

The Impact of Member Participation and Innovation Ability on The Performance of The Cooperatives of Women's Kartini in the District of Driyorejo, Gresik Regency

Endang Muryani¹, Alvien Gunawan^{2*}, Rachman Halim Yustiyawan³

Abstract: This study aims to analyze the effect of member participation on cooperative performance and the effect of cooperative innovation on performance. The population in this study were 355 cooperatives, and we sampled 71. The mechanical analysis used multiple regression analysis, F test, and t-test. The analytical results show that member participation and the ability to innovate simultaneously influence the cooperative's performance. There are two criteria for participation, namely contribution participation, and incentive participation

Keywords: participation member; innovation ability; performance

Submitted: May 3rd, 2021 / Approved: July 24th, 2021

Introduction

The Women's Cooperative development program, established in 2009, is supporting economic development in East Java. The cooperative has been a pillar of the Indonesian economy since its establishment in 1992. The Women's Cooperative's mission is to empower women and develop small and medium enterprises in each district's village or town. According to Law No. 25 Article 3 of 1992, the cooperative's effect on national economic development is visible through members' and the community's welfare.

The women's cooperative's success depends on each member's role and participation. Davis (2010) states that participation is based on a person's moral and emotional contribution to achieving group goals and sharing responsibility. Participation is both an obligation and a right of members who influence the development of women's cooperatives. Obligations as members of women's cooperatives fundamental to the Law no. 25, 1992, in article 20, members of the cooperative are obliged to comply with the Statutes and Bylaws and the decisions were made during the meeting members.

Cooperative members have the right to participate in the meeting to pick and select members either as administrators or supervisors or obtain the same service with other members. The participation of cooperative members greatly determines the cooperative's development to compete with other businesses because the more active members will increase member participation. The ups and downs of cooperative members will determine the cooperative's success.

Ropke (2003) states that member participation is required to address the poor performance of cooperatives, to prevent abuse, and make cooperative management more accountable. Partomo (2007) states that cooperative management aims to improve the level of benefits and interests of the members by providing fringe benefits based on savings. The participation of members of the cooperative and providing extra service facilities are better.

These descriptions indicate that participation must be considered when establishing the women's cooperative development program. Participating members can mobilize the resources to achieve the goal. Hendar and Kusnadi (2005) stated that the cooperative members' participation in terms of their interests could be divided into direct and indirect participation. They can be implemented together depending on the situation and conditions and the applicable rules. Direct participation can use the cooperative (buy or sell to cooperatives) to give advice or information in meetings, contributing capital, elect, and others. Indirect participation occurs when the number of members is too many. The members are spread throughout the vast cooperative work, or cooperative integrated, requiring representatives to convey members' aspirations.

The second type of participation comes from members' dual roles as owners and customers. As an owner, (a) the member contributes to the formation and growth of cooperatives in the form of financial contributions (handover savings, compulsory savings, voluntary savings, or funds personally invested in the cooperative), and (b) takes part in goal setting, decision making, and overseeing the process of cooperative enterprise. This activity is known as contributory participation. As customers/users, members take advantage of the cooperative enterprise's various potential services to support these interests. Such participation is called participation incentives.

Contributory participation and participation support the performance incentives are part of cooperatives. According to Sinambela (2012), organizational performance is defined as the effectiveness of the organization to meet the needs of each group through the efforts that have been established to improve organizational sustainability. Sitio (2001) explains that cooperative performance variables can be measured through cooperatives' development and growth as an institution. Wheelen and Hunger (2015) state that "performance is the result of the activity." Thus, performance assessment can be measured through the outcome depends on organizational units and objectives.

(1) Faculty of Economics, Merdeka University Surabaya

(2) Faculty of Economics and Business, Maarif Hasyim Latif University

(3) IBMT School of Economics, Management Study Program

*Corresponding author: alvien_gunawan@dosen.umaha.ac.id

The organization's performance is influenced by many factors, one of which is the ability to innovate. To be able to show satisfactory organizational performance or not, strategic organizational changes are needed. Innovation can involve creating new products (either in the sense of goods or services), new structures, new relationships, and even new cultures (Siagian, 2007). Schiemann (2011) describes innovation as developing and implementing new ideas, the creativity that leads to better services and products, and adaptability to changing environments or competitive landscapes. Own Innovation ability should be built to create an organization that is dynamic, innovative, and high performance, and can produce competitive products in local and global markets. Ryiadi and Yasa (2016); Rediyono and Ujianto (2013) proved that the ability to innovate determines the organization's performance. The innovation dimension intersects strongly with organizational performance. Organizational performance is based on budget/financial (input) and indirect and intangible non-financial aspects as a tangible manifestation of overall performance accountability. The assessment is not only on the input group. It also analyzes input outputs, outcomes, benefits, positive and negative impacts, finance, and policies.

This study aimed to analyze the influence of member participation and Innovation ability simultaneously on cooperatives' performance, analyze the impact of the participation of members of the cooperative performance, and analyze the effect on cooperative Innovation performance.

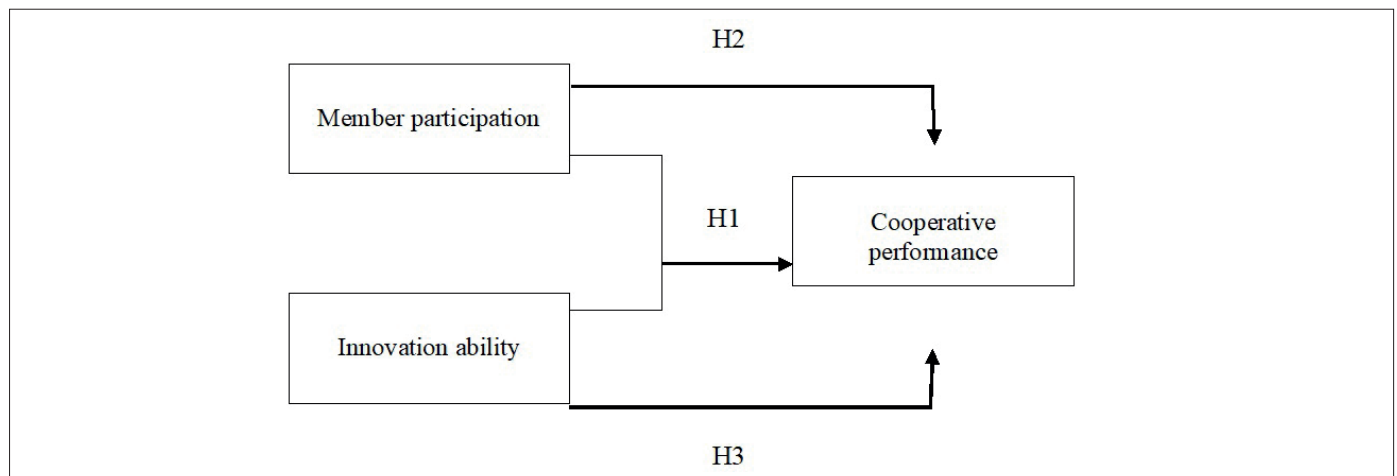
Literature Review

Abdullah (2014) defines performance as implementing an organization's work plan by the management and employees (HR) to achieve organizational goals. Nimran (2011) defines performance results of operations as someone who achieved goals and acts in certain situations. Performance or achievements of the work is the work that is achieved by a person in performing their duties and work following the responsibilities and authority given. Therefore, performance results from individual efforts, which are achieved by following the work plan, of those with the authority and responsibility to affect the organization's performance.

The community's active involvement or participation can also mean the involvement of the goal-setting process as expected. According to Ropke (2003), member participation reduces the poor performance of cooperatives, prevents irregularities, and makes the board, or management more accountable. Employee participation in organizational activities increases employee awareness of their assigned duties and responsibilities. With participation, employees know exactly what to do about achieving company goals. Partomo (2007) explains that the cooperative managed to increase the members' benefit or interests by using a special method to optimize members' needs and remuneration based on their participation and better provide additional services.

Broad innovation capability is a concept that includes ideas and implementation of an idea to a new product, with attributes that include product quality, product features, and product design (Cahyo & Harjanti). According to Lawson and Samson (2001), continuous innovation can transform knowledge and ideas on new products, processes, and systems to benefit (benefit) of the company and its stakeholders. Innovation can involve creating new products (either in the sense of goods or services), new structures, new relationships, and even new cultures (Siagian, 2007). Schiemann (2011) describes innovation as developing and implementing new ideas, the creativity that leads to better services and products, and adaptability to changing environments or competitive landscapes. Own Innovation ability should be built to create an organization that is dynamic, innovative, and high performance, and can produce competitive products in local and global markets. Ryiadi and Yasa (2016); Rediyono and Ujianto (2013) proved that the ability to innovate on the organization's performance. The innovation dimension intersects strongly with organizational performance. Organizational performance is based on budget/financial (input) and indirect and intangible non-financial aspects as a tangible manifestation of overall performance accountability. The assessment is not only on the input group. It also analyzed inputs, outputs, outcomes, benefits, positive and negative impacts, finances, and policies.

Figure 1: Framework Research



H1: Member participation and Innovation ability simultaneously on the performance of cooperatives,

H2: Participation affects the performance of the cooperative members.

H3: Innovation ability affect the performance of the cooperative.

Methodology

Research design

This research uses quantitative methods. In this study, the influence of the participation of search members and the ability to innovate was obtained using the survey method, which uses a questionnaire as the primary instrument. Questionnaires were used in the study because of the data contained in the questionnaire. This survey's data collection techniques, where research is carried out in natural or artificial, and investigators do not treatment in data collection. Measurement of variables in this study using a Likert scale. Data analysis techniques used in the study using multiple linear regression analysis, with SPSS version 20 and the following equation:

$$Y = a + b_1x_1 + b_2X_2 + e$$

Information:

Y = Cooperative performance

a = Constants

b_1, b_2 = Regression Coefficients

X_1 = Member participation

X_2 = Innovation ability

Population and sample

This study's population is the Women's Cooperative Program in the District Governor of East Java, Gresik, comprised of 355 cooperatives attending the Annual Member Meeting. The number of samples in

the study was $20\% \times 355 = 71$ cooperative sampling technique using simple random sampling: is said to be simple or simple because sampling is done members of the population randomly, regardless of the strata contained in this population.

Results

Classical assumption test

To obtain unbiased estimator value efficiently from a multiple regression equation by the Ordinary Least Squares method (Ordinary Least Squares), the data analysis should meet the classical assumptions as follows:

Multicollinearity. A regression model free of multicollinearities if VIF (Variance Inflation Factors) of each independent variable less than 5 and tolerance values close to 1. The VIF results are presented in the following table:

Table 1: Test results multicollinearity

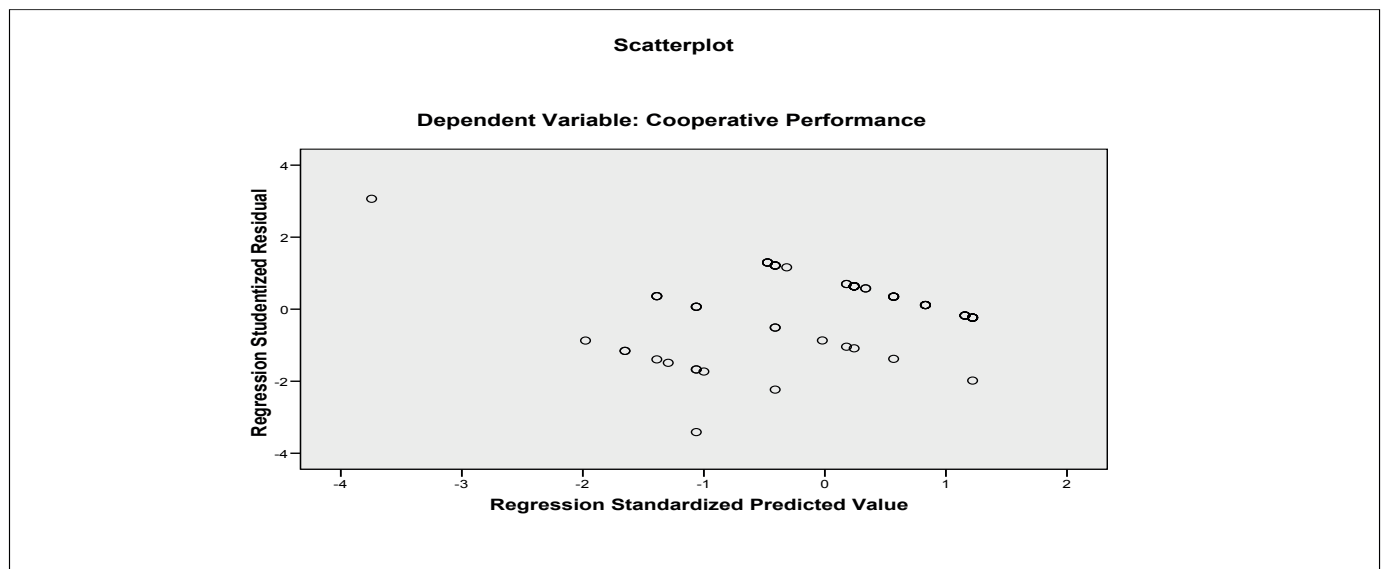
Model	Collinearity Statistics	
	Tolerance	VIF
Members participations	0.993	1,007
Innovation ability	0.993	1,007

Source: Primary Data Processed, 2018

Based on the calculation shows that the variable Participation VIF member and Innovation ability have $VIF < 5$. Thus it can be concluded that there is no regression model multicollinearity problem.

Heteroskidastity. Heteroskidastity means the residual variation that is not the same for all observations or residual variation, which increases in the number of observations increases. Figure 1 presents the results of testing the heteroskedastic symptoms using the scatterplot.

Figure 2: Test Heteroskidastity



Based on Figure 2, dots spread randomly, do not form a particular pattern, and spread both above and below the number 0 on the Y-axis. These means do not occur heteroscedasticity in regression models.

Normality. The assumption of the normal distribution of data is important in researching with regression. This test aims to test whether

the regression model, independent, and dependent variables are normally distributed or not. Data normality can be detected by looking at the spread of the data (points on a diagonal axis of the graph). If the data spread around the diagonal line and follow the direction of the diagonal line, then there is a normal distribution.

Figure 3: Data Normality

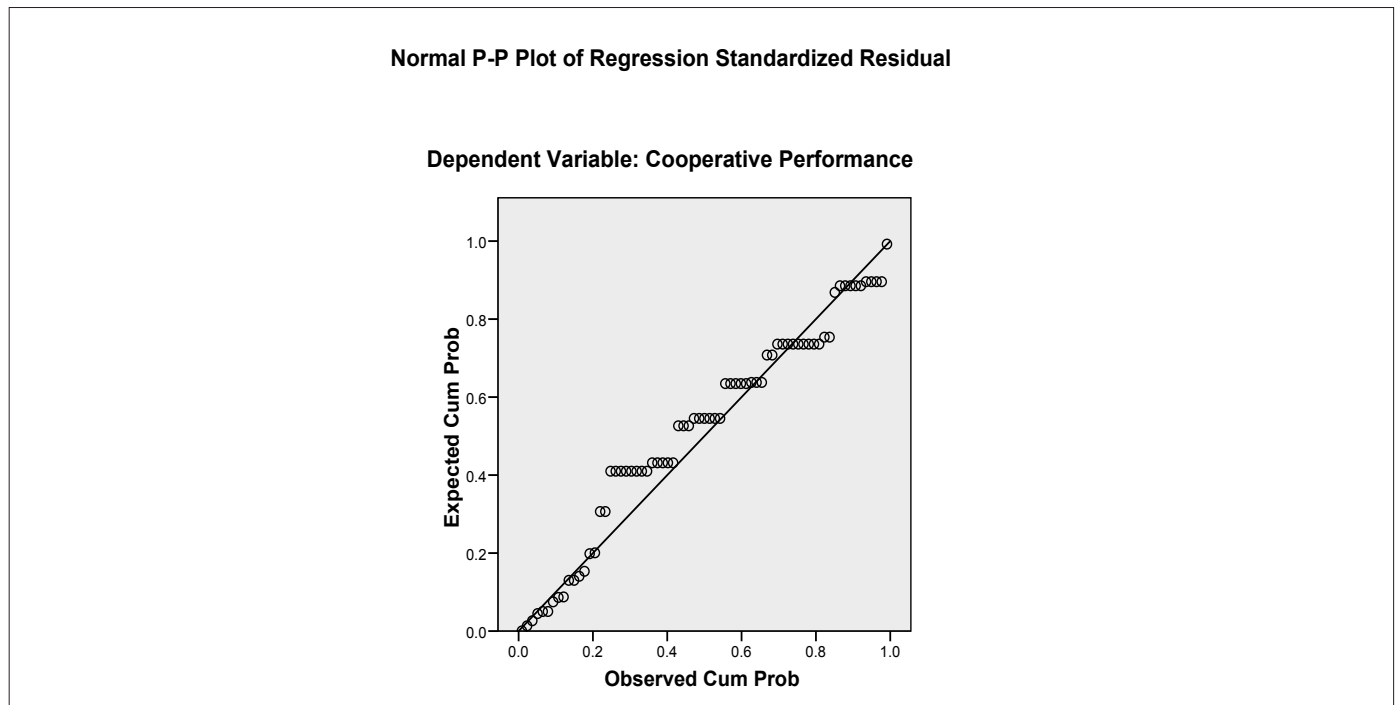


Figure 3 shows that the data (point) spread around and approached the diagonal line. It shows that the research data that includes

variables member participation and Innovation ability normal distribution.

Regression analysis

Table 2 presents the data analysis results using SPSS 20 for Windows.

Table 2: Summary of results of multiple linear regression analysis

Variables	Regression Coefficients	t	Sig.	Information
Participation member (X1)	0.167	6.106	0,000	Significant
Innovation ability (X2)	0.151	3,563	0,001	Significant
Constants		3.179		
R		0.665		
R square		0.442		
Adjusted R square		0,425		
F count		26.921		
Sig. F		0,000		
N		71		
F table		3.14		
t table		2,000		
Dependent variable	Cooperative performance (Y)			

Source: Primary Data Processed, 2018

From the results of multiple regression calculations above, we can know the value of the determination coefficient (R square) of 0.442. The coefficient of determination shall have the meanings that the participation of members (X1) and the ability to innovate (X2) to contribute to the cooperative performance of 44.2%, while the remaining 55.8% were caused by other variables not included in the study. Meanwhile, the results of testing this hypothesis can be seen as follows:

H1 Testing. To test the first hypothesis, which states that members' participation and the ability to innovate simultaneously affect cooperatives' performance, using the F test. From the calculation results of multiple regression analysis with SPSS acquired Fhitung 26.921, while the F table at $\alpha = 5\%$, $DF1 = 2$, and $DF2 = 68$ 3,14; this means that $F \text{ count} > F \text{ table}$ ($26.921 > 3.14$), while the probability is smaller than $\alpha = 0.05$ ($0.000 < 0.05$), then H_0 is rejected and H_a accepted which means that the independent variables: Participation of members and the ability to innovate simultaneously significant effect on the performance of cooperatives. Thus the first hypothesis is statistically proven.

H2 Testing. To test the second hypothesis, which states participation affects the cooperative members' performance, using the t-test. The t-test was used to determine whether each independent variable participation of members and the ability to innovate partially significantly affected cooperatives' performance by comparing t with t table. T-test results obtained by value $t = 6.106$ while the value table = 2.000 so that $t > t \text{ table}$ or significance value $0,000 < 0,05$ so H_0 refused or H_a accepted, and proven member participation variable (X1) a significant effect on the performance of cooperatives (Y). Thus the second hypothesis is statistically acceptable.

H3 Testing. To test the second hypothesis, which states the ability to innovate on the performance of cooperatives, using the t-test. T-test results obtained by value $t = 3.563$ while the value table = 2.000 so that $t > t \text{ table}$ or significance value $0,000 < 0,05$ so H_0 refused or H_a accepted, and proven Innovation ability variables (X2) significantly affects the performance of the cooperative (Y). Therefore, based on the results of the t-test, the participation of members, and the ability to innovate, is a partially significant effect on the performance of cooperatives can be proven. Thus, the third hypothesis is statistically acceptable.

Discussion

The result of research that Member Participation variables significantly affect the performance of women cooperatives in Gresik. Employee participation in the company is something that can support the successful running of the company. Communication within the company will be more effective with employee participation. Companies need to take a participatory approach that can strengthen the company's vision, mission, and strategy. All company members must know the vision and mission and agree on the strategy to be implemented. This will increase their motivation and job satisfaction. The best way to ensure that the vision and mission are well conveyed is to involve as many employees as possible in the formulation process. The participation of employees in organizational activities will increase employee awareness of the duties and responsibilities assigned to

them. With participation, employees know exactly what to do about achieving company goals to boost company performance. This experiment supports previous research by Yuwono (2001) that the participation of members of the involvement of members in the process of achieving their stated objectives expected and opinions Hendar and Kusnadi (2005) the participation of members of cooperatives in view in terms of importance is divided into two kinds of participation, namely: participation contributory, is the role of members as the owners (investors) cooperatives and participation incentives, is the role of members as a customer or user of the cooperative, such as acquiring goods and services prices, quality is more favorable than those obtained from other parties who are not cooperative. Both of these participations arise from multiple roles members as both owners and customers. This study's results are consistent with Setiaji (2009), who states that influential members of cooperative success participate.

Innovation ability significantly influences the cooperative's performance, meaning that the higher the level of Innovation ability can improve the cooperative's performance. Innovation can involve creating new products (either in the sense of goods or services), new structures, new relationships, and even new cultures (Siagian, 2007). Schiemann (2011) describes innovation as developing and implementing new ideas, the creativity that leads to better services and products, and adaptability to changing environments or competitive landscapes. Innovation ability is a lever in terms of managing existing and regular production activity with innovation effectively. A more powerful Innovation ability in women-owned cooperatives will streamline innovation performance and positively correlate with cooperative performance. Still, the resource power and dynamic ability have difficulty seeing and identifying since many resources, individually or collectively, affect the performance. These increasing resources are complementary. Innovation is a vital tool in improving the cooperative's performance. Han *et al.* (1998) stated that innovation is an intermediary factor between market orientation and performance in the USA banking industry because market orientation positively affects growth and profitability/ROA through administrative innovation and technical innovation. Deshpandé *et al.* (1993) found that innovation is a key determinant of business performance. Product innovation will increase revenue and profit (Ellitan & Anatan, 2009), make the company superior (Stalk, 1988), and increase ROI (Luchs, 1990). Process innovation will improve organizational performance and employee performance (Sadikoglu & Zehir, 2010; Choi, Jang, & Hyun, 2009), increase market share and profitability (Kettinger & Grover, 1995). Technological innovation plays an important role in achieving long-term profit (Stacey & Ashton, 1990).

Participation of members and the ability to innovate simultaneously affect the cooperative's performance, which means an increase in members' participation supported the innovation's upgrading can improve the cooperative's performance. The active participation of members in its various aspects is considered very important in terms of the cooperative's life. Therefore, training programs on cooperatives is one beacon of hope to achieve an improved quality of human resources to increase the cooperative members' active role. Lack of training leads to the inability to innovate. Member education should

be able to increase knowledge and awareness about the benefits of cooperating. The benefit basis motivates each member to participate in the cooperative, such as; increase the volume of transactions, strengthen capital, supervise, take part in making decisions during Member Meetings, and take part in taking risks if a problem occurs. For member participation to be sustainable, the cooperative manager must always develop creativity and innovation from both the organizational and cooperative business aspects. Cooperatives are obliged to provide services by members' interests and needs (Lembaga Pendidikan Perkoperasian, 2020).

Conclusion

Member participation is the participation of members who can encourage improving cooperative performance. There are two criteria for participation, namely contribution participation, and incentive participation. In addition to participation, the cooperative's innovation capabilities will make innovation performance effective and have a positive relationship with cooperative performance. The training program on cooperatives is a beacon of hope for achieving an increase in the quality of human resources to increase the active role of cooperative members. Innovation is the ability to offer leverage in terms of managing existing and regular production activities with innovation effectively.

References

- Abdullah, M. (2014). *Manajemen dan evaluasi kinerja karyawan [Management and employee performance evaluation]*. Yogyakarta: Penerbit Aswaja Pressindo.
- Cahyo, R. J., & Harjanti, D. (2013). Analisa inovasi produk pada usaha formal dan informal di Jawa Timur [Analysis of product innovations in formal and informal businesses in east Java]. *Agora*, 1.
- Choi, S., Jang, H., & Hyun, J. (2009). Correlation between innovation and performance of construction firms. *Canadian Journal of Civil Engineering*, 36(11), 1722-1731.
- Davis, K. (2010). *Organizational behavior – human behavior at work 13th edition*. New Delhi: McGraw Hill Company.
- Deshpandé, R., Farley, J. U., & Webster Jr, F. E. (1993). Corporate culture, customer orientation, and innovativeness in Japanese firms: a quadrad analysis. *Journal of marketing*, 57(1), 23-37.
- Ellitan, L., & Anatan, L. (2009). *Manajemen inovasi: transformasi menuju organisasi kelas dunia [innovation management: transformation towards a world class organization]*. Bandung: Alfabeta.
- Han, J.K., Kim, N. & Srivastava, R. K. (1998). Market orientation and organizational performance: is innovation a missing link? *Journal of Marketing*, 62(4), 30-45.
- Hendar, & Kusnadi. (2005). *Ekonomi koperasi (untuk perguruan tinggi) [cooperative economics (for higher education)]*. Jakarta: Faculty of Economics, University of Indonesia.
- Kettinger, W. J., & Grover, V. (1995). Toward a theory of business process change management. *Journal of Management Information Systems*, 12(1), 9-30.
- Lawson, B. & Samson D. (2001). Developing innovation capability in organizations: a dynamic capabilities approach. *International Journal of Innovation Management*, 5(3), 377-400.
- Lembaga Pendidikan Perkoperasian. (2020). Pendidikan anggota [Member education]. <https://www.lapenkop.com/diklat-perkoperasian/pendidikan-anggota/>
- Luchs, B. (1990). Quality as a strategic weapon. *European Business Journal*, 2(4), 34-47.
- Nimran, U. (2004). *Perilaku organisasi [Organizational behavior]*. Surabaya: CV. Citra Media.
- Partomo, T. S., & Soejoedono, A. R. (2002). *Ekonomi Skala Kecil/Menengah dan Koperasi [Small / Medium Scale Economy and Cooperatives]*. Jakarta: Ghalia Indonesia.
- Rediyono & Ujianto. (2013). Pengaruh inovasi, budaya organisasi dan teamwork terhadap kinerja manajerial serta implikasinya pada kinerja bank perkreditan rakyat di propinsi Kalimantan Timur [The influence of innovation, organizational culture and teamwork on managerial performance and its implications on the performance of rural banks in east Kalimantan province]. *Jurnal Ilmu Ekonomi & Manajemen*, 9(2), 103-119.
- Ropke, J. (2003). *Ekonomi koperasi teori dan manajemen [cooperative economics theory and management]*. Jakarta: Salemba Empat.
- Riyadi, N. A. & Yasa, N. N. K. (2016). Kemampuan inovasi memediasi pengaruh orientasi kewirausahaan terhadap kinerja produk imk sektor industri makanan di kota Denpasar [The ability of innovation to mediate the effect of entrepreneurship orientation on product performance of the food industry sector imk in Denpasar city]. *E-Jurnal Manajemen Unud*, 5(3), 1915-1941.
- Sadikoglu, E., & Zehir, C. (2010). Investigating the effects of innovation and employee performance on the relationship between total quality management practices and firm performance: An empirical study of Turkish firms. *International journal of production economics*, 127(1), 13-26.
- Schiemann, W. A. (2011). Alignment, capability, engagement, pendekatan baru talent management untuk mendongkrak kinerja organisasi [alignment, capability, engagement, new approaches to talent management to boost organizational performance]. Jakarta: PPM.
- Setiaji, K. (2009). Pengaruh partisipasi anggota dan lingkungan usaha terhadap keberhasilan koperasi pegawai republik Indonesia (kpri) kapas kecamatan susukan kabupaten Banjarnegara [the effect of member participation and the business environment on the success of koperasi pegawai republik Indonesia (kpri) kapas, susukan district, Banjarnegara regency]. *Jejak*, 2(1), 22-28.

- Siagian, S. P. (2007). Teori pengembangan organisasi [organizational development theory]. Jakarta: PT Bumi Aksara.
- Sinambela, L. (2012). *Kinerja pegawai: Teori pengukuran dan implikasi [Employee performance: theory of measurement and implications]*. Yogyakarta: Graha Ilmu.
- Sitio, A. (2001). *Koperasi: teori dan praktik [cooperatives: theory and practice]*. Jakarta: Erlangga.
- Stacey, G. S., & Ashton, W. B. (1990). A structured approach to corporate technology strategy. *International Journal of Technology Management*, 5(4), 389-407.
- Stalk, G. (1988). Time: The next source of competitive advantage. *Harvard Business Review*, 66, 41-51.
- Wheelen, T. L., & Hunger, J. D. (2015). *Strategic management. 9th Edition*. Massachusetts: Adition-Wesley Publishing Company.
- Yuwono, T. (2001). *Manajemen otonomi daerah: membangun daerah berdasar paradigma baru [regional autonomy management: building regions based on a new paradigm]*. Semarang: Clogappss, Universitas Diponegoro.