

Dynamic Capability Model of Village Unit Cooperatives

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ABSTRACT

This study aimed to describe the level of dynamic capability models in Village Unit Cooperatives in all Village Unit Cooperatives consisting of ten districts/cities in the districts of Kediri and Madiun, East Java Province. Data collection through direct observation and surveys. The measurement uses seven Likert scales as a basis for describing dynamic capability characteristics. The results showed a dynamic capability models in Village Unit Cooperatives are still not optimal. A measurement model on specific dynamic capabilities (acquiring, developing, creating, and combining knowledge) in Village Unit Cooperatives. Managers with regard to dynamic capabilities are the right choice to understand the fast changing business environment. The limitations of this study are only two of the seven residencies in the province of East Java, Indonesia.

Keywords: dynamic capabilities, village unit cooperatives

INTRODUCTION

Characteristics of Small and Medium Enterprises (SMEs) that differ from large companies based on the limited resources of SMEs and different managerial capabilities and practices [1]. The Village Unit Cooperative (KUD) is a form of multi-business cooperative in Indonesia that has a SME business scale. KUD runs various business units. Where business units are constantly experiencing additions and changes in business forms. However, additions and changes in business forms

among KUD are different and have not been well patterned. SMEs have a dominant mindset logic that often hinders SMEs from turning data into innovative products, services and business models [2].

Data on innovation resources and the business environment as a reference for business models is a mindset that underlies dynamic capabilities. Regarding the dynamic capability of cooperatives, it is weak when connected with innovation, and so that the field of cooperative business management is stagnant and limited. So that cooperatives need dynamic capabilities to create innovation. Dynamic capabilities create opportunities for new value creation strategies through modification of ordinary capabilities [3].

The role of dynamic capabilities as the company's ability to integrate, build, reconfigure internal and external competencies to cope with a rapidly changing environment [5]. Identify the three main foundations of dynamic capabilities: sensing opportunity; seize opportunities; and changing assets and organizations [6]. Knowledge-based dynamic capabilities enable companies to continuously update their knowledge base and thereby cope with changing environments. The dynamic capabilities of the firm inform corporate level strategy [7]. A view of dynamic capabilities as one of the most important frameworks in strategic activity, which aims to identify the long-term drivers of company survival and growth [8,9].

The phenomenon is based on data released by the Ministry of Cooperatives and SMEs of the Republic of Indonesia that Indonesian cooperatives from 2011 to 2019 have low dynamic capabilities.

1945 Constitution, Chapter XIV Article 33 paragraph (1) which states that "The economy is structured as a joint venture based on the principle of kinship". That the most suitable economic body for the purposes of Article 33 paragraph (1) is a cooperative.

By returning to Law Number 25 of 1992 concerning Cooperatives after being annulled by the Constitutional Court, Law Number 17 of 2012 means that cooperatives are still interpreted as business entities consisting of people or cooperative legal entities based on their activities based on cooperative principles as well as a people's economic movement which based on the principle of kinship.

Active Cooperatives (units) in East Java Regulation of the Minister of Cooperatives and Small and Medium Enterprises of the Republic of Indonesia Number 25/Per/M.KUKM/IX/2015 concerning Revitalization of Cooperatives Based on CHAPTER I General provisions of Articles 3 and 4, as follows:

Article 3: Active Cooperatives are Cooperatives which in the last 3 (three) years have consecutively held RAT (Annual Member Meetings) and carry out business activities to serve members.

Article 4: Inactive Cooperatives are cooperatives that have not held Member Meetings for three consecutive years and or not carried out business activities. Furthermore, it can be patterned on Active Cooperative Data (units) in East Java in table 1 below:

Table 1. Data On Active Cooperatives (Units) in East Java

Cooperative	Per 31 Dec 2011	Per 31 Dec 2012	Per 31 Dec 2013	Per 31 Dec 2014	Per 31 Dec 2015	Per 31 Dec 2016	Per 31 Dec 2017	Per 31 Dec 2018	Per 31 Dec 2019
Active	25.052	25.154 (up 102)	25.553 (up102)	27.140 (up 1.587)	27.472 (up 332)	27.683 (up 221)	27.683 (still)	24.024 (down 3.659)	21.757 (2.267)
Never registered as an active cooperative	3.722	3.996	3.710	3.710	3.710	4.297	N/A	N/A	N/A
Amount	28.774	29.150	29.263	30.850	31.182	31.980	N/A	N/A	N/A
RAT	11.064	14.165	11.212	22.788	12.343	4452	8.234	11.776	12.098

Source: adapted from kemenkop.go.id

METHODS

This research data collection method based on the type of time dimension is the type of cross section data, namely data collected at one point. The research used a survey method with 106 respondents. Respondents are managers or heads of the largest business units in all Village Unit Cooperatives consisting of ten regencies/cities in the residencies of Kediri

and Madiun, East Java Province. Data collection through direct observation and surveys. The measurement uses seven Likert scales as a basis for describing dynamic capability characteristics, by developing statements that produce answers that strongly do not exist – strongly agree in various ranges of values (gradations) the Likert scale developed in this study consists of 7 scales, namely (table 2):

Table 2. Likert Scale Developed in Research

Score	Respondent Response				
1	Completely unacceptable	Completely untrue	Not a priority	Completely no idea	Completely no improvement at all
2	Unacceptable	Incorrect	Not low priority	Hardly knows	Not improved at all
3	Slightly unacceptable	Somewhat incorrect	Somewhat priority	Slightly don't know	Slightly does not increase
4	Neutral	Neutral	Neutral	Neutral	Neutral
5	Slightly acceptable	Slightly true	Low priority	Little to know	Slightly increased
6	Accepted	Usually true	Top priority	Know	Increased
7	Highly accepted	Always correct	Important priority	Very knowledgeable	Very improving

RESULT

Acquiring knowledge, average score: 5.53, measurement items as follows:

1. Our KUD has very good knowledge of technology to support business.
2. Our KUD has excellent marketing knowledge.
3. Our KUD has excellent business management knowledge.
4. Our KUD has excellent knowledge of business processes.
5. Our KUD can obtain other knowledge/skills that can be used to support the business.

Developing knowledge, average score: 5.44, measurement items as follows:

6. Our KUD has the ability to develop knowledge about technology to support business.
7. Our KUD has the ability to develop marketing knowledge.
8. Our KUD has the ability to develop knowledge about business management.

Creating knowledge, average score: 5.10, measurement items as follows:

9. Our KUD can create knowledge to support business.
10. Our KUD can create knowledge for business management.

Combining knowledge, average score: 5.36, measurement items as follows:

11. Our KUD can combine knowledge from internal and external organizations.
12. Our KUD can integrate knowledge from various segments, teams and individuals.
13. Our KUD can combine knowledge in different technology areas and markets.
14. Our KUD can combine new knowledge with the basics of cooperatives.

A measurement model on specific dynamic capabilities (acquiring, developing, creating, and combining knowledge) in Village Unit Cooperatives. Managers with regard to dynamic capabilities are the right choice to understand the fast changing business environment. The limitations of this study

are only two of the seven residencies in the province of East Java, Indonesia.

CONCLUSION

Dynamic capability models in Village Unit Cooperatives are still not optimal, because slightly acceptable or slightly true or low priority or little to know or slightly increased in average score 5 from 7 maximum score.

Declaration by Authors

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