Stakeholders and Accountability in a Traditional Indigenous Market:
The Case of *pasar* in Indonesia

Abstract

Traditional indigenous markets, known as *pasar* in Indonesia, have a specific role in promoting national economic and social sustainability. However, their decline in numbers has sharpened policy on preserving their existence. Previous work on *pasar* has neglected their hybrid characteristics. Therefore, this research aims to contribute to the extant literature by developing the analysis of *pasar* as hybrid organizations, offering both theoretical development, and new empirical evidence, with implications for public policy. It explores how managers perceive their *pasar*, with two objectives: first, exploring how they characterize their stakeholders; and second, how the practice of accountability functions in *pasar*. The case study approach of this paper employs the mixed-method, using an exploratory sequential design. The qualitative data include textual evidence on laws and regulations relevant to *pasar*, and recorded evidence from interviews with *pasar* managers and their stakeholders. The quantitative evidence of this paper uses data from 205 respondents. Our findings are as follows. (i) The Governor, and related governmental units, are definitive stakeholders of *pasar*, possessing all key stakeholder attributes of *power, legitimacy* and *urgency to claims*. (ii) Merchants are identified as dominant stakeholders too, as they ‘own’ both *power* and *legitimacy*. (iii) While customers are also grouped as stakeholders, they are classed as ‘dormant’ as they only have *power*. (iv) *Pasar* managers successfully meet vertical accountability criteria yet fail to balance successfully the relative satisfaction of merchants versus customers. Extensions of the research are suggested, involving broader stakeholder analysis and developing integrated policy to bolster accountability.

Keywords: *Pasar*, hybrid, accountability
1. Introduction

Indigenous traditional markets, known as pasar in Indonesia, have long been in existence: for over two centuries, in this instance, playing the role of serving the needs of society. Despite their crucial functions of promoting economic sustainability in the region and providing a home for merchants of small- to medium-sized enterprises (Ministerial Decree No.70 2013; Presidential Decree No.112 2007), the fact is that the number of pasar has declined: it had reached approximately 13,450 pasar in 2009, but then dropped by 29% in 2012 (Ministry of Trade 2014).

The decline of pasar has been caused, arguably, by several factors; their perceived unhygienic surroundings (Purnomo et al. 2016; Alfianita et al. 2015); the emergence of rival modern markets (Sipahutar 2016; Suryadarma et al. 2010); shifting customer preferences (Najib & Sosianika 2017; Prabowo & Rahadi 2015); and the lack of convergence in existing policies and regulations pertaining to pasar (Hermawan et al. 2018; Juahari 2013). The unpleasant perception of pasar (e.g. ‘dirty’ and ‘wet’) has been widely recognized by Indonesian society: yet preserving the existence of pasar, from a public policy standpoint, is regarded as mandatory.

*Pasar* is intimately associated with government, through the agency of the Governor or mayors, who ‘own’ the pasar (Law No.23 2014). They are the solitary shareholders of pasar, which entitles them to exclusive privileges (e.g. formulating decrees, implementing policies aimed at ensuring the continuation of pasar, appointing individuals as members of the pasar’s board of directors). Consequently, pasar management needs both (i) to comply with bureaucratic legislation and (ii) to follow closely the processes and procedures that are regulated by such decrees (Fowler & Cordery 2015; Mulgan 2003).

However, the functions of pasar must not only meet administrative requirements, including the submitting reports to the Governor. They must also 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). The mission of pasar is twofold: first, to achieve financial sustainability; and second to serve social purposes. Therefore, it does not fit neatly into the conventional categories of private, public, or non-profit organizations. To use modern terminology, it is best viewed as a ‘hybrid organization’ (Doherty et al. 2014; Ebrahim et al. 2014), this being one which mixes already accepted elements (e.g. ownership, goals, values, logics, finance, control, governance) of organizational forms (e.g. simple hierarchy, M-form), into new institutional forms (e.g. strategic alliances, public-private partnerships).

The hybrid mission of pasar creates great complexity of institutional form, in that pasar must address (and ideally satisfy) both governmental and business demands (Wood 2010; Gomes & Gomes 2008). The complexity of pasar has been amplified by burgeoning bureaucratic practices, which themselves are influenced by political interventions. Doherty et al. (2014) suggested that pasar managers need to tackle simultaneously a twofold challenge: (i) maintaining their commitment to meeting the social purposes of pasar; whilst also (ii) fostering a strong relationship with their diverse stakeholders. Jones (2007) argues that pasar must ensure that neither of these mission elements compromises the other. Thus, pasar policy makers must improve their awareness of the necessity to meet the expectations of multiple pasar stakeholders (Gomes & Gomes 2008), as well as achieving a better understanding of the way that the new hybrid mission of pasar fosters 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. These must be resolved, ideally with equal success (Jansson 2005). Consequently, the decision-making processes in pasar entails complexity arising from the balancing of different stakeholders’ views, one against the
another (Schmitz & Glanzel 2016). Former studies on pasar have not examined its hybrid nature (Hermawan et al. 2018; Najib & Sosianika 2017; Purnomo et al. 2016; Sipahutar 2016; Alfianita et al. 2015; Prabowo & Rahadi 2015; Juahari 2013; Suryadarma et al. 2010). This paper aims to remedy this deficiency in the extant research literature. It is argued here that this hybrid quality is the principal unrecognized attribute that may mislead managers in their quest to achieve pasar objectives, as regulated through a multiplicity of decrees. Thus, by exploring how managers perceive pasar, this research aims to contribute, by theoretical and empirical analysis, to the literature on the accountability of hybrid organizations. In doing so, it also draws conclusions of potential value to public policy makers.

This paper now proceeds as follows. Section 2 discusses the relevant research literature on hybrid organizations, stakeholders, and accountability literature, and theories concerning the nature of pasar are provided in Section 3. Then, in Sections 4 the data and methodology of the research are explained, followed by the results of the empirical evidence. Last, Section 5 presents conclusions, implications, and possible future research. It also includes recommendation for improving pasar in Indonesia, based on the findings of the study.

2. Literature Review

2.1 Hybrid Organization

A hybrid organization has dual missions (viz. in both business and social aspects), which are embedded in its identity (Ebrahim et al. 2014; Wood 2010). It involves a mixture of both private sector and public sector elements within one single unity (Brandsen et al. 2009). Hybrid organizations are argued to have the potential risk of ‘mission drift’ arising from conflicts between financial and social functions (Doherty et al. 2014; Battilana & Lee 2014). In the case of pasar, such challenges may include complex hierarchical processes, numerous administrative responsibilities, and multifaceted stakeholders.
2.2 Stakeholders of *Pasar*

The notion of stakeholder, defined as ‘any group 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. It encourages managers to satisfy the expectations, needs and standards of groups that were previously considered to be external factions of the organization. The nature of stakeholders that are closely influenced by, or who have an interest in the organization, will vary from one to another. For instance, organizations that concerned more with providing public services or private services may well have different stakeholders to one another.

Hybrid organizations such as *pasar*, which have both public and private interests embedded in their characteristics, have arguably broader stakeholders that require the same services. At present, the numbers of stakeholders in *pasar* is growing, relatively. The challenge facing *pasar* managers is that how they align and prioritize the interests of multiple stakeholders and demands for accountability when those interests are inconsistent (Ebrahim et al. 2014). However, how we might identify the levels of priority and values that result from the alignment of multiple interests has not reached a consensus (Freeman 1994; 1984), including amongst *pasar*.

It was the prominent work of Mitchell et al. (1997) who proposed stakeholder salience, so that managers can give priority to competing stakeholder claims based on their attributes, namely power, legitimacy, and the urgency of the claims. The more attributes the stakeholder possessed, the higher the salience. They classified stakeholders according to the possession of these attributes.
The stakeholder typology, according to Mitchell et al. (1997), clearly defines the categories as: latent stakeholders, including dormant stakeholders, as those who possess only power, but have neither legitimacy nor urgency; discretionary stakeholders, as those who have only legitimacy, but neither power nor urgency; and demanding stakeholders, as those who possess urgency, but who have neither power nor legitimacy. Those who are counted as expectant (or dominant) stakeholders possess only power and legitimacy, but do not have any urgency; dangerous stakeholders possess power and urgency, but not legitimacy; and finally, dependent stakeholders possess both legitimacy and urgency, but not power (see Figure 1).

[Figure 1 near here]

Pasar are closely associated with the government employment, as legitimate authorities, even though the managers and staff employed in pasar are not civil servants. The governor acts as both the sole owner as well as the shareholder. Citizens have entrusted the governor to take responsibility for and utilize pasar to serve the public (Almquist et al. 2013; Jorge de Jesus & Eirado 2012), which therefore determines the position of pasar that connects the government and wider society. This leads us to our first research question:

Research Question (RQ1): How do pasar managers distinguish the stakeholders?

2.3 Accountability

The characterization of accountability has broadened from simply being held to account for one’s actions. It implies a relationship between persons or organizations in which that person or organization has a responsibility to answer for and justify their actions based on the jobs that were performed (Randa & Tangke 2015: p. 666; Grossi & Thomasson 2015; Akpanuko & Asogwa 2013; O’Connell 2005; Sinclair 1995; Day & Klein 1987). The obligation is embedded
in a person or organization for the usage of resources, which are not theirs. Moreover, accountability may include both compliance, i.e. to higher authority, laws, etc., and performance elements in promoting and achieving improvements in delivering quality of service to public (Hodges 2012; Hodges et al. 1996).

The practice of accountability in hybrid organizations such as pasar may be subject to different standards of performance. The standards of accountability can be objectively codified in laws, regulations, and decrees or subjective standards (Kearns 2003). Brinkerhoff (2001) argued that proper regulations and standards are important elements in increasing the degree
Figure 1
Stakeholder Typology

Adapted from Mitchell et al. (1997)
of accountability. The implementation of accountability in achieving profits for pasar, as it is required by the decrees, is measurable. Pasar managers, who do not meet expectations, for instance, in providing profits to local government, will be evaluated (Governmental Decree No.2 2009).

At present, laws and regulations relating pasar are available in the administrative system both in the central and in local government. There are Laws (No.23 2014; No.7 2014), a Presidential Decree (No.112 2007), Ministerial Decrees (No.70 2013; No.20 2012; No.519 2008; No.42 2007), and other forms of regulations and decrees at the local government level. The numerous regulations indicate the importance of pasar in the economic system in Indonesia. It is also indicates that the bureaucratic accountability system in pasar may leads to hierarchical or supervisory relationship that forms a vertical accountability, whereby the Governor has the ability to reward or punish pasar management (Romzek & Dubnick 1987).

However, evaluating accountability practices for the social mission in pasar is complex. This is due to the absence of standards in determining the social performance, i.e. service quality, of pasar and the common difficulty in comparing social performance across similar pasar or any other forms of hybrid organizations (Ebrahim & Rangan 2014; Salminen & Lehto 2012). Therefore, it is necessary to set standards for accountability, so that pasar managers understand that they need to meet certain criteria in order to confirm that they are accountable in performing their jobs.

Pasar have an unfortunate reputation, widely known, for their unhygienic environments. The poor impression is so acute that the urge for modernizing the physical appearance of pasar is commonly theme found in past papers (Prastyawan & Isbandono 2018; Nelwan et al. 2017; Sipahutar 2016; Prastyawan et al. 2015; Aliyah et al. 2014; Tanuwidjaja & Wirawan 2012). Currently, there is an increased pressure for pasar managers to be held accountable in transforming this perceived image so that they can regain support and trust from the
stakeholders (Randa & Tangke 2015: p. 665; Valentinov 2011). The challenge facing pasar managers in offering the best quality service becomes less difficult as the tasks in providing a comfortable place in pasar, such as maintaining pasar facilities, operating their expansion, and ensuring safety in pasar, are stated clearly in the decrees (Ministerial Decree No.20 2012; Governmental Decree No.2 2009). Therefore, it is necessary to explore whether pasar managers are accountable for performing their jobs in a professional manner to provide the best service for the benefits of customers.

The services to stakeholders are believed to be of quality when they meets or exceed expectation. Parasuraman et al. (1988) suggested that an appropriate approach for assessing the quality of an organization’s services is to measure the perceptions of quality. However, the items that need to be measured can be modified according to the organization and/or in different service situations (Rohini & Mahadevappa 2006; Wisniewski 2001). Our second research question is therefore as follows:

**Research Question (RQ2): How is accountability practiced in pasar?**

### 3 Research Method

This research is an illustrative case study that employs a mixed-method, specifically an exploratory sequential design, due to the unavailability of alternative existing measures or instruments, and the need to make an existing quantitative measure as specific to pasar stakeholders as possible (Creswell & Clark 2018: p. 84-86). The use of exploratory sequential design is to provide answers and explanation of complex social research questions that might reveal diverse insights in interpreting the case in pasar (Creswell & Clark 2018; Eriksson & Kovalainen 2016; Tashakkori & Teddlie 2010). Moreover, results obtained from both
qualitative and quantitative data have the potential to enrich the understanding of research problems (Molina-Azorin 2016).

In exploratory sequential design, qualitative data is first obtained and analyzed. The qualitative data includes existing laws and regulations concerning *pasar* and interviews with *pasar* managers and their stakeholders. The qualitative data obtained are latter used as premises to drive the development of a quantitative instrument, i.e. questionnaires, to further explore and generate the research problem (Creswell & Clark 2018; Eriksson & Kovalainen 2016; Tashakkori & Teddlie 2010).

Two main groups were interviewed in this study. 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. The second group was *pasar* stakeholders. *Pasar* stakeholders are individuals or groups that can affect or be affected by any decisions or actions made in *pasar* (Freeman 1984: p. 46). Freeman (2001) stated that a firms’ employees, customers, suppliers, owners, management and local community are stakeholders that are commonly found in a large corporation. Similarly, *pasar* have stakeholders such as those as stated in Freeman (2001) along with the Government, as the owner. However, the interview in this research focuses only on what are argued to be the stakeholders of *pasar* viz. the Government, merchants, and customers.

*Pasar* managers and stakeholders in this research were interviewed using a semi-structured questionnaire so that they might convey their thoughts without being persuaded by the researchers (Pathak & Intratat 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.

Following the qualitative method, the quantitative method in this study employs surveys to examine how *pasar* managers provide quality services to the stakeholders. Conducting
surveys to the merchants and customers with closed-ended questionnaires was expected to give genuine perceptions of *pasar*. Moreover, it also provided basic features of data for descriptive statistics analysis method (Mann 1998) and confirmed the qualitative data that were captured from the interview.

### 3.1 Research Samples

#### 3.1.1 Pasar in our study

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). *PD Pasar Jaya* management 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 be the role model in achieving great success in preserving and promoting *pasar* in Jakarta as well as nationwide.

The main purpose of *PD Pasar* establishment in Jakarta is to manage *pasar* that contributes to the economic growth of Jakarta (Governmental Decree No.2 2009). In addition, *PD Pasar Jaya* are also obliged to provide public services, such as enriching merchants’ capacity, ensuring price stability and products’ availability in *pasar*, and improving quality services to customers of *pasar*.

*Pasar Koja* and *Pasar Mayestik* are among 153 *pasar* that were selected as samples for this research. The choice of *Pasar Koja* and *Pasar Mayestik* was because both *pasar* were awarded as the best *pasar* in Indonesia based on certain criteria (Waluyo 2017; Windarto 2017). These two *pasar* have also existed for more than 25 years in Jakarta, which, therefore, provides a perfect example for seeking how the managers of these *pasar* have presumably provided excellent services to their stakeholders.
3.1.2. Sampling the Participants

Participants of the preliminary interview in this study were selected using a snowball sampling technique. The usage of snowball sampling is due to the unregistered and unknown size and limitations of the population (Dragan & Isaic-Maniu 2013; Heckathorn 2011; Atkinson & Flint 2001). For the case of pasar, we judged that snowball sampling would be the most appropriate method for obtaining interview data from the participants. The initial participant in the snowball sampling method is crucial, as it is this one who is the vital gatekeeper to providing additional qualified subjects of the targeted sort.

The Director of Operational PD Pasar Jaya Jakarta was the key ‘high communicator’ to the field. This Director provided thorough information on pasar and its stakeholders. This Director suggested the Head Division of Foods, Utilities, Markets and Industry Province of Jakarta as the next respondent, due to its significant position as a pasar stakeholder, followed by the Head of the Economics Bureau Province of Jakarta, and then the Head of Division of Foods Resilience Province of Jakarta. There was no pre-specified numbers of informants (Bernard 2006) required, so we judged that these three key respondents, representing government units in Jakarta, were sufficient, in our context, for capturing reliably the key issues of pasar. In addition to these, we acquired two additional informants to represent the views of managers of pasar, namely the Managers of pasar Koja and pasar Mayestik. Table 1 summarizes the participants we used for the fieldwork interviews of key informants on pasar.

[Table 1 near here]
In contrast, participants for the surveys were chosen using a convenience-sampling method, due to their availability and accessibility (Elfil & Negida 2017). Convenience sampling was judged an appropriate method to implement in this research due to the assumption that merchants and customers of pasar have homogeneous characteristics (Etikan et al. 2016), and the time saturation is reached (Martínez-Mesa et al. 2016). Therefore, within the limited period of the study, the sample taken for this study consisted of 205 merchants and customers from pasar Koja and pasar Mayestik. One-hundred-and-nine of these were merchants, whereas the remaining 96 were customers. Both merchants and customers were first informed about the purpose for conducting this research, including the stakeholders and accountability terms in brief. Thus, the issues being investigated in this research were answered responsibly and accurately (Boesso & Kumar 2009).

The questionnaire data were collected in a one-week period in January 2018. It used a 5-point Likert-Scale from poor (=1), through fair, average and good, to excellent (=5). Merchants and customers were to select one of five choices where each of the choices is associated with

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Table 1

<table>
<thead>
<tr>
<th>No</th>
<th>Job Title</th>
<th>Organization</th>
<th>Date of Interview</th>
<th>Code</th>
</tr>
</thead>
<tbody>
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<td>Operational Director</td>
<td>PD Pasar Jaya</td>
<td>21 December 2017</td>
<td>D</td>
</tr>
<tr>
<td>2</td>
<td>Manager</td>
<td>Pasar Koja</td>
<td>22 December 2017</td>
<td>M1</td>
</tr>
<tr>
<td>3</td>
<td>Manager</td>
<td>Pasar Mayestik</td>
<td>8 January 2018</td>
<td>M2</td>
</tr>
<tr>
<td>4</td>
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<td>Foods, Utilities, Marketing and Industry Province of Jakarta</td>
<td>28 December 2017</td>
<td>G1</td>
</tr>
<tr>
<td>5</td>
<td>Head</td>
<td>Economics Bureau Province of Jakarta</td>
<td>28 December 2017</td>
<td>G2</td>
</tr>
<tr>
<td>6</td>
<td>Head</td>
<td>Foods Resilience Province of Jakarta</td>
<td>2 January 2018</td>
<td>G3</td>
</tr>
</tbody>
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the preferences on certain attributes (Camparo & Camparo 2013). The scale is based on eight tangible attributes that should be available in _pasar according to strict regulations_ (Ministerial Decree No. 519 2008). The quantitative data were analyzed using the statistical package of SPSS 25.0. First, descriptive statistics were utilized to provide a demographic profile of respondents. Second, a comparison of means for two independent samples were used for hypothesis testing.

4 Discussion of Findings

4.1 Stakeholder Salience of _pasar_

Mitchell et al. (1997: p. 853) responded to the disagreement of the work of Freeman (1994) on ‘The Principle of Who or What really Counts’ with 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 to serve different purposes, focusing on attributes that are relevant to context (Miles 2017; Freeman et al. 2010). Thus, exploring how managers of _pasar_ identify and categorize the stakeholders at the initial phase of this study is crucial so that the ‘who (or what) are the stakeholders’ of _pasar_ are certain.

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).
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).

The government of Jakarta and its divisions are claimed by both key participants to be the main stakeholders of *pasar*. The argument for identifying the government as the main stakeholders of *pasar* is due to the Governmental Decree (No.2 2009) that regulates the status of *pasar*, objectives of *pasar*, organization structure of *pasar*, and the operational activities of *pasar*.

The Head of the Division of Foods, Utilities, Marketing, and Industry, Province of Jakarta, confirmed the important role of the government in *pasar*:

“…. 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).

The Head of the Foods Resilience Division Province of Jakarta also confirmed 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 100 per cent government ownership of *pasar* has emphasized their managerial roles, giving them top priority, as the key stakeholder of *pasar*. The government holds all attributes at once: power, legitimacy and urgency to claims (Mitchell et al. 1997). Government possesses the power in the form of laws and regulations to influence and restricting manager of *pasar*' actions (Oates 2013; Buchholz & Rosenthal 2004; Governmental Decree No.2 2009), to ensure
the continuity of *pasar* (Freeman & Reed 1983) and to affect the achieving of *pasar* objectives (Freeman 1984). The outcome of any set of regulations and public policy issued by the government will have a certain degree of impact on stakeholders other than the government.

The government has also a legitimate claim over *pasar* regarding the existence of an exchange relationship, in a form of 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 ‘master’ (Uddin et al. 2016). Moreover, the urgency 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*.

Former participants did not state the importance of merchants as potential stakeholders of *pasar*. This is presumably due to the status of the government over *pasar* on the organization structure in *pasar* (Governmental Decree No.2 2009). However, the Head of the Sub-Division of the Economics Bureau Province of Jakarta and the Manager of *Pasar Mayestik* Jakarta had different opinions regarding the stakeholders of *pasar*.

“…. 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).

According to the Governmental decrees (No.2 2009; No.3 2009), *pasar* managers are obliged to provide services not just to the government, but also to the merchants and customers. The arguments on affirming merchants as one of the main stakeholders of *pasar* are due to the significant role and contributions of merchants to *pasar*, as they are the ones who rent and utilize the stalls, pay taxes and spend other means of payment to *pasar* (Governmental Decree
No.3 2009). They also stimulate the economics of the region by offering reasonably priced products and services in *pasar* to satisfy the needs of the customers.

Merchants have the right to obtain extensive support from *pasar* managements (Governmental Decree No.2 2009; Governmental Decree No.3 2009). They are entitled by law to receive responsiveness and capacity improvement from *pasar* managers in conducting their business (Governmental Decree No.2 2009; Governmental Decree No.3 2009). This includes enriching the merchants’ ability to market their products, facilitating the merchants’ opportunities for expanding their business networking, providing comfortable space for the merchants in the area of *pasar*, etc.

Individual merchants have less power to influence *pasar* managers than does the Governor. However, when merchants are grouped together in a union, their influence may increase (Fassin 2012). The legitimacy attribute owned by merchants is due to the existence of a contractual agreement between *pasar* managers and the merchants, i.e. for the usage of stalls in *pasar*, as well as the potential effects of merchants upon *pasar* (Phillips 2003; Mitchell et al. 1997; Hill & Jones 1992). Unlike the Governor, merchants do not have the privilege of getting immediate attention from *pasar* managers, as any major decision concerning *pasar* is subject to approval from the Governor. The hierarchical chain of command in *pasar* slows down decision-making processes (Massaro et al. 2015), degrading the attribute of ‘urgency to claim’ for merchants. Therefore, the possession of both power and legitimacy entitles merchants to be considered dominant stakeholders of *pasar*.

Customers, on the other hand, were in the position of not having any contractual relationship with *pasar* managers nor having the authority to ask the managers of *pasar* to fulfil their demands. However, they possessed the power to have their complaints processed by ombudsman for any inconvenience of services provided by *pasar* (Law No.37 2008), which therefor classifies them as *dormant* stakeholders. A representation of how the fieldwork
evidence influenced the earlier, theoretically based, Figure 1, on pasar’ stakeholders typology, can now be undertaken. 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 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.

[Figure 2 near here]

4.2 Accountability practices

There was 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 an upward 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). The practice of accountability in pasar is monitored regularly.
Adapted from Mitchell et al. (1997)
“…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 advisor for pasar management (G1). The scheduled monitoring process for the activities in pasar proved that the vertical accountability had been implemented compellingly. 

Pasar managers understood that their responsibility was 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, fulfilling the social functions of pasar and providing quality services to the merchants and customers have not reached a satisfactory level. Numerous complaints of pasar were becoming the norm.

“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 complaints summarize the condition of pasar perceived by the managers as well as the heads of government unit. To obtain a broader and richer perception of pasar, surveys were distributed to merchants and customers. They were asked to evaluate the tangibility of pasar as that characteristic has been widely recognized for its critical problem. ‘Tangible’ or ‘tangibility’ are defined by the appearance of physical facilities, equipment, and personnel (Parasuraman et al. 1985).

The respondents who participate in this survey are presented in Table 2 below. Most of the merchants were males (±54 per cent) and they fell into the age group of over 40 years old (±39 per cent), or 20-30 years of age (±34 per cent). More than 92 per cent of the merchants had completed school and mainly lived 1-5 kilometers from pasar. On the other hand, the customers who participated in this survey were mostly females (±59 per cent) who mainly resided just 1-5 kilometers from pasar. The modal customer was aged 40 years or more (±40 per cent) and most of the customers had completed school education (±69 per cent).

[Table 2 near here]
Table 2

Respondents’ Demographic

<table>
<thead>
<tr>
<th></th>
<th>Merchants</th>
<th>Percentage</th>
<th>Customers</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Gender</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Male</td>
<td>59</td>
<td>54.1%</td>
<td>39</td>
<td>40.6%</td>
</tr>
<tr>
<td>Female</td>
<td>50</td>
<td>45.9%</td>
<td>57</td>
<td>59.4%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>109</td>
<td>100%</td>
<td>96</td>
<td>100%</td>
</tr>
<tr>
<td><strong>Age</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Less than 20 years old</td>
<td>1</td>
<td>0.9%</td>
<td>11</td>
<td>11.5%</td>
</tr>
<tr>
<td>Between 20-30 years old</td>
<td>38</td>
<td>34.9%</td>
<td>21</td>
<td>21.9%</td>
</tr>
<tr>
<td>Between 31-40 years old</td>
<td>27</td>
<td>24.8%</td>
<td>25</td>
<td>26%</td>
</tr>
<tr>
<td>More than 40 years old</td>
<td>43</td>
<td>39.4%</td>
<td>39</td>
<td>40.6%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>109</td>
<td>100%</td>
<td>96</td>
<td>100%</td>
</tr>
<tr>
<td><strong>Educational attainment</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>No schooling completed</td>
<td>1</td>
<td>0.9%</td>
<td>1</td>
<td>1%</td>
</tr>
<tr>
<td>Completed school</td>
<td>101</td>
<td>92.7%</td>
<td>67</td>
<td>69.8%</td>
</tr>
<tr>
<td>College graduate</td>
<td>7</td>
<td>6.4%</td>
<td>28</td>
<td>29.2%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>109</td>
<td>100%</td>
<td>96</td>
<td>100%</td>
</tr>
<tr>
<td><strong>Distance to pasar</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Less than 1 Kilometre</td>
<td>26</td>
<td>23.8%</td>
<td>13</td>
<td>13.5%</td>
</tr>
<tr>
<td>Between 1 – 5 Kilometre</td>
<td>50</td>
<td>45.9%</td>
<td>42</td>
<td>43.8%</td>
</tr>
<tr>
<td>More than 5 Kilometres</td>
<td>33</td>
<td>30.3%</td>
<td>41</td>
<td>42.7%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>109</td>
<td>100%</td>
<td>96</td>
<td>100%</td>
</tr>
</tbody>
</table>
Merchants and customers viewed pasar differently, according to their experience and impressions (See Table 3). The eight tangible features of pasar surveyed are fundamental facilities that need to be available in pasar (Ministerial Decree No.519 2008) and are expected to be valued as ‘exceptional’ by both merchants and customers. The findings indicate that facilities, such as clean water, wastewater disposal, stalls arrangement, air circulation and public facilities’ condition were valued as less than ‘good’ (less than 4.0 on the Likert Scale) and there were insignificant differences between merchants and customers on this matter. However, features such as availability of bins, fire prevention kits and the entrance and exit access of pasar exhibited significant differences for between merchants and customers. Merchants too rated these three items higher than customers. This is presumably because merchants knew more about the locations of the bins and fire prevention kits, and their accessibility in pasar compared to customers.

The overall tangible perceptions of pasar showed that the merchants’ assessment of pasar facilities were higher than that of customers. Only the clean water facility and stalls arrangement were perceived by the merchants to be of lower quality, compared to customers. However, the overall assessments of pasar tangibles were valued as less than ‘good’ (below than 4.0) which was confirmed the numerous complaints on pasar facilities. Therefore, the social functions of pasar have not been achieved completely.

[Table 3 near here]
### Table 3

**Perception of Tangibles**

<table>
<thead>
<tr>
<th>Dimension</th>
<th>Means¹</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Merchants</td>
</tr>
<tr>
<td>Clean water facility</td>
<td>3.6972</td>
</tr>
<tr>
<td>Wastewater disposal facility</td>
<td>3.8899</td>
</tr>
<tr>
<td>Stalls arrangement</td>
<td>3.9358</td>
</tr>
<tr>
<td>Air circulation</td>
<td>3.8165</td>
</tr>
<tr>
<td>Public facilities’ condition</td>
<td>3.8716</td>
</tr>
<tr>
<td>Availability of bins</td>
<td>4.1284</td>
</tr>
<tr>
<td>Fire prevention kits</td>
<td>3.9633</td>
</tr>
<tr>
<td>The entry and exit access of pasar</td>
<td>4.2202</td>
</tr>
</tbody>
</table>

**Notes:**

¹ two-sided level of significance ($\alpha=0.05$)

² there is significant difference
5 Conclusion

This research has analyzed how a specific type of hybrid organization, *pasar*, balances the needs of accountability to its multiple stakeholders. The principal findings are as follows. First, *pasar* managers categories Governor and related governmental units as being the primary and definitive stakeholder, possessing all the recognized attributes of power, legitimacy and urgency to claim. Second, merchants are less significant, but also dominant stakeholders, with both power and legitimacy attributes over *pasar*. Third, customers are ‘dormant’, rather than dominant, stakeholders with the sole attribute of power over *pasar*.

The paper demonstrates that the superior status of the Governor as the definitive stakeholder of *pasar* authorizes him to ensure that *pasar* managers act accordingly. It is imperative for the managers to prioritize the interests of the Governor, which therefore blunts the imperative to satisfy and balance the diverse stakeholders. The different typology of stakeholders 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 less success in satisfying, through horizontal accountability, the needs of the merchants and the customers.

This research may help local government 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. Responsive Governments are those that adopt policies favored by citizens (Przeworski et al. 1999). Moreover, *pasar* managers should not be restrained in employing their creativity in running the business. Second, a standardized service quality should be
devised for all *pasar*. This standard should have 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 among *pasar* in Indonesia. Therefore, the role and responsibility of central Government in ensuring that standards are rigorously applied, both by regulation and in practice, is critical.

Finally, this paper suggests that future research on *pasar* may prove fruitful. Limitations of scale and scope of the current work would be a part of that, but also, on a more methodological basis, the wider exploration of how integrated policies towards, and superior management of, *pasar*, can contribute to superior accountability among and between their key stakeholders.

**References**


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