

A Strategic Management Analysis of Indonesia's Free Nutritious Meal (*Makan Bergizi Gratis*) Program

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ABSTRACT

Large-scale public programs rarely encounter their main difficulties at the policy design stage. The greater challenge often lies in execution, particularly when implementation is distributed across multiple administrative levels. This study examines Indonesia's Free Nutritious Meal (*Makan Bergizi Gratis*, MBG) program from a strategic management perspective, treating it as a large-scale service operation rather than solely a social policy initiative. Drawing on qualitative institutional analysis and secondary evidence from policy documents, implementation reports, and verified public sources, the study explores how execution capability shapes program performance under decentralized conditions. The analysis focuses on four interrelated domains: operational scale, supply chain governance, monitoring systems, and multi-level coordination. The findings point to a consistent pattern. Rapid expansion has outpaced the development of operational capability, resulting in uneven infrastructure readiness, variability in service quality, and coordination challenges across districts. While fiscal resources are substantial, they do not automatically translate into effective implementation. Instead, differences in administrative capacity and system integration emerge as the primary drivers of performance variation. In this context, demand pressure does not operate uniformly: in higher-capacity settings, it can stimulate coordination and responsiveness, whereas in lower-capacity environments it intensifies operational strain. The study introduces the concept of territorial operational risk to explain why a uniform national program produces uneven outcomes across regions. It argues that large-scale public programs should be analyzed as distributed organizational systems, in which performance depends less on policy intent and more on the alignment of scale, capability, and coordination.

Keywords: Decentralization, MBG, Readiness, Strategic Management, Supply Chain.

1. INTRODUCTION

Traditional analyses position programs such as Indonesia's Free Nutritious Meal (*Makan Bergizi Gratis*, MBG) more within health or social policy domains (Awal, 2025; Habibah et al., 2025; Hatmi & Widiyanti, 2025; Pramesthi et al., 2025; Sari et al., 2025; Suprpto et al., 2025). However, from a management standpoint, such initiatives can be better understood as large-scale service operations that require capabilities like those found in multinational enterprises: supply chain coordination, quality control, performance monitoring, and multi-level governance alignment.

The MBG program is a national operational system with the government as the main organization, coordinating a distributed network of service providers/suppliers and local operators. Feeding tens of millions of beneficiaries every day requires not only financial resources but also discipline in execution, standardized processes, and organizational alignment across levels. The program grew to some 60 million beneficiaries nationwide within one year, and is expected to exceed 80 million by the end of fiscal year (FY) 2026 (Antoro, 2026). It runs on tens of thousands of decentralized food service units and a local supply chain that involves SMEs and agricultural producers (Kemenko Bidang Perekonomian RI, 2026).

When strategy (national policy aspiration) is not supported by execution capability (local implementation capacity), a principal challenge becomes evident. In management theory, this illustrates a classic strategy-execution gap: performance in organizations is limited not by intent but by implementation systems. Then there is the challenge of Indonesia's highly decentralized structure. Management, infrastructure readiness, and operational control. This resolves to a multi-unit system reliability problem (manifested by performance variability).

Indonesia's decentralized governance structure intensifies this challenge. Authority is distributed across more than 500 subnational units, each with varying levels of managerial capability, infrastructure readiness, and operational control (BPS, 2023; Fitriani et al., 2005). This creates a multi-unit enterprise problem, in which performance variability across units affects overall system reliability. At this level of abstraction, the MBG is more than a social program; it also has features that make it an organizational system struggling with scaling up rapidly and needing alignment in areas such as supply chain coordination, quality assurance, performance monitoring, and standardization over human operations.

2. THEORETICAL FRAMEWORK

To formulate this argument, the current study relies on three complementary areas of literature: The Resource-Based View (RBV), Operations Management Theory, and Public Administration and Decentralization. The RBV posits that performance differences stem from heterogeneity in organizational capabilities rather than resource endowments alone (see Barney, 1991). When applied to the public sector, this means that, while fiscal resources are necessary, they depend on functioning organizations for effectiveness. Differences in performance are due to capability asymmetries. In MBG, districts differ in managerial competence, infrastructure readiness, and supplier networks. These differences directly affect execution outcomes.

The theory of operations management teaches that large-scale systems need coordination, standardization, and process reliability (Hayes, 2006). Variation in local capability becomes a main source of performance inconsistency when execution is distributed across different units. The main challenge is the trade-off between standardization (efficiency) and local adaptability (feasibility).

Public administration and decentralization literature highlights the trade-off between local autonomy and coordination (Bossert, 1998; Smoke, 2015). While decentralization can improve adaptability, it also creates variability in implementation capacity.

3. METHOD

This study employs qualitative institutional analysis combined with a strategic management perspective. The approach is appropriate for examining how organizational structures and capabilities shape program execution (Gilson, 2012). Data sources include:

- national budget documents (APBN 2025),
- government policy statements,
- implementation reports, and
- verified international reporting (e.g., Reuters).

The focus is on four managerial domains:

1. Operational scale and infrastructure
2. Supply chain and procurement systems
3. Performance monitoring
4. Inter-organizational coordination

The analysis evaluates how these domains influence execution reliability.

4. RESULTS AND DISCUSSION

4.1. Scale Expansion and Capability Constraints

By the end of 2025, MBG had already expanded to over 50 million beneficiaries and continued to grow towards national coverage (ANTARA, 2026; Reuters, 2025a). The program is expected to serve tens of billions (Badan Gizi Nasional, 2026), a marker for one of the largest public food service systems globally. On the other hand, scale has far led operational capability. Regional disparities remain pronounced. Some of these districts benefit from more established infrastructure and administrative capacity, while others continue to face shortfalls in service delivery capacity or operational delays (ADB, 2019; World Bank, 2008).

Rooted in the operations strategy literature, rapid growth without process standardization will create output variability (Hayes, 2006). Emerging evidence from Indonesia's MBG program rollout suggests continued disparities in local capacity to execute within a decentralized system: uneven infrastructure readiness, delays in establishing service units, and variability of services across districts (ANTARA, 2026; Reuters, 2025c). It is an indicator of a structural problem: asymmetry in capability creates an uneven playing field when scaling.

4.2. Supply Chain Governance as a Critical Constraint

MBG is based on decentralized procurement, conducted through local suppliers and service providers (SMEs and cooperatives or regional food distribution networks). This allows for local economic involvement but does introduce variability into supply chain execution. Studies related to public procurement have revealed uneven enforcement and quality control across decentralized systems (Fitriani et al., 2005; Vujanovic, 2017). In the case of the MBG program, preliminary implementation evidence indicates potential operational challenges (inconsistent standards among suppliers and limited inspection and monitoring capacity), especially in districts with significantly different administrative capabilities, as well as reported food safety incidents affecting thousands of beneficiaries (Reuters, 2025c). This points to an incomplete end-to-end supply chain system, critical for reliable, large-scale service from a management perspective.

4.3. Execution Gap and Resource Utilization

While the program has been backed by a significant national budget (IDR 71 trillion in 2025), its low early absorption rate highlights implementation challenges (Reuters, 2025b). This discrepancy illustrates a traditional execution issue: resources are accessible, but they are constrained in their conversion into operational output. In RBV terms, financial resources alone do not create performance; they must be complemented by organizational capability (Barney, 1991). Thus, the MBG case demonstrates that financial scale does not substitute for execution capacity. In management terms, this is a capacity utilization problem rather than a funding constraint.

4.4. Monitoring Systems and Information Asymmetry

Monitoring solutions are the keys to managing large-scale organizations. However, the early reports on the MBG program seem to focus more on output indicators (coverage and number of beneficiaries) than on process-level assurance of quality. Such an orientation is common in public-sector monitoring systems, as measurable outputs are ranked higher than the quality of implementation (especially in large-scale programs) within institutions (ANTARA, 2026; Clark et al., 2004; Kusek & Rist, 2004). This information asymmetry manifests as central authorities lacking real-time visibility into the system, or as localized failures that go undetected until it is too late. Brinkerhoff (2004) maintains that an effective accountability system depends on the channels through which information flows. Without them, corrective action is delayed. In MBG, monitoring remains closer to administrative reporting than to performance management.

4.5. Multi-Level Coordination as an Organizational Challenge

The MBG program is organized along a multi-administrative level structure, similar to that of a large firm, where each district serves as an operational unit with some autonomous functions. This has a form typical of localized execution and decentralization (Chandler & Lusch, 2015; Ouchi, 2019).

An understanding of decentralization, in fact, implies that all these systems are expected to provide greater flexibility, but with varying capacities for implementation across units (Bossert, 1998; Smoke, 2015). In practice, the MBG experience reflects this pattern: while policy design is centralised and uniform, execution outcomes vary across districts.

This configuration creates an inherent coordination challenge. Multi-unit systems require alignment across organizational levels, yet such alignment is not automatically achieved, particularly when authority and capability are distributed (Galbraith, 1973). As a result, implementation depends not only on policy clarity but also on the system's capacity to coordinate across heterogeneous units.

4.6. Territorial Operational Risk

The current study findings converge into a single conceptual insight: Territorial Operational Risk (TOR). TOR is defined as an in-area variation of program performance reflecting differences in execution capacity, data infrastructures, and organizing systems. The idea broadens the scope of governance analysis to operations management. It explains why there is no common outcome from the universal policy, since service quality varies between regions. It is also in line

with systems theory, which holds that the overall performance is limited by the weakest elements (Meadows & Wright, 2008).

4.7. Discussion

The RBV demonstrates that organizational capabilities, rather than resources alone, give rise to performance differences (Barney, 1991). In the public sector, this means fiscal resources are necessary but not sufficient; their effectiveness depends on the ability of implementing organizations. Performance differences emerge from capability asymmetries. In MBG, districts differ in managerial competence, infrastructure readiness, and supplier networks. These differences directly affect execution outcomes.

The findings support the main thesis of this study: that execution capacity is the key constraint of integrating large public programs. The preoccupation with administrative capacity over financial capital is consistent with the RBV, which prioritizes capabilities over resource endowment.

From an operations perspective, the results underscore the criticality of system coordination and infrastructure for consistently successful execution. District-to-district variation reflects differences in these capabilities rather than policy intent.

The concept of territorial operational risk provides a useful framework for understanding these dynamics. It implies that performance variance is an inherent attribute of decentralised systems and must be addressed through capability development and system integration. The researchers note three implications from these findings:

1. Scale magnifies weakness. Scale amplifies small inefficiencies in larger systems...
2. Decentralization increases variance. Flexibility comes at the cost of consistency.
3. Monitoring must evolve into learning. Without feedback loops, systems cannot improve.

4.8. Proposed Future Research

Future research should build on this framework using detailed administrative data as they become available. To strengthen the analytical argument, future study may incorporate a panel-based quantitative robustness check using district-level proxy indicators. Given the absence of publicly available micro-level MBG administrative data at the time of writing, a structured panel dataset can be constructed by integrating:

- district-level fiscal capacity indicators (Ministry of Finance reports)
- administrative capability proxies (education spending efficiency and governance indicators from World Bank datasets)
- infrastructure proxies (education facility and service availability indicators from BPS/PODES)
- MBG implementation proxies derived from reported rollout patterns (coverage phases, service unit distribution)

From those sources, the resulting dataset approximates a balanced panel of 514 districts over two periods (early rollout 2025 and expansion phase 2026).

The empirical specification follows a fixed-effects structure to control for unobserved district heterogeneity:

$$Performance_{it} = \alpha + \beta_1 Capacity_{it} + \beta_2 Infrastructure_{it} + \beta_3 Fiscal_{it} + \beta_4 (Capacity_{it} \times Fiscal_{it}) \mu_i + \lambda_t + \epsilon_{it} \quad (1)$$

where:

$Performance_{it}$ = proxy for MBG coverage and implementation progress at the district level

$Capacity_{it}$ = administrative capability indicators (governance effectiveness and managerial capacity)

$Infrastructure_{it}$ = service readiness (facilities, logistics)

$Fiscal_{it}$ = budget allocation/absorption

μ_i = controls for unobserved, time-invariant district characteristics

λ_t = time-specific effects associated with program expansion phases

ϵ_{it} = error

This leads to the proposed hypotheses:

Administrative capacity is expected to be the primary determinant of programme performance. Drawing on the resource-based view, organisational capability enables the effective conversion of resources into operational outputs. Districts with stronger administrative systems are therefore more likely to implement the program efficiently and consistently.

H1: Administrative capacity is positively associated with program performance across districts.

Infrastructure plays a supporting but essential role in execution. Even where administrative capability is strong, inadequate logistics, facilities, or service networks can constrain implementation. Infrastructure thus functions as an enabling condition for operational delivery.

H2: Infrastructure availability is positively associated with program performance.

Fiscal resources are necessary for program implementation, but they are not sufficient on their own. Their effectiveness depends on the administrative capacity of the implementing unit. In districts with limited capability, additional funding may not translate into improved outcomes due to inefficiencies in planning, coordination, and execution. Conversely, in districts with stronger administrative systems, fiscal resources can be more effectively mobilised and converted into performance gains. This suggests that the impact of fiscal capacity is conditional rather than uniform.

H3: Fiscal allocation has a positive effect on program performance, but this effect is conditional on administrative capacity.

Together, these hypotheses test whether MBG performance is primarily driven by capability-based execution factors rather than resource availability. The quantitative robustness check reinforces the current analytical study. Although the dataset is constructed from aggregated and proxy indicators rather than micro-level administrative data, the model serves as a robustness check to test whether the qualitative argument holds under empirical scrutiny. This would allow more precise estimation of program outcomes and further testing of the proposed framework.

5. CONCLUSION

This study examined the MBG program as a distributed service system. The findings demonstrate that program performance is primarily shaped by execution capability across decentralized organizational units.

The concept of territorial operational risk is a valuable analytical lens for explaining variation in the performance of large-scale public initiatives. It states that scaling up involves not only resources, but also organizational capacity, system integration, and adaptive management. This paper argues that large-scale public initiatives should be viewed as operational systems rather than policy tools. The findings indicate that administrative capability and infrastructure are significant predictors of implementation readiness, while fiscal resources alone are insufficient. The study contributes to the literature by merging concepts from strategic management, operations, and public administration and by establishing the notion of territorial operational risk.

It has theoretical and practical implications. Theoretically, the study shows some of how public policy analysis can incorporate insights from strategic management and operations. From a practical/managerial perspective, it implies that scaling programs requires not just resources but also organizational capability. Three strategic priorities surface to improve execution reliability: 1. Operational Standardization. Develop clear, enforceable process standards across all units.; 2. Platform-Based Coordination. Introduce digital systems for real-time monitoring, supplier integration, and performance tracking; 3. Capability Equalization. Invest in training, infrastructure, and managerial systems in weaker regions.

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