



The Unique Strategy in Digital Cooperatives to Increase Benefit for Members

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Abstract

The focus of this research is to analyze the uniqueness of the strategy in the cooperative business to increase profits for its members. This research is qualitative and descriptive. This research was conducted on 10 healthy cooperatives that have used digital applications in their daily operations registered in department of cooperatives and SMEs. The purpose of cooperatives is to prosper members and provide benefits either directly or indirectly. Some of the cooperative business uniqueness, namely: open and voluntary membership, democratic management system and the distribution of residual income is carried out fairly according to the business services of each member. From the results of study, the obstacles that occurred in the implementation of digital cooperatives were: low capital provided by members, the lack of technology understanding in human resources, weak soft and hard skills, the existence of strong competition with other businesses, low interest in young people towards cooperative business, the low quality of the cooperative business planning. Revitalization is urgently needed so that cooperatives do not get worse. The authors suggested that cooperatives needed to develop the right strategy in order to survive in the storm of economic competition. The government had to provide financial assistance for human resource development and provide training for cooperative employees. In addition, it is necessary to revamp the digital business comprehension for young people as new generation so that they can focus more on developing cooperative businesses for giving nation economic contribution.

Keywords: Unique Strategy, Digital Cooperatives, Members

1. Introduction

Cooperatives are the backbone of the existing economic system in Indonesia (Sulistiyono et al., 2022). Article 33 of the 1945 Constitution states that "Indonesia's economy is structured as a joint venture based on the principle of kinship". The business entity most suitable for this article is a cooperative, so that cooperatives are placed as the foundation of the Indonesian economy and are an integral part of the Indonesian economy. In addition, cooperatives have been proven to be able to survive helping the country's economy when the economic crisis occurred in 1998 (blitarkota.go.id). However, until now, cooperatives have lagged behind compared to other economic institutions. The cause of this downturn is because there are many problems that must be faced by cooperatives, including: administration of activities that have not met certain standards so that they have not provided complete data for decision making, problems with operational management, product marketing and governance, and limitations on understanding information technology which actually plays a major role in the progress of an organization (Sulistiyono et al., 2022). The following shows the number of cooperatives in Indonesia until the end of 2021 in Figure 1.

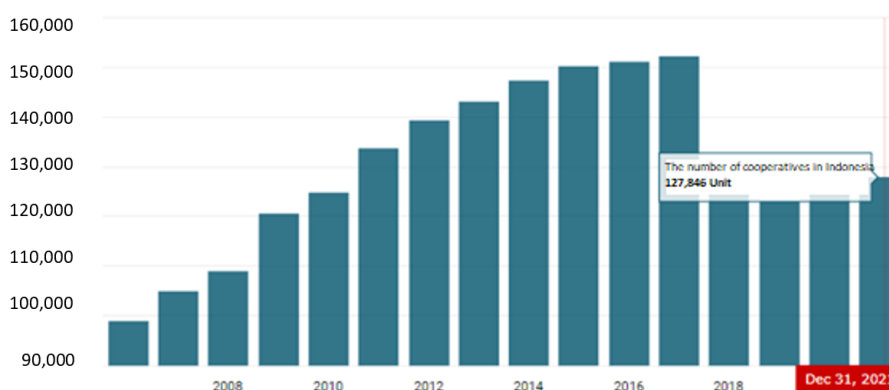


Figure 1: Number of Cooperatives in Indonesia until the end of 2021

Source: databoks.katadata.co.id

The Central Statistics Agency (BPS) report shows that the number of cooperatives in Indonesia has increased again since the Covid-19 pandemic. The number of cooperatives in Indonesia will reach 127,846 units in 2021. This number has increased by 0.56% compared to the previous year. The largest number of cooperatives in Indonesia in 2021 will be in East Java, namely 22,845 units or around 17.86% of the total cooperatives. Then, followed by West Java and Central Java with 15,621 units and 10,270 units respectively. From this statement, the authors can conclude that cooperatives are proven to be able to continue to thrive in the face of global influences such as the Covid-19 pandemic.

However, behind the development of cooperatives in Indonesia, Saskara & Marhaeni (2018) stated that the new challenges facing cooperatives in Indonesia are increasingly complex and complicated. This is due to changes in the lifestyle of the millennial generation. The pattern and lifestyle of the millennial generation is characterized by everything that is faster, easier, cheaper, more comfortable and safer. Karin & Abner, (2022) stated that digital technology has become part of the lives of millennials and are very dependent on technology and the Internet for all their activities. They are also good at using the internet to earn income and make a positive contribution to other people and the environment. The digital world changes human life in ways that are unimaginable.

Cooperatives in the era of the industrial revolution 4.0 must adapt and transform in the face of an ever-dynamic environment. The first step that needs to be taken in the transformation of cooperatives is to build creative and innovative characters for the people who drive cooperatives. Creativity requires cooperative people to think differently than other people, while being innovative requires cooperative people to act differently from other people. Creative and innovative people will be able to adapt more quickly to their environment. With creative and innovative people, cooperatives can start their own transformation to organize their organization and business strategy according to the industrial era 4.0.

Strategy is an action to adapt to all reactions or environmental situations that occur, both internal and external. As a business entity, cooperatives need to use strategies and implement strategies into all their activities, be it short term, medium term or long term. Therefore, judging from the current phenomena, researchers are interested in conducting research on strategies that need to be developed by cooperatives in dealing with the digital era, so that the formulation of the problem raised in this study is "what is the strategy for developing cooperatives in the digital era?".

2. Literature Review

Cooperative

According to Law No. 25 of 1992, cooperatives can be interpreted as a business entity consisting of a group of people whose activities are based on cooperative principles as well as a populist economic movement based on kinship. Meanwhile, Mohammad Hatta stated that cooperatives are a type of joint business entity that uses the principles of kinship and mutual cooperation. Thus, it is not surprising that the management of cooperatives leads to mutual assistance activities to improve and increase the economic welfare of its members. That is one of the reasons why cooperatives are very beneficial for many people (www.gamedia.com).

The cooperative principles are (koperasi.kulonprogokab.go.id):

1. Membership is voluntary and open.
2. Democratic management.
3. Distribution of the remaining results of operations is carried out fairly.
4. Distribution of limited remuneration to capital.
5. Independence.

Strategy

Strategy is a unified, comprehensive and integrated plan that links the company's advantages with environmental challenges and which is designed to ensure that the company's main objectives can be achieved through proper implementation by the company (Wheelen et al., 2017). According to Hamel and Prahalad quoted by Rangkuti, (2002) "Strategy is a tool to achieve company goals in relation to long-term goals, follow-up programs, and priority allocation of resources".

Porter (1985) states that there are three general strategies used in a company, namely:

- a) Differentiation strategy. The hallmark of this strategy is that the company makes a decision to build a potential market's perception of a superior product/service so that it looks different from other products. Thus, it is expected that potential consumers will buy at high prices because of that difference.
- b) Overall cost leadership strategy. The hallmark of this strategy is that the company takes into account competitors rather than customers by focusing on cheap product selling prices, so that production, promotion and research costs can be reduced. If necessary, the resulting product is just to imitate the product of another company.
- c) Focus strategy. The hallmark of this strategy is that the company concentrates on a small market share to avoid competitors by using an overall cost leadership strategy and differentiation.

Information Technology

Information Technology is a set of tools that assist in working with information and performing tasks related to information processing (Haag & Keen, 1996). Information Technology is a technology that combines computing (computers) with high-speed communication lines that carry data, voice and video (Williams & Sawyer, 2003). Information technology is a technology that is not only computer technology (hardware and software) that will be used to process and store information, but includes communication technology to send or disseminate information (Martin, 1999).

Digital technology is a tool that no longer uses manual labor, but rather an automatic operating system with a computerized system or a format that can be read by a computer. Digital technology is basically just a very fast calculating system that processes all forms of information as digital code (system-computer-s1.stekom.ac.id). Digital technology is an innovation and the result of the development of its creators. Digital technology provides maximum convenience for humans to fulfill their various needs. Digital technology is a tool with a computerized system. In general, technology can be interpreted as a science related to tools or machines that are created to make it easier to solve problems or daily work. Digital technology is expected to be able to bring a good influence on life (www.merdeka.com).

The existence of digital developments and internet technology opens wide opportunities for cooperatives and MSMEs. With technology, companies can not only socialize, but can also do business more easily (www.lalamove.com). The benefits of using technology are:

- a) Simplify marketing.
- b) Save time and money.
- c) Increase productivity.
- d) Easier team management.
- e) Improving service.

The following is the development of internet users in Indonesia and show in Figure 2.

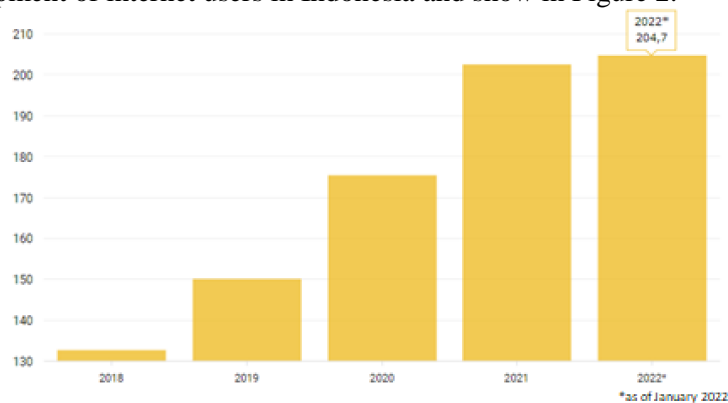


Figure 2: Graph of Internet Users in Indonesia until 2022

Platform

A digital platform is a place, container or facility that facilitates the meeting of parties to exchange information, trade or offer services and services. The presence of a digital platform allows all transaction activities to be carried out in one place, which directly brings together sellers and buyers, providers and recipients of information, or providers and users of services/services. Because of its broad nature, digital platforms have different types. This difference arises following the diversity of functions and objectives of the formation of a platform. For example, currently there are various names of social media platforms such as Facebook, Instagram, Twitter, and LinkedIn. There are also audio-visual platforms such as YouTube, Spotify, Apple Music, and Langit Musik that are here to meet the entertainment needs of the community.

A digital platform can be said to be successful and meaningful if it is able to carry out two main functions. First, if the related digital platform can facilitate the exchange of services, information, and bridge trade properly. Second, if the platform is able to provide great added power for the community to improve their standard of living and welfare (digitalbisa.id).

3. Materials and Methods

This research is descriptive and qualitative in nature. This research involved 10 cooperative managers who have used digital-based applications. Sampling was done randomly (simple random sampling). Data collection is done directly by conducting interviews. The author gets a lot of information input but in this study, the writer reduces irrelevant information so that the information presented in this study is more accurate and on target

4. Results and Discussion

Firstly, the author conducted an interview with one of the managers at the 'Glue Cooperative' whose head office is at the el-Royale hotel, Bandung. Pak Bambang, as the manager at this cooperative, admits that he has used an Android-based application for his daily transaction activities. This application is SAKTI.Link.



Figure 3: SAKTI.Link application display

SAKTI.Link is an android-based application that has many functions, namely: making money transfers to bank accounts and between cooperative members. In addition, this application makes it easier for members to send principal savings and mandatory savings so that transactions can be done remotely at any time. This application also supports electronic money storage such as 'Top Up Funds', 'GoPay', 'LinkAja' and 'Ovo'. Another function is to make vehicle credit payments, purchase credit, data packages and so on. All of these transactions can be done in the palm of your hand.

Pak Bambang explained that the struggle to bring cooperatives in Indonesia to a better direction has not been completed because they are still facing the 4.0 revolution era. This revolution will bring big changes in an all-digital

life. Cooperatives must carry out total reforms in order to be able to get through the Industrial Revolution 4.0 era. Cooperatives must be able to adapt and transform dynamically, meaning that cooperatives must be creative and innovative in carrying out their business strategies. In fact, they must have developed applications, including member service and business applications. This transformation effort is intended to improve business performance. Technology can be used as a cooperative tool in implementing business efficiency strategies and can increase competitiveness.

Ms. Monika, as one of the cooperative managers in Bandung said that the “Annual Budget Meeting” can be held online. Cooperatives are expected to be able to answer the challenges of the times and be able to compete with other business sectors. Not only is the use of technology one of the key roles for success in the future, but the involvement of the 'now' generation (millennials) is needed to ensure the existence of the foundations of this national economy.

Mr. Budi, a cooperative manager in the Jalan Surapati area, said that one of its characteristics is the reduction of the dependence of cooperative businesses on the government and more towards the cooperative philosophy, namely 'self help organization'. Another characteristic of cooperatives that are successful in using digital-based applications is that the business they run is in the area of modern business, no longer a type of savings and loan business, all business and consumption only.

Another cooperative digital platform used is koota (Integrated & Secure Online Cooperative Application). This application is a 'cloud' based digital cooperative management application. Koota is a startup company that receives funding and has a function to manage cooperative finances to develop cooperative performance. With the principle of 'Digitalization of cooperatives', this application provides many administrative solutions, such as:

1. Management of financial reports. This application generates financial reports and cooperative financial transactions in accordance with applicable regulations.
2. Decision-making solutions. This application has a unique function which is like the management of 'big data'. With the right information, this application makes the right decisions for cooperative development strategies
3. Security solutions. This application is equipped with 'Multi-layered security' which will provide security for financial data and cooperative activities, including:
 - a. Limiting User access based on user Access level and authorization based on cooperative internal procedure flow
 - b. Security in the Operating System
 - c. Security in Database Security
 - d. Security in Apps
 - e. Management of Member Deposits



Figure 4: koota.id Application

Researchers conducted interviews with one of the cooperative managers in Bandung. He explained that there are obstacles in the use of digital-based applications, for example, many employees do not understand digital technology that functions specifically. In addition, he added that his cooperative has small capital for business development and technology automation.

Mrs. Sri, as the manager of the cooperative at 'Inti Cooperative' said that many of her employees had low understanding of technology. In addition, other employees have weak skills and low quality of business planning. The same thing was added by Mrs. Ivon, as the head of a cooperative at one of the campuses in Bandung, saying that strong competitors were the main threat to the success of her business. In addition, he added that the interest of young and new members is still lacking. This can be felt because digital-based applications for the development of cooperatives have a relatively high price for this type of cooperative business.

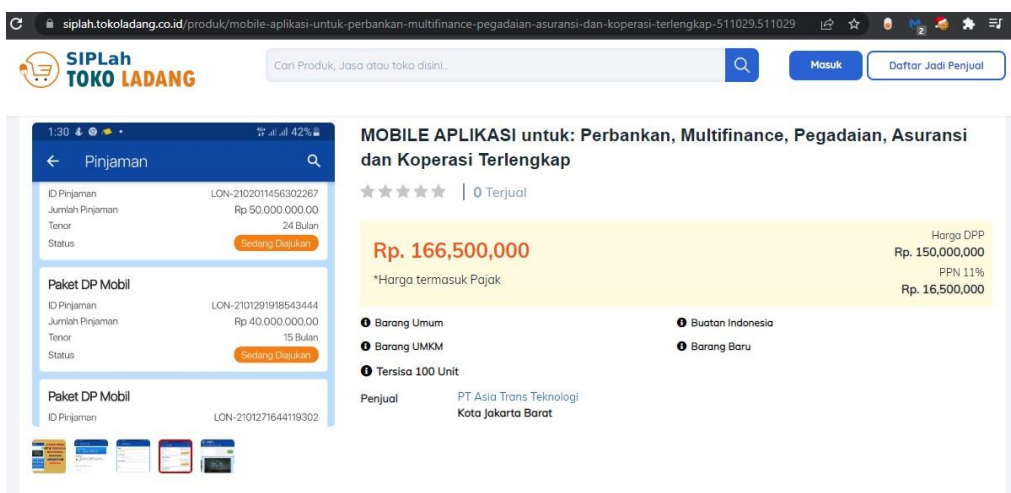


Figure 5: The SIPLAH Farm Shop application with prices that are not cheap

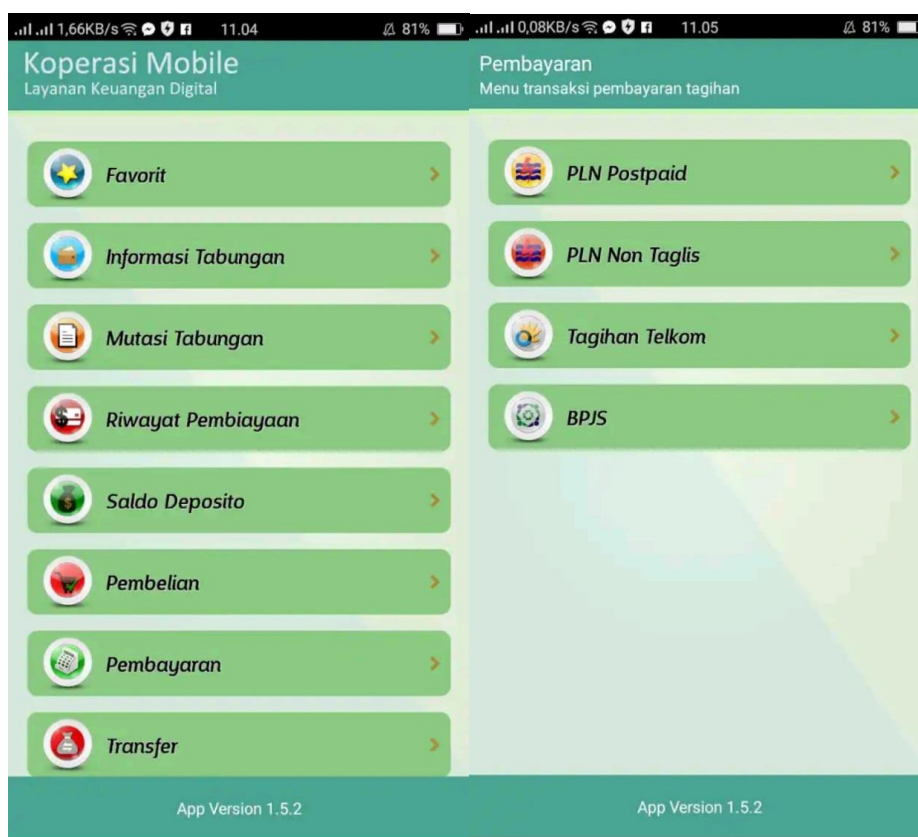


Figure 6: Online Cooperative Application

5. Conclusion

The author has conducted qualitative investigations and research, namely by conducting direct interviews with 10 cooperatives in Bandung that have used digital-based applications. The use of this digital-based application has a good impact on the progress of cooperatives, such as facilitating better transactions and better management of cooperative membership cards. But there are also some obstacles that occurred in the implementation of digital cooperatives, which are: low capital provided by members, the lack of technology understanding in human resources, weak soft and hard skills, the existence of strong competition with other businesses, low interest in young people towards cooperative business, the low quality of the cooperative business planning.

Revitalization is urgently needed so that cooperatives do not get worse. The authors suggested that cooperatives needed to develop the right strategy in order to survive in the storm of economic competition. The government had to provide financial assistance for human resource development and provide training for cooperative employees. In addition, it is necessary to revamp the digital business comprehension for young people as new generation so that they can focus more on developing cooperative businesses for giving nation economic contribution.

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