

Business Model Alignment in Regional Public Enterprises for Economic Development

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Abstract

This study examines how business model alignment influences regional economic development through the performance of a regional public enterprise in Indonesia. It addresses a gap in the economic development literature by examining business model alignment as a strategic mechanism for improving local economic value creation. Using a qualitative case study approach, the study focuses on a selected regional public enterprise in Kabupaten Tolitoli, Central Sulawesi. Data were collected from 10 purposively selected key informants and official institutional documents through semi-structured interviews and document analysis. The analysis combined thematic analysis, SWOT analysis, Business Model Canvas and financial simulation to assess the alignment among institutional mandates, organizational capabilities, operational strategies and market orientation. The findings reveal that misalignment among institutional mandates, managerial practices and market orientation constrains the enterprise's ability to generate economic value. Limited managerial autonomy and strong administrative control further weaken operational responsiveness and the integration of local value chains. The proposed business model demonstrates how stronger alignment among local resources, downstream processing activities and market orientation can support value creation and regional economic development. The study contributes to the literature by positioning business model alignment as an important mechanism for strengthening the economic role of regional public enterprises and provides practical implications for improving governance, strategic coherence and economic performance.

Keywords: Business Model Alignment, Indonesia, Local Economic Value, Public Enterprises, Regional Economic Development.

Introduction

Regional economic development in many developing countries continues to face structural constraints, particularly in optimizing the role of public sector institutions in generating local economic value (1). In Indonesia, regional public enterprises are expected to act as strategic instruments for stimulating regional growth, strengthening local value chains and increasing fiscal capacity. However, empirical evidence shows that many of these enterprises fail to deliver significant economic contributions, reflected in low profitability, weak competitiveness and limited impact on regional economic performance (2). This condition indicates a deeper structural problem in how public enterprises operate within regional economic systems. The underperformance of regional public enterprises is often associated with governance inefficiencies, political intervention and limited managerial capacity (3). While these factors are widely acknowledged, they

do not fully explain why many public enterprises remain unable to create sustainable economic value. In practice, misalignment among institutional mandates, business strategies and market orientation emerges as a critical constraint (4). This misalignment reduces operational efficiency and weakens the ability of public enterprises to respond to regional economic opportunities.

Existing studies on public enterprises largely emphasize governance reform, financial performance and institutional accountability (5, 6). However, limited attention has been given to the role of business model alignment as a strategic mechanism for enhancing economic value creation in the public sector. In the context of regional economic development, this gap is significant, as it overlooks how internal strategic coherence influences the capacity of public enterprises to contribute to local economies (7). Therefore, examining business model alignment provides a

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(Received 24th April 2026; Accepted 25th August 2026; Published 13th October 2026)

new perspective for understanding the economic role of public enterprises beyond conventional governance approaches. From an economic development perspective, the effectiveness of public enterprises is closely related to their ability to generate productive value, support regional industries and create multiplier effects within local economies (8). Theories of regional development emphasize the importance of institutional efficiency, value chain integration and strategic resource allocation in driving sustainable growth (9). In this regard, aligning business models with regional economic objectives becomes essential for transforming public enterprises into active contributors to development processes.

This study aims to analyze how business model alignment influences the ability of regional public enterprises to create local economic value and support regional economic development. Specifically, this research seeks to identify the forms of misalignment that hinder economic performance and to propose a strategic framework for improving alignment within public enterprises. By integrating perspectives from institutional theory and economic development, this study contributes to the literature by offering a more comprehensive understanding of how internal strategic alignment affects the economic role of public sector organizations.

Regional Economic Development

Regional economic development focuses on how local economies grow through effective resource allocation, institutional capacity and value creation. In developing countries, regional growth often depends on the ability of public institutions to support productive activities and strengthen local economic structures (10). The creation of economic value at the regional level is closely linked to the development of local industries, the integration of value chains and the efficient use of regional resources (11).

Public sector institutions play a critical role in this process. They not only regulate economic activities but also act as direct contributors to regional economies (12). When these institutions function effectively, they can stimulate local production, enhance competitiveness and generate sustainable economic outcomes (13).

Therefore, the performance of public organizations becomes a key determinant of regional economic development.

Public Enterprises and Economic Value Creation

Public enterprises serve as important economic actors, particularly in regions where private sector capacity is limited. They are expected to generate revenue, provide essential services and support regional economic development (14). Despite this strategic role, many public enterprises show weak economic performance (15). Common issues include low efficiency, limited competitiveness and minimal contribution to local economic growth.

Previous studies often attribute these problems to governance failures, political intervention and managerial constraints. While these factors are relevant, they do not fully explain why public enterprises struggle to create sustainable economic value (7). In many cases, the core issue lies in the inability to align organizational objectives with market demands and regional economic needs (16). As a result, public enterprises fail to maximize their economic potential and contribute effectively to regional development.

Business Model Alignment and Economic Value

A business model explains how an organization creates, delivers and captures value. In the context of public enterprises, business model alignment refers to the consistency between institutional mandates, governance structures and operational strategies (16). This alignment is essential because public enterprises operate under dual expectations. They must fulfill public objectives while maintaining economic performance.

Misalignment among these elements often leads to inefficiency, low productivity and weak economic outcomes. In contrast, strong alignment enables organizations to optimize resource use, improve operational performance and strengthen their role within regional value chains (17). From an economic development perspective, business model alignment functions as an internal mechanism that determines how effectively an organization can generate economic value and support regional growth.

Research Gap and Conceptual Position

Existing research on public enterprises has largely focused on governance reform, financial performance and institutional accountability. Although these areas are important, they provide

limited insight into how internal strategic structures influence economic value creation. In particular, the role of business model alignment as a driver of regional economic development remains underexplored.

This gap is important because it overlooks the connection between organizational strategy and regional economic outcomes. Without proper alignment, public enterprises may not be able to translate their institutional roles into measurable economic contributions. This study addresses this gap by positioning business model alignment as a key factor in understanding how public enterprises can enhance their role in regional economic development. By linking institutional perspectives with economic development theory, this research offers a more integrated framework for analyzing the economic function of public sector organizations.

Methodology

This study employs a qualitative research approach using a case study design to examine how business model alignment influences economic value creation in regional public enterprises. The qualitative approach was selected to capture in-depth insights into organizational structures, strategic processes and institutional dynamics that cannot be fully captured through quantitative methods (18). The case study design enables a detailed analysis of context-specific conditions within regional public enterprises in Indonesia, particularly in Kabupaten Tolitoli, Central Sulawesi (approximate GPS coordinates: 1°00'N, 120°48'E). The overall research design and analytical procedure are presented in Figure 1, which illustrates the sequential stages from problem identification and case selection to data collection, qualitative and strategic analysis, financial simulation and integration of findings.

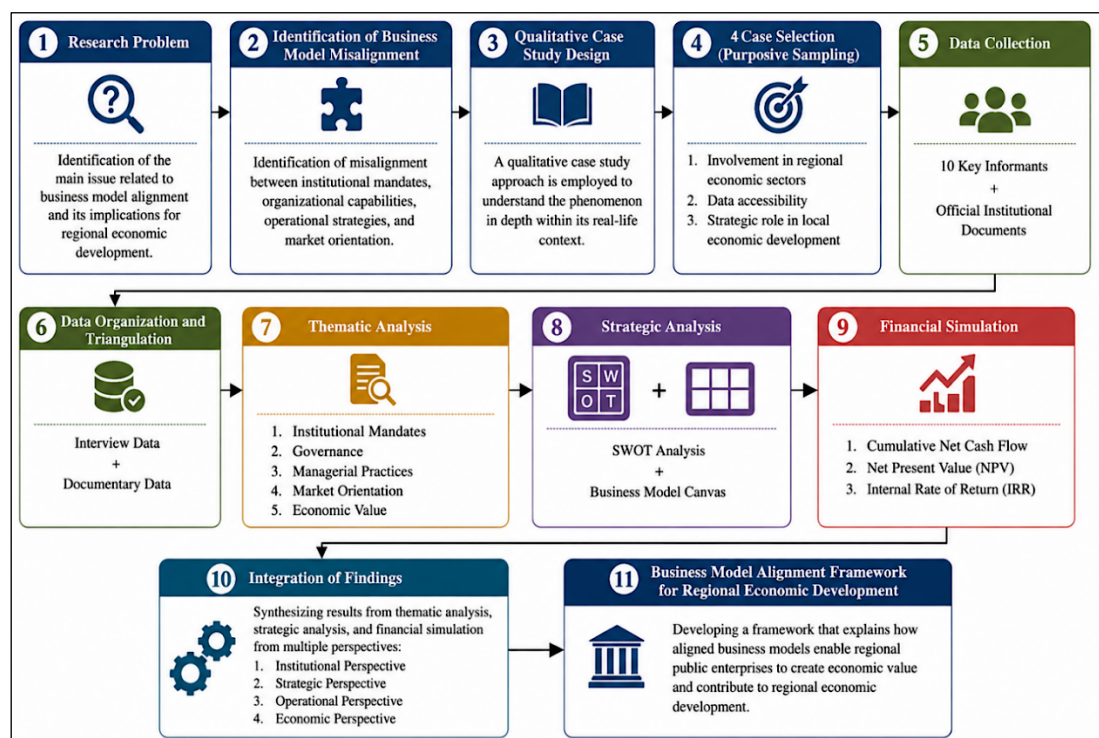


Figure 1: Research Design and Analytical Procedure

Each stage of the research procedure was subsequently elaborated through case selection, data collection, data analysis, strategic analysis and financial simulation. The research focused on a selected regional public enterprise involved in local economic activities. The case was selected using purposive sampling based on three criteria. First, the enterprise was directly involved in

regional economic sectors. Second, it provided accessible and relevant organizational data. Third, it played a strategic role in supporting local economic development. Based on these criteria, the selected case reflects the conditions of regional public enterprises in developing regions (13).

Data were collected from March 2023 to January 2024 using multiple sources to ensure data

validity. Primary data were obtained through semi-structured interviews with 10 key informants. The informants were selected purposively based on their direct knowledge, involvement and decision-making roles in the regional public enterprise, its business activities and related local government functions. The informants consisted of directors, managers and representatives of local government institutions. Informants were approached through institutional access and invited to participate based on their relevance to the research objectives. The adequacy of the 10 informants was determined based on their direct relevance to the research objectives and their substantive knowledge of the enterprise and related institutional context.

Secondary documents were selected based on three criteria: institutional relevance, official status and direct relevance to the research objectives. The documents included annual reports, regional regulations, strategic plans and institutional records that provided information on organizational mandates, governance arrangements, operational activities, financial conditions and regional economic development priorities. Document authenticity was assessed by verifying the issuing institution, document title, publication or issuance year and official institutional source. Relevance was assessed based on the extent to which the document provided information related to the enterprise's institutional mandate, business activities, governance structure, or regional economic role. Documentary evidence was integrated with interview findings through data triangulation. Information obtained from interviews was compared with relevant documentary evidence to identify consistency, complementarity, or differences between reported practices and formal institutional records. Documentary evidence was used to corroborate interview findings and to provide contextual information for interpreting business model alignment.

The study applied a structured qualitative data analysis procedure combined with strategic analysis tools to examine business model alignment within the selected regional public enterprise. The analysis consisted of four main stages: data organization and thematic analysis, SWOT analysis, Business Model Canvas analysis and financial simulation (19). First, interview transcripts and relevant institutional documents

were organized and classified into thematic categories related to institutional mandates, governance structures, managerial practices, operational activities, market orientation and economic value creation. Thematic analysis was used to identify recurring patterns, relationships and differences across the collected data. The findings from interviews were compared with information obtained from annual reports, regional regulations, strategic plans and other institutional documents to strengthen data triangulation.

Second, SWOT analysis was used to identify internal strengths and weaknesses and external opportunities and threats affecting the development of the regional public enterprise. Internal factors included local resource availability, managerial capacity, technological capacity and institutional support. External factors included market demand, export opportunities, government policies, infrastructure conditions, commodity price fluctuations and environmental risks (20). The SWOT results were used to identify strategic conditions that could support alignment among local resources, organizational capabilities and market opportunities.

Third, the Business Model Canvas (BMC) was used to map the proposed business model configuration. The analysis covered key partners, key activities, value propositions, customer relationships, customer segments, channels, key resources, cost structure and revenue streams. Each component was examined in relation to local resource utilization, downstream processing activities, market orientation and the enterprise's institutional mandate. The BMC was subsequently used to identify areas of alignment and misalignment between organizational resources, operational activities and revenue-generating mechanisms.

Fourth, a financial simulation was conducted to assess the economic feasibility of the proposed downstream model. The simulation compared projected investment requirements, cumulative net cash flow, net present value (NPV) and internal rate of return (IRR) over the project period. The simulation was used as a supporting analytical tool to assess whether the proposed business model could generate economically viable outcomes.

The qualitative analysis and strategic assessment were conducted using Microsoft Excel for data

organization, tabulation, financial calculations and graphical visualization. No statistical inference software was used because the study employed a qualitative case study design and did not involve statistical hypothesis testing (10). The combination of thematic analysis, SWOT analysis, Business Model Canvas and financial simulation enabled a comprehensive assessment of business model alignment from institutional, strategic, operational and economic perspectives.

Results

The findings show that the regional public enterprise in Tolitoli Regency was established to manage local economic potential, particularly in commodity-based sectors. Institutionally, the enterprise operates under full ownership of the local government and is assigned a mandate to support regional economic activities while generating financial returns.

The analysis identifies a gap in economic value between raw commodities and processed products in Tolitoli Regency. This comparison is presented in Figure 2.

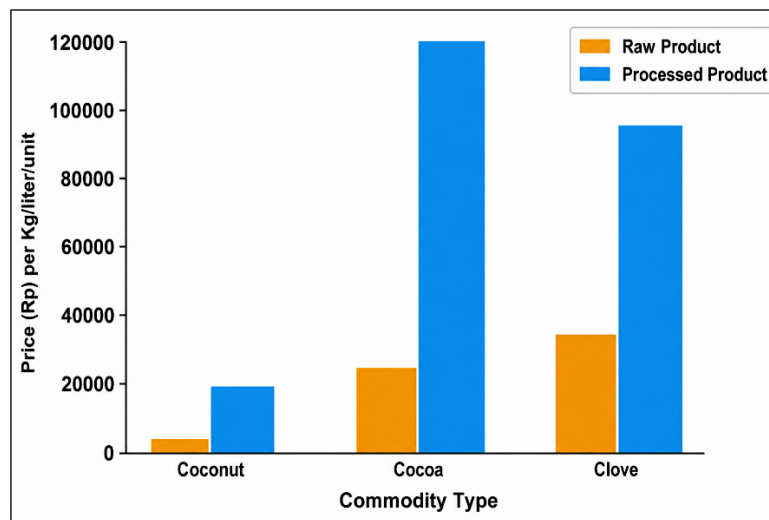


Figure 2: Comparison of Raw and Processed Product Values of Coconut, Cocoa and Clove in Tolitoli Regency (14)

Figure 2 shows that processed coconut, cocoa and clove products have higher economic value than their raw counterparts. However, the empirical evidence shows that the institutional role of the enterprise remains largely administrative. Decision-making processes are strongly influenced by local government structures, which limits managerial flexibility in responding to market dynamics. The findings show that the enterprise operates within a governance structure where

decision-making is closely linked to local government procedures. Interview data indicate that managerial decisions are subject to institutional approval mechanisms. Table 1 presents the main local resource potential relevant to the enterprise's operational mandate.

Table 1 compares raw and processed commodity values in Tolitoli Regency, showing differences in price levels across coconut, cocoa and clove products.

Table 1: Comparison of Raw and Processed Commodity Prices in Tolitoli Regency (14)

Commodity	Raw Product Price (Rp/kg)	Processed Product Price (Rp/unit)	Value Increase (In Percent)
Coconut	3,000	18,000 (per liter of oil)	+500%
Cocoa	25,000	120,000 (semi-finished chocolate)	+380%
Clove	35,000	95,000 (essential oil and derivatives)	+171%

Table 2: SWOT Analysis of Establishing a Downstreaming Regional State-Owned Enterprise (RSOE) in Tolitoli

Strengths	Weaknesses
Abundant supply of coconut, cocoa and clove	Limited access to advanced processing technology
Government support for food security agenda	Fragmented farmer organizations
Strong community dependence on agriculture	Lack of managerial expertise in RSOE
Opportunities	Threats
Rising domestic demand for processed goods	Fluctuating global commodity prices
Potential access to ASEAN and regional export markets	Inadequate logistics and infrastructure
National incentives for RSOE development	Environmental risks (pests, climate change)

Business Model Configuration and Alignment

The analysis of the enterprise's business model shows the relationship between local resources, operational activities and targeted markets. Table 2 presents the SWOT analysis relevant to the enterprise's current operational condition.

The SWOT analysis identifies internal factors related to resource availability and external factors associated with market conditions and institutional capacity. Figure 3 presents the results

of the financial simulation based on projected investment indicators.

The simulation results indicate a positive cumulative net cash flow over the project period. The estimated net present value is positive and the internal rate of return is 18 percent. Interview results indicate that organizational objectives are not consistently translated into operational targets. Informants reported variations in the implementation of business planning and performance evaluation practices. Customer segmentation is not clearly specified, which leads to uncertainty regarding priority markets.

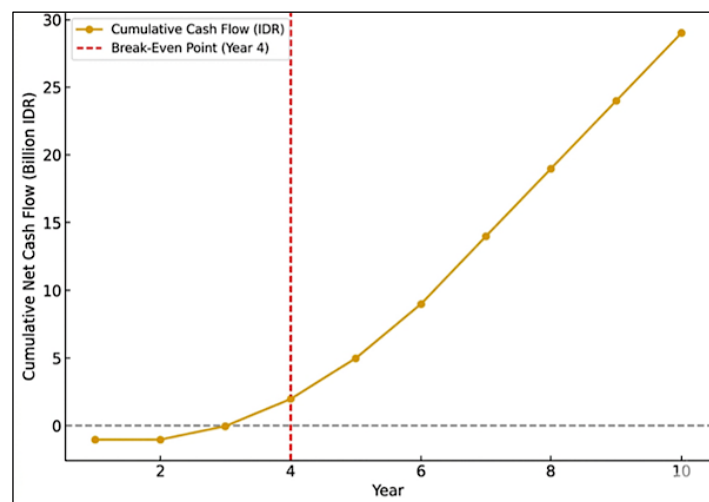


Figure 3: Financial Simulation of RSOE Downstreaming Feasibility in Tolitoli Regency (cumulative net cash flow, positive NPV, IRR = 18%)

In addition, revenue streams are highly dependent on limited operational activities, exposing the enterprise to financial vulnerability. Based on the SWOT findings, a synthesized business model is

developed to address structural misalignments. Table 3 summarizes the key components of the enterprise's Business Model Canvas.

Table 3: Business Model Canvas for an RSOE in Tolitoli Regency

Key Partners	Key Activities	Value Proposition
Local producers and farmers	Processing	High-quality, sustainable and traceable processed products
Local partners	Coordination	Increased farmers' income and fair-trade mechanisms
Supporting institutions	Distribution	

		Locally branded products enhancing regional identity Contribution to regional economic resilience
Customer Relationships	Customer Segments	Channels
Long-term contracts	Local processors, regional buyers	Regional distribution
Partnership-based relationships	and institutional customers	Contractual supply channels
Key Resources	Cost Structure	Revenue Streams
Local commodities	Operational costs	Product sales
Physical facilities	Processing costs	Service-based revenue
Institutional support	Coordination costs	

The synthesized business model illustrates the intended alignment between local resource utilization, operational activities and market orientation to support downstream integration. However, its effectiveness depends on the coherence between the enterprise's cost structure and revenue mechanisms. The findings indicate that the cost structure is not proportionally balanced with revenue capacity, as operational expenditures tend to increase without corresponding income growth. This misalignment limits the enterprise's ability to achieve sustainable financial performance.

Relationship between Business Model and Institutional Capacity

The results further demonstrate a strong interaction between institutional characteristics and business model effectiveness. Institutional constraints, particularly related to governance procedures and managerial authority, influence strategic choices within the enterprise. Interview data show that decision-making processes involve multiple administrative layers. This pattern weakens the enterprise's responsiveness to market opportunities arising from local economic potential. The findings suggest that institutional design plays a critical role in shaping business model outcomes. Without sufficient institutional support and managerial discretion, efforts to redesign or optimize the business model remain constrained (15).

Implications for Local Economic Value Creation

The empirical evidence indicates that the current business model configuration has not fully supported local economic value creation. The enterprise's activities generate limited multiplier effects for the regional economy, particularly in terms of employment expansion and upstream or downstream linkages (21, 22). Although the

enterprise operates within a resource-rich region, the absence of integrated value chain strategies reduces its contribution to broader economic development (6). Local resources are primarily utilized in raw or semi-processed forms, limiting opportunities for value-added activities. The findings indicate that the enterprise contributes to local economic processes through resource utilization and production activities. The data indicate variations in the extent of economic linkages within the regional economy.

Discussion

The findings confirm that business model alignment plays a critical role in determining the effectiveness of regional public enterprises in contributing to regional economic development. This result is consistent with prior studies in economic development literature that highlight the importance of aligning institutional objectives with operational strategies to achieve optimal performance outcomes.

Specifically, when regional public enterprises transition from passive raw commodity trading toward active downstream processing, strategic coherence directly reinforces local value creation, enhances supply chain integration and minimizes capital flight within peripheral rural economies. Furthermore, establishing clear operational frameworks enables these entities to bridge the gap between social welfare mandates and commercial self-sufficiency. By aligning internal capabilities with regional resource advantages, public enterprises can serve as catalysts for sustainable local economic expansion.

This study extends existing research by demonstrating that, in developing regions, alignment challenges are strongly influenced by institutional and governance factors. The dominance of administrative control over strategic decision-making reduces organizational autonomy

and weakens performance orientation (12). The struggle to balance administrative oversight with commercial agility observed in Tolitoli is far from an isolated case. Rather, it reflects a broader structural tension prevalent in many emerging economies. In the context of Southeast Asia, a similar narrative emerges from Vietnam's State-Owned Enterprises (SOEs), where "political interference" often dilutes managerial incentives, leading to a focus on procedural compliance rather than market-driven innovation (23). This mirrors the "multiple administrative layers" identified in this study, which effectively trap regional enterprises in a cycle of bureaucratic rigidity. Furthermore, evidence from Thailand suggests that when local government-linked entities operate under strong political influence, their "Business Model Alignment" suffers because the primary "customer" shifts from the market to the political patron (24). This phenomenon may help explain why decision-making in Tolitoli remains largely administrative, as concerns about procedural errors may outweigh the pursuit of economic value creation.

Expanding the lens to the African continent, studies on public enterprises in Nigeria and Ghana highlight that "excessive administrative control" frequently leads to what is known as a "soft budget constraint" (25). In these regions, as in Tolitoli, limited managerial discretion may constrain the enterprise's ability to respond swiftly to commodity price fluctuations or adopt new processing technologies. By situating Tolitoli's challenges within this global framework, it becomes evident that the "misalignment" discovered here is a classic developmental bottleneck where institutional design inadvertently stifles the very economic resilience it was meant to foster.

Compared to previous studies, this research provides a more context-specific explanation of how misalignment occurs within regional public enterprises (26). While earlier research often focuses on structural or financial aspects, this study emphasizes the interaction between governance structures, strategic processes and economic outcomes. By methodologically integrating SWOT analysis, the Business Model Canvas and empirical financial feasibility models, this paper offers a comprehensive diagnostic framework that bridges qualitative institutional

governance with quantitative financial evaluation in resource-dependent regions. Consequently, this multi-layered analytical approach reveals operational inefficiencies that conventional single-method evaluations fail to identify.

The results also highlight the practical importance of improving strategic coherence within public enterprises. Strengthening alignment between mandates and operations can enhance efficiency, increase revenue generation and improve the overall contribution of these enterprises to local economic development. Crucially, the empirical financial simulation demonstrates that resolving structural misalignment yields a positive Net Present Value (NPV) and a favorable Internal Rate of Return (IRR), confirming that strategic coherence is a fundamental prerequisite for long-term financial viability and commercial sustainability. This study offers a practical contribution by providing an analytical framework that can be used by policymakers to evaluate and improve the performance of regional public enterprises. It also contributes to the academic literature by integrating business model alignment into the discussion of public sector economic performance, particularly in developing country contexts.

Conclusion

This study examines the role of business model alignment in enhancing economic value creation in regional public enterprises. The findings indicate that misalignment between institutional mandates and operational strategies remains a key constraint on the effectiveness of these enterprises.

The results demonstrate that weak strategic coherence, limited managerial autonomy and strong administrative control reduce the ability of enterprises to operate efficiently and generate sustainable revenue. This condition leads to suboptimal economic outcomes, particularly in terms of local revenue contribution and innovation capacity. This study contributes to the economic development literature by providing empirical evidence on the importance of business model alignment in the public sector context. It also extends existing research by highlighting how governance structures influence alignment processes in developing regions.

From a practical perspective, the findings suggest that local governments need to strengthen the alignment between institutional objectives and operational strategies. Improving governance mechanisms, increasing managerial flexibility and adopting performance-oriented management practices can enhance the economic contribution of regional public enterprises.

Future research could extend this study by applying quantitative approaches or conducting comparative analyses across regions to further validate the relationship between business model alignment and economic value creation.

This study has several limitations. First, the single-case design focuses on a selected regional public enterprise in Kabupaten Tolitoli, which may limit the transferability of the findings to other regional contexts. Second, the study relies on interviews with 10 purposively selected informants and official institutional documents. Although data triangulation strengthens the findings, the findings remain influenced by the perspectives of the selected informants. Third, the financial simulation, including cumulative net cash flow, NPV and IRR, is based on specific assumptions and indicative commodity values and therefore represents feasibility estimates rather than definitive financial projections. Finally, the qualitative approach does not statistically test the relationship between business model alignment and economic performance. Future research could address these limitations through comparative multi-case, longitudinal, or quantitative studies.

Abbreviations

BPS: Badan Pusat Statistik Indonesia (Statistics Indonesia), RSOE: Regional State-Owned Enterprise.

Acknowledgement

The authors sincerely thank the Tolitoli Regency Government for its cooperation and for granting research permission for this study. Special appreciation is also extended to BPS-Statistics Indonesia of Tolitoli Regency, the Department of Cooperatives and MSMEs and the Regional Secretariat Office of Tolitoli Regency for their invaluable assistance, data provision and support throughout the research process.

Author Contributions

Andhy Saputra: Conceptualization, Methodology, Formal Analysis, Investigation, Project Administration, Supervision, Funding Acquisition, Writing – Original Draft, Fiansi: Methodology, Data Curation, Investigation, Validation, Writing – Review and Editing, Edi Yanto: Conceptualization, Formal Analysis, Investigation, Visualization, Validation, Writing – Review and Editing. All authors have read and agreed to the published version of the manuscript.

Conflict of Interest

The authors declare no conflicts of interest in this article.

Data Availability

The data can be obtained from the corresponding author upon reasonable request.

Declaration of Artificial Intelligence (AI) Assistance

The authors declare that artificial intelligence (AI) tools were not used to develop the substantive content or empirical findings of this manuscript. However, AI assistance was utilized solely for language editing, grammar refinement and converting structured textual descriptions into visual representations. Specifically, Figure 1 (Research Design and Analytical Procedure) was prepared using AI to transform the written research structure and procedural steps into a visual diagram to enhance readability and clarity for readers.

Ethics Approval

This study was conducted with the approval of Madako Tolitoli University and the Government of Tolitoli Regency. The latter provided access to the interview data. The research permit was issued by the Regional Research and Innovation Agency of Tolitoli Regency.

Funding

This research was funded by the Ministry of Higher Education, Science and Technology (Kemdiktisaintek) of the Republic of Indonesia under grant contract number 0419/C3/DT.05.00/2025. The funding has been instrumental in enabling the successful implementation of this study and in advancing scholarly contributions to the

development of regional economic strategies in Indonesia.

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How to Cite: Saputra A, Fiansi, Yanto E. Business Model Alignment in Regional Public Enterprises for Economic Development. *Int Res J Multidiscip Scope.* 2026;7(4):908-918.
DOI: 10.47857/irjms.2026.v07i04.011966