Can Smart Governance Works in Traditional Indigenous Markets?

Denny Andriana
Faculty of Economics and Business Education, Universitas Pendidikan Indonesia

ABSTRACT

One of the underlying characteristics of a “smart governance” notion is responsive government. The public expects the government to be its receptive partner. However, prior research has indicated that a growing lack of public trust in government is a common phenomenon in most developing countries; thus, expecting a responsive government is difficult. This paper aims to determine whether smart governance works in traditional indigenous markets, known as pasar, in Indonesia. The study employs a qualitative case-study method. A semi-structured interview of pasar key informants gathered empirical evidence for the case study. The findings indicate that the bureaucratic culture, via the role of supervisory boards, in Pasar has restrained the managers’ responsiveness to public demands. Consequently, complaints that surface in Pasar cannot be solved immediately. In conclusion, it can be said that they cannot implement smart governance in Pasar.

INTRODUCTION

The notion of smart governance commonly relates to the use of technology in providing services to the public (Scholl & Scholl, 2014). Arguably, this concept can help the government become more responsive through the involvement and collaboration of many groups (i.e., the public) in the policy-making process (Lombardi et al., 2012; Pereira et al., 2018; Scholl & Scholl, 2014). This implies that when making important decisions, authorities must involve the public and ask constituents to participate actively. Public participation in the decision-making process is the most essential factor for the smart governance model to work (Demirel & Mülazimoğlu, 2022; Ruhlandt, 2018).

In Indonesia, involving the public in the decision-making process did not occur until 1998, when the authoritarian regime ended. This also marked the initiation of a decentralized administrative system in Indonesia. Decentralization made a significant change that led to a transfer of power and responsibility for public functions from the central government to local governments (Özmen, 2014). Also, decentralization has increased the public’s expectation that local government will deliver better services (Nasution, 2016) because decentralization effectively
Denny Andriana

makes the government more responsive and efficient (Bardhan, 2002). For example, local government becomes more transparent when it enables citizens’ participation and monitors the government’s decision-making process and activities (Blair, 2000; Burki et al., 1999; Manor, 1999).

Responding to the increased demands for accountability and transparency regarding the use of public resources, the government issued a law on local government—(Law Number 22 on Local Government, 1999)—improved since then through three amendments (Law Number 32 on Local Government, 2004; Law Number 23 on Local Government, 2014; Law Number 9 on the Second Amendment to Law Number 23 of 2014 on Local Government, 2015) (McLeod & Harun, 2014). This law states that the local government is responsible for such public resources as healthcare, education, cultural and social affairs, labor, environmental protection, land, citizenship, and investment. Hence, the heads of regions, such as governors, mayors, or regents, have greater power and responsibility to perform their duties.

Traditional indigenous markets in Indonesia, called *Pasar*, are one of the public resources that management of state funds, available all over Indonesia, is entrusted to governors, mayors, or regents to manage. Funded by the public, these governors, mayors, or regents strive to perform at their best by being reliable and responsive to the public (Salminen & Lehto, 2012). They must meet public demands (Powell Jr, 2004; Stimson et al., 1995), so the public should hold them accountable when *Pasar* do not function effectively.

Even though the government fully owns *Pasar*, they are like other retail businesses that offer both products and services. Managing *Pasar* means that the government, via the managers, must emphasize the human factor as a critical feature in the provision of service quality to the stakeholders, i.e., merchants and customers. This is due to the legal requirement for the government to provide the public with high-quality public service (Sawir et al., 2023). Therefore, interaction that occurs in *Pasar*, i.e., managers with the merchants and customers, is the key to the success of the overall services and essential to customers’ perception of service quality (Nickson et al., 2005).

As a business entity that competes with modern markets, the managers of *Pasar*, who act as representatives of the government, must make a profit. Consequently, the managers of *Pasar* maintain two fundamental objectives: meeting the social mission to serve the public and fulfilling the financial mission to share the *Pasar*’s profit with the state budget. Having financial and social objectives in one entity, *Pasar* managers must fulfill different demands with equal success.

However, prior research indicated how organizations with two distinct objectives tend toward “mission drift” and encounter potential conflict in meeting these goals (Battilana & Lee, 2014; Doherty et al., 2014). Such organizations tend to focus their strategies and operations on fulfilling one mission over the other (Ebrahim et al., 2014). The potential conflicts could also reflect the many different stakeholders’ expectations (Grossi & Thomasson, 2015; Kickert, 2001). Mainardes et al., (2012) argued that dealing with diverse stakeholders can be a significant problem when their demands collide, due to the impracticality of fulfilling all stakeholders’ demands simultaneously. Also, previous studies on *Pasar* have not investigated the challenges facing the managers in fulfilling the many and different stakeholder expectations. Indeed, studies have shown that a growing lack of public trust in government is among the phenomena that Goetz & Jenkins (2001) describe as common to most developing countries.
Other than that, not only organizations burdened with two objectives in one entity may fail to achieve their goals, but public organizations in developing countries also are argued to have low capacity that it affects and reduces the unresponsiveness of the government to provide services to the public (Mimba et al., 2007; Setianto et al., 2021).

As the idea of smart governance promotes collaboration and engagement by various stakeholders in decision-making and public services (Albino et al., 2015), whether pasar management practices smart governance (which this study defines as responsive) is worth further exploration. Therefore, this paper aims to determine whether smart governance works in Pasar. This study contributes to the literature on smart governance by presenting challenges in implementing the notion of smart governance in public-sector organizations, such as pasar.

**Literature Review**

Many scholars have broadly discussed the term “smart governance.” For instance, Willke (2007) sees governance as the essential activity of collaboration to reach collective goals in an organization. On the other hand, Bifulco et al. (2016), Bolívar & Meijer (2016), and Dameri & Benevolo (2016) consider smart governance as interaction and cooperation between stakeholders and how these stakeholders in their different roles and responsibilities collaborate. Therefore, smart governance involves three different activities—collaboration, decision-making, and implementation—to achieve an organization’s goals (e.g., Dimelli, 2016; Gil-Garcia et al., 2015; Pereira et al., 2018).

*Pasar* managers, whom the governor assigns to administer *pasar*, must ensure the fulfillment of their social and financial objectives. However, while striving to meet the two goals of *pasar*, the managers must also deal with different demands from various stakeholders. Identifying which stakeholders are essential to *pasar*, the definition of stakeholders by (Freeman, 1984) as “any group or individual that can affect or is affected by the achievement of the organization’s objectives” requires further exploration. Prior studies showed that diversity in an organization’s objectives means that analyzing the success of governance can only occur in terms of stakeholders’ satisfaction (Koppenjan & Klijn, 2004). Thus, fulfilling the demands of many stakeholders is necessary.

Stakeholder theory explains that for any organization to be of value to its stakeholders and remain sustainable for a long time, its managers must ensure that it meets the interests of those stakeholders. In *Pasar*, the government merchants and customers are among the primary stakeholders who can determine *Pasar* life or death (Clarkson, 1995). Their role in the *pasar* is crucial, and their decision to end their support could end the *pasar*’s ability to operate.

As the representatives of the government, *pasar* managers must fully consider the significant role of the public, i.e., merchants and customers. Their presence in *pasar* determines its rise or fall; thus, managers must satisfy their demands accordingly. The role of the public is critical, offering suggestions for *pasar* managers to arrive at better-informed policy decisions (Anttiroiko et al., 2014; Stratigea et al., 2015). At the same time, being responsive *pasar* managers is essential to building a positive perception and trust among the public (Royo & Yetano, 2015; Tomor et al., 2019; Zheng, 2015). The responsiveness of *pasar* managers is one of the organizational characteristics that specify a causal relationship between *pasar* managers and the public (Santos et al., 2014).

Lack of studies were found in prior paper that specifically explores how smart governance works in *pasar*. Thus, this study intends to discover whether the *pasar* managers can be responsive by
fulfilling the different demands and implementing smart governance effectively, despite the many challenges they must tackle.

**RESEARCH METHODS**

The researcher used a qualitative method, obtaining the data by employing a semistructured interview approach in addressing this paper’s research question. Using semistructured interviews to obtain information from the key participants to answer the research questions is a more flexible approach to collecting the data for researchers. The interviewee can respond freely, and the researchers can obtain more information in rich and detailed answers (Clark et al., 2021).

Because the study aims to explore the practice of smart governance (if any) in *pasar*, the interviewee responses are presented and analyzed appropriately, to find the general themes relevant to answering the research question. According to Clark et al., (2021), an interview is a prominent data-collection strategy in qualitative research. Arguably, the interview best suits understanding people’s experiences and perceptions (Blandford, 2013). Thus, the data the researcher obtained in conducting this study was from interviewing key informants who own the knowledge of *pasar* and understand its business activities. In addition, the respondents likely have at least a basic understanding of smart governance, to the extent that it may help the researcher in answering the research question.

The *pasar* cases that this research studies are in Bandung, the capital city of West Java Province. The researcher uses a purposive sampling method in choosing the *pasar* based on two criteria, namely, their lengthy presence (i.e., at least 25 years in existence) and their uniqueness, compared to the remaining *pasar* in Bandung. Therefore, the researcher chose three *pasar*—*pasar* Kosambi, *pasar* Andir, and *pasar* Cihapit—because of their distinctiveness as a place for social-cultural events and as the center of the economy in the 19th century, in the city of Bandung (Rahman, 2019). Their long existence and distinct characteristics make them suitable as case studies.

Apart from the manager of each of the three *pasar* as the key informants in this study, the researcher also interviewed a representative from the Government of Bandung City and merchants and customers from each *pasar*. However, contacting some participants, i.e. merchants and customers, before the interview and delivering the interview agenda in advance were not possible. Neither was using a snowball sampling method to ask their participation during the interview possible, due to the difficulty of identifying which merchants or customers had the most information about the case under study. Also, conducting a lengthy interview with merchants and customers might have cost them time. Therefore, merchants and customers for the interview in this study were chosen and assessed based on their convenience, accessibility, proximity and potential as participants during the fieldwork. This approach represents a nonprobability sampling method, known as convenience sampling (Efil and Negida, 2017).

The data in this study obtained came from multiple sources of information, a procedure known as triangulation. Triangulation in data collection confirms the findings, provides richness, and improves the studied phenomenon (Jack & Raturi, 2006). The choosing of three managers, a representative of the government, and merchants and customers from each of the *pasar* as key informants was due to the argument that for a qualitative approach, study saturation rather than magnitude determines the final size of the sample (Creswell, 2015)—i.e., existing participants have substantially given all information on the subject, and the researchers can stop interviewing. Thus, the study required no prespecified numbers of informants (Bernard, 2006).
The questions asked of the participants aimed to explore the issues that surfaced about pasar. Also, the respondents were asked a question about whether the problems have been reported to the managers or higher authorities, and what responses were given. The table 1 below summarizes the participants in the fieldwork interviews by key informants. The duration of each interview was an average of thirty minutes. The period for obtaining the data and conducting the case study was between May and July 2021.

Table 1.
The key participants

<table>
<thead>
<tr>
<th>No</th>
<th>Job Title</th>
<th>Organization</th>
<th>Code</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Head</td>
<td>Sub-Division Investment and Business Development Bandung</td>
<td>HB</td>
</tr>
<tr>
<td>2</td>
<td>Manager</td>
<td>Pasar Kosambi</td>
<td>M1</td>
</tr>
<tr>
<td>3</td>
<td>Manager</td>
<td>Pasar Andir</td>
<td>M2</td>
</tr>
<tr>
<td>4</td>
<td>Manager</td>
<td>Pasar Cihapit</td>
<td>M3</td>
</tr>
<tr>
<td>5</td>
<td>Merchant</td>
<td>Pasar Kosambi</td>
<td>MK1</td>
</tr>
<tr>
<td>6</td>
<td>Merchant</td>
<td>Pasar Kosambi</td>
<td>MK2</td>
</tr>
<tr>
<td>7</td>
<td>Merchant</td>
<td>Pasar Andir</td>
<td>MA1</td>
</tr>
<tr>
<td>8</td>
<td>Merchant</td>
<td>Pasar Andir</td>
<td>MA2</td>
</tr>
<tr>
<td>9</td>
<td>Merchant</td>
<td>Pasar Cihapit</td>
<td>MC1</td>
</tr>
<tr>
<td>10</td>
<td>Merchant</td>
<td>Pasar Cihapit</td>
<td>MC2</td>
</tr>
<tr>
<td>11</td>
<td>Customer</td>
<td>Pasar Kosambi</td>
<td>CK1</td>
</tr>
<tr>
<td>12</td>
<td>Customer</td>
<td>Pasar Kosambi</td>
<td>CK2</td>
</tr>
<tr>
<td>13</td>
<td>Customer</td>
<td>Pasar Andir</td>
<td>CA1</td>
</tr>
<tr>
<td>14</td>
<td>Customer</td>
<td>Pasar Andir</td>
<td>CA2</td>
</tr>
<tr>
<td>15</td>
<td>Customer</td>
<td>Pasar Cihapit</td>
<td>CC1</td>
</tr>
<tr>
<td>16</td>
<td>Customer</td>
<td>Pasar Cihapit</td>
<td>CC2</td>
</tr>
</tbody>
</table>

Source: Researcher fieldwork activities

The qualitative data, i.e., responses from the interviews, were analyzed using thematic analysis, one of the most used approaches for analyzing qualitative data (Clark et al., 2021). It identifies, analyses, and interprets meaning (themes) within qualitative data and uses them to address an issue (Clarke & Braun, 2017; Maguire & Delahunt, 2017). The researchers first used Microsoft Word to transcribe the interview recordings. Next, they translated quotations from the transcripts from Bahasa Indonesian into English. The researchers carried out all the transcriptions and translations themselves, to become familiar with the data and maintain respondent confidentiality (Nowell et al., 2017). This strategy also allowed the researchers to minimize any other person’s risk that the researchers might not be thoroughly familiar with the topic, related terminology, and respondents’ language. The codes used in this study are associated with identifying themes and marking the texts (Ryan & Bernard, 2003).

RESULTS AND DISCUSSIONS

The heads of local government face many challenges in ensuring the sustainability, wealth, health, and safety of the citizens in their respective regions (Barber, 2013; Landry, 2006). In times of financial crisis, traditional approaches tend to fail, requiring creative solutions to solve such challenges. The concept of smart governance is arguably able to make better use of available, yet limited, resources because the system helps to organize and provide services more efficiently. Thus, it builds an efficient government (Batty et al., 2012). Also, smart governance
systems aid those who are held accountable to manage and deliver services much more efficiently (Batty et al., 2012).

The government, via the appointed managers responsible for managing pasar, faces a similar issue. The emergence of modern markets has threatened the presence of pasar in the retail business (Choerudin et al., 2018; Sipahutar, 2016; Suryadarma et al., 2010). Modern markets portray themselves as better places to shop than pasar because they offer better-quality services (Najib & Sosianika, 2017). The government responded to the rise of modern markets by revising regulations that required the managers to ensure that pasar become a convenient place for the merchants as well as the customers (Aziz et al., 2015). This also indicates how the government, via the pasar managers, attempts to be reliable and responsive to the public, to create a positive perception (Salminen & Lehto, 2012). However, building a positive image of pasar in the mind of the public is difficult because the public has long experienced pasar as dirty, making them unappealing and unlikable places to visit (Purnomo et al., 2016). This negative perception downgrades pasar attractiveness and directs potential customers toward more modern markets (Hermawan et al., 2018; Prabowo & Rahadi, 2015; Septiari & Kusuma, 2016).

This study’s findings confirm prior studies and show how the negative perception of pasar has not improved significantly. The numerous complaints mentioned below verify the lack of facilities in pasar.

“...for any concerns, we treated complaints from the merchants or the public case by case. If the issues are about technical matters in pasar, we encourage the management of pasar to solve the problem themselves...” (HG).

“There are complaints from merchants and customers, mostly about the facilities. For instance, some leakages from the roofs...” (M1).

“...complaints are mostly on the facilities...” (M2).

“...lot of complaints... the complaints mostly on the cleanliness of the facilities, especially during the rainy season...” (M3).

A similar response came from merchants (MK1, MK2, MA1, MA2, MC1, and MC2) and customers (CK1, CK2, CA1, CA2, CC1, and CC2) from the three pasar, mainly complaining about the appearance and facilities of pasar. Wet and dirty floors due to the leakage from the broken roofs, malfunctioning elevators, and lack of bins available inside pasar are among the facilities that require repair. The responses from merchants and customers indicate that the physical appearance of pasar has not changed significantly. The negative image of pasar as dirty and lacking modern facilities has become a long-lasting issue that promoted claims of customers having abandoned pasar (Hermawan et al., 2018; Najib & Sosianika, 2017; Prabowo & Rahadi, 2015; Purnomo et al., 2016; Septiari & Kusuma, 2016).

The merchants have raised the inconvenient facilities problems in pasar to the managers. They were not feeling any comfort, as they must deal with the same issue every day. They were also aware that they may lose customers without immediate improvements.

“I had two issues reported to the manager. First, it is about safety. Second, it is about entrance access, but there were no further actions” (MK1).

“Yesterday was raining and the floor got easily flooded. It worries us as it may be slippery. I guess the broken roof has not been repaired yet. I had reported this issue 2 or 3 months ago” (MK2).
“The left wing of this building has no ventilation. There used to be one spot over there. But I think the exhaust fan has stopped working. We have already informed the manager. He said that we need to be patient” (MA1).

“. . . complaints were made very often, but the response was too slow, too bureaucratic . . . It is just too long for us to wait” (MA2).

“I think one of the elevators is not working. I can’t remember since when. I always use the stairs” (MC1).

“. . . a month ago, I informed the manager about the malfunctioning elevator on the south entrance, but the elevator still does not operate” (MC2).

One of the significant problems that caused several complaints to surface in pasar was the high-level demand for pasar managers’ responsiveness in improving the facilities and fulfilling both merchants’ and customers’ needs for convenience. The managers were aware of the necessity of significant improvements and actions; yet decisions to respond to these complaints could not be made promptly. As the sole owner of pasar, the government has put in place supervisory boards to ensure that the managers are following orders and fulfilling the demands of their superiors, i.e., the governors. Also, the supervisory boards provide suggestions and make decisions when pasar managers demand consultation on issues that arise in pasar. Consequently, for any significant decision or action, pasar managers must obtain supervisory board approval.

“Our managers in the headquarter are aware about the issues and complaints in pasar. They had raised the issues and complaints to the government, via the Sub-Division Investment and Business Development Bandung. This process often takes time because we need to invite many parties, including the supervisory boards” (M1).

“Yes, we do have supervisory boards. But I do not have direct access to them. So, we just report our problems to the headquarter. Sometimes, our managers at the headquarter just imply that our problem was still being discussed. Meaning that it has not been solved yet” (M2).

“It is difficult when we need to be responsive to the demands of the merchants while we need approval from our managers in the headquarters. Sometimes it takes weeks or months, which I think is not effective” (M3).

The intention of having supervisory boards is basically to help managers meet the objectives of pasar. However, the involvement of supervisory boards can also slow the decision-making process in pasar (Massaro et al., 2015). The appointment of supervisory boards, as the pasar managers argued, had reduced the responsiveness of pasar managers in decision-making.

As Boyne (2002) describes, this situation indicates how managers in public-sector organizations are less independent, as they seek to fit the circumstances that they face. Bureaucratic practices forced pasar managers to become unresponsive in satisfying public demands. This means that arguably, the hierarchical system that applies in pasar challenges the practice of smart governance. Thus, smart governance cannot work effectively in pasar.
CONCLUSIONS

Meeting the public needs has become the government’s, via the *pasar* manager, priority. This is due to the fundamental characteristic and the core of public-sector organizations. Government is successful if they can meet the social objectives (Wynn-Williams, 2005). However, the results of this study show how managers of *pasar* are unable to act responsive in fulfilling the demands of the stakeholders, i.e., merchants and customers. One of the main reasons is due to the bureaucratic characteristics rooted in *pasar* that make the decision-making process tend to be slower than in modern markets (Goodin, 2003; Massaro et al., 2015).

The long-existing nature of *pasar* as public service organizations has created a strong, yet traditional, bureaucratic culture in *pasar*. This means that decision in *pasar* cannot be executed immediately, because of bureaucratic inertia. The role of supervisory boards, who are inserted in *pasar*, have indeed delayed the decision-making process. Whenever *pasar* management are deciding to execute an action, for instance, fixing a broken elevator, it cannot be done immediately. This is because *pasar* are still financed by the state budget; thus, the use of significant money, e.g., repairing a malfunctioning elevator, must go through a hierarchical process. It implies that carrying dual objectives in *pasar* tends to be unsuccessful as both *pasar* management and the government emphasise serving the public more than generating profit.

This research uses government, *pasar* managers, merchants, and customers to participate in the interview. Their opinions in delivering the information and answering the questions reflect their subjective perceptions on the case being studied. As such, bias may be present because opinion is influenced by such factors as knowledge and experience; thus, these limitations need to be improved for further study.

Despite the limitations, this study highlights the fundamental issue in *pasar*, e.g., bureaucratic characteristic of *pasar*, that require attention from the managers and the government. Once the problem in *pasar* is solved, the implementation of smart governance, i.e., responsiveness of the managers, can work without hesitation.

REFERENCES


