

Accountability in Hybrid Organizations: the indigenous markets of Indonesia

Abstract

This paper explores the practice of accountability in traditional indigenous markets (*pasar*) in Indonesia. We present a case study of two *pasar* in Indonesia to address our research questions: how do *pasar* managers perceive the stakeholders; and how does the extent of stakeholder salience affect the practice of accountability functions in *pasar*? Our investigation found that the Governor, and related governmental units, were the stakeholders with the highest salience. Thus, *pasar* managers successfully met vertical accountability criteria. However, they failed to satisfy the accountability functions for the merchants and customers, due to their possessing lesser stakeholders' attributes. This paper contributes to the extant literature by exploring *pasar* as hybrid organizations, offering both theoretical development, and new empirical evidence, with significant implications for public policy.

Keywords: *Pasar*, stakeholder salience, accountability, hybrid organization

1. Introduction

This is a paper about accountability (viz. which actor is accountable to whom: how and why?) in a traditional market form, called *pasar* in Indonesia, a term derived from the Persian word bazar. The stakeholders, Freeman (1984), of *pasar* are identified as customers, merchants and Governors, and a theoretical typology is developed, adapted from Mitchell et al (1997), which examines the interplay of power, legitimacy and urgency. *Pasar* are theorised as a hybrid organizational form, Johanson, J-E and J Vakkuri (2017), mixing market and bureaucratic elements, Williamson (1991). With this theoretical framework established, primary source data are gathered from stakeholders in Indonesia, using semi-structured interviews and questionnaires, to answer the research question: how do *pasar* managers perceive stakeholders, and how does stakeholder salience affect the practice of

accountability functions in *pasar*? In doing so, the goal is to improve our understanding of hybrid organizations more generally.

While *pasar* are a known market form, and their hybridity may be recognised already, Warner ed. (2003), the institutional and organizational complexity of *pasar* is little understood: partly because only recently (say, post-New Order, since 1998) has Indonesia embraced new, more open, institutional arrangements, and confronted the requirements they generate, in terms of accountability. Perhaps for this reason, there appear to be no extant works which explore corporate governance, and specifically hybridity, in *pasar*. Herein lies the research gap we intend to fill. In doing so, we aim to advance, more generally, our understanding of hybrid organizations' stakeholders management and accountability. Briefly, closing this gap will also have consequences for organizational forms other than *pasar*, in suggesting criteria for enhancing the effectiveness of market/government interactions in emerging hybrid and related institutions, of a wide variety, in Asia, see Bruton et al. (2014). By suggesting potential remedies for governance failure and adding to our analytical competence in designing new institutional features (e.g. participation, reporting mode, frequency, audit, audience for information etc), the value of work like ours itself goes beyond conventional boundaries, cf. Jayasuriya and Rodan (2007), and extends from theory and empirics to policy.

To conclude, this paper aims to unearth how managers' perceptions of stakeholder salience are formed, and how these affect the accountability functions in *pasar*, the traditional open-air market form in Indonesia, see Prabowo et al (2015). It is argued here that *pasar* has a hybrid quality, cf Schmitz et al (2016), which is a sometime overlooked attribute that may mislead managers in their quest to achieve *pasar* objectives, as they grope through the regulatory fog of a multiplicity of decrees. By exploring how managers perceive *pasar*, using grounded field-work techniques, this research aims to contribute, through theoretical and empirical analysis of

principal stakeholders, see (Freeman, 1984), to the literature on the accountability of hybrid organizations, cf Kickert, (2001), Cornforth et al (2010). In doing so, it also draws conclusions of potential value to public policy makers, see Ponte et al (2017).

This paper progresses as follows. Section 2 presents an overview of the research area, and then proceeds to review selectively the key research literature on hybrid organizations, stakeholders salience theory, and accountability, including their relevance to *pasar*. Section 3 considers research methods (including instrumentation), data, and sampling. Section 4 discusses our research findings, covering stakeholder salience, and accountability practices in *pasar*. Section 5 presents conclusions, implications, future research directions, and possible public policy implications of the research.

2. Literature Review

2.1 Key Concepts and Overview

In this literature review, we consider, first, traditional markets, with *pasar* as an example, and then hybridity, as displayed in *pasar*. We then look at the key literature of the past ten years or so, with a special focus on hybridity and potential stakeholder conflict. We conclude the section with considering mission drift and its role in stakeholder conflict, and paths for resolution of conflict.

2.1.1 Traditional Markets

Indigenous traditional markets, known as *pasar* in Indonesia, have been in existence for over two centuries. They were always intended to serve the needs of society, as Aliyah et al (2016) have pointed out in their qualitative, inductive study of traditional Javanese markets. As well as being a trading place, offering opportunities for profitable networking, *pasar* are also what they characterize as ‘a place for life conception and socio-cultural interaction’, Aliyah et al (2016, p.60). Despite *pasar*’s aiming to fulfil their crucial functions of (a) promoting economic

sustainability; and (b) providing a haven for merchants of small- to medium-sized enterprises, the reality is that the number of *pasar* has declined, and this is something that has been observed over recent decades, see Evers (1994). To illustrate, there were approximately 13,450 *pasar* in 2009, but this had dropped 29% by 2012 (Ministry of Trade 2014). The decline of *pasar* may be attributed to several factors, including: the perception of unhygienic surroundings (Purnomo et al., 2016; Alfianita et al., 2015); the emergence of rival modern markets (Sipahutar, 2016); the shifting away of customer preferences (Najib & Sosianika, 2017; Prabowo & Rahadi, 2015); and the lack of cohesion in existing policies and regulations, nominally designed to sustain and develop *pasar* (Hermawan et al., 2018; Juahari, 2013). Complaints about *pasar* have become widespread. The unpleasant perceptions of *pasar* (e.g. ‘dirty’ and ‘wet’) have been widely recognized by Indonesian society. Yet against this background of decline, still, the preservation of *pasar*, from a public policy standpoint, is regarded as a priority. To see why, we must look at the mission of *pasar* in more detail. It is twofold: first, to achieve financial sustainability; and second to serve social purposes.

2.1.2 Pasar

The mission of *pasar* creates great complexity of institutional form, in that *pasar* must address (and ideally satisfy) both governmental and business demands. In this sense, as we have indicated earlier, *pasar* are a *hybrid* organization, blending both public and private interests. The complexity of *pasar* has been amplified by burgeoning bureaucratic practices, which themselves are influenced by political interventions. This bureaucratic system may lead to hierarchical or supervisory relationships. These can encourage a vertical system of accountability, potentially eroding the social mission, whereby the Governor has the ability to reward or punish *pasar* management (Romzek & Dubnick, 1987). The challenge facing *pasar* managers is how to align and prioritize the interests of multiple stakeholders, including the horizontal demands for accountability, when their complex interests may be intrinsically

inconsistent (Ebrahim et al., 2014). Doherty et al. (2014) have suggested that *pasar* managers need to tackle simultaneously a twofold challenge: (i) maintaining their commitment to meeting the social purposes of *pasar*; whilst simultaneously (ii) fostering a strong relationship with their diverse stakeholders. Jones (2007), a noted expert in ‘mission drift’, argues that *pasar* managers must ensure that neither of these mission elements should compromise the other. Thus, *pasar* policy makers must improve their awareness of the necessity for meeting the expectations of multiple *pasar* stakeholders (Gomes & Gomes, 2008), as well as achieving a better understanding of how the new *hybrid* mission of *pasar* can foster *complementary* rather than *contradictory* outcomes (Ebrahim et al., 2014). According to Kickert (2001), the demands of a *hybrid* organization, such as *pasar*, may seem paradoxical. This arises because of mixed interests. Consequently, the decision-making processes in *pasar* themselves generate complexity, arising from the balancing of different stakeholders’ views, one against the other (Schmitz & Glanzel, 2016). These must be resolved, ideally, as (Jansson 2005) has indicated, in an even-handed way.

2.1.3 Coping with Hybridity

Pasar have an unfortunate reputation, widely known, for their unhygienic environments. The poor impression they make is so acute that the urge for modernization is strong. Accepting this challenge will require improving the image of *pasar* and attracting more customers to *pasar*. However, the conflicting interests, because of the hybrid mission intrinsic to *pasar*, should increase the public policy awareness that revitalizing the physical appearances of *pasar* may not be the sole prescription for preserving their existence in the long run. Preserving *pasar* requires genuine engagement from the Government, which might be tackled in several ways. They might, for example, consider undertaking a new national survey which explores the perceived (and actual) duties, obligations and aspirations of customers, merchants and *pasar* managers alike. This will be useful in identifying areas for service quality improvement (i.e.

not focusing solely on the tangibility of *pasar*). To illustrate, Government should be encouraged to discover and understand the expectations of both merchants and customers. This will help to minimize complaints (thus saving energy from being diverted to ‘putting out fires’), and instead focus more effort and innovation on providing better service quality. Thus, *pasar* managers should not be restrained from being creative in running their businesses. Further, there is scope for developing a standardized service quality for all *pasar*. This standard should not be limited to just a few new written laws, regulations and decrees, but rather should extend to incentives for adoption *in practice*. Effective implementation of these standards should smooth out significant differences among *pasar* in Indonesia. Therefore, the role and responsibility of central Government, in ensuring that standards are rigorously applied, by decrees and practice, is critical.

2.2 The Development of Key Literature

In the last ten years, there has been a significant increase in research identifying the complex characteristics of hybrid organizations (Ponte et al., 2017; Schmitz & Glänzel, 2016; Santos et al., 2015; Doherty et al., 2014; Ebrahim et al., 2014; Battilana & Lee, 2014; Billis, 2010; Cornforth & Spear, 2010; Thomasson, 2009). In this literature, definitions of *hybridity* or *hybridicity* have been diverse. For example, in Schmitz & Glänzel (2016), ‘hybrid’ referred to a ‘mixture of elements’ which hitherto were perceived to be independent from each other. Thus, hybrid organizations can be understood as organizations that address public needs, and produce services that are public in nature, yet at the same time adopt methods of private corporations in the way the organization is managed (Koppell, 2003; Kickert, 2001).

Hybrid organizations pursue a dual mission, split between (a) financial and (b) social functions. This creates the potential risk of ‘mission drift’: arising from conflicts between these functions (Doherty et al., 2014; Battilana & Lee, 2014). This may seem paradoxical, but it is explained by the mixed interests that themselves arise in hybrid organization (Kickert, 2001).

Thus, the challenges facing a hybrid organization depend on the pursuit of good performance over both social and commercial missions, ideally with equal success (Battilana & Lee, 2014; Jansson, 2005).

Thus, these traditional indigenous markets (known as *pasar* in Indonesia), which are the focus of this paper, carry the burden of a twofold hybrid mission: first, to achieve financial sustainability; and second to serve social purpose. This hybrid mission engenders great complexity in its institutional form, in that *pasar* must address (and ideally satisfy) both governmental and business demands (Wood, 2010; Gomes & Gomes, 2008). These functions must perforce serve multiple additional purposes e.g. improving the quality of public services, supporting the regional economy, and increasing the competitiveness of *pasar* compared to emerging modern markets (see Ministerial Decree No.12, 2012). Moreover, the complexity of *pasar* has been amplified by burgeoning bureaucratic practices, which themselves are influenced by political intervention.

The notion of hybridity has been enlarged and developed by the likes of Emery and Giauque (2005) in the sense of practice (e.g. public and private sector integration); and Skelcher and Smith (2015) in the sense of theoretical categories (e.g. institutional logic, organizational complexity and actor identity). Paralleling this have been refinements in forms of accountability. For example, Bovens (2007), from a socio-legal perspective, argues for the merit of treating accountability as a relationship between an actor and a forum. The actor is obliged to justify his or her actions to the forum, who will interrogate and then pass judgement on the actor. Schilleman & Busuioc (2014) advance this argument further, seeing dangers in departure from a taut principal-agent setting to one in which the ‘drifting’ principal may give liberty to forums which do not hold agents sufficiently accountable. These novel approaches to practice and theory have a bearing on our exploration of *pasar* functions and evolution. For example, they would not necessarily lead one to assume a demonstrable willingness of

government (through the public sector) to share the burden of accountability with pasar (as a significant part of markets within the private sector), in seeking jointly to sustain the viability of pasar over time.

The brief account of *pasar* above can be extended by consideration of their objectives, structure and day-to-day operations. *Pasar* means literally ‘market’ but has a more concrete connotation of closed market place (or streets), for buying and selling goods and services, often backed up by a bazaar consisting of merchants, money lenders and artisans. The nominal goals of pasar are to engage in ‘sales activities of commercial products and food in public areas’, subject to the requirement of ‘proper manner and courtesy’ and ‘food samples to test and ensure hygienic quality standards’ (Regulations, Terms and Conditions, Bazaar Pasar Indonesia Raya, 2019). These are subject to sanctions and fines for violating rules and regulations. But more than this, such pasar have a heavily embedded social role as meeting places, so are sometimes called the ‘heartbeat’ of a city. They are often open from early in the morning, and are an important source of fresh products (e.g. vegetables, fruit, meat and fish) for the local populace. Haggling on prices is the norm, and pasar is seen as a potential seed-bed for entrepreneurs (see Chin and Harun, 2015), especially in the *pasar malam* (night market) form. Historically, *pasar* emerged spontaneously as diverse and highly active markets that satisfied many local social and economic needs, typically by self-regulation. However, fears about their lax operations (e.g. weaknesses of hygiene and safety) have led to more regulation from above, so spontaneous self-regulation has had to be subordinated to elements of hierarchical control and regulation from above (e.g. regionally-owned entities like PD Pasar; Government Decrees), leading to greater complexity of operations and organization, and to conflicting goals (e.g. of centralization versus de-centralization). This has resulted in novel and challenging issues of accountability.

Since *pasar* combine both business and social missions in their character, the managers of *pasar* are accountable for delivering both financial and social results over the spectrum of its principal stakeholders' activities. The tensions which managers experience (e.g. from multiple stakeholders, or demanders of accountability) arise from the effort necessary to optimise both social and financial performance, whilst simultaneously aligning diverse interest among the stakeholders (e.g. deciding whose interests should come first when those interests conflict) (Ebrahim et al., 2014; Battilana & Dorado, 2010; Zahra et al., 2009). While Jones (2007) has argued that *pasar* managers should ensure that neither of these mission elements (viz. social and financial) should compromise the other, this may not be easy counsel to follow. Thus, *pasar* managers with a hybrid mission should certainly aim to improve their ability to satisfy the expectations of multiple *pasar* stakeholders (Gomes & Gomes, 2008), in the round, and certainly should aim to achieve a better understanding of how the new hybrid mission of *pasar* can foster synergistic ('complementary') rather than baneful ('contradictory') outcomes. However, Jones (2007) has a counsel of perfection in arguing that no compromising is permissible. To the contrary, one could argue that managers, in coping with the changes implied by hybridity must: first, enlarge their responsibility (and capability) to the new setting of more diverse and numerous stakeholders; and second, seek (and act upon) potential benefits arising from the *synergistic* consequences of hybridity (e.g. economies of scope, information sharing, risk pooling, crisis resilience) rather than succumb to its challenges (e.g. greater risk exposure, complexity, information overload, chaotic potential). We would modify Jones' (2007) counsel of perfection to a more realistic stance: that managers should ensure that stakeholder conflicts are at least *attenuated*, rather than eliminated. Indeed, a main task of the good manager in this context should be to resolve or diminish such problems. In (Ebrahim et al. 2014), reference is made to 'mission drift', amongst other matters, which might typify how managerial problems arise. Solutions should avoid making stakeholders' interests more

divergent, and, wherever possible, make them more convergent. It is unlikely that, even well managed, there is an eradication of all potential stakeholders' conflict, in which case minimization of such conflict will be the goal of effective managers.

In the path-breaking work of Mitchell et al. (1977, p.869) the last-mentioned construct in their 'key constructs' was 'salience'. This, for communications purposes, was described by them like a dictionary definition as 'the degree to which managers give priority to competing stakeholder claims.' Thus, in our paper, a key task is to identify and understand who these competing stakeholders are, and how they prioritise. We do this theoretically, summarising our approach by a Venn diagram; and empirically, using new fieldwork data gathered from key stakeholders, dormant or otherwise. The contemporary approach to 'salience' has moved along since the pioneering work of Mitchell, more recent examples of which include Kamal et al. (2015) and Assad and Goddard (2010).

Stakeholders' salience theory, as developed in Mitchell et al. (1997), is central to the work of Kamal et al., (2015), who use stakeholders' attributes of power, legitimacy and urgency. In the context of field work in a dairy farming, they discovered first, an asymmetry in the provision of accounting data between the powerful and the less powerful stakeholders; and, second, the potentially disempowered responding, with greater legitimacy and urgency of claims, by making a release of accounting data to public fora and media. Kamal et al (2015) concluded that the proactive, extrinsic use of accounting information demonstrates the power of the attribute of stakeholder salience. As a further example, Assad and Goddard (2010) looked at stakeholder salience and accounting practices in Tanzanian NGOs. The overseas donor was the high salience stakeholder, who influenced greatly the accountability and accounting processes *internally*, but – despite NGO claims – influenced little the accountability in NGOs to beneficiaries.

2.3 Hybrid Organizations

The research literature emphasizes that each hybrid organization has a dual missions (viz. both business and social aspects), both parts of which are embedded in its identity (Ebrahim et al., 2014; Wood, 2010). In practice, it involves a mixture of both private sector and public sector behaviors and attributes – all within a single unity (Brandsen et al., 2009). It is argued that hybrid organizations experience multiple and conflicting goals because of the diverse expectation of their various stakeholders (Grossi & Thomasson, 2015). Thus, the weight of the task for the management of hybrid organization is magnified even more by the variety and complexity of the interests which require to be satisfied (Jansson, 2005).

Pasar are closely associated with government employment, as legitimate authorities, even though their managers and employees are not civil servants. The ‘Governor’ (here denoting the local or regional government authority) acts as both the sole owner and shareholder. The managers of *pasar* are obliged to submit specific reports to the Governor e.g. with respect to financial and administrative requirements (cf. Ministerial Decree No.20 2012; Governmental Decree No.2 2009). The vertical organizational relationship in which *pasar* are embedded, with the Governor as peak coordinator, implies the dominance of the Governor over the *pasar*’ managers. On the other hand, it can be argued that citizens have entrusted the Governor to take responsibility for *pasar*, and to utilize them effectively to serve best the public interest (Almquist et al., 2013; Jorge de Jesus & Eirado, 2012). Consequently, *pasar* managers in acting as agents of the Governor, should also serve the public’s needs of *pasar* in a satisfactory fashion e.g. by maintaining their facilities expanding their operations, and ensuring their safety: in short, by implementing actions that effectively pursue the goals stated clearly in the decrees (Ministerial Decree No.20, 2012; Governmental Decree No.2, 2009).

There is extensive research literature on *pasar*, which include the following examples:

Alfianita et al (2015), Hermawan et al (2018), Najib et al (2017), Purnomo et al (2016),

Rahada et al (2017), and Sipahutur (2016). For example, Hermawan et al (2018) suggest forms of socio-engineering to improve traditional markets, which is a step towards a more open, interdisciplinary approach, such as we adopt. Najib et al (2017) focus on the failure of *pasar* to rise to the challenge of competition from minimarkets and super markets, exacerbated by an array of complex problems e.g. of inventory control, rising rentals and limited access to credit. Purnomo et al (2016) echo this theme, but add that new state-controlled markets, for example in agribusiness, affect the supply chain to traditional markets and street vendors, who are the players who have to become increasingly vulnerable to supply shocks. Sipahutur (2016), a researcher in the Ministry of Home Affairs, Jakarta, is disinclined, to the contrary of Najib et al (2017), to lay the blame for traditional market decline solely on new competitors, emphasizing instead remediable shortcoming of *pasar* (e.g. as regards poor image, lack of professionalism); and suggests that a more positive attitude of local government (described in that paper as ‘partiality’) to *pasar* would be a facilitating factor in seeking remedy for these faults.

The above works are good for setting the research scene (e.g. who are the key actors, how do they express their voice etc), enriching our institutional understanding and identifying the problems that stakeholders would encounter. However, they do not address the issue of hybridity *per se*, and the role that improved stakeholder activism could play in making hybrid institutions more capable of organizational innovation, the better to serve stakeholder interests. In that sense, the work of Alfianita et al (2015) takes us closer to our core research question, in focusing as it does on the potential for good governance to revitalize traditional markets. It makes policy recommendations based on Porter’s (1990) ‘diamond’ model (e.g. on competitiveness), but extends that to cover local government activism, including in directions like infrastructure development, funding support, quality standards, locational zoning and so on, all of which begins to approach a stakeholder perspective, rather than a narrower

competitive analysis. Rahada et al (2017) produce what they call a ‘value flow map’ of the business ecosystem of *pasar*. This too comes closer to the approach we espouse, and makes references to stakeholders like merchants, management, the public sector, but without our unifying theme of hybridity, and what it implies for reconciling differing stakeholder interests. However, none of this previous research literature has examined, or even drawn attention to, its hybrid nature. Arguing against this neglect, we suggest that acquiring new empirical evidence on how hybridity impacts on the organizational form of *pasar* offers the prospects of novel research insights (e.g. by exploring the challenges facing the *pasar* managers in satisfying multiple stakeholders, like merchants, customers and governors, and balancing the diverse and complex needs of accountability across these various stakeholders).

2.4 Stakeholders Salience Theory

The notion of a stakeholder, defined as ‘any group or individual that can affect or is affected by the achievement of the organization’s objectives’ (Freeman 1984: p. 4), has offered decision-makers within an organization the opportunity to extend their focus beyond the old-fashioned interest group of shareholders. A stakeholder perspective encourages managers to satisfy the expectations, needs and standards of groups that were previously considered to be no more than external factions of the organization. However, exploring this perspective is not a simple matter, as the nature of stakeholders (e.g. who they are closely influenced by, and how, their interests in the organization are expressed), will vary from one case to another. An obvious example would be that organizations that mainly provided public services may have very different stakeholders (and, concomitantly, very different stakeholder’s behavior) from organizations that only provide private services.

At present, hybrid organizations such as *pasar*, which have both public and private interests embedded in their characteristics, have arguably broader stakeholders’ interests than

organizations that are either purely public or purely private, even if both require exactly the same service. However, as yet it has been difficult to reach consensus (Freeman 1994; 1984), on how to identify the levels of priority, and the values that result, from efforts to align the multiple interests pertaining to *pasar*.

It was notably Mitchell et al. (1997) who proposed ‘stakeholder salience’ as a conceptual development from Freeman's (1984) earlier (and extensively cited) ‘stakeholder analysis’. The stakeholder salience approach helps managers to identify stakeholders, and thereby to give priority to competing stakeholder’ claims based on their attributes (viz. power, legitimacy, and urgency of claims). These attributes, which emerge either independently or in combination, can be represented by a typology of seven different stakeholders: ‘dormant’, ‘discretionary’, ‘demanding’, ‘dominant’, ‘dependent’, ‘dangerous’, and ‘definitive: see **Figure 1**.

[Figure 1 near here]

According to Mitchell et al. (1997), their stakeholder typology (see **Figure 1**) allows stakeholders to be classified into three differed groups (viz. ‘latent’, ‘expectant’ and ‘definitive’). Those who possess only one attribute are ‘latent’ (dormant, discretionary, or demanding, being other synonyms) stakeholders (see **Figure 1**). They may for example, have some power, but lacking legitimacy or urgency, due to their possession of just one attribute, such ‘latent’ stakeholders will get less attention from their managers (Mitchell et al., 1997). Stepping up the attribute count, ‘expectant’ (dominant, dangerous, or dependent, are other synonyms) stakeholders who possess *two* attributes and will get more attention than latent stakeholders (see **Figure 1**). Finally, those who possess *three* attributes at once are regarded as ‘definitive’ stakeholders (see **Figure 1**), whom will have priority over all other stakeholders in terms of managers’ responses and actions. Overall, the more attributes the stakeholder

possesses, the higher the salience (Mitchell et al., 1997), and the more attention given to the stakeholder.

To extend the static nature of the pure ‘stakeholder salience’ approach mapped out above, Mitchell et al. (1997) argued that the potentially dynamic nature of the three stakeholders’ attributes should be recognized. Thus, these attributes may change over time, based on managers’ evolving perceptions of stakeholders. Consequently, these changed perceptions of stakeholder salience may affect the managers’ interests toward stakeholders (Conaty & Robbins 2018; Mitchell et al. 1997). Due to the complex hierarchical processes symptomatic of *pasar* (e.g. numerous administrative responsibilities, multifaceted stakeholders), we believe that the key (and challenging) research objective is to distinguish the stakeholder salience of *pasar*. Thus, a major part of the research reported in this paper is *to discover how pasar managers characterize and perceive their stakeholders*.

2.5 Accountability

The characterization of accountability has broadened in the research literature from simply being “held to account for one’s actions”. It now implies a relationship between persons or organizations in which they have a responsibility to answer for (and justify) their actions, based on the tasks that they were required to perform (Randa & Tangke, 2015: p. 666; Grossi & Thomasson, 2015; Akpanuko & Asogwa, 2013; O’Connell, 2005; Sinclair, 1995; Day & Klein, 1987). In this setting, obligations are embedded in a person or organization for the right to use certain resources, which are not their own. Accountability may include both *compliance* (e.g. to higher authority, laws, etc). and *performance*, where these elements play a part in promoting and achieving improvements in delivering quality of service to the public (Hodges, 2012; Hodges et al., 1996).

The practice of accountability in hybrid organizations such as *pasar* may be appraised by different standards of performance. For example, the standards of accountability can be objectively codified in laws, regulations, and decrees or subjective standards (Kearns 2003). Amplifying this point, Brinkerhoff (2001) has argued that proper regulations and standards are important to increasing the degree of accountability. The implementation of accountability in achieving profits for *pasar* is measurable, because it is required by the decrees. Thus, *pasar* managers who do not meet expectations of generating profits for local government, will be subject to evaluation by Governmental Decree (No.2 2009).

At present, laws and regulations relating to *pasar* are parts of the administrative system both in central and local government. Specific examples are: Laws (No.23 2014; No.7 2014); a Presidential Decree (No.112 2007); and Ministerial Decrees (No.70 2013; No.20 2012; No.519 2008; No.42 2007). There are also many other forms of regulations and decrees at the local government level. The abundance of these regulations is indicative of the importance of *pasar* to the economic system of Indonesia. It also shows how the bureaucratic accountability system of *pasar* may tend to create hierarchical or tight supervisory relationships that form a strong vertical accountability, through which the Governor has the ability to reward or punish *pasar* management (Romzek & Dubnick, 1987), without necessarily impacting directly on clients and customers.

However, in turn, the managers' accountability to fulfill the social mission of *pasar* (for serving broader stakeholders) is complex, and certainly not just a matter of authority, law or decree. Part of this complexity is due to the absence of standards in determining the level of social performance (e.g. in the service quality of *pasar*). Thus, in common with other forms of hybrid organizations (Ebrahim & Rangan, 2014; Salminen & Lehto, 2012), *pasar* shares difficulties in calibrating and appraising social performance. Most notably, the relationship between the managers of *pasar* and the non-government' stakeholders are best understood as

having a distinctively different form of accountability. It is of a form in which stakeholders are not hierarchically superior to the managers, but rather are subject to a form of horizontal accountability (Salminen & Lehto, 2012; Schillemans, 2011), which differs greatly from the vertical accountability typical of the relationship between manager and Governor

We may summarize by saying that the organizational challenge facing *pasar* managers is to monitor, and to attain, levels of achievement specified in their financial and social missions (that is, ‘accountability for what?’) as well as to align successfully the interests of diverse stakeholders (that is, ‘accountability to whom?’) (Ebrahim et al., 2014). To seek to understand how managers balance these ‘what/whom’ prerequisites to successful implementation of accountability to their stakeholders, *this research examines the extent to which ‘stakeholder salience’ affects the performance of accountability functions in pasar.*

3. Research Method

3.1 Overview of research

The research method adopted (viz. grounded, mixed method) in this paper involved quantitative investigation, backed up by a qualitative analysis, the latter being our main focus. The quantitative part of our investigation involved the completion of 420 questionnaires from five *pasar* and two cities in Indonesia: Jakarta (205 respondents); and Bandung (215 respondents). The average response rate over *pasar* and cities was 9%. The qualitative part of the research, which is the focus of this paper, has at its core a small judgement sample of seasoned, six experienced informants, who were able to report on the full range of stakeholder roles: two *pasar* managers; (Koga, Mayestik); three provincial heads; and one operation director (see Table 1, Participants for Interview). The last-named actor provided initial field access, and the further participants were recruited on a network basis, involving judgment as to who would be most informative to our research (see Section 3.2 on Sampling) in terms of

criteria like institutions, diversity, reliability and embeddedness. The instrument used with these informants was a twelve-page semi-structured interview agenda, structured around the following pasar headings: A. Characteristics (demographics, establishment, finance, goals); B. Stakeholders (roles, responsibilities, key stakeholders, attention, salience, claimed rights, prioritisation); C. Accountability (multiple stakeholders, practice, implementation, challenges, policy, effectiveness); Performance (checklists, measurement, KPI, assessment); New Public Management (private sector lessons, consumer preferences, modern market practices, improvement plans). This same instrument was used for interviews with eleven customers and nine merchants, completing the ‘cast’ of the structure of accountability for *pasar*.

[Table 1 near here]

The ultimate goal of this research is to explore how managers of *pasar* perceive the salience of relevant stakeholders; and how stakeholder salience itself may affects the practice of accountability in *pasar*. This requires investigating not only *pasar* managers’ perceptions towards their stakeholders, but also how existing laws and regulations impact upon *pasar*. In this paper, we present mainly qualitative case study evidence. We address two key research questions: first, *how do pasar managers characterize and perceive their stakeholders*; and second, *how does stakeholder salience affect the performance of accountability functions for pasar*. The reasons for adopting a case study method is that it meets an evident research gap in current approaches, which lack an organizational/incentive/accountability perspective, theoretically, and also a solid evidence base, empirically, on *pasar* conceived as hybrid organization (Barratt et al. 2011; Eisenhardt, 1989). Moreover, our case study method should help to ground empirically the development of new hypotheses, based on new primary-source

data collected, and the simultaneous expansion of current theories to embrace our new perspective on *pasar* and their accountability characteristics (Runfola et al., 2017).

One of the authors, an Indonesian national, who is a doctoral student, and well trained in accounting and finance, conducted the field work. Before doing this, one had to gain ethical approval first from Strathclyde University, as for all researchers, regarding the instrumentation (e.g. questions posed), the individuals being approached (and potential sensitivity thereof), and the data sought (including possible commercial sensitivity) during the field work. In addition, one of the procedures that this fieldworker had to complete before the interviews with all respondents, and all other fieldwork activities, as an Indonesian national, was to obtain approval from the Ministry of Internal Affairs Republic of Indonesia, stating the province (region), the objective of the research, the main questions of the interviews, the proposal draft (background, literature reviews, research method), and other necessary information.

Further, this Ministry required this fieldworker to send the project proposal draft and the 'big picture' of the research objectives to the local government (Jakarta and Bandung) and to the *pasar* head offices (Jakarta and Bandung). As a result, all respondents understood: the field work access had Ministry approval; the interviewees already knew what to expect in the interviews; and the interviews were undertaken for research work which would go into the public domain, and could, in principle, be published. Indeed, respondents all asked for a copy of the research, were it to be published.

All interviewees agreed to the interviews being recorded, and their assent to participate on the terms mentioned above was part of what was recorded on tape. It is the expectation that, given practice at the University, when fieldwork is undertaken for a thesis project where some sensitivity exists, the thesis *per se* will be embargoed for three years, but that publication based on the thesis is permitted over that period, subject to careful discretion on

content (which in this case is most likely to relate to small business commercial confidentiality, which would typically vanish after, say, a couple of years, in this type of fieldwork).

Finally, the methodology and techniques used to analyse and code the data were as follows. We used the mixed-method, Tashakkori and Teddlie, 2010, to combine both quantitative and qualitative evidence in a way that led to explanation, understanding and insight into the key research question: to what extent does the accountability function in pasar meet the expectations of multiple pasar stakeholders? Specifically, we adopted a parallel or concurrent mixed design, in which quantitative and qualitative data are collected and analysed simultaneously, within the same time frame. This allows an influence of each data type on the other as the data are being collected, cf Fetters et al. (2013). Then analysis is possible by merging data types, and this can continue until the data gathering process is completed. Then meta-inferences at the end of the study can be used to integrate inferences from both the qualitative and quantitative strands. Thus, the process we use is one of conceptualization, followed by two experiential stages (one methodological, the other analytical), leading to an inferential stage, and finally to meta-inference. Our qualitative method is case study based, which is adaptive to multiple scenarios in terms of data acquisition and analysis, De Maddid & Kotlar (2014).

Our investigation uses two instruments. First, a questionnaire, which covers demographics, *pasar* characteristics and services, covering quality of services using the SERVQUAL Model, developed by Parasurman et al (1988), using a five-point, attitudinal Likert scale. It covers empathy of pasar management, service dependability and accuracy, responsiveness to customers' needs and promptness; and courtesy and confidence of management. This is not the central instrument of our study but does play an adjunct role.

Second, there is a twelve-page, semi-structured interview schedule. This works through an agenda in face-to-face meetings, which covers: respondent attributes; basic pasar information (age, activities, goals etc); stakeholder activities, goals, challenges; stakeholder differences; accountability; performance measurement; and new public management (NPM). Interviews for the semi-structured interviews were recorded (typically in native Indonesian) and then transcribed. Translation, where required, was either done in bulk from audio tapes, by professional transcribers, or by the Indonesian-speaking fieldworker in the team (who is also one of the co-authors) if great accuracy was required. Approximate translations, when required (e.g. for supporting text in Indonesian), were undertaken using Google Translate.

3.2 Data sources

This research is based on primary source evidence, obtained from the key *pasar* stakeholders. Two main groups were interviewed in this study. (1) The first group was *pasar* managers. They run daily operational activities of the *pasar* and have a meticulous knowledge of the businesses, which therefore identified them as the key informants in this research. (2) The second group was *pasar* stakeholders. *Pasar* stakeholders are individuals or groups that can affect, or can be affected by, any decisions or actions made in or for *pasar* (Freeman, 1984: p. 46). Freeman (2001) stated that the likes of employees, customers, suppliers, owners, managers and the local community are key stakeholders of a large corporation. The *pasar* have stakeholders similar in nature to those recognized by Freeman (2001), but also include the Government, in its ownership capacity. To achieve research focus this paper limits attention to the key stakeholders of *pasar* viz. the Government, merchants, and customers.

Pasar managers and other stakeholders in this research were interviewed using a semi-structured questionnaire, which allowed them to convey their thoughts freely, without pressure from the researchers (Pathak & Intrat, 2012; Foddy, 1993). The interview data was recorded

and transcribed in *Bahasa* Indonesia, which was then translated into English. The interviews were carried out on-site during a three-week period between December 2017 and January 2018.

Where relevant, perspectives from the semi-structured interviews were augmented (e.g. for corroboration) by insights garnered from the quantitative part of our investigation, which involved a five-page questionnaire. This instrument, which was answered by 420 respondents, covered: respondent demographics (gender, age, education etc); pasar characteristics (facilities, service, quality); empathy (e.g. caring, hospitable, peasant); reliability (stalls, safety, disasters, cleanliness etc); responsiveness (e.g. merchant business support, handling trading disturbances); assurance (courtesy, trust, confidence). Finally, there were an additional eleven customers and nine merchants who were the subjects of recorded semi-structured interviews, which included their views on accountability practices within pasar, and regulations & policies about accountability (e.g. Standard Operating Procedures, SOP, specifically implemented in pasar).

3.3 Research Samples

Jakarta, the capital city of Indonesia, has 153 *pasar* that are managed and operated by a regional-owned entity, *PD Pasar Jaya* (Jakarta Statistics Bureau, 2018). The management of this entity is responsible for ensuring all *pasar* meet the expectation of the multi-faceted stakeholders (Governmental Decree No.2, 2009). As a sole-entity that operates *pasar*, *PD Pasar Jaya* is also expected to provide a 'role model' for successfully preserving and promoting *pasar* (in Jakarta at least, and potentially nationwide).

The main purpose of the *PD Pasar* establishment in Jakarta is to manage *pasar* that contributes to the city's economic growth (Governmental Decree No.2, 2009). In addition, *PD Pasar Jaya* is obliged to provide public services. These include: enriching merchants'

capacities; ensuring price stability; ensuring product availability in *pasar*; and improving the quality of services to customers of *pasar*.

Pasar Koja and *Pasar Mayestik* are among the 153 *pasar* selected as the sample for the research project on which this paper is based. We have chosen *Pasar Koja* and *Pasar Mayestik* as case studies because they are intended to represent ‘the envelope’ of current capability, against the kind of criteria mentioned at the end of the last paragraph. Both *pasar* gained best *pasar* in Indonesia awards, based on plausible criteria (Waluyo, 2017; Windarto, 2017). These two *pasar* have existed for more than 25 years in Jakarta, and their longevity is a testament to how the managers of these *pasar* have been effective, for decades, in serving the needs of their stakeholders. However, it would be wrong to conclude that merely surviving was the sole goal of these *pasar*. Both had roots going back several decades, and both had reinvented themselves in a way that brought all stakeholders into play, as the two vignettes below on *Pasar Mayestik* and *Pasar Koja* indicate.

Vignette 1

Pasar Mayestik is currently viewed as ‘a magnet for textile shippers’, according to the local trade magazine, *NOW Jakarta*. Its current form is relatively new, but it was founded in 1949, just before the end of the Dutch restoration government. Its construction was finished in 1955. It was initially a great success, and soon became the commercial hub of South Jakarta. However, its facilities were prone to flooding, and its kiosks for traders and merchants were run-down. By 2012, this *pasar* become so seriously outdated, that its shabby little stalls and muddy, broken roads were de-commissioned; and a new modern-build ten-story replacement facility was constructed. In response to demands from customers and merchants, and under the guidance of local government, a positive blend of stakeholder interests, the new build was endowed with all the accoutrements of a modern market facility (e.g. toilets, CCTV,

elevators, parking, air-conditioning). This *pasar* is now famous for its textiles, but also is noted for its supplies of fresh foods, kitchenware, cosmetic, jewellery etc, and has been recognised as of high quality through several awards.

Vignette 2

Pasar Koja is best known for gold trading, and it is a regional attraction, not just a city attraction. It contains over 30 contemporary-built gold-trading kiosks. In the past this *pasar* had suffered from flooding, the flimsy old kiosks of merchants were very run-down, and garbage went unchecked, leading to unpleasant odours. However, a radical refurbishment took place in 2010, and a fresh new multi-story building was created, which adopted modern standards of cleanliness and maintenance, yet retained a traditional aspect. In it, one can also buy necessities such as fruits, pastries and cakes, clothes, shoes, cosmetics, and medicines. It offers about 19km² of shopping space, with modern toilets throughout, parking, CCTV, etc, and function rooms that can be hired for merchant and sports activities, and other facilities, like health clinics, and places of worship. It too has won several awards. The Head of Marketing of *Pasar Koja* said: ‘Its purpose is to be a vehicle for the relationship between traders and management - to create a conducive business climate...to act as a bridge - from *Pasar Jaya* programs to merchants, for example, in administration, structural change, policy and decrees of directors etc.’ Further he said: ‘We want to get across the message, that the real purpose of our *pasar* is not only to help merchants to make their fortune, but also to provide a focus for charitable activities, and for various activities of worship’.

3.4. Sampling the Participants

Participants in the preliminary interviews of this study were selected, using a snowball sampling technique. Snowball sampling was used because of a number of imponderables e.g.

the unregistered and unknown size (and immeasurable limitations) of the population (Dragan & Isaac-Maniu, 2013; Heckathorn, 2011; Atkinson & Flint, 2001). Therefore, while recognizing the limitations of this sampling approach, for the case of *pasar* we judged that snowball sampling would be the most appropriate method (and probably the only method) for obtaining interview data from the participants. The initial stage of encouraging individuals to participate in the snowball sampling is crucial, as it is this stage which provides vital gatekeepers to additional subjects who fulfil target sampling criteria.

The Director of Operational *PD Pasar Jaya* Jakarta was our key ‘high communicator’ to the field. This Director provided vital information on *pasar* and their stakeholders, and suggested that the Head Division of Foods, Utilities, Markets and Industry Province of Jakarta should be the next respondent, due to this role’s significance to *pasar* stakeholding. Follow-on suggestions as contacts were: Head of the Economics Bureau Province of Jakarta; and then the Head of Division of Foods Resilience Province of Jakarta. As befits the snowball approach, there were no pre-specified numbers of informants (Bernard, 2006), but given the fulsome flow of information we garnered from these three key respondents, representing diverse government units in Jakarta, we were reassured that with these leads, we would be able to capture reliably the key issues of *pasar*. We were able to acquire two additional informants to represent the views of managers of *pasar*, namely the Managers of *pasar* Koja and *pasar* Mayestik. Table 1 above summarizes the participants we used for the fieldwork interviews of *key informants*. In brief, we have three Heads, two Managers, and one Operational Director; and interviews were conducted during the time interval end-2017 to start-2018.

The validity of case study work, see Yin (2013), constructed by fieldwork methods has been a bone of contention since the origins of fieldwork and have not offered assurance to investigators whenever flaws in designs have raised the spectre of invalidity in some studies. However, to assist in obtaining the desired fruitfulness and reliability of case study work, of a

qualitative variety, as in this research we report, there are guidelines which are helpful. In our work we have recognised the framework of four types of validity: construct, internal, external and reliability.

Construct validity is most obviously embedded in the instrument design and the approach to the field. The team are a seasoned mix of quantitative and qualitative specialists, with the fieldworker being very familiar with the field itself, as a national (viz. Indonesian) with good prior practical knowledge of *pasar*, and the co-workers having global experience with field work design, execution, and reporting, over many cultures and continents (e.g. in the USA, UK, India, Russia, PR China and Taiwan). Instrumentation design is cross-checked and put to the test in role plays and piloting.

Internal validity is checked through following through on the logics of cause and effect, coevolution and reverse causality (i.e. endogeneity). To illustrate, coevolution shows that processes have a certain order, with prerequisites to proceed from one step to another. For example, the authority of the Governor must be prior to a variety of actions that merchants can undertake; and the sourcing of products by merchants must be prior the selling of products to the customer.

External validity is important to ensuring the validity of our work, and the construction of our two vignettes for *Pasar Majestik* and *Pasar Koja* did not depend on the field, but were constructed from other sources, including personal networks, and governmental, newspaper and magazine articles (some written in Indonesian) as well as academic articles. The comfortable aligning of this evidence with our fieldwork experience is an agreeable kind of confirmation of external validity.

Reliability validity is tested by repeating the use of the same instruments across distinct field segments and finding it reliable as an instrument in any segment. In our case, *Pasar Majestik*

was from South Jakarta and *Pasar Koja* was from North Jakarta, in the city of Jakarta which has a population of about 10 million people. It worked as effectively for each *pasar*, which does not exclude the findings being different. A good barometer finds different atmospheric pressure in different locations and remains a good barometer for doing so. Perhaps more testing was the use of our instrumentation across multiple merchants (nine) and customers (eleven), which routinely provided diverse types of feedback, as fitting to the evident field circumstances, but not arising from flaws in the instrumentation (e.g. having wrong or false categories). Thus, terms like ‘urgency’ and ‘priority’ were interpreted consistently in all loci, even when respondents had widely different circumstances as regards urgency and priority.

4. Discussion of Findings

4.1 Stakeholder Saliency of pasar

The work of Freeman (1994) on ‘The Principle of Who or What really Counts’ was developed further by Mitchell et al. (1997: p. 853) and raised two essential questions: ‘who (or what) are the stakeholders of the firm? And to whom (or to what) do managers pay attention?’ Although the notion of stakeholder stands as ‘any group or individual that can affect or is affected by the achievement of the organization’s objectives’ (Freeman, 1984: p. 46), the definition of ‘what is a stakeholder?’ has emerged in the literature in several variants, depending on attributes relevant to specific contexts (Miles, 2017; Freeman et al., 2010). In our context, exploring how managers of *pasar* identified and categorized the stakeholders at the initial interview phase of this study was crucial to our investigation of ‘who (or what) are the stakeholders?’

The Director of Operational *PD Pasar Jaya* Jakarta was the first participant to be interviewed. He explained the set of stakeholders of *pasar* as follows:

“We have many stakeholders... The government of Jakarta is absolutely 100%, specifically it is the Division of Foods, Utilities, Marketing and Industry of the government of Jakarta. Those two bureaus are closely linked to *pasar*... Other than that, there is also one bureau, the Economics Bureau, at the provincial level, that supervises

our activities. They are the representatives of the Governor of Jakarta. ... and there is another one, the Food Resilience Division of Province of Jakarta. The third bureau works together with us in ensuring the price stability in *pasar*...” (D).

Here, we note the ‘high level’ interpretation of stakeholders as being the ministries, bureaux, governors and divisions. There are said to be some cases (e.g. bureaux) in which these stakeholders are ‘closely linked to *pasar*’ but no mention is made of customers and merchants of *pasar* as stakeholders.

A similar question was asked of the Manager of *Pasar Koja* Jakarta, about ‘who the stakeholders of *pasar* are?’ The manager of *Pasar Koja* Jakarta said that:

“...in general, our stakeholders are the governmental institutions within our region, such as head of the sub-district, head of district, and the Mayor of North Jakarta. We have to communicate and coordinate with many others. In regards with the economics, we work together with the Food Resilience Division...” (M1).

Here, the ‘many others’ are noted but not named (e.g. as customers or merchants) but they are objects of communication and coordination.

It was claimed (see above) by both key participants (D and M1) that the government of Jakarta and its divisions were the main stakeholders of *pasar*. The argument for identifying the government as the main stakeholders of *pasar* is underpinned by the Governmental Decree (No.2 2009) which has several regulatory functions over: the status of *pasar*; the objectives of *pasar*; the organization structure of *pasar*; and the operational activities of *pasar*.

This attitude was corroborated by the Head of the Division of Foods, Utilities, Marketing, and Industry, Province of Jakarta, who confirmed the important role of the government in *pasar* by saying:

“.... Our Division is responsible for monitoring the business plan and activities of *PD Pasar Jaya*... as the Governor’s representative, our task is to ensure the Governor’s policy and expectations of *pasar* are implemented by the board of directors of *PD Pasar Jaya*... there are other governmental institutions that are linked to *pasar*. The closest one is the Economics Bureau... and Foods Resilience Division...” (G1).

Moving now to the divisional level, we find again no reference to customers and merchants as stakeholders, though again it notes that ‘institutions are linked to *pasar*’. We note also the

shared reference (between D, M1 and G1) to the Economics Bureau and the Foods Resilience Division. The Head of the Foods Resilience Division Province of Jakarta also emphasized the role of Government in *pasar* as follows:

“...if it is related with price stability, there is the Food Resilience Division, then Bank Indonesia, and the Economics Bureau. Internally, the management of *PD Pasar Jaya* Jakarta is accountable to the Division of Foods, Utilities, Markets and Industry of the government of Jakarta...” (G3).

The exclusive government ownership (100%) of *pasar* emphasizes the influential managerial role they play, giving them supreme priority, as the key stakeholder of *pasar*. The government possesses all key stakeholder attributes, as identified by (Mitchell et al., 1997), simultaneously in its hands: power, legitimacy and urgency of claims. The basis of this supremacy is that government possesses powers deriving from the laws and regulations it promulgates, which influence (and indeed may restrict) the actions of manager of *pasar*' actions (Oates, 2013; Buchholz & Rosenthal, 2004; Governmental Decree No.2, 2009). The motivation of these laws and regulations is: (a) to ensure the continuity of *pasar* (Freeman & Reed, 1983): and (b) and to affect the achieving of *pasar* objectives (Freeman, 1984). Further, the outcome of such regulations and public policies, issued by the government, is certain to include a measure of impact on stakeholders other than the government itself.

The government (whose expression at the level of Province or major city – like Jakarta- is the Governor) has also a legitimate claim over *pasar*, regarding the existence of an exchange relationship, in the form of a contractual agreement between the Board of Directors of *pasar* and the Governor (Mitchell et al., 1997; Hill & Jones, 1992). The Board of Directors of *Pasar* is appointed by the Governor (Governmental Decree No.2, 2009), which therefore also makes the Governor their metaphorical 'master' (Uddin et al., 2016). Moreover, the urgency of claims that government have over *pasar* are based on both attributes of time sensitivity and criticality (Mitchell et al., 1997). The Governor or governmental-related units may call for immediate

attention for any issues concerning *pasar*. Thus, it is plausible to conclude that the Governor stands as the ‘definitive’ stakeholder of *pasar* (see Figure 2). Here, we can see how the Governor is unique among stakeholders in having triple stakeholder endowments, of power, legitimacy and urgency.

[Figure 2 near here]

The Venn diagram of Figure 2 displays why the Governor warrants the definitive category, in the semi-triangular area at the centre, which overlaps all Mitchell categories simultaneously. In practice, from our fieldwork, it is evident that these triple endowments have typically combined to make the Governor the engine (with the budget to match it) that has mobilized resources to create a phoenix-like resurrection of *pasar*, as evidenced by our mixed-methods vignettes for *Pasar Koga* and *Pasar Mayestik* above. However, in wielding the power the Governor has benefitted from increasing empowerment (if not formal regulatory power) from merchants and customers, as indicated by several ‘voices’ quoted from these stakeholders. For example, merchants have been more pro-active in giving voice to the need for refreshments of the infrastructure of *pasar*, typically expressed directly to managers, and frequently via merchant organizations which play the role of chambers of commerce. This is important, as otherwise customers only have limited formal voice through the ombudsman, but in reality, are expressing voice *in situ* to managers, who in turn are basing their own interactions with the Governor on these customer inputs. In terms of Hirshman’s (1970) analysis of ‘voice’ and ‘exit’, it is preferable for the sustainability of *pasar* that customers have channels for ‘voice’ (e.g. through managers), than that they exercise the right to ‘exit’ from *pasar* as a purchasing platform, choosing instead to use minimarkets or supermarkets. It is also clear from secondary source material we have examined in the course of using the mixed-method, that the customer/

consumer voice is significant in printed media like magazines and newspapers. For example, the Jakarta Post is published in English, and is widely read internationally. It is generally even-handed on the representation of stakeholder voice, and therefore is frequently willing to publish policy articles that empower the voice of non-Governor stakeholders.

Additional interviewed participants did not unequivocally support the notion of merchants being potential key stakeholders of *pasar*. This is perhaps due to their perception (perhaps influenced by statues and decrees) of the government having dominant status within the organizational structure of *pasar* (Governmental Decree No.2, 2009). However, the Head of the Sub-Division of the Economics Bureau Province of Jakarta (G2) and the Manager of *Pasar Mayestik* Jakarta (M2) did indeed have rather different opinions regarding the relative status of stakeholders of *pasar*, as exemplified by the following direct quotes:

“... the Governor and related bureaus or divisions... Merchants and members of parliament are also included...” (G2).

“...a cooperative which is managed by the merchants...” (M2).

This recognition of merchants is important, and we do often see a reciprocal acceptance of merchants as significant other stakeholders. Thus Merchant 1 can say that it is possible to convey complaints to management: ‘Because our relationship with managements are like partners’.

According to two Governmental decrees (No.2, 2009; No.3, 2009), *pasar* managers are obliged to provide services not just to the government, but also to merchants and customers. The arguments affirming merchants as key stakeholders of *pasar* hinge on their highly significant role within the network of all stakeholders, and their direct contributions to *pasar*, as it is they who rent and utilize the stalls, pay taxes and undertake other means of payments to *pasar* (Governmental Decree No.3, 2009). Crucially, they also stimulate the regional economy

offering reasonably priced products and services through *pasar* with a good understanding of the needs of the customers.

Merchants have the rights, by decree, to obtain extensive support from *pasar* management (Governmental Decree No.2, 2009; Governmental Decree No.3, 2009). They are entitled by law to have responsive management which is open to increasing capacity, and improving the conduct, of business (Governmental Decree No.2, 2009; Governmental Decree No.3, 2009). This includes support given by managers to merchants to: enhance merchants' ability to market their products; facilitate merchants' expansion of business networks; and improve the provision of comfortable space for merchants their *pasar*, etc. Thus Merchant 2 is confident to 'Directly speak with the *pasar* staffs' officers'.

Merchants, individually, have less power to influence *pasar* managers than does the Governor. However, when merchants are grouped together in unison, their influence may well be greater (Fassin, 2012). The legitimacy attribute 'owned' by merchants derives from a contractual agreement between *pasar* managers and the merchants, which has reciprocal features (e.g. the usage by merchants of stalls in *pasar* provided by managers, as well as the potential effects upon *pasar* managers of merchants ability to develop trade (Phillips, 2003; Mitchell et al., 1997; Hill & Jones, 1992). However, merchants do not have a similar privilege to the Governor in enjoying immediate attention from *pasar* managers, as any major decision concerning *pasar* is subject to the approval of the Governor. This hierarchical chain of command in *pasar* slows down its decision-making processes (Massaro et al., 2015), degrading the attribute of 'urgency to claim' attribute for merchants. Therefore, the possession of both 'power' and 'legitimacy' entitles merchants to be considered the '*dominant*' stakeholders of *pasar* (Figure 2).

Customers, on the other hand, have been disadvantaged in their status as stakeholders through not having any contractual relationship with *pasar* managers, a disadvantage which

has been exacerbated by their not having the authority to ask the managers of *pasar* to meet their demands. While there is no legal authority to their voice, some customers are willing to speak their mind, voicing an opinion on *pasar* services directly to management, even if there is no obligations to have a complaint acted upon. Thus, the assertive Customer 3 says: ‘All *pasar* usually have a management’s office that is located in front of the *pasar*. We can complain directly to the management’s office. Moreover, filing a complaint can be done via a call center that is provided in the *pasar* (if there is any)’. However, they at least possess the power to have their complaints examined by the Ombudsman for any inconvenience in the provision of services by *pasar* (Law No.37, 2008). This *sole* power attribute that customers ‘own’ therefore classifies them as ‘*dormant*’ stakeholders (see Figure 2).

We have already seen (Section 2.2 on Stakeholder Salience Theory) how the theoretical research literature suggests stakeholder interests, and their relative importance, should be represented (See our Figure 1). However, this is partly a matter of *a priori* reasoning, buttressed sometimes by evidence from previous studies in other areas. A representation of how our fieldwork evidence (including survey work) in Indonesia influenced the earlier, theoretically based, in Figure 1, on *pasar*’ stakeholders’ typology, can now be undertaken, leading to a reconfigured Figure 2. Taking on board evidence from the field interviews of seven high-communicators and gatekeepers (heads, managers, etc.), and surveys of over two hundred *pasar* participants, in diverse roles, leads to the transformation that can be found in Figure 2. This both simplifies and modifies the more complicated *theoretical* picture of Figure 1, which admits of all logical possibilities; whereas the new Figure 2 demonstrates *empirically* who the key stakeholders were, and how they interacted. The latter demonstrates the value of the fieldwork and survey work.

4.2 *Accountability practices in pasar*

There has been shown to be strong evidence suggesting a vertical relationship between *pasar* managers and the Governor and governmental units. *Pasar* managers have the authority to run *pasar* but they are also obliged to comply with the Governments as their principals. The hierarchical principal-agent relationship in the context of *pasar* may also be characterized as vertical accountability (Biela, 2014). The Governor and governmental units practice a vertical form of accountability as they hold *pasar* boards of directors (and their management) accountable for the *pasar* performance (Lindberg, 2013: p. 11).

Behn (2001) indicated that the practice of accountability is associated with one of three things: accountability for finances, accountability for fairness or accountability for performance. For the case of *pasar*, the managers have to fulfil all three (Governmental Decree No.2, 2009). We now know that the practice of accountability in *pasar* is monitored regularly, given these comments of field respondents G1 and G3:

“...We invite other governmental units to analyze the performance of financial reports ... There will also an audit process to evaluate the performance of the directors ... we evaluate and monitor on a quarterly basis ... at least we know the business progress of *pasar* and if there are any concerns, we are available to support ...” (G1).

“... there is also a weekly routine inspection on *pasar* to ensure the availability of products and the stability of price ...” (G3)

To ensure *pasar* managers perform their job in compliance with the policy and decrees, the Governor authorized three supervisory boards. These supervisory boards act as an advisors to *pasar* management (G1). The carefully scheduled monitoring process for the activities in *pasar* demonstrate that vertical accountability had been implemented compellingly.

Pasar managers (M1 and M2) admitted that their responsibilities were not only providing administrative reports to their superior, but also providing services to the merchants and customers.

“... in general, we are accountable to merchants and customers...” (M1).

“... as part of my responsibility as a manager, we have trained our merchants with the skills of e-commerce and online marketing ... we also provide standard operating procedures and customer services to receive any complaints concerning activities in *pasar* ...” (M2).

However, to judge by comments of Directors (D), Governors (G1, G2, G3) and Managers (M1, M2) alike, the performing of the social functions of *pasar* to the merchants and customers has not reached a satisfactory level. Numerous complaints of *pasar* were becoming the norm, as recounted as follows.

“Of course, there are lots of complaints... Mostly they are about the physical structure of *pasar*... the physical structure of the buildings in *pasar* is not that good. Only 51% *pasar* are in a good condition. The remaining *pasar* are not in good shape. It means that there are only 79 of 153 *pasar* that are appropriate in Jakarta region...” (D).

“...we often receive complaints regarding the operational activities of PD *Pasar Jaya* from the people, the merchants, and from mass media...” (G1).

“...The complaints normally concern the prices of certain products... Merchants are furious with the prices of some products which have increased...” (G3).

“...Very often. Normally the merchants complain directly to the Governor. And then the Governor informs us regarding the complaints. We will try to accommodate the complaints as long as it complies with the regulations...” (G2)

“... I have received some complaints from customers relating to the unavailability of products in *pasar* or related to the short opening hours of *pasar*... Merchants have also complained about the decline of customers in *pasar*...” (M1).

“... mostly about the facilities in *pasar*...” (M2).

These serious and wide-ranging complaints portray the imbalance of accountability practices in *pasar*. The consequence of *pasar* managers' perceptions of stakeholder salience - that favors Governor over merchants and customers - has undermined their goal of balancing the multiple demands of diverse stakeholders. It also implies that the identified hybrid characteristics embedded in *pasar* complement previous empirical evidence indicating the difficulties facing managements when they try to balance conflicting interests.

5. Conclusion

This research has analyzed how a specific type of hybrid organization, *pasar*, a traditional Indonesian market, attempts to balance the needs of accountability amongst its multiple stakeholders. There are new findings on definitive, dominant and dormant stakeholders, and a brief account of them, is given at the end of this section.

While *pasar* have been the subject of some research, there is no research literature on the specific topic of accountability in *pasar* in Indonesia. There are a few research papers on accountability in other areas of the Indonesian polity, but not specifically on *pasar*. For example, Antlöv et al (2005), in the general context of NGO governance within Indonesia, point out that the assimilation of Western patterns of accountability can be a slow process, which requires training (e.g. using HR processes) to make it work. Harun et al (2010) illustrate this, examining the resistance to accrual accounting in Indonesia, hampered by a lingering enthusiasm for older, relatively unreliable, cash-based systems. McLeod et al (2014) emphasise that, in general, accountability reform in Indonesia is slow at the local government level, because of hasty attempts to mimic successful implementations elsewhere, but without taking account of the unique characteristics of Indonesia. The consequences of this kind of default are noted by Muda (2014), who gives an Indonesian example in which deficiencies in treasurer capability (partly due to lack of training, poor facilities and infrastructure) has resulted in less than timely financial reporting at the provincial government level. Finally, Sukoharsono (2007) argues that the merits of green accounting, an aspect of accountability which Indonesian consumers are well attuned to, is only slowly being recognised by business interests, at the local and national level. To summarise, while accountability is a recognised research topic in an Indonesian context, though still in its infancy, its forensic examination of *pasar*, at research level, as in this paper, is a novelty, both theoretically and empirically.

This paper demonstrates that the superior status of the Governor, as the definitive stakeholder of *pasar*, which authorizes him to ensure that *pasar* managers act accordingly. It is imperative for the managers to prioritize the interests of the Governor, which therefore diminishes the imperative to satisfy and balance the diverse stakeholders. The different typology of stakeholders, as between Governor, merchants and customers, is also reflected in how accountability is practiced in *pasar*. Specifically, vertical accountability has been implemented effectively, in contrast to lesser success in satisfying, through horizontal accountability, the needs of the merchants and the customers.

This research may help local government (through the Governor) to identify the important areas that need immediate remedy. Preserving *pasar* requires genuine engagement from the Government in two ways. First, they might be advised to conduct a survey and consider the thoughts of the customers, merchants and *pasar* managers in identifying areas for service quality improvements. It is essential for Government to know and understand the expectations of both merchants and customers, to minimize complaints and instead to focus more on providing service quality, than ‘putting out fires’. Responsive Governments are those that adopt policies favored by citizens (Przeworski et al. 1999). Moreover, *pasar* managers should not be restrained from demonstrating creativity in running their businesses. Second, a standardized service quality should be devised (and monitored) for all *pasar*. This standard should amount to more than just written laws, regulations and decrees, but rather it should extend also to matters of adoption in practice. Effective implementation of these standards should smooth out any significant differences in performance among *pasar* in Indonesia. Therefore, it is critical that the role and responsibility of central Government in ensuring that standards are rigorously applied, both by regulation and in practice, are effectively dispatched.

Finally, this paper suggests that future research on *pasar* may prove fruitful. Remedying limitations of scale and scope of the current work would be a part of that. But also, on a more

methodological basis, it is necessary to have a wider exploration of how integrated policies towards, and superior management of, *pasar*, can contribute to superior accountability among (and between) their key stakeholders.

5.1 Summary of contribution

The contributions of this paper are threefold: (1) it considers *pasar* as an example of new hybrid organisations; (2) it provides new empirical evidence on practice; (3) it explores stakeholder salience and its impact on accountability. To expand on this: It explores the notion of new *hybrid* types of organisation and the difficulties in measuring accountability to multiple stakeholders. From our evidence and analysis, stakeholders are found to be:

- ‘Governor and related governmental units’ - primary and ‘definitive’ stakeholder, possessing all the recognized attributes of power, legitimacy and urgency
- Merchants - less significant, but also ‘dominant’ stakeholders, possessing both power and legitimacy attributes over *pasar*.
- Customers - ‘dormant’ - sole attribute of power over *pasar*.

This paper provides *new evidence* on a specific type of hybrid organisation, viz. *pasar* in Indonesia.

- Fieldwork (case study) evidence
- Report here upon qualitative interview evidence
- Provides insights into day-to-day workings of *pasar*

It does this within a framework of *stakeholder salience and accountability*

- Stakeholders are identified above
- They are competing for accountability

- They are in a hierarchy according to their power, legitimacy and urgency
- Stakeholder salience – is found to influence the pressure for accountability

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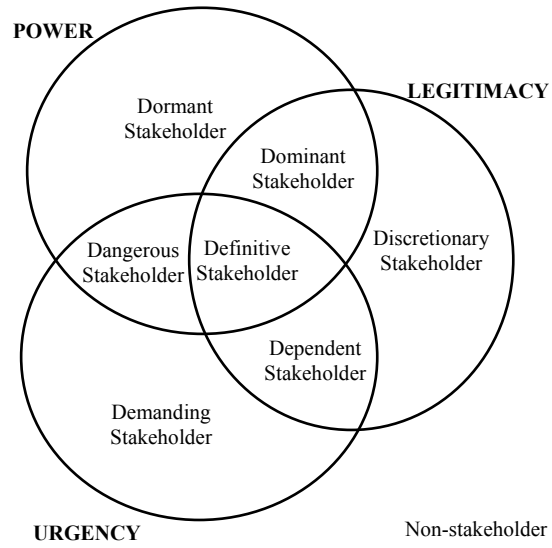
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Table 1
Participants for Interview

No	Job Title	Organization	Date of Interview	Code
1	Operational Director	<i>PD Pasar Jaya</i>	21 December 2017	D
2	Manager	<i>Pasar Koja</i>	22 December 2017	M1
3	Manager	<i>Pasar Mayestik</i>	8 January 2018	M2
4	Head	Foods, Utilities, Marketing and Industry Province of Jakarta	28 December 2017	G1
5	Head	Economics Bureau Province of Jakarta	28 December 2017	G2
6	Head	Foods Resilience Province of Jakarta	2 January 2018	G3

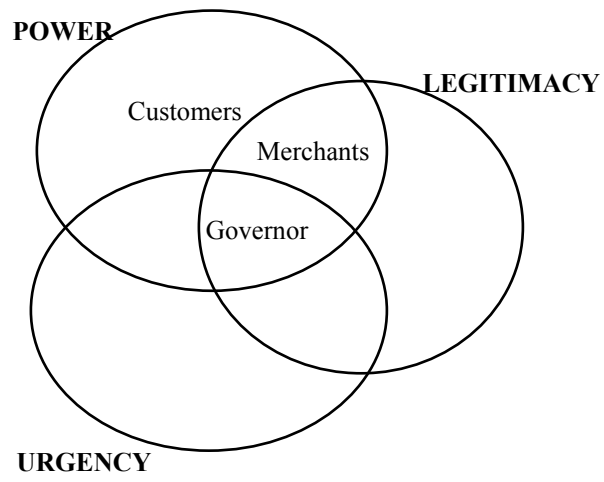
Figure 1
Stakeholder Typology



Adapted from Mitchell et al. (1997)

Figure 2

Pasar Stakeholder's Typology



Adapted from Mitchell et al. (1997)