

## Political Support Model for the Performance of Regionally-Owned Enterprises (BUMD) in South Sulawesi Province

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### Abstract

The performance of Regional-Owned Enterprises (BUMD) in Indonesia, particularly in South Sulawesi Province, continues to face structural challenges rooted in political and institutional dynamics at the local level. Dependence on government capital injections, regulatory uncertainty, and the dominance of political interests in decision-making indicate that political dimensions remain a determining factor in regional economic effectiveness. In institutional politics, this dissertation seeks to explain how political power, regional institutions, and economic interests interact in shaping political support for the performance of regional-owned enterprises (BUMDs). This study employs a qualitative approach with a case study strategy on PT Sulsel Citra Indonesia (PT SCI) as the primary unit of analysis. Data were collected through in-depth interviews, policy document analysis, and field observations. The analysis was conducted using the Institutional Political Economy Analysis method to trace the interactions among political, bureaucratic, and economic actors within the context of BUMD policy formation. The findings reveal three key points the development of an Open Model of Political Support, which positions politics as a facilitative rather than an interventionist force. This model illustrates a collaborative and adaptive relationship among local governments, regional parliaments (DPRD), and BUMD within a transparent and accountable system. These findings broaden the study of institutional political economy and contribute to strengthening democratic, effective, and sustainable governance of regional-owned enterprises at both provincial and district levels.

**Keywords:** *Political Support, Performance, Institutional Politics, Political Economy.*

### Introduction

Political economy as a discipline developed alongside the transformation of the relationship between the state and the market throughout the history of human civilization (Fatur, 2025). In the 18th century, Adam Smith in *The Wealth of Nations* emphasized the importance of free markets and a minimal role for the state in the economy. Smith criticized excessive state intervention as it could hinder economic efficiency and individual freedom to conduct business. However, this idea was challenged by Karl Marx in *Das Kapital*, who observed that economic power tends to be concentrated in the hands of a small capitalist elite who use political instruments to maintain their dominance over the working class. Marx emphasized that the economy cannot be separated from political structures because the state often serves as a tool for the economic interests of certain groups (Block, 2021).

Over time, modern political economic theory has presented a more complex perspective, one of which is through the liberal approach to political economy. Joseph Schumpeter in *Capitalism, Socialism, and Democracy* highlighted the role of innovation and entrepreneurship in a dynamic capitalist system. However, he also acknowledged that political actors often have incentives to maintain the status quo through various forms of intervention, both regulatory and protectionist policies. In the context of state-business relations, the rent-seeking theory proposed by Downie (2017) shows that business actors often focus more on gaining political advantage than on increasing productivity. This is relevant in understanding how regional companies rely on political support to gain access to strategic projects.

Liberalism in modern political economy, developed by Pearson (2005), emphasizes that political and economic institutions mutually influence the regulation that governs the business world. North

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explains that strong institutions are a key factor in ensuring economic and political stability that can foster growth. In the context of regional companies, this approach is relevant in understanding how government regulations and institutions can be supporting or hindering factors in the performance of regionally-owned enterprises (BUMD).

From the perspective of political economy liberalism theory, regional companies should ideally be able to compete independently without excessive dependence on political actors. However, in reality, regional companies often experience dependence on capital and regulations issued by the regional government. In the context of PT SCI, dependence on political support is evident in several key factors: first, dependence on capital due to the absence of capital participation from the regional government for 15 years; second, dependence on regulations that determine the company's flexibility in running its business; and third, the inability to compete effectively due to limited resources and bureaucracy that hinder innovation and business expansion.

PT Sulsel Citra Indonesia (PT SCI), as a regional company in South Sulawesi Province, faces political economic dynamics that reflect the problematic relationship between business and politics at the local level. Several key issues focused on this research include dependence on political support. PT SCI does not receive financial support from the regional government. This situation indicates that access to funding is highly dependent on the effectiveness of political lobbying and the relationship between the board of directors and key political actors in the regional government.

The board of directors of PT SCI also faces challenges in implementing policies sustainably due to the lack of strong political support (Post et al., 2011). Changes in directors resulting from changes in political leadership often result in changes to company policies, including business partnerships. Furthermore, PT SCI holds shares worth IDR 245 billion, but these assets are not liquid, making them difficult to optimize without government financial support. This limitation demonstrates how political decisions impact the operational sustainability of regionally-owned enterprises (BUMD).

PT SCI's distinction compared to BUMDs in other provinces lies in its broader and more diversified business structure. Unlike most BUMDs that manage only one or a few specific business sectors, PT SCI manages a variety of sectors, including services, trade, property, and transportation, such as railways. PT SCI also forges various strategic partnerships with private companies in its operations. This business diversification enables PT SCI to survive despite financial challenges and policy uncertainty. This demonstrates that despite the company's numerous business units, appropriate management strategies can ensure long-term stability and growth.

Regarding the process of political support for regional companies, the theory of Political Economy of Institutions is relevant. This theory explains how political and bureaucratic institutions influence economic policy and regulatory implementation within a government system. Montes & Nogueira (2022) stated that weak institutions can create uncertainty in economic policy, ultimately impacting the business world. In the context of PT SCI, this is reflected in inconsistent regulatory development, budget allocations that do not support business growth, and political networks that play a role in determining the direction of company policy.

Political support can influence the performance of regionally-owned enterprises (BUMDs). This can be explained using the Public Choice theory approach. This theory argues that political actors, including government officials and bureaucrats, have vested interests in the distribution of public resources. This explains how regulatory development can be influenced by specific political interests that are often at odds with economic efficiency. In the case of PT SCI, slow regulatory development and complex bureaucracy were major obstacles to gaining more stable and sustainable political support.

Furthermore, the concept of rent-seeking in political economy can also explain how regional companies become trapped in the dynamics of political dependency. Yan & Chang (2018) explains that companies that rely on political connections to obtain strategic projects often focus not on increasing competitiveness and efficiency, but rather on maintaining access to favorable policies. PT SCI faces a similar situation, requiring the company to engage in various political lobbying efforts to obtain regulatory and financial support.

In this study, the concept of political dependency in regionally-owned enterprises (BUMD) will be analyzed based on three main aspects: first, how capital dependency reflects the inability of regional companies to develop without government intervention; second, how regulatory dependency reflects bureaucratic and legal barriers in regional company operations; and third, how the inability to compete

reflects the company's limitations in facing competition from the more flexible and innovative private sector.

Thus, this study will provide deeper insight into the relationship between political support and BUMD performance, particularly in the context of PT SCI. By delving deeper into the unique and urgent aspects of the political economic dynamics faced by PT SCI, this research is expected to provide recommendations for an ideal model for political support for BUMD performance and serve as an academic reference in the study of the political economy of regional companies.

## **Methods**

The research approach used by the author is descriptive qualitative using a case study approach. Qualitative research is research to explore and understand the meaning that a number of individuals or groups of people ascribe to social or humanitarian problems. This research explains, depicts information on the core phenomena that occur in the research participants in more depth to understand the meaning of a problem that exists in the research object (Waruwu, 2024). Reddy et al. (2016) also states that a case study is an exploration of an integrated system or a case/multiple cases over time through in-depth data collection involving various sources of rich information in a context. Meanwhile, the case study approach is according to Paparini et al. (2021) is a systematic research that investigates phenomena in real-life contexts, when the boundaries between phenomenon and context are not clearly visible, and where multiple sources of evidence are utilized. A case study research strategy is used to systematically obtain data from various research sources (observations, artifacts, archives, documents, interviews, multiple sources) on individuals, groups, organizations, or activities. Case studies can be used to gain a comprehensive understanding or explanation of a phenomenon. This research was conducted to analyze and find a model of political support for the performance of South Sulawesi regionally owned enterprises. This research was conducted in Makassar City, specifically at the South Sulawesi Provincial Regional Enterprise Office and the South Sulawesi Provincial DPRD for approximately 2 (two) months. Informants were members of the participant group who acted as directors and translators of cultural content or actors directly involved with the research problem. Informants in this study were selected because they had the most knowledge or were directly involved. The selection of informants in this study was purposive. The technique of selecting people to be interviewed was carried out purposively. The purposive technique is a technique of selecting informants based on certain considerations, for example, being considered experts, knowledgeable, and involved in the research focus from the implementation of this research. Subjective sampling with a specific purpose or goal, which assumes that the informants taken have the information needed for the research being conducted. The informants in this research are: (1) President Director of Perusahaan Sulsel; (2) South Sulawesi Regional Government; (3) Chairman of the DPRD; (4) Chairman of the Commission; (5) NGO

## **Data Collection Technique**

The data collection techniques in this study were designed to obtain a rich and in-depth picture of the case under study, in line with Chand's (2025) view that case studies emphasize the depth of information gathering through various data sources. Primary data were obtained through in-depth interviews with participants consisting of executive, legislative, and political party officials. These interviews allowed the researcher to more comprehensively explore the interpretations, experiences, and views of the informants regarding the phenomena that occurred, as emphasized by Susan Stainback (1988) in Jailani (2023) that interviews are an important instrument for understanding participants' in-depth perceptions. In addition to interviews, direct observation was also conducted to observe various aspects that cannot be obtained through questions alone, such as the socio-political environment, the activities of actors, the use of equipment, and the dynamics of events that occurred at the research location. In addition to primary data, this study was supplemented with secondary data obtained through document studies to enrich and verify the field findings. Document analysis was conducted on various sources such as performance reports, policy archives, and related literature that provide objective information regarding the policy framework, administrative processes, and the historical track record of policy implementation. Jailani (2023) emphasized that documents are an important source in qualitative research because they provide stable, context-rich data that can be reviewed to deepen understanding of the case. By combining in-depth interviews, direct observation, and document review, this research was able to produce a comprehensive analysis that developed a complete and in-depth case description.

## Data Analysis

Data analysis techniques employed in this research included data reduction (data filtering/sorting), data display (data presentation), and data verification (data validity/correctness testing). Data reduction is the process of selecting, focusing on simplifying, abstracting, and transforming "raw" data by cutting (summarizing) the data so that only the essential elements are captured. Data display is the presentation of a collection of information that allows for drawing conclusions and taking action, viewing the overall picture or specific parts of the research results by creating matrices or tables.

## Results and Discussion

Within the framework of regional governance, Regionally-Owned Enterprises (BUMD) hold a strategic position as both an instrument of economic policy and a means of public service. Regional governments position BUMDs as driving forces for regional development by providing jobs, increasing local revenue, and optimizing the potential of local resources. However, in practice, BUMDs cannot be separated from the local political dynamics that influence every policy and strategic decision. Therefore, political support is a key factor in determining the extent to which BUMDs can function effectively and professionally in achieving regional economic development goals.

The involvement of political actors in BUMD governance reflects the reality that regional economic policy is never completely neutral from the influence of power. Regional governments and the Regional People's Representative Council (DPRD) play a crucial role in setting policy direction, determining capital participation, and overseeing the implementation of BUMD work programs. This relationship often creates structural dependency, where strategic decisions by regional companies are heavily dependent on political support. In this context, politics serves a dual function: on the one hand, as a source of legitimacy for BUMDs, and on the other, as a potential intervention against managerial independence.

The role of politics in BUMD performance cannot be viewed solely as a source of pressure; it can serve as an instrument for institutional strengthening if managed rationally. Political support formulated in policies, regulations, and oversight mechanisms can enhance the competitiveness and credibility of regionally-owned enterprises (BUMD) in the public eye. Through healthy collaboration between local governments, the Regional People's Representative Council (DPRD), and BUMDs, regional corporate governance can be directed toward the principles of transparency, accountability, and professionalism. Therefore, this study emphasizes the importance of formulating an open, adaptive, and collaborative political support model to strengthen BUMD performance in facing the challenges of regional governance dynamics.

### Open Model of Political Support in BUMD Performance Governance

The open model of political support for regional-owned enterprise (BUMD) performance was developed based on empirical findings obtained through field research and analysis of regional policy documents. The model development process began with the identification of the relationships between factors in the governance of regional-owned enterprises (BUMD), particularly in the context of how political power influences the direction, structure, and performance of regional companies. Data synthesis revealed a strong interdependence between political factors, institutions, and bureaucratic professionalism in determining the effectiveness of support for regional-owned enterprises. Therefore, this model is not built on normative theory, but on empirical reflection on the actual practice of political support at the regional level, which is then formulated within an open and adaptive conceptual framework. This open model is built on three main findings:

#### **Capital Dependence and Regulation**

The dependence of regional-owned enterprises (BUMD) on political support for capital investment demonstrates that the company's sustainability is largely determined by the stability of the local government's commitment. Public capital not only strengthens the BUMD's financial capacity but also serves as an instrument of political legitimacy. Therefore, investment decisions are often influenced by short-term political calculations, placing BUMDs in a dilemma between maintaining professionalism and adapting to power dynamics. This relationship confirms the Power Dependence Theory's view that resource distribution determines the bargaining position of public organizations.

Regulatory support from local governments further strengthens BUMD's dependence. Legal policies, organizational structures, board appointment mechanisms, and partnership patterns are heavily influenced by the political preferences of local authorities. Leadership changes are often

followed by regulatory revisions, creating legal uncertainty and disrupting business stability. In such circumstances, directors must establish adaptive communication with the executive and legislative branches to maintain continued political support. These findings demonstrate that institutional stability is a prerequisite for legal certainty and investor confidence, as explained in Open System Theory and the Political Economy of Institutions.

Dependence on capital and regulation forms a mutually reinforcing relationship that simultaneously creates governance dilemmas. Political support is essential for corporate sustainability, but excessive attachment can potentially undermine managerial independence and open up opportunities for patronage. Therefore, regionally-owned enterprises (BUMD) require adaptive strategies that balance political loyalty with economic rationality. The open political support model generated by this study illustrates that BUMD effectiveness can only be achieved when politics acts as a performance enhancer, not a control tool, with a balance between professional autonomy and political legitimacy as the foundation of sustainable governance.

### ***Political Support Process***

Political support for regionally-owned enterprises (BUMD) begins with agenda formulation in the executive branch and continues through deliberations in the Regional People's Representative Council (DPRD). The strategic needs of regional companies are analyzed through a collaborative process between the economic bureau, legal department, technical unit, and BUMD directors. The DPRD deliberation process examines the rationality of costs and benefits, risks, and regulatory compliance, while creating a negotiation-based policy network. After ratification, policies are translated into technical regulations, ensuring harmonization of regulatory documents, fiscal matters, and company work plans, in accordance with the principles of Institutional Theory.

The next stage involves the budgeting and implementation process, which demands fiscal accountability, procurement transparency, and regular coordination between regional governments and BUMDs to maintain disciplined implementation. Simultaneously, regional governments build external partnerships with the private sector and financial institutions to expand BUMDs' innovation capacity. This synergy is strengthened through tripartite forums that serve as spaces for evaluation and shared learning, ensuring that political support operates as a facilitative mechanism, not an intervention, as is the principle of New Public Governance and collaborative learning.

The entire support system is strengthened by a performance-based accountability system, transparent public communication, risk management, reliable data quality, and governance integrity. Strengthening institutional capacity and performance contracts make political support more measurable and adaptive to change. Participation by non-governmental stakeholders and a policy evaluation cycle ensure the process remains inclusive and responsive. Solid integration between the executive, legislative, and regionally-owned enterprises (BUMD) reduces coordination costs, increases policy effectiveness, and strengthens public legitimacy, enabling political support to serve as a mechanism for creating sustainable public value.

### ***Collaborative Relationships and Accountability***

Collaborative relationships between local governments, the Regional People's Representative Council (DPRD), and Regionally-Owned Enterprises (BUMD) are built through dialogue, interdependence, and structured coordination mechanisms to improve BUMD performance within a democratic and professional governance framework. The local government plays a role in directing policy and maintaining cross-sector integration, the DPRD ensures legitimacy and data-based oversight, while the BUMD aligns business strategies with regional development directions through performance reporting and communicating support needs. The tripartite forum serves as an institutional platform for information exchange, performance evaluation, and joint decision-making, fostering role clarity, transparency, and disciplined coordination.

Trust and accountability are the foundations of collaboration, with each actor maintaining reporting transparency, process integrity, and adherence to evaluation standards. The DPRD, local government, and BUMD implement integrated functional, political, and internal oversight, reducing the risk of abuse of authority and improving decision quality. A standardized performance reporting system facilitates cross-period evaluation and reinforces the principle of evidence-based policy. Public and civil society participation complements formal oversight mechanisms through objective input and social monitoring, thereby enhancing the legitimacy and public trust in BUMD programs.

Collaboration also encourages institutional innovation and capacity building through digitalization of reporting systems, enhanced policy analysis, and business innovation within regionally-owned enterprises (BUMD). Financial transparency and collaborative leadership strengthen institutional stability and prevent excessive political intervention, making political support more rational and results-based. Overall, collaboration, coupled with strong accountability, creates a governance ecosystem that balances political power, economic management, and the public interest, thereby creating public value and strengthening regional economic resilience.

### **Structure of Political Support Model for BUMD Performance**

The open model of political support for BUMD performance places four main components in one governance system:

#### ***Regional Government***

Regional governments act as rule-makers, establishing policy direction and incentive structures for regional economic governance, including through regulations, capital participation, and oversight of regionally-owned enterprises (BUMD). The political support provided is not merely an administrative decision, but an institutional intervention that shapes the behavior of public economic actors and creates regulatory stability for investment and the operations of regional companies. This function aligns with the principle of governance steering, where the government creates an adaptive legal ecosystem to ensure BUMD performance remains within clear and responsive guidelines.

Within the framework of New Public Governance and Open Systems Theory, political support from regional governments is structural, not interventionist. The policies provided are aimed at building a conducive environment for managerial professionalism, fiscal stability, and bureaucratic efficiency without directly controlling operational activities. As organizations that dynamically interact with their environment, BUMDs require adaptive regulations that enable them to adapt to external challenges. The government, as a strategic authority, must maintain a balance between political legitimacy and economic rationality through leadership capable of aligning cross-sectoral interests.

Regional governments also play a role in integrating regional-owned enterprise (BUMD) planning into regional development planning systems such as the RPJMD (Rencana Pembangunan Jangka Menengah Nasional/RPJMD), Renstra (Renstra), and RKPD (Regional Work Plan) to ensure the accountability and relevance of BUMD's contributions to regional development goals. Through coordination across regional agencies Bappeda (Regional Development Planning Agency), the economic bureau, the financial agency, and the inspectorate the government prevents overlapping programs and ensures synchronized and measurable policies. Political support must be implemented within a framework of transparency, effectiveness, efficiency, and public information disclosure as part of the principles of Accountable Governance.

In addition to directing policy, regional governments also act as facilitators in Collaborative Governance by encouraging collaboration between the Regional People's Representative Council (DPRD), BUMD (Renstra), external partners, and the community. Through deliberative dialogue, the government ensures communication, trust, and participation among stakeholders. Ultimately, the role of regional governments in the open political support model encompasses not only the provision of regulations and fiscal policies, but also the strengthening of institutional systems that sustainably support regional economic performance through regular policy evaluations and the creation of measurable public value.

#### ***People's Representative Council (DPRD)***

From North's perspective, the Regional People's Representative Council (DPRD) plays the role of an institutional counterweight to executive power. The DPRD's legislative, budgeting, and oversight functions are not only intended to control regional government policies but also to maintain the credibility and stability of institutional "rules of the game." The DPRD ensures that the political contract between the regional government, regionally-owned enterprises (BUMD), and the public does not deviate from collective goals. Thus, the DPRD is a political enforcer within the regional institutional system, maintaining a balance between political interests and economic rationality.

The Regional People's Representative Council (DPRD) is a political actor with a strategic role in legitimizing, overseeing, and approving budgets for regional government policies, including those related to BUMDs. The DPRD's position stems from the principle of checks and balances in the regional government system, which positions it as a counterweight to executive power. Through its three main

functions of legislation, budgeting, and oversight, the DPRD ensures that all public policies and support for BUMDs have a strong basis in political legitimacy and align with public interests. Within the framework of the model of political support for BUMD performance, the DPRD plays a political mandate, maintaining a balance between power and accountability.

The legislative function of the Regional People's Representative Council (DPRD) is the primary means of building political support for regionally-owned enterprises (BUMD). At this stage, the DPRD reviews academic drafts, assesses the urgency of policy formulation, and ensures that the substance of regional regulations aligns with national legal norms. The deliberative legislative process reflects the principles of Collaborative Governance Theory (Cheibub & Limongi, 2010), which emphasizes the importance of dialogue, trust, and shared commitment between the legislative and executive branches. By approving draft regional regulations, the DPRD not only carries out its formal lawmaking function but also acts as a guardian of rationality, ensuring that each regulation supports the effectiveness of regionally-owned enterprises (BUMD) without creating excessive political dependence.

In its budgeting function, the DPRD plays a central role in providing fiscal legitimacy to every assignment and capital investment to BUMD. Every budget allocation using public funds must undergo transparent, objective, and data-driven deliberation. This process ensures that political decisions are based on an accountable analysis of economic and social benefits. This function reinforces the principles of the Accountability Framework (Ray, 2012), which places legislative oversight as the primary mechanism for ensuring transparency and integrity in the use of public resources. Thus, the DPRD plays a role as a guardian of fiscal accountability in the relationship between regional politics and corporations.

The DPRD's oversight function is the most crucial element in ensuring the effectiveness of political support for regionally-owned enterprises (BUMD). The DPRD utilizes working meetings, special committees, policy audits, and field visits to comprehensively assess the performance of regional companies. Oversight encompasses financial aspects, operational efficiency, and regulatory compliance. This role aligns with Legislative Oversight Theory (Akili, 2023), which explains that the legislative body is responsible for ensuring a balance of power between the executive and the public. Through its transparent oversight function, the DPRD ensures that political support does not deviate into personal interference, but remains within the framework of democratic and professional governance.

Beyond its formal functions, the DPRD also plays a role in strengthening political communication between the regional government, BUMD, and the public. Through public consultation forums and hearings, the DPRD captures citizen aspirations and facilitates dialogue between the executive, public corporations, and external stakeholders. This role illustrates the principles of Policy Network Theory (DeLeon & Varda, 2009), which positions the DPRD as a connecting node in a policy network between the public and non-public sectors. By fostering constructive political communication, the Regional People's Representative Council (DPRD) helps create an inclusive policy ecosystem, where public decisions reflect a balance between economic rationality and political legitimacy.

Within the context of institutional collaboration, the DPRD functions as a deliberative watchdog, assessing not only policy outcomes but also the consistency of the process. Through its involvement in tripartite forums with local governments and regionally-owned enterprises (BUMD), the DPRD assesses the alignment of political support with the principles of good governance. This pattern demonstrates a shift from control-based oversight to collaborative oversight, where oversight is conducted not in a confrontational manner, but in a spirit of partnership and mutual learning. The DPRD's involvement in this collaborative mechanism strengthens the effectiveness of political support without compromising its independence as a counterweight to executive power.

The DPRD's political support for regionally-owned enterprises (BUMD) is a concrete manifestation of democratic accountability to the public. Through transparent legislative, budgeting, and oversight functions, the DPRD ensures that every public policy favors the interests of citizens. When political mechanisms are based on data and accountability, public trust in representative institutions increases. Within the framework of an open political support model, the Regional People's Representative Council (DPRD) acts as a guardian of accountability, ensuring a balanced relationship between political power and economic performance. Thus, the DPRD serves not only as a formal supervisor but also as a substantive partner in ensuring transparent, effective, and sustainable governance of regionally-owned enterprises (BUMD).

### **BUMD as a System Center**

Regionally-Owned Enterprises (BUMD) serve as arenas where the rules of the game are implemented and tested. In the context of North's theory, BUMDs are economic organizations embedded within political institutions. Their success depends not only on internal managerial capabilities but also on the extent to which political and economic rules of the game support efficiency, competition, and innovation. Every change in political policy, whether in the form of regional regulations or regional head decrees, creates new incentives that alter organizational behavior. Thus, BUMDs serve as empirical instruments for measuring the effectiveness of regional political institutions.

BUMDs are the primary recipients and managers of political support from the regional government and the Regional People's Representative Council (DPRD). This position demands high institutional capacity and managerial professionalism because BUMDs function as bridges between public policy and regional economic interests. Within the framework of the regional government system, BUMDs sit at the intersection of the political and economic domains, so their success depends on the ability to maintain a balance between the two. This position makes BUMDs not merely economic tools but also instruments of political legitimacy for local governments through the creation of public value.

As recipients of political mandates, BUMDs have a responsibility to translate regional policies into efficient and results-oriented business strategies. The support provided by the regional government and the Regional People's Representative Council (DPRD) must be met with transparent and competitive corporate performance. This concept aligns with Power Dependence Theory Schuster & Holtbrügge, (2014) and Naranjo-Gil (2009), which explains that public organizations depend on external actors who control resources, but can reduce this dependence through performance and innovation. Therefore, professionalism becomes an internal mechanism for BUMDs to maintain autonomy amidst fluctuating political dynamics.

BUMDs also serve as institutional arenas where political, bureaucratic, and economic interests converge and are negotiated. In this context, Institutionalism theory (March & Olsen, 1983) is relevant because it emphasizes that organizational behavior is determined not only by economic efficiency but also by institutionalized norms, rules, and values. BUMDs serve as a reflection of the regional institutional structure, where every strategic decision is driven not solely by rational calculation but also by alignment with political expectations and public legitimacy. Therefore, BUMD governance must be based on the principle of institutional integrity that is stable and adaptable to the regional socio-political context.

As part of an open system, regionally-owned enterprises (BUMD) must be able to adapt to external pressures, whether from policy dynamics, market changes, or local political preferences. Open System Theory (Wang et al., 2012) explains that public organizations maintain their sustainability through their ability to adapt to their environment. In the context of the political support model, BUMDs function as a feedback mechanism that transforms political inputs (regulatory and fiscal support) into economic outputs (revenue, services, and public value). This process creates a reciprocal relationship, where the economic success of BUMDs strengthens political legitimacy, and conversely, political stability supports the economic sustainability of regional companies.

Regionally-Owned Enterprises (BUMD) also serve as cross-actor collaboration hubs, bringing together the government, the Regional People's Representative Council (DPRD), the private sector, and the community. Through tripartite forums and strategic partnerships, BUMDs act as mediators between often divergent public and economic interests. This function reflects the principles of Collaborative Governance (Ansell & Gash, 2018), where the effectiveness of public policy depends heavily on the ability of actors to communicate, build trust, and work toward common goals. Within this framework, BUMDs no longer operate as passive entities facing political decisions, but rather as active actors contributing to the formation of collaborative public policy.

As public economic entities, BUMDs are expected to create public value through innovation, efficiency, and services that impact public welfare. According to Moore (1997), the political legitimacy of public organizations is achieved when they successfully create value recognized by the public. In this context, any political support received by BUMDs must be translated into tangible outputs, such as increased employment, price stability, and regional economic growth. By creating public value, BUMDs not only strengthen the economic position of local governments but also serve as symbolic instruments of government success in carrying out their development mandates.

However, the position of regionally-owned enterprises (BUMD) as the center of the political support system also carries the potential for a power dilemma, as explained in Elite Theory (Mosca, Pareto, Mills). When political support is abused by elites to maintain dominance or distribute patronage, BUMDs risk becoming tools of particular group interests. Therefore, transparency, accountability, and meritocracy are fundamental principles in maintaining the integrity of public corporations. Regional governments and the Regional People's Representative Council (DPRD) need to ensure that the appointment of directors, capital participation, and business partnerships are based on competence, not political loyalty. In this way, BUMDs can maintain their ideal role as professional, adaptive, and community-oriented regional economic institutions.

Within the context of an open political support model, BUMDs serve a dual function: as recipients of political mandates and generators of new political legitimacy through economic performance. When BUMDs successfully create public value, the political support provided by the government and DPRDs gains reciprocal legitimacy from the public. Conversely, when BUMD performance declines, the political legitimacy of the regional government weakens. This reciprocal relationship illustrates the principle of an adaptive open system, where politics and economics mutually reinforce each other within a single institutional ecosystem. Thus, BUMD becomes the center of gravity of a rational, collaborative, and sustainable political support model.

### **Public/Private Stakeholders**

According to North, economic institutions cannot survive without the support of adequate social and market networks. Public and private stakeholders form part of the extended institutional environment, exerting external pressure on local governments and the Regional People's Representative Council (DPRD) to ensure more efficient and transparent regulations. Collaboration between regional-owned enterprises (BUMD), business actors, and the public reflects a form of institutional feedback, where incentives and public trust serve to strengthen or weaken the credibility of the political system. In this way, stakeholders act as a corrective mechanism against the dominance of power.

Public and private stakeholders play a strategic role in expanding the reach of political support for BUMD performance. Through economic and social collaboration, BUMD collaborates with the public, business actors, financial institutions, academics, and civil society organizations. This collaboration creates an open policy ecosystem, where regional development processes depend not only on government initiatives but also on the active participation of stakeholders. This stakeholder position enriches the network of relationships within the political support model by adding social, economic, and innovative dimensions that complement the roles of local governments and DPRD.

BUMD partnerships with the private sector are a concrete manifestation of the implementation of the Public Private Partnership (PPP) concept, which emphasizes the importance of mutually beneficial cooperation between the public and business sectors. Within this framework, the government provides regulation and legitimacy, while the private sector contributes capital, technology, and operational efficiency. This collaboration strengthens the capacity of regionally-owned enterprises (BUMD) to manage strategic projects that require significant funding and high technical competency. By combining public and private sector strengths, BUMDs transform into hybrid institutions that are both efficient and oriented toward the public interest.

From the perspective of Stakeholder Theory (Antlöv et al., 2010), the success of BUMDs in carrying out their political mandates is largely determined by their ability to understand and balance the interests of all stakeholders. BUMDs must be able to respond proportionally to community aspirations, business interests, and local government demands. In an open political support model, stakeholders are not merely beneficiaries but active partners who contribute to shaping policy direction and program evaluation. This participatory approach enhances BUMDs' social legitimacy and strengthens public accountability through community involvement in the decision-making process.

The interaction between BUMDs and public/private stakeholders also reflects the principles of Policy Network Theory (Friedman & Beissel, 2021), where public policy is no longer monopolized by the government but rather is generated through a network of interdependent actors. Through coordination forums, regionally-owned enterprises (BUMD) maintain ongoing communication with business associations, financial institutions, and universities to identify investment opportunities and address structural barriers. These relationships, based on trust and transparency, create a more flexible coordination mechanism, enabling regional economic policies to be more adaptive to market dynamics and changing political environments.

Collaboration with stakeholders also reflects the application of Collaborative Governance (Ansell & Gash, 2018), which emphasizes the importance of participation, dialogue, and facilitative leadership in achieving shared goals. Within this framework, BUMDs act as regional economic facilitators, linking the government's political interests with the needs of the business community and the community. This collaborative process fosters a sense of shared ownership of development outcomes. When stakeholders are actively involved from the planning stage through evaluation, political support for BUMDs is more stable, bolstered by broad social legitimacy.

Partnerships between regionally-owned enterprises (BUMD) and public/private stakeholders also serve as sources of innovation and institutional learning. BUMDs can leverage private sector experience in risk management, operational efficiency, and information technology to improve their internal systems. Meanwhile, local governments benefit from increased institutional capacity and bureaucratic efficiency through knowledge transfer from business partners. This phenomenon aligns with the principles of Open Systems Theory (Barasa et al., 2018), where public organizations strengthen their resilience through the exchange of resources and ideas with the external environment. Cross-sector collaboration serves as an adaptive mechanism that maintains organizational sustainability amidst change.

In addition to strengthening economic capacity, collaboration with public/private stakeholders also plays a role in creating public value, as explained by Moore (1997). Public value is created when the results of cooperation provide not only financial benefits but also social benefits felt by the wider community. Corporate social responsibility programs, the development of local MSMEs, and the provision of public infrastructure are concrete examples of the contribution of BUMDs and their partners to improving community welfare. Thus, multi-actor collaboration not only expands economic resources but also strengthens political legitimacy by increasing public satisfaction.

The successful collaboration between regional-owned enterprises (BUMD) and public/private stakeholders demonstrates that effective political support stems not only from formal power but also from social participation and public trust. When all actors contribute proportionally according to their roles, the regional governance system becomes more resilient and results-oriented. In the open political support model developed in this study, public and private stakeholders serve as catalysts for innovation and safeguards for the system's sustainability. This cross-border collaboration strengthens the synergy between political rationality, economic effectiveness, and social legitimacy, enabling BUMDs to act as instruments of inclusive, adaptive, and sustainable development.

### ***Model Properties: Open Model***

The model of political support for regional-owned enterprise (BUMD) performance developed in this study is open, reflecting the dynamics of power relations, institutions, and the regional economy. In the context of regional governance, the relationship between political actors, the bureaucracy, and regional-owned enterprise (BUMD) is not hierarchical, but interdependent and adaptive to changes in the socio-political environment. System openness is a prerequisite for effective political-economic governance because it allows each actor to adjust its strategy and role according to evolving power structures and public demands.

This openness is rooted in Douglass Lewis & Steinmo (2012) thinking on institutional change, which asserts that political institutions evolve through a process of interaction and negotiation between stakeholders. Within this framework, the system of political support for regional-owned enterprise (BUMD) is understood as the result of a continuously evolving path dependence following changes in incentives and the distribution of power. Openness is not merely an administrative principle, but a manifestation of the evolution of political institutions that guide the transformation of regional economic governance toward efficiency and democratization.

The principle of openness also aligns with Open System Theory (Abbott, 2012), which views public organizations as systems that maintain sustainability through energy exchange with the external environment. In this model, political support, regulations, and resources serve as inputs that are converted by regionally-owned enterprises (BUMDs) into outputs in the form of economic value and public legitimacy. Feedback from this process strengthens institutional learning mechanisms, ensuring the political support system continuously adapts to regional political and economic changes.

The openness of this model also reflects the institutional flexibility described in Adaptive Governance Theory (Folke et al., 2005). Local governments, the Regional People's Representative Council (DPRD), regionally-owned enterprises (BUMDs), and external stakeholders have deliberative

space in policy formulation, implementation, and evaluation. This process ensures that political support can be tailored to the local context without compromising accountability. Thus, this model creates a living institutional framework, where learning capacity and adaptability are the primary measures of the sustainability of a regional political-economic system.

In an open model, transparency and accountability serve as the connecting link between political legitimacy and economic rationality. Political support is no longer measured by the extent of power intervention, but rather by the ability to generate public value that can be verified by the public. This principle aligns with Public Value Theory (Moore, 1997), which places political success on the creation of publicly recognized economic and social benefits. Therefore, an open system serves as a political legitimacy mechanism that strengthens public trust in local government institutions.

This open model is also realized through collaboration between actors, as explained in Collaborative Governance Theory (Ansell & Gash, 2018). The local government acts as a policy director, the Regional People's Representative Council (DPRD) as a deliberative supervisor, and the Regionally-Owned Enterprise (BUMD) as a strategic implementer, bridging economic and political interests. This collaboration ensures that the decision-making process is not monopolistic, but rather based on dialogue and consensus. Thus, the open political support model functions not only as a coordinating structure but also as an institutional political arena that fosters shared accountability.

This open model illustrates the ongoing, iterative process of institutional political learning. Each policy implemented generates new knowledge that enriches the system and improves the rules of the game. From North's perspective, this learning represents a form of incremental institutional evolution that ensures the continuity of political power within a democratic framework. With its adaptive, collaborative, and public legitimacy-based character, the open political support model serves as a conceptual foundation for effective and efficient regional-owned enterprise (BUMD) governance, rooted in the rationality of regional institutional politics

## Conclusion

The Open Political Support Model produced by this study depicts an evolutionary regional political-economic governance, where the regional government acts as a rule-maker, the Regional People's Representative Council (DPRD) as an institutional balancer, and the Regional-Owned Enterprise (BUMD) as a policy implementer that converts political support into economic performance. This model emphasizes the importance of public-private feedback mechanisms to maintain inclusiveness and transparency, while reflecting institutional adaptations that align with Adaptive Governance and Open System theories. Within the Public Value framework, political support is understood as an instrument for creating public value that connects political stability, economic effectiveness, and social legitimacy. Theoretically, this model reinforces the idea that regional economic effectiveness cannot be separated from the credibility of political institutions, and offers a collaborative institutional political paradigm that can dynamically balance power, economics, and public legitimacy to achieve adaptive, democratic, and sustainable regional governance.

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