

**THE TRANSFORMATION OF TRADITIONAL COOPERATIVES
TOWARD DIGITAL COOPERATIVES IN WEST JAVA
INDONESIA
(THE OPPORTUNITIES AND THE CHALLENGES)**

**Ami Purnamawati; Yuanita Indriani
Cooperative Institute of Indonesia
Rammie7@yahoo.com; yuanita.indriani@gmail.com**

Abstract

Using internet is inevitably in the digital era. All aspects of life including organization take many advantages of it. However the main problem for cooperative business in the developing countries is the lack of information technology competency. This becomes worse when human resources are reluctant or doubt to adopt innovation. As the consequence the cooperatives won't be developed neither able to compete with other businesses to serve their members satisfyingly and gaining the optimal benefits. In 2017, West Java government claims that there were 25,468 cooperatives applying online annual member meeting, however many cooperatives rarely run the digital business operation well.

The aim of the research is to describe the opportunities and the challenges of cooperatives using digital technology. It applies the qualitative method for three cooperatives in West Java. The data are categorized and finally analyzed by thick description. The results indicate that government supports, the board of directors' awareness, existing application programs, and internet providers are the opportunities for the transformation process; nevertheless human resources become main factor for both opportunities and challenges. The most challenges are the digital literacy and skills of the cooperative employees and its members as well.

Today the digital cooperative is a must otherwise it will keep being traditional one, unable to support board of directors to manage the cooperative effectively, efficiently and beneficially that will prevent to increase member participation. Considering the comprehensive socialization and training of digital cooperatives for all members and employees are the keys to develop their performance.

Key words: traditional and digital cooperatives, transformation, participation

INTRODUCTION

The digital era is coming and internet becomes the main device for the whole aspects of human life today. Though it for certain has two sided functions, either positive or negative, rarely one could avoid it. Internet revolutionizes all businesses because the advantages of internet are able to accelerate business quality development efficiently, effectively as well as beneficially. Business competition therefore become tighter for all business agents especially in the 4.0 industry era emphasizing artificial intelligence.

Cooperative as one of business entities ideally also takes the benefits of the internet or digital technology. Although the main objective is not for having profit, the excellent service is a must to be provided for the members. However the main problem for cooperative business in the developing countries is the lack of information technology competency. This becomes worse when human resources are reluctant or doubt to adopt innovation. Some of the human resource problems is the elderlies whose capacity is no longer optimal still dominate as the boards of directors, and some of cooperatives have no capable managers to run their businesses. Indonesia today has the demography bonus for 25% of 250 Indonesia populations is youth, unfortunately lack of them are interested in developing or involved in cooperatives. As the consequence the cooperatives may not be developed neither able to compete with other businesses to serve their members satisfyingly and gaining the optimal benefits.

Indonesia government issues some policies to support and encourage cooperatives and small – medium enterprises development digitally. Both ministry of Cooperative and Small Medium Enterprises and the provincial bureaus hold some training for cooperative human resources and also provide certain digital technology application programs to apply. In 2017, West Java government claims that there were 25,468 cooperatives applying online annual member meeting, nevertheless many cooperatives rarely run the digital business operation well.

Problem Formulation

Based on the research background, there are three main research questions to study as follow:

1. What opportunities do the cooperatives have in applying the digital technology?
2. What challenges do the cooperatives face in applying the digital technology?
3. How would the digital technology application rebrand cooperatives to attract young generations getting involved in cooperatives?

Objectives of the Research

The objectives of the research are describing the opportunities and the challenges of cooperatives using digital technology and finding the cooperative efforts to attract young generations getting involved actively in cooperatives. The findings would indicate that the research could provide advantages especially for contributing the empirical data of modern cooperatives that could be useful for rebranding cooperatives.

METHODOLOGY

The qualitative method is used to conduct the research since it aims to describe the research findings in three cooperatives in Sumedang Regency - West Java. They are *Koperasi Serba Usaha Tandangsari*, *Koperasi Keluarga Besar Ikopin* and *Koperasi Persatuan Wanita Cikeruh*. The purpose of determining the research objects is their different characteristics. *Koperasi Serba Usaha* or Multi Purposes Cooperative Tandang Sari is the cooperative having various business units mainly in dairy farming. *Koperasi Keluarga Besar Ikopin* is the cooperative belongs to students, lecturers and staffs of Ikopin as the education institution; and

finally Koperasi Persatuan Wanita Cikeruh is the cooperatives whose main business unit is a saving and loan unit run by women and serves women as the members.

In collecting data, the researchers conducted Focus Group Discussion (FGD) and in-depth interview toward the boards of directors. The collected data are categorized and finally analyzed by thick description following the procedure of this chart:

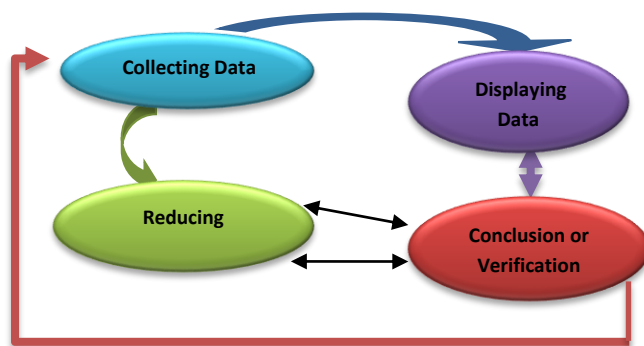


Figure 1. Interactive Model of Data Analysis Sugiyono (2006)

RESULT AND DISCUSSION

Cooperative Profiles in Brief

1. Koperasi Tandangsari

The Multi purposes cooperative runs dairy cow farming unit, saving and loan unit and agricultural production facility unit. The dairy cow farming unit is the dominant one having some activities such buying and marketing milk, fodder processing, cow health service, artificial insemination and breeding. Directed by five boards of directors, three supervisors and 65 employees, the cooperative is servicing 2,803 members. The numbers of members are fluctuated due to some reasons. The cooperative is an active cooperative holding the conventional annual meeting not the online one.

2. Koperasi Keluarga Besar Ikopin

Koperasi Keluarga Besar Ikopin has 1,863 members in 2017 consisting of Ikopin lecturers, employees, students, office boys, alumni and also society. Its' activities are mini market unit, photo copy unit, Trading unit, save and loan unit, Canteen unit, Culinary unit, micro finance unit, LPK unit (Training Centre unit). There are 37 employees including manager for managing the units. The cooperative is directed by five boards of directors and two supervisors. The same as Koperasi Tandangsari, Koperasi Keluarga Besar Ikopin holds the annual member meeting conventionally.

3. Koperasi Persatuan Wanita Cikeruh

This active cooperative is woman cooperative which is initiated to improve the welfare of the women around Cikeruh Area. There are three boards of directors and three supervisors run the cooperative and serve around 349 members. The business unit they manage is a saving and loan unit. In running the organization, it also holds the conventional annual meeting.

The Opportunities and Challenges for Applying Digital Technology Application

Using or applying a digital technology application is not the simple case for these three cooperatives in Sumedang Regency. All cooperatives admit that the digital technology is urgent to apply for running cooperative both as organization and as business. The boards of cooperatives have good understanding that the cooperative must be computerized in providing the services. They think that being computerized could ease the cooperative. One of the statements is:

“Pemahaman pengurus KSU Tandangsari tentang penerapan teknologi digital sudah bagus salah satu contohnya dengan komputerisasi.” (The understanding of boards of

directors about application of digital technology is good, one of the examples is computerizing).

Besides the boards of directors, the employees also understand the importance of the technology, as they said:

“Umumnya mereka sudah memahami kekurangan dari kebutuhan digitalisasi di koperasi” (Generally they understand their weaknesses and the digitalization needs for cooperative)

The proofs that the cooperative using the digital technology are they have already applied to input transaction data, had finance software for saving and loan units as well as dairy milk buying and marketing unit. The infrastructures they have to support applying digital technology are laptops, personal computers, some software, and Wireless Fidelity (Wifi) connection. While the software are *Smartcoop* which can make the management of saving and loan cooperative easier, faster and able to compose the standardized accountancy based finance report; moreover members could monitor online information of their saving and loan transactions.

The opportunities as stated could be described in the following figure:

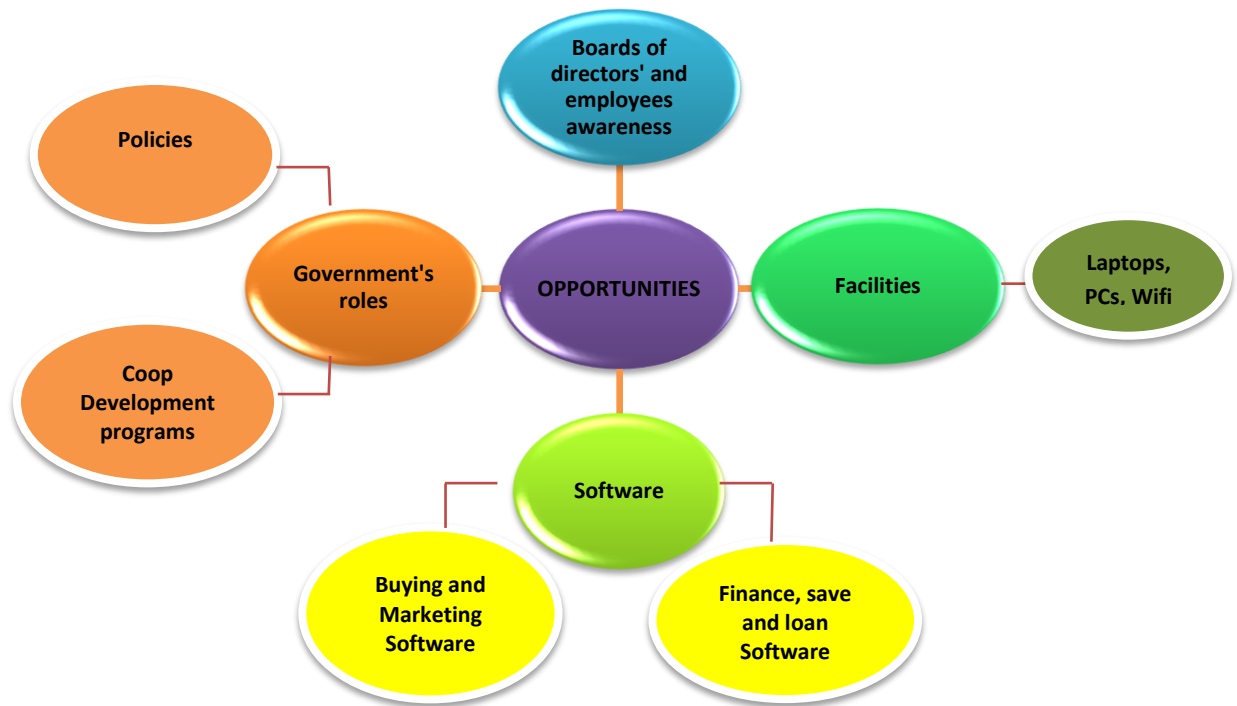


Figure 2. The opportunities of Cooperative in using Digital Technology Application

Although some digital based applications are being used, they state that they haven't been integrated yet for all units neither used maximally. Some obstacles occurred due to the skill of the employees, as stated below:

“Yang utamanya adalah sumber daya manusia karena sumber daya manusialah yang merupakan penunjang utama terselenggaranya suatu proses atau tujuan, bagaimana cara mengaplikasikan program digital.” (The main thing is human resource because it is the main actors in conducting the process how to apply the digital program or achieving the goal)

Spesifically it is also stated that:

“Perangkat koperasi KSU Tandangsari tidak semua paham dan mengerti mengenai software yang digunakan.” (Not all Tandangsari cooperative employees know and understand about software used)

The honest statement is the unskilled board of directors:

“Terus terang kami sebagai pengelola koperasi sepertinya tidak terampil untuk menggunakan program teknologi digital.” (Frankly speaking, we are as the cooperative managers seemed unskilled in applying digital technology program)

They assume that having the technician is necessary but still could not be afforded; as this statement below:

“Kami belum memiliki tenaga IT dan untuk mencari tenaga IT dari pihak luar belum menemukan yang sesuai dengan yang kami butuhkan.” (We had no Information Technology technician, neither found the required from outside cooperative)

There is also statement regarding to members:

“Hambatannya karena anggota terkesan acuh terhadap perubahan khususnya pada teknologi informasi, Masa transisi dari konvensional ke digitalisasi seperti ini biasanya membutuhkan usaha atau effort yang lebih” (The obstacle is members are seemed ignoring the information technology changing. Such transition period from conventional toward digital usually requires more than usual efforts)

Because the digital technology is urgent and not all employees know nor understand about the software, the boards of directors must overcome the obstacles and do some efforts:

“Karena koperasi belum terlalu mampu memaksimalkan pemanfaat aplikasi digital tersebut, oleh karena itu koperasi harus mampu meningkatkan kualitas penggunaan aplikasi digital dengan cara melakukan Pendidikan/edukasi pemahaman aplikasi digital.” (Since cooperative is not quite able to maximize the usage of digital application, cooperative must be able to improve the quality by educating the digital application)

The government also functions to encourage the cooperatives to apply the digital technology. The cooperatives affirm the government's roles but they still criticize the training programs:

“Peran pemerintah dalam mengaplikasikan program digital dalam pengelolaan koperasi dirasa masih kurang, kurang maksimalnya pemerintahan dalam pengadaan pelatihan

pelatihan atau pembinaan kepada koperasi mengenai pentingnya pengaplikasian program digital untuk pengelolaan koperasi.” (The government’s role in applying the digital program for cooperative management is still lack. They are lack of trainings or cooperative developing about the importance of digital technology.

Not only cooperative development there is also a complaint about need assessment for training the cooperatives:

“Upaya pemerintah dalam mendorong koperasi untuk menggunakan aplikasi teknologi digital ke KSU Tandangsari baru melalui pelatihan-pelatihan, namun materi pelatihan tersebut masih kurang sesuai dengan kebutuhan KSU Tandangsari.” (The government efforts to support cooperative using digital technology for KSU Tandangsari just facilitating training; the training materials are still not suitable for the cooperative’s needs, though)

From all statements, the challenges in applying digital technology applications can be seen as follow:



Figure 3. The Challenges of Cooperative in Using Digital Technology Application

The results indicate that government supports, the board of directors' awareness, existing application programs, and internet providers are the opportunities for the transformation process; nevertheless human resources become main factor for both opportunities and challenges. The most challenges are the digital literacy and skills of the cooperative employees and its members as well.

The digital technology may be the new innovation for some people. In line with the digital phenomena, the diffusion and innovation theory created by Everett M Rogers (1964) says that there are four innovation characteristics influencing innovation adoption which are relative advantage, compatibility, complexity, and also trial ability. People would adopt the innovation if it has relative advantage. The bigger the relative advantage is, the faster the innovation will be adopted. The digital technology is assumed has big relative advantage for cooperative.

As the new idea, digital technology is compatible for current condition. The compatibility could accelerate the adoption of it. The new idea however may have complexity, and certain complexity could prevent the adoption. For some who do not understand the digital technology, the complexity becomes the reason to reject the innovation. This also happens to the boards of cooperatives who feel comfortable with the current condition without the digital program. Last but not least, is trial ability, the process of trial and error could make the adopter know the advantages and the disadvantages of the innovation before adopting wholly.

Capable human resources become the main factors in adopting innovation especially for developing the today business. They are the ones who are able to anticipate the changing, think comprehensively and have positive attitudes. The changing is inevitable then the capable human resources are the key to anticipate it. Cooperatives require them to develop and rebrand their business and organization. In this case cooperative should manage human resource properly. One of the functions of the human resource management is staffing or employment (Hani

Handoko:2003). This function could make good planning related to employee selection therefore cooperative will have the right man on the right job.

Rebranding Cooperatives

Providing the satisfying service for the members is the priority for the three cooperatives. They realized that technology is one of the important factors in cooperative business development. They said that:

“bagaimanapun juga bisnis yang saat ini tidak bisa berpisah dari teknologi, Terlebih apabila sasaran dari aplikasi digital ini generasi milenial, hal ini juga dapat mendorong anggota untuk lebih aktif lagi dalam berpartisipasi, karena banyak informasi dan manfaat yang dapat diberikan koperasi terhadap anggota melalui aplikasi digital.” (No matter what, recent business can't be separated with technology. Moreover if the target is the millennial generation, through digital application, cooperatives could encourage the members to participate more actively because there is much information and more advantages that cooperative provide for the members)

They also believe that cooperatives will have competitive advantages when digital technology applied; on the contrary the cooperatives will lose their members, because they choose others giving more benefits and facilities. In this case they said:

“koperasi tidak boleh acuh terhadap perkembangan teknologi khusus nya aplikasi berbasis digital yang dapat memberikan banyak manfaat dan kemudahan.” (Cooperative can't ignore the technology changing especially digital based one giving more benefits and facilities)

The main factor to rebrand cooperatives as the traditional toward the modern one is digital based technology. Rebranding is the process of taking an existing brand and reworking the brand into something different and better than before.¹ It will affect the cooperative development; however there are prerequisites before the cooperatives apply it. Governments

¹ <http://www.stealingshare.com>

with their attached functions to develop cooperatives have many policies or programs. They must provide some programs and conduct program socialization as well as facilitate the training. Through the effective implementation, the governments encourage the awareness, creativity and commitment of boards of directors, employees and members. Their awareness, creativity and awareness would cause the boards of directors provide the programs, socialization, training and infrastructure enabling the improvement of knowledge and skills for all cooperative stakeholders. Knowledge and skill of cooperative human resources accelerate the satisfying services for their members therefore the members would be satisfied. The satisfied members absolutely could be the loyal members and actively participate in cooperative transaction; this can make cooperative has competitive advantages then the developed cooperative occurred. The following is the figure of the process of rebranding cooperative through digital technology application:



Figure 4. Process of Rebranding Cooperatives through the Digital based Technology Application

CONCLUSIONS AND RECOMMENDATIONS

Today the digital cooperative is a must otherwise it will keep being traditional one, unable to support board of directors to manage the cooperative effectively, efficiently and beneficially that will prevent to increase member participation. However all cooperative stakeholders have big responsibilities in encouraging, supporting and applying the digital technology application.

Considering the comprehensive and effective socialization and training of digital technology application for all members and employees are the keys to develop their performances through awareness and commitment enhancing.

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