

ADAPTATION AND INNOVATION STRATEGIES OF VILLAGE-OWNED ENTERPRISES IN FACING THE IMPACT OF LOCAL ECONOMIC CHANGES

Muhammad Zainuddin Ib^{1*}, Djupiansyah Ganie², Endah Susanti³

^{1,2,3} Development Economics Study Program, Muhammadiyah University of Berau, Indonesia

*Corresponding Author(s) Email : muhzainuddin.ib@gmail.com

ABSTRACT

This study examines how Village-Owned Enterprises (VOEs) in Berau Regency adapt and innovate to sustain tourism businesses amid local economic changes. Using a qualitative case study approach, data were collected through interviews, observations, and document analysis, with triangulation from four key informants: VOE management, village officials, Tourism Awareness Groups, and local business actors. Findings show that adaptation strategies include strengthening institutional governance, improving efficiency, enhancing human resources, and adjusting management practices. Innovation strategies involve diversifying tourism products, developing local attractions, using digital marketing, and empowering community participation. These efforts are supported by strong collaboration among VOEs, government, and local stakeholders, reflecting Collaborative Governance principles. The study also highlights the importance of Dynamic Capability Theory—sensing changes, seizing opportunities, and transforming capabilities—in building institutional resilience and business sustainability. A conceptual model integrating dynamic capabilities and collaborative governance is proposed as a strategy for sustainable local economic development.

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INTRODUCTION

Local economic change is a phenomenon inextricably linked to the dynamics of regional development, the development of the tourism sector, changes in consumer behavior, technological advancements, and various external factors such as the pandemic, inflation, and shifts in community mobility patterns. These changes have consequences for village economic activity, particularly for villages that have begun to develop the tourism sector as a new source of economic growth. On the one hand, the development of the tourism sector can create jobs, increase community incomes, and encourage the growth of micro-enterprises. However, on the other hand, this sector is highly vulnerable to changing economic conditions, requiring adaptability and innovation from tourism management institutions.

In the context of rural development in Indonesia, the existence of Village-Owned Enterprises (BUMDes) or Village-Owned Enterprises (BUMK) is a strategic instrument in strengthening the local economy. BUMDes are established as village economic institutions that function to professionally manage local potential, increase Village Original Income (PADes), create jobs, and improve community welfare through the sustainable utilization of village resources. In villages with tourism potential, BUMDes also play a role as tourist destination managers, integrating economic, social, cultural, and environmental aspects within a community-based management system.

Nevertheless, the management of tourism business units by Village-Owned Enterprises (BUMDes) faces various challenges. Changing local economic conditions lead to fluctuations in the number of tourist visits, increased operational costs, changes in tourist preferences regarding the types of attractions they attract, and increased competition between tourist destinations. These conditions require BUMDes to not only maintain business operations but also to undertake various forms of institutional adaptation and innovation to remain competitive. An organization's ability to respond to environmental changes is a critical factor in determining business sustainability, particularly for village economic institutions that are highly dependent on the socio-economic conditions of the local community.

Berau Regency is one of the regions in East Kalimantan Province with growing potential for natural, cultural, and ecotourism. In addition to national-scale tourist destinations such as the Derawan Islands, various tourist villages are being developed as part of the regional economic diversification strategy. One such village is Batu-Batu Village, which has tourism potential based on local nature and culture. This potential presents an opportunity for Village-Owned Enterprises (BUMK) to develop tourism businesses as drivers of the community's economy. Tourism management by BUMK is expected to not only increase institutional income but also create a multiplier effect through the growth of culinary businesses, homestays, local transportation, tourism equipment rentals, and community handicrafts.

However, initial observations indicate that the development of tourism businesses in Batu-Batu Village still faces several challenges. Changing economic conditions have led to fluctuating tourist arrivals, limited capital for destination development, suboptimal use of digital technology for promotion, need for improved human resource capacity, and incomplete integration between stakeholders. Furthermore, changing tourist characteristics, which increasingly prioritize experience-based tourism, quality service, and easy access to information through digital media, require tourism managers to continuously innovate.

In facing these conditions, an adaptation strategy is crucial for BUMKs. Adaptation is not only defined as the ability to achieve operational efficiency, but also encompasses the ability to assess environmental changes, build partnerships, develop new business models, strengthen organizational governance, and create innovative tourism products and services that meet market needs. Meanwhile, innovation is a key instrument in increasing the added value of tourist destinations, thereby maintaining their attractiveness and competitiveness amidst increasingly dynamic economic changes.

Previous studies have generally discussed the role of Village-Owned Enterprises (BUMDes) in community economic empowerment, tourism village management, and the tourism sector's contribution to increasing community income. However, most research focuses on economic performance or the success of destination management, while studies specifically analyzing how BUMDes develop adaptation and innovation strategies in response to local economic changes are relatively limited. Furthermore, research integrating the perspectives of BUMK administrators, village governments, tourism awareness groups (Pokdarwis), and local business actors in a single triangulation analysis is also rare. Yet, the success of village tourism development is fundamentally the result of the interaction of various actors with different roles and interests.

Based on these conditions, this research is important to conduct in order to understand in-depth how the adaptation and innovation strategies of the Batu-Batu Village Tourism Business Unit BUMK in facing local economic changes. Through a qualitative research approach with source triangulation techniques involving BUMK administrators, village officials, Pokdarwis, and local business actors, this research is expected to produce a comprehensive picture of the strategies implemented, forms of collaboration between stakeholders, and their implications for the sustainability of tourism businesses and strengthening the community economy. The findings of this study are expected to provide input for local governments, village governments, and BUMK managers in formulating policies for developing adaptive, innovative, and sustainable tourism villages.

Theoretical Study

1) Theoretical basis

a) Dynamic Capability Theory

Dynamic Capability Theory is a theory that explains an organization's ability to integrate, build, and reconfigure internal and external resources to respond to rapid and dynamic changes in the business environment. This theory was first developed by Teece, Pisano, and Shuen

(1997) as an extension of the Resource-Based View (RBV), which emphasizes that competitive advantage is determined not only by resource ownership but also by the organization's ability to manage and transform these resources in accordance with environmental changes.

According to Teece (2018), dynamic capabilities are an organization's ability to create, renew, and combine resources to generate sustainable competitive advantage. This capability becomes crucial when organizations face uncertainty caused by economic change, technological developments, shifts in consumer preferences, and increased competition.

b) Collaborative Governance

In addition to internal organizational capabilities, the success of village tourism business management is also influenced by the quality of collaboration between stakeholders. This concept is explained through the Collaborative Governance theory developed by Ansell and Gash (2008).

Collaborative Governance is a decision-making process and public policy implementation involving the government, the private sector, civil society organizations, and communities in a collaborative forum to achieve common goals. This approach positions each actor as a partner with complementary roles, resources, and responsibilities.

In the context of developing tourist villages, Collaborative Governance is important because the success of a tourist destination is not only determined by the BUMK management, but also depends on the synergy between the village government, tourism awareness groups (Pokdarwis), local business actors, the community, and the local government.

Ansell and Gash (2008) suggest that the success of collaborative governance is influenced by several main principles as follows.

a. Face-to-Face Dialogue (Face-to-Face Dialogue)

Collaboration begins through intensive communication between stakeholders to build a common perception regarding tourism development goals.

In this study, dialogue was realized through coordination meetings between BUMK, village government, Pokdarwis, and the community in formulating the development of tourism business units.

b. Building Trust (Trust Building)

Trust is the foundation of successful collaboration. Each party must have confidence that all actors are working for the common good. This trust is reflected through transparency in BUMK management, fair distribution of economic benefits, and community involvement in various tourism activities.

c. Commitment to Process

Collaboration requires a commitment from all parties to continue working together despite facing various obstacles.

In this study, commitment is seen from the village government's support for BUMK, the participation of Pokdarwis in maintaining destinations, and the involvement of local business actors in supporting tourism services.

d. Shared Understanding

Collaboration will be effective if all parties have a shared understanding of the vision, goals, and benefits of tourism development.

This shared vision encourages all parties to work synergistically to increase the attractiveness of destinations while strengthening the local economy.

e. Intermediate Outcomes

The success of collaboration can be seen through short-term achievements, such as increased coordination between institutions, increased community participation, development of tourism products, and increased local economic activity.

In this study, indicators of successful collaboration are reflected through increased cross-actor cooperation in developing tourism business units.

c) Adaptation Strategy

Adaptation strategy is a series of actions taken by an organization to adjust to changes in its internal and external environment in order to maintain its sustainability. Organizational adaptation encompasses not only operational adjustments but also governance changes, strengthening human resource capacity, developing partnership networks, and innovating business models.

In the context of local economics, organizational adaptation theory explains that an organization must be able to adapt to changes in the external environment (such as changes in tourist behavior or the emergence of new competitors) to remain relevant. This adaptation includes changes to the company's structure, policies, and the way it absorbs market information to make strategic decisions.

Adaptation strategies are realized through adjustments to business management systems, operational efficiency, strengthening institutional capacity, and increasing organizational capabilities in responding to local economic changes.

d) Village Tourism Innovation

Innovation in village tourism is not only limited to physical products, but includes:

- a. Product Innovation:** Development of thematic tour packages based on local wisdom (such as culinary specialties or cultural attractions).

- b. Process Innovation:**Digitalization of BUMK's reservation and financial administration system.
- c. Marketing Innovation:**Utilizing social media (digital marketing) to reach a wider market share beyond the local area. According to innovation theory, successful small-scale enterprises (BUMKs) tend to create value that differentiates them from competitors, as seen in the success of established tourist destinations.

Innovation is the process of creating new value through the development of more effective products, services, processes, and business models. In the tourism sector, innovation extends beyond the construction of physical facilities, but also includes the development of tourist attractions, digitalization of promotions, improving service quality, and empowering local communities.

The concept of Community-Based Tourism (CBT) emphasizes that communities are the primary actors in managing tourist destinations, ensuring that the economic benefits are directly felt by the surrounding community. Therefore, innovations in tourism management must integrate economic, social, cultural, and environmental aspects in a sustainable manner.

e) Local Economic Development

Local economic potential can be defined as the economic capacity of a local area that can and should be continuously developed and developed, becoming a source of income for the surrounding community and even influencing the overall regional economy to further develop. The development of a region's leading sectors is neatly structured within the region's vision and mission, as outlined in the Regional Long-Term Development Plan (RPJPD) and Regional Medium-Term Development Plan (RPJMD). The RPJPD and RPJMD prioritize several areas within each district/city program to strengthen the development of these leading sectors. Furthermore, the RPJPD and RPJMD are expected to reflect several programs and objectives for the development of the region's leading sectors. This is one way the government can develop regional potential, as outlined in regional development planning (Suparmoko, 2019).

Local Economic Development is a process by which central and local governments and community organizations work to enhance, stimulate, and maintain business activities that create new jobs. Furthermore, the implementation of Local Economic Development (PEL) is a process of establishing regional development institutions, improving human resources to produce better products, and fostering industry and business activities on a local scale. Regional development, therefore, is an effort by local governments and communities to build an economy that is commensurate with human resources and maximizes the benefits of natural

Adaptation And Innovation Strategies Of Village-Owned Enterprises In Facing The Impact Of Local Economic Changes By Muhammad Zainuddin Ib, Djupiansyah Ganie, Endah Susanti

resources and institutions (Munir, 2017). According to Supriyadi (2017), the success of implementing local economic development can be determined by several factors, namely:

- 1) Expanded employment and business opportunities for small communities.
- 2) Increased income for the community.
- 3) The development of micro and small businesses in the production and marketing process.
- 4) Institutional empowerment of partnership networks between government, private sector and local communities.

2) Previous Research

No	Researchers	Location & Method	Research Focus	Research result	Research Gap with This Research
1	Kismartini & Pujiyono (2023)	Belitung Geopark, Indonesia; qualitative	Dynamic capability in collaboration-based Geopark management	The success of destination management is influenced by the organization's ability to think adaptively and build multi-party collaboration. (Diponegoro University)	Focusing on government management of Geoparks, this research examines BUMK (Village-Owned Enterprises) as the primary actors in village tourism management facing local economic changes.
2	Iriany et al. (2025)	Tegal Malaka Hill, Garut; qualitative	Collaborative Governance in tourism development	Tourism development is influenced by community participation, village institutional support, and synergy with BUMDes. (IJSSR Journal)	Not yet discussed the adaptation and innovation strategies of BUMK organizations to local economic changes.
3	Fajar et al. (2025)	Ponggok Village, Klaten;	The capabilities of village governments	The institutional capabilities of village government and BUMDes	Focusing on dynamic governance, this research uses

Adaptation And Innovation Strategies Of Village-Owned Enterprises In Facing The Impact Of Local Economic Changes By Muhammad Zainuddin Ib, Djupiansyah Ganie, Endah Susanti

		qualitative case study	and BUMDes in tourism management	determine the success of tourism management through adaptive thinking skills and good governance. (Prince)	Dynamic Capability Theory and integrates it with Collaborative Governance.
4	Purnamawati & Hatane (2024)	Tourist villages in Bali; quantitative	Collaborative Governance and the competitive advantage of tourist villages	Collaboration between stakeholders strengthens the competitiveness of sustainable tourism villages. (EconJournals)	Does not examine the organizational adaptation process in depth and has not used a qualitative approach based on source triangulation.
5	Samosir et al. (2025)	Guwosari Village-Owned Enterprise, Yogyakarta; case study	Collaborative governance in local economic development	Synergy between village government, BUMDes, community, and business actors increases local economic development, but strengthening institutional innovation is still needed. UNDIP E-Journal System)	The focus on BUMDes governance in general has not yet examined tourism business units and adaptation strategies to face local economic dynamics.
6	Danubarti et al. (2025)	Kereng Bangkirai, Central Kalimantan; qualitative	Collaborative Governance in Community-Based Tourism Destinations	Pokdarwis, government, and the community have an important role in managing sustainable tourism. (Ar-Raniry Journal)	Does not discuss the role of BUMK as a village economic institution in developing adaptation and innovation strategies.
7	Teguh & Scott (2026)	Labuan Bajo; qualitative case study	Collaborative Governance in Destination	Participatory leadership and cross-actor coordination increase the	Focusing on national-scale tourist destinations, this

Adaptation And Innovation Strategies Of Village-Owned Enterprises In Facing The Impact Of Local Economic Changes By Muhammad Zainuddin Ib, Djupiansyah Ganie, Endah Susanti

			Management Organizations (DMO)	effectiveness of tourism destination governance. (Ministry of Tourism E-journal)	research examines village-based tourism management through BUMK.
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Based on these various studies, it can be concluded that collaborative governance plays a crucial role in increasing the effectiveness of tourism destination management through synergy between the government, communities, tourism groups (Pokdarwis), and business actors. Furthermore, research on dynamic capability shows that an organization's ability to recognize change (sensing), seize opportunities (seizing), and transform (transforming) are key factors in maintaining organizational sustainability in a dynamic environment.

However, several research gaps remain. First, most studies examine Collaborative Governance or Dynamic Capability separately, thus failing to provide a comprehensive explanation of how organizational adaptive capacity is influenced by collaboration between actors. Second, research on Village-Owned Enterprises (BUMDes) and Village-Owned Enterprises (BUMK) focuses more on governance aspects or economic impacts, while adaptation and innovation strategies in addressing local economic changes are relatively limited. Third, few studies have used source triangulation involving BUMK administrators, village officials, tourism-focused groups (Pokdarwis), and local business actors to gain a comprehensive perspective.

Therefore, this study offers novelty by integrating Dynamic Capability Theory as a basis for explaining the adaptive capacity of BUMK and Collaborative Governance as a perspective that explains the collaboration mechanism between stakeholders. The integration of these two theories is used to analyze the adaptation and innovation strategies of BUMK Tourism Business Unit Kampung Batu-Batu in facing local economic changes through a qualitative approach based on source triangulation.

3) Framework of thinking

This research starts from the assumption that local economic changes are a triggering factor requiring BUMKs to increase their organizational adaptive capacity. Based on Dynamic Capability Theory, this capability is realized through three main processes: sensing, seizing, and transforming. However, successful adaptation depends not only on the organization's internal capabilities but also on the quality of collaboration between actors, as described in Collaborative Governance. Synergy between BUMKs, village governments,

Adaptation And Innovation Strategies Of Village-Owned Enterprises In Facing The Impact Of Local Economic Changes By Muhammad Zainuddin Ib, Djupiansyah Ganie, Endah Susanti

Pokdarwis (tourism groups), and local businesses is expected to produce adaptation and innovation strategies that can improve the sustainability of tourism businesses while strengthening the local economy.

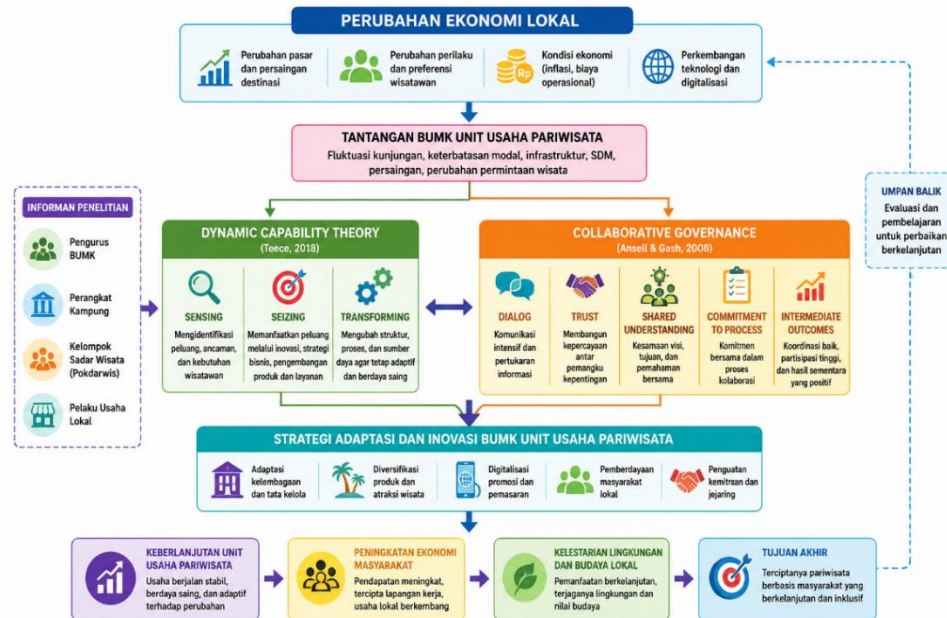


Figure 1: Conceptual Model of Research

Methods

1) Types and Approaches of Research

This study uses a qualitative, descriptive approach. The qualitative approach was chosen because the study aims to deeply understand the impact of local economic changes on BUMDes' adaptation and innovation strategies to address them.

According to Creswell and Poth (2018), qualitative research is an approach to exploring and understanding the meanings individuals or groups attach to social or humanitarian issues. This research produces data in the form of words, behaviors, experiences, and information obtained directly through interactions with informants in the field.

A descriptive approach is used to systematically describe the conditions of the research object without manipulating the variables being studied. This study aimed to identify the potential for river ecotourism, the conservation conditions of proboscis monkey habitat, supporting and inhibiting factors for development, and formulating a development strategy appropriate to the characteristics of the Besing Island area.

2) Location and Time of Research

The research was conducted at the BUMK Tourism Business Unit in Batu-Batu Village, Berau Regency, East Kalimantan Province.

The research was conducted for approximately three months, which included the research preparation stages, field observations, data collection through interviews and documentation, data analysis, and preparation of the research report.

3) Research Informants

Research informants were selected using purposive sampling, a technique that determines informants based on specific considerations consistent with the research objectives. This technique was chosen because not all individuals possess relevant information regarding BUMK strategies.

According to Sugiyono (2023), purposive sampling is a data source sampling technique with certain considerations, namely individuals who are considered to know the most about the problem being studied.

In this study, there were four key informants representing elements of government, tourism management, and local communities.

Table 1 Research Informants

No	Informant	Code	Reason for Selection
1	BUMK Management	I-1	Knowing the BUMK development policies and programs
2	Head of Batu-Batu Village	I-2	Knowing the regional conditions, village policies, and community involvement in the development of Batu-Batu tourism
3	Head of the Tourism Awareness Group (Pokdarwis)	I-3	Understand the operational management of ecotourism in the field.
4	Local Business Actors	I-4	Understanding perceptions, participation, economic benefits, and challenges of ecotourism development.

The four informants were selected because of their knowledge, experience, and direct involvement in the development of BUMK tourism business units in Batu-Batu Village. Data obtained from each informant will be compared using source triangulation techniques to increase the credibility of the research results.

Result and Discussion

The research results show that BUMK's adaptation strategies are not only focused on reducing risks caused by economic changes but also on creating new business opportunities through innovation. This indicates that local economic changes are viewed as both a challenge and an opportunity to enhance organizational competitiveness.

The ability to adapt its management system demonstrates that BUMKs possess considerable adaptive capacity. This adaptation is realized through budget efficiency, strengthened financial governance, and optimization of local resources. This aligns with the Dynamic Capability theory, which states that organizations that can respond quickly to environmental changes have a greater chance of survival and growth.

On the other hand, tourism product innovation has become the most dominant strategy in increasing destination appeal. Business-owned enterprises (BUMK) no longer solely offer nature-based attractions, but have developed a community-based tourism concept that integrates cultural, culinary, and community activities as part of the tourism experience. This approach expands community income sources while strengthening local identity as a competitive advantage.

Research findings also indicate that digitalization of promotions is an increasingly important form of innovation. Utilizing social media allows small-scale enterprises (BUMK) to reach a wider market at relatively low promotional costs. This demonstrates that digital transformation

is a relevant adaptation strategy for rural tourism businesses in response to changing tourist behavior.

Another important finding is the strengthening of collaboration between stakeholders. Tourism business management is no longer solely carried out by BUMK (Village-Owned Enterprise) administrators, but involves village governments, tourism awareness groups, MSMEs, local communities, and other external parties. This synergy strengthens institutional capacity while creating more equitable economic benefits for the community. Thus, the success of adaptation strategies is determined not only by the organization's internal capabilities but also by the quality of the partnership networks developed.

Overall, the triangulation results indicate that the success of the Batu-Batu Village Tourism Business Unit (BUMK) in navigating local economic changes rests on the integration of three main strategies: management adaptation, product and service innovation, and institutional collaboration. These three strategies complement each other in enhancing organizational resilience, strengthening the competitiveness of tourist destinations, and maintaining the economic sustainability of village communities.

Conclusion and Suggestion

Conclusion

This study aims to analyze the adaptation and innovation strategies of the Batu-Batu Village Tourism Business Unit (BUMK) in Berau Regency in responding to the impacts of local economic changes through a qualitative approach using source triangulation techniques. Based on the analysis and discussion, the following conclusions can be drawn.

1. BUMKs have demonstrated adaptive capabilities in addressing local economic changes. This capability is reflected in adjustments to organizational governance, efficient resource management, work program evaluation, and changes in business management strategies in line with dynamic economic conditions and tourist needs. These findings indicate that BUMKs have implemented the elements of sensing, seizing, and transforming as described in Dynamic Capability Theory.
2. Innovation is a key strategy for maintaining the sustainability of tourism businesses. Innovation is achieved through product diversification, the development of attractions based on local potential, digitalization of promotions, improvements in service quality, and community empowerment in the provision of tourism support services. This strategy not only enhances the destination's appeal but also expands economic opportunities for the residents of Kampung Batu-Batu.

3. Collaboration between stakeholders is a key factor in the success of BUMK adaptation. Triangulation results indicate that BUMK administrators, village governments, Pokdarwis (tourism group), and local businesses play complementary roles in developing tourism business units. Regulatory support, community participation, joint promotions, and the development of partnership networks strengthen community-based tourism governance in accordance with the principles of collaborative governance.
4. The implemented adaptation and innovation strategies have had a positive impact on the local economy, including increased business opportunities for the community, the development of MSMEs, increased employment opportunities, and increased economic activity around tourist areas. However, the study also identified several challenges that still need to be addressed, such as limited capital, increasing human resource capacity, strengthening digital marketing, and providing supporting tourism infrastructure.
5. The research's key finding is the BUMK adaptation model, which integrates dynamic organizational capabilities with collaborative governance. The success of tourism business unit development is determined not only by the BUMK's internal innovation capabilities but also by the quality of collaboration with village governments, tourism groups (Pokdarwis), local businesses, and the community. Integrating these two approaches fosters organizational resilience that supports the sustainability of tourism businesses and strengthens the local economy.

Suggestion

Based on the research results, several recommendations that can be conveyed are as follows.

1. For BUMK Management, it is necessary to continue strengthening organizational capacity by improving human resource competency, preparing adaptive business plans, utilizing digital technology in marketing, and developing innovative tourism products that are in line with tourist needs trends.
2. For Village Governments, more sustainable support is needed in the form of policies, strengthening BUMK institutions, developing supporting infrastructure, and facilitating access to funding, training, and partnerships with local governments, the private sector, and universities.
3. For Pokdarwis and the community, active participation in maintaining cleanliness, environmental sustainability, preserving local culture, and improving the quality of services to tourists needs to be continuously enhanced so that the attractiveness of the destination remains intact and the economic benefits can be felt more widely.

4. For local business actors, it is necessary to develop products and services that have local characteristics, improve the quality of MSME products, and utilize digital marketing to support the Kampung Batu-Batu tourism ecosystem in a sustainable manner.
5. For future researchers, this study could be expanded by involving more informants from local governments, tourists, investors, and private partners to gain a broader perspective. Furthermore, further research could employ a mixed methods approach or quantitatively test the conceptual model of BUMK adaptation to allow for a more comprehensive analysis of the relationship between organizational dynamic capabilities, collaboration, innovation, and business sustainability.

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Adaptation And Innovation Strategies Of Village-Owned Enterprises In Facing The Impact Of Local Economic Changes By Muhammad Zainuddin Ib, Djupiansyah Ganie, Endah Susanti

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