

Cooperative Business Development Model in the Digital Era: A Theoretical Approach

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Abstract: This research aims to develop theoretical prepositions of cooperative business development in the digital era as part of the education and development of cooperatives. The problem studied is the low competitiveness of cooperatives, on the other hand, the high public interest in various cooperative products so modeling solutions is needed in managing cooperatives competitively in the digital era. The cooperative needs to be studied and developed based on superior work performance so that it has a professional management process. This research examines performance theory, with a digital innovation approach. The method used is qualitative with literature and literature studies, theoretically and historically analyzing the development of cooperatives globally and their competitiveness. The results show that employee digital skills, service quality, and member loyalty with active participation predict cooperative business development in the digital era. This study also explains the theoretical measurement factors for future researchers and describes, explains, and measures cooperative business development based on the theoretical study. For future researchers to be able to develop this research empirically with exploratory factor analysis or confirmatory factor analysis, with a wider population and sample.

Keywords: Cooperative business, Business development, Digital era, Innovative performance, Service quality

INTRODUCTION

Cooperatives as a joint venture with the principle of kinship are the hallmark of the Indonesian nation in fighting for economic life. Cooperatives are often juxtaposed with small and medium enterprises (SMEs) and entrepreneurs because they need innovation and accept the challenges of the times. Developed based on community self-help through SMEs. On the other hand, cooperatives are successful in Japan (Kurimoto, 2004; Esham, 2018), China (Tang et al., 2020), United States (Iliopoulos, 2018), in Malaysia (Hafizah, & Zuraini, 2012) even become part of the Sustainable Development Goals (SDGs) of a country's government. The problem studied in this research is the low innovative performance of cooperatives in the digital era. Cooperatives require modeling studies as innovative performance-based businesses, meeting the demands of digitalization in a modern economy.

The history of Indonesian cooperatives as a symbol of sovereignty is formulated in 1945 Constitution "The economy is structured as a joint venture based on the principle of kinship". People's economy, economic sovereignty, and family business are the basis given by the founding fathers for economic independence and community business based on kinship and cooperation. The hope of the nation's founders is of course that cooperatives play a major role in the national economy. In its development, cooperatives must struggle in the era of capitalism and economic liberalization. The challenge for cooperative businesses is the digitization of the economy and the increasingly advanced needs of society (Ciruela-lorenzo et al., 2020; Tavares & Azevedo, 2022; Ritter & Lund, 2020).

The number of cooperatives in Indonesia is 130,354 units, and the number of registered members with Cooperative Identification Numbers is 35.000, dominated by the West Java area of 14,161 cooperatives (Santika, 2023), very unequal between regions and has not been able to make a significant contribution to the national economy compared to the developing State-Owned Enterprises and Private-Owned Enterprises. The challenge becomes real to realize cooperatives as modern economic business entities and can contribute to the country's gross domestic product as many as 127.000 cooperatives close their businesses (Suroto, 2023). Indonesian cooperatives are expected to adopt the strength of cooperatives as a joint venture based on kinship and mutual cooperation in the digital era (Syechalad et al., 2017; Agusalm & Karim, 2019).

Cooperatives are expected to generate ideas and implement superior ideas, products, processes, and methods for their work positions, departmental units, or organizations (Torres et al., 2017). Cooperative innovative performance can be done through innovative behavior (Dahiya & Raghuvanshi, 2022) into innovative performance (Alessa & Durugbo, 2021). On the other hand, low innovation can trigger high expectations from members and society, cooperatives can create business fraud. Cooperative businesses in Indonesia are on average in the credit business sector. Emphasis on consumptive aspects, credit, and even debt are the characteristics of cooperatives. The main principles of cooperatives are voluntary membership, democratic and open management, restrictions on interest on capital, free entry and exit as members or no coercion, active participation of members, and meeting members as the highest authority in cooperative business.

Cooperatives need to be developed in the digital era (Nurdany, 2020; Cristobal-fransi et al., 2019). Based on the preliminary information, we can synthesize that the challenges of the digital economy era need to be responded to by cooperatives with real innovative performance. Developed significantly in all aspects such as organization, management, line of business, and even markets and capital (Farida & Setiawan, 2022; Lunnan et al., 2019), cooperative as a modern business based on digital technology innovation. This is to map how the process is directly or indirectly involved in the development and improvement of cooperative performance. Innovative performance is very closely related to employee skills (Felstead & Gallie, 2020), service quality (Khan et al., 2022), member loyalty, discipline, even satisfaction (Strenitzerov, 2018; Berliana et al., 2018; Liu & Wang, 2017). In this research on modeling cooperative performance improvement in the digital era, employee skills, service quality, and member loyalty is analyzed as the main predictors of innovative performance improvement.

Factors that influence the innovative performance of cooperatives in the digital era include leadership, intrapreneurship, cooperative culture, use of information technology, member commitment, management skills, loyalty and participation, empowerment, creativity, motivation, and even the number of cooperative profits in the form of residual business results. Innovative Performance is defined as actions directed at products, processes, and methods for work positions, departmental units, or organizations such as the use of technology, strategies, work methods, support resources, and new ideas (Bos-Nehles et al., 2017, Dahiya & Raghuvanshi, 2022; Ramdayana & Prasetyono, 2022).

The quality of cooperative services is the perception of cooperative members on their expectations of conformity with the services of cooperatives. Good service quality in cooperatives will later affect member satisfaction and in the end, members will regret their loyalty to the cooperative (Mostaghimi et al., 2016). This condition refers to expectations and reality, which are measured by perception. In cooperatives, the quality of service reflects the overall assessment of members on the superiority of a product or service in service or that is obtained from cooperative efforts. Comparison between expectations obtained with what is obtained needs to be given a criterion because the perception of cooperative management in running a business with members will be very subjective.

Cooperative member loyalty is a consistent behavior of cooperative members in their active participation in cooperative efforts (Yacob et al., 2016) being a loyal member of being a cooperative customer, fulfilling rights and obligations (Kyazze et al., 2017). Members as owners and customers of cooperatives will create loyalty, this will happen if the cooperative properly implements cooperative principles. Member loyalty as a customer is a long-term positive attitude towards cooperative business services (Ragazou et al., 2021) in the form of loyalty to contribute and active participation that builds cooperatives in a more advanced direction.

Based on the previous information, we obtained the importance of development and modeling for cooperatives as people's economic business entities. Cooperatives have even become part of the national people-based economic system. Limited research studies and the need for innovation in unique cooperative businesses facing the digital era are the aims of this research. Namely analyzing theoretically innovative performance models of cooperative businesses in the digital era, modeling innovative performance improvements of cooperative businesses, and analyzing their constituent factors.

METHODS

Research Design

This research adopted a systematic review, constructs modeling based on theoretical studies based on the main theory (Aspers & Corte, 2019; Lacey et al., 2011). Literature study of previous research studies and preparation of premises to obtain research (Fink, 2019) variable prepositions. Science aims to describe, explain, predict, and control (Reichelt et al., 1983; Cybinski, 2001; Antwi & Hamza, 2015).

Data Collection

Data was taken through literature study, visual modeling analysis using Publish or Perish, followed by Visualizing scientific landscapes using VOSviewer (Gill et al., 2008). Search for journal articles from the internet using sources on Google Search & Scholar, Crossref, and Scopus through selected keywords, namely. cooperative business, digital era, innovative performance, member loyalty, service quality, work skills cooperative business, digital era, innovative performance, member loyalty, service quality, work skills. When searching for sources, articles are written on search engines, either manually or through applications. Next, the data obtained was analyzed based on compliance with the selection criteria, namely inclusion and exclusion criteria, and then analysis was carried out on the content of articles that had actually completed the screening process. In relation to this literature review approach, the author conducted a search for articles spanning a maximum of the last five years that provided complete text, either via PDF or book report, to make it easier for the author to access the data completely and comprehensively.

Exclusion and Inclusion

The literature criteria in this research apply keywords to the population of articles published in international journals. Keyword search strategy with selection criteria is obtained by determining two criteria. This study included papers with criteria: (a) have a concept about cooperative business development models in the digital area, (b) There are appropriate variable dimensions/indicators, and (c) Time limit: for journals from the last five years. Meanwhile, this study excluded papers with criteria: (a) Not in accordance with the concept of cooperative business development model in the digital area, and (b) Not in accordance with the last five years

Validation

This research provides a basic formulation for the development of cooperatives as a business that can be managed in a modern way in the digital era based on human resource theory. Data collection techniques through literature surveys (Pan, 2016). Collected from research libraries, web-based data collection from previous researchers, as well as the results of previous researchers who obtained valid, reliable, and significant results (Moleong, 2019; Ugwu & Eze Val, 2017). Literature survey is the process of locating, obtaining, reading, and evaluating research literature (Gauchi, 2016; Togia & Malliari, 2017). Validation in this research was carried out by mapping based on keywords using reference materials, then modeling was carried out using member check. Negative case analysis was carried out, and the researcher's perseverance was to compare empirically with the findings of previous researchers.

Procedure of Analysis

The development of modern cooperatives in the digital era based on the development of human resources through skills, loyalty, and service is very limited, this literature is expected to be able to fill theoretical and academic studies. This paper elaborates on the findings of previous researchers, exploring

the grounded theory of human resource development and organizational development theory. The performance of digital innovation and the factors that influence it directly or indirectly are examined.

Each point in the density visualization has a color variation that describes the density of the element at that point. Density visualization functions to provide a bibliometric overview by paying attention to elements that have significance in the analysis. The colors in the density visualization range from blue to green to yellow. The yellow color indicates that there are many elements that are close to the point and have a high weight relative to other elements. In contrast, blue indicates a smaller number of elements around the point, and their weight is lower relative to other elements (Eck & Waltman, 2018). The image shows that the results of the density view visualization analysis are yellow and green, which means the item is important to analyze. This means that the research variables used by researchers are important variables to analyze and still need to be studied in more depth.

RESULTS AND DISCUSSION

Based on searching journal articles using sources on Google Scholar, Crossref, and Scopus using the keywords cooperative business, digital era, innovative performance, member loyalty, service quality, work skills cooperative business, digital era, innovative performance, member loyalty, service quality, work skills. The following concept mapping was obtained (see Figure 1).

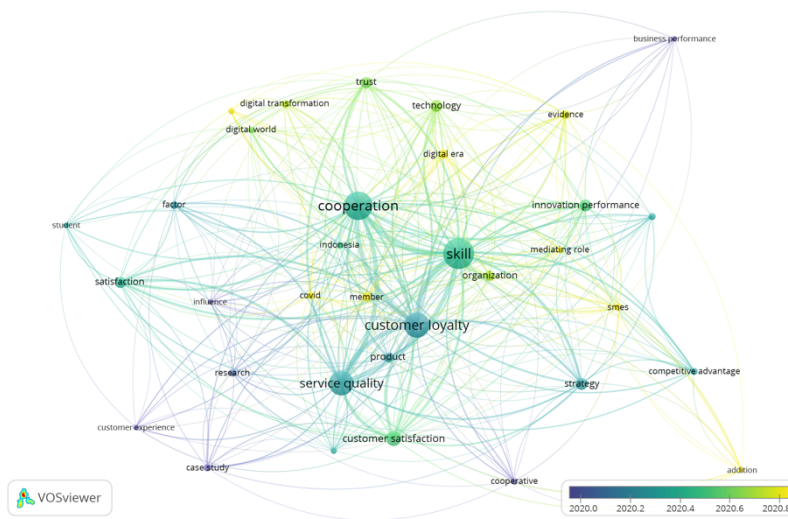


Figure 1. Mapping visualization with VOSviewer research model

The source of the articles from the search engine data obtained is analyzed based on compliance with the inclusion and exclusion selection criteria, then analyzed for the content of articles that have actually completed the screening process. With a maximum range of articles from the last 5 years, data is obtained as shown in Figure 2.

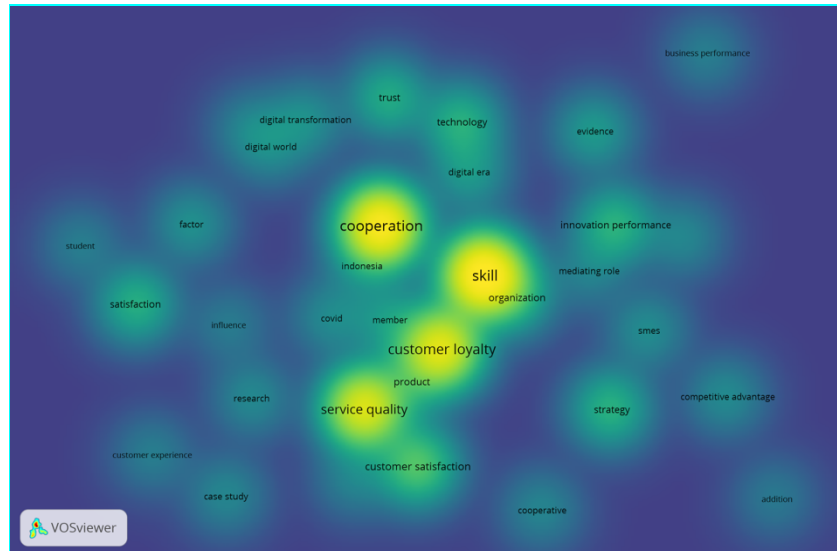


Figure 2. Density visualization with VOSviewer cooperative business development model in the digital era

Each point in the density visualization has a color variation that describes the density of the element at that point. Density visualization functions to provide a bibliometric overview by paying attention to elements that have significance in the analysis. The colors in the density visualization range from blue to green to yellow. The yellow color indicates that there are many elements that are close to the point and have a high weight relative to other elements. In contrast, blue indicates a smaller number of elements around the point, and their weight is lower relative to other elements (Eck & Waltman, 2018). The figure shows that the results of the density view visualization analysis are yellow and green, which means the item is important to analyze. This means that the research variables used by researchers are important variables to analyze and still need to be studied in more depth.

The study of modeling findings was then examined using the main literature, both theoretical and practical, based on the theory and findings of previous researchers. The main theory of cooperative business development modeling in the digital age in this study examines the theory of human resource management (Armstrong, 2010; Bratton et al., 2021), that it is necessary to develop strategic management of organizational resources to improve productive performance (Lengnick-Hall & Lengnick-Hall, 1988). Next, each modeling relationship is examined by strengthening the results of the study based on previous researchers. The skills possessed by a person will greatly support innovative performance (Mazurchenko & Maršíková, 2019). The success of a cooperative business as a family-based business unit encourages basic skills for workers and cooperative administrators. On the other hand, cooperative workers and management must be skilled at carrying out business activities by cooperative management. This is because cooperatives have specific basic management principles, such as profit sharing in the form of residual business results based on the level of participation, restrictions on interest on capital, and other governance in cooperative principles.

The demands for job skills range from planning and budgeting to marketing skills. Detecting changes in demand and providing quality goods and services is a quick response from skills that have a direct impact on performance (Stevens &

Campion, 1994). Business units must also be able to analyze the basic skills of each job (Baird & Meshoulam, 1988). This will be an advantage for cooperative businesses when they have competent employees. Skills based on competencies possessed by employers have a positive and significant impact on the development of performance.

The trust that members of cooperatives and the community have in cooperatives is an important part of cooperative efforts to educate and train employees. Cooperatives provide business services with employee work skills, on the other hand, cooperative businesses provide services to members through management. Skills to work and provide good service for cooperative business units will increase the loyalty of members and the community to be consistent, believe in, and contribute positively to cooperative business units (Wernerfelt, 1985; Smith & Rupp, 2002). Forming loyalty is not easy, various approaches are often used, such as aspects of low prices, product superiority, packaging, and even giving discounts. However, cooperatives must be able to provide breakthroughs with more employee resource skills, by cooperative principles. The description above indicates that the skills of employees and administrators in cooperatives affect customer loyalty (Matzler et al., 2007). These skills include honesty, helping members who are in trouble, and even skills in analyzing the advantages and potential of cooperative members to be developed as new business units.

The work skills possessed by a person will affect the quality of service of an organization. This is because the more skilled a person is in carrying out a task or job (Hanafi & Ibrahim, 2018), the more able to provide the best service for cooperative businesses. On the other hand, the skills of someone who is less able to provide unsatisfactory services for cooperative businesses. Various cooperative business units require a variety of skills, these business fields are required to be able to provide quality services to cooperative members. Work skills affect the quality of service according to the study (Anggiani, 2017; Hanafi & Ibrahim, 2018). That the quality of service requires good work skills. Business entities including cooperatives need to establish service quality because they compete with other businesses. In the sales aspect, for example, cooperatives together with fast modern businesses in customer service. The farther the cooperative is left behind in service, the community and its members will be left behind.

The higher the quality of service, the more loyal the cooperative members will be to participate in developing and feeling ownership of the cooperative business. Member loyalty is the main basic capital of cooperatives because the principle of cooperatives is voluntary and open membership. This indicates that cooperative members can move to other business units, or people who are interested in cooperative business and management can become cooperative members. Quality service rewards consumers. Loyal members will not move to other companies, providing a positive climate by helping to promote the excellence of the services they receive.

Discussion

Understanding cooperatives as modern businesses needs to be developed and studied in depth through a scientific discipline approach so as to provide strategic academic references (Legge & Legge, 1995; Tareshsaif et al., 2018; Menz et al.,

2021). Focused on the development aspect of Innovative Performance (Ferdousi, 2023). This theory was developed through study of how to achieve competitive advantage as a strategic management (Norton, 2007). Economic theory regarding resource management, with a competitive advantage, is rare and expensive to imitate. Both of these theories have had an impact on thinking concerning the management of people in organizations (Akinbowale et al., 2014) and their job performance on the resources they have (Odhong et al., 2014). That human resource management (HRM) is a strategic, integrated, and coherent approach to the employment, development, and well-being of people working in organizations (Gaber & Fahim, 2018). HRM is a process by which management builds a workforce and tries to create the human performance that the organization needs. It is time for cooperatives as business entities to be able to accommodate innovative performance in the development of strategic resources in the digital era. HRM and organization need to be developed in innovation, optimizing resources and optimizing their studies in all fields (Guest, 2010).

The key characteristic of HRM as identified by Armstrong (2010) is that People and their talents are considered as 'human capital', this will develop and have a strategic impact. The focus of studying HRM as a strategic development is the idea that people and their collective skills, abilities, and experience should be considered valuable assets and sources of competitive advantage rather than costs. This indicates the importance of developing owned resources for cooperative businesses, which do not consider cooperative employees and management as a cost burden.

At the next level HRM theory develops into a study of "human performance in organizations" (Rafiei & Davari, 2015). Human performance in organizations reflects knowledge, skills, attitudes, and values. Because abilities and skills will help organizations for better performance and productivity. The emphasis on innovation is important for HRM, especially digital innovation (Becker & Gerhart, 1996; Kalleberg & Moody, 1994). In contrast to other business management, the basic strengths of cooperatives are voluntary membership and democratic management. The higher the loyalty of members to the cooperative, the higher the ability of the business unit to develop (Ricciardi et al., 2018). This happens because the loyalty that is formed can provide smooth cooperative capital through mandatory savings and voluntary savings. In the end, cooperatives will be able to increase innovative performance, receive various inputs, think about progress, develop assistance, and even cooperative progress with high member loyalty able to become an independent innovative cooperative.

Loyal members are a set of companies, a source of strength for business units to be able to transform and innovate according to the demands of the times. Various efforts were unable to provide innovative performance due to a lack of organizational support (Kamalaldin et al., 2020). Therefore, the stronger carrying capacity of cooperative organizations through loyal members will increase the effective and efficient performance of cooperatives (Cherubim et al., 2012); Cooperatives will be able to keep up with developments and demands for change through innovation (Verhees et al., 2015; Nyawo & Olorunfemi, 2023) including the challenge of digitizing the corporate system.

This research is to answer how the process of improving innovative performance in the management of cooperative business units. Based on the discussion above, it has been described through theoretical studies, expert opinions for empirical measurements, as well as previous researchers to determine research propositions and premises. The indirect influence in this study becomes a theoretical study to promote modeling, as well as answer how the process of increasing the innovative performance of cooperatives in the digital era is through a mediating variable, namely loyalty. On the other hand, theoretically, this study places member loyalty to cooperative businesses as a model solution for bridging work skills and service quality. Rationally, cooperatives will develop and innovate based on member loyalty. As a whole, the findings of the cooperative business innovative performance development model in the digital era can be presented as follows:

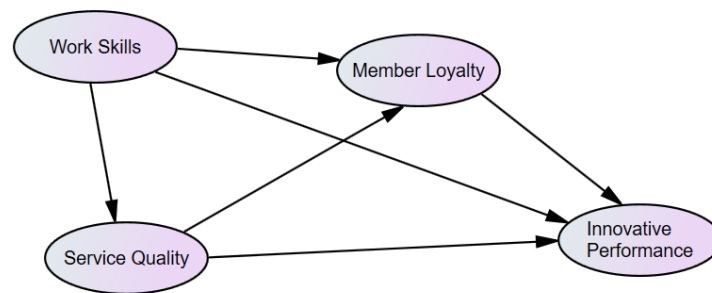


Figure 3. Relationship Between Each Construct

The innovative performance of cooperative businesses in development in the digital era is formed through modeling with the equation $IP = f(WS, SQ, ML\dots)$, $ML = f(WS, SQ\dots)$ where WS = Work skills, SQ =Service quality, ML = Member loyalty, IP = Innovative performance. The direct and indirect effects can be analyzed further in further research from the modeling above following the statistical test criteria through confirmatory factor analysis tests and exploratory factor analysis in structural equation modeling.

CONCLUSION

Based on the results of a study on the development of the innovative performance of cooperative businesses in Indonesia in the digital era, this study concludes that the innovative performance of cooperative businesses is shaped by indicators increasing production capacity, developing the number of business units, increasing the number of customers and sales, and increasing the remaining business profit. The loyalty of members are Repeat Purchases, Retention, and Referrals. Quality of service measured by indicators physical evidence, reliability, responsiveness, assurance, and empathy. Work skills measured by indicators: conceptual skills, technical skills, management skills, entrepreneurship skills, and personal maturity skills. Theoretically, work skills have a direct effect on native

performance, member loyalty, and service quality. Service quality has a direct effect on member loyalty and cooperative business innovative performance, and member loyalty has a direct effect on cooperative business innovative performance.

Theoretically, the indirect effect is formed by service quality which mediates work skills on member loyalty, member loyalty mediates the effect of work skills on innovative performance, member loyalty mediates the effect of service quality on innovative performance, and service quality and member loyalty mediates the effect of work skills on innovative performance cooperative business. This research study offers a model proposition for researchers of cooperative business entities on how to improve innovative performance in the digital era. The above modeling also answers the users of the information in this study.

The implication of this research is that cooperatives can improve work skills and service quality, this process will have an impact on member loyalty which will ultimately be able to increase innovative performance in the digital era. On the other hand, policy makers can provide programs to improve work skills and service quality as education and training for cooperative management. In process, these two factors have an impact on innovative performance in cooperative business management with strong member loyalty.

For future researchers to be able to study in a wider area related to increasing the innovative performance of cooperatives in the digital era, both conceptually and in variables. The above model is also recommended for further research through a reflective measurement model in each variable measurement through confirmatory factor analysis (CFA) and testing the influence model between variables through exploratory factor analysis (EFA) to find a theoretical model that is tested empirically and is useful for improving performance significantly innovative cooperative business units by fulfilling the goodness of fit (GoF) test in the proposed model test.

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