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ARTICLE

The Role of Interpersonal Skills of Village-Owned Enterprise (BUM Desa) Managers in East Sumba Regency Facing the Challenges of Changing Economic Structures

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Abstract: In the current era of information technology and digitalization, the transformation of structural changes in the economy seems to be running so fast that it exceeds the readiness factor of the community itself. As a result, the impact of development only results in achieving macroeconomic targets. At the same time, micro-scale economic solutions often experience setbacks, as experienced by most rural communities in East Sumba Regency, characterized as farmers and Sumba ikat weavers with relatively low family income and education levels. Therefore, it is important to strengthen the institutional role of BUM Desa, especially the human resources of administrators, as the driving force of economic development in rural areas. This study aims to analyze how the relationship between interpersonal skills affects organizational performance by applying good corporate governance principles. The research method uses quantitative descriptive analysis techniques sourced from secondary and primary data with a Likert scale approach. The results of the analysis of 144 respondents in 30 active BUM Desa based on SEM analysis showed that interpersonal skills factors have a positive and significant effect on implementing good corporate governance and performance. In addition, the relationship between implementing good corporate governance and performance has a positive and significant effect. This research recommends the need for government efforts to improve the work motivation of administrators at the beginning of their careers, such as 1. providing a reward system that is commensurate with employment regulations and 2. increasing cooperation and partnerships in the development of the micro, small, and medium business sector. On the other hand, the implications of this study state that BUM Desa institutions with good human capital are the main actors in developing smart villages as an answer to the challenges and threats of structural economic change.

Keywords: BUM Desa; East Sumba; Economy; Interpersonal Skills; Structural Change.

1. Introduction

The rapid and dynamic development of digital transformation has opened a new chapter in the order of life of world society. This has an impact on structural economic changes that seem inevitable for most people in rural areas, as stated by Lewis (as cited in [Todaro & Smith, 2006](#)) that this reality has changed the traditional agricultural economy centered in rural areas into a modern industrial economy that tends to be more oriented towards fulfilling the lifestyle patterns of urban communities ([Alfarabi et al., 2014](#)). In addition, according to [Mulia \(2021\)](#), the impact of the massive development of the tourism sector has posed a serious threat to economic, social, and cultural sustainability.

This illustrates a problematic situation that needs to be addressed seriously by the Government by implementing the right economic development strategy to anticipate threats and, at the same time, be able to take advantage of the opportunities arising from the dynamics of economic change. Therefore, the existence of BUM Desa in accordance with the mandate of Government Regulation of the Republic of Indonesia Number 11 of 2021 or PP Number 11 of 2021 concerning Village-Owned Enterprises is important in responding to these challenges, especially efforts to create economic resilience for village communities. However, in its implementation, there are still many obstacles that hinder the performance of BUM Desa in realizing the economic independence of village communities, such as [Hardilina et al. \(2022\)](#) and [Rasidy et al. \(2020\)](#) said that the existence of low human resources is the main cause of the low performance of BUM Desa. In addition, [Monoarfa et al. \(2021\)](#) said that the management of BUM Desa is not in accordance with the principles of good corporate governance which results in low performance. Similar things were also said by [Wulandari and Utami \(2020\)](#), [Sofian et al. \(2022\)](#), and [Siregar and Muslihah \(2019\)](#).

On the other hand, [Najib et al. \(2019\)](#) said that the perspective management of BUM Desa management cannot be viewed from the perspective of the corporate business alone but must also be viewed as a local organization that plays a role as the mainstay of the people's economy. This means that the existence of BUM Desa institutions has two strategic roles in building the village economy, which must be carried out harmoniously by the BUM Desa management team. This is the basis for the importance of BUM Desa administrators in East Sumba Regency to have good interpersonal skills in an effort to strengthen teamwork. Besides that, [Ifa and Muttaqien \(2018\)](#) said that structural transformation in developing countries is not running optimally ([Andersson & Chaverra, 2016](#)), where many workers in developing countries still work in the agricultural sector. Therefore, the surplus of labor assumed by Lewis cannot be optimally absorbed by the modern industrial sector ([Naiya & Manap, 2013](#)). This causes most developing countries to face high population growth with low workforce expansion or exceeding the absorption capacity of the industrial and service sectors. In addition, Yustika (2014, as cited in [Ifa & Muttaqien, 2018](#)) said that the agricultural sector is the sector that absorbs the most labor, but this sector, for several years, has had a growth rate below the economic growth rate. As a result, every year, the contribution of the agricultural sector to GDP continues to decline, resulting in increasing unemployment and poverty rates.

Based on this, interpersonal skills are a primary need of BUM Desa administrators. [Solihat et al. \(2014\)](#) said that interpersonal skills are communication between individuals, which includes understanding self-concept, self-awareness, self-esteem, and self-disclosure. This is in line with [Robbins and Judge \(2017\)](#) said that the interpersonal skills possessed by a leader greatly determine the success of

an organization where the results of a survey conducted on more than 2,100 CFOs in 20 industries showed that the lack of these skills resulted in some employees not performing well. This can be seen in how a manager hires employees. Likewise, in the activities of training, motivating, and disciplining employees and fostering relationships between relations. Anggiani and Pakeh (2021) explain interpersonal skills as the ability that a person has to communicate effectively to recognize and respond appropriately to feelings, attitudes, behaviors, motivations, and desires towards others. In addition, implementing Good Corporate Governance (GCG) principles is another crucial factor determining the team's success in achieving its goals (Ricardo, 2022). This is closely related to the results of research conducted by Usman et al. (2021) which states that an organization's work management system can only run well if an appropriate management control system supports it. This means that the existence of human capital and physical capital owned by BUM Desa should be equipped with the right management control tools to moderate performance improvements, namely GCG as a tool to help BUM Desa management achieve predetermined goals.

The theoretical arguments above are the basis for this study, where BUM Desa administrators in East Sumba Regency should possess interpersonal skills factors to improve performance through innovative teamwork. This is important to assist the Government in solving poverty problems in rural areas by creating jobs through the micro, small, and medium enterprises sector. BPS - Statistics Indonesia (2024) reported that the percentage of poor people in East Sumba in 2023 was 25.9% of the total population of 278.7 million, and most poor people live in villages. In addition, the labor force participation rate has not shown significant economic progress, namely 69.5%, and an open unemployment rate of 5.3%. This explains that the need for productive employment is still the main priority of economic development. On the other hand, the DPMD of East Sumba Regency explained that the challenges faced by 140 Village-Owned Enterprises in East Sumba since their formation in 2017 are how to strengthen the institutional role of Village-Owned Enterprises in facing the threat of structural economic change, where in 2022 only 80 Village-Owned Enterprises or 57.14 percent were recorded as active Village-Owned Enterprises and in 2023 it increased to 115 Village-Owned Enterprises or 82.14 percent recorded as active Village-Owned Enterprises (DPMD, 2023).

Implicitly, the data display shows the low quality of human resources of BUM Desa administrators in responding to the legal needs of BUM Desa institutions. In addition, human resource problems also affect the low optimization of the use of village potential as a source of productive economy for local communities. This is what initiated the Regional Government and Village Government to carry out reorganization in order to improve the performance of BUM Desa as the mainstay of the village economy. Gunawan et al. (2022) have conducted research on Farmers and Poverty, which found that one of the causes of the high poverty rate in East Sumba is the suboptimal management of BUM Desa in utilizing natural resources owned by the village as the strength of the village economy. The results of this study recommend that the Government immediately increase the role of BUM Desa as a driver of the village economy. Therefore, this study aims to analyze how interpersonal skills can affect the performance of BUM Desa through the application of good corporate governance principles. The hypotheses built are: H1: Interpersonal skills have a positive effect on the implementation of good corporate governance in BUM Desa institutions in East Sumba Regency. H2: The implementation of good corporate governance principles has a positive effect on improving the performance of BUM Desa institutions in East Sumba Regency. H3: Interpersonal skills have a positive

effect on improving the performance of BUM Desa institutions in East Sumba Regency. In addition, the research also aims to examine the root of the problems that cause the low institutional capacity of Village-Owned Enterprises, especially the work motivation aspect of BUM Desa administrators.

1.1. Understanding Structural Economic Changes in the Millennial Era

In this millennial era, the need for superior human resources is a priority for the economic development of a country, including Indonesia. [Limanseto \(2022\)](#) said that Indonesia has great opportunities for digital economic growth, where this sector can contribute revenue of IDR4,434 trillion to Indonesia's GDP, or equivalent to 16% of GDP in 2030. In addition, the entrepreneurship and UMKM sectors, estimated at around 64.2 million businesses, have contributed 60.51% to GDP or IDR9,580 trillion. On the other hand, the UMKM sector has also supported the absorption of 97% of the total workforce and can collect up to 60.4% of the total investment. However, currently, the entrepreneurship ratio in Indonesia is still relatively low, at 3.47% of the total population when compared to the standard entrepreneurship ratio of developed countries, which targets a minimum of 5% of the total population.

In the context of managing Village-Owned Enterprises in East Sumba Regency, this is a major challenge to increase the growth and development of UMKM in rural areas, which are closely related to the application of innovation and technology, funding, human resources, branding and marketing, and legality are the main variables that strengthen Village-Owned Enterprise institutions. [Rahmat et al. \(2019\)](#) said that this era is an era of disruption that displays the phenomenon of triple disruption with all the consequences that arise, ranging from the business world, banking, transportation, and social society to education. This era has demanded that we change or become extinct.

In addition, [Winanti et al. \(2021\)](#) explain the turmoil of triple disruption as the impact of digital transformation (digital disruption), which triggers radical changes in various aspects of human life, including changes in mindset and social interaction models as well as changes in social, political, and economic orders. This first disruption offers opportunities for economic progress and other social progress. On the other hand, it also presents new challenges, such as the threat of digital colonialism and access disparities. In the second disruption, the structural economic change situation is an impact left behind by the COVID-19 pandemic (pandemic disruption), which not only caused a health crisis but also overhauled the entire governance of public affairs, economy, and social order. Adaptation of digital technology is an enabling factor for new adaptations in various sectors of life, such as education, health services, economy, work systems, and other forms of social interaction. The third disruption is a picture of the economic situation caused by climate change, which is increasingly real and cannot be ignored towards adaptation to meeting basic needs, especially sustainable energy and food and a policy governance system that balances the pursuit of economic growth and environmental friendliness (green economy).

1.2. Relationship Between Interpersonal Skill Variables (X1), Good Corporate Governance (GCG) (Y1) and Performance (Y2)

Constructing X1 affects Y1 and Y2 based on theory or previous research conducted by [Robbins and Judge \(2017\)](#) that a manager needs good interpersonal skills to make leadership effective, especially in hiring, training, motivating, and disciplining employees. This interpersonal skill is very much needed in managing BUM Desa in

East Sumba Regency to increase the value of empowerment and community participation. [Najib et al. \(2019\)](#) said that the existence of BUM Desa is not only viewed from the corporate business side but must also be viewed as a local organization that plays a role as the mainstay of the people's economy. This requires meanings of good interpersonal skills to carry out BUM Desa management practices in a transparent and accountable manner.

In addition, there is previous research, such as that conducted by [Firmansyah et al. \(2022\)](#) which reported that the role of situational leadership and corporate culture greatly influences employee involvement factors in a company. Likewise, [Siregar and Muslihah \(2019\)](#) said that good information quality greatly influences transparency and partisanship towards the community. This explains the strong relationship between the construct of interpersonal skills and the implementation of good corporate governance and performance. This means that BUM Desa administrators with good interpersonal skills can make it easier for administrators to convey something to the community and stakeholders. [Robbins and Judge \(2017\)](#) said that “managers must be able to determine what they need to do at the beginning of their careers, namely carrying out 10 different, highly interrelated roles, or a series of behaviors, and serving important functions in the organization, namely (1) interpersonal, (2) informational, or (3) decision”. In addition, [Verhezen and Abeng \(2022\)](#) said that practitioners and academics have agreed that good corporate governance involving supervision and coaching of top management can direct the organization in the right direction and make the organization less risky and often more competitive in the global open economy. This explains that interpersonal skills are the main factor that can improve the performance of BUM Desa management in a more transparent and accountable manner.

Table 1. Operationalization of Research Variables

Variable	Definition	Dimension	Size	Scale of Measurement	Source
Interpersonal Skill	Interpersonal Skill The ability to communicate effectively	Feelings, attitudes and behaviors, motivations, and desires towards others.	Level of concern for coworkers	Interval	Robbins and Judge (2017) and Anggiani and Pakeh (2021)
Good Corporate Governance	Management system to increase company value and business continuity.	Transparency	The level of openness in the process and access to information	Interval	Kusmayadi et al. (2015)
		Accountability	Rights and obligations of the board of commissioners and directors	Interval	Kusmayadi et al. (2015)
Performance	The end result of a process built by the organization, both positive and negative.	Efficiency	Performance measures based on results, responsibilities and targets.	Interval	Franceschini et al. (2019)

1.3. Operationalization of Research Variables

2. Methods

This research is descriptive quantitative research with an explanatory survey approach that aims to analyze the causality of the direction of the relationship between variables, namely: a) how the interpersonal skill construct (X1) can influence the good corporate governance construct (Y1), and b) how the good corporate governance construct (Y1) can influence the performance construct (Y2), and c) how the interpersonal skill construct (X1) can influence the performance construct (Y2). Therefore, the construct measure uses interval scaling to calculate the average and standard deviation of respondents' responses to the construct.

Observations were conducted from November 2023 to January 2024 based on a cross-sectional or one-shot time horizon with direct field survey techniques to respondents that were of a verification nature as the basis for statistical testing ([Ali](#)

& Limakrisna, 2013). This is also intended to obtain factual data and information related to the low institutionalization of Village-Owned Enterprises. The study population included 30 active BUM Desa in East Sumba Regency with the following requirements: 1) BUM Desa is officially registered with the Ministry of Villages, Development of Disadvantaged Regions, and Transmigration or in the process of submitting a business entity name, 2) Has official management, and 3) Has programs and activities that are being and will be implemented during the study period.

The sampling technique uses a judgment sampling approach, where researchers have taken samples based on respondents who have mastered their fields, namely 186 administrators. This number of samples can be said to be able to meet the research requirements with the number of administrators participating, as many as 144 people, or a respondent participation rate (response rate) of 77.42 percent. The number of administrators in each Village-Owned Enterprise has a different composition regarding the number of business unit managers due to variations in the types of businesses owned. Therefore, we use a 5% and 95% margin of error as the research confidence level. The study used secondary data from Statistics Indonesia, the Community and Village Empowerment Service (DPMD), research reports, reputable journal articles, and books relevant to the research topic. In contrast, the primary data source is respondents, including commissioners, supervisors, directors, secretaries, treasurers, and business unit managers, as a single BUM Desa management work team. The questionnaire applies a Likert scaling model with answer options ranging from strongly agree (SS), agree (S), neutral (N), disagree (TS), and strongly disagree (STS). In addition, to get an overview of the respondents, the researcher added answer options for age, gender, marital status, education level, occupation, and work experience. The data analysis technique uses the S.E.M (Structural Equation Modeling) analysis method, which integrates empirical data analysis with theoretical construction that simultaneously evaluates the measurement results, and their components described in a hypothetical model (Ali & Limakrisna, 2013).

3. Results and Discussion

3.1. Descriptive Statistical Analysis

Most of the administrators are local people of Sumba ethnic descent who work as farmers and ikat weaving craftsmen, with a gender composition of 102 male administrators (70.83 percent) and 42 female administrators (29.17 percent). Meanwhile, the description of the level of education shows that most administrators have a relatively low level of education, namely: a) administrators with elementary and junior high school education levels of 28 people (19.44 percent), b) high school graduates of 72 people (50 percent) and c) college graduates of 44 people or 30.56 percent.

In general, most of the BUM Desa administrators in East Sumba are farmers who only rely on their crops (rice and corn) to support their families. In addition, some administrators are engaged in ikat weaving crafts as an additional source of income for their families. In observations and brief discussions, the ikat weaving business is the main source of income for village communities in East Sumba, in addition to farming. They (administrators) said that the sales situation of woven fabrics before the pandemic greatly helped them meet family needs, especially financing their children's education at school or college. However, during the pandemic until now, there has been a significant decrease in sales turnover. On the other hand, sources of income from agricultural land, rice fields, and gardens have not significantly

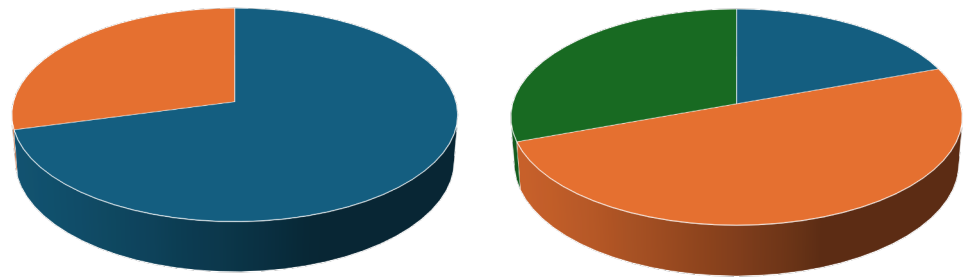


Figure 1. Education Level and Gender of BUM Desa Management in East Sumba Regency

■ Laki-laki ■ Perempuan

■ SD-SLTP ■ SLTA ■ SARJANA

Source: Results of primary data analysis (2024)

contributed to improving the welfare of farming families due to classic problems, such as minimal rainfall, pest attacks (locusts), and storms. This economic vulnerability situation will be even more complicated if they have to deal with high customary demands (Gunawan et al., 2022).

The empirical description of the socio-economic community explains how important administrators' interpersonal skills are in improving the institutional performance of BUM Desa. The data in Table 2 explains that the interpersonal skills analysis unit (X1) of administrators from X1.1 to X1.7 has a theoretical range between 2 and 5, as indicated by the minimum and maximum values of the table. The average value (mean) has a magnitude of more than 4, which exceeds the median value of 4, meaning that the average respondent has good interpersonal skills. In addition, the good corporate governance (Y1) and performance (Y2) variables show average values exceeding the median value, meaning that the average respondent can apply the principles of transparency and accountability well, which impacts high performance. On the other hand, the standard deviation value for each analysis unit from X1.1 to X1.7, Y1.1, Y1.2, and Y2 shows values that tend to be homogeneous or less varied. Namely, the standard deviation value is smaller than the average value of the table. This illustrates that the level of data distribution tends to approach the mean value. This means that, on average, respondents' answers have the same tendency to express attitudes and behaviors related to how to interact in the workplace, such as understanding others, expressing thoughts and feelings, asserting needs, influencing others, giving and receiving input, resolving conflicts,

Table 2. Mean, Median and Standard Deviation Values

Name	Mean	Median	Scale min	Scale max	Observed min	Observed max	Standard deviation	Cramér-von Mises p value
X1.1	4.083	4.000	3.000	5.000	3.000	5.000	0.607	0.000
X1.2	4.090	4.000	3.000	5.000	3.000	5.000	0.539	0.000
X1.3	4.049	4.000	2.000	5.000	2.000	5.000	0.616	0.000
X1.4	4.090	4.000	2.000	5.000	2.000	5.000	0.666	0.000
X1.5	4.250	4.000	3.000	5.000	3.000	5.000	0.571	0.000
X1.6	4.132	4.000	3.000	5.000	3.000	5.000	0.568	0.000
X1.7	4.382	4.000	3.000	5.000	3.000	5.000	0.553	0.000
Y1.1	4.340	4.000	3.000	5.000	3.000	5.000	0.636	0.000
Y1.2	4.458	4.000	3.000	5.000	3.000	5.000	0.564	0.000
Y2	4.340	4.000	3.000	5.000	3.000	5.000	0.555	0.000

Source: Results of primary data analysis (2024)

and collaborating with others, which they often do in managing BUM Desa. Anggiani and Pakeh (2021) explain this as a habit or “Um Naasaibek,” which means that the attitudes and behaviors shown by individuals are habits that are often carried out every day and form attitudes and behaviors. This is closely related to emotional factors, motivation, and mindsets that develop according to individual reactions to each experience over a certain period of time.

The above explains that the economic conditions of farming communities are often trapped in a vulnerable situation that makes it increasingly difficult for them to avoid shocks in the structural economic changes that occur. Therefore, BUM Desa management managers with good interpersonal skills can be smart stimulators in stimulating increased harvest results and other productive economic efforts, especially Sumba ikat weaving craft businesses. In addition, a good understanding of applying the principles of transparency and accountability in the management of BUM Desa is a force that can improve the performance of BUM Desa.

3.2. Inferential Statistical Analysis

The results of the structural model test indicate a positive direct influence of X1 on Y1, namely a positive value of 1, which means that if interpersonal skills (X1) increase by one unit, the implementation of good corporate governance (Y1) can increase by 100%. The same thing happens in the relationship between Y1 and Y2 and the relationship between X1 and Y2. In addition, the results of the outer model analysis on X1 show an outer loading value above 0.7, namely on indicators X1.2 to X1.7, which explains a strong relationship between the construct and the research indicators. However, the X1.1 indicator is less than 0.7, meaning there is a weak relationship between the indicator and the construct. However, this result is still acceptable because the X1.1 value is in the range of values above 0.5, namely 0.575 (Sarstedt et al., 2017). Meanwhile, the outer model analysis on Y1 shows an outer loading value above 0.7, which explains a strong relationship between the construct and the research indicators.

Table 3. Outer Loadings Matrix

	Good Corporate Governance (Y1)	Interpersonal Skill (X1)	Performance (Y2)	Note
X1.1		0.575		Valid
X1.2		0.735		Valid
X1.3		0.734		Valid
X1.4		0.713		Valid
X1.5		0.764		Valid
X1.6		0.737		Valid
X1.7		0.794		Valid
Y1.1	0.902			Valid
Y1.2	0.924			Valid
Y2.1			1.000	Valid

Source: Results of primary data analysis (2024)

The Average Variance Extracted (AVE) analysis results on constructs X1 and Y1 show an AVE value of more than 0.5, meaning that there is adequate and ideal convergent validity in each reflective construct. On the other hand, the results of the discriminant validity test explain that the reflective indicator is truly a good measure for its construct compared to other constructs, such as the outer loadings value, which is greater than the cross loading value, meaning that the indicator statements contained in the questionnaire can accurately express each construct represented and make a difference with other constructs. This is also supported by the Fornell-

Larcker analysis (Fornell-Larcker criteria), which shows that the square root value of the construct is greater than the correlation value between the construct and other constructs. In addition, the Heterotrait–Monotrait Ratio (HTMT) analysis shows a consistent level of difference between constructs of 0.603 or 60.3 percent. Likewise, the results of the internal consistency reliability analysis show that Cronbach's alpha and composite reliability values are above 0.8, meaning that there is a consistent and strong relationship between the indicators and constructs.

Table 4. Average Variance Extracted (AVE)

	Average Variance Extracted (AVE)	Note
Good Corporate Governances (Y1)	0.834	Valid
Interpersonal skill (X1)	0.525	Valid

Source: Results of primary data analysis (2024)

The results of the inner model analysis show no correlation between constructs; namely, the construct VIF value is less than 5, meaning that there is a good and measurable potential collinearity relationship between X1 and Y1 of 1.225. However, there is a problem with the ability to predict the model, where the R-square analysis shows a weak relationship between X1 (interpersonal skills) and Y1 (good corporate governance), namely a value of 0.395. However, this result is still acceptable because the exogenous construct can influence the endogenous construct as indicated by the R-square value being greater than the adjusted R-square value, namely 0.386.

Table 5. R-square Value

	R-square	R-square Adjusted	Note
Good Corporate Governance (Y1)	0.395	0.386	Valid
Kinerja (Y2)	0.417	0.404	Valid

Source: Results of primary data analysis (2024)

On the other hand, there is still a problem with the F-square value, which is “medium” or moderate, which is 0.199, which explains that the construct X1 (interpersonal skill) is only able to influence Y1 (good corporate governance) by 0.199 or 19.9 percent. However, this condition can still be strengthened by the results of the Cross-Validated Redundancy (Q2) analysis, which shows the Goodness of Fit (GoF) index value based on the Stone Geisser Q2 value criteria of 0.647, meaning that there is an ideal predictive relevance in the model, namely the Q-square value is above 0. The same thing is also shown by the direct effects value, namely the path coefficient value of 0.384 or 38.4 percent, which has a positive relationship strength.

3.3. Hypothesis Testing Results Based on Bootstrapping Analysis

Table 6. Bootstrapping Analysis

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (O/STDEV)	P Values
Good Corporate Governances (Y1) -> Kinerja (Y2)	0.368	0.368	0.092	3.986	0.000
Interpersonal skill (X1) -> Good Corporate Governances (Y1)	0.407	0.417	0.061	6.678	0.000
Interpersonal skill (X1) -> Kinerja (Y2)	0.345	0.346	0.094	3.665	0.000

Source: Results of primary data analysis (2024)

Hypothesis testing uses a variance-based approach (Variance Based Structural Equation Model/Partial Least Square Structural Equation Model/SEM-PLS). At this stage, the researcher conducted a bootstrapping analysis with a significance of 5 percent (0.005) to obtain the results of the path coefficients statistical analysis,

where the magnitude of the t-statistic value (t-value) and p-value are the theoretical basis for hypothesis testing (Ali, 2023). The results of the H1 hypothesis test show the results of the bootstrapping analysis with a significance of 5%, which is at a t-statistic value of 6,678, which is greater than 1.96, and a p-value of less than 0.005, which is 0. This means that the H1 hypothesis can be accepted: interpersonal skills positively and significantly affect the implementation of good corporate governance in BUM Desa institutions in East Sumba Regency. Likewise, the H2 hypothesis shows a statistical t-value of 3.986, which is greater than 1.96, and a p-value of less than 0.005, which is 0, which confirms that the H2 hypothesis can be accepted, namely: the implementation of good corporate governance has a positive and significant effect on improving the institutional performance of BUM Desa in East Sumba Regency. In addition, the results of the H3 hypothesis test show the results of the bootstrapping analysis with a significance of 5%, at a statistical t-value of 3.665, greater than 1.96, and a p-value of less than 0.005, which is 0. This means that the H3 hypothesis can be accepted; namely, interpersonal skills have a positive and significant effect on improving the institutional performance of BUM Desa in East Sumba Regency. Explicitly, the results of this hypothesis test analysis explain a positive and mutually reinforcing relationship between the interpersonal skills of BUM Desa administrators and good management of BUM Desa, where these two variables will jointly and simultaneously improve the performance of BUM Desa. Therefore, the East Sumba Regency Government needs to develop an appropriate Village-Owned Enterprise management strategy based on the relationship patterns between the variables above to respond to the challenges and threats of structural economic changes that can damage the economic foundations of village communities.

3.4. Discussion

3.4.1. The Role of Interpersonal Skills of Village-Owned Enterprises Managers in East Sumba Regency Facing the Challenges of Structural Economic Change

Conceptually, interpersonal skills describe a person's ability to communicate effectively, which is greatly needed by the management of BUM Desa in East Sumba Regency to build a solid work team. Anggiani and Pakeh (2021) explain this ability as a) the ability to understand others, b) express thoughts and feelings clearly, c) emphasize needs, d) influence others, e) give and receive input, f) resolve conflicts, and g) collaborate with others. This is also in line with the opinion of Robbins and Judge (2017) who said that "every leader or manager in carrying out leadership functions and roles will need interpersonal skills to carry out ceremonial, symbolic tasks or leadership roles, for example in hiring, training, motivating, and disciplining employees. In addition, this ability also functions as a liaison role or contacting and building relationships with others who provide valuable information."

The results of a survey conducted on 144 respondents in 30 active BUM Desa in East Sumba Regency showed that almost all administrators have good interpersonal skills, namely 127 respondents, or 90 percent, gave a positive response to the questionnaire, meaning that respondents agreed that they often made the indicator statements. Meanwhile, 17 administrators, or 10 percent of respondents, did not do it often. A similar thing is also shown by the mean value of descriptive statistics above four and the median value of 4, which explains that, on average, respondents agreed that the questionnaire statements were often done in their work routines. Theoretically, this is a description of the condition of good human resources to spur the growth and development of micro, small, and medium-scale businesses, especially the ikat weaving craft business, which has been carried out by village

communities for generations and is one of the cultural heritages of the East Sumba community. In addition, this capital ability can increase the process of creating innovations that can open up access to wide employment opportunities by optimizing local potential development.

This explains how important interpersonal skills are in supporting the role and function of BUM Desa in facing structural economic changes. However, the observation results found a crucial problem: most of the management of BUM Desa has not been running well as a single work team that can actualize the role and function of the BUM Desa. This is reflected in the low activity of BUM Desa management in mediating the increase in business capacity run by the local community. The factor that causes this is the lack of work experience managing BUM Desa. In addition, minimal budget and capital readiness are other inhibiting factors in the implementation of the work plan, as expressed by respondent BJ/L/53 years old, director of BUM Desa "Duma Luri" in Watuhadang village, that economic improvement programs and activities, especially the development of ikat weaving businesses have been designed and budgeted in the annual work plan, but have not been able to be implemented properly due to limited funding. As a result, ikat weaving craftsmen are only able to run their businesses with existing limitations. In this context, marketing problems are also part of the problem itself, where the sales situation after the Covid pandemic ended still showed low sales targets expected by ikat weaving craft business actors.

Therefore, the application of good corporate governance principles should be the basis for implementing the institutional development of Village-Owned Enterprises. [Kusmayadi et al. \(2015\)](#) explained that Good Corporate Governance (GCG) is a set of systems that regulate and control companies to create added value for stakeholders. This means that the Regional and Village Governments and other stakeholders should improve the quality of GCG implementation as a mediating tool for improving performance. This theoretical argument is closely related to the results of statistical analysis, which show that there is a positive and significant relationship between the construct of interpersonal skills and good corporate governance, namely a statistical t-value of 6,678, which is greater than 1.96 and a p-value of less than 0.005, which is 0. Likewise, the relationship between good corporate governance and performance shows a statistical t-value of 3,986, which is greater than 1.96, and a p-value of less than 0.005, which is 0, meaning that the application of good corporate governance can have a positive and significant effect on improving the institutional performance of Village-Owned Enterprises in East Sumba Regency. For example, the Village-Owned Enterprise "Mbuhang Pahamu" Praibokul Village, Haharu District, has succeeded in initiating the surrounding community who work as farmers in the development of processed peanut production managed by the Village-Owned Enterprise. Resource person JP/L/43, a village assistant, said that the potential of Praibokul Village is peanut commodities, and before the restructuring of the management of the Village-Owned Enterprise, farmers were only able to sell their raw peanut harvests to the city. However, currently, farmers are being guided to become agribusiness actors. A similar thing also happened in Pambotanjara Village, Kota Waingapu District, where the management of the Village-Owned Enterprise "Harapan Baru" has initiated the development of the tourism sector as a superior village product in addition to agriculture and animal husbandry. The tourism icon is the "sleeping giant" hill with a very wide expanse of savanna.

3.4.2. Problem Analysis and Strategy

Structural transformation in developing countries has not been running optimally, where most of the workforce still works in the agricultural sector, which causes a surplus of labor (Andersson & Chaverra, 2016; Ifa & Muttaqien, 2018). This is also experienced by rural communities in East Sumba Regency, where the village economic development strategy that has been implemented so far has not been able to utilize technological and information developments to create new jobs through the utilization of village potential. According to Naiya and Manap (2013), this situation is the impact of the weak development of the modern industrial sector in balancing the high population growth rate. As a result, every year, the contribution of the agricultural sector to GDP continues to decline, which has an impact on increasing unemployment and poverty rates. BPS - Statistics Indonesia (2024) recorded that 12.22 percent of the poor population lived in rural areas, and 7.29 percent lived in urban areas.

In the context of managing Village-Owned Enterprises, this certainly requires greater ability from administrators to create or adopt innovations that can open up jobs and increase the diversity of other productive economic sources besides agriculture. This is in line with Suharti et al. (2024) who stated that village community development aims to empower village communities, foster awareness of independence, and reduce dependency by striving to increase knowledge and attitudes through mentoring activities according to local needs. Therefore, the strategies that can be implemented by the East Sumba Regency Government to deal with structural economic changes are as follows:

- a. Increase the work motivation of BUM Desa administrators through a reward system that is in accordance with employment provisions.

This is based on field findings that show that administrators' welfare level is still very low, as most administrators work as farmers and ikat weaving craftsmen. Respondent BJ/M/53 years old, Director of BUM Desa "Duma Luri" Watuhadang Village, said that the economic life of the household is mostly supported by the rice harvest and the sale of woven cloth, where they experienced a decrease in sales turnover during the Covid-19 pandemic. This is even more difficult in crop failure due to locust attacks and the Seroja cyclone disaster in 2021 (Balitbangda, 2021). The reality above shows the obstacles administrators face in implementing their main duties and functions as administrators of BUM Desa. Besides that, in a brief discussion with the Official in charge of BUM Desa at the Community and Village Empowerment Service (DPMD), it was stated that the reason for low compensation was why many administrators resigned from their previous BUM Desa management. This problematic situation is highly dependent on the Village Government policy that is adjusted to the financing capacity of the Village-Owned Enterprises, as expressed by several respondents, namely: WM/M/55 years old, commissioner, that the amount of compensation for Village-Owned Enterprises administrators is 30 percent of the Village-Owned Enterprises profit. In addition, respondent NH/M/27 years old, Director of Village-Owned Enterprises, said that the compensation for the director position is IDR 600 thousand per month. At the same time, it is IDR 500 thousand per month for secretary and treasurer. This actual picture explains that interpersonal skills play a very important role in determining the effectiveness of a manager, namely helping organizations attract and retain high-performing employees who are closely related to the quality of relationships in the workplace and job satisfaction, stress, and employee turnover (Robbins & Judge, 2017).

b. Improving the quality of the implementation of Good Corporate Governance (GCG)

In observations, it appears that the role of the Village Head as a commissioner still dominates the newly formed management (reorganization). This is actually part of the way to employ and train administrators who have very minimal work experience. [Verhezen and Abeng \(2022\)](#) explain that good corporate governance involves the supervision and coaching of top management, where board members appointed by the owner function as maintainers of an organization. This is the basis for the need to strengthen good corporate governance in the institutional management of Village-Owned Enterprises by improving the function of the board in the right direction. However, in some cases, there is often a bias in this supervisory function, which has the potential to give rise to the dominance of elite capture and threaten the sustainability of the village economy.

Therefore, what is important in this theoretical argument is how to harmoniously connect interpersonal skill capital with the implementation of good corporate governance itself. Strategic steps need to be taken by the Regional Government, Village, and other stakeholders, namely implementing the smart village concept, where socialization and mentoring activities to strengthen BUM Desa institutions are one way to empower local communities. This is in line with [Hitt et al. \(2011\)](#) who said that a company needs to build effective human resource management to improve company performance, as done by Whole Foods Market with a participatory approach called "workplace democracy," where management gives authority and responsibility to each team member to express themselves in planning and decision making. In addition, the company's strategy to improve work ethic is to provide decent compensation and become a separate attraction to achieve the goals and objectives above.

4. Conclusion

The dualism of the role of BUM Desa, namely as a corporation that aims to seek profit, and the role of a local organization that drives the village economy with a primary focus on the welfare of the local community, is a challenge in facing structural economic changes. This dilemma requires high interpersonal skills from BUM Desa administrators in East Sumba Regency to be able to adapt to various problems and threats arising from the dynamics of this change.

The results of the study show that there is a positive and significant relationship between interpersonal skills and the implementation of good corporate governance, where these two factors, if treated properly, will be able to encourage increased performance of BUM Desa institutions, especially in the development of micro, small and medium scale businesses. Therefore, the Regional Government needs to provide appropriate stimulation to BUM Desa administrators to increase work motivation, especially by providing remuneration in accordance with employment regulations. In addition, the Regional and Village Governments and stakeholders need to build a strong commitment to building BUM Desa institutions based on the principles of good corporate governance.

On the other hand, the implications of this study state that the role of BUM Desa is the main actor that determines the success of the Government in alleviating poverty in East Sumba Regency, namely by building smart villages to developing economic innovation in the agricultural sector and empower local communities in facing structural economic changes. Finally, the researcher hopes that the results of

this study can add ideas and critical thinking regarding appropriate village economic development strategies to face the dynamics of structural economic change.

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