

**THE DILEMMA BETWEEN ECONOMIC AND SOCIAL OBJECTIVES
IN STATE ENTERPRISES**
**A Study of Surya Sembada Regional Drinking Water Company (PDAM) In
Surabaya City**

Rendy Billiyanto

Faculty of Social and Political Sciences
University of Airlangga, Surabaya
rendy.billiyanto-2016@fisip.unair.ac.id

Antun Mardiyanta

Faculty of Social and Political Sciences
University of Airlangga, Surabaya
antun.mardiyanta@fisip.unair.ac.id

Erna Setijaningrum

Faculty of Social and Political Sciences
University of Airlangga, Surabaya
erna.setijaningrum@fisip.unair.ac.id

ABSTRACT

The objective of the study was to explain the phenomenon of the dilemma of policy objectives faced by Surya Sembada Regional Drinking Water Company (PDAM) in Surabaya City. State enterprises work with two policy objectives: social and economic objectives. Studies on the dilemma of policy objectives have not been specifically conducted on state enterprises, given that the involvement of political elements cannot be separated from the business processes of state enterprises. This study attempts to examine the theoretical findings of Lipsky's conflict of policy objectives (2010). Furthermore, Groenendyk (2013) and Christensen et al. (2018) also develop academic results on the reprioritization of policy objectives from elected officials. This study using phenomenology research. The analysis in this study is based on in-depth interviews with executives, legislative, bureaucrats, company managers, and observations and literature studies to support the findings. The results found three things. First, each social and economic objective has five aspects. Second, conflicts still exist between these policy objectives even though Surya Sembada Regional Drinking Water Company (PDAM) has succeeded in achieving its social and economic policy objectives. Third, the reprioritization of the policy objectives from the elected officials (mayors and council members) is dominated by the role of mayors who strengthen social objectives.

Keywords: *Policy Objectives, State Enterprises, Dilemmas, Conflicts, Reprioritization*

A. INTRODUCTION

The study of the dilemma of policy objectives is one of the areas of discussion in public policy, which includes ambiguity of policy objectives, conflict of policy objectives, and reprioritization of policy objectives (Lipsky, 2010; Bastien, 2010; Groenendyk, 2013; Christensen et al., 2018). Previous studies on the dilemma of policy objectives have been conducted by Bastien (2010) on immigration policy, Liang (2018) on environmental policy, Christensen et al. (2018) on school performance policy, Cookel, Puurveen & Baumbusch (2018) on a family insurance policy, and Song, Meier & Amirkhanyan (2020) on nursing home policy. However, the researcher only found few studies on government companies, considering that the involvement of political elements cannot be separated in the business processes of state enterprises (Apriliyanti & Randøy, 2018). Therefore, it is essential to address this gap to explore the phenomenon of the dilemma of policy objectives in state enterprises.

State enterprises experienced a moment of rapid development in entrepreneurial government (Osborne & Gaebler, 1992) and contract management eras (Lipsky & Smith, 1998). To go even further, this study follows Halligan (2007) by calling this public sector management reform, which includes intra-sector (outer: corporatization) and inter-sector (outer: privatization, contractualism, competition, and market). This moment has the consequence that the government builds the value of using specific resources to exploit opportunities (Lipsky & Smith, 1998). Based on this, state enterprises are growing even more in sectors that the private sector has done.

The facts show that state enterprises play a crucial role globally. Eight countries in the world (China, United Arab Emirates, Russia, Indonesia, Malaysia, Saudi Arabia, India, and Brazil) have a significant share of state enterprises, and these countries account for more than 20 percent of world trade (Economist, 2014). Therefore, this study uses a phenomenology research approach by focusing on the dilemma of policy objectives in one of the state enterprises in Indonesia.

The term state enterprise is a business entity with a government domain (Cahyaningrum, 2018; Apriliyanti & Randøy, 2018; Apriliyanti & Kristiansen, 2019). This term refers to State-Owned Enterprises (BUMN) and Regional-Owned Enterprises (BUMD), each regulated in a policy document. Indeed, there is only a slight difference between the two. The State-Owned Enterprises (BUMN) operates based on the central government's principles of good corporate governance. In contrast, Regional-Owned Enterprises (BUMD) work based on good corporate governance and regional autonomy owned by regional governments. In this study, state enterprises refer to the second term, the Regional-Owned Enterprises (BUMD).

The Regional-Owned Enterprises (BUMD) can be distinguished based on the form of legal entity. The *Peraturan Pemerintah Nomor 54 Tahun 2017* concerning Regional-Owned Enterprises (BUMD) stated that BUMD consists of regional public companies and regional limited liability companies. Regional public companies are business entities whose entire capital ownership is owned by one regional government and is not divided into shares. Regional limited liability companies are business entities in the form of limited liability companies whose

capital ownership is divided into shares, in which the regional government owns the entire share ownership or at least 51 percent of the shares. In this study, state enterprises refer to Regional-Owned Enterprises (BUMD) in the form of regional public companies.

Indonesia has a total of 1.097 Regional-Owned Enterprises (BUMD) divided into regional public companies and regional limited liability companies (Finance and Development Supervisory Agency, 2019). However, the state enterprises still have 'homework' that has become their trademark, such as corruption, corporate losses, minus dividends, which ultimately burden the government's finances due to continuous capital participation (Kompas Data, 2019). Furthermore, this work causes a debate about the objectives of state enterprises. A state enterprise is successful if it can achieve the objectives or goals set in its policy document. Based on the *Peraturan Pemerintah Nomor 54 Tahun 2017* stated that government companies have two primary objectives: 1) economic objectives, namely companies are directed to be able to contribute to the government's economy, which indicates companies can provide dividends and stimulate economic growth, and 2) social objectives, namely Regional-Owned Enterprises (BUMD) are directed to be able to provide services to the community in accordance with the scope of its business, which indicates the company can provide services based on the principles of equity and social justice. Although the social and economic objectives have been described in the policy document, these objectives still do not have specific aspects. Therefore, this phenomenological study explores the aspects of each of these policy objectives.

Further, this study explores the phenomenon of the success of the Surya Sembada Regional Water Company (PDAM) in achieving social and economic objectives. Surya Sembada Regional Water Company (PDAM) is a Regional-Owned Enterprises (BUMD) in the form of a regional public company whose entire capital ownership is owned by the Government of Surabaya City. It is found that Surya Sembada Regional Water Company (PDAM) has a good category in the results of performance evaluations in the social and economic aspects. Each score is 1.20 for social and 1.14 for the economy and has the highest score for implementing the Drinking Water Supply System (SPAM) in Indonesia (National Agency For Water Supply System Improvement, 2019). Therefore, the researcher argues that Surya Sembada Regional Water Company (PDAM) provides an interesting research locus to explore the phenomenon of the dilemma of policy objectives.

The following section briefly introduces conceptualizations in building theoretical and logical perspectives. This is followed by discussing the phenomenon of the dilemma of policy objectives at Surya Sembada Regional Water Company (PDAM) according to the perspective used. All dates contained in this study are from 2010 to 2020 during the Surabaya mayor's outstanding leadership, Tri Rismaharini, unless otherwise specified.

B. THEORETICAL FRAMEWORK

The starting point is based on the understanding of public policy as a coherent and sustainable action in which decision-making does not end in the

courtroom but continues until the policy is implemented in the field (Lipsky, 2010; Grindle, 2017), or commonly known as the political and administrative discontinuity (Frederickson, 2012). The dilemma of policy objectives has been found since the debate in the courtroom was brought into a policy document (Cookel, Puurveen & Baumbusch, 2018). Then, this dilemma brings consequences to the implementation process of the policy.

The belief that policy implementation is a process that cannot ignore political elements looks realistic. Political officials' control of policy implementation must be done in power as a form of accountability to their voters (Paudel, 2019), which means that the implementor does not come from this power base. Therefore, it is difficult not to involve political elements in policy implementation. Experts in the theory of political control of the bureaucracy, such as Frederickson (2012), discuss compliance and responsiveness. It is an interesting statement that there is so much political control on administrators. It does not mean it is not enough, but many studies have found that political control exceeds the boundaries of the administrator's duties. Therefore, to get a complete understanding of the phenomenon of the dilemma of policy objectives, the researcher explores the ambiguity of policy objectives, conflicting policy objectives, and reprioritization of policy objectives.

The ambiguity of policy objectives is a loose term and is synonymous with the dilemma of policy objectives. One uses the term ambiguity of policy objectives to describe how policy objectives allow leniency for their interpretation (Rainey & Jung, 2014; Bastien, 2010; Cookel, Purveen & Baumbusch, 2018; Song, Meier & Amirkhayan, 2020). Another uses the term ambiguity of policy objectives to describe conflicting policy objectives (Lipsky, 2010; Liang, 2018). In this paper, the researcher attempts to combine the term ambiguity of policy objectives into loose objectives for interpretation and allow for conflicting purposes.

Public policy objectives tend to have ideal dimensions that make them challenging to achieve, confusing, and complicated to approach (Liang, 2018). Empirical assurance regarding the conflict of policy objectives is explained by Lipsky (2010) in health and education institutions. Indeed, the objectives such as good health, equal justice, and public education are, as Lipsky observes as more like receding horizons than fixed targets. Of course, the conditions contrast to services provided by the private sector, which have more apparent objectives (Rainey & Jung, 2014). Conflicts of policy objectives occur because social objectives tend to produce trade-offs or instability (Liang, 2018). Finally, the discussion of conflicting policy objectives leads us to the problem of reprioritizing policy objectives.

The determination of reprioritization or reprioritization of policy objectives is how the parties see the dilemma of policy objectives and determine which policy objectives they must implement first (Groenendyk, 2013). Bastien (2010) found the use of discretion to respond to the dilemma of policy objectives, which are specifically described by Song, Meier & Amirkhayan (2020) as top-level management decisions. In contrast, Christensen et al. (2018) found that the preferences of elected officials who reprioritize the policy objectives are in a

dilemma. This certainly describes how stakeholders can prioritize the same policy objectives that they assign to different issues depending on what makes them look good in the public sphere.

C. METHOD

This study follows the direction of Creswell & Poth (2018), which divides qualitative research into five approaches: narrative, phenomenology, grounded theory, case study, and ethnography. This study uses a phenomenological research approach to consider that the focus is based on one's experience of a phenomenon and the meaning of that experience for the person (Moustakas, 1994, p. 25). The phenomenon of the dilemma of public policy objectives in state enterprises still needs explanations. Therefore, phenomenological research is considered appropriate in this context. Hill & Hupe (2002, p. 41) stated that the study of policy implementation using qualitative methods allows researchers to see the critical aspects of a phenomenon. Brouwer (1984, p. 3) revealed that phenomenology is a distinctive way of thinking. If a positivist researcher convinces people by showing evidence, then phenomenology indicates that others experience the existing phenomena. Furthermore, the researcher used the research procedure that follows in Figure 1 below.

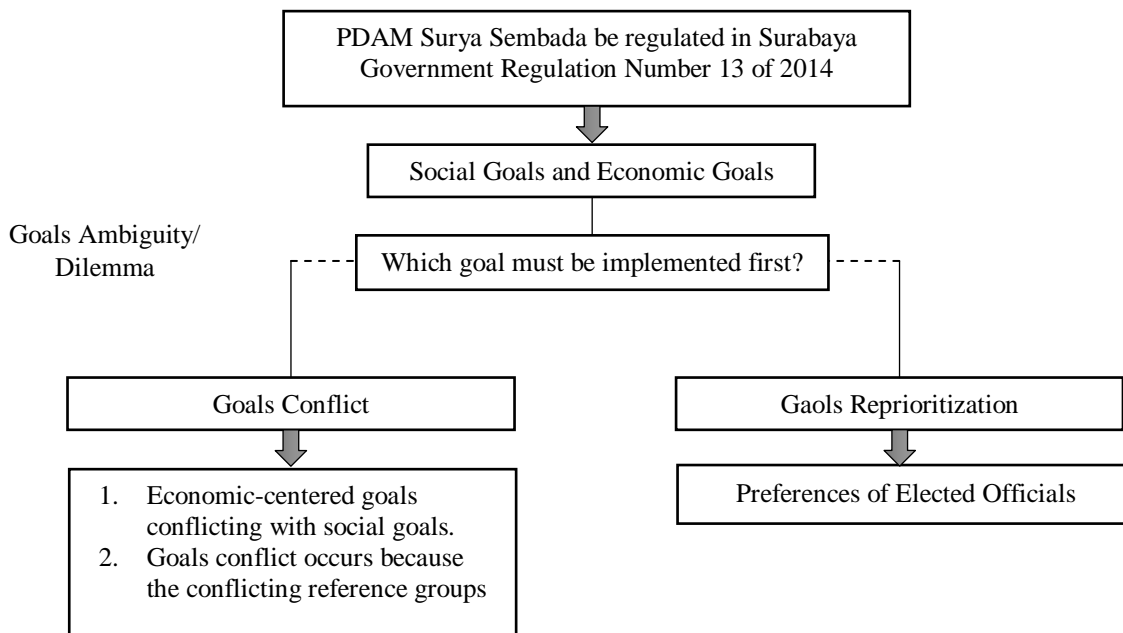


Figure 1. Conceptual Model

This study focuses on the phenomenon of the dilemma of policy objective currently facing by Surya Sembada Regional Water Company (PDAM). In phenomenological research, one's experience and one's meaning of their experience play a key role, so that in-depth interviews with informants are the characteristics of this research. This study uses a purposive technique to determine the informants that aim to identify the types of cases that require information from the thoughts/views of someone who is considered to know about the phenomenon (Neuman, 2013). Furthermore, Creswell & Poth (2018, p.214) mention the

requirements in the purposive technique, which is selecting the informant on the best person or the best place that can help researchers understand a phenomenon. Therefore, the informants are the executive, legislative, bureaucratic, and company managers. Yin (2012) argues that each informant included in the study must contribute to answering research questions. The researcher conducted in-depth interviews with 16 informants and provided strict confidentiality and anonymity to all informants. Table 1 shows a list of all informants.

Table 1. List of informants

Institution	Informant	Amount
Executive	1 Former Mayor	1
Legislative	1 Commission Representative 1 Commission Secretary 1 Commission Member 1 Head of Division	4
Bureaucrats	2 Heads of Division 2 Heads of Sub Division 1 Sub Division Staff	5
Company	1 President Director 1 Senior Manager 2 Managers 2 Supervisors	6
Total		16

The researcher conducted semi-structured interviews and studied the background of all informants with their various affiliations to obtain diverse perspectives from the interviews. The main problem raised in the interviews was not about the dilemma of policy objectives or the conflict of policy objectives. The researcher assumed that the informants would not want to participate if that happened. The researcher started with questions about corporate governance in general at Surya Sembada Regional Water Company (PDAM) and also questions on the practical issue of implementing policy objectives. It is important to ask for available information before asking for details on such a sensitive matter. Questions should be asked in a non-threatening and non-confrontational manner because phenomenological research makes efforts to reduce or delay the assessment beforehand (bracketing) to bring up knowledge of every phenomenon (doubt) that arises. Some informants did not reveal any ‘secrets’ for the first 20-30 minutes because the interviewer and the informant were trying to build trust. The interviews that last for 1-2 hours were recorded and immediately transcribed.

In addition to in-depth interviews, the researcher also collected data through observation and literature study to support the findings, which allows a variety of sources of evidence and the triangulation of information (Yin, 1984). To analyze the results, the researcher follows the direction of Creswell & Poth (2018: 54-55, 147-150) and Moustakas (1994: 235-237) with the following procedures:

1. The initial stage: The researcher fully describes the phenomenon of the dilemma of policy objectives experienced by the research subject. The

researcher then transcribed all data and information obtained from the established data collection techniques into written language.

2. The horizontalization stage: The researcher takes an inventory of meaningful statements relevant to the phenomenon of the dilemma of policy objectives from the results of the transcripts.
3. The cluster of the meaning stage: The researcher classifies the statements into themes or meaning units and set aside overlapping or repetitive words. At this stage, the researcher conducts textural and structural descriptions.
4. Essence description stage: The researcher constructs a comprehensive description of the meaning and essence of the subject's experience.

D. FINDINGS

All informants agreed that a dilemma occurred in implementing policy objectives of Surya Sembada Regional Water Company (PDAM). Surya Sembada Regional Water Company (PDAM) policy objectives have two primary objectives: social and economic. The example can be seen in the typical statement of an informant from the legislative that "Regional Water Company (PDAM) has two objectives: social and economic. A dilemma occurs when there is confusion about which goals or objectives the Regional Water Company (PDAM) wants to achieve." Another informant also stated that "It is not only happening in the Regional Water Company (PDAM), but all Regional-Owned Enterprises (BUMD) in Surabaya City is experiencing a similar phenomenon."

Furthermore, this study found that the social and economic objectives of Surya Sembada Regional Water Company (PDAM) are not as severe as before the issuance of the *Peraturan Daerah Kota Surabaya Nomor 13 Tahun 2014*. This policy regulates specific legal measures regarding aspects assessed for both social and economic objectives, which means that before this policy, namely the *Peraturan Daerah Kota Surabaya Nomor 9 Tahun 2009*, the dilemma of social and economic objectives was more evident. Surya Sembada Regional Water Company (PDAM) policy objectives are regulated in Article 7 of the *Peraturan Daerah Kota Surabaya Nomor 9 Tahun 2009*. This policy was later changed to the *Peraturan Daerah Kota Surabaya Nomor 13 Tahun 2014*, divided into Article 7 and Article 7A and Article Explanation. The rest of the presentation of the interview results was to identify social and economic objectives, which then ends with the final findings regarding conflicting policy objectives and reprioritizing policy objectives.

From the various data that have been collected, the researcher found five aspects of the social objectives that Surya Sembada Regional Water Company (PDAM) is trying to achieve, among others are:

1. Service coverage: It is the measurement result of the population in the service area that has received services from Surya Sembada Regional Water Company (PDAM);
2. Customer growth: It is the measurement result of the number of additional customers who have enjoyed the services or products from Surya Sembada Regional Water Company (PDAM) within one year;

3. Complaint settlement: It is the measurement result of the level (amount) of follow-up or complaint settlement that has been followed up by Surya Sembada Regional Water Company (PDAM);
4. Water quality: It is the measurement result of the water quality of customers who have met the requirements;
5. Water consumption: It results from the effectiveness of the distribution system management and household customer service.

Overall, Surya Sembada Regional Water Company (PDAM) has succeeded in achieving all aspects of its social objectives, characterized by scores of 4 to 5 (see **Table 2**). The success of Surya Sembada Regional Water Company (PDAM) in achieving the social objectives is accompanied by various programs to improve the social objectives. The researcher also found five types of service programs provided by Surya Sembada Regional Water Company (PDAM) to the community, including the master meter program, network installation assistance, network installation discounts, open tables, and consumer prices.



Figure 2. Surya Sembada Regional Water Company (PDAM) Master Meter Program

Source: *Company Documentation (2019)*

First, the master meter program is a breakthrough program by Surya Sembada Regional Water Company (PDAM). This program is intended for people who are deal with problems such as occupying informal land or land areas. For example, riverbanks, disputed lands, government lands, or other agency lands are administratively the people who inhabit the area and cannot get the service.



Figure 3. Surya Sembada Regional water Company (PDAM) Free Network Installation Assistance Program

Source: *Company Documentation (2019)*

Second, the free network installation assistance program is intended for people living in areas that have met technical requirements but cannot finance drinking water infrastructure.

The advertisement is for PDAM Surya Sembada Kota Surabaya. It features a large, bold title: "DISKON PASANG BARU PDAM DIPERPANJANG HINGGA 30 JUNI 2020". Below the title, it states "Biaya mulai 200 ribuan" with a small note "*Biaya berdasarkan daya listrik". To the right, there is a box with contact information: "Informasi lebih lanjut hubungi : Telp. 031 - 5041815, Hp. 081331861041, 0851 0507 0666, 031 - 5039373, 5039676 Ext 1112, Call Center Bebas Pulsa 0800-192-6666 (24 Jam)". Below this is a list of requirements under "Syarat :": 1. Fotokopi Surat Kepemilikan Tanah / Bangunan, 2. Fotokopi KTP dan KK, 3. Fotokopi Rekening Listrik, 4. Fotokopi SPPT PBB. A note says "(Jika persyaratan kurang, bisa mengisi form surat pernyataan yang disediakan PDAM)". At the bottom, it says "UNTUK PERSIL RUKO, KOS, DAN USAHA AKAN DIKENAKAN TAMBAHAN BIAYA SARANA INVESTASI (BSI)". The footer contains social media icons and contact numbers: 08001926666 (Bebas Pulsa), PDAM Surya Sembada, @PDAMSurbaya, PDAMSuryaSembada, and 081-2331-6666.

Figure 4. Discount Program for Surya Sembada Regional Water Company (PDAM) Network Installation

Source: Company Documentation (2019)

Third, the network installation discount program is the Surya Sembada Regional Water Company (PDAM) program. This program is intended for various customer groups (household group, general social group, particular social group, and business group) based on their electrical power.

Fourth, the open table program is a program that aims to bring Surya Sembada Regional Water Company (PDAM) closer to the community. This program provides facilities to the community, customers, and non-customers who want to pay water bills, file complaints, or register for new network installations.

Fifth, the consumer prices for Surya Sembada Regional Water Company (PDAM) have not been adjusted since 2005, which is interpreted as a form of the commitment to improving social objectives.

Meanwhile, the researcher found five aspects of the economic objectives that Surya Sembada Regional Water Company (PDAM) is trying to achieve, among others are:

1. Return on equity (ROE): It is a profitability ratio that describes the ability of Surya Sembada Regional Water Company (PDAM) to generate profits to be distributed to capital owners (Government of Surabaya City).
2. Operation ratio: It is a ratio that describes the costs required by Surya Sembada Regional Water Company (PDAM) to earn revenue.
3. Cash ratio: It is a ratio that describes the cash ability of Surya Sembada Regional Water Company (PDAM) to cover debts that have overdue.
4. Effectiveness of collection: It is a ratio that describes the ability of Surya Sembada Regional Water Company (PDAM) in terms of receivables withdrawal.
5. Solvability: It is a financial ratio that describes the ability of Surya Sembada Regional Water Company (PDAM) to meet all of its obligations, both short-term and long-term debt, through its assets.

Overall, Surya Sembada Regional Water Company (PDAM) has succeeded in achieving four of the five aspects of economic objectives, characterized by a score of 4 to 5. While one aspect, namely the operation ratio, has a score of 3 (see Table 2). Furthermore, assessment is based on three categories: healthy (score 4 to 5), unhealthy (score of 3), sick (score of 1 to 2).

Table 2. The Assessment Results of Aspects in the Social and Economic Objectives of Surya Sembada Regional Water Company (PDAM)

Aspects	2014		2015		2016		2017		2018		2019	
	Situa Tion %	Va lues	Situa Tion %	Va lues	Situa Tion %	Va lues	Situa Tion %	Va lues	Situa Tion %	Va lues	Situa Tion %	Va lues
Aspects of the social objectives												
Service Coverage	98,6	5	92,7	5	97,0	5	96,5	5	98,9	5	99,91	5
Customer Growth	3,8	5	2,0	5	2,0	5	1,42	5	1,22	5	2,10	5
Complaint Settlement	88,0	5	91,0	5	94,4	5	70,74	4	95,77	5	94,51	5
Water Quality	54,7	3	67,5	4	73,3	4	76,5	4	63,25	5	55,62	3
Water Consumption	27,9	4	28,2	4	28,6	4	28,02	4	29,45	4	28,41	4
Aspects of the economic objectives												
ROE	19,5 %	5	18,89 %	5	18,9 %	5	18,65 %	5	19,70 %	5	19,82 %	5
Operation Ratio	0,70	3	0,70	3	0,70	3	0,69	3	0,65	3	0,65	3
Cash Ratio	597,1 %	5	577,5 %	5	519,4 %	5	527,7 %	5	473,9 %	5	319,5 %	5
Effectiveness of collection	99,6 %	5	98,1 %	5	97,0 %	5	98,1 %	5	97,5 %	5	97,7 %	5
Solvability	607,1 %	5	628,4 %	5	748,4 %	5	813,3 %	5	996,5 %	5	1.195 %	5

Source: Analysis (2020)

Conflicts

Conflict of Social and Economic Objectives

This study examines the conflict in every aspect of social and economic objectives. The finding is that not all aspects of social and economic objectives conflicting when interacting in the field. This explanation is directed at aspects in the policy objectives that get contradicted. There are four conflicts of policy objectives of Surya Sembada Regional Water Company (PDAM): 1) water quality of customers (social objective) and operation ratio (economic objective); 2) customer's water consumption (social objective) and operation ratio (economic objective); 3) service programs (social objective) and operation ratio (economic objective); and 4) service coverage (social objective) and operation ratio (economic objective).

First, the water quality of customers conflicts with the operating ratio. To improve water quality requires various developments such as increasing the capacity of drinking water treatment installations, which ultimately increases operating expenses and lowers the company's cost ratio to earn revenue if the prices have not been adjusted for a dozen years.

Second, the customer's water consumption conflicts with the operating ratio. One of the results of measuring customer water consumption comes from distribution installations where the level of Non-Revenue Water (NRW) in the water distribution process is 31,70 percent. With a targeted profit every year, the company's strategy is to make efficient in financing areas. For example, some maintenance activities are postponed to the following year or prioritize repairing activities rather than replacing problematic pipes.

Third, the service program conflicts with the operating ratio. Various service programs such as master meters, network installation assistance, network installation discounts, and consumer prices are below the Cost of Goods Sold. For example, the tariff price for lower-class customers is IDR 350, where the Cost of Goods Sold of water is IDR 2000 per cubic meter.

Fourth, service coverage conflicts with the operating ratio. Companies must pay more to expand service coverage, such as installing pipes in 'unserved' settlements for people who live on railroad tracks. In addition, the company's water production capacity is still limited to serve people in elite settlements who have high levels of water needs.

Conflicts of Policy Objectives Due to Conflicting Motivations

Conflicts of policy objectives also occur due to the different motivations of various interested parties regarding the policy objectives of Surya Sembada Regional Water Company (PDAM). Furthermore, this study distinguishes motivation into three forms including political, political and rational, and rational.

First, political motivation is the motivation adopted by those who pursue social objectives. Political motivation is evident in Regional-Owned Enterprises (BUMD) development in Surabaya city, directed to achieve social objectives. The example can be seen in the typical statements of informants from the executives and bureaucrats. They stated, "The main objectives of Regional-Owned Enterprises (BUMD) in Surabaya city are social objectives." They added, "It does not mean that the economy is not important, where (social) services are first then

economic later, which distinguishes Regional-Owned Enterprises (BUMD) from the private companies sector because there is a larger social objective.”

The politically motivated parties believe that Surya Sembada Regional Water Company (PDAM) is a Regional-Owned Enterprises (BUMD), which is normal if the company prioritizes its social objectives. Furthermore, Surya Sembada Regional Water Company (PDAM) ownership is owned wholly by the Government of Surabaya City. The researcher found a tendency for Surya Sembada Regional Water Company (PDAM) to become a ‘tool’ for the Government of Surabaya City to provide services to the community.

In terms of political motivation, this study also found that Regional-Owned Enterprises (BUMD) condition that experienced losses was not the main issue. The example is seen in the typical statement of informants from the legislative who stated, “We don’t mind the loss of Regional-Owned Enterprises (BUMD) and if it makes a profit. The benefit party is the regional government, and it is not appropriate if the Regional-Owned Enterprises (BUMD) experiences a profit, but the social welfare is bad.”

Second, political and rational motivations are motivations adopted by those who pursue both social and economic objectives. Politically and rationally motivated parties believe that Surya Sembada Regional Water Company (PDAM) can go hand in hand. The example can be seen from the typical statement of a company informant who stated, “social and economic objectives are like two sides of a coin but remain one, we synchronize it with a variety of strategies.”

In terms of political and rational motivation, this study found that the balance of the objective achieved by Surya Sembada Regional Water Company (PDAM) resulted from implementing the proper strategy. All Regional Water Company (PDAM) in Indonesia have social and economic objectives. On the one hand, the aim is to ensure that all communities can enjoy clean water. On the other hand, the objective is to develop the company and pay the employees. The example can be seen from the typical statement of a company informant who stated, “if we experience losses because we are only pursuing social objectives, will the owners of capital want to finance it all? Hence, these two goals have become obligations for us to achieve together.”

Third, rational motivation is the motivation adopted by those who pursue economic objectives. The rational motivation is evident in the status carried by Surya Sembada Regional Water Company (PDAM), which is a company. The parties are rationally motivated because they believe that the company should pursue economic objectives to maintain and develop its organization.

In rational motivation, this study also develops the term ‘impure social objectives.’ The term is to describe the objectives that Surya Sembada Regional Water Company (PDAM) is pursuing, namely social objectives that do not really serve as social objectives, or social objectives that are taken into account. This term is characterized by low-income people who are still subject to water tariffs prices. Although the water tariff prices are below the Cost of Goods Sold, no single sustainable free program from the company for low-income communities exists. The condition is certainly in contrast with the company’s income which always increases every year. The statement of an informant from the legislative

stated that “there should be a continuous program with such a large income, not a periodic one, which in the end low-income people will have to struggle to pay.”

This study found some typical statements from rationally motivated parties. First, an informant from the company stated, “social programs are not profitable for us, which means that there must be a calculation. The social objectives are not necessarily in line with the economic objectives.” Second, the same informant from the company stated that “for example, there is a calculation for the free pipeline construction, we will build it as long as many people live there.” Finally, an informant from the legislative said that “Indeed, companies must pursue economic objectives. If they want to pursue social objectives, they can return to the form of the Drinking Water Foundation, which is purely for social purpose.”

E. DISCUSSION

In this section, the researcher combines the statements from the theory section with the interview findings and explains the success factors achieved by Surya Sembada Regional Water Company (PDAM).

Policy objectives are something that must be considered in a policy run by a state enterprise, which usually works with ambiguous and conflicting objectives. Should state enterprises pursue social objectives rather than economic objectives or vice versa? Surya Sembada Regional Water Company (PDAM) is experiencing this phenomenon. Lipsky’s statement (2010, p. 40) that the government domain often experiences ambiguity in policy objectives which in turn can lead to conflicting policy objectives.

Indeed, in practice, the policy objectives of Surya Sembada Regional Water Company (PDAM) conflict. This finding supports the empirical data from Lipsky (2010) that economic objectives have an obvious advantage over social objectives, and economic objectives support social objectives. However, this ‘balance condition’ between social and economic objectives is determined by several factors, explained in the next section. Moreover, the study also finds several conditions that social objectives are essential than economic objectives. This finding is due to differences from a study conducted by Lipsky (2010) on health and education institutions. At the same time, this study was conducted on the state enterprises. In this case, this study attempted to identify every aspect of the policy objective and found that not all aspects of the policy objective, both social and economic, conflicted.

This study also defines that conflict of policy objectives comes from the parties’ motivation to determine the company’s policy objectives. The fact that companies have to fulfill the desires shaped by certain preference groups becomes apparent, even if it goes against their motivations. The preference group refers to the elected officials or political officials. This study supports the findings of Christensen et al. (2018) that the intervention from elected officials is significant in reprioritizing the policy objectives of Surya Sembada Regional Water Company (PDAM). Public policy control must be exercised by elected officials whose power comes from accountability to voters through their elected representatives. Surya Sembada Regional Water Company (PDAM) does not come from this power base and is compounded by the blurring of political and

administrative boundaries in implementing public policies. However, this study finds that only mayors (and bureaucrats) have a significant relationship. At the same time, council members have a weak relationship in determining the reprioritization of policy objectives. The result is also supported by the statement of informants from the board members that “We can only give suggestions. No matter how hard we try, the decision is all up to the mayor. Whether we like it or not, it is the mayor’s decision. We cannot execute things in the company.”

This study also clearly sees that the reprioritization of policy objectives by the mayor (and the bureaucracy) is ‘natural’ and wholly owned by the Government of Surabaya City. They can direct companies to pursue social objectives or prioritize service to the community with political motivation. Although this study finds that the social objectives being pursued by companies are ‘impure social objectives,’ the intervention of the Government of Surabaya City in reprioritizing policy objectives allows companies to keep their social objectives in balance with economic objectives.

This finding rejects the use of discretion in the reprioritization of policy objectives by Bastien (2010) and top-level management decisions by Song, Meier & Amirkhayan (2020). This study sees it so vaguely because Bastien explores only from the point of view of policy implementers and ignores political elements’ involvement. The fact found by Apriliyanti and Randø (2018) that there is political involvement in state enterprises’ business processes in Indonesia supports the argument in this study. Furthermore, Apriliyanti & Kristiansen (2019) findings that there is a process of secret collaboration between people in charge of state enterprises and politics.

Strategies of the Balanced Condition of PDAM

This study succeeded in finding two strategies implemented by Surya Sembada Regional Water Company (PDAM) to balance policy objectives, including social and economic objectives.

1. Cross subsidies. The company’s primary source of income comes from tariffs charged to customers. Meanwhile, the company has not adjusted the tariffs since 2005. The increase of the company’s revenue is due to cross-subsidies in which upper-class customers subsidize lower-class customers. This study also finds a tendency for companies to change subsidized customers to non-subsidized customers, which is characterized by an increase in the intensity of the subsidy in the customer surveys.
2. Variations in sources of income. Another strategy taken by the company is to add other sources of income by expanding the business field and managing the company’s assets. One of the company’s non-business sources of income is the laboratory. It is noted that the company has three laboratories that have been certified ISO/IEC 17025:2017, including the Microbiology and Physics Testing Laboratory, the Chemical Testing Laboratory, and the Calibration and Metering Laboratory.

Aspects of the Balanced Condition of PDAM

This study finds three aspects that make Surya Sembada Regional Water Company (PDAM) successful in achieving a balanced condition in terms of policy objectives.

1. Core business. Surya Sembada Regional Water Company (PDAM) is a company that has its principal business activities ranging from production to distribution of clean water, where water is a fundamental human need.
2. Maturity of the company. Surya Sembada Regional Water Company (PDAM) is a company that has been around for a long time with extensive resources and a wide range of services. There are conditions where economic-centered objectives support social objectives. However, this condition takes a long time to be perceived.
3. Company status. Surya Sembada Regional Water Company (PDAM) is a state enterprise in the form of a regional public company. The company must fulfill social and economic objectives with this status.
4. The commitment of many parties. Many parties are interested in Surya Sembada Regional Water Company (PDAM) due to the company's status. Therefore, the commitments formed by many parties determine the success of achieving the company's policy objectives so far—commitment from the government as owners, directors, managers, employees, and customers. Commitment from the government can be done through various policies that make it easier for the company. The commitment from the company internal can be seen through the company's vision, mission, and strategy, which can finally create a further commitment, namely commitment from customers such as timely payment of water bills.

F. CONCLUSION

State enterprises play a dominant role in Indonesia, as in other developing countries, and this study sees no momentum towards a decline in government ownership of companies. The main objective of this study is to explain the phenomenon of the dilemma of policy objective that is being faced by one of the state enterprises that has succeeded in balancing its social and economic objectives, namely Surya Sembada Regional Water Company (PDAM). Even though Surya Sembada Regional Water Company (PDAM) succeed in achieving its policy objectives, it stills specifically operates with ambiguous and conflicting objectives.

Based on the empirical findings and theoretical discussions, it can be concluded that the phenomenon of the dilemma of policy objectives in Surya Sembada Regional Water Company (PDAM) leads to an ambiguous condition that ultimately has the potential for conflict. This conflict is not only happening in every aspect of social and economic objectives. But, this conflict also occurs due to the conflicting motivations of the various parties. Finally, the elected officials determine the reprioritization of policy objectives, including the mayor and bureaucrats. This study underlines the important point of the findings that the balanced condition achieved by Surya Sembada Regional Water Company (PDAM) was due to the intervention of politically motivated elected officials, but this can also be dangerous. Therefore, the researcher suggests empirical research on political and business processes in various contexts. The ideal of separation of power and oversight and balance for good governance seems to require more than good corporate governance to penetrate.

REFERENCES

- Apriliyanti, I.D. & Kristiansen, S.O. (2019). The Logics of Political Business in State-Owned Enterprises: The Case of Indonesia", *International Journal of Emerging Markets*, Vol. 14 (5), 709-730. DOI: <https://doi.org/10.1108/IJOEM-08-2018-0433>
- Apriliyanti, ID & Randøy, T. (2018) Between Politics and Business: Boardroom Decision Making in State-Owned Indonesian Enterprises. *Corporate Governance: An International Review*. Vol. 27 (3), 166– 185. DOI: <https://doi.org/10.1111/corg.12270>
- Bastien, Joelle. (2010). Goal Ambiguity and Informal Discretion in The Implementation of Public Policies: The Case of Spanish Immigration Policy. *International Review of Administrative Sciences*, Vol. 75 (4), 665-685. DOI: <http://journals.sagepub.com.unair.remotexs.co/doi/pdf/10.1177/0020852309351472>
- Brouwer, M.A.W. (1984). *Fenomenologis*. Jakarta: Gramedia
- Christensen, Julian, Dahmann, Casper Mondrup, Mathiasem, Hovgaard, Moynihan, Donald P, dan Petersen, Niel. (2018). How Do Elected Officials Evaluate Performance? Goal Preferences, Governance Preferences, and the Process of Goal Reprioritization, *Journal of Public Administration Research and Theory*, Vol. 28 (2), 197–211. DOI: <https://doi.org/10.1093/jopart/muy001>
- Cookel, Heather, Keefe, Janice, Taylor, Deanne, Parker. (2018). Including Family Caregivers in Canadian Long-Term Care: Ambiguity Between Policy and Practice. *Innovation in Aging*. Vol. 2 (1), 396. <https://doi.org/10.1093/geroni/igy023.1478>
- Creswell, J. W. & Poth, C. N. (2018). *Qualitative Inquiry & Research Design: Choosing Among Five Approaches*. Fourth Edition. California: Sage Publications Inc
- Economist. 2014. State Capitalism in The Dock: The Performance of State-Owned Enterprises Has Been Shockingly Bad. *The Economist*, 22 November 2014. Retrived from <https://www.economist.com/business/2014/11/20/state-capitalism-in-the-dock>
- Finance and Development Supervisory Agency (BPKP). (2019). Reviu Literatur Pengelolaan Badan Usaha Milik Daerah. Publikasi Badan Pengawasan Keuangan dan Pembangunan Pusat Penelitian dan Pengembangan Pengawasan Nomor LP-125/LB/2019. Retrived from <http://www.bpkp.go.id/puslitbangwas/konten/2291/14.125-Reviu-Literatur-Pengelolaan-Badan-Usaha-Milik-Daerah>
- Frederickson, H. George. (2012) *Chapter II: Political Control of Bureaucracy*. Dalam *The Public Administration Theory Primer*. Second Edition. United States: Westview Press
- Grindle, Marilee S. (2017). *Chapter I: Policy Content and Context in Implementation*. In *Politics and Policy Implementation in The Third*

- World. Marilee S. Grindle (ed) 2017 Edition.. Princenton New Jersey: Princenton Legacy Library
- Groenendyk, Eric W. (2013). *Competing Motives In The Partisan Mind: How Loyalty and Responsiveness Shape Party Identification and Democracy*. New York: Oxford University Press
- Halligan, John. (2007). Reintegrating Government in Third Generation Reforms of Australia and New Zealand. *Public Policy and Administration*. Vol. 22 (2), 217-238. DOI: <https://doi.org/10.1177/0952076707075899>
- Hill, Michael and Hupe, Peter. (2002). *Implementing Public Policy*. London: Sage Publication
- Liang, Jiaqi. (2018). Regulatory Effectiveness and Social Equity in Environmental Policy: Assessing Goal Conflict, Trade-Off, and Synergy. *The American Review of Public Administration*, 48 (7), 761–776. DOI: <http://doi.org.unair.remotexs.co/10.1177/0275074017727365>
- Lipsky, Michael. (2010). *Part II: Condition of Works*. In *Street-Level Bureaucracy: Dilemmas of The Individual in Public Services*. 30th Anniversary Expanded Edition. New York: Russel Sage Foundation
- Lipsky, Michael dan Smith, Steven Rathgeb. (1998). *Nonprofits For Hire: The Welfare State in The Age of Contracting*. Massachusetts: Harvard University Press
- Moustakas, Clark. (1994). *Phenomenological Research Methods*. New Delhi: Sage Publications.
- National Agency For Water Supply System Improvement (BPPSPAM). (2019). BPPSPAM) Kementerian PUPR. (2020). *Buku Kinerja Penyelenggaraan SPAM 2018: Wilayah II*
- Neuman, Lawrence W. (2013). *Metode Penelitian Sosial: Pendekatan Kualitatif dan Kuantitatif Edisi ke 7*. Transl. Edina T. Sofia. Jakarta: PT Indeks
- Osborne, D. & Gaebler, T. (1992). *Reinventing Government: How the Entrepreneurial Spirit is Transforming the Public Sector*. New York: Addison-Wesley
- Paudel, Raj Narendra. (2019). Critical Account of Policy Implementation Theories: Status and Reconsideration. *Nepalese Journal of Public Policy and Governance*, 25(2), 36-54.
- Song, M., Meier, K. J., & Amirkhanyan, A. (2020). Goal Ambiguity, Management, and Performance in U.S. Nursing Homes. *Administration & Society*. 1-39. <http://doi.org.unair.remotexs.co/10.1177/0095399720901343>
- Yin, R.K. (2012). *Applications of Research*. Los Angeles, CA: Sage Publications