilitator, capital provider	Legitimacy	Business capital, regulation, and training	Shared motivation, institutional design
2	MSME Actors	Product production & innovation	Economics	Production of goods/services, simple innovation	Joint capacity for action
3	Community/Local Figures	Consumption & social legitimacy	Social	Moral support, purchase of local products	Principled commitment
4	Youth Organization/Youth Organization	Digitization & promotion agency	Creativeness	Online promotion, packaging design, branding	Joint capacity, trust building
5	Private	Distribution & capital partners	Market	Business loans, distribution cooperation	Resource sharing

Implications for a Sustainable Economy

If examined through a sustainable economic perspective, the results of the study show the contribution of Huyula MSMEs to three main dimensions:

Economics

MSMEs create new jobs, increase household income, and strengthen local economic circulation. The study by Acs confirms that MSMEs at the community level can drive the local economy through the creation of business opportunities and increased productivity based on local resources [34]. The same is supported by the study of Martins et al., which states that MSMEs play a strategic role in increasing household income and strengthening the local economy through sustainable business practices [35].

Social

The existence of MSMEs encourages community participation, strengthens social solidarity, and empowers youth in village development. The existence of Huyula MSMEs encourages community participation in village development, strengthens social solidarity, and empowers youth. According to Zhao & Jones' research, community empowerment through MSMEs can increase social capital, expand community participation in sustainable development, and reduce social inequality [36]. Habbir et al also emphasized that social entrepreneurship at the local level plays an important role in building inclusive communities by increasing community participation and strengthening social networks [37].

Milieu

Huyula MSME products that utilize local potential, such as coffee, food, and construction materials, are in line with Avelar et al.'s research that stakeholder involvement in sustainable

innovation encourages the creation of more environmentally friendly products, thereby supporting responsible consumption and production as targeted in the SDGs [38].

These implications are in line with the SDGs, particularly goal 8 (Decent Work and Economic Growth) and goal 12 (Responsible Consumption and Production). Thus, the development of Huyula MSMEs can be seen as a community-based sustainable economic practice [39], [40].

Synthesis of Results and Theory

Empirical findings show that from the perspective of business development theory, Huyula MSMEs are still in the early stages that require strengthening management capacity, innovation, and market access. Meanwhile, from the perspective of collaborative governance, the success of MSME development is highly determined by multi-stakeholder collaboration, not just capital assistance. And from a sustainable economic perspective, Huyula MSMEs contribute to the balance of economic, social, and environmental aspects through local potential-based practices. Thus, Huyula's MSME development strategy based on *collaborative governance* is not only theoretically relevant but also contextual to build an inclusive and sustainable village economy [41], [42].

In-Depth Analysis

The development of Huyula MSMEs in Lembah Hijau Village demonstrates a complex interplay between structural limitations, socio-cultural dynamics, and collaborative governance mechanisms. The data reveal that these MSMEs remain in the early stages of business growth, characterized by low production capacity, limited innovation, and narrow marketing reach. This condition is strongly influenced by the limited managerial skills and digital literacy of business actors, which echoes national findings that MSMEs with weak organizational capacity are less adaptive to market and technological changes. The qualitative evidence from interviews and FGDs indicates that actors still rely heavily on traditional practices, with minimal exposure to structured business planning, financial management, or competitive market strategies [41], [42].

The analysis of stakeholder roles underscores the centrality of collaborative governance as an essential framework in guiding MSME development. The village government functions as a facilitator by providing capital support, training, and regulatory ease. Yet, the data suggest that capital assistance alone has not generated substantial business transformation, reinforcing the argument that capacity-building interventions are more decisive than financial inputs. The involvement of community leaders provides cultural legitimacy and encourages local product consumption, which is crucial in rural socio-economic contexts. Meanwhile, youth organizations contribute significantly by promoting digitalization and branding efforts, positioning them as agents who bridge traditional business models with modern market demands. This synergy illustrates a pentahelix-like collaboration where government, community, MSMEs, youth, and private entities collectively shape development trajectories.

However, the collaborative governance structure faces several constraints. Institutional fragmentation is one critical issue, as MSMEs in the village operate individually without cooperative bodies or collective forums. This lack of institutional cohesion weakens their bargaining power, limits economies of scale, and restricts access to larger markets or financing institutions. The data further highlight the absence of sustainable partnerships with private sectors and financial institutions, which impedes access to distribution networks, technological tools, and innovative financing models. Thus, although collaborative governance exists, its current level is still reactive and instrumental—rather than strategic and transformative.

From the perspective of sustainability, Huyula MSMEs contribute to economic, social, and environmental dimensions, but these contributions remain modest. Economically, they create

jobs and support household incomes, aligning with SDG 8. Socially, they foster community participation and youth empowerment, contributing to strengthened social cohesion. Environmentally, their reliance on local resources suggests potential alignment with SDG 12, though environmentally friendly production practices are not yet explicit or structured. The challenge lies in integrating sustainability principles into business models, which requires capacity-building in eco-friendly production, waste management, and circular economy practices.

Strategically, the findings suggest that three development pillars must be prioritized to achieve sustainable MSMEs. First, human resource development, focusing on managerial, financial, and digital literacy, is essential because individual competency shapes innovation capability and business resilience. Second, institutional strengthening, through cooperatives or business forums, is needed to build collective power and facilitate access to broader markets and partnerships. Third, digital integration, especially in marketing and branding, must be mainstreamed to enhance competitiveness and market expansion. These pillars align well with collaborative governance theory, which emphasizes shared motivation, joint capacity, and principled engagement. Overall, the analysis shows that while Huyula MSMEs possess significant potential driven by local resource advantages and community support, their progress requires a more structured collaborative governance model. Strengthening multi-stakeholder coordination, enhancing human capital, and building collective organizations will be decisive strategies for transitioning these MSMEs toward a resilient and sustainable economic ecosystem.

CONCLUSION

This study found that the strategy for developing Huyula MSMEs in Lembah Hijau Village based on *collaborative governance* requires a shift in approach from just providing capital to strengthening managerial capacity, product innovation, collective institutional development, and the use of digital technology. The collaborative approach places the village government as facilitators and providers of regulations, MSME actors as the main actors of innovation, communities and local figures as providers of social legitimacy, youth as agents of digitalization, and the private sector and financial institutions as financing and distribution partners. The ideal model for Huyula MSME development produced by this research is a collaborative model that emphasizes three main pillars: (1) increasing the capacity of human resources in managerial, financial, and digital aspects; (2) strengthening collective institutions through cooperatives or associations; and (3) integration of digital technology to expand market access. This model is in line with Ansell & Gash's framework of *shared motivation, joint capacity for action, and principled engagement*, so that it is contextual to be applied at the village level. Factors that determine Huyula's MSME development strategy include internal factors in the form of managerial, financial, and digital literacy of business actors; external factors in the form of regulatory support, market access, and networking with external partners; as well as relational factors in the form of social legitimacy, multi-stakeholder collaboration, and the role of youth in digitalization. These three factors form an interrelated ecosystem and determine the success of the transformation of MSMEs into competitive and sustainable businesses. From a sustainable economic perspective, this study shows that Huyula MSMEs contribute to three main dimensions: (1) the economy through job creation and increased household income; (2) social through community empowerment, solidarity, and youth participation; and (3) the environment through the use of local potential that supports sustainable consumption and production. This contribution is in line with the Sustainable Development Goals (SDGs), especially goal 8 (Decent Work and Economic Growth) and goal 12 (Responsible Consumption and Production). Thus, Huyula's collaborative governance-based MSME development strategy not only answers the challenges of business development at the local level but also makes a theoretical contribution to the development of the concept of multi-stakeholder collaboration, as well as practical contributions to inclusive and sustainable village economic development.

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Author's Contributions

All authors contributed substantially to this study. The first author designed the research framework, conducted field observations, and drafted the manuscript. The second author performed data analysis and refined the theoretical foundation. The third author reviewed policy documents, validated findings, and supervised the overall process. All authors reviewed and approved the final manuscript.

Author Conflict Statement

The author states that there is no conflict of interest in the research or preparation of this article.

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