

Analyzing Factors Affecting Performance Of Co-operative In Cimahi

Heni Nurani Hartikayanti*
Jenderal Achmad Yani University, Indonesia

Poppy Permadhy
Sangga Buana University, Indonesia

— *Review of* —
**Integrative
Business &
Economics**
— *Research* —

ABSTRACT

Co-operative is considered as a pillar of the economy for people, which is the most suitable form of business in a democratic economic system. In order to enhance the role of co-operatives as the center of empowerment for people, the ability of organizations to manage the business has to be improved. The objective of this study is to find the factors affecting the co-operative's performance. The research method is descriptive and the data is analyzed with the multiple regression analysis. The data is collected by questionnaires to 26 respondents in the co-operative management. The factors analyzed in this study are about leadership, professionalism of employees (internal factors) as well as the guidance and supervision of the government (external factors). The results shows that the style of the leadership of the co-operative greatly affected the co-operative's performance. Professionalism of the cooperatives employee needs to be improved because it had no significant effect on the cooperative's performance. On the other hand, the government guidance and supervision are necessary for the co-operative's development as the center of an empowerment effort for the people. The result of this study also shows that the government should get involved in fostering the co-operative empowered as a center for empowerment business to the people, and in supporting the improvement of public welfare.

Keywords : democratic economic system, co-operatives, business empowerment

1. INTRODUCTION

The economy of a country is highly determined by the activities of the business perpetrators. The agents who play an important role in the economic of a country are small and medium entrepreneurs. The co-operative activities in the future will be able to give a dignified life for the million of people who may feel the difficulty and then turned into a co-operative on responding to a globalism and a deep recession in the world (John Curl, 2010). The partnership between member and the board of a co-operative provides

a boost to start mutual activities among the actors. In this way, it can facilitate the formal co-operative arrangement (Iiro Jussila et al. 2012). Nevertheless, running the co-operative is rather different with running business enterprise in general, especially in terms of financing (Pasi Syrjä et al. 2012).

An excellent co-operative must be supported by the commitment of the members. This will lead to flexibility of the co-operative, problem solving, property rights, and reducing the differences in perceptions. The commitment of the member of a co-operative is an important force to face the challenges of increasingly global business environment. The co-operative members should promote the commitment to stay and to be active users of their own organization (Iiro Jussila et al. 2012).

The economic crisis has led various parties to consider the co-operative, not only in academic circles, but also among the members of the community at large. The co-operative is perceived as an alternative business capitalist model, which has been long force in the industrial sector. In addition, the co-operative is seen as a possible way on the companies in crisis which might be re-organized so the people who are affected by the unemployment crisis can put back together. Recent research has shown that to face the negative shocks, co-operative performance tends to decrease at a lower rate than other types of organizations (Chiara Carini, Maurizio Carpita, 2014).

Recognition of good cooperation in the co-operative rests on the rearrangement of existing governance so that there will be a better understanding to avoid problems in the past and build a strong institutional forms that can help reduce poverty among co-operative members. The advantages are obtained if the co-operative has a large community or has a strong co-operative structures that can pool resources and distribute benefits widely (Rowshan Hannan, 2014)

During the period of crisis and post-crisis, economic problems would be solved by the co-operative movement that plays an important role to support the local community as the previous years. In Indonesia, the co-operatives have important role in the national development. In implementing sustainable development, Indonesia needs substantial funds not only from government, but also through private sector participation. One popular way to invest is through the co-operative, especially for people who have a small investment capitals (Baswir 2000: 181). Furthermore, the role of co-operatives in the 1945 Constitution, Article 33, Paragraph 1 states that the co-operative is an economy structured as a joint venture based on the principle of family. Therefore, the role of co-operatives should appear as an organization that can collect and form the economic forces together to improve the welfare of members in particular and society in general.

The achievement of establishment of co-operatives in the welfare of members faces many obstacles, both internal and external.

2. LITERATURE REVIEW

Economic democracy system is a system that refers to the mandate of the national constitution, so that the constitutional basis is the law governing product (associated with) the national economic livelihood. However, running the co-operative has to do with a complex business competition. To increase the competitive atmosphere, the co-operative has to compete with other businesses, because it considered as a representative institutions in the economic empowerment of the community. To adopt this, the co-operative organization is required to adapt the change quickly (Ernie Sule, 2011). The co-operative organization is more responsive to the environment, more adaptive and more capable to keep up its existence. In this way; the emerging concept of learning organization confirms an important role of human resources in organizations such as co-operatives. To administer perfectly, the co-operative needs to pay attention to human resource development.

Hanel (1989) suggests that there are two approaches in defining co-operative both in theory and practice. The first approach is scientific essentialism approach (according to the law), and second is scientific nominalist approach (according to the definition of cooperative economics). Essential scientific approach (legal sense) is a co-operative approach based on definition. It always starts from the co-operative's principles, especially adopted by the pioneers of the co-operative. On the one hand, essentialism approach assumes that the co-operative's principle has a number of values, norms, and concrete goals founded in the entire cooperative, but on the other hand, the principles of organizational development and employment guidelines are pragmatic, that successfully applied in certain circumstances. Co-operative is a unique form of business. The co-operative is created for the benefit of its members, who also the owners, the customers and the suppliers. One thing that is important to continue co-operative's development is the ability to deliver value to its members. The unique nature of its business models creates the specific relationships among the members, and therefore leads to the commitment of its members (Tim Mazzarol et al. 2012).

The Indonesian co-operative's principle is based on family (Article 2 of Law No. 25 on 1992 on Co-operatives). The family's zest is the key of differential between co-operatives and other forms of other business entities. The family's zest has three elements:

1. Awareness of self-esteem as a person (individuality)

Awareness in every human being will not able to develop properly if they do not cooperate with others. Consciousness leads to the growth of the attitude which also leads to a zest of brotherhood.

2. Sense of solidarity

Solidarity is very important for develop of a co-operative effort, because solidarity will encourage each member of the co-operative to feel as one big family and a similar fate. It is started from this solidarity will be coming together, working together and helping in the co-operative. Solidarity is among the others manifests in the form of mutually cooperation that has long existed in Indonesian society.

3. Trust in yourself (self-help)

The attitude of believe in yourself will grow because of helping each other among cooperative members who support the impersonal consciousness and solidarity that is useful for development of co-operatives.

As a non-bank financial institutions, co-operative is a business owned and controlled by its users and distributed profits (economic benefits) obtained from business activities based on the level of participation of its members (David W. Cobia, 1989).

Therefore, co-operative management felt by members of the need for cooperation between board members (Iiro Jussila et al. 2012). This will encourage officers and members to start co-operative activities organized among actors, which then facilitated the formal co-operative arrangements. This condition will motivate members to exchange resources, and other forms of exchange in a sustainable way to make the success of the relationship between the board and its members.

A good relationship between the board and its members will create a high commitment of its members to develop co-operative efforts. The commitment of the members is an important element for sustainable cooperation and business success (Iiro Jussila et al. 2012). Therefore, the co-operative must give service flexibility and help members to solve the problem. Co-operative members should promote the commitment to stay as the member and active users of their own organization. Satisfaction of co-operative services is an important goal achieved by the co-operative management. In order to run the co-operative effectively, the co-operative service has to pay attention on satisfaction measurement so the manager can continue to improve the worst things to keep up the commitment of members to the development of co-operative.

The successful of the co-operative management will depend on internal and external factors. The internal factors are the co-operative's performance, including leadership,

professionalism of employees and total assets. The external factors are the supervision and guidance from the local government.

Leadership implies the ability to inspire the others. Leadership means the ability to understand intuitively the thoughts of others unspeakable, express feelings verbally allowing ease the anxiety that men feel to make success. The ability of a leader many bring followers along with him, inspire them, make decisions on their behalf, with or without their cooperation and communicate their decision-making on others. A leader is basically the main responsible culture within the organization, also as a party that should start changes which related to organizational culture. This is because the behavior of top management has an impact on philosophy receiver and new ideas by employee.

3. METHODOLOGIES

This research used quantitative method. The primary data are obtained directly from the source of research data (respondents) form the questionnaires and the interviews. The objects of the research are Analysis Internal and External Variables Affecting Performance in Cimahi Co-operative (Case Study of Independent Co-operative). The sampling technique used with consideration. The numbers of co-operatives are 26 independent co-operatives in Cimahi. Questionnaires are distributed to the board of 26 cooperatives. The 20 items of the indicator and each items assessed by using a 5-point Likert scale. A 5-point Likert Scale measures attributed of variables, each attribute rate is using a 5-point Likert Scale ranging from 5 (strongly agree) to 1 (strongly disagree).

Table 1 : Personalization Variables

No	Variables	Indicator
	Internal Variables : X ₁ : Leadership	<ul style="list-style-type: none"> • Standard-setting work • Oriented tasks • Organizing in detail • Supervision of work • Determine the method of work • Encourages motivation to work • Encourage the participation of employees • Reward

No	Variables	Indicator
	Professionalism of employees	<ul style="list-style-type: none"> • Education • Training
	Net asset	<ul style="list-style-type: none"> • Net asset
2	External Variables	
	Supervision	<ul style="list-style-type: none"> • Make regulations • Technical guidance • Provision of facilities • Credit policy • Distribution policy
	Guidance	<ul style="list-style-type: none"> • Monitoring • Auditing
3	Performance Co-operative	
	Business performance	<ul style="list-style-type: none"> • Revenue • Profit

The extended conceptual framework of variables for this study is exhibited in the Figure 1.

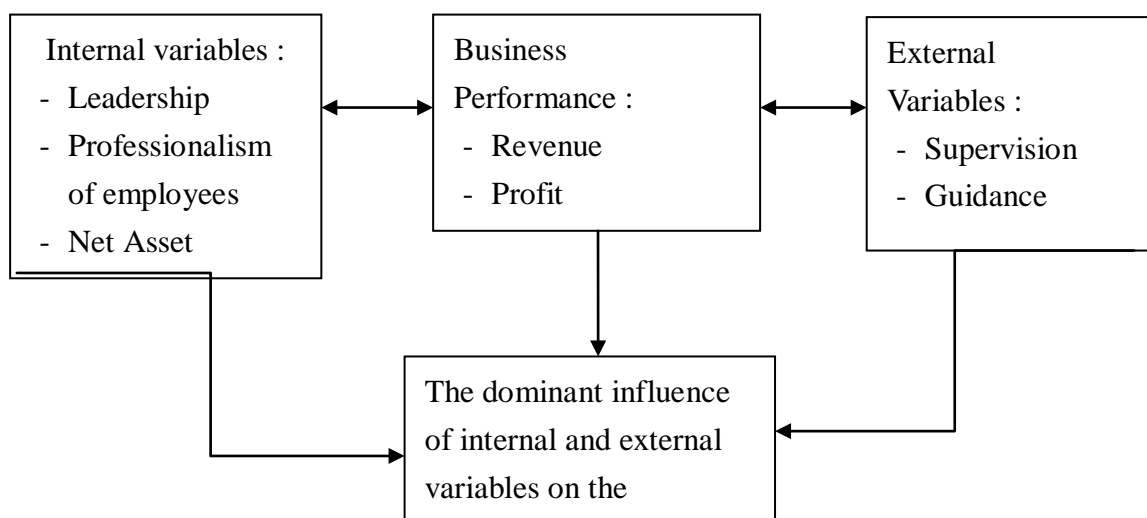


Figure 1 : Conceptual framework

2. RESULT

Co-operatives in Cimahi have a good role in improving the local economy because there are a lot of people there. Co-operatives are the shape and the type of business that classified in the economic community because it is independent and it is a joint venture. Regional economic security depends on economic actors, such as in the co-operatives. To that end, the strength of the economy will be able to grow and develop properly if the power of collective work together shaded by the co-operative function properly, in which orientation of the majority SME and co-operatives in Cimahi are to the local market. This is why the co-operatives are relatively more resilient in the current economic crisis. Free market competition with the approval of the common market to countries in Southeast Asia (Asian Economic Community) in 2015 have to work together to face the competition from other countries employers. Therefore, it is necessary to set out the steps the co-operative development based on identifying of the problems that exist today. One of the causes of the underdevelopment co-operatives in the economic improvement has to do with the quality of service co-operatives.

Until the end of year 2014, the number of co-operatives in Cimahi reached 367 with total membership of 23,135 people. Nevertheless, there are just 103 co-operatives from 367 that are still active in co-operative activities, while the number of SME is 4,357 pieces. This condition indicates that the co-operatives and SME had an important role for Cimahi's economy. The asset owned by all existing co-operative is up to Rp. 131,923,965,974.00 and the amount of capital owned by members is up to Rp. 23,998,683,931.00. These are huge amounts that must managed properly. The local government's data do not record how many co-operative members who have a small and a medium business. This cause problem when the government wants to develop co-operatives as a center of business empowerment of the people.

Co-operatives in Cimahi is generally led by an elected member based on trust and chosen from the members who have a special character, not based on ability and education. Generally, they are the leaders in the region or government officials. They relatively do not understand the rules of co-operative and good business management. They taught itself about proper business management. However, the board which held leadership shows no bad thing. When carrying out their duties, leadership still appears to give a high boost to the employees through set up of a clear task. The employees are guided and motivated to do well in line with the assignment. In addition, the excellent employees are awarded properly.

The majority of education level of the co-operative board are from high school. Business management knowledge is still lacking. They work as it is only in accordance

with their capabilities. Training is very rarely done, but because of they are government officials who do not have enough time to manage the co-operative effort with fully time. Funds are available for a very limited training. Analysis of field data indicates that the leaderships, professionalism of employees and total assets have a very high impact on the performance of cooperatives (Table 2)

Table 2 : Effect of internal variables

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.964 ^a	.929	.896	.60691

In line with the law of cooperatives Indonesia, the task of co-operative development of guidance and supervision is in the hands of local government. The Government, through the Department of Co-operatives, conducts training on an ongoing basis through monitoring performance each year. In addition, the government also held training for employees of the co-operatives and SME. Unfortunately, the trainees are usually the people who have been trained before. This is in line with the board mentioned above that they do not have time for training. This condition causes the co-operative board could not get the benefit of guidance from the government.

Besides duty to direct, the regional government imposed the task to prepare rules that can help promote co-operative development. The provision of facilities for co-operative is constrained by limited funding in the budget regions. As an external party, this role has not been felt by the co-operative. This is consistent with the results of field analysis data depicted in table 3 that the effect of the external variables is smaller than the internal variables.

Table 3 : The Effect Of External Variables

Mode	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.865 ^a	.747	.713	1.00798

5. CONCLUSION

The co-operative in Cimahi have a very important role in the economy of the city. As a pillar of the economy, the co-operative developed by improving factors can weaken the co-operative. The internal factor that influence the co-operative development is

leadership enhanced through education and training. Professionalism of employees needs improvement. The role of local government must continuously aids the co-operatives development in particular to help provide facilities and distribution of products.

REFERENCES

- [1] Chiara Carini , Maurizio Carpita,2014, “The impact of the economic crisis on Italian co-operatives in the industrial sector”, *Journal of Co-operative Organization and Management* 2,14–23
- [2] Cobia,David W. 1989. Co-operative in agriculture , Prentice Hall , New Jersey
- [3] Ernie Sule, 2011, “Penguatan SDM Koperasi melalui Pengembangan Intellectual Capital dan Knowledge”, .ernie sule@unpad.ac.id 11 March 11, 2014
- [4] Hannan, Rowshan,2014, “The institution of co-operation: A pathway from governance to spillover and poverty reduction”, *Journal of Co-operative Organization and Management* 2,34–42
- [5] Hanel, Alfred , 2005. Organisasi Koperasi Cetakan ke- 1. Yogyakarta : Graha Ilmu
- [6] Iiro Jussila, Sanjay Goel, Pasi Tuominen,2012,” Governance of Co-operative Organizations: A Social Exchange Perspective”, *Business and Management Research* Vol. 1, No. 2,14-26
- [7] Iiro Jussila, Noreen Byrne & Heidi Tuominen, 2012, “Affective Commitment in Co-operative Organizations: What Makes Members Want to Stay?”, *International Business Research*; Vol. 5, No. 10; 1-10
- [8] John Curl, 2010 “The Co-operative Movement in Century 21,” *Affinities: A Journal of Radical Theory, Culture, and Action*”, Volume 4, Number 1, Summer 2010, 12-29.
- [9] Pasi Syrjä, Helena Sjögrén, Pasi Tuominen,2012,” Financial performance and efficiency of consumer co-operatives and limited companies – agency theoretical approach”, *Journal of Co-operative Accounting and Reporting*, V1, N1, Summer 2012, pp 53-69
- [10] Pasi Tuominen1, Iiro Jussila1&Terhi Tuominen, “The Potential of the Consumer Co-operative as an Alternative to the Public-Private Partnership”, *International Business Research*; Vol. 7, No. 11; 2014, 175 – 180.
- [11] Tim Mazzarol, Geoffrey N. Soutar, Elena Mamouni Limnios,2012, “Member Loyalty in Co-operative Enterprises: A Preliminary Assessment”, Paper presented at the 26th Annual ANZAM Conference, 1 – 18.