Red, Yellow, Or Green:Which Colors Are Your Co-Operatives?

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ABSTRACT

Co-operative is a socio-economic institution which is the most appropriate for Indonesian economic system. Indonesia has the largest number of co-operatives in the world, however, they have not contributed optimally for the Indonesian economy. Co-operative trainings held by the government failed to improve co-operative's quality, since those trainings were not based on co-operative's real needs. This study aims to identify and map areas of action for future development of the co-operatives. Using modified Development Ladder Assessment (DLA) as a tool, 74 co-operatives in Central Java, Indonesia, were measured. Four dimensions were assessed using DLA: 1) vision, 2) governance and member engagement, 3) management capacity and business development, and 4) financial management. Total score for each dimension determines whether co-operative is in red, yellow or green areas. Red means poor, yellow means moderate, and green means excellent. Most of the co-operatives are poor in the first (vision) and the third (management capacity and business development) dimensions. The Co-operatives were also found to have moderate governance and member engagement (the second dimension). Finally, the result show that financial management (the fourth dimension) has been well-implemented. Implication of this study is that co-operatives are suggested to get appropriate trainings based on their color areas.

Keywords: Co-Operative, Development Ladder Assessment, Vision, Governance And Member Engagement, Management Capacity And Business Developmet, Financial Management

ABSTRAK

Koperasi adalah lembaga sosial ekonomi yang paling sesuai untuk sistem ekonomi Indonesia. Indonesia memiliki jumlah koperasi terbesar di dunia, namun koperasi belum berkontribusi secara optimal bagi perekonomian Indonesia. Pelatihan koperasi yang diadakan oleh pemerintah gagal meningkatkan kualitas koperasi, karena pelatihan tersebut tidak didasarkan pada kebutuhan nyata koperasi. Penelitian ini bertujuan untuk mengidentifikasi dan memetakan area tindakan untuk pengembangan koperasi di masa depan. Dengan menggunakan Development Ladder Assessment (DLA) yang dimodifikasi sebagai alat, 74 koperasi di Jawa Tengah, Indonesia, diukur. Empat dimensi dinilai menggunakan DLA: 1) visi, 2) tata kelola dan keterlibatan anggota, 3) kapasitas manajemen dan pengembangan bisnis, dan 4) manajemen keuangan. Skor total untuk setiap dimensi menentukan apakah koperasi ada di area merah, kuning atau hijau. Merah berarti buruk, kuning berarti sedang, dan hijau berarti sangat baik. Sebagian besar koperasi buruk dalam dimensi pertama (visi) dan ketiga (kapasitas manajemen dan pengembangan bisnis). Koperasi juga ditemukan memiliki tata kelola dan keterlibatan anggota yang moderat (dimensi kedua). Akhirnya, hasilnya penelitian menunjukkan bahwa manajemen keuangan (dimensi keempat) telah diimplementasikan dengan baik.

Implikasi dari penelitian ini adalah bahwa setiap koperasi disarankan untuk mendapatkan pelatihan yang tepat berdasarkan area warnanya.

***Kata kunci**: Koperasi, Development Ladder Assesment, Visi, Tata Kelola Dan Keterlibatan Anggota, Kapasitas Manajemen Dan Pengembangan Bisnis, Manajemen Keuangan*

INTRODUCTION

Co-operative is a paradox in Indonesia. On one side, co-operative is considered as the most suitable form of economic institution for the Indonesian economy. On the other side, co-operative is often taken for granted as conventional economic institution which has poor management and unprofessional human resources. In quantity, Indonesia has the largest number of co-operatives in the world with 209,000 co-operatives (Indonesian Ministry Co-operative, 2016). Nevertheless, in term of quality, co-operatives in Indonesia only contribute approximately 1.7% to Gross Domestic Bruto (GDP). Furthermore, approximately 69,000 co-operatives in Indonesia are identified unhealthy and soon will be dissolved by the government.

According to Davis (1999), one weak point that made co-operative could not developproperly is human resource. For example, in Malaysia, worker co-operatives are not effective due to lack of capability and competency of their managements (Rahim, 2014). Bekele (2013) found that in Africa, most co-operatives are stagnant because of management's and supervisory's body's lack of integrity, competency, knowledge and experience. Study in 60 co-operatives in Nigeria conducted by Okechukwu (2013) found that co-operatives performance were poor due to their insufficient human resources.

Lack of skilled human resources is a classic problem in co-operatives. Dessler (2013) stated that training has an impressive record of influencing performance. It also affects productivity of employee, hence the productivity of organization will also increase. Several research in Davis (1999) showed that most co-operatives had poor staff's training. It resulted in high number of employees turnover, thus co-operative's development has never succeeded.

Indonesian government tries to improve co-operative's human resources quality by conducting regular trainings. In fact, co-operativehas its own training center (Badan Latihan Koperasi/Balatkop) in all provinces in Indonesia. Unfortunately, those regular trainings are not proven in improving co-operatives quality. Ministry of Co-operatives (2016) found that there are a huge numbers ofpassive co-operatives in Indonesia. Those passive co-operatives usually retain co-operative's legal statusbut in running their co-operative's enterprise, they do not rely on the principles of co-operatives.

The aims of this research are: firstly, to figure out whether regular trainings held by government are effective and secondly, to identify and map areas of action for future co-operatives development. Implication of this research is that government is suggested to conduct trainings for co-operatives based on each co-operative's real needs which can be depicted in this research map and lastly, to enrich applied research in the area of co-operatives. Some previous research in co-operatives (Azhari, et. al, 2017; Altman, 2015), however, do not have a high practical implication as one shown by this research.

Robert Owen is considered as the father of co-operative. Robert Owen in 1844 defined co-operative as an opposition of capitalism. Owen contrasted the individualistic system of competition (capitalism) with the system of mutual cooperation. In modern co-operative, International Co-operative Alliance (ICA) plays an important role. Here is definition of co-operative based on ICA (1996):

> *"A co-operative is an autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointlyownedanddemocratically-controlledenterprise"*

Co-operative definition based on Indonesian Act No. 25/ 1992:

"*Co-operative is a business entity consisting of people- or legal entity, based on the principle based on co-operative principles as well as a people's economic movement based on the principle of kinship*".

Three keywords that can be concluded from those definitions are group of people, human capital, and economy/business. Since co-operativeis group of people, the ultimate goal is to build people through economic activities. Co-operative enterprise is an example of economic activity. Co-operative enterprise runs as business, gaining profit as well asdeveloping people (members of co-operatives). Characteristics of co-operatives in developing countries differ from those in developed countries. In the past, co-operatives in developing countries were dominated and, sometimes, controlled by government. They were, in many cases, instruments of government policies and subsequently used for the achievement of social and economic goals, such as rural development, employment creation, poverty alleviation and so on, rather than functioning as vehicles that serve their members' needs. Hence, they are unable to adapt to the new business environment (ILO, 2009). Co-operatives in developing countries are lack of human resources and technological skills. In developed countries, as the co-operative enterprises grow, the human resources and technology also grow simultaneously.

Bekele (2013), Okechukwu (2013) and Rahim (2014) found that co-operatives are lack of skilled human resources, whereas to achieve its goal in prospering their members, co-operatives must be well organized, well financed and well managed. Therefore, the co-operatives absolutely must have reliable human resources. International Labour Organization (ILO)'s recommendation on co-operatives in Article 38 is as follow:

"The development of co-operative human resources should be part of a general education package and promoted at all levels of the education system. Co-operative human resources education should be included in the curriculum of educational institutions and co-operative studies should be provided in colleges and academies as part of economic and management courses".

Co-operative has unique education needs. Co-operative without education will only last not more than one and half generation (Zeuli and Cropp, 2004). According to Zeuli dan Cropp (2004), co-operatives need employees who are trained specifically and understand the principles and practices of co-operatives, have sufficient knowledge on products and services as well as have skills to transmit the information to members. Thus, training and education are critical in co-operatives.

In Indonesia, co-operativeis not only taught as a course in universities, but Indonesian government also take initiative to create Co-operative Training Center (Badan Latihan Koperasi/Balatkop). Balatkop train professionals in co-operative and social medium enterprises (SMEs). Balatkop was build in every province in Indonesia. Each year, Balatkop regularly hold various trainings for co-operatives and SMEs. Trainings in Balatkop are divided into three categories: vocational, managerial, and competence. Trainings from Balatkop are free for co-operatives and SMEs.

Dessler (2013) stated that training has an impressive record of influencing performance. It also affects productivity of employees, hence the productivity of organization will also increase. The ideal standard of conducting training is using the Analysis-Design-Develop-Implement-Evaluate (ADDIE) gold model. The model has been used by professional trainers for years. First, Analyze means that trainers/organization should analyze the training need, therefore trainings will be given appropriately (on target). Second, Design the overall training program based on specific needs. Third, Develop the course (actually assembling/creating the training materials). Fourth, Implement training, by actually training the targeted employee/ targeted organization group using methods such as on-the-job or online training. Lastly, *Evaluate* the course's effectiveness.
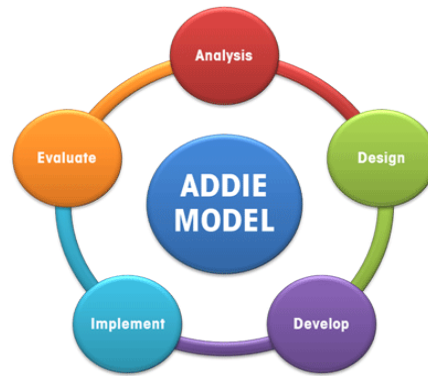
Figure 1. ADDIE Model
*Source:*Dessler, 2013

METHOD

This research used two phases: *the first phase* is identification phase and *the second phase* is mapping co-operative's current condition phase. In identification phase, researcher find out whether trainings followed by co-operatives during these years are effective. Method used for the first phase are in-depth interview and focused group discussion (FGD). The mapping phase used modified Development Ladder Assessment for Co-operative Enterprise (DLA) to identify then to map areas for future co-operatives development.
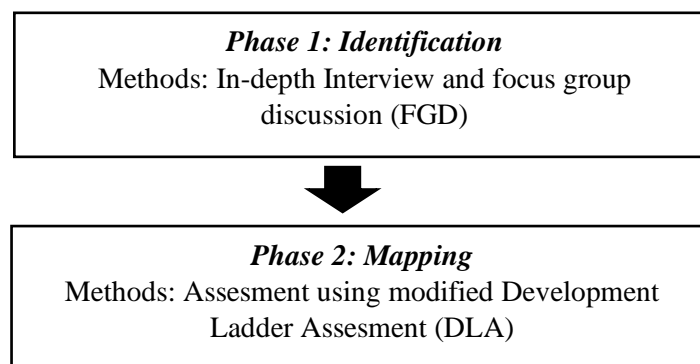

Phase 1: Identification
Methods: In-depth Interview and focus group discussion (FGD)

Phase 2: Mapping
Methods: Assesment using modified Development Ladder Assesment (DLA)

Figure 2.Phases of Research

Qualitative approach is used for the first phase. Qualitative approach is used because the research problem is still unclear. Sugiyono (2012: 84) stated that the unclear problem in a research is best using qualitative design, because in qualitative design, researcher will directly observing to object, doing exploration through "grant tour question". Moreover, Creswell (2014: 125) stated that topics which are most suitable for qualitative design are the ones that need to be explored, variables can not be easily identified, theories are not available to explore behaviour of the participants, and theories need to be developed. Since lack of research in the area of human resources in Indonesian co-operative, therefore this study use qualitative method.

In thesecondphase, modified DLA is used. The DLA was first developed by Canadian Co-operativeAssociation in 2002, and was refined in 2009. The DLA is an assessment tool for co-operative. It has four components: (a) vision (b) governance and member engagement (c) management capacity and business development and (d) financial management. Those components are based on standards and definitions of co-operativeenterprise as outlined in the International Co-operativeIdentity Statement and represent the main features of a healthy co-operativeenterprise as a means of both social and economic development.

The DLA canbe used as a need assessment tool and designed for use bydeveloping co-operativeas a comprehensive needs assessmentto identify strengths and weaknesses of the co-operativeand to identify areas ofaction for the on-going development of the co-operative enterprise.

The DLA can also be used as a monitoring tool to measure this progress as well as planning and management tool. According to Canadian Co-operative Association (2009), as an analytical tool, the DLA can be used by project managers to become aware of the strengths and weaknesses of partner co-operatives, as a basis for planning action for supporting partners' development as co-operatives. As a planning tool, the DLA can be used to assess the institutional capacity of partners and to incorporate institutional capacity building into project design. As a management tool, the DLA can be used to monitor a partner's capacity building process.

To map co-operative's current condition, we calculate co-operative's score for each DLA's dimension. The score for each dimension will be the basis to group co-operatives based on the colors which represent their current condition/needs. For example, Co-operative A got low score in one dimension, then it will be marked with "red" color. Red means poor, thus Co-operative A urgently needs training in the dimension. In another dimension, Co-operative A gets "yellow", it means that the area needs training, but not as urgent as if it gets red. Another dimension, it gets "green", it means that Co-operative A has already performed well in that area.

RESULTS AND DISCUSSION
In the first phase, identification phase, we conducted focused group discussion (FGD) involving seven key co-operatives in Central Java and government representations (Co-operative Department and Balatkop). This FGD discussed trainings held by government (Balatkop) for co-operatives in Central Java. FGD found that most co-operative trainings held by Balatkop did not reach target. Several co-operatives were invited twice or third times for the same trainings, whereas other co-operatives have never been invited for such trainings. Another finding is that several co-operatives did not need such trainings but they were invited, whereas other co-operatives that urgently need those trainings were not invited. Balatkop argued that they have limited database on co-operatives, while they have a very wide coverage areas. Based on data from Central Java Co-operative Department, in 2017 there were 23,281 active co-operatives in Central Java. Besides lack of database, Balatkop's argument was that they are lacking of human resources. Balatkop only has 14 staffs, whereas their coverage areas consist of 35 regencies with 23,281 co-operatives.

In designing co-operative training, Balatkop does not have a systematic process. For example, there is no "need analysis" to analyze the needs of co-operatives. In human resource management, the ideal standard of conducting training is using the Analysis-Design-Develop-Implement-Evaluate (ADDIE) gold model. However, in the context of Indonesian co-operatives, trainings held by government have not used that model. Instead of sequentially following the model, the government jumped directly to the third phase: develop materials, without analyzing the need and designing the training model based on the needs. As a result, trainings conducted by government were not effective in increasing co-operatives' productivity. Furthermore, Balatkop has never evaluated the impact of trainings on co-operatives. It can be concluded that in organizing training, Balatkop did not use the standard model.

Table 1.Result of Focused Group Discussion

Problems	Causes	Solutions
1. Trainings are not on target. Trainings contents are not suitable withco-operatives needs. There are no "need analysis" when designing training.	1. Limited co-operative database 2. Trainings design process is not well structured.	1. Mapping co-operative based on analysis of needs. 2. The map, therefore will be the basis to allocate training for each co-operative and design suitable curriculum.

2. There is no evaluation after trainings	1. Limited human resources on Balatkop (Government-Owned Co-operatives Training Department) to conduct evaluation.	1. Building an effective and efficient evaluation system.

Modified Development Ladder Assesment (DLA) is used to asses co-operative and map co-operatives area of needs. Modified DLA is slightly different than the original DLA. In original DLA, we only calculate the total score for each dimension: (a) vision (b) governance and member engagement (c) management capacity and business development and (d) financial management. In our modified DLA, we do not only calculate score for each dimensions, but also classify it into several categories. We use colors to define the categories. "Green" means proper/sufficient/excellent, "Yellow" means moderate and "Red" means poor. For example, Co-operative A gets red in vision dimension, yellow in governance and member engagement, yellow in management capacity and business development, and green in financial management. It means that Co-operative A need urgent training related to vision dimension because it gets red. Trainings related in vision dimension are strategic planning and Strength-Weaknesses-Opportunity-Threat (SWOT) analysis. On the contrary, if Balatkop organize Financial Management Training, then Co-operative A does not have to be invited. Using color classification will make the process to allocate suitable trainings for each co-operatives easier, mainly because we have thousand of co-operatives to be assesed and trained.

Phase two is a follow-up from the first phase (FGD phase). FGD found that co-operative trainings held by government were not effective since they did not start from each co-operatives needs. Therefore, mapping co-operatives based on analysis of needs is required. We used 78 co-operatives from various sectors to be assesed and mapped as a pilot project. If this pilot project works for 74 co-operatives, then this will work for thousands more co-operatives in Central Java and in Indonesia.

Firstly, the DLA questionnaires were distributed for the co-operatives to be completed. As they finished completing the questionnaire, we calculated their scores. Original DLA use five points scale in questionnaire, in our modified DLA we only use two points scale; 0 for "no" answer, 1 for "yes" answer. The two point scales were used due to the result of our pilot test for 10 co-operatives. The ten co-operatives could not complete the questionnaire because they perceived the answer options (five point scale) were too complicated. Furthermore, there is an additional column besides yes/no coloumn - explanation column. Explanation column is used for co-operatives which has further information on their answer, for example if they answor is not precisely "yes" or "no" but "in progress".

The scores for eachco-operatives were divided into four DLA components: vision, governance and member engagement, management capacity and business development, and financial management.Vis*on* deals with the strategic plan and the organization's commitment to the environment, gender equity, social development and networking. ***Governance and member engagement*** covers board structure and behaviour and participation of members. ***Management capacity and business development*** deals with issues such as efficiency and effectiveness and ***financial management*** deals with issues such as record keeping and financial performance. Each component's score are marked with colors. DLA consists of 20 indicators derived from four dimensions that measure the capacity and performance of an organization against the particular characteristics and principles of co-operatives.

Table 2. DLA Results Classified In Colours

Dimension	Total of Co-operatives in Colours		
	Red	Yellow	Green
Vision	44	19	11
Governance and member engagement	9	40	25

Management capacity and business development	32	24	18
Financial management	7	16	51

Modified DLA is best used for identifying and mapping areas of action for future development of the co-operatives. Moreover, DLA can also be used as an evaluation tool for trainings. For example, Co-operative A's current condition in Vision dimension is red, after it follows trainings on Vision curriculum from Balatkop, it can be re-assesed whether it still on red or improve to yellow. The change in color (red to yellow, yellow to green, etc) could depict success or failure of the trainings. If modified DLA can be used for all co-operatives in Indonesia, lack of database, ineffective training and lack of evaluations problems will be solved. Following is one of the example ofco-operatives mapping in Central Java based on modified DLA's result in management capacity and business development dimension.
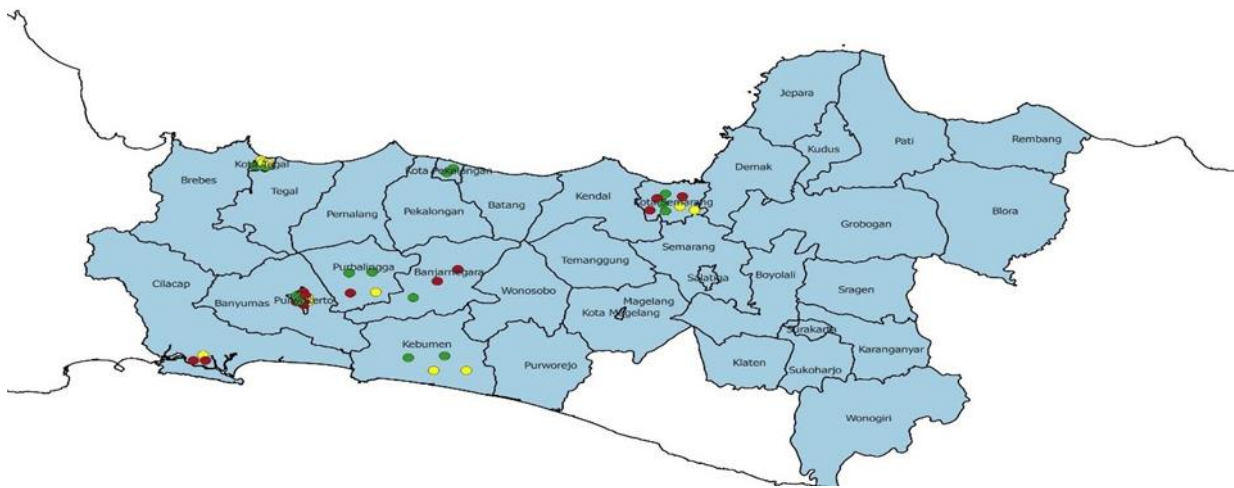

Figure 3.Co-operatives Mapping based on Modified DLA's result in Management Capacity and Business Development Dimension in Central Java.

CONCLUSION

Research in co-operative field in Indonesia is still limited, albeit the number of co-operative in Indonesia is very high. Some previous researches were not applicable to co-operative practice. Over the years, in designing trainings for co-operatives, Indonesian Co-operative Department (Balatkop) did not follow the standard model, ADDIE model. In ADDIE model, analysis phase is a critical phase to start and evaluation is an important phase to end trainings. The fact is Balatkop did not use analysis phase to analyze co-operatives needs and evaluation phase to evaluate the trainings programs. As a result as known from Focus Group Discussion (FGD), the trainings held regularly by Balatkop were not effective.

To follow-up the result from FGD, we identify and map areas of action that can be used for future development of the co-operatives. Using modified Development Ladder Assesment (DLA) as a tool, 74 co-operatives were measured. Four dimensions were assessed using DLA: 1) vision, 2) governance and member engagement, 3) management capacity and business development, 4) financial management. Total score from each dimensions determines whether cooeratives are in red, yellow or green areas. Red means poor, yellow means moderate, and green means excellent. Most of the co-operatives are poor in the first (vision) and the third (management capacity and business development) dimensions. The co-operatives were also found to have moderate governance and member engagement (the second dimension). Finally, the result show that financial management (the fourth dimension) has been well-implemented.

The colouring area enable Balatkop to invite co-operative's trainings participants based on their real needs. If Balatkop wants to conduct training in accounting, for example, Balatkop can easily look

at the coloring map, and invite co-operatives which have red or yellow colors in financial management dimension. This colouring map can also become an evaluation tool. After giving trainings, Balatkop re-measure the co-operatives, whether they are still in the same color, which means that the trainings are ineffective, or they move to different colors stage, such as red to yellow, yellow to green, which means that the trainings are effective.

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