Original Article

Strategy for Forming Neighborhood-Based Business Entities as A Motor for Community Economic Potential in Samarinda City, Indonesia

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Received: 17 November 2023 Accepted: 23 January 2024 Published: 29 February 2024

Abstract: Government administration becomes a key success in developing the local potential sector. Mapping local potential, in this case, sub-districts is one of the important things to do to find and recognize economic potential that can be developed. Ideally, community economic activities at the sub-district level are carried out as institutions or business entities managed professionally but still rely on the area's potential. It can make community businesses more productive and effective. Thus, this study seeks to determine the potential for forming sub-district-based business entities as one of the economic drivers of the city of Samarinda. This study uses a qualitative approach to primary and secondary data. Also, the research location is 59 sub-districts in the city of Samarinda. A total of 59 village heads who were the target of this study, 55 people were willing to answer the questions. The data was analyzed using tabulating interviews through 9 blocks covering the Business Model Canvas components: Customer Segment, Value Proposition, Channel, Customer Relation, Revenue Stream, Key Resources, Key Activities, Key Partnerships, and Cost Structure. Also, Business Model Canvas and SWOT analysis. The result indicates that 10 sub-district-based business models have the most potential to be developed in Samarinda City, namely trading businesses (groceries, restaurants), home industry businesses (weaving, beads, ampalang, fish floss, herbal medicine), service businesses (workshops, transportation services, Savings and Loans, motorbike washing, haircuts, sewing), Use of land that is not (RTH), Service-based environmental management system (such as environmental safety and environmental cleanliness), Become a wholesaler, for goods/needs that are for public consumption. Homestead agricultural food sector business (mushroom business, etc.), freshwater fish management, waste recycling, and tourism.

Keywords: Neighborhood-based business; Community; Economic potential; Samarinda city context.

1. Introduction

Government administration in the development sector is the key to the successful development of local economic potential to strengthen regional competitiveness (Choe & Roberts, 2011). Mapping local potential, in this case, sub-districts is one of the important things to do to find and recognize economic potential that can be developed (Amelia et al., 2022). Ideally, community economic activities at the sub-district level are carried out as institutions or business
entities managed professionally but still rely on the area’s potential (Oduro-Ofori, 2011; Rahayu et al., 2023). This can make community businesses more productive and effective. Forming business entities at the sub-district level requires in-depth study even though the institutional business model already existed, namely BUMDES, which has been widely developed in village areas (Nuak et al., 2019; Purba et al., 2018). If business entities at the sub-district level in urban areas, in this case, Samarinda, can be formed, then they will build a structural tool for economic development and empowerment on an urban sub-district scale whose benefits will provide equal distribution of development results for the sake of the economic welfare of the Indonesian people in the city of Samarinda.

Forming a business entity at the sub-district level will create a new economic community so that sub-district residents will not only play a passive role as consumers but will also be able to play an active role in businesses developed later. Based on the data and description above, it is necessary to conduct a study or research to analyze the extent to which the prospect of forming a sub-district-based business entity can be developed in Samarinda. This research was carried out to determine the potential for forming sub-district-based business entities as one of the economic drivers of the city of Samarinda. This study aims to obtain data and information regarding the potential for forming sub-district-based business entities in Samarinda City. The most appropriate model or form of business is formed according to the potential of each sub-district. The sub-district-based business institutional model was established in Samarinda City. The strategy for forming a business entity is based on the potential of each sub-district.

2. Literature Review
2.1. Underlying Theory
2.1.1. Institutional Theory

According to Weerakkody et al. (2009), institutions are given the title of a legal framework or natural rights that regulate individual actions. At other times, institutions are understood as anything with additional value or criticism of classical or hedonic economics. Institutions are also interpreted as anything related to economic behavior. Institutions can also be interpreted as behavioral regulations that are generally accepted by members of a social group for specific behavior in specific situations, either self-supervised or monitored by external authorities. The village institutions in question are institutions, parties, or institutions in the village originating from the executive, legislative and community elements involved in the preparation, implementation and supervision of the village income and expenditure budget (APBDes).

2.1.2. Participation Theory

Etymologically, participation means taking part or participating. The complete Indonesian dictionary explains that "participation" means taking part in an activity, taking part, taking part. In general, community participation in development is the participation of all members or representatives of the community in making decisions in the development planning and management process, including deciding on activity plans that will be implemented. These benefits will be obtained, as well as how to implement and evaluate the results of its implementation. Geddesian in Ramadana (2013) stated that the community can be actively involved from the early stages of planning.

2.1.3. Partnership Theory

Partnership from an etymological perspective is adapted from the word partnership and comes from the root word partner. Partner can be translated as "soul mate, ally or component," while partnership is translated as alliance or partnership (Asakdiyah & Sulistyani, 2004). A partnership can be interpreted as an alliance between two or more parties that form a cooperative bond based on agreement and feeling each other need to improve capability in a particular business field or goal to obtain better results. A partnership relationship between the government, especially the village government, with the private sector and the community in supporting the existence of business entities owned by Villages as strengthening the village economy can run well if they are based on the principles that support them, according to Chandra, namely: a) Mutual trust and respect b) Autonomy and sovereignty c) Mutual complementarity d) Openness and accountability. The above principles are very important in supporting the existence of village-owned enterprises to strengthen the village economy.

2.2. Business Model Canvas

The Business Model Canvas (BMC) is how a company continuously creates value and benefits from the value it creates. BMC is a tool developed by Osterwalder & Pigneur (2011). This concept was developed to help business organizations and budding entrepreneurs map and analyze their business models (Kurniasari & Kartikasari, 2018). BMC transforms complex business concepts into simple ones displayed on one canvas sheet containing a business plan with nine key elements well integrated into it, including internal and external strategic analysis. In general, BMC
was developed by considering nine main blocks that must be considered when mapping a business model. Figure 2 captures nine blocks of the business model canvas.

2.2.1. Customer Segments

Osterwalder & Pigneur (2011) state that customers are the core of all business without customers, a company will not survive long. It is often considered the core of all business models and is usually thought about initially because it determines who the product or service will be aimed at. Each company must determine which customer segments it will serve. In satisfying customers, customers can be grouped based on the similarities of different segments, namely similar needs, behavior, or other attributes. A customer group represents several segments: 1) has different needs and justifies different offerings. 2) Obtained through different distribution channels. 3) It requires a different type of relationship. 4) It has different profitability. 5) be willing to pay for different aspects of the offer.

2.2.2. Value Proposition

Osterwalder et al. (2020) state that the value propositions block describes a combination of products and services that create value for specific customer segments. The value proposition combines the benefits of the company's products and services to customers. The elements of the value proposition are newness, performance, customization, design, price, cost reduction, risk reduction, accessibility, and usability.

2.2.3. Channels

Osterwalder et al. (2020) state that channels link companies and customers, and customer touch points play an important role in every incident customer's experience. The channels' functions include increasing customer awareness about company products and services and providing customer support after purchasing products and/or services. Channels have five functions, namely 1. Increase customer awareness of products and services 2. Help customers evaluate the company's value proposition 3. Enable customers to buy specific products and services 4. Provide value propositions to customers 5. Provide after-sales support to customers.

2.2.4. Customer Relationship

According to Osterwalder & Pigneur (2011), a customer relationship is the type of relationship that a company wants to build with customer segments, which can be personal or general. The following are categories of company relationships with customers: 1. Personal Assistance – relationships are based on interpersonal interactions. 2. Dedicated Personal Assistance – the company assigns customer service officers specifically for individual clients. 3. Self-Service – The company does not have direct contact with customers but provides all the advice that customers need. 4. Automated Service – forming relationships by making all existing processes automatic. 5. Co-creation – provides access for customers to help create value for the company by involving customers in reviewing products or services they have enjoyed.

2.2.5. Revenue Stream

Osterwalder et al. (2020) describe the cash a company generates from each. There are two types of revenue streams in the business model, namely 1. Transaction revenue, which is generated from one-time customer payments and 2. Recurring revenue generated from ongoing customer payments, both to provide a value proposition to customers and provide post-purchase customer support. Still, according to Osterwalder et al., (2020), there are several ways to build an income stream: 1. Asset sales - selling physical ownership rights. 2. Usage Fees – through services enjoyed by customers. 3. Subscription Fees – through the sale of access to an ongoing service. 4. Loan or Rental – gives customers temporary access rights to an asset for a specified period. 5. Licensing – through granting permission to customers to use intellectual property. 6. Commission Fees – through intermediary services between two or more parties. 7. Advertising – through the costs of advertising a product, service, or brand.

2.2.6. Key Resources

Osterwalder et al. (2020) describe the most important assets needed for a business model to function, enabling a company to create and offer value propositions, reach markets, maintain customer relationships and create revenue. Main resources can be categorized as follows: 1. Physical – physical assets such as factory facilities, buildings, vehicles, machines, systems and distribution networks. 2. Intellectual – intellectual resources such as brands, patents, partnerships, and customer information. 3. Human resources are very important in carrying out company activities. 4. Financial – financial assets include capital, credit, and shares.
2.2.7. Key Activities

Osterwalder & Pigneur (2011) describe key activities as the most important things that a company must do for its business model to operate successfully. These key activities consist of the following activities: 1. Production, namely activities related to designing, manufacturing and delivering products in large quantities and/or superior quality. 2. Problem-solving, namely the activity of offering new solutions to individual customer problems. 3. Platform or network, namely activities designed with a platform or network.

2.2.8. Key Partnership

Osterwalder et al. (2020) describe networks and partners that make business models work because partnerships are the basis of various business models to optimize business models, reduce risks, or acquire resources. There are four types of partnerships: strategic alliances between non-competitors, competition or strategic partnerships between competitors, joint ventures to develop new businesses, and buyer-supplier relationships to guarantee reliable supply. Meanwhile, the three motivations that encourage cooperation or building relationships are as follows: 1. Optimization and economy of scale - partnerships between buyers and suppliers that are formed to optimize resources and activities within the company. This will reduce the company's production costs. 2. Reduction of risk and uncertainty - establishing relationships with suppliers can help reduce the risks in the competitive environment. 3. Acquisition of particular resources and activities - relationships carried out by relying on other companies as resources.

2.2.9. Cost Driven

Osterwalder & Pigneur (2011) describe all the costs incurred to operate a business model. The cost structure in the Canvas business model is divided into two, namely cost-driven, namely a cost structure that focuses on minimizing costs and value-driven, namely a cost structure that focuses on creating value compared to the costs incurred. Meanwhile, the characteristics of the cost structure are as follows: 1. Fixed Cost - costs that do not change even though the production volume of goods or services changes. 2. Variable Cost – costs that can change according to the production volume of goods or services. 3. Economy of Scale – the cost advantages a company obtains from large-scale production. 4. Economic of Scope – the cost advantage obtained by the company because it has a wide operational scope.

3. Materials and Methods

This study uses a qualitative approach to primary and secondary data. Then, the author reveals the content or meaning of the legal rules that have been determined, which will be punished with the same or different laws or has their description of the legal studies that have been carried out. The qualitative research approach is conducting research oriented towards natural phenomena. Because of its orientation, it is naturalistic and fundamental and cannot be done in the laboratory but must go into the field. This qualitative research explores and deepens social phenomena or the social environment consisting of actors, events, places and times. The social setting is described in such a way that in conducting qualitative research, basic questions are developed: what and how did the incident occur; who was involved in it; when did it happen; where did it happen? To obtain reliable results from qualitative research, several requirements are still needed that must be followed as a qualitative approach, starting from data requirements, data search methods or techniques, data management to analysis.

When viewed in terms of where the research is conducted, this research is included in field research, namely research that studies the background, current processes, social interactions, individual groups, and community institutions in a certain environment. This research reveals symptoms that occur in society related to community empowerment with a business approach. In this research, researchers took research locations in 59 sub-districts in the city of Samarinda. Of the 59 village heads who were the target of this study, 55 people were willing to answer the questions asked. The city of Samarinda was chosen based on the need for studies related to community empowerment from a business perspective. The subjects in this research were 59 village heads in Samarinda City, 3 people from the relevant OPD and 30 residents of Samarinda City. Method Data was collected using questionnaires and structured interviews with the Village Head, OPD and the community in Samarinda City. The analysis technique uses a descriptive method with the following steps:

- Tabulating interview results related to 9 blocks covering the components of the Business Model Canvas, namely: Customer Segment, Value Proposition, Channel, Customer Relation, Revenue Stream, Key Resources, Key Activities, Key Partnerships and Cost Structure.
- Fill in the tabulation results in columns for the 9 components of the Business Model Canvas.
- Conduct a SWOT analysis based on the tabulation results of the 9 components of the Business Model Canvas.
- Determining the strategy for the formation of a business entity.
4. Results

Village-based BUMD is a pillar of economic activity in the region that functions as a social and commercial institution. Village-based BUMD is a social institution for the benefit of the community through the provision of social services. Village-based BUMD aims to increase regional income and seek profits through offers from local resources in its commercial institutions. Village-based BUMDs as legal entities are formed based on applicable laws and regulations. These provisions are general in nature, while their development is adjusted to agreements established in regional communities. Apart from having the objectives of sub-district-based BUMDs, they also function as implementing regional government policies in the economic and development sectors, generating funds for development financing, and preparing administrative technical policies in the fields of investment, promotion, investment cooperation, empowering sub-district-based BUMDs and integrated licensing services. Establishing a business entity must be accompanied by efforts to strengthen capacity and supported by regional city policies that facilitate and protect investors. This business entity still needs a strong foundation and is supported by adequate policies to grow and develop. Subdistrict-based BUMD must be based on the law that regulates it up to the Regional Regulation in the area where the BUMD is established. Village-based BUMDs in the Samarinda City area are not fully operational based on existing laws. Therefore, a Regional Regulation is needed to regulate all activities of Village-based BUMDs as one of the bodies that is a source of regional income. Sub-district-based BUMDs must actively donate funds to regions so that regions can develop. As a legal entity established in the region, sub-district-based BUMD can help the community develop their work and provide employment opportunities for those of productive working age, thereby reducing the unemployment rate in Samarinda City.

4.1. General Description of Respondents

There were 88 respondents in this study, namely village heads, OPD and Samarinda city residents with the following descriptions:

Table 1. Respondent's Gender and Education

<table>
<thead>
<tr>
<th>No. of Respondents</th>
<th>Job/Department</th>
<th>Gender</th>
<th>Education</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Man</td>
<td>Women</td>
</tr>
<tr>
<td>55</td>
<td>Village Head</td>
<td>43</td>
<td>12</td>
</tr>
<tr>
<td>3</td>
<td>OPD / Agency</td>
<td>3</td>
<td>0</td>
</tr>
<tr>
<td>30</td>
<td>Public</td>
<td>14</td>
<td>16</td>
</tr>
</tbody>
</table>

4.2. BUMK Institutional Model

Sub districts are Regional Apparatus Organizations (OPD). Of course, they can become OPDs responsible for managing BUMK by involving the community as part of community empowerment and development. BUMK was established as a social organization that is regulated by regional regulations, which can be in the form of Regional Regulations (PERDA) or Mayor Regulations (Perwalikota) while still referring to the position of BUMK being managed the same as the position of BUMD for which there are regulations with Government Regulation of the Republic of Indonesia Number 54 of 2017 Regarding Regional Owned Enterprises. It’s just that the sub-district organization is responsible for the BUMK organization in its area.

![Figure 1. The position of BUMK in the Sub-district.](image-url)
4.3. Business Potential

A total of 10 business potentials can be developed by 59 sub-districts in Samarinda City, namely:

Table 2. Business Potential in Subdistricts

<table>
<thead>
<tr>
<th>Code</th>
<th>Business Potential</th>
<th>District</th>
</tr>
</thead>
<tbody>
<tr>
<td>P1</td>
<td>Trading business (groceries, restaurants)</td>
<td>Prosperous Swamp; Sidomulyo; South Sempaja; Loa Bakung; Asam Ulu Coral; Telok Lerong Ulu; Sindang Sari Weaving; Prosperous Swamp; On your back; Sidomulyo; North Sempaja; Red Land;</td>
</tr>
<tr>
<td>P2</td>
<td>Home industry businesses (Weaving, Beads, Amplang, Fish Floss, Herbal Powder)</td>
<td>East Sempaja; Macroman; Harbor; 3-way junction; Controversy; Rapak Dalam; New Hope It remained; On your back; Sidomulyo; East Sempaja; Teluk Lerong Ulu; New Coral; Mugirejo</td>
</tr>
<tr>
<td>P3</td>
<td>Service businesses (workshops, transport services, savings and loans, motorbike washing, hair cutting, sewing)</td>
<td>Java; Plain water</td>
</tr>
<tr>
<td>P4</td>
<td>Land use that is not (RTH) is accommodated by BUM RT / business actors who have business administration. Service-based environmental management system (such as environmental safety and environmental cleanliness)</td>
<td>Sidodadi; South Sempaja</td>
</tr>
<tr>
<td>P5</td>
<td>Become a wholesaler, for goods/needs that are consumed by the public.</td>
<td>Mount Kelua</td>
</tr>
<tr>
<td>P6</td>
<td>Homestead agricultural food sector business (Mushroom Business, etc.)</td>
<td>South Sempaja; Pampang Culture; Asam Ulu Coral; Welcome; Macroman; Sindang Sari Mugirejo Red Land; East Sempaja; Lok bahu;</td>
</tr>
<tr>
<td>P8</td>
<td>Freshwater fish management</td>
<td></td>
</tr>
</tbody>
</table>
4.4. Business Model Canvas

As explained at the beginning (Mahmudi, 2018), the business canvas model is necessary because the relationship between 9 blocks will be known in this business model: customer segments, value propositions, channels, customer relationships, revenue streams, key resources, key activities, key partnerships and cost structures. Nine blocks from the business model canvas can be made into one canvas as shown in Figure 2 below:

![Business Model Canvas](image)

**Figure 2.** Business: Trading business (groceries, restaurants)

Nine blocks from the business model canvas can be made into one canvas as shown in Figure 3 below:
Figure 3. Business: Home industry businesses (Weaving, Beads, Amplang, Fish Floss, Herbal Powder)

Nine blocks from the business model canvas can be made into one canvas as shown in Figure 4 below:

Figure 4. Business: Service businesses (workshops, transport services, savings and loans, motorbike washing, hair cutting, sewing)

Nine blocks from the business model canvas can be made into one canvas as shown in Figure 5 below:
Figure 5. Business: Market Place - Utilization of vacant land that is not (RTH)

Nine blocks from the business model canvas can be made into one canvas as shown in Figure 6 below:

Figure 6. Business: Service-based environmental management system

Nine blocks from the business model canvas can be made into one canvas as shown in Figure 7 below:
Figure 7. Business: Become a wholesaler, for goods/needs that are consumed by the public.

Nine blocks from the business model canvas can be made into one canvas as shown in Figure 8 below:

Figure 8. Business: Homestead agricultural food sector business

Nine blocks from the business model canvas can be made into one canvas as shown in Figure 9 below:
Nine blocks from the business model canvas can be made into one canvas as shown in Figure 10 below:

<table>
<thead>
<tr>
<th>Key Partners</th>
<th>Key Activities</th>
<th>Value Proposition</th>
<th>Customer Relationship</th>
<th>Customer Segment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Local government; BUMRT</td>
<td>Fresh water management</td>
<td>Processed fresh water</td>
<td>Community</td>
<td>Mass</td>
</tr>
<tr>
<td>Key Resources</td>
<td>Land, buildings; HR, Finance</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Cost Structure

Cost driven

Revenue Stream

Direct sales

Figure 10. Business: Recycle

Nine blocks from the business model canvas can be made into one canvas as shown in Figure 11 below:
4.5. Village-Based Business Entity Strategy

Hartatik & Baroto (2017) stated that the strategy of sub-district-based business entities in this study is divided into two major parts, namely: Institutional model, namely the form of sub-district-based business entities; The business model (Tim PPM Manajemen, 2012) was developed using the Business Model Canvas (BMC) approach, which was then connected to a SWOT analysis. Based on the description above and in the previous chapter, the village-based business model is a Village-Owned Enterprise (BUMK). This institutional model is similar to BUMDes in that the business being developed empowers the community to solve social and economic problems in the village or sub-district. However, fundamental differences exist due to the different positions of villages and sub-districts. Villages are not directly under the regional government/regency government, while sub-districts are a direct part of the regional government/city government. Specifically in Samarinda City, BUMK has a position almost similar to BUMDes, only at the sub-district level. The results of observations and interviews in the field showed ten business potentials, namely:

- F1. Trading business (groceries, restaurants)
- F2. Home industry businesses (Weaving, Beads, Amplang, Fish Floss, Herbal Powder)
- F3. Service businesses (workshops, transport services, savings and loans, motorbike washing, hair cutting, sewing)
- F4. Use of land that is not (RTH)
- F5. Service-based environmental management system (such as environmental safety and environmental cleanliness)
- F6. Become a wholesaler, for goods/needs that are consumed by the public.
- F7. Homestead agricultural food sector business (Mushroom Business, etc.)
- F8. Freshwater fish management
- F9. Recycle
- F10. Tourist

The business model developed is based on the BMC concept, using 9 block relationships, namely customer segments, value proposition, channels, customer relationships, revenue streams, key resources, key activities, key partnership Dan cost structure to produce a canvas model pattern, from 10 business potentials it can be narrowed down to three main business potentials in the form of Trading Business Entities, Service Business Entities and Manufacturing Business Entities. The strategy for establishing a sub-district-based business is the institutional formation of a sub-district-owned business entity that is managed professionally but involves or empowers the community around the sub-district. This business entity can be institutionally formed by one sub-district or formed by several sub-districts by looking at the business potential being developed. The business model strategy emphasizes:
1. A partnership strategy is where BUMK collaborates with existing institutions in society, such as MSMEs, BUMD, and BUMRt or individual businesses.
2. The market being worked on is a community market, which allows for maintaining revenue and retaining loyal customers (customer relationships).

5. Conclusions

Samarinda city is one of the sub-district-based business entities and has good prospects for development due to the good potential and management resources available in Samarinda City. A total of 10 sub-district-based business models have the most potential to be developed in Samarinda City, namely, trading businesses (groceries, restaurants), home industry businesses (weaving, beads, amplan, fish floss, herbal medicine), service businesses (workshops, transportation services, Savings and Loans, motorbike washing, haircuts, sewing), Use of land that is not (RTH), Service-based environmental management system (such as environmental safety and environmental cleanliness), Become a wholesaler, for goods/needs that are for public consumption. Homestead agricultural food sector business (mushroom business, etc.), freshwater fish management, waste recycling, and tourism. The sub-district-based business institutional model formed in Samarinda City is the Sub-District Business Entity (BUMK). The strategy that needs to be implemented to form a sub-district-based business entity in Samarinda City is a partnership and community marketing strategy. Further research must strengthen institutional formation, namely strengthening regional regulations as an institutional, legal umbrella for Village-based Business Entities, in this case, Village-Owned Enterprises (BUMK). Ten business potentials divided into three main parts, Trading Business, Service Business and Manufacturing, are developed by establishing business entities in each sub-district or one BUMK managed by several sub-districts. The Business Model Canvas (BUMC) concept can be used as a reference in forming BUMK in the future.


Funding: This research received no external funding.

Institutional Review Board Statement: Not applicable.

Informed Consent Statement: Not applicable.

Data Availability Statement: Not applicable.

Acknowledgments: The authors would like to thank Universitas Mulawarman, Indonesia for supporting this research and publication. The authors would also like to thank the reviewers for their constructive comments and suggestions.

Conflicts of Interest: The authors declare no conflict of interest.

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