

# Challenges for Implementation of Village Innovation Policy in Realising Sustainable Development

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This study aims to determine the formulation of strategies that can be used in facing the challenges of implementation of innovation policies in realising sustainable development in the community environment with the case study of the Indonesia Village Government. The innovation policy aims to improve the quality in the use of village funds and also to encourage productivity and development in rural areas as well as build sustainable village capacity to improve the socio-economic welfare of the community and the independence of the village. This qualitative research uses a case study approach through field research in the village local government. We identified several challenges in the implementation of the innovation policy. In overcoming these challenges, as well as successfully implementing the policy, the role of innovative behaviour on the part of policy makers at the village level is importance. With an exploration strategy approach, entrepreneurial strategies and open and collaborative approaches used by various parties are also required in the successful implementation of innovation policy. The development of future research related to innovation policy relevant to the characteristics of rural communities is still very much needed.

**Keywords:** *Innovation, Sustainable Development, Community Environmental.*

## Introduction

Indonesia is a member of the United Nations that is active in achieving the goals of sustainable development as stated in “Transforming Our World: The 2030 Agenda for Sustainable Development”. Therefore, alignment is required in the National Long-Term Development Plan and the National Medium-Term Development Plan. Presidential Regulation No. 59 of 2017 concerning the Implementation of Achievement of the Sustainable Development Goals states



the goal of sustainable development is to maintain the sustainable economic welfare of the community, the social life of the community, environmental quality, and inclusive development and governance that, together, are able to maintain the quality of life from one generation to the next. Sustainable growth and development are driven by innovation (Hall & Vredenburg, 2003; Naqshbandi & Kaur, 2015).

Innovation has become an important factor in development (Sundbo, 2009). With innovation it is possible to increase economic development (Parwanto & Wulansari, 2020). From an economic perspective, innovation is an activity that can create development (Schumpeter, 1934). During the process of economic development, according to Schumpeter (1934), the main factor that causes economic development is the process of innovation and the perpetrators of this are innovators or entrepreneurs. The economic progress of a society can only occur in the presence of innovation. Economic progress is interpreted as being an increase in the total output of the community. Implementation of innovation strategies is required in the face of the demands of sustainable development.

In recent years, villages have received the attention of many parties. Research on villages has evolved from research about human resource competencies (Luh & Erni, 2019) to research related to good village governance (Sujana, Adi, Saputra, & Manurung, 2020). Villages, once only a communal settlement, are currently utilised as a basis for change towards sustainable development goals. The existence of village funds is the starting point for changes in views towards the village unit of governance. Villages are expected to transform themselves from the traditional type toward those that are more innovative, therefore innovation is incorporated as an important foundation within the changes. At the beginning of 2017, the Village, Underdeveloped Regions and Migration Decree No. 83 of 2017 was enacted by the Republic of Indonesia. It concerned the Determination of General Guidelines for Village Innovation Programs. There began to be demands for village governments to open themselves up to being able to adapt to change, one aspect of which was by carrying out steps towards village innovation to achieve good performance.

The government agenda in the Village Innovation Program policy is one of the strategies that aims to improve the quality of the use of village funds through various development activities and empowerment of village communities that are more innovative and sensitive to the needs of the village community. In the medium period, in accordance with the direction and policies and targets of the Village Ministry in the National Medium-Term Development Plan 2014-2019, the planned agenda is expected to encourage productivity and development in rural areas as well as to build sustainable village capacity to improve the socio-economic welfare of the community and village independence. The use of village funds goes beyond the mere, formal absorption of budgeted funds. It also involves innovative steps that are required for the village

program in terms of budgeting so that it can increase sustainable village revenue and therefore create village independence.

According to Law No. 6 of 2014 concerning villages, village government has the authority to carry out village governance, development activities, community development and community empowerment to improve the welfare and quality of life of rural communities. Financial turnover at the village level has increased sharply; the income budget in villages surged from 24 trillion in 2014 to 103 trillion in 2018, while village funds increased from 21 trillion in 2015 to 60 trillion in 2018 and village fund allocation increased from 9 trillion in 2014 to 31 trillion in 2018. The amount of funds that must be managed by the village government is not yet in line with the diverse capabilities of human resources in the village (Daft, 2008), the geographical conditions are very broad and the population and area varies. Nevertheless, the source of the funds is expected to increase development in the village. Osborne & Brown (2012) state that resources are one of the elements needed for successful change. These resources, whether they be funds or human resources, drive the activities that are needed to bring change.

Village innovation currently is a strategy for village development. The performance of the village administration must be able to reflect the independence of the village both seen from a financial perspective in the form of increasing the original village income value and from a non-financial perspective, one of which is from the development and empowerment of village communities. Thus, a strategy is needed that integrates the goals of innovation with sustainable development (Hall & Vredenburg, 2003). This study aims to identify the challenges that occur in the village government in implementing an innovation strategy that has been stipulated in the village innovation program rules as a manifestation of achievement towards the goal of sustainable development.

Innovations are new ways of looking at old problems which are radical discontinuities with the past (Matei & Bujac, 2016). An innovation is a radical action which is the introduction of new elements or combinations of old elements (Schumpeter, 1934). Elements that are successful in bringing about change are the existence of ideas, needs that are felt to be changed, adoption by decision makers, implementation and resources (Osborne & Brown, 2012). Innovation is a dynamic process that changes the overall architecture of the government by identifying challenges, developing new creative processes with the selection of new solution implementations (Sundbo, 2015). Although the beginning of the movement of innovation occurs in the business sector when seeking competitive advantage, the adoption of innovation has also developed in the public sector as a strategic step in reforming the bureaucracy as the implementation of New Public Management (NPM). Bekkers & Tummers (2018) state that innovation, as a phenomenon and concept, has recently been brought out of the academic and economic realms and applied to the public sector and civil society which are conceptualised as

engaged in social entrepreneurship and social innovation. Innovation in the public sector is an open and collaborative process by interested parties from various circles (Van Reijssen, Helms, Batenburg, & Foorthuis, 2015). Various definitions of innovation basically convey that it is change that is part of a strategy towards sustainable development.

Danneels (2002) considers innovation strategies as the dynamics of new changes in environmental development. Environmental factors are unstable and affect performance. Instability that is created in the environment require organisations to adapt (Ordanini, Parasuraman, & Rubera, 2014). It has been suggested that innovation is one of the most effective strategic options available to organisations in dealing with environmental problems that affect performance (Eisingerich, Rubera, & Seifert, 2009; Wang & Kafouros, 2009) (Eisingerich et al., 2009). Innovations come in various types and are usually pursued for various reasons (Cohanier, 2014). Osborne & Brown (2012) state that the strategy of innovation consists of exploration strategies, cooperative strategies and entrepreneurial strategies. To be able to succeed in changing, the exploration of brilliant ideas opens opportunities to openly synergise with various parties and ensure the implementation of these ideas.

## Methods

This study uses a qualitative approach with field research of case studies. In-depth semi-structured interviews about the implementation of village innovation were held with those who have a role in implementing the village innovation strategy in one of the district governments in Indonesia. These were used because the aim is to identify challenges in implementing innovation strategies that can hinder the achievement of sustainable development goals. The research data was collected through both written and electronic interviews, both at the location of the village administration and outside the village administration with formal and non-formal meetings such as Forum Group Discussions (FGD).

In qualitative field research, the aim of the research is to understand the conditions or practices naturally (Parker & Northcott, 2016) as well as to identify sources and informants who can provide appropriate information in accordance with the actual conditions so that they can reveal phenomena through the investigation (Kinnear & Ogden, 2014). In line with this, we conducted interviews with parties who have a role in implementing the village innovation strategy, namely the District Innovation Team, Village Innovation Implementation Team, experts appointed by the regional government to carry out village development innovations, as well as village officials who amounted to a total of 11 people; the details are shown in Table 1. The key points of the interview questions were as follows;

- In what ways do village government planning documents need to be adjusted so that the systemic benefits of village innovation can be realised?

- What are the main data sources that need to be explained in designing actions to encourage village innovation?
- What are the implications of the village innovation program for village development policies in helping achieve sustainable development?

In addition to conducting in-depth interviews, we also conducted on-site observations and documented data analysis at the district level, namely commitment cards and idea cards about village innovations, village fund amounts, village fund allocation, village income and expenditure budget. To maintain the anonymity of the people interviewed, extensive records were taken during the interview process. If permitted, we used a digital voice recorder. The recorded data was then transcribed and read back along with detailed handwritten notes taken during the interview

**Table 1:** Qualitative Data

Data	Total
People interviewed:	
District Innovation Team	3 People
Village Innovation Implementation Team	2 People
Experts appointed by the regional government	3 People
Village Devices	3 People
<b>Total</b>	<b>11 People</b>
Document:	
Village Government Strategic Plan	
Village Revenue and Expenditure Budget	
Commitment Card	
Idea Card	

## Results and Discussion

Villages need to move quickly to achieve increased competitiveness and this is an implication of village innovation policies that are aimed at sustainable development. Organisations must be able to move quickly to face the challenges of global change with sustainable innovation for the sake of sustainability and growth (Osborne & Brown, 2012). The innovation policy contained in the Decree of the Minister of Village is as follows: there are three village innovation programs covering the fields of infrastructure, human resource development and entrepreneurship which were designated as the right choice for community welfare, village independence through the Village Government Development Plan sourced from village funds. The village government is expected to carry out this village innovation policy well as an effort towards sustainable development.

*The village funds are expected to be used to innovate every year and put onto Commitment Cards and Idea Cards. The difference is that the Commitment Card must be stated in the village budget, while the Idea Card is still limited to the plan, meaning that if the innovation is good, it will be inserted onto the Commitment Card. Every year, the Village Innovation Exchange is carried out involving 302 villages [...] when the exchanges take place, superior products resulting from village innovation are seen. The main data sources needed in the Village innovation are Village Development Work Plans and Village Medium Term Development Plan. (District Innovation Team)*

*This village innovation is carried out by analysing village government planning documents in the form of the Village Medium Term Development Plan & Village Development Work Plans so that the benefits of village funds through village innovation can be realised. (Village Innovation Implementation Team)*

*[...] The Village Fund budget innovation. Examples of villages want to make entrepreneurship in the production of chips. Villages can set up or carry out training. So there remains innovation even for small products, the important ones included in the three village innovation fields. For example in the field of human resource development, the village has technology to make an application and send it via cellphone. In 2018 entered the top 3 provincial level Smart Village related to integrated service applications via application [...]. (District Innovation Team)*

*The focus of village innovations is the development of village potential for the welfare of the general public (Village Officials)*

*Although the Decree of the Village Minister about the guidelines for village innovation programs is set for 2017 but the implementation in the village can only be implemented in 2018. That is because in 2017 adaption to the village innovation program by government leaders in the community is still needed. Village government leaders are required to be able to change their mindset to be more innovative in moving the village government to achieve a program that leads to the creation of good village.*

*[...] In 2017 there are still many village innovations that have not been included properly, because they were disbursed in November, so they have not been maximised. Whereas we carried out the 2018 village innovation in October, even though it was not enough until the end of the budget period to carry out village innovation monitoring. [...] The difference is that in 2017 they do not have understanding, for 2018 the local government already has a village innovation team to provide materials before the village innovation [...] and has involved higher education institutions as coaches or directors in village innovation. (District Innovation Team)*

*Village leader weakness in increasing creativity to innovate in exploring village potential because political elements that prioritize personal interests are still dominant in village innovation practices. (Village Experts)*

*The challenge in implementing village innovation is to find the potential of the village that can really be developed to achieve the goals. In finding and selecting village potentials which can involve several parties and elements of the community. Synergy between elements of society is the most important part of the implementation of village innovation (Village Officials)*

Village innovation is part of the government's strategy as outlined in the policy as a guideline for implementing innovation at the village level. Therefore, innovative behaviour on the part of village leaders is needed in order to meet the rules set out in the use of village funds. Although the practice of village innovation that occurred still impressed in terms of standardisation and formalisation in bureaucratic organisations (Rivera & Landahl, 2019). Basically, the implementation of village innovation can drive innovative behaviour for the use of village funds to have a systemic impact on sustainable development and in order to increase competitiveness. Innovation can be an opportunity for competitive advantage (Hall & Vredenburg, 2003). Delays in disbursing funds, political elements due to village leaders, low understanding of village innovation and a lack of creativity in exploring village potential are challenges that must be addressed properly so as not to hamper village innovation objectives.

The ability to identify and develop innovative solutions is very important in facing more complex challenges. Awareness of innovation will encourage sustainable development practices (Stirling, 2014). Some contextual characteristics of public entrepreneurship are needed to spur innovation (Mastroeni, Tait, & Rosiello, 2013). A way is needed to face the challenges of implementing the village innovation strategy. Elements of change that encourage the achievement of competitive advantage need to be exploited quickly in turning ideas into products by means of exploration, cooperation and instilling entrepreneurship (Osborne & Brown, 2012). Strategies that need to be considered in implementing a village innovation program are presented in table 2. In implementing a village innovation program the leadership of the village government needs to establish a strategy so that the innovation program can be successful in accordance with the objective set. An exploration strategy in exploring the potential of the village, followed by the partnership strategy and entrepreneurial spirit, become an important series in the successful implementation of the village innovation program. As Schumpeter (1934) states, entrepreneurial spirit is the basis of innovative behaviour. Entrepreneurship is part of the theory of innovation behaviour (Bekkers & Tummers, 2018).

**Table 2:** Village Innovation Strategies

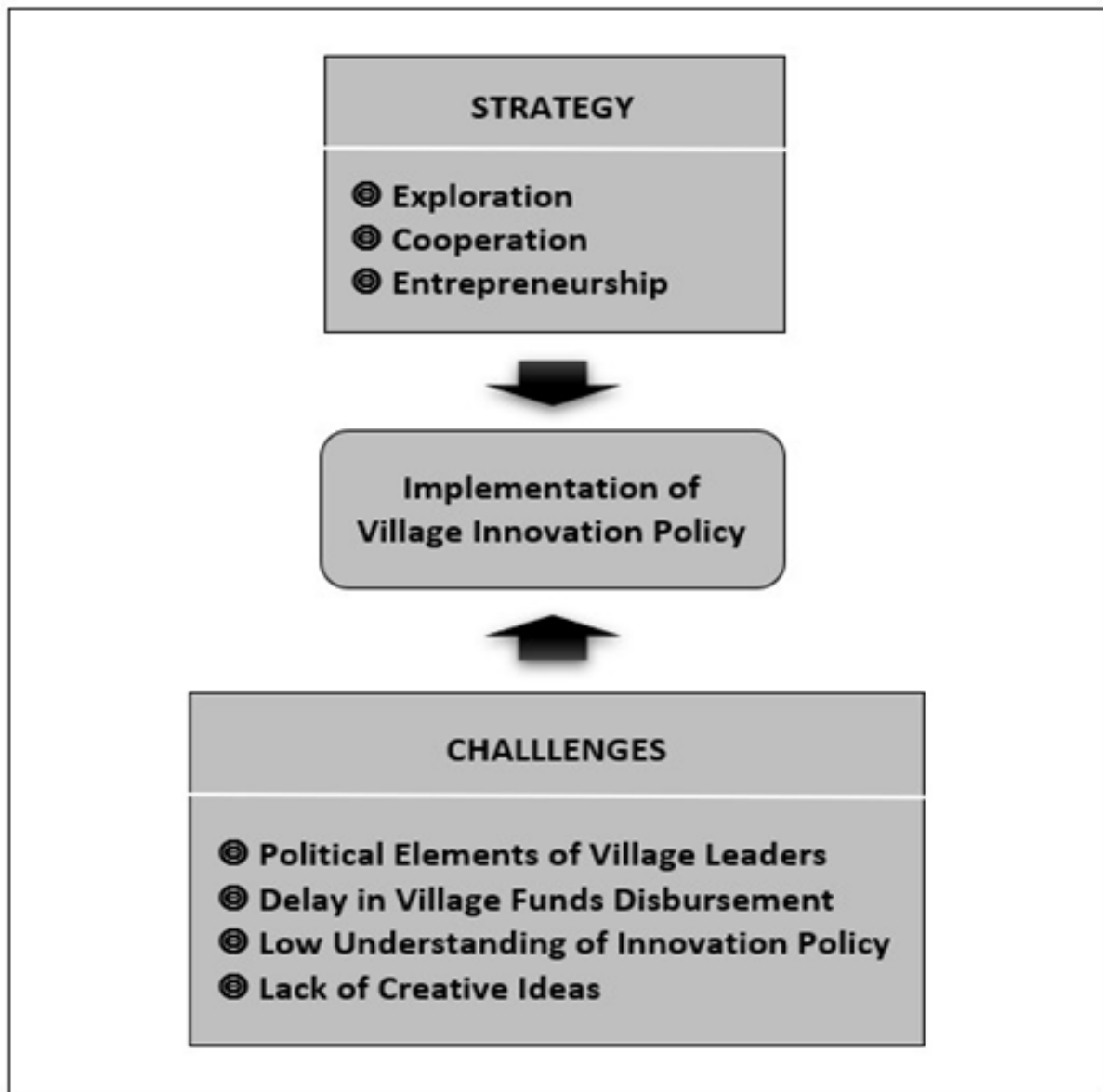
Strategy	Definition	Village Innovation
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Exploration	The stage where the idea of finding a new product is born.	Village leaders create conditions that encourage the creation of creativity which is the emergence of ideas that meet the needs around them or respond to the opportunities that can be obtained by the village.
Cooperation	Provide a mechanism for internal and external coordination	In village innovation the village government must synergise openly with several parties including the regional government, experts from higher education institutions or other business actors and most importantly with community elements that can encourage the emergence of village potential that can be developed in a sustainable manner.
Entrepreneurship	At this stage, ensuring that new ideas can be expressed, accepted and applied.	Village leaders can directly influence the development of entrepreneurship at the village level by showing support, giving appreciation for learning and risk taking

To overcome the challenges of implementing village innovation (Figure 1) innovation policies must be more explicit and transparent, and more aware of the inherent political nature of the interests and motivations that drive the emergence of contradictory innovations (Stirling, 2014). Analysis of value systems to determine potential growth areas is one approach that can help overcome the challenges of innovation (Mastroeni et al., 2013).

**Figure 1.** Innovation Strategy





## Conclusion

The government as a driver of the bureaucratic system has committed itself to exploring how the achievement of sustainable development can be moved to the community environment at the village level by making policies in the form of various rules that lead to the achievement of such development. Policies, in the form of rules and funding through village funds and village fund allocations, have been prepared in the context of achieving sustainable development goals. Government commitment through funding facilities is one of the drivers of innovation, therefore the importance of entrepreneurial competence must be held by village government leaders (Mas, Sukung, & Gorontalo-indonesia, 2020). Policies and funding can be utilised properly in equitable development, community welfare and reducing social inequality in the



move towards village independence. The village innovation program is a strategic one that must be implemented with innovative steps to achieve the goal of sustainable development with development in the community environment. Currently, changes in the structure of community life have begun to shift things that can drive innovation by exploring the potential of each village. This is not an easy matter, many challenges must be faced by the community, especially by the leadership of the village government. The challenges identified in the implementation of village innovation strategies need to be addressed properly and can be used in order to improve future policy making so that innovation programs can be implemented that achieve sustainable development goals. The change of mindset in the community must begin to change towards economic development in the village community (Suranto, Jayanti, Setyawati, & Jatmika, 2020). Thus the change of innovative thought patterns in the current order of life of the village community becomes important. As a limitation of this study, the authors note that the success of village innovation in terms of village independence by examining any increase in village income has not been successfully disclosed. This can be a future research opportunity.

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