

COLLABORATIVE GOVERNANCE IN ACCELERATION OF BUSINESS LEGALITY AND ITS IMPACT ON COFFEE SHOP BUSINESS PERFORMANCE IN KENDARI CITY

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ABSTRACT

The growth of coffee shops in Kendari City demonstrates the dynamics of an increasingly competitive urban economy. However, the business legalization process still faces obstacles in coordination, regulatory understanding, and suboptimal institutional support. This situation raises questions about how collaborative governance can accelerate business legalization while simultaneously boosting coffee shop business performance. This study aims to analyze the role of collaborative governance in accelerating business legalization and its impact on coffee shop business performance in Kendari City. The study used a qualitative approach with a phenomenological design. Data were collected through in-depth interviews, observations, and documentation with purposively selected informants, then analyzed using the Miles and Huberman model. The results show that collaborative governance plays a significant role in streamlining the business legalization process through actor involvement, inter-agency communication, forms of administrative support, and institutional responsiveness. Coffee shop operators understand business legality as a formal status that provides a sense of security, strengthens regulatory compliance, and opens access to business opportunities. The findings also show that legality contributes to increased customer trust, competitiveness, sustainability, and business development. The implication is that local governments need to strengthen licensing services that are more integrated, responsive, and mentored so that business formalities can drive sustainable business performance.

Keywords: collaborative governance , business legality , business performance.

INTRODUCTION

The development of coffee shops in the urban economic landscape has shifted from being merely a lifestyle consumption phenomenon to one of the pillars of creative economic

activities that can absorb labor, create local supply chains, and expand the regional income base (Peluso 2023) . In many mid-sized cities, including Kendari City, the growth of coffee shops also reflects the dynamics of the urban middle class, changes in consumption behavior, and increasing preferences for social spaces that are adaptive to work, recreation, and business interactions (Sitindaon, Sitindaon, and Sihombing 2023) . However, the pace of business expansion is often not matched by adequate readiness for licensing governance, making business legality a strategic issue that determines operational sustainability, market credibility, and access to formal resources (Wright et al. 2024) .

In this context, collaborative governance becomes important because it is able to bridge the interests of local governments, business actors, and other supporting actors in accelerating business formalities in a more coordinated, participatory, and responsive manner (Suryana 2023) . The problem that stands out is not just the increasing number of coffee shops, but rather the quality of the institutions that support this growth (Putu, Kurniawan, and Wardati 2023) . Many business actors still face classic obstacles in the form of minimal understanding of licensing procedures, administrative complexity, lack of synchronization between central and regional policies, and weak technical assistance from related institutions (Muh. Husriadi 2025; Pradana 2025) . This situation often makes business legality perceived as an administrative burden, even though in business terms, legality is a legitimacy instrument that influences access to financing, partnerships, legal protection, tax compliance, and brand reputation (Hidayat, White, and Supeno 2026) . If the legalization process is slow, business performance will be depressed through limited expansion, investment uncertainty, and low competitiveness (Deliarnoor and Bintari 2025) . Therefore, this study views legality not merely as an administrative matter, but as part of a business governance strategy that determines the quality of coffee shop growth in Kendari City.

The research gap arises because existing studies focus more on business legality as a legal issue or technical assistance. Not many have examined the process holistically through the lens of collaborative governance and empirically linked it to business performance. For example, research (Deliarnoor and Bintari 2025) This study shows that the implementation of coffee shop licensing in Surakarta is still hampered by the OSS system, regulatory understanding, and policy asymmetry, thus highlighting the existence of policy implementation issues. Meanwhile, (Nur and Ridwan 2025) This study shows that collaboration among coffee MSMEs in Karo Regency is ongoing, but lacks consistency in written regulations, actor commitment, and marketing promotion. On the other hand, (Martínez-Peláez et al. 2023) emphasizes the importance of cross-level coordination and technology utilization for the sustainability of MSMEs, but its focus is still generally on empowerment, rather than the legality of coffee shops in mid-sized cities. This suggests that research on accelerating the legality of collaboration-based businesses, particularly coffee shops in Kendari, remains sparsely detailed. Based on these gaps, this study aims to analyze

how collaborative governance works to accelerate the legalization of coffee shops in Kendari City and how this acceleration impacts business performance. Furthermore, this study aims to describe the synergy between actors, implementation barriers, and the implications of legality on business performance in terms of customer growth, market access, operational resilience, and business sustainability.

Academically, this objective is important to enrich the literature on governance and business performance in the context of urban MSMEs. While practically, the results are expected to provide a basis for designing policies that are more adaptive, collaboration-based, and sensitive to the needs of coffee shop operators in Kendari City. The novelty of this research lies in the integration of three things at once: a focus on coffee shops as a business subsector that is highly relevant to today's urban economy, the use of a collaborative governance perspective to explain the acceleration of legality, and testing its impact on business performance in the context of Kendari City which has not been widely studied. Another novelty is the emphasis on legality as a strategic variable, not just a legal formality, so this research offers a sharper conceptual and practical contribution to the development of MSME governance going forward. Kendari City is important because of its position as the center of economic growth in Southeast Sulawesi, a hub of community mobility, and a growing space for service-based and lifestyle businesses. Thus, this research is not only relevant to address local problems, but also offers a reading model that can be considered by other medium-sized cities facing similar issues.

RESEARCH METHODS

In this study, The phenomenological approach was chosen because it is able to capture social reality as experienced directly by informants in the licensing process and institutional interactions. making it suitable for interpreting phenomena that are still complex and contextual. This design is descriptive-interpretive, because it aims to explore the meaning of the subjective experiences of business actors and stakeholders. The research population consisted of 5 informants including coffee shop operators, related agency officials, and business assistants, while the sample was selected purposively and can be expanded by snowballing until information saturation reaches. The intended informants include coffee shop owners, DPMPTSP, the Kendari City cooperative/UMKM office, and business associations because they are directly involved in the legalization process and collaborative policies. The research location in Kendari City is important because it is the center of service business growth and has licensing dynamics relevant to the issue of legality acceleration. The research procedure included observation, in-depth interviews, and documentation to ensure triangulation of the data obtained. Data analysis used the Miles and Huberman model through data reduction, data presentation, and conclusion drawing because this model is systematic, flexible, and effective for reading patterns of meaning in qualitative data.

RESULTS AND DISCUSSION

Experience of business actors in legality

Based on the interview results, Business owners view legality as a sign of seriousness and protection, not just a matter of paperwork. When the licensing process feels clear and supported, they tend to view it as a reasonable way to organize their business, increasing their sense of security and confidence. This finding aligns with research (Aulia and Syahputra 2023) found that collaboration in coffee MSMEs helps business actors understand the importance of formalities and expands business access, although the consistency of support between actors is not yet fully stable.

However, not all findings support this view . For example, research by (Riwanto, Suryaningsih, and Krisda 2024) found that some MSMEs still view legality as an additional burden, as the costs, time, and bureaucratic complexity outweigh the immediate benefits. In this context, the meaning of legality is ambiguous, as some coffee shop owners in Kendari view legality as a source of business peace of mind, while others perceive it as a tedious process. Therefore, the experience of legality needs to be read as a social phenomenon influenced by the quality of assistance, access to information, and perceptions of practical benefits, not just administrative compliance.

Collaborative governance

Based on the interview results, Collaborative governance in Kendari City works when key actors, such as the local government, technical agencies, business advisors, and coffee shop operators, are truly involved in a single, complementary workspace. This involvement goes beyond formal coordination, but is evident in more open communication, clear direction, and administrative assistance that helps business actors understand the legalization process. This finding aligns with research (Wahyuni, Aromatica, and Jamilah 2023). This study demonstrates that cross-actor communication strengthens collaborative capacity and accelerates the completion of public agendas. However, this research also found aspects that are less than ideal. Institutional responsiveness still varies , with some business actors feeling served quickly, but others still face repeated explanations and bureaucracy that feels slow.

This finding is different from research (Agbodzakey 2024) Many collaborations remain consultative, not truly deliberative, resulting in suboptimal access to resources and trust between actors. Therefore, collaborative governance in Kendari needs to be understood as a process that has moved in a positive direction, but still requires strengthened communication mechanisms, clearer roles, and a more consistent institutional response to truly realize the acceleration of business legality in practice.

Business legality

Based on the interview results, Coffee shop owners understand business legality as a formal status that provides a clearer position in the eyes of consumers, partners, and

government agencies. When business documents are complete, owners feel more secure in conducting business activities because regulatory compliance is no longer perceived as a burden, but rather as protection that opens up access to opportunities for collaboration and financing. Similarly, research (Sasongko et al. 2025) found that legality strengthens business competitiveness and sustainability, primarily by increasing stakeholder trust. Similar results were also shown by (Annisa et al. 2025) which confirms that business legality makes it easier for MSMEs to obtain legal protection and access to partnerships.

However, not all findings are consistent. For example, research by (Aidi, Prawira, and Fitriadi 2023) This shows that some business owners still view legality as a time-consuming and costly process, so the benefits of formality are not fully felt in their daily activities. Therefore, this distinction in meaning is important because legality is not only about administrative completeness, but also about the extent to which business owners view it as a business investment.

Thus, the results of this study confirm that formal status, regulatory compliance, and access to business opportunities are interrelated in forming a sense of security and strengthening the sustainability orientation of coffee shops in Kendari City amidst increasingly fierce competition.

Business performance

Based on the interview results, The performance of coffee shops in Kendari City is significantly influenced by customer trust, competitiveness, sustainability, and stable business development. When business legality and service are well-organized, customers tend to perceive coffee shops as more professional, fostering trust that leads to repeat purchases and word-of-mouth promotion. This is in line with research (Ananda, Rizan, and Wibowo 2024), which found that product quality, friendly service, and a comfortable atmosphere shape customer value, satisfaction, and loyalty, ultimately supporting business sustainability. Research (Umnastuti 2025) It also shows that business legality strengthens the competitiveness and sustainability of SMEs by increasing stakeholder trust and access to resources. On the other hand, business sustainability does not always automatically stem from customer satisfaction alone.

Another finding, for example, (Kosasih, Hidayat, and Hutahayan 2025) shows that customer satisfaction doesn't directly influence sustainability, but rather must first be fostered through loyalty and competitive advantage. This means that for coffee shops in Kendari, business growth will be stronger if customer trust is accompanied by service differentiation, consistent quality, and the ability to read market trends.

Thus, business performance is not only determined by the number of visitors, but by the business's ability to build a reputation, retain customers, and survive in long-term competition.

CONCLUSION

Based on the research results and discussion, it can be concluded that the implementation of collaborative governance contributes to accelerating the legalization process for coffee shops in Kendari City while simultaneously driving improved business performance. The research findings indicate that legality is no longer understood merely as an administrative obligation, but rather as a strategic instrument that provides business certainty, strengthens business legitimacy, and opens broader access to market opportunities, partnerships, and customer trust. Furthermore, the effectiveness of this process is greatly influenced by the quality of actor involvement, the intensity of inter-agency communication, the form of support provided, and the level of institutional responsiveness.

Thus, the success of accelerating business legality depends not only on regulations but also on the ability of stakeholders to build inclusive, adaptive, and business-focused collaborations. Based on these conclusions, local governments need to strengthen their licensing service models to be more integrated, simplified, and proactive through direct assistance to coffee shop operators. Businesses are also advised to view legality as a long-term investment that supports sustainability and competitiveness. Furthermore, digital literacy and technology-based governance are needed to enhance accessibility of the legalization process, especially for small businesses with limited administrative capacity.

For further research, the study can be expanded to other business sectors or use a comparative approach between regions to obtain a more complete picture of the effectiveness of collaborative governance in strengthening business legality and business performance.

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