

The Role of Social Networks in Building Cooperation to Improve Community Economic Welfare

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A new economic development which portrays social networks as a means of cooperation by creating cultural norms and local wisdom. Social networks are able to map and strengthen togetherness because they build trust and togetherness through a community or association. The question of how social networks function and strengthen association members in increasing economic welfare is an interesting study point, especially considering the current challenges of modernization and sophistication of communication tools. Kebumen Laundry Association in Central Java is considered by its' members to be a forum to share information. Each member receives new information that they can use for promoting their own business. The objective of this research was to find out the social networks among the laundry members in Kebumen District, Central Java, Indonesia, in increasing cooperation to improve economic welfare. The results reveal efforts made to make an advanced and trusted laundry business. In general, Kebumen Laundry Association social network can build cooperation, improve mutual prosperity, and provide the best service to the community.

Key words: *Social network, laundry association, joint welfare.*

Introduction

Social networks are built based on social relationships that have already formed or previously existed. In the business environment of the Southeast Asian Chinese community *xinyong* and *guanxi* network patterns are formed in the pattern of cultural construction that has taken root. The Chinese business community's pattern of cultural construction is formed based on personal relationships and verbal agreements. It is also supported by informal group sanctions

and is associated with one's community reputation, trust, and social solidarity. A relatively classless and free society can set values that are conducive to business management (Hafner, 1997). This means that a network will be developed on a different basis from economic transactions in a market. Although market transactions require some shared value (for example, the desire to be involved in exchanges), the norms needed in networking are very important for mutual wisdom.

A network differs from a hierarchy because it is based on shared informal norms, not a formal authoritative relationship. A network understood through this definition can co-exist with a formal hierarchy. The members of a formal hierarchy do not have to share norms and values that would otherwise determine membership and organization based on patronage, ethnicity, or shared corporate culture.

Commodity goods are often produced or harvested in a place thousands of kilometers from their final destination. Each product must be produced then transported through various networks to the final point of sale. The number of people involved in this process is something that consumers commonly take for granted. Consumers are the final point in a series of crossroads between organizations and places around the world. All of these activities become possible because of the existence of organizations or individuals that are connected in a network (Morgan, 1990).

The definition of a network as generally used by sociologists is very broad and encompasses both markets and hierarchies. Networks are categorised as formal organizational where there is no formal source of sovereign authority. They are also categorised as a series of relationships or informal alliances between various organizations, each of which may be hierarchical but related to one another, through differing relationships. Japanese *keiretsu* groups, alliances of various small family companies in central Italy, and Boeing's relationship with its' suppliers are all understood to be networks. However, a network is different from the market when it is determined by shared norms and values. Through this view, a network is a moral relationship of trust; social networks are a group of people in a society or community who share informal norms or values beyond the values or norms that are important for ordinary market transactions (Fukuyama, 2002).

Social networks define hierarchical relationships as an alternative form of business operation and efficiency maximisation, in contrast to informal work practices, where hierarchical transactions are carried out together. Informal methods are characterized by the absence of forms of exchange and their complete replacement by socially supervised transactions. The norms generated in social networks are based on values such as honesty, the fulfillment of duties, a willingness to help each other, and mutual commitment. In social networks, trust capital is a very important by-product of co-operative social norms that brings success. If



society can be relied upon to keep commitments, norms help people avoid selfish behavior, quickly form various social ties and allow formed groups to achieve shared goals more efficiently.

The laundry association in Kebumen District, Central Java, builds togetherness between laundry service members and outside partners. Through collaboration, the dry cleaners are able to progress and develop mutually beneficial networks. This collaboration will improve the quality of laundry and at the same time become a promotion for each respective service provider. Dry cleaners are generally considered to have quality labels and customers that are scattered across the Kebumen sub-districts. However, the Laundry Association places more importance on the social networks that exist internally.

The researchers have an interest in conducting a study on the improvements in mutual prosperity through the social networks that occur among the members of Kebumen Laundry Association. This research is important to carry out as an effort to add to the realm of science and become a basis for strengthening and advancing social networks in Indonesia.

Literature Review

Fukuyama (2002) explains the existence of embedded economic behavior in social relations through social networks in economic life. At the interpersonal level, social networks can be defined as a series of distinctive relationships among several people with additional traits. The characteristics of these relationships are used to interpret the social behavior of the individuals involved. At the structural level, patterns or structures of social relations will enhance and/or inhibit people's behavior to engage in various areas of social life. Thus, this is seen as the glue that unites individuals into a cohesive system (Damsar, 2002).

Wellman explained that social networks rely on a set of principles (Ritzer, 2003): first, the bond between actors is usually symmetrical in both the level and intensity; actors supply each other with something different and they do so with greater or lesser intensity. Second, bonds between individuals must be analyzed in the context of broader network structures. Third, the structure of social ties gives rise to various types of non-random networks. Fourth, network groups cause the creation of cross relations between network groups and individuals. Fifth, an asymmetrical bond between elements in a network system with limited resources will be distributed equally. Sixth, unequal distribution of limited resources gives rise to both cooperation and competition. Some groups will join to get limited resources by cooperating, while other groups compete and fight over it. Thus, dynamic quality network theory provides that the structure of the system will change along with the shifting patterns of coalitions and conflicts.



Social networks are built based on social relationships already formed or in existence. There are several forms of intended social relations: Firstly, friendship. In Japan, networks among entrepreneurs (mostly men) were initially developed in universities and continued after they entered the business world. These relationships provide important information for business decision-making and they facilitate government-entrepreneurial cooperation. *Second*, kinship or family. Chinese capitalism is the first and foremost network of capitalism. The foundation of this network capitalism is not based on legal contracts and regulatory authority of the state but personal trust relationships. (Hefner, 1999). Guanxi is a term used by the Chinese in understanding relationships or networks in a way that is conventionally available for certain relationship devices that are bound by mutual norms (*huibao*) or by what are commonly referred to as *renqing* or *ganqing* (Hefner, 1997). Those involved in a guanxi network may have distant relations, neighbors, former schoolmates, people with the same surname, and Chinese immigrants (people from the same region in China or speak in the same dialect).

In social networks, social exchanges are not always measured by the value of money because social interactions not only exchange tangible items but also non tangible items (Homans, 1961). Every act is made in consideration of the psychological benefits or costs of doing so, for example, employment not only generates extrinsic rewards, in the form of wages but also provides intrinsic rewards in the form of friendship, satisfaction, and heightened self-esteem (Homans, 1967).

The expectation of profit from an exchange is generally a self-interest motivator, thus, no exchange takes place if the both parties are not benefited. According to Blau, the mechanisms mediating complex social structures are the norms and values (consensus of values) that exist in society; mutual agreement on values and norms is used as a medium of social life and as a link that connects social transactions. Norms and values allow indirect social exchange and determine the process of social integration and differentiation in complex social structures and determine the development of organizations and social reorganization within (Blau, 1964). Exchange norms are a virtue given by someone, and we must be able to return them.

Shared values can be imagined as a medium of social transactions through social time and space. The consensus on social values provides a basis for expanding the distance of social transactions beyond the limits of direct social contact and perpetuating social structures beyond the limits of human age. The value standard can be considered as a medium of social life in two terms: the value context is the medium creating the forms of social relations and shared value provides a function to connect groups and social transactions on a broad scale (Blau, 1964).

Methods of Research

Type of Research

The study uses qualitative research methods. Bogdan and Taylor (1975) defined qualitative as a research procedure that produces descriptive data in the form of written or spoken words from people and observable behavior. The data is sourced from interviews, report notes, photos, notes, or memos. The application of descriptive nature is not limited to the collection and compilation of data but includes the analysis and interpretation of the meaning of the data. Koentjaraningrat (1993) said that descriptive research could provide full detail about individuals, circumstances, symptoms, or specific groups.

Location

The research took place in Kebumen District, Central Java, Indonesia. Eight laundry association members took part. Kebumen was chosen because it has an increased level of entrepreneurship due to the encouragement of the local government to run your own business.

Type of Data

- Primary Data

The data is directly obtained from interviews with the laundry owners or members of the Kebumen laundry association.

- Secondary Data

Secondary data is sourced from relevant theories contained in books, advertisements writings, pictures, tabloids, and newspapers.

Data Collection Method

- Observation

At this stage, the observer is openly known to the public and the respondents. This stage involves the direct observation of the daily activities of laundry employees and their bi-weekly meetings.

- Interview

Interviews were conducted in a direct, open, and structured manner. There were six focus points for the interviews: 1) the number of members; 2) background of the establishment; 3) any cooperation between fellow laundry services; 4) customers average; 5) gross and net income; 6) the way to build mutual trust. The respondents are 1) members of the association laundry; 2) chairman and management; 3) eight people representing customers in each laundry service.

- Literature Review

Literature studies are obtained from books that the researchers have read.

Data Analysis

Data analysis in qualitative research is a dynamic and creative process. Through this, the author tries to achieve an in-depth understanding of the subject matter under investigation. The data analysis process begins with a review of all available data from various sources, including: the results of interviews, observations that have been written in field notes, official documents, and personal documents. Miles and Haberman (1992: 6) provide that the process of data analysis is divided into three primary steps: data reduction, data presentation, conclusion drawing.

- Data Reduction

Data reduction is an effort to systematically compile and summarize data so that it can be easily understood. This is done to provide a clear illustration of the results of the study so that improvements could be made. This process was conducted when qualitative research is still ongoing, that is, before and after going into the field. The reduction methods used are strict selection and brief summation.

- Data Presentation

This is the presentation of a collection of information that gives the possibility to draw conclusions and take action. Data presentation is the result of field discoveries, and interviews with several informants, in this case, the laundry owners or members of the Kebumen Laundry association.

- Conclusion Drawing

Data collection begins with the researcher trying to find the meaning of fields, patterns of explanation, and configurations that use causal flow and propositions. The results of the data analysis are used to answer the problem statements raised in this study.

Results and Discussion

Laundry Association Formation Process

Social networking is a social fact that is important to manage. The existence of social networks as social facts is started by individuals. This can be seen from the establishment of the Laundry Association being initiated by an individual's idea. The Laundry Association's ideas for establishing a moving Kebumen Laundry Association must be strengthened through a shared organization. In this joint forum, business people can share ideas and information, work together, and compete healthily for the common good.

The results of the interviews show the central role of a social network, namely to build togetherness between laundry businesses and business comfort. The difficulty of business is in keeping the business existing because of unfair competition practices among business people. Business must start with establishing acquaintances, relationships, and cooperation between the actors. In relations with other parties, the role of social networks for business convenience is as a bulwark for network members to strengthen and defend the business from outsiders 'attacks'. Relationships built through activities and interactions in the laundry association can provide positive value for the development of the social network. That effort initiated the formation of the network of laundry entrepreneurs.

One of the new members stated:

“I realize that to advance cooperative efforts and build business networks between members, we must be compact and in agreement when determining prices or serving customers. Also, it helps the members of the Laundry Association, which has not many customers yet. Hence, collaboration and networking are very important for us” (Interview, June 13, 2019).

The results obtained by collaborating and building a business network can also reduce the imbalance or different, as stated by *Pak Agung* as the initiator of the establishment:

“One manifestation of that cooperation is the price consensus among the members. As experienced by Pak Agung when running his telecommunication shop business. According to him, small and medium businesses have the potential for unfair competition among business people. The unhealthy competition was manifested in price fluctuations. To win the

competition, a businessman plays a price game, for example, by offering a lower price than other business people. Such a price game has a bad effect where other business people lose the customers themselves” (Interview 13 June 2019).

The results of these ideas provide benefits for the formation of laundry businesses who are members of the Kebumen Laundry Association. Associations here are considered as a forum where members can share information through communication. By sharing that information, each member gets new information that they can use for their own business. The function of associations like this become very important for all members, especially those who are new or have no experience in the laundry business. Generally, the type of information shared is about how to develop the business itself. The information includes (1) laundry business management; (2) laundry service market prices; and (3) information about equipment and how to maintain it.

Laundry Associations are a solution for those who have experienced a bitter fate in running small and medium businesses, who come to realize that establishing cooperation with people engaged in similar businesses (laundry) is important. This cooperation is intended to avoid conflicts between the laundry business and to strengthen their respective businesses. The reduction or lack of competition due to cooperation makes business owners more concentrated on developing their business. In order to advance the Laundry Association, they cooperate with PT.Molto, the provider of laundry facility, and the provider of engine repair materials. Collaboration is also carried out internally by each member in accordance with the associations agreement.

To build an advanced and trusted business, network expansion is needed for both Laundry Association members and other service assistants. The Laundry Association is collaborating with the manufacturers of the Electrolux washing machine, Molto laundry deodorizer, and Rinso Matic detergents. Since its initiation, several laundry businesses have opted to enter the Laundry Association. The joining members doing so under the belief that that becoming a member of the Laundry Association can expand their business network with other parties. The Laundry Association as a social network can serve as media forum for its’ members to expand their network. Generally, the Laundry Association has helped its’ members to promote their business.

As said by one of the members:

“I acknowledge there are many benefits that I get from this network expansion. My business is progressing, and of course, I have many customers. I hope it happens not only for me but also for all Alkijo members. hence, I believe the network is very important” (Interview June 13, 2019).



The network expansion also brings advantages, for example, cooperation with Molto laundry deodorizer and Rinso Matic detergent is a gateway to expanding the network. The Laundry Association getting supplies of Molto and Rinso Matic has encouraged laundry businesses to become members. Business people assume that by becoming a member of the Laundry Association, they will have convenient access to Molto and Rinso Matic so as to expedite their laundry business.

The Establishment of a New Social Community

For its members, the Laundry Association is no longer merely a business association. After joining the Laundry Association, members feel the social benefits exceed the business benefits. The repeated meetings and interactions between them eventually bring the awareness that the Laundry Association was a social space in the broadest sense. The Laundry Association becomes a social community where each member feels a sense of belonging as a social creature. The relationships built through the association become broader and more than just a business relationship. Through the Laundry Association, a friendship and community spirit is built. A social fact is a process to increase results and advance business. The Laundry Association through a process of willingness to become a business force, must be supported by the care of fellow members to achieve mutual prosperity.

Cooperation Relationships As A Social Network

To maintain a cooperative relationship, the results of interviews and file research provide some important things:

1. Building Togetherness

The contribution of the members is very important to maintain the existence of a network. Laundry Association members contribute to advancing the Laundry Association in their own way. Members in the Laundry Association are divided into ordinary members and administrators. The difference in position also distinguishes the forms of participation and contribution to the Laundry Association. The togetherness and loyalty of members can be enhanced by ensuring members attend every meeting and engage in activities held by the Laundry Association, such as, joint promotions, laundry training, and seminars.

2. Base Common Norms and Rules

A network is different from the market because it is determined by norms and values which have been set. This means that economic exchanges will be carried out on a different basis from economic transactions in a market. Although market transactions require some shared value (for example, the desire to be involved in exchanges), the norms needed for economic exchange are relatively minimal. Meanwhile, exchanges between members of a network are different. Common norms give them a higher purpose which distorts market relations. Therefore, members of the same family, or an ethnic lending association, who share certain norms, do not face each other in the same way as anonymous individuals (meaning that they do not know each other) who meet in the market. They are way more willing to engage in reciprocal exchanges, in addition to market exchanges, for example, giving funds without expecting direct benefits in return. Although they may expect long-term individual benefits, the exchange relationship is not simultaneous and does not depend on careful cost-profit calculations as is the case in market transactions.

3. Maintaining joint commitment

When asked about commitment, almost all members of the Laundry Association stated that their commitment to the Laundry Association is borne from the desire to strengthen the bargaining position of the supplier members and develop a better image in the eyes of customers. For example, the commitment to advance the Laundry Association by establishing cooperation with suppliers of Electrolux washing machines, Rinso Matic detergents and Molto laundry deodorizers. The Laundry Association also contributes by being a mediator between members and customers, they also provide assistance and motivation to members who are experiencing business difficulties.

As said by *Pak Agung*, the founder of the Association:

"The process is something empirical in human experience. The idea of Pak Agung to establish a community or organization for laundry entrepreneurs is based on his experience. The thought is then manifested in action. When Pak Agung thinks of a community or organization for laundry entrepreneurs, he must do everything to make it happen. The first action taken by Pak Agung was to convey his ideas to his friends also engaged in the laundry service business" (Interview 13 June 2019).

Pak Iwan Nugroho emphasized that:

"I think there is not a contribution yet from the members. They instead demanded the association to give for them. The association itself is still young, still looking for the right form. Nowadays, the tendency of the members is what association gives to them, not what they give to the association. The management hopes the members can give contribution because without contribution the association cannot do the contrary. So, the most important is reciprocity" (Interview, 12 June 2019).

The results of the study show that an association that wants to advance to become a business force must be supported by the care of fellow members. In this case, the Laundry Association, the management, and customers must build high solidarity to strengthen the Laundry Association's members.

Conclusion

Social networking cannot be underestimated, in its development, social networking is a social fact that becomes important in the business world. The existence of social networks as a social fact was initiated by individuals. Social networks are needed to promote and advance the laundry businesses. Initially, the conception of the association was done as a means of entrepreneurs determining prices. Building co-operation among Laundry Association members, especially those who have experienced a bitter fate in running small and medium-sized businesses, makes them realize the importance of engaging with people in similar businesses. This cooperation is intended to avoid conflicts between the laundry entrepreneur and strengthen their respective businesses.

The establishment of the Kebumen Laundry Association is based on the sincerity of the initiators who took various steps, including: regular meetings with members, the formation and data collection of members, the establishment of the Laundry Association, coaching and technical insight for members, building cooperation, opening networks and new communities. These processes assisted the establishment of the Laundry Association. Maintaining the co-operative relations among Laundry Association members requires nurturing togetherness and loyalty, understanding existing rules, being highly committed, applying family principles, and minimizing conflict. The findings in the field also show that the Laundry Association's social network is established and is inseparable from the vision, mission, and enthusiasm of the members in developing and advancing the Laundry Association.

Network expansion is needed to build an advanced and trusted business. This network also covers hotel and hospital servants who need to wash their second-hand tools. The



togetherness and loyalty of the Laundry Association members can be shown through the activities carried out by Laundry Association, for example, joint promotions, laundry training, and seminars. Generally, the Kebumen Laundry Association social network can build cooperation, improve mutual prosperity, and provide the best service to the community.

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