

Analysis of Community-based Enterprise Development Process in Indonesian Return Migrant Workers Community

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Abstract. The purpose of this research is to analysis how a community-based enterprise can be formed in Indonesian return migrant workers community through a series of stages of the development process that has been carried out. This study used a qualitative method with a case study approach. Taking a case study on Sahabat Bersama Cooperative formed by Migrant Workers Family Community or Komunitas Keluarga Buruh Migran (KKBM) Karawang, this research examined how a community can collaborate to create a community-based enterprise. By using the model of the stages of community social enterprise development process from Munoz *et al.* (2014) which has been modified according to research needs, the results show that there were six stages to go through in the creation of the Sahabat Bersama Cooperative. The stages were legitimacy, needs/opportunity recognition, group coalescence, organizational establishment, community enterprise operates, and community enterprise grows. This research shows that the entrepreneurial activities carried out by Komunitas Keluarga Buruh Migran (KKBM) Karawang used a community development approach with the involvement of community members in every stage of the cooperative development process as a community-based enterprise.

Keywords: *return migrant workers community; cooperative; community-based enterprise.*

1 Introduction

As a country with the fourth largest population in the world, Indonesia is often faced with employment problems. The high number of workers demands many jobs, but when domestic conditions cannot meet these demands, looking for work abroad or becoming an Indonesian migrant worker is an alternative [1]. According to the Indonesian Migrant Workers Protection Agency (BP2MI),

463,549 people have gone to work overseas in the last three years (2019-2021) [2]. The five biggest destination countries for migrant workers are Hong Kong, Malaysia, Taiwan, Singapore, and Saudi Arabia [2]. Indonesian migrant workers are called “remittance heroes” because of their contribution to the country's economy through the flow of remittances to their homeland. The number of remittances sent by Indonesian migrant workers is regarded as one of the most important sources of foreign exchange after oil and gas sector [3].

However, the high number of departures of Indonesian migrant workers and their contribution to the country's foreign exchange earnings are accompanied by various problems. The issues are both while working in the placement country and when they return to their homeland. Indonesian migrant workers consider several problems as the primary challenges they face once they arrive in Indonesia [4]. Indonesian migrant workers are generally low-educated workers and return to Indonesia when they are no longer of productive age. They must compete with the current workforce in densely populated areas with high unemployment [4]. Furthermore, limited access to establishing a family economy has encouraged Indonesian return migrant workers back to work abroad [5].

One strategy that can be implemented to prevent Indonesian return migrant workers from returning to work abroad is to provide entrepreneurship training so that they can develop their businesses independently [6]. Most stakeholders in Indonesia, such as the government, NGOs, private institutions, and donor agencies, implement the economic reintegration of Indonesian return migrant workers, focusing on self-employment programs [7]. Entrepreneurship is regarded as one of the solutions and strategies to create a sustainable livelihood for return migrant workers by creating jobs, providing new and better jobs, and to some extent reducing migration [8].

Several previous studies have shown that migrant workers who return to their country of origin tend to engage in entrepreneurial activities as a occupational choice. However, most of this literature only focuses on entrepreneurial activities carried out at the individual level through self-employment, for example, Dustmann & Kirchkamp's study [9] in Turkey, Black & Costaldo [10] in Ghana and Ivory Coast, Sinatti [11] in Senegal and Åkesson [12] in Cape Verde. Meanwhile, other studies also reveal that not all entrepreneurial activities carried out individually by migrant workers who return to their country of origin can last long. Spitzer's study [13] on the entrepreneurial experiences of migrant workers returning to their countries of origin in the Philippines and Indonesia shows that their businesses or ventures have a low success rate.

Anwar & Chan [14] conducted a comparative study on the entrepreneurial activities of Indonesian return migrant workers in two villages in Yogyakarta

Province. In the first location, the results show that business groups are divided among the community of return migrant workers giving rise to intense competition and socio-economic inequality. Whereas in the second location, the results show that the entrepreneurship of return migrant workers which was carried out cooperatively and initiatives with collective action can survive in the long term [14]. The findings of Anwar and Chan's study [14] show that entrepreneurial activities of Indonesian return migrant workers that are carried out in a community with collective and participatory action are more likely to survive in the long term.

Community-based entrepreneurship is a process of identifying, creating, and utilizing opportunities to collectively produce goods and services that provide economic, social and/or ecological benefits to local communities and/or the larger society [15]. According to Haugh & Pardy [16], the final product of community entrepreneurship is a community business or community enterprise. Until now, most of Indonesian return migrant workers entrepreneurship literature has focused on the business generated and its benefits, while the process of creating an enterprise has not been studied in depth. Wahyono *et al.* [17] and Zid *et al.* [5] about social entrepreneurship run by the female return migrant workers community in Wonosobo and Indramayu shows the positive benefits of community-based entrepreneurship which can solve common problems by creating entrepreneurial opportunities and preventing return migrant workers from returning to work abroad. However, these two studies did not explain the stages of community enterprise development process in Indonesian return migrant workers community. An analysis of a community-based enterprise development process is important to do, to find out how the involvement of community members and the influence of other actors is in every stage of the process. Therefore, this research examined the process of developing a community-based enterprise in Indonesian return migrant workers community by analyzing the stages of development process.

2 Literature Review

2.1 Community-based Entrepreneurship

Pierre *et al.* [18] define community-based entrepreneurship as a locally-based phenomenon that includes for-profit organizations and non-profit organizations, local businesses, individuals, local community-oriented projects, and networks that together or separately seek to create sustainable and thriving communities by engaging the community in efforts to solve problems and increase socio-economic value. According to Haugh & Pardy [16], community-based entrepreneurship is used to describe situations in which a group of individuals from a community works together, initially without a formal organizational

structure, to generate and develop ideas and opportunities with social and economic benefits for the community.

Meanwhile, Hertel [15] defines community-based entrepreneurship as the process of recognizing, creating, and utilizing opportunities to collectively create goods and services that provide economic, social, and/or ecological benefits to local communities and/or the larger society. According to Hertel [15], this definition implies that (1) community-based entrepreneurship is a process; (2) opportunities that can be utilized for community-based entrepreneurship must be created in a co-evolution process which consists of opportunity development, collectivization, and evaluation; and (3) the output of the process is a company that contributes to sustainable development either at the local or community level.

Based on some of the definitions above, it can be concluded that community-based entrepreneurship is an entrepreneurial activity carried out collectively by a community intending to provide social, economic, and/or ecological benefits to its members. As a result of this entrepreneurial process, a community-based enterprise is created [16], an enterprise that is collectively founded, owned and controlled by community members where it appears and aims to make a profit [15].

2.2 Community-based Enterprise

Paredo & Chrisman [19] define a community-based enterprise as a community that acts corporately, both as an entrepreneur and an enterprise, in pursuit of the common good. Communities act as entrepreneurs when their members act as owners, managers, and employees who collaboratively create or identify market opportunities and organize themselves to respond to them [19]. Meanwhile, the community acts as an enterprise if its members work together to produce and exchange goods and/or services by using the existing social structure of society to organize these activities [19].

Meanwhile, Hertel [15] defines a community-based enterprise as a company that is collectively established, owned, and controlled by local community members, where they are bound and aiming to generate economic, social, and/or ecological benefits. Based on this definition, Hertel [15] then reveals five elements that become the characteristics of community-based enterprises: embeddedness; community orientation; self-sustaining business activity; the multiplicity of goals; and collective establishment, ownership, and control.

As an enterprise built with social and economic goals, the process of developing a community-based enterprise is different from conventional business companies in general. According to Haugh [20], building a community-based enterprise is a

creative and collective process requiring various assets provided differently by different actors. In the process of creating a community-based enterprise, the community is considered the primary actor rather than a contextual element, so the community is viewed as part of the enterprise and the entrepreneurial process [19]. The creation process of a community enterprise can vary depending on the nature and time scale between communities [21].

Munoz *et al.* [21] developed a model that represents the process of creating a community social enterprise which consists of five different stages as follows:

1. Stage 1: legitimacy
At this stage, community members had to be sure of the legitimacy of the community social enterprise. It can be accomplished through a meeting or dialogue with community members and other stakeholders involved in the business establishment to build trust and engagement among community members.
2. Stage 2: needs/opportunity recognition
At this stage, dialogue or community meetings continue to identify potential opportunities and community needs through social entrepreneurship activities.
3. Stage 3: group coalescence
At this stage, collective needs and identifying opportunities through social entrepreneurial activities are realized in the joint actions of community members and the emergence of a leader in the community. Examples of activities in the group coalescence stage include skill recognition and skills building through group training or winning start-up finance.
4. Stage 4: organizational establishment
At this stage, a community social enterprise is established. At the same time, there is an increase in community members' responsibilities related to the emergence of the organization.
5. Stage 5: social enterprise operates
At this stage, the community social enterprise officially operates in line with its goals and is attentive to the needs of community members. At this stage, community members are also responsible for their organizational needs to provide benefits to the community, provide social value and fulfill the quality and value of the public sector.

3 Methodology

This study used a qualitative method. The qualitative method is based on personal observations of situations, events, individuals, interactions, transactions, document analysis (including quantitative notes), and open-ended interviews that produce in-depth and oral testimonies [22]. The approach in this qualitative research used a case study. The case study is an inquiry design found in many

fields in which the researcher develops an in-depth analysis of a case, for example, a program, event, activity, process, or one or more individuals [23]. This study has taken Sahabat Bersama Cooperative formed by Migrant Workers Family Community or Komunitas Keluarga Buruh Migran (KKBM) Karawang, as a case study to understand how the stages of development process of a community-based enterprise.

Data collection techniques in this study were divided based on the type of data source. For primary data, researchers used observation techniques and semi-structured interviews to collect data directly from informants in the field. The technique to determine the informants used in this study was purposive sampling. Informants selected in this study were those directly involved or had knowledge of the development process of Sahabat Bersama Cooperative. Meanwhile, for secondary data, researchers used a literature study on documents related to the entrepreneurial activities of Komunitas Keluarga Buruh Migran (KKBM) Karawang and Sahabat Bersama Cooperative.

The qualitative data analysis technique used in this study was an interactive model developed by Miles *et al.* [24], which consists of three activities: data condensation, data display, and conclusion drawing/verification. In data condensation activities, researchers carried out the process of selecting, abstracting, and or transforming data that emerged from field notes, interview transcripts, documents, and other empirical materials [24]. The next stage was the presentation of data in the form of narratives and graphics that describe the stages of the development process of Sahabat Bersama Cooperative. The final stage was drawing conclusions and verifying research findings related to the development process of Sahabat Bersama Cooperative.

4 Result and Discussion

In analyzing the process of developing Sahabat Bersama Cooperative as a community-based enterprise in Komunitas Keluarga Buruh Migran (KKBM) Karawang, researchers used the model proposed by Munoz *et al.* [21]. However, based on the analysis results and research findings in the field, it is necessary to add one more stage in addition to the five stages contained in the Munoz *et al.* model; namely, the 'community enterprise grows' stage. Further descriptions of the six stages are explained in the sections below.

4.1 Stage 1: Legitimacy

According to Munoz *et al.* [21], before the organization starts, community members must be convinced of the legitimacy of the community enterprise. This legitimacy must be embedded in the community that will be involved in the

community enterprise, so the community members must 'engage' [21]. In contrast to the theoretical concept put forward by Munoz *et al.*, the findings of studies in the field showed that at this first stage, the idea of creating a cooperative as a community enterprise had not yet appeared in Komunitas Keluarga Buruh Migran (KKBM) Karawang. At this stage, the legitimacy process was carried out in relation to the economic empowerment program activities for Indonesian return migrant workers organized by the Indonesian Migrant Worker Protection Service Center (BP3MI) Bandung, which was the main driving factor for the emergence of entrepreneurial activities in Komunitas Keluarga Buruh Migran (KKBM) Karawang.

At this stage, officers of BP3MI Bandung asked for help from the community leader to gather and invite return migrant workers to be willing to become participants in the economic empowerment program. At first, the community leaders faced difficulties in inviting return migrant workers because there was distrust from them who thought that this activity was a form of promotion of the companies that sent Indonesian migrant workers abroad. However, after being given an understanding that economic empowerment activity was an official program from the government, return migrant workers were willing to be involved as participants. In addition, another effort made by community leaders to gain legitimacy was to approach village heads where the economic empowerment program would be held. By getting support from the village heads and assisting community leader in gaining trust of return migrant workers, they were willing to be involved in community entrepreneurship activities in the future.

4.2 Stage 2: Needs/Opportunity Recognition

According to Munoz *et al.* [21], at this stage, there is a dialogue or community meeting to identify potential opportunities and community needs through social entrepreneurship activities. After obtaining legitimacy from return migrant workers in the first stage, the next step was to identify needs and opportunities related to entrepreneurial activities that would be carried out after the economic empowerment program had been completed. The community leader invited return migrant workers to gather to determine the type of training that community members needed and were interested in for further to be submitted to BP3MI Bandung officers. BP3MI Bandung officers identified participants in the economic empowerment program proposed by the community based on the interests of the majority of community members and the potential possessed by their area of residence. The process of identifying needs and opportunities was vital because it would determine what type of business the community would run.

4.3 Stage 3: Group Colaescence

According to Munoz *et al.* [21], at this stage, collective needs and identifying opportunities through social entrepreneurial activities are manifested into joint actions of community members. At this stage, return migrant workers received entrepreneurship training through economic empowerment program organized by BP3MI Bandung. According to BP3MI Bandung officers, the training was given over several days and consisted of entrepreneurship education and financial literacy. After completing the training, the return migrant workers joined and agreed to make plans to form a cooperative as a forum for community businesses. Thus, the initial idea to create a community enterprise in Komunitas Keluarga Buruh Migran (KKBM) Karawang emerged in the third stage.

At this stage, return migrant workers were also willing to collect their personal money as initial capital for funding the cooperative businesses. In addition, to realize the plan to form a cooperative, the community leader consulted with several government agencies such as the Cooperatives and Small and Medium Enterprises Office of the Karawang Regency, the Manpower Office of Karawang Regency, and BP3MI Bandung. Thus, at this stage, there were joint actions of community members, such as completing training, raising initial funds, and coordinating with the public sector to realize the creation of cooperatives as community enterprises.

4.4 Stage 4: Organizational Establishment

According to Munoz *et al.* [21], a community enterprise is established at this stage. At the same time, there is an increase in the responsibilities of community members related to the emergence of the organization. At this stage, the idea to form a cooperative as a forum for community businesses was realized by registering the legality of the cooperative to the Cooperatives and SMEs Office in Karawang Regency. In 2016, Sahabat Bersama Cooperative succeeded in obtaining legality with the existence of a legal entity number for multi-business cooperative groups. The establishment of this cooperative had an impact on the division of roles and tasks among community members, some were involved as cooperative administrators, and some were administrators of Small and Medium Enterprises (UKM). Small and Medium Enterprises (UKM) administrators themselves were divided into several business groups according to the type of entrepreneurship training they had attended.

4.5 Stage 5: Community Enterprise Operates

According to Munoz *et al.* [21], at this stage, the community enterprise operates under its objectives and is attentive to the needs of community members. At this

stage, Sahabat Bersama Cooperative had already performed as a community-based enterprise for return migrant workers who were members of Komunitas Keluarga Buruh Migran (KKBM) Karawang. The types of businesses run by the cooperative include various processed snacks such as breadfruit chips and *rangginang* (traditional rice crackers), as well as souvenirs such as key chains, knitted shoes, and dolls. At this stage, Sahabat Bersama Cooperative products had started to enter the market but with a range that was not so wide. For example, the products were marketed at the nearest shops, sold through family members and relatives, and participated in product exhibition activities organized by government agencies. At this stage, community members began to get various benefits and profits derived from businesses run by the cooperative. The benefits obtained were income, increased knowledge and insight, and social benefits such as more friends.

4.6 Stage 6: Community Enterprise Grows

At this stage, the community enterprise did not only operate but also experienced growth and development. At this stage, Sahabat Bersama Cooperative experienced various developments, including in the aspects of marketing, sales turnover, and assets owned. Sahabat Bersama Cooperative collaborated with minimarket companies so that their products could be marketed in four regencies in West Java province, namely Karawang, Subang, Purwakarta, and Indramayu. The increase in product marketing reach also impacts the sales turnover of the Sahabat Bersama Cooperative every month. Based on interviews with informants, the sales turnover of Sahabat Bersama Cooperative reaches tens to hundreds of millions every month. Along with increasing income, Sahabat Bersama Cooperative can add to the cooperative's assets by purchasing operational vehicles for the delivery of goods. As for future business planning, Sahabat Bersama Cooperative has the desire to expand the marketing of their products to the Jabodetabek area (Jakarta, Bogor, Depok, Tangerang and Bekasi) so that the cooperative's products will increasingly be recognized.

Based on the analysis above, the stages of Sahabat Bersama Cooperative development process as community-based enterprise can be described as follows.

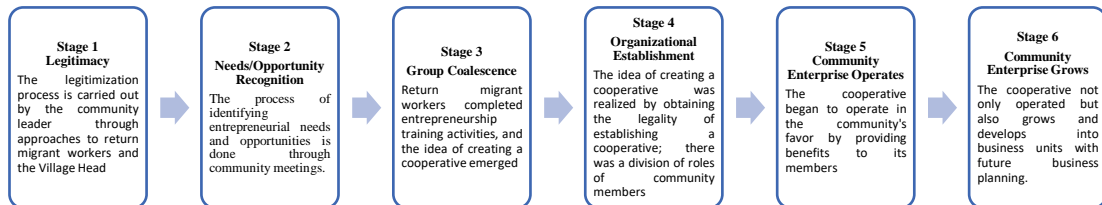


Figure 1 Stages of Sahabat Bersama Cooperative development process

5 Conclusion

Entrepreneurial activities carried out by Komunitas Keluarga Buruh Migran (KKBM) Karawang have resulted in a community-based enterprise through the creation of Sahabat Bersama Cooperative. Based on an analysis using the Munoz model *et al.* [21], which has been modified according to the needs of the study, there are six stages of the development process of Sahabat Bersama Cooperative as a community-based enterprise, namely the stages of legitimacy, need/opportunity recognition, group coalescence, organizational establishment, community enterprise operates and community enterprise grows. In contrast to Munoz's theory, *et al.* [21] state that the initial idea of creating a community enterprise has existed from the first stage. In this case study, the initial idea of creating a community enterprise actually appeared in the third stage, when the community completed economic empowerment activities. In each step of the development process of Sahabat Bersama Cooperative, there is the involvement of community members, so this research strengthens the findings of the Paredo & Chrisman's study [19] that in the process of creating a community-based enterprise, the community is considered as the main actor rather than a contextual element, so the community is viewed as part of the enterprise and entrepreneurial process.

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