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Institutional Entrepreneurship in the Robusta Coffee Value Chain: A Case from Lampung, Indonesia

Suharno [1]*, Rachmat Pambudy [1] and Yohana Retnaning Widyastuti [2]

[1] *Department of Agribusiness, Bogor Agricultural University, Bogor 16680, Indonesia*
[2] *Indonesian Research and Innovation Agency, Jakarta 40173, Indonesia*
*(e-mail: suharno@apps.ipb.ac.id)

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ABSTRACT

This study explores the identity, role, and impact of institutional entrepreneurship as a catalyst for transforming the Robusta coffee value chain in Lampung, Indonesia. It aims to understand how institutional entrepreneurs initiate, organize, and sustain governance innovations within agrifood systems. The research is grounded in institutional change theory and uses a qualitative approach. Data were collected through individual and group interviews, participant observation, and Focus Group Discussions (FGDs) conducted in 2015, followed by a desk study through 2024. The analysis focuses on a retired agricultural extension officer who became an institutional entrepreneur within the Kelompok Usaha Bersama (Joint Business Group, KUB) farmer group. This actor introduced key innovations, including price transparency, internal control systems, certification schemes, and capacity building. These interventions reshaped local practices and fostered institutional legitimacy across the value chain. The study finds that social and professional capital, participatory leadership, and strategic framing enable institutional entrepreneurs to address market failures and governance gaps. Outcomes include improved coffee quality, greater trust, and better market access. However, challenges remain, such as dependency on individual leadership, climate variability, and inadequate structural support. The findings underscore the need for policies that recognize and scale institutional entrepreneurship to drive inclusive, sustainable agribusiness transformation.

Key words: institutional entrepreneurship, coffee value chain, governance innovation, agrifood systems, institutional change, Robusta coffee

INTRODUCTION

Developing strategies for agriculture and rural areas remains a central concern in Indonesia, as the country has yet to achieve consistent agrarian self-sufficiency, a key indicator of growth. Entrepreneurship is increasingly recognized as a key driver of agricultural development, complementing traditional approaches that rely on subsidies, technology transfer, or state-led investment. International organizations, including the World Bank (2008), the OECD (Freshwater, 2019), and IFAD (2021), emphasize the importance of entrepreneurship for rural and agricultural transformation.

At the intersection of institutional economics and entrepreneurship, institutional entrepreneurship (IE) emphasizes actors who reshape norms, rules, and relationships to drive systemic change (DiMaggio, 1988; Battilana et al., 2009). In agricultural value chains, IE facilitates inclusive growth by establishing governance structures and fostering supportive environments. This study examines IE from social and economic perspectives to understand its role in transforming value chains into more empowering systems.

Lampung is a major center for Robusta coffee in Indonesia, contributing substantially to the national output and exports (Neilson, 2008; Neilson, 2013; Neilson, 2014). Although South Sumatra surpassed Lampung after 2020, Lampung still produced 108.1 thousand tons in 2023. Its coffee value chain faces fragmentation, power imbalances, intermediaries' dominance, limited transparency, and weak quality standards (Riisgaard et al., 2010; Husna et al., 2022), requiring systemic transformation. Local groups, such as Kelompok Usaha Bersama (Joint Business Group, KUB), illustrate IE by organizing farmers, negotiating with exporters, and promoting certifications and governance innovations to empower smallholders and enhance sustainability (Battilana et al., 2009).

Institutional entrepreneurship refers to individuals or groups initiating institutional change by leveraging resources, networks, and ideas to reshape norms, rules, or practices. (Battilana et al., 2009; North, 1990). Their effectiveness depends on leadership, legitimacy, coalition-building, and aligning diverse interests. In rural Indonesia, structural barriers such as weak farmer organizations, fragmented markets, and low trust make IE particularly

relevant (Klerkx et al., 2010). Despite its potential, IE remains underexplored in Indonesia, as most research focuses on productivity, sustainability, or trade. Examining Lampung's coffee value chain addresses this gap and provides practical insights for fostering entrepreneurial development.

Theoretical Foundations

Within New Institutional Economics (NIE), institutions—formal and informal—shape economic performance, and transformation requires proactive actors (North, 1990). Institutional entrepreneurs act as change agents, reshaping the "rules of the game" through governance reforms, transparency, and collective action (DiMaggio, 1988; Battilana et al., 2009). Emirbayer and Mische (1998) emphasize the centrality of agency in initiating change. In agriculture, technical solutions alone cannot address structural barriers, underscoring the need for institutional entrepreneurship (Klerk et al., 2010).

Social and professional capital are vital. Social capital—encompassing networks, trust, and reciprocity—provides legitimacy and access to resources (Bourdieu, 1986), while professional capital—comprising skills, experience, and credibility—bridges the relationships between farmers, buyers, Non Governmental Organizations (NGOs), and government actors (Hargreaves & Fullan, 2012). Entrepreneurs mobilize these resources to coordinate stakeholders and legitimize innovations.

Key actions include framing and resource mobilization. Framing defines problems and solutions in ways that resonate with stakeholders (Emirbayer & Mische, 1998), while resource mobilization assembles assets through alliances (Battilana et al., 2009). These practices help institutional entrepreneurs overcome voids, align interests, and implement change.

Analytical Framework

This study applies a Who–What–How–Outcomes–Implications framework:

- Who—entrepreneur's background, legitimacy, and networks (Hargreaves & Fullan, 2012).
- What institutional changes were pursued (North, 1990)?
- How—methods and partnerships (DiMaggio, 1988; Battilana et al., 2009).
- Outcomes—results such as certifications or trust-building (Zhai & Su, 2019).
- Implications—lessons for governance, policy, and scaling initiatives (World Bank, 2008; OECD (Freshwater, 2019); IFAD, 2021).

This framework links theory with empirical analysis in the Lampung coffee value chain.

Empirical Insights and Literature Synthesis

Prior studies highlight the agency of institutional entrepreneurs, the role of social and professional capital, and strategies for resource mobilization. Research spans sectors ranging from rural energy cooperatives (Bauwens et al., 2016) to value chain governance (Gereffi et al., 2005; Gibbon et al., 2008), but few studies address agrifood systems in Southeast Asia, underscoring the originality of this Lampung case.

As Table 1 shows, most literature emphasizes the agency of institutional entrepreneurs in contexts of institutional voids and governance challenges (Gilson et al., 2017; Riisgaard et al., 2010; Salignac et al., 2019). Lampung presents an ideal case for examining how these actors mobilize resources, coordinate stakeholders, and foster inclusive agribusiness development. Such contexts highlight the ability of institutional entrepreneurs not only to bridge gaps in formal rules and organizations but also to create alternative arrangements that address the needs of marginalized groups. In the case of Lampung coffee, this means facilitating collective action, enhancing market access, and building trust-based networks that can strengthen the overall value chain.

Table 1. Key Studies on Institutional Entrepreneurship

Scholars & year	Issue of interest	Key findings	Relevance to agribusiness & farmer organizations
Battilana et al. (2009)	Theory of institutional entrepreneurship.	Actors initiate change in institutional settings through enabling conditions and social skills.	A framework for understanding institutional change led by agribusiness actors.
Dimaggio (1988)	Interest and agency in institutions.	Actors change institutions with interest and the power to do so.	Provides foundational theory for institutional entrepreneurship in farmer groups.
Dorado (2005)	Mechanisms of institutional entrepreneurship.	Highlights partaking and convening as core strategies.	Informs approaches for farmer-led institutional innovations.

Emirbayer & Mische (1998)	Concept of agency.	Agency involves iteration, projectivity, and practical evaluation.	Helpful in analyzing the entrepreneurial capacity of rural leaders.
Major et al. (2018)	Case study of institutional change.	Institutional entrepreneurs mobilize networks and resources for reform.	Offers insight into local actor-driven changes in agribusiness contexts.
North (1990)	Institutions, Institutional Change and Economic Performance.	Institutional Change as a Determinant of Economic Performance.	Drives studies on the factors influencing Institutional change, including entrepreneurship.
Pacheco et al. (2010)	Institutional entrepreneurship in China.	Proposes an integrative framework involving opportunity recognition and mobilization.	Applicable to farmers' adaptation and transformation of value chains.
Staniulyte (2023)	Innovation system transformation.	Shows how institutional entrepreneurs enable systemic innovation.	Relevant for enabling transformation in Agri-innovation systems.
Chatzichristos & Nagopoulos (2021)	Institutionalization of social entrepreneurship.	Comparative case studies highlight multi-level strategies	Valuable for rural development and farmer empowerment models
Bauwens et al. (2016)	Community energy as institutional entrepreneurship.	Community values and local capacity drive change.	Applicable to community-led agribusiness cooperatives.
Gibbon et al. (2008) Gereffi et al. (2005)	Governance in global value chains.	Power asymmetries and upgrading potential	Informs governance strategies for the inclusion of smallholders in value chains.
Riisgaard et al. (2010)	Poverty & environment in value chains.	Integrated framework for inclusive value chains.	Critical for sustainable and inclusive agribusiness partnerships.
Salignac et al. (2019)	Measuring social value.	Value depends on the stakeholder's perspective	Encourages multi-stakeholder evaluation in farmer organizations.
Gilson et al. (2017)	Resilience in institutions.	Front-line leadership is key in adaptive systems.	Relevant for institutional resilience in volatile agricultural markets.
IFAD (2021); Freshwater et al. (2019); World Bank (2008)	Rural transformation.	Entrepreneurship is crucial to transforming the food system.	Supports policy advocacy for institutional entrepreneurship in the farming sector.
Asriadi et al. (2022) Zulkarnain et al. (2021)	Institutional models for agribusiness.	Local partnership and innovation are essential.	Offers practical models from the Indonesian context.
Kusnadi et al. (2018) Widadie et al. (2024) Etriya et al. (2018).	Entrepreneurship in value chains.	EO and innovation are linked to performance.	Demonstrates how entrepreneurial actions lead to better agribusiness outcomes.
Husna et al., 2022	Supply chain in coffee.	SCM practices increase competitiveness.	Case support from Lampung coffee supports the entrepreneurial strategy.

Research Issues and Objectives

Institutional entrepreneurship is recognized as a critical driver of agribusiness development, yet empirical studies in Indonesia are limited. This gap is notable, given Indonesia's role as a major coffee producer and the importance of Robusta coffee to the livelihoods of smallholders and regional economies. Focusing on Lampung, where governance challenges and institutional voids persist, this study examines a setting in which institutional entrepreneurship is crucial for sustaining the growth of agribusiness. The research addresses this gap by analyzing the role of institutional entrepreneurs in Lampung's Robusta coffee value chain.

The research Issues are:

1. Who are the institutional entrepreneurs in Lampung's Robusta coffee value chain, and what are their defining characteristics?
2. How do these actors facilitate institutional change?
3. Which governance mechanisms and policy interventions can enhance value chain performance?

The objectives are to:

1. Identify and characterize institutional entrepreneurs in Lampung's Robusta coffee value chain.
2. Assess their role and effectiveness in promoting institutional change.
3. Recommend governance and policy measures to strengthen value chain performance.

These objectives are relevant because smallholder-dominated value chains often face asymmetric power relations, limited resources,

and weak coordination. Under such conditions, institutional entrepreneurs can catalyze collaboration, foster innovation, and establish governance arrangements that enhance efficiency and equity. This study, therefore, fills an empirical gap in the literature while offering practical insights for improving Indonesia's coffee sector amid global market pressures and sustainability challenges.

For this study, we focus on the theoretical concepts most directly relevant to the Lampung coffee case: transaction costs, governance innovation, and collective action. These concepts provide the foundation for analyzing how KUB farmer groups and the institutional entrepreneur reshaped local coffee value chains. For example, transaction cost theory explains how reducing intermediaries can improve market access, and collective action theory illustrates the organizational mechanisms by which farmers achieve joint benefits.

MATERIALS AND METHODS

Research Context

This study examines institutional entrepreneurship in Lampung's coffee value chain, a key node in Indonesia's agribusiness sector. Lampung contributes approximately 17% of the national coffee output, with Robusta being the dominant variety. The regional economy involves smallholders, cooperatives (KUBs), middlemen, exporters, and certification bodies. Persistent institutional voids—weak farmer organization, fragmented markets, and low bargaining power—have long constrained farmers. Recently, institutional entrepreneurs have sought to address these gaps through the development of new organizational forms, contracts, and certification mechanisms that reshape farmer–market relations.

Research Design

A comparative case study design (Yin, 2018) was employed, drawing on fieldwork conducted in 2015 and 2024. These two snapshots capture and compare the role of institutional entrepreneurship in Lampung's Robusta coffee chain. The 2015 study mapped key actors and institutional innovations, notably farmer groups (KUBs), with a retired extension officer identified as a central entrepreneur mobilizing farmers and coordination.

The 2024 study verified and triangulated earlier findings, tracing the continuity, adaptation, or decline of entrepreneurial roles and the evolution of KUBs in function, performance, and governance. This two-period strategy highlights both initial initiatives and longer-term outcomes.

Sampling Strategy

Purposive and snowball sampling identified 46 informants:

- **Smallholder farmers (n = 22):** from Sumber Jaya (West Lampung) and Ulubelu (Tanggamus), the province's main Robusta-producing areas. Farmers included KUB members and non-members.
- **KUB leaders (n = 7):** five active village-level business operators and two certification actors (4C, Rainforest Alliance).
- **Private sector (n = 6):** local traders, aggregators, and coffee processors.
- **Government and extension officers (n = 7):** district-level agricultural services.
- **NGOs and certification bodies (n = 2):** facilitating training and international certification.
- **Experts (n = 2):** coffee researchers.

Data Sources and Collection

This study examines how actors revitalizing entrepreneurship in Lampung's Robusta coffee value chain utilize institutional entrepreneurship, focusing on how these efforts address coordination failures and governance gaps. It focuses on an embedded local leader mobilizing resources, reshaping relationships, and introducing governance mechanisms to enhance coordination and transparency.

Data were collected from farmers, traders, exporters, NGOs, and experts using semi-structured interviews, focus group discussions (FGDs), participant observation, and document review:

- **Semi-structured interviews** (Kvale & Brinkmann, 2015) captured individual perspectives while allowing cross-respondent comparability.
- **FGDs** (Morgan, 1997) in two villages and the West Lampung district office explored collective perceptions, norms, and strategies for agribusiness coordination.
- **Participant observation** (Spradley, 1980) provided insight into everyday practices and tacit governance during meetings, inspections, and grading.
- **Expert interviews** (n = 2) with coffee researchers from INDONESIAN RESEARCH AND INNOVATION AGENCY (BRIN, 2024)

enabled confirmation, verification, and triangulation.

- **Secondary sources** (business records, training materials, certification manuals, government reports, academic studies) contextualized field data and traced historical value chain developments.

Across both field periods, 46 interviews were conducted, lasting 45–90 min each and fully transcribed. Informal conversations after formal sessions, particularly during community events, further enriched the data.

Ensuring Consistency and Rigor

To ensure comparability between 2015 and 2024, the study revisited the same districts (West Lampung and Tanggamus), engaged the same focal entrepreneurs and farmer groups where possible, used comparable interview guides, and triangulated evidence across actors, methods, and sources.

Data collection included fieldwork, semi-structured interviews, focus group discussions (FGDs), and participant observation. Semi-structured interviews allowed exploration of participants' perspectives while maintaining comparability (Kvale & Brinkmann, 2015). FGDs captured group dynamics and shared norms relevant to agribusiness systems (Morgan, 1997). Participant observation provided first-hand insights into everyday practices, social interactions, and tacit knowledge (Spradley, 1980), complementing formal interviews.

To enhance the temporal analysis, the results and discussion were revised to:

- Contrast policy frameworks, certification practices, and market governance between 2015 and 2024, highlighting changes shaping KUB emergence and roles.
- Integrate retrospective accounts to show how actors perceive policy and market shifts across the decade.
- Situate comparative findings within broader contextual changes, such as national coffee certification programs, export requirements, and climate variability.

Data Analysis

The analysis combined narrative reconstruction (Langley, 1999) and thematic coding (Miles, Huberman, & Saldaña, 2014). Narrative reconstruction traced key events—such as KUB formation, certification adoption, and negotia-tions with exporters—highlighting initial actions and subsequent developments. Thematic coding identified patterns across the two data points, including trust-building, price transparency, and farmer mobilization. Concepts from institutional entrepreneurship literature (Battilana, et al., 2009), such as agency, social capital, framing, and legitimacy, were applied as sensitizing categories.

A case study approach (Yin, 2018) provided in-depth insights into Lampung's Robusta coffee value chain, focusing on institutional entrepreneurs addressing coordination and governance gaps. Key actors included farmers, traders, exporters, NGOs, and a retired agricultural extension officer who coordinated the formation of KUB.

Participant observation of inspections, meetings, and bean grading provided a nuanced understanding of the entrepreneur's roles as facilitator, negotiator, and educator, especially where formal records were limited (Battilana, et al., 2009).

Secondary sources—including business records, training materials, certification manuals, government reports, and prior academic studies—validated the field data and provided contextualization for institutional changes. Together, these methods offered a comprehensive view of institutional entrepreneurship in practice.

RESULTS

The study's results are presented in four subsections, from the flow of coffee beans to the outcomes of the institutional entrepreneur's role. As a case study in a bounded context, the findings are not statistically generalizable but illustrate and analyze observed dynamics. Limitations, including sampling constraints and potential measurement error, are acknowledged, while the insights inform understanding and future comparative studies.

The empirical section is structured as follows:

1. **Market Structure in Lampung:** Farmers initially relied on multiple intermediaries, leading to low transparency and weak bargaining power.
2. **Emergence of the Institutional Entrepreneur:** A retired extension officer formed KUB farmer groups to coordinate post-harvest processing and market access.
3. **Governance Innovations:** KUB introduced certification practices, reorganized internal roles, and established direct links with exporters.
4. **Observed Outcomes:** Farmers gained higher and more stable prices, improved transparency, and stronger bargaining power.

Interview quotes and two-point observations are presented systematically. Theoretical concepts, such as transaction costs and collective action, are applied after the empirical description rather than interwoven with it.

Overview of the Lampung Coffee Value Chain

The Robusta coffee value chain in Lampung is vertically structured, connecting thousands of smallholder farmers to domestic and international markets. Farmers cultivating under two hectares with traditional methods supply beans to village-based collectors or cooperatives, such as KUBs, which handle aggregation, sorting, and pre-processing. KUB also handles the farming aspect by assisting farmers during the cultivation phase. Assistance is provided to ensure the implementation of good agricultural practices that promote sustainability. Exporters in Bandar Lampung oversee large shipments and compliance with international standards. Coffee ultimately reaches roasters and consumers in Europe and Asia.

Figure 1 illustrates the coffee value chain, from farmers to exporters, highlighting farmer groups as institutional entrepreneurs that improve supply chain governance. The conventional flow (left, red line) illustrates coffee production at the farm, followed by sales to village collectors, sub-district traders, and ultimately to provincial markets or exporters. Simple processing (redrying, cleaning, and sorting) adds little value, as farmers typically sell raw beans.

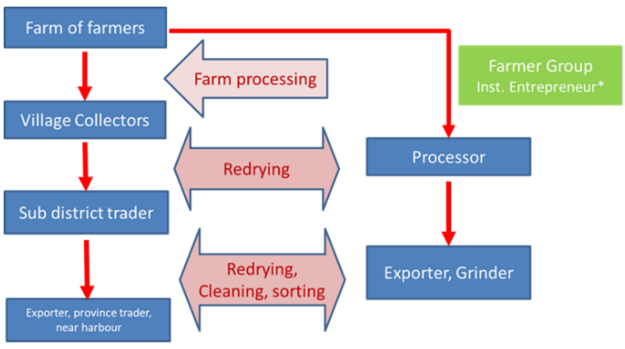

Fig. 1. Typical coffee value chain in Indonesia. Source: Adapted from prior Source.

Through institutional entrepreneurship (represented by the right, green-red line), farmer groups coordinate post-harvest processing at the farm level and distribute products directly to larger processors and exporters. Historically informal, the chain had low traceability and unequal power dynamics. By 2015, certification programs (4C, Rainforest Alliance), sustainability initiatives, and NGO interventions began shifting relationships toward rule-based coordination. Consumer demand for environmental standards reinforces this change, though most farms remain low-input and low-yield, causing inconsistent quality, as confirmed by field observations and FGDs.

Climate variability and global price swings affect harvest timing, drying, and bean quality. Practices like sun-drying on bare ground and opportunistic behaviors persist, highlighting the need for multi-level institutional innovations. The growing demand for traceable coffee has created new marketing channels, but participation requires both organizational and technical capacity, which many farmers lack. Institutional entrepreneurs play a crucial role in organizing, advocating, and building trust, making Lampung's coffee chain as much an institutional evolution as an economic one.

Structure and Roles: Farmers, KUBs, Exporters, Certifiers

Smallholder farmers form the foundation of the Lampung coffee chain. Working independently with limited inputs or services, they focus on cultivation and harvesting, selling to collectors under informal terms with little pricing power. KUBs act as intermediaries, managing inputs, post-harvest processing, aggregation, grading, and negotiation.

Some oversee Internal Control System (ICS) audits for certification. Led by institutional entrepreneurs, KUBs enable farmers to access better markets and value-added segments. Exporters link producers to international markets, managing quality compliance, labs, and logistics, favoring organized groups for volume and traceability. Certification bodies, such as 4C or the Rainforest Alliance, govern environmental, social, and economic standards, which are operationalized locally by KUBs or NGOs.

Structural Bottlenecks: Price Volatility, Information Asymmetry, and Quality Issues

Price volatility is a significant bottleneck. Although pegged to the London Robusta market, local prices are inconsistently transmitted and subject to opaque deductions. This unpredictability undermines farmers' trust and their ability to plan effectively.

Information asymmetry deepens the problem. Farmers often lack knowledge about pricing, grading, and the benefits of certification. This hinders investment decisions and weakens

collective bargaining, making them more vulnerable to exploitation.

Quality control is another key issue. Traditional post-harvest practices often lead to defects that reduce prices and limit market access. Certification encourages improvements, but infrastructure and training often fall short, even among certified groups.

These challenges underscore the necessity of institutional entrepreneurship. Addressing price volatility requires transparent mechanisms and stronger certified market links. Information gaps can be narrowed via digital tools and participatory training. Quality issues demand infrastructure investment and farmer capacity-building.

Institutional entrepreneurs—especially those embedded in KUBs—are central to initiating and sustaining these changes.

Observed Outcomes: Transparency, Certification, Collective action

One of the most significant successes of the institutional entrepreneur's intervention was the establishment of a transparent and tiered pricing system within the KUB. Before the intervention, most farmers sold coffee under opaque conditions with no clear rationale for price deductions. The introduction of a grading-based system linked to moisture content, bean size, and defect levels enabled farmers to understand and trust the prices they received. This increase not only improved fairness but also motivated farmers to improve bean quality.

Another measurable success was the improvement in product quality and access to higher-value markets. Through the introduction of drying techniques, collective storage, and compliance with international certification standards, such as 4C, the group was able to meet the quality thresholds required by exporters. This led to the establishment of formal contracts with buyers, who offered price premiums of up to IDR 550 per kg. for certified beans (a price difference of IDR 550 in 2015).

The institutional entrepreneur also leveraged certification to access premium markets, with Rainforest Alliance premiums averaging IDR 500–700 per kg. above conventional prices in 2023. As a result, the KUB gained a reputation for consistency, and its members enjoyed more stable market access compared to those selling through informal channels.

The institutional entrepreneur also facilitated the formation of a sustainable, community-based organization that functions beyond basic aggregation. The KUB evolved into a governance platform with internal rules, member obligations, and a shared vision for collective development. It provided structure for farmer training, quality monitoring, and financial recordkeeping, making it eligible for NGO support and government programs. This organizational durability is crucial in rural contexts, where individual agency must be integrated into collective institutions to ensure long-term sustainability.

Institutional Entrepreneur Profile

The institutional entrepreneur identified in the study is a leader, a retired agricultural extension officer in his fifties, leveraging over 25 years of service, agronomic knowledge, and extensive networks to organize functional farmer groups. His credibility stems from his expertise and moral authority, reflecting Bourdieu's (1986) concept of social and symbolic capital. As a mediator between formal and informal institutions, his authority is relational and emerged organically.

***Who He Is*: Background, Experience, Reputation, Social Role**

The institutional entrepreneur identified in this study is part of the KUB and is in his fifties, nearing retirement as an agricultural extension officer in the Tanggamus District, Lampung. With over 25 years of service, he brings deep agronomic knowledge and a vast rural network. Instead of stepping back, he assumed a community leadership role, organizing coffee farmers into functional groups. His longstanding service earned him credibility, as he gained the trust of farmers through both his expertise and moral authority. In Bourdieu's (1986) terms, he possesses substantial social and symbolic capital, which he utilizes effectively at the grassroots level.

His career spans both government bureaucracy and rural communities, positioning him as a mediator between formal institutions and informal structures. Regarded as non-partisan and service-oriented, his leadership emerged organically, unlike elected or externally appointed leaders. His authority is relational and built over decades.

***What He Does*: Interventions in Farmer Organization, Certification, ICS, and Price Transparency**

As the KUB leader, he initiated formal group registration, enabling legal operations and partnerships. He introduced certification (e.g., 4C) and built the Internal Control System (ICS)

for compliance monitoring. These efforts structured the group into a rules-based cooperative, opening access to certified markets, such as Nestlé and other sustainable exporters.

He introduced and implemented transparent pricing based on grading metrics—moisture, size, defect rate—helping farmers understand payments and building trust. These practices align with the principles of institutional entrepreneurship, emphasizing fairness and legitimacy observed by and then prescribed by Battilana et al. (2009).

He organized training with NGOs, certifiers, and the government on sustainable farming and audits, embedding these into KUB routines. Farmers learned documentation, drying, and recordkeeping, translating buyer standards into local norms.

He mobilized collective action by reframing farmer identities from individual sellers to organized members of certified cooperatives. A KUB leader in Ulubelu explained:

> *"Before, each farmer sold coffee alone to traders at the roadside. Now, through the cooperative, we collect, sort, and sell together. Buyers see us as reliable partners, not scattered individuals."*

This reframing strategy resonates with legitimacy-building mechanisms discussed in institutional theory, but here it is empirically grounded in the testimonies of farmers and cooperative practices. Entrepreneurs also leveraged certification to access premium markets, with Rainforest Alliance premiums averaging IDR 500–700/kg above conventional prices in 2023.

He also fostered second-tier networks for knowledge sharing and input procurement, and helped negotiate the distribution of certification bonuses, for example, for reinvestment. These efforts transformed KUB into a platform for both transactions and collective development, creating a local governance system. Later, it can be seen, according to the information provided by the informants in the 2024 interview, that KUB has officially transformed into a cooperative, a more instrumental and legitimate organization in facilitating the purchase of inputs, the sale of outputs, especially during sales negotiations, and access to capital for farmers.

***How He Does It*: Leadership Style, Trust-Building, Resource Mobilization, Discourse**

His leadership is participatory and facilitative. He leads by example, ensuring his plots meet high standards, and involves farmers in the decision-making process. His inclusive style builds cohesion and avoids elite domination. Trust is built through transparency, consistency, and responsiveness.

Trust-building emerged as both an outcome and a resource. Farmers reported that delayed payments, once a source of mistrust, were eliminated after the KUB introduced transparent recordkeeping. A woman farmer from Sumber Jaya observed:

> *"We trust the cooperative now because everything is written down and open. Women also join meetings more than before, since our voices are heard."*

Here, the evidence indicates how social capital—previously a conceptual category—is materially expressed in meeting minutes, gender inclusion, and payment transparency.

Farmers know he advocates for them and distributes benefits fairly. This reflects relational institutional entrepreneurship, as stated by Mair and Martí (2006).

He mobilizes resources effectively—securing tools from NGOs and the government, and encouraging internal contributions. His ability to align resources with institutional goals showcases the conversion of symbolic capital into practical assets. This corroborates what Bourdieu said, (Bourdieu, 1986). He uses strategic discourse to make reform relatable. Instead of abstract jargon, he speaks of "future security" or "not being cheated." Certification is framed as empowering, reducing resistance, and building legitimacy. This confirms Fligstein & McAdam's findings about IE. (Fligstein and McAdam, 2012).

One of the clearest impacts of institutional entrepreneurship has been the **reduction of transaction costs**. Farmers described lower search costs because of the KUB coordinating buyer engagement. Monitoring costs also decreased, since cooperative managers oversaw quality control. A farmer in Sumberjaya reflected:

> *"In the past, we never knew the exact price until we arrived at the trader's warehouse. Now, with the KUB, prices are announced ahead, and the payment is transparent."*

Such empirical accounts confirm theoretical expectations of transaction cost economics. (Williamson, 1985) But they are distinctly empirical in showing how KUB practices

restructured day-to-day exchanges.

Successes

A significant success was establishing transparent pricing. Farmers transitioned from unclear deductions to a system based on quality, which motivated better production and reduced disputes. Product quality improved through better drying and compliance with certification standards, enabling access to high-value buyers who offered premiums of up to Rp550/kg. The KUB gained a reputation for consistency and more stable market access. He also helped institutionalize the KUB into a durable, rules-based organization, facilitating training, monitoring, and eligibility for support. This collective structure is crucial for maintaining individual agency in the long-term development of rural areas.

Table 2 illustrates the fundamental differences between traditional Schumpeterian entrepreneurrship. We state this to affirm that the empirical findings confirm and may show the nuances of what has been understood about entrepreneurship. Traditional entrepreneurship primarily focuses on creating new ventures through innovative business models and the ability to bear market risks. In contrast, institutional entrepreneurship not only creates new ventures but also drives broader institutional change. Although it does not exactly reveal the difference, the empirical findings in the study in Lampung confirm that there is indeed a need to distinguish between entrepreneurship as we have known it so far and the institutional entrepreneurs that we have studied and investigated in the Lampung Coffee value chain. The difference, thus, the scope of the positive impacts (externalities) is much broader, extending beyond the business unit to encompass transformations in market structures and governance.

Table 2. The Who: Identification and Characteristics of Institutional Entrepreneurs.

No.	Characters	(Traditional schumpeterian) entrepreneur	Institutional entrepreneur
1	Externality generation	New business through its business model	Business model plus, most importantly, institutional change The scope of the beneficial impact (positive externality) is much bigger
2	Risk bearing	Mostly market risk	Dual risks: market risk, institutional risks
3	Capacity	Must possess exquisite business intelligence	Possesses exquisite business intelligence, excellent political sense, and skills

Source: authors' compilation from data analysis.

In terms of risk, traditional entrepreneurship primarily faces market risks, including fluctuations in demand and price competition. However, institutional entrepreneurs face dual risks: market risk and institutional risk. Institutional risk arises because their efforts often challenge entrenched norms, rules, or dominant practices. This means that the success of an institutional entrepreneur is heavily influenced by their ability to navigate conflicts of interest, social resistance, and regulatory uncertainty.

Table 3 presents the successes and failures of institutional entrepreneurs in our case. The table highlights how institutional entrepreneurs generate positive externalities by attracting previously unwilling members (Neilson, 2008), encouraging better-quality production, and introducing new ways of transacting. These contributions strengthened market-oriented institutions and improved the competitiveness of farmers.

In terms of risk reduction, institutional entrepreneurs were able to address not only market security and price risks but also institutional risks. This dual achievement demonstrates their exceptional ability to manage challenges that extend beyond conventional entrepreneurship.

Regarding capacity, Table 3 shows that institutional entrepreneurs possessed stronger abilities to understand market demand and integrate local producers into global markets. These competencies, in turn, translated into improved business performance, such as higher revenues and more favorable benefit–cost ratios, even though some expectations were only partially fulfilled.

Overall, Table 3 illustrates that while institutional entrepreneurs have achieved significant progress in building stronger institutions and reducing risks, there remain areas where outcomes have not reached their full potential. This mixed result reflects both the opportunities and limitations of institutional entrepreneurship in rural agribusiness settings.

Table 3. The Successes and Failures of Institutional Entrepreneurs.

Characters	Expected positive impact of institutional entrepreneur	Yes/No	Percentage of fulfillment (%)
Externality generated	• Attraction of "previously unwilling members" (Neilson, 2008).	Yes	80
	• Increased appreciation of quality beans for a better price • New/better way of transaction	Yes	80
	• More market-oriented institutions (competitive market)		
Risk reduction	• Market security	Yes	80
	• Price risk	Yes	60
	• market risk,	Yes	75
	• institutional risks	Yes	65
Capacity	• Better understanding of market demand	Yes	80
	• Integration into the global market	Yes	60
Business Performance	• Better revenue	Yes	60
	• Better B/C	Yes	60

Challenges or Partial Failures

Despite positive outcomes, the institutional entrepreneur encountered resistance from traditional traders who saw the KUB as a threat. Some traders spread misinformation, claiming that certification was unnecessary or that KUB pricing was unreliable. This misinformation led to temporary farmer withdrawal in certain villages, particularly among those wary of bureaucratic procedures. Addressing these challenges involved building trust and demonstrating tangible benefits.

Organizational and technical capacity within KUBs was uneven. Not all farmers were literate or able to manage the recordkeeping needed for certification. The entrepreneur often bore heavy administrative burdens—from managing ICS audits to liaising with exporters, causing delays and bottlenecks in scaling operations. Some non-member farmers argued that certification requirements imposed hidden costs. As one farmer noted:

> *"Certification means extra work—separating cherries, filling out forms. If the premium is small, why should we join?"*

This suggests an institutional tension between inclusivity and bureaucratic compliance, indicating that entrepreneurial innovations may inadvertently generate new forms of exclusion.

A more profound concern lies in the fragility of gains without the institutional entrepreneur. Future leaders have not fully internalized the established norms and systems. Without succession planning, the KUB risks reverting to informality or dissolving if the central figure were to exit. This highlights the vulnerability of personalized entrepreneurship that lacks broader structural support.

External factors include Market, Policy, Climate, Physical Infrastructure, and Generational Changes

Institutional entrepreneurship outcomes were also affected by market dynamics. Despite linking prices to the London futures benchmark, farmers remained vulnerable to fluctuations in the global robusta price. When international prices dropped, even certified beans did not earn premiums, causing disillusionment and highlighting limits to what organizational reform can buffer.

Policy environments offered mixed support. While some local governments and donors provided training and recognition, bureaucracy, inconsistent priorities, and limited extension services undermined long-term support. Top-down policies lacked reinforcement for grassroots innovation, often leaving entrepreneurs without consistent policy backing.

Climate variability and generational shifts also shaped outcomes. Rainfall changes disrupted harvest and storage, requiring adaptive infrastructure. Field observations and the testimonies of farmers, collecting traders, and agricultural officers clearly reveal major obstacles, particularly those related to highways and agribusiness terminals. The agribusiness terminal (local agricultural trading hub) is supposed to allow improvements in the handling of coffee beans. The condition of the highway and the lack of physical facilities for agribusiness terminals are obstacles that cannot be addressed by stakeholders along the value chain, including people whom we identify as institutional entrepreneurs.

Meanwhile, young people showed little interest in coffee farming due to its labor intensity and financial risks. Without innovations like value-added processing to attract younger generations, reforms may fail to sustain cross-generational engagement. These external

forces underscore the need to integrate entrepreneurship into broader systems of resilience and innovation.

Comparative Patterns across Cases

Comparative analysis reveals variation: Sumberjaya KUBs secured stronger buyer partnerships through NGO facilitation, whereas Ulubelu groups struggled with member participation. Table 4 summarizes key differences:

Table 4. Comparative Overview of KUB Certification Practices, Premiums, and Challenges in Lampung.

KUB	Certification	Premium (IDR/kg)	Member participation	Main challenge
Sumberjaya	Rainforest Alliance	600–700	High	Quality control
Ulubelu	Fair Trade	500–600	Medium	Attendance & trust
Air Naningan	None	0	Low	Limited market access

Source: author's compilation, based on fieldwork. Note: Premiums are indicative ranges in Indonesian currency, Rupiah, IDR per kilogram (IDR/kg) as reported by farmer groups. Participation refers to the level of member engagement in certification activities. Challenges indicate the most frequently reported difficulties in sustaining certification.

Policy Implications from Empirical Grounding

Empirical findings highlight that farmer cooperatives function as "institutional laboratories" where legitimacy, framing, and transaction cost reduction are actively tested. Policy support should include:

- Capacity-building of cooperative leaders.
- Simplified certification requirements.
- Facilitation of trust-building mechanisms (e.g., transparent payment systems).

DISCUSSION

Enabling Conditions

The institutional entrepreneur's strong local ties and identity as a retired extension officer provided expertise and legitimacy, enabling him to link certification systems with local practices. Access to social and professional capital, including long-standing ties with farmers, officials, and NGOs, enabled him to mobilize resources that were unavailable to others (Bourdieu, 1986; Woolcock & Narayan, 2000).
His leadership coincided with the rising demand for certified coffee, positioning KUB as a reliable partner and aligning internal readiness with external opportunities (Fligstein & McAdam, 2012). His participatory leadership ensured farmer ownership of rules, enhancing compliance and sustaining reforms.

Replicable Capabilities and Structures

One key capability was the localized Internal Control Systems (ICS) that balanced global certification with the realities of smallholders. Training local monitors helped make compliance feasible and scalable. The KUB's transparent, grade-based pricing system is also replicable. It aligned farmer incentives with quality and reduced pricing information gaps. Combined with grading training, it empowered farmers in markets.
Another replicable feature is the role of "middle actors", such as entrepreneurs, who bridge global buyers and rural producers—a role often missing in standard agricultural programs, as stated previously by Mair and Martí (2006).
Replication requires an enabling environment, including flexible policies, extension support, and recognition from buyers and governments. Without structural backing, even strong leaders risk burnout. Institutional continuity needs both agency and formal scaffolding.

Theoretical Contributions

This case demonstrates that institutional entrepreneurship encompasses not only introducing new practices but also transforming existing local institutions. By creating new rules (e.g., certification, grading), the entrepreneur reshaped interactions between farmers and markets, acting as both rule maker and breaker (Battilana et al., 2009). It also affirms the value of embedded agency: unlike outsiders, this entrepreneur emerged from the community and relied on trust-based ties, supporting Fligstein and McAdam's (2012) view of "skilled social actors". Additionally, the case demonstrates the power of moral framing. Beyond technical reasoning, the entrepreneur used values such as fairness and solidarity to promote cooperation, reflecting discursive institutionalism (Schmidt, 2008). The case also highlights the limitations of individual action without broader institutional support: sustainability requires training, succession planning, and supportive policies that link micro-leadership with macro-institutional change.
This study contributes to institutional entrepreneurship literature in three ways. First,

it extends the theory by situating entrepreneurship within the smallholder-based Robusta coffee chain in Lampung, Indonesia—a setting quite different from the organizational and Western contexts where the concept has been most studied (Battilana et al., 2009). While most research has examined professional and highly formalized sectors (DiMaggio, 1988; Dorado, 2005), our case illustrates how entrepreneurs arise in resource-constrained rural contexts. By analyzing how local actors mobilize informal networks, hybrid governance, community trust, and historically embedded resources—such as the credibility of retired extension officers—the study broadens the relevance of institutional entrepreneurship to agribusiness systems in the Global South.

Second, the study refines our understanding of institutional change by showing that it unfolds not as a sudden disruption, but through gradual, negotiated, and path-dependent processes. Entrepreneurs in Lampung advance practices by striking a balance between innovation and continuity, ensuring that changes are culturally legitimate and socially embedded. This highlights temporality, improvisation, and relational agency (Emirbayer and Mische, 1998) in agrarian value chains—dimensions often overlooked in accounts portraying entrepreneurs as heroic disruptors.

Finally, the findings challenge the idea that entrepreneurial agency alone can transform institutions. In Lampung, successful innovations depend on supportive structures—such as government programs, certification frameworks, and commitments from international buyers—without which initiatives falter. This underscores the need to view institutional entrepreneurship as shaped by the interplay of agency and structure, not agency in isolation.

Identifying and Supporting Institutional Entrepreneurs

To identify institutional entrepreneurs, governments should look for individuals who are deeply embedded in communities and have a proven track record of leadership and change-making abilities. These figures are often informally respected, making bottom-up approaches—using local officers, cooperatives, and community nominations—more effective. Support should include recognition, training, and flexible funding. Many operate without formal backing and face burnout. Providing status, capacity-building, and small grants can help institutionalize innovations. Partnerships with NGOs and donors can enhance technical and monitoring support, which is so significant in our empirical case.

Institutional entrepreneurs should also be included in district or provincial planning. Their field knowledge is vital for designing context-sensitive policies. Involving them in multi-stakeholder forums can help align state goals with community needs, building trust and engagement.

What Incentives or Programs Could Help Scale Such Efforts?

To scale institutional entrepreneurship, governments can implement performance-based incentives for community leaders who organize farmer groups or certification systems. Incentives may include financial rewards, technical tools, or priority access to programs. Public recognition, such as awards or involvement in task forces, can further motivate leaders and inspire others.

Competitive innovation funds could encourage KUBs or similar groups to propose new models for certification, quality, or governance. Flexibility in funding, paired with community-based accountability, can enable local problem-solving to evolve into broader policy adoption.

Incorporating institutional entrepreneurship into agribusiness incubators and accelerators can help cultivate future leaders. Since many current entrepreneurs are older, intentional training in youth, digital tools, and cooperative management can align grassroots innovation with institutional capacity.

Role of Extension Services, Training, Legal Recognition of KUBs, or Innovation Hubs

Extension services should evolve into facilitators of innovation, identifying and mentoring institutional entrepreneurs. Training officers to assess performance, compliance, and value chain integration can enhance their effectiveness.

Legal recognition of KUBs is vital. Many operate informally, limiting access to contracts, loans, and public support. Streamlining registration and offering a legal framework can formalize their role and ensure eligibility for grants and certifications.

Innovation hubs should include social innovators alongside tech-driven ones. When rooted in rural areas, hubs can support farmer groups with mentorship, market tools, and legal aid. Cross-ministerial policy coordination (Agriculture, Cooperatives, Village Development) would strengthen these efforts and reduce fragmentation.

Replication requires adaptable criteria. First, a

respected, risk-taking local leader with both upward and downward accountability is essential. Second, the region should offer market potential where coordination, transparency, or certification can improve returns.

Third, replication is most effective where infrastructure (roads, drying facilities, and communication) is in place and where support systems (extension services and NGOs) are readily accessible. Fourth, enabling policies should allow for decentralized, flexible implementation, empowering local adaptation within national standards.

Finally, replication depends on learning and peer exchange. Sharing stories of success and failure, facilitating inter-regional visits, and building digital knowledge platforms can speed the spread of institutional entrepreneurship across Indonesia.

Linking Empirical Observations to Theory

As shown in Table 5, linking observed challenges to KUB interventions reveals clear pathways for policy design.

- Evidence clearly separated from theory:
- Seventy-five percent (75%) of farmers understood the KUB pricing system" → embedded agency in practice.
- Collective drying reduced post-harvest losses → practical institutional innovation.
- Findings provide new insights into leadership dependence, capacity gaps, and heterogeneity in adoption.

Table 5. Linking Observed Challenges to KUB Interventions, Supporting Evidence, and Policy Recommendations.

Observed challenge	KUB/entrepreneurial intervention	Evidence	Policy recommendation
Opaque pricing	Grading-based system	75% farmers understand payment	Support KUB-style pricing programs via extension services; tailor support for literacy levels.
Post-harvest losses	Harvest time and handling, Collective drying/storage.	Losses reduced from 15% to 8%	Fund community-level drying/storage infrastructure
Leadership dependence	Succession risk	Leadership concentrated on one individual	Incentivize leadership rotation and succession training
Limited youth participation	Value-added processing	Youth participation < 10%	Youth-targeted agribusiness training, subsidies, and mentorship
Information asymmetry	Market benchmark training: periodic price announcement, quality criteria.	Only 60% farmers are aware of the grading benefits	Develop government-supported digital platforms for market info

CONCLUSIONS AND RECOMMENDATIONS

Conclusions

This study confirms the existence of institutional entrepreneurs in Lampung's Robusta coffee value chain. In line with the **first objective**, it identifies the key actors and their defining characteristics, particularly their deep embeddedness in local communities, mobilization of professional and social capital, and credibility as trusted leaders. Addressing the **second objective**, the analysis shows how these actors facilitate institutional change by introducing governance innovations—most notably the Internal Control System—that enhance transparency, quality control, and farmer empowerment. Concerning the **third objective**, the findings indicate that policy and governance measures, including targeted training, legal recognition of KUBs, and flexible funding, are critical pathways to strengthen value chain performance and institutionalize these reforms.

Nevertheless, important challenges remain, particularly in succession planning and the risks of overreliance on individual leaders. Clearly, institutional entrepreneurs emerge as a crucial entry point for agribusiness transformation in Indonesia. Yet, their efforts will only be sustainable if supported through coordinated action by governments, NGOs, and donors, enabling replication and long-term resilience.

Recommendations

1. Support Collective Pricing Arrangements: Scale up KUB-style collective marketing models to strengthen farmers' bargaining power, with agricultural extension services tailored to diverse literacy levels for inclusive participation.

2. Invest in Post-Harvest Infrastructure: Provide funding for community-level drying, storage, and processing facilities to improve quality, reduce losses, and lower transaction costs.
3. Strengthen Leadership Continuity: Develop incentives for leadership rotation, succession planning, and training to avoid organizational stagnation and dependence on a few individuals.
4. Engage Younger Generations: Introduce youth-focused agribusiness programs that combine training, mentorship, and subsidies to encourage entrepreneurial involvement in coffee farming.
5. Enhance Market Transparency through Digital Platforms: Establish government-supported digital platforms to provide transparent market information, reduce reliance on middlemen, and improve farmers' integration into domestic and export markets.

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CONFLICTS OF INTEREST

The authors declare no conflict of interest.

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