

The Retention Strategy of Cooperative Business in Industrial Revolution Era 4.0

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Cooperatives, as economic institutions, which are based on community values are still very much in need to improve human welfare. The existence of cooperatives has diminished over time however. There are many factors that have caused a reduction in the number of active Indonesian cooperatives: both internal and external factors. In line with this, efforts to study cooperatives which until recently were still actively participants in the society need to be conducted to determine patterns and strategies for the continuity of cooperatives so that these patterns and strategies can be used to increase the survival of other cooperative businesses. This research was carried out using a phenomenological research method. The data sources of this study are three types of cooperatives referred to by the Department of Cooperatives and Small-Medium Enterprises and Trade in Ciamis Regency, West Java. The data of this study were collected using observation, interview, and documentation techniques. The results of the study were processed using a SWOT data analysis technique. This study concludes that the main strategies cooperative business strategies that maintain business continuity include development strategies in management, human resources development, capital improvement, and business type development strategies.

Key words: *Retention strategy, cooperative effort, type of cooperative.*

Introduction

Efforts to develop economy based on social value still face various obstacles. One of the obstacles is seen in the fact that cooperatives that function as a forum for economic and social democracy are more rarely found in the current era. Sugiharsono (2009) explicitly reveals that as an economic system, cooperatives have characteristics that are in accordance with the character of the Indonesian culture. The economic system of cooperatives is believed to be able to solve a number of economic problems which until now still shackle the Indonesian people. This is because cooperatives are a crystallization of the culture, society, and economy of Indonesia. At the international level, Goel (2013) states that cooperatives are the economic and social power of the world because in addition to having billions of members, they provide more work than all the multinational companies put together.

Furthermore, Goel (2013) explained that cooperatives are a pillar of the economy so that it is the right choice for the community to improve the welfare of their families and groups. With regard to the function of cooperatives for the welfare of its members, several studies have concluded the benefits of the cooperative. Milovanovic and Smutka (2018) concluded that the existence of farmer cooperatives in Bangladesh has proven to bring benefits to farmers. Getnet, Kefyalew, and Berhanu (2018); Hooks, McCarthy, Power, and Macken-Walsh (2017) concluded that the existence of cooperatives has been shown to increase the level of the economy of farmers/stock farmers. Even research conducted by Jabar, Ramli, and Abidin (2018) concluded that the existence of cooperatives not only provides benefits to members of cooperatives but also to people who are not members of the cooperatives.

In Industrial Revolution Era 4.0 however, the existence of cooperatives has become rare, which cannot be separated from the increasing number of business competitors. The principle of cooperation in cooperatives based on the sense of equality and awareness of its members certainly does not appear in a developing climate of varied and competing economic institutions. The competitor's economic institutions are also not based on the concept of management ownership by members of a cooperative, all in accordance with the wishes of the members through a meeting of members. This indicates that the economic pattern in the community no longer has the best interest of the community at heart. The study conducted by Kadir and Yusuf (2012) concluded that one of the causes of cooperative failure originated from external conditions or aspects outside of cooperatives such as the existence of competing economic institutions. This research was also supported by research by Aryani (2011) who concluded the presence of influential minimarkets influenced decreasing income of small and medium enterprises and cooperatives.

Another factor that causes many cooperatives to cease activity is the inability of cooperative HR to adapt to technological advancements. One of the causes is weak management and HR

aspects. Setyawati (2017) concluded that it is common for cooperatives to become inactive because they do not have qualified human resources. Sarwoko (2009) revealed that the problems identified in the development of saving and loan cooperatives (KSP) and saving and loan units (USP) in Malang district were low human resource capabilities, and weak governance. In addition to HR aspects, cooperative weaknesses are also found in aspects of financial accounting and information systems. In this regard, there have been studies that specifically examine how to increase resilience and develop cooperative businesses. Research conducted by Mazzarol, Limnios, and Reboud (2013) Australia concluded that the strategy that can be used to maintain and develop cooperatives is to collaborate between cooperatives and small companies that have proven this collaboration to bring benefits to both.

Loubere and Zhang (2015) explain that efforts to maintain cooperatives in China are carried out through the government's role in making new policies in the field of cooperatives. Some of these studies deal with the adoption of new models and management coaching and HR. One study of the application of new models in developing cooperatives was carried out by Hadipermana (2009) who concluded that by integrating Ropke's entrepreneurial theory and Herman Suwardi there was a consequent impact on the modification of cooperative programs. Research conducted by Pristiyanto, et al. (2013), regarding the Islamic Financial Services Cooperative (KJKS) development strategy of BMT Mardlotillah, concluded that improving cooperative image through increased internal supervision and accountability of financial statements and optimization of service and coaching/mentoring of business members can motivate loyalty and interest in saving cooperative members.

In line with the problematic conditions above, researchers focused on analyzing the existence of cooperatives in Ciamis Regency, West Java with the main problem identified is an investigation of how cooperatives in Ciamis, West Java, have maintained business continuity and survived to date.

Significance of the Study

The results of this study are expected to be useful as a model that can be applied by cooperatives in maintaining the sustainability of cooperative businesses in Ciamis Regency. This research considered by the government when making the Cooperative Defence policy as its development must be focused on competitiveness to survive in the 4.0 industrial era. The end result intended is that the cooperative as an economic pillar of Indonesia will continue to play an important role in building the welfare of the Indonesian people.

Scope and Limitation of the Study

This research is an initial research conducted to examine various cooperative strategies in maintaining the sustainability of business. In presenting the strategy chosen by the cooperative, SWOT analysis was first made by each of the cooperatives so that the strategy chosen, could appropriately maintain the sustainability of the cooperative business. In this article, a strategy in the development of cooperative business is not presented and the focus of the strategy study will be the discussion of new aspects of the business defence strategy.

Setting of the Study

This research was carried out on the basis of referrals from the cooperative offices in three cooperatives in Ciamis Regency, West Java: the Hikmat Saving and Loan Cooperative; the Linggayuda Employee Cooperative; and the Ciamis Village Cooperative Unit. The Hikmat Saving and Loan Cooperative was established in 1983 with the Legal Entity No. 20/188.5/KEP/PAD/KUKM/VII/2004 dated July 20, 2004. The Linggayuda Employee Cooperative was established in 1997 with the certificate of approval No. 66 dated 29 October 2010 with the decision of Regent of Ciamis No. 04./SK/XIII.6/PAD/KUMKM/2010 dated November 14, 2010 on behalf of the State Minister for Cooperatives and Small Medium Enterprises of the Republic of Indonesia. : The Ciamis Village Cooperative Unit was founded in 1973 with Legal entity: No.6187/BH/PAD/KWK-10/1V/1996 dated May 23, 1996.

Research Design and Methodology

The research method used in this research is a phenomenological research method. Qualitative research is chosen based on the method used.

Respondents of the Study

This research was conducted in Ciamis Regency, West Java. The data source of this research is cooperative management. Cooperatives are examined for the referral of the local cooperative offices, purposively selected in consideration of their origin, type and field of business.

Research Instrument

The instruments used in this study are interview guidelines, observation guidelines, field notes, and data recording devices.

Data Gathering Procedure

Data were obtained through field research and library research; field research used interviews and observations. The interview style used is face-to-face interview. Direct observation makes it possible for the researcher to collect data about behaviour and events in detail and the information used to supplement data obtained from interviews. (Nur Indrianto, Bambang Supomo, 2018: 148-154). Interviews and observations include the following process:

1. Develop guidelines for interview and observation
2. Determine the interviewee and the object of observation
3. Carry out interviews and observations
4. Compile Information obtained from interviews and observations
5. Reduce data
6. Analyze data and select information

Data Analysis

The data analysis technique used is the SWOT Analysis and this is the most popular model for situation analysis is SWOT Analysis (Rangkuti, 2017). This method formulates strategic planning using Strength, Weakness, Opportunities and Threat to be used as material for evaluation as presented in Table 1 below in the context of this research.

Table 1: SWOT Matrix diagram

Internal IFAS	Strenght (S) Determine 5-10 internal strength factors	Weakness (W) Determine 5-10 factors of Internal Weakness
Eksternal EFAS	SO Strategy Using Strength by utilizing Opportunities	WO Strategy Overcoming Weakness by utilizing Opportunities
Opportunities (O) Determine 5-10 External Opportunity factors	Turn Around Strategy (3) Minimizing Weakness to achieve Opportunities	Agresif Strategy (1) Utilizing existing Opportunities and Strengths

<p>Threats (T)</p> <p>Determine 5-10 External Threat factors</p>	<p>ST Strategy</p> <p>Use Strength to avoid Threats</p> <p>Defensive Strategy (4)</p> <p>Minimizing Weakness and Defending Against External Threats</p>	<p>WT Strategy</p> <p>Minimize Weakness and avoid threats</p> <p>Diversification Strategy (2)</p> <p>Harnessing the Power to Face External Threats</p>
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(Source: Ranguti, 2017)

To be able to calculate the quadrant position of the SWOT analysis, a combination of weight and rating is required.

Findings and Conclusions

The cooperatives in Ciamis still have several problems. These various problems can be classified in two aspects, namely internal aspects originating from within and external aspects originating from outside the cooperative. A brief description of the results of a survey of the two aspects is presented as follows and in Table 2 below:

1. Internal factors

Identification of Internal Strengths and Weaknesses

Table 2: Internal Strengths and Weaknesses

No	Strength	No	Weakness
1	Legality	1	Societies haven't understood the use of Cooperative
2	Member welfare	2	Reputation and public trust
3	Principle of Family and mutual cooperation	3	lowness of public participation to be members
4	Democracy in decision making	4	lowness of ability in organization management and human resource management
5	Independence	5	can't compete with other financial institutions and business entities
6	Open membership and voluntary	6	limited capital

		7	cooperatives haven't made use of online marketing
		8	lack of partnership with other institutions

b. Evaluation of Internal Environmental Factors

This stage is an advanced stage after the identification of internal environmental factors in the form of IFAS matrix (Internal Factor Analysis Summary) to obtain the score. The score is the total sum of the total strengths and weaknesses of 4.11, which can be seen as follows in Table 3 below:

Table 3: IFAS Matrix (Internal Factors Analysis Summary)

No	Faktor Internal	Bobot	Rating	Bobot
Kekuatan (Strengths)	1 Legality	0.12	5	0.6
	2 Members welfare	0.1	5	0.5
	3 Kinship principle and mutual cooperation	0.05	3	0.15
	4 Democracy in decision making	0.08	4	0.32
	5 Independence	0.05	3	0.15
	6 Open membership and voluntary	0.05	3	0.15
Total Strengths		0.45		1.87
Kelemahan (Weakness)	1 Societies haven't understood the use of Cooperative	0.09	5	0.45
	2 Reputation and public trust	0.08	4	0.32
	3 Lowness of public participation to be members	0.07	4	0.28
	4 Lowness of ability in organization management and human resource managem	0.06	4	0.24
	5 Can't compete with other financial institutions and business entities	0.07	4	0.28
	6 Limited capital	0.07	4	0.28
	7 Cooperatives haven't made use of online marketing	0.05	3	0.15
	8 Lack of partnership with other institutions	0.06	4	0.24
Total Weakness		0.55		2.24
Total S+W		1		4.11

2. External factors

a. Opportunity and Threat Identification

Table 4: External Opportunities and Threats

No	Opportunities	No	Threats
1	ASEAN Economic Community (AEC) enforcement causes open competition	1	The presence of new businesses
2	Support from the government	2	Easiness of getting loan from banks in a big amount
3	Making cooperation with other business entities	3	Many people go shopping in mini market and in online shop
4	Competing well with other financial institutions	4	The weakening of rupiah exchange rate
5	The use of technology and digital information and internet utilization which is getting easier to make cooperative easy to reach bigger market.	5	Decrease of public trust
6	The chance of cooperative to be bigger		

b. Evaluation of External Environmental Factors

This stage is an advanced stage after identification of internal environmental factors in the form of EFAS matrix (external factor analysis summary) to obtain the score. The score is the sum of Opportunities and Threats as presented in Table 4 above:

Table 5: EFAS Matrix (External Factors Analysis Summary)

No.	Faktor Eksternal	Bobot	Rating	Bobot
Peluang (Opportunities)	1 ASEAN Economic Community (AEC) enforcement causes open competition	0.1	5	0.5
	2 Support from the government	0.09	5	0.45
	3 Making cooperation with other business entities	0.09	5	0.45
	4 Competing well with other financial institutions	0.08	4	0.32
	5 The use of technology and digital information and internet utilization which is getting easier to make cooperative easy to reach bigger market.	0.19	5	0.95
	6 The chance of cooperative to be bigger	0.06	4	0.24
Total Peluang		0.61		2.91
Ancaman (Threats)	1 The presence of new businesses	0.09	5	0.45
	2 Easiness of getting loan from banks in a big amount	0.07	4	0.28
	3 Many people go shopping in mini market and in online shop	0.07	4	0.28
	4 The weakening of rupiah exchange rate	0.08	4	0.32
	5 Decrease of public trust	0.08	4	0.32
Total Ancaman		0.39		1.65
Total O+T		1		4.56

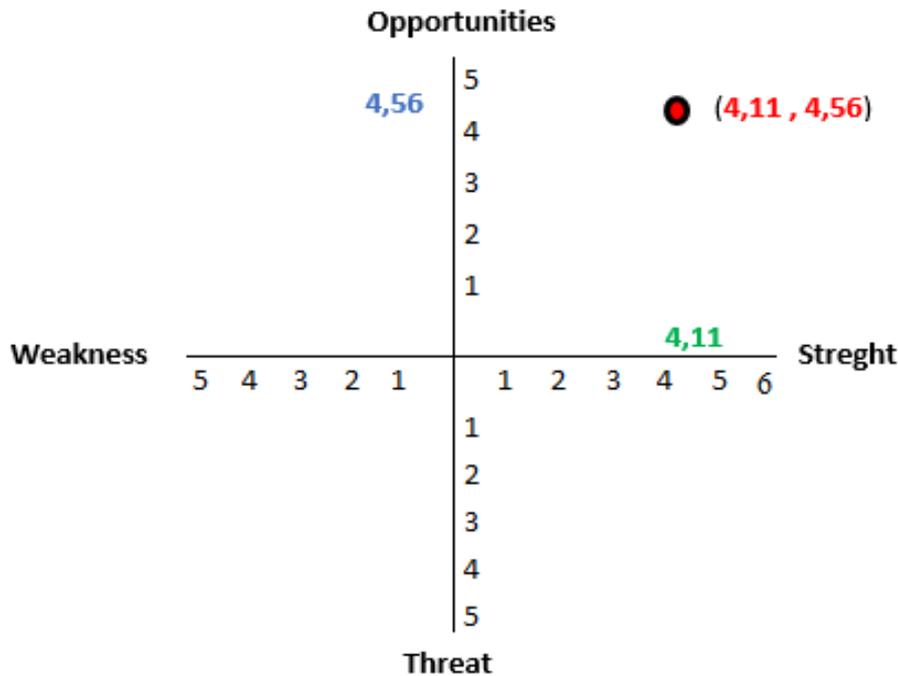
3. SWOT Analysis

Based on data obtained in the field relating to aspects of strengths, weaknesses, opportunities and threats, there are several alternative cooperative defence strategies as depicted in Table 5 above. If described in a matrix, the SWOT Matrix is also called the Internal and External Matrix (IE), broadly speaking there are 3 types of strategies in the IE matrix analysis as follows:

1. Growth strategy which is a growth or diversification effort.
2. Stability strategy is a strategy that is implemented without changing the direction of the predetermined strategy.
3. Retrenchment strategy is an effort to reduce the effort that has been done

Figure 1 below described this in the form of the SWOT quadrant of the IE matrix:

Figure 1. SWOT Quadrant



The description of the IE matrix and the SWOT quadrant above is to describe the Cooperative utilizing the strengths of the opportunities (SO Strategy) and the Cooperative description to overcome the weaknesses of existing opportunities (WO Strategy). Next is how the Cooperative utilizes the power to deal with existing threats (ST Strategy), and finally is how to overcome weaknesses that can be a threat (WT Strategy). The results of IFAS & EFAS analysis that can be taken by the Cooperative are growth strategies.

1. SO Strategies include

- a. Increasing the number of cooperatives with legal entities (S1, O2)
- b. Improving quality cooperative management to be able to compete (S2, O1, O4)
- c. Improving the implementation of the principle of family and mutual cooperation in order to be able to become a strong cooperative and dominate the market (S3, O6)
- d. Building independence and partnerships to expand business (S5, O3)
- e. Increasing the ability to use IT in both management and marketing. (S6, O5)
- f. Implementing democracy and make decisions to be able to compete healthy with other businesses (S4, O3)

2. ST Strategy includes

- a. Building Cooperation with one-stop licensing, banking and members in an effort to build trust. (S1, S2, T2, T4)
- b. Improving decision-making abilities that are always in favor of members, business protection and changes in the rupiah exchange rate (S4, T1, T4)
- c. Building an Online store to build business independence. (S5, S6, T3)

- d. More varied and partnered Cooperative Business Development (S3, T1)

3. WO Strategies include

- a. Holding training and socialization on the importance of cooperatives as a profitable business entity. (W1, W2, O2)
- b. Holding Management Training, Competence Training for leaders and employees. (W3, W4, O1)
- c. Establishing and expanding cooperation with the government and other business partners (W5, O3, O4)
- d. Holding training and utilization of internet networks to expand the market (W6, O5)
- e. Expanding the partnership network with other business organizations (W7, O6)

4. WT Strategy includes

- a. Collaborating with other business actors and members in improving the quality of business management (W1, W2, W5, W7, T1, T2)
- b. Implementing cooperation with the cooperatives or local government ministries through seminars, training, mentoring and education to improve the quality of Human Resources (W3, W4, T4, T5)
- c. Using information technology to support management and marketing (W6, T3).

Based on the results of the study, data were obtained about the main strategies chosen by the three cooperatives studied. The main strategies chosen by the Hikmat Saving and Loan Cooperative in maintaining business continuity include three main strategies, namely the strategies in the areas of (1) management, (2) capital, and (3) business type development. In the institutional sector, the strategies taken aim to improve human resources through training; how to deal with bad debt; and deepening knowledge about cooperative regulations. In the capital sector, a member deposit increase from Rp. 50,000 to Rp. 100,000 by instalments. In the field of business development carried out by cooperating with Bank Bukopin for electricity, credit and Social Security Administrator for Health (BPJS) account billing services and Efficient Savings Loan Business with Certificate of Ownership of Motor Vehicle (BPKB) guarantees of 2 or 4-wheeled vehicles within a 3-month loan period. The various strategies chosen by the cooperative are in line with the research conducted by Susilo (2005) on small and medium enterprises (UKMM) in DIY Province that the strategies or actions taken by the UKMM in order to be able to survive in running their businesses are (1) conducting business diversification; (2) increasing compliance with various rules; and (3) provide easy payment through payment instalments. The results of this study are consistent with the research conducted by Esnard, Lyne, and Old (2017) which states that the development of this type of business is an important factor for the success of cooperatives.

The strategy chosen by Linggayuda Employee Cooperative of Ciamis includes six main strategies, namely strategies in the fields of (1) management through the selection of management based on competency levels; (2) development of the business field of savings; (3) development of the loan business sector, one of which is to increase the maximum loan amount; (4) improvement of credit risk analysis; (5) development of the office stationery (ATK) sales business and printing business for all Ciamis units; and (6) social fields including hospitalization compensation, marriage compensation, and death benefits. In addition to the six strategies, one of the strategies applied to keep these cooperatives alive is all contributions and payments made using a salary deduction system. The strategies obtained through this research are in line with the findings of Hamid and Susilo (2011) which state that efforts to maintain and develop UKMM can be carried out through 8 strategies including (1) marketing; (2) capital and funding; (3) innovation and utilization of information technology; (4) use of raw materials; (5) production equipment; (6) absorption and empowerment of workers; (7) business development plans; and (8) readiness to face the challenges of the external environment. The results of this study reinforce the research of Schöll, et al. (2016) who concluded that product marketing is the main factor that can maintain the existence of cooperatives.

The main strategies chosen by the Village Cooperative Unit consist of (1) strengthening of capital and member commitment; (2) business development through the development of variants of goods needed by members; and (3) promotion strategies. By applying these three strategies, this member cooperative has proven to survive until now and is able to improve its business diversification program. Based on these results, this study directly or indirectly strengthens the findings of Oktaviana, Suryono, and Hanafi (2013) who concluded that the strategies that can be chosen to maintain cooperative business existence can be done through developing promotional strategies that can increase sales, develop member abilities, improve inventory control management system to avoid price competition, and implement an integrated information management system. This is confirmed by the research of Pesamaa, et al. (2003) who concluded that cooperative survival is closely related to the commitment of members and management of cooperative organizations. Regarding the promotion strategy, Ioannou, Boukas, Skoufari, (2014) also states that promotion is a very important strategy for the survival and development of a cooperative.

Recommendations

Based on the results of the research and discussion described in the previous sections, the following recommendations can be made. Firstly, improving cooperative management and IT use accompanied by digital applications in Governance, marketing and market share. Secondly Good Service Quality Improvement coupled with the growth in the number of members and customers. Thirdly building independence and partnerships to expand businesses so that they



are able to compete and dominate the market. Finally, this research indicates that the revitalization of cooperatives is essential.

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