



Identity and Cooperative Competitiveness Through the ICA Grid Model Approach (Study on Cooperative of Cattle Farming)

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Abstract

Cooperatives as a business entity are expected to have a competitive advantage compared to other business entities, thereby providing optimal service to members. In running this business, cooperatives are companies and organizations, so in carrying out their activities they consistently carry out a cooperative identity. For this reason, this study was conducted to find out how the competitive advantages of cooperatives consistently carry out cooperative identity by using the ICA Grid instrument. This research is a case study and was held in Koperasi Pertenak Sapi Bandung Selatan (The Cooperative of Cattle Farmer in South of Bandung) that cooperatives must have a greater role in their business activities.

Keywords: Cooperative Identity, Cooperative Competitiveness, ICA Grid model

1. Introduction

Cooperatives as business entities consisting of individuals or cooperative legal entities with their activities based on cooperative principles as well as a people's economic movement based on the principle of kinship (Ministry of Cooperatives and Micro, Small and Medium Enterprises, 2016). Cooperatives as a people's economic movement as well as business entities participate in realizing an advanced, just and prosperous society within the national economic order. To understand cooperatives as the pillars of the economy of the Indonesian nation, it is necessary to understand the identity of cooperatives which includes the definition, principles and values of cooperatives.

The definition of a cooperative (Peterson & Anderson, 1996) is the definition of a cooperative which basically expresses the meaning of the cooperative itself and is an elaboration of cooperative principles or stages of cooperative principles, especially cooperative principles applied by cooperative pioneers such as Rochdale, Raiffeisen, Schulze etc., as well as other conceptions. Meanwhile, cooperative principles constitute a number of concrete norms and goals, which should ideally be applied to all cooperatives. The principles of cooperatives can be used as useful guidelines for the development of cooperative organizations and cooperative movements, as well as the principles of cooperatives as organizational development principles and guidelines for cooperative work. The value of cooperatives is a characteristic that gives a strong influence on perceptions about the situation and behavior of cooperatives. The value system influences the concept of what is ethical behavior and what is not ethical behavior in cooperatives. A value system in a cooperative is a relatively settled basic framework of perception that shapes and influences the behavior of the cooperative itself.

The success of cooperatives will be evident if cooperative management is carried out properly and is based on the principles of cooperative identity and competitiveness. This is in accordance with the recommendations of the ICA ROAP (International Co-operative Alliance, Regional Office for Asia and the Pacific) at the Asia-Pacific Cooperative Ministers Conference in Kathmandu in April 2002. The principle of identity is the essence of the basis of cooperative work as a business entity and is characteristics of cooperatives that distinguish cooperatives from other business entities. Competitiveness ability means that cooperatives must be able to stand alone without depending on other parties, autonomous, self-reliant, willing to manage themselves so that they are able to operate and compete successfully in a market economy. With the principles of cooperative identity and competitiveness, cooperatives will function as a means of economic struggle to enhance prosperity.

The ICA ROAP recommendation at the Asia-Pacific Cooperative Ministerial Conference in Kathmandu in

April 2002 states that cooperative practices can be positioned on a two-dimensional diagram (ie Axis X and Y). The X axis characterizes matters related to state control on the left, while on the right it refers to the competitiveness of cooperatives. The Y axis characterizes matters relating to cooperative identity on the top and on the bottom indicates the principles of investment-oriented companies.

This study seeks to show that cooperatives as business entities must show superiority compared to other business entities but still adhere to the cooperative identity which is the hallmark of cooperatives, through the ICA Grid Model approach in dairy farming cooperatives.

2. Literature Review

2.1. Cooperative Identity

Cooperative identity is a cooperative identity listed in the ICIS Formula (International Cooperative Identity Statement), Manchester – England, September 1995 (Noble & Ross, 2021). The ICIS formulation makes a uniform understanding of cooperatives and becomes a benchmark in correct cooperatives because it is motivated by thoughts and views that are adapted to meet aspirations of the worldwide cooperative movement.

The formulation of cooperative identity is inseparable from three definitions, namely:

a. Cooperative definition;

The definition of cooperative consists of three definitions, namely the legal definition, the essential definition and the nominal definition

b. Cooperative principles;

Cooperative principles are the main provisions that apply in cooperatives and are used as cooperative work guidelines. Furthermore, these principles are the "rules of the game" in cooperative life. Basically, cooperative principles are at the same time the identity or characteristics of the cooperative. The existence of this cooperative principle makes the character of cooperatives as business entities different from other business entities.

c. Cooperative values;

Cooperative values, which include the values of self-help, self-responsibility, democracy, equality, honesty, openness, social responsibility and concern for others.

2.1.1 Definition of Cooperative

There are several approaches in formulating the meaning of cooperatives (Peter Davi(s, 2011), namely:

- 1) The legal definition, namely the formulation of the meaning of cooperatives contained in the law. In this case, it means that only countries that have cooperative laws use the legal definition. Because laws are formulated according to the needs and conditions of each country, this legal definition tends to vary in each country.
- 2) The essential definition, namely the definition of cooperative according to its essence as a forum for cooperation between individuals because they have the same interests or goals. Regarding this essential understanding, there is generally no difference because it places more emphasis on the essence of cooperation. The definition of cooperation can be used for various purposes, for example political cooperation to gain power, social cooperation for the welfare of the general public in various fields, economic cooperation to achieve the desired economic goals, and so on. In discussing cooperatives, what is meant by cooperation is economic cooperation between individuals.
- 3) Nominal definition, namely the definition of a cooperative which is formulated for analysis purposes, to differentiate it from other forms of non-cooperative business entity. In this definition the special characteristics of cooperatives are highlighted, and cooperatives are formulated as a concept that has an analytical meaning.

In addition to the three definitions of cooperatives above, here are several definitions of cooperatives, among others put forward by (1) ILO, (2) Munkner; (3) Dooren and (4) ICA. For cooperative definition, the author presents only one definitions, from RI Law no. 25 concerning Cooperatives, as follows:

“Cooperatives are business entities consisting of individuals or cooperative legal entities, with the basis of their activities based on cooperative principles as well as a people's economic movement, which is based on the principle of kinship”

Based on these cooperative boundaries, Indonesian Cooperatives (Peterson & Anderson, 1996) contain 5 elements as follows,

- 1). Cooperative is a Business Entity (Business Enterprise);
- 2). Cooperatives are groups of people and or cooperative legal entities;
- 3). Indonesian Cooperatives are cooperatives that work based on "cooperative principles";
- 4). Indonesian Cooperatives are "People's Economic Movement";
- 5). Indonesian cooperatives "based on kinship";

2.2. Cooperative Principles

Below are presented the seven principles, the most frequently cited of co-operatives.

- 1) Munkner's Principle
- 2) The Rochdale Principle
- 3) Raiffeisen's principle
- 4) Herman Schulze's principle
- 5) Principles of ICA (International Cooperative Alliance)
- 6) Indonesian Cooperative Principles version of UU no. 25 of 1992.

For cooperative principles, the author presents only two definitions, namely ICA and RI Law no. 25 concerning Cooperatives, as follows:

1) ICA Principles

The ICA (International Cooperative Alliance), founded in 1895, is the highest cooperative movement organization in the world. One of the goals of this organization is to develop and maintain cooperative ideas among its member countries. In its activities, ICA always discusses the principles of cooperatives that apply and are adapted to the economic, social and political conditions that develop at that time. Regarding the Rochdale principles, ICA treats them universally and are not static but dynamic, flexible and persuasive. From the results of the ICA sessions (in London in 1934; in Paris in 1937; in Prague in 1948; in Bournemouth in 1963; and, in Vienna in 1966) it can be concluded that, cooperative principles referring to the Rochdale principles are always changing and their application is adapted to the conditions of each country. The ICA assembly in Vienna in 1966 formulated the cooperative principles detailed as follows:

- 1) Cooperative membership is open without any artificial restrictions (open and voluntarily membership).
- 2) Democratic leadership on the basis of one person, one vote (democratic control - one member one vote).
- 3) Capital receives limited interest, and even then if there is (limited interest of capital).
- 4) SHU divided by 3:
 - ✓ Partly for backup
 - ✓ Partly for society
 - ✓ Some to be redistributed to members according to their respective services.
- 5) All cooperatives must carry out continuous education (promotion of education).
- 6) The cooperative movement must carry out close cooperation, both at the regional, national and international levels (intercooperative network).

2) Principles of Indonesian Cooperatives (Ministry of Cooperatives and Micro, Small and Medium Enterprises - UU No. 25 of 1992)

Cooperative principles according to Law no. 25 of 1992 and currently in force in Indonesia are as follows.

- 1) Membership is voluntary and open
- 2) Management is carried out in a democratic manner
- 3) Distribution of SHU is carried out fairly in accordance with the amount of business services of each member
- 4) Provision of limited service limits on capital
- 5) Independence
- 6) Cooperative education
- 7) Cooperation between cooperatives

2.3. Cooperative Values

Cooperative values can be distinguished between ethical values and fundamental values. The ethical values of cooperatives are based on the values introduced by the pioneers of cooperatives, namely honesty and openness. Meanwhile, the fundamental values of cooperatives are more universal, meaning that they originate from the spirit to improve their own livelihood based on the principle of helping each other. These fundamental values include self-help, self-responsibility, democracy, equality, justice and solidarity.

According to Mohammad Hatta, cooperatives bring a new spirit, namely self-help. In cooperatives, each individual can optimize personal abilities that are integrated in the context of togetherness (individuality in collectivity). The self-confidence that grows because of togetherness will make each individual aware that they are facing relatively the same economic difficulties. They finally believe that all economic difficulties will be overcome by joint efforts (joint action). This joint venture will certainly continue to run harmoniously if each individual is able to maintain honesty and openness.

The cooperative values that can be put forward include:

- (1) Values underlying Cooperative activities:
 - a. kinship (prioritizing the harmonization of relationships like a family in cooperative activities)
 - b. self-help (capital participation and business transactions with cooperatives, through joint buying, joint selling, joint financing and joint marketing)
 - c. be responsible (attend and participate actively in decision-making, prove its attachment to the company for the collective interest)
 - d. democracy (regular elections, one member one vote)
 - e. equality (rights to be informed, to be heard and to participate)
 - f. fair (limited return on principal savings, more SHU distribution linked to transactions with cooperatives)
 - g. independence (able to stand alone in terms of making business and organizational decisions).
- (2) Values believed by Cooperative Members, consist of :
 - a. honesty (transparency in all transactions, as well as regular supervision)
 - b. openness (cooperative activities are carried out in an accountable and open way for all members)
 - c. responsibility (all activities are carried out with full responsibility)
 - d. concern for others (activities for the common good for both members and society)

2.4 ICA Grid as a Tool for Measuring Cooperative Identity & Competitiveness

In rebalancing the aspects of companies and associations in cooperatives based on the identity of this cooperative, it can be perceived in an index compiled from the Daniel Cote concept (University of Montreal, Canada) or the grid model from the ICA Regional Office Asia-Pacific (ICA-ROAP) as introduced at the Asia Pacific Cooperative Ministers Conference in Kathmandu, Nepal, April 2002.

The concept of this model (Grid Model) is proposed to evaluate the general laws and regulations of cooperatives objectively and position them on a two-dimensional diagram. Axis X characterizes matters relating to state control on the left, which allows regulations to be enforced in a deregulated market economy, while on the right refers to the competitiveness of cooperatives. Axis Y characterizes matters relating to Co-operative Identity Statement (ICIS) above and below the principles of investment-oriented companies (Investor Oriented Forms / IOF) controlled by capital and to obtain benefits for capital. This Grid Model is intended to objectively assess the quality of a piece of legislation on the basis of a positive analysis to bring as close as possible to normative legislation that is firmly rooted in the identity of cooperatives.

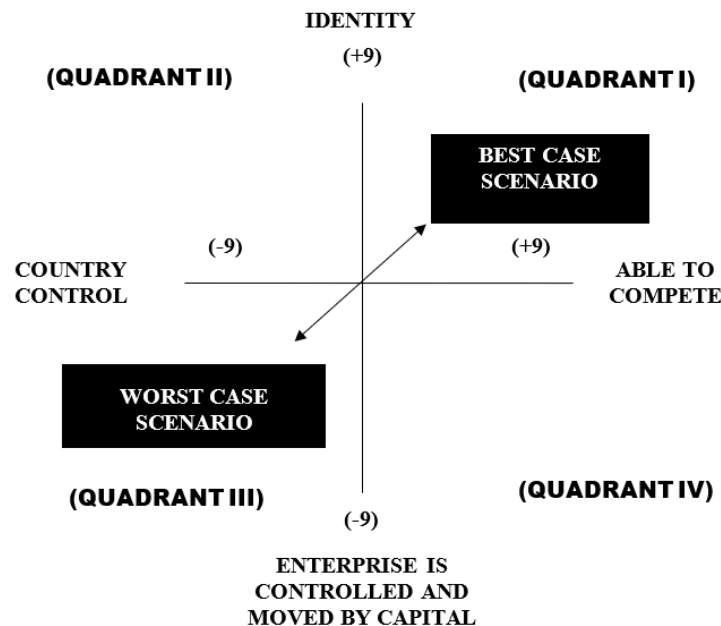


Figure 1: ICA Grid Model

Source: Peter Davis (2011)

“Explanation:

Quadrant I:

Cooperatives with very high performance are referred as ideal cooperatives. Recommendation: programs in cooperatives should be directed at developing cooperatives in order to further improve the quality of their identity and competitiveness.

Quadrant II:

Reflecting the cooperative relationship with the government due to government intervention that is too far into the cooperative's internal organization. Cooperatives in this quadrant are very difficult to develop their identity. Recommendation: Programs for cooperatives in quadrant II are focused on developing their identity and fostering competitiveness.

Quadrant III:

Cooperatives are no longer meet the requirements as cooperatives anymore since it has lost its identity and weak competitiveness. Recommendation: the program in this cooperative is directed at fostering and developing identity and competitiveness.

Quadrant IV:

Reflecting the cooperative is closer to investment-oriented companies. Recommendation: the program is aimed at fostering identity and developing competitiveness”

3. Materials and Methods**3.1. Materials**

The object of research or unit of analysis is the dairy farmer in KUD Bayongbong Garut with 1,501 members and a total of 3,486 dairy cows.

3.2. Methods

This research method is a survey method which is a research method used to obtain facts from existing symptoms and seek factual information (Wan, 2022). This method can dissect, discuss, and recognize problems, as well as get justification for the current situation. Besides that, it can also evaluate and compare the things that people do in dealing with similar problems and the results can be used in making plans and making decisions in the future. In the survey method, data is collected from a sample of the population and uses a questionnaire as the principal data collection tool. In accordance with its purpose, this research is to explain the causal relationship between research concepts and hypothesis testing in order to make inductive decisions or generalizations, so this research is explanatory or confirmatory research in nature.

3.2.1. Data Analysis

The concept of the ICA Grid Model can be formulated against cooperative performance and performance measurement based on competitiveness, with the following indicators:

A. Measurement of Cooperative Performance based on cooperative identity

- 1) Openness to become a member.
- 2) Volunteer to become a member.
- 3) Votes in the RAT.
- 4) The right of members to become administrators/supervisors.
- 5) Consideration of savings in calculating SHU.
- 6) Contribution of members in the capital.
- 7) Contribution of capital from outside.
- 8) Incentive participation.
- 9) Participation of members in the RAT.
- 10) Management participation in board meetings.
- 11) Participation in supervisory meetings.
- 12) Participation of members in decision sampling.
- 13) Integrity of management, supervisors, members in cooperatives.
- 14) Distribution of SHU based on the services of its members.
- 15) Distribution of SHU based on members' savings.
- 16) Cooperative relations with members and other cooperatives.
- 17) Outsider control over cooperatives.
- 18) Cooperative control by members through RAT.
- 19) The principle of cooperative education to members.
- 20) Cooperative relations with the center and cooperative parent.
- 21) Relations among cooperatives based on partnership and participation of cooperatives in developing work

areas.

22) Participation of cooperatives in developing work areas.

B. Measuring the performance of cooperatives based on the competitiveness of cooperatives

- 1) Comparison of funds from members and funds from outside members
- 2) The ability to meet the needs of members by cooperatives.
- 3) Quality of goods in cooperatives compared to competitors.
- 4) The amount of goods in the cooperative compared to competitors.
- 5) Purchases by members of cooperatives compared to competitors.
- 6) Government involvement in cooperatives.
- 7) The dependence of cooperatives on government capital assistance.
- 8) The dependence of cooperatives on government network assistance.
- 9) Effectiveness of government assistance to the development of cooperatives.

These indicator items are measured by six alternative answers on a value scale of 9,6,3,-3,-6,-9. While the range of values for each variable is as follows:

- 1) Very good, if the average score is between 6 to 9.
- 2) Good, if the average score is between 3 to 6.
- 3) Fairly good, if the score is between 0 to 3.
- 4) Bad enough, if the average score is between 0 to -3.
- 5) Bad, if the average score is between -3 to -6.
- 6) Very bad, if the average score is between -6 to -9.

The performance of cooperatives based on cooperative identity indicators is outlined in the following Table 1:

Table 1: The performance of cooperatives based on cooperative identity indicators

No	Statements (Cooperative Identity Indicators)	Very Good (6 s/d 9)	Good (3 s/d 6)	Fairly Good (0 s/d 3)	Bad Enough (0 s/d -3)	Bad (-3 s/d - 6)	Very Bad (-6 s/d - 9)
1	Openness to become a member						
2	Volunteer to become a member						
3	Votes in the RAT (one man one vote)						
4	The right of members to become administrators/ supervisors						
5	Consideration of savings in calculating SHU						
6	Contribution of members in the capital						
7	Contribution of capital from outside						
8	Incentive participation						
9	Participation of members in the RAT						
10	Management participation in board meetings						
11	Participation in supervisory meetings						
12	Participation of members in decision sampling						
13	Integrity of management, supervisors, members in cooperatives						
14	Distribution of SHU based on the services of its members						
15	Distribution of SHU based on members' savings						
16	Cooperative relations with members and other cooperatives						

No	Statements (Cooperative Identity Indicators)	Very Good (6 s/d 9)	Good (3 s/d 6)	Fairly Good (0 s/d 3)	Bad Enough (0 s/d -3)	Bad (-3 s/d - 6)	Very Bad (-6 s/d - 9)
17	Outsider control over cooperatives						
18	Cooperative control by members through RAT						
19	The principle of cooperative education to members						
20	Cooperative relations with the center and secondary of cooperative						
21	Relations among cooperatives based on partnership and participation of cooperatives in developing work areas						
22	Participation of cooperatives in developing work areas						
Average							

For cooperative performance based on indicators of cooperative competitiveness, it is outlined in the following Table 2:

Table 2: Cooperative performance based on indicators of cooperative competitiveness

No	Statement (Cooperative Competitiveness)	Very Good (6 s/d 9)	Good (3 s/d 6)	Fairly Good (0 s/d 3)	Bad Enough (0 s/d -3)	Bad (-3 s/d -6)	Very Bad (-6 s/d -9)
1	Comparison of funds from members and funds from outside members						
2	The ability to meet the needs of members by cooperatives						
3	Quality of goods in cooperatives compared to competitors						
4	The amount of goods in the cooperative compared to competitors						
5	Purchases by members of cooperatives compared to competitors.						
6	Government involvement in cooperatives						
7	The dependence of cooperatives on government capital assistance						
8	The dependence of cooperatives on government network assistance						
9	Effectiveness of government assistance to the development of cooperatives						

No	Statement (Cooperative Competitiveness)	Very Good (6 s/d 9)	Good (3 s/d 6)	Fairly Good (0 s/d 3)	Bad Enough (0 s/d -3)	Bad (-3 s/d -6)	Very Bad (-6 s/d -9)
Average							

4. Results and Discussion

Based on the data that has been obtained from the respondents, an analysis of each stand is then carried out, then an average calculation is carried out for each item of the next statement from the 20 available statements, then the average is calculated again to see the overall average result and then the ICA measurement table is displayed. Grid Model on the Y axis as a performance measurement based on cooperative identity. Results From the calculation results of the ICA Grid Model in the Cooperative, it produces the following values:

- a. Y axis: 2.76
- b. X axis: 3.28
- c. Position: Quadrant I

The interpretation of the results shows that the cooperative is in Quadrant I, which means it is included in the ideal cooperative, meaning that it has implemented cooperative identity and has the ability to compete. This is supported by the highest point, namely participation in the Annual Member Meeting (RAT) with point (5.9), which shows that all parties who have authority over cooperatives including members are enthusiastic in participating in the RAT as a form of aspirations for organizational progress, both the highest weight in the competitiveness indicator is the loyalty of members to transact with cooperatives.

The grid diagram (ICA Grid) can be seen in the chart as follows:

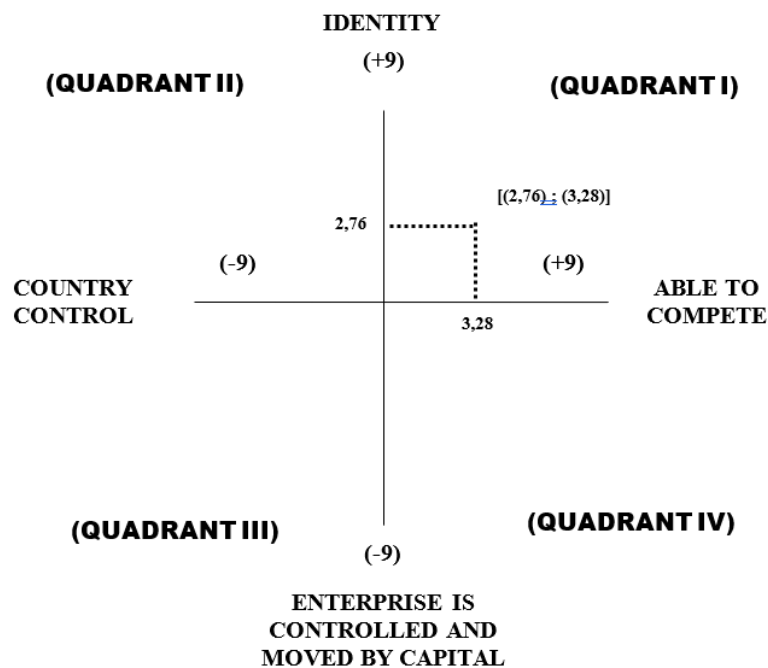


Figure 2: ICA Grid Cooperative Model
Source: Processed Data, 2019

Based on the analysis with the ICA Grid Model, it can be concluded that cattle farming cooperatives in West Java are classified as Ideal cooperatives, this is supported by member participation points in the RAT of 5.9 and Votes in the RAT of 5.78 in the indicator of cooperative identity or the Y axis while based on the competitiveness indicator, the highest score is obtained by member loyalty points in buying their needs in the cooperative compared to its competitors then there is a low value weight in the identity implementation indicator, namely regarding the rights of members to become administrators or supervisors with the acquisition of a score of (-0.24) whereas in the indicator I am competitive, the lowest score is found in the effectiveness of government assistance which is still low. So that the final result of the Y score or the implementation of cooperative identity is 3.28 and the competitiveness score is 2.9. These scores are included in the ideal cooperative even though the scores are still low, which means a Y score of 3.28 is said to be good while an X score of 2.9 is said to be quite good. To achieve a high or very good score, the score must be above 6.

Participation of members in the RAT can be seen in the mechanism of member meetings held by the cooperative, the large number of members does not prevent the cooperative from holding the RAT by inviting all active members so that the RAT can occur for one week. In the RAT, the right of members to convey aspirations is conveyed for the progress of the organization. The management records the points that become the aspirations of members and other parties and becomes a reference for policy considerations (Andayani, 2021)

This cooperative does not only focus its activities on collecting cow's milk from breeders but also organizes activities as a form of cooperative service by selling goods needed by members and their livestock, besides that the payment and price mechanisms certainly make it easier for members, so that member loyalty to the cooperative is very high. From the point of view of cooperative organizations, especially administrators and supervisors, respondents considered that it was difficult for members to become administrators and supervisors or some respondents considered that members' rights to become administrators or supervisors were low, management was dominated by certain groups.

Cooperatives in carrying out capital activities come from within and outside, from within cooperatives where cooperatives obtain capital savings from members, while from outside, if the ability within the cooperative is low to finance certain things and needs are urgent. Cooperatives usually cooperate by borrowing capital, namely with financial institutions. For capital obtained from the government, and cooperatives only act as intermediaries for further capital can be loaned to members. This mechanism is good, but in practice the mechanism is not effective.

5. Conclusion

Based on the description of the discussion on the results of the research, there are some conclusion as follow :

- 1) Dairy farmers pay close attention to competitive advantage, this is reinforced by the results of research that competitive advantage can increase the selling price of cow's milk, for this reason it is necessary to increase it by increasing the dimensions of the business function or company (Bojnec & Latruffe, 2018);
- 2) Cooperatives as business entities whose members are individuals or cooperative legal entities with activities based on cooperative principles as well as a movement as a people's economy based on the principle of kinship (Law of the Republic of Indonesia Number 25 of 1992 concerning Cooperatives). Cooperatives as a people's economic movement as well as business entities participate in realizing an advanced, just and prosperous society within the national economic order. In order to understand cooperatives as a business entity that has unique characteristics compared to other business entities, individual cooperatives must understand identity cooperatives (Sparrow & Makram, 2015);
- 3) This cooperative does not only focus on collecting cow's milk from farmers but also organizes other activities as a form of cooperative service to members. From the point of view of cooperative organizations, especially administrators and supervisors, dairy farmers want cooperatives to really play a role in increasing the members' economic business;

The KUD Bayongbong Cooperative is in quadrant 1, which means that the cooperative is competitive while still paying attention to the identity of the cooperative. Continuous efforts are needed in order to further improve performance in accordance with the wishes and needs of members

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