Revitalizing Cooperatives in Medan Municipal City, Indonesia: An Alternative Concept and Approach

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Abstract

In 2012, the Indonesian government launched revitalization program towards enhancing the governance of Indonesian cooperatives. However, there are cases found to date highlighting that majority of cooperatives in Medan city are govern out of Co-operative Principles and Values (CPV). The aims of this study are:1) Finding out the contributing factors why the cooperatives are managed out of CPV, 2). Propose an alternative solution to address the causes of problems to succeed cooperatives revitalization. To achieve these purposes, we measured Stakeholders' understanding in- how important to adapt CPV in managing co-operatives, and also measured application level of CPV that has been done during and prior to the research. To measure level of understanding, data were analyzed using Confirmatory Factor Analysis (CFA), while to measure level of CPV application, used an average value of questionnaires scale. Findings suggest CPV implementation has been misconducted in the management of cooperatives, mainly due to poor Quality of Human Resources (QHR). Accordingly, Revitalization of human resources is the key to revitalize co-operatives, by emerging and integrating CPV knowledge education as well as of leadership, competencies throughout the continuous effort of character building. The model of cooperatives revitalization is presented separately in the appendix.

Key words: Revitalization; Good Cooperative Governance, Character Building; Motivation; Commitment; Integrity.

1. Introduction.

Decades since the independence day of Indonesia, the government has never stopped carrying out various assistance programs to support the development of co-operatives. However, with all the effort, co-operatives have not successfully demonstrated its best peformance as the pillar of the national economy, as defined in article 33, 1945 Constitution Act. The unsuccessful of co-operatives is the main reason, why in the year of 2012, the government launched revitalization of cooperatives as one of the government's main program, to support the national economy to meet a prosperous society.

A prior survey conducted by Ministery of cooperatives and SMEs, in the year of 2008-2009 on the identification of development assistance towards strengthening cooperatives and SMEs on programs and grants has been disbursed by the government for the fiscal year of 2000-2007 at the Province of North Sumatra, disclosed the main problem of QHR within cooperatives due to poor character of Human Resource (HR), while leadership and competency come after.

This research try to promote an alternative concept to make cooperatives revitalization succeed.

2. Background.

Former Minister of co-operatives and SMEs, Surya Dharma Ali (2004) underlined that the problems of co-operatives throughout Indonesia are generally acknowledged for its: 1) bad reputation, 2) not independent/self-helpt, 3) lack of qualified human resources , 4) poor governance because of management is not transparent and not accountable 5) a capital inadequacy issue, 6) and ineffectiveness

of business networks. We should say, this research would not cover the last two problems, i.e capital and bisnis network

Several scholars and researchers reported that the root of so many problems of Cooperative in Indonesia because most cooperatives is governed out of the CPV (Sukijo, 2008 and Mulawarman, 2008). Their research disclosed that the treatment managed within the government program with all of its imputed attributes, and government intervention in management, especially in rating of qualified co-operative (Soetrisno 2003) has triggered bias understanding of what cooperative means in society (Jauhari, 2006). Yes, the government support is very important in empowering cooperatives, but over-intervention could negatively affect these cooperatives (Elena et all 2011). This condition is true in the case of Medan City. The result of our preliminary survey indicated that most managers, did not really aware about CPV, in managing their co-operatives and so are the members.

In the past, conceptually, the idea of Government's support towards cooperatives and SMEs mostly placed within the framework of development rather than empowerment , and tends to focus on economic aspect, and management issue (Ida and Lugina, 2012). According to Ida and Lugina, no one recommendation, focus in how to increase social trust between the members and the Managers as well as among the cooperative members. For each of Co-operative, to develop social trust is very important, remembering the cooperative is an economic institution with social values. Furthermore, in the past, even up to now, Government is focusing to educate co-operative managers, and give a very little attention to members as external key success factor (KSF) for cooperatives.

Based on prior research report, and the typical co-operatives problems as it is said above, we believe that the empowerment of HR in cooperatives has an important role to succeed the co-operatives revitalization program in the Medan City. The empowerment of HR, is first step to establish **G**ood **C**ooperative **G**overnance (GCG); then GCG may increase social trust towards managers, and towards the government. The presence of HR with strong integrity and commitment to act clean, honest, and responsible are impotant factors to obtain GCG in practice.

3. Literature Review.

The purpose of revitalization of co-operatives as stated in the regulation of the Minister of cooperatives and SMEs, 1/ Per /M.KUKM I /2013, Chapter 1 article 2 is: Encouraging cooperatives to grow and develop into the main economic actors *in accordance with the values and principles of cooperatives,* supported by internal and external parties.

Refer to the definition of revitalization above, then we categorize the parties involve in revitalization process, they are: 1) Managers as Internal Key Success Factors (IKSF), who responsible to developed Good Co-operative Governance (GCG); while Ekternal Key Success Factotors (EKSF) are: 2) the cooperative members and 3) government agencies. *These three groups, become unit analysys, which also represent cooperatives stakeholders.*

3.1. Coperatives Principles and Values (CPV), and Good Cooperative Governance (GCG).

To be successful, managers must have a pretty good leadership capabilities and sufficient competencies, in various aspects, such as '… "Planning and Development, and Financing and Cost" (Jared, et all, 2006), involved in planning and record-keeping (Salome et all, 2002), a dedicated initiator with vision, business and management capacity, who is well educated, with an enthusiasm for innovation and being open-minded and who also has excellent communication skills, (Elena et all, 2011), employ appropriate and yet advanced technologies; and forge forward integration in order to gain competitive advantage in the marketplace, also has to have a good ethical behavior, deserve as a *role model* (Prakash, 2000).

Beside having sufficient competencies and capabilities, applying CPV is a central issue, for "The consistent application of co-operative principles has proved to be a good method to achieve co-operative objectives. To do so, one has to know these principles ". (Anton, 1986). CPV are supposed to be guidelines by which co-operative put their values in to practice. CPV contain values which demand a high commitment and integrity in applying it. Co-operatives Managers with sufficient-adequate competency, and who consistently apply CPV in its daily activities, is an assurance that within the cooperative has developed GCG.

In the case of Medan city, where most cooperatives are governed out of the CPV, all of the problems are

primarily subject low QHR to: a) unqualified leadership and competence b) most managers have a very limited knowledge of CPV. c). HR character issues include lack commitment, integrity, and motivation to achieve their goals. These facts are true, for both Managers as well as members, even government WE believe, these three problems can be overcome through continuing education integrated with character building, in essence building Motivation, Commitment, and Integrity.

3.2. Why Motivation, Commitment, and Integrity are so important in character building.

3.2.1 Motivation.

Motivation is very important in character building because " ― Being self-motivated means being ready for driven, focused discussion and behavior. (Anonymous). Several theorists, including Abraham Maslow, Frederick Herzberg, David McClelland, and Clayton Alderfer, (in Cliffs Notes, 2016) help explain, needs are a source of motivation. Motivation is needed, when someone psychologically has internal state. And the good news is that building Motivation can be learned, by applying four strategy (Mantell, 2012).

3.2.2 Commitment.

Commitment is; a willingness to give your time and energy to something that you believe in, or a promise or firm decision to do something. (Cambride Dictionary Online). Building Individual Comminment means, "helping them to personally connect to the *change and adapt to the new way of working*. Helping people to personally connect to the change is clearly very important. (Miller, 2011). Commitment is also deal with self discipline, ―Self-Discipline is the ability to get all of thousands of variations of you to agree to work together (Young 2007). Young also identified, there are three Key point that has to be always remember, when decided to build personal Commitment; they are 1) Clarity of goal, 2) Force, 3) Practice. Once personal commitment has been built, then building organization commitment becomes easier.

3.2.3 Integrity.

According to Podger.D et all (2010),: the meaning of integrity is aligned with the term moral integrity and ethical conduct used in the literature. Moral integrity implies more than acting in accordance with ones words/values, which could be negative. It is associated with moral conduct and acting ethically. Moorman and Grover (2009) said, Leader integrity has long been cited as an important if not the most important leader characteristic.

The root of all integrity judgments is a sense of consistency or congruence between seemingly desperate elements. Building Character through Integrity can be done in two steps: 1. Getting a sense of Character, 2. Living with Integrity (Anonymous).

So, three variables, 1) Motivation, where someone ready for driven to achieve internal state; 2) Commitment, where someone has Self-discipline; and 3) Integrity, where someone has sense of consistency between words and actions, are important elements in building character.

4. Methodology.

4.1 Population and Sample characteristics.

All population are Primary Co-operatives. From the members point of view, the cooperatives in Medan is classified into two groups; 1) Union Worker Co-operatives (UWC); 2). Non Union Worker Co-operatives (NUWC); they were formed by society, group of SMEs, farmer, trader, etc. Cooperative status can be seen in Table 4.1.

Table 4-1: List of Cooperatives
Which is fostered by the government of Medan Municipality, per 2013

Cooperatives Classification	Status of cooperatives				
	Total	Active	Non Active	Frozen	Sample
Union Worker's Cooperatives (UWC)	424	53	113	198	0
Non UW Cooperatives (NUWC)	*696*	*72*	*43*	*581*	*50*
Total	1120	125	156	779	50

Notes: Sample 50 cooperatives, choose randomly, out of 115_active NWUC

From the beginning, our research excluded all of UWC from research sample, for these reasons:

a. After the preliminary survey we found, all of UWC have dynamics and issues are almost homogeneous among them, and are very different from the NUWC.

b. The primary focus of government program and support, is geared to contribute and to improve of low-income people, especially in the agricultural sector and rural areas.

The population of research object are active and nonactive NUWC, with total number of 115 cooperatives (Table 4-1). Out of 115 cooperatives, samples was determined by using the model of Ishac & Mitchell (1989) (in Noor (2011: p162), with 95% level of confidence, and the population proportion of 0.5, so we got sample 50 cooperatives.

Sample were taken randomly because several cooperatives had moved to another address, compare to what it was written in the list. Target research

were the managers and or former officials, cooperatives members, and competent staff of Medan cooperative office. All data are primary, collected through face-to-face interview, questionnaires, and information gathered from Focus Group Disscussion (FGD).

4.3 Research Variables.

4.3.1. Manager as IKSF (GCG as unit analysis). Referred to the definition of a cooperative in the Law of the Republic of Indonesia number 17/ 2012, Chapter III, article 5 and article 6, we set up five research variables for GCG, they are: (a). Democracy, (b). Independence/Self Reliance, (c). Quality of human resources (QHR), (d). Transparency, and (e). Accountability; all represent CPV.

4.3.2. Members as 1st EKSF, variables research, are: (a) Commitment, (b) Law enforcement of Cooperatives article (LE-C), (c). Law enforcement of government regulation and policy dealt with government support (LE-G), (d). QHR, (e). Independence.

4.3.3 Personal of Cooperative office as 2nd EKSF, research variables are: 1) Commitment, 2) Transparency, 3) QHR

4.4 Methods of Analysis.

There are three methods of analysis adapted in this research, tailored to the characteristics of each unit analysis, as it is explained below.

4.4.1. Managers (GCG as unit analysis).

To identify the causation factors of the problem in GCG, *we measured two factors; 1). Measured Manager's level of understanding of _* **How important it is to adapt and to apply the CPV in managing cooperative, and 2) Measured level of CPV application prior and during the year of research.** Henceforth, these two factors we named as: level of understanding and level of application.

To measure level of understanding, GCG data, were analyzed with 2nd order Confirmatory Factor (CFA), supported by LISREL software, using Maximum Likelihood (ML) estimation. ML estimation give valid result if sample is small (Hair et all, in Usman, 2014). Theoritical model of 2nd order CFA analysis, is presented in Figure 4-1. GCG variables are measured by 20 indicators. It *is determined level of understanding of each indicator is classified good, if the CFA loading factor (λ) ≥*

0,5. Level of CPV application are measured with the average scale of questionnaires ($\overline{x}$)*; and classified as good, if the average scale ($\overline{x}$) is ≥ 3.5;* otherwise they are bad. The result of 2nd order CFA, then interpreted with Importance Performance Analysis (IPA).

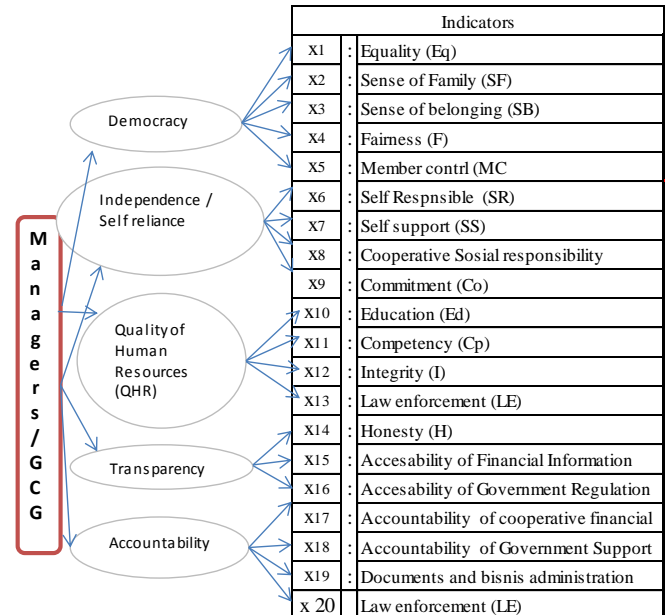*Questionnaires are scale by Likert, from 1 – to 5, start from (1: Not Agree to 5: Really Agree.*

Figure 4-1: Teoritical model of second order CFA

4.4.2 Members as 1st External Key Success Factor.

For this unit analysis, to measure level of understanding, is used 1st order CFA model, without detail indicators, with reason that members is pretended not to involve directly in management. There are five variables to be measured, as it can bee seen in Figure 4-2.

Data of KSF-Member; also measured two factors they are: 1) *member's level of understanding (λ); and classified as good with (λ) ≥ 0,5.* Data of KSF-Member; also measured two factors they are: 1) *member's level of understanding (λ); and classified as good with (λ) ≥ 0,5.*

Level of CPV application are measured with the average scale of questionnaires ($\overline{x}$)*; and classified as good, if the average scale ($\overline{x}$) is ≥ 3.5;* Questionnaires were scaled by Likert from 1 – to 5 *start from (1: Not Agree to 5: Really Agree.* Level of application is classified as good, with the average of scale of ($\overline{x}$) ≥ 3,5.

4.4.3 Personal Medan Municipal Co-operative Office, government as 2nd KSF.

Given the number of competent respondent in the office is very small, only 7 people, we measured the level of understanding and CPV application, by the average Likert scale of questionnaieres Likerta scale also *start from 1: Not Agree to 5: Really Agree.* Level of application is classified as good, with the average of scale of $(\bar{x}) \geq 3,5$.

5. Result.

5.1 Good Cooperative Governance, 2nd order CFA.

Model overall test results showed, the value of p- calculation is greater than 0.05, and RMSEA values less than 0.08, and CFI values greater than 0.90. Thus, GCG measurement proposed, fit with the data (Kusnadi, 2008). Furthermore, of the reliability CONSTRUCTS, estimated value of 0.94, greater than minimal construct reliability in confirmatory research 0.70.

Tabel – 4-2 Result of 2nd order CFA
Loading faktor (λ) dan rata-rata $(\mathbf{x})$ indikator

	Indikator	(λ)	$(\mathbf{x})$
	Democracy (D)		
1	Equality	0,5	3,8
2	Sense of family	0,7	3,7
3	Sense belonging	0,7	3,2
4	Fairness	0.6	3,4
5	Member control/ responsiveness	0,8	2,9
	Independence (I)		
6	Self responsibility	0,7	3,5
7	Self support	0,3	3,2
8	Social responsibility	0,3	2,7
9	Commitment	0,6	3,1
	Quality of Human Resources (QHR)		
10	Education about Cooperative	0,7	2,9
11	Competency	0,7	3,2
12	Law Enforcement (LE)	0,08	3,0
13	Integritas (IG)	0,4	3,0
	Transparency (TRP)		
14	Honesty	0,6	3,54
15	Accesability of financial information	0,9	3,3
16	Accesability of Government Regulation and Policies	0,6	3,0
	Accountability (ACT)		
17	Accountability Cooperative	0,9	3,46
	financial		
18	Accountability of Government support	0,23	2,63
19	Documents and bussines administration	0,7	3,5
20	Law enforcement (LE)	0,25	2,9

Based on the result of 2nd order CFA shown in Table 4-1, we mapped GCG loading factors (λ) of CFA, and average scale $(\bar{x})$, in Performance Importance Analysis (PIA), as shown in Figure 5-1, to make interpretation easier.

PIA map indicated, out of 20 GCG indicators, four indicators falled in quadrant II (keep up good work); six indicators in quadrant III, (low priority quadrant), and 10 indicators in quadrant IV (concentrate here).
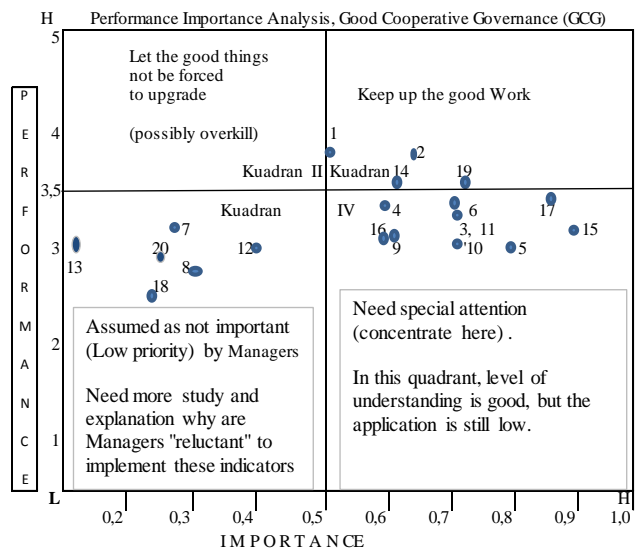

Figure 5-1: PIA Analysis of second CFA
Source : (λ) CFA dan $(\bar{x})$ indicators

5.2 Members, as 1st External Key Success Factors.

Model overall test results indicated, EKSF-members, model, fit with the data, explained by chi-square value = 6,78; p = 0,24 > 5% (cut off value), RMSEA < 0,08 dan GFI > 0,9.

Figure 4-2: Theoritical model of First order CFA

The result of CFA 1st order, loading factors and average scale $(\bar{x})$ also mapped in PIA, as shown in Figure 5-2. Out of 5 variables, indicators falled in quadrant I consider as well applied (keep up good work); falled in quadrant II consider no need to improve (possibly over kill); falled in quadrant III consider not important by Managers (low priority); and indicators falled in quadrant IV need serious attention to improve (concentrate here).
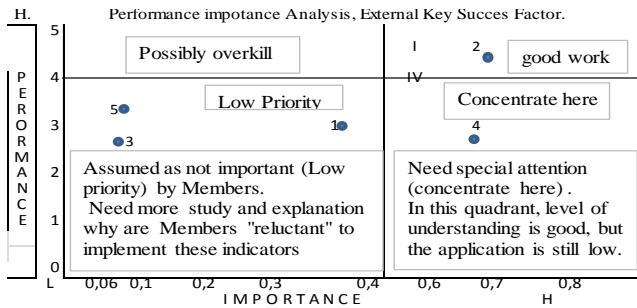

Figure 5-2: PIA Analysis, KSF-Member
Source : (λ) CFA dan ($\bar{x}$) indicators

5.3. Personal/ Cooperative Officer as 2nd EKSF.

The result of average scale of understanding and application, is shown in Table 5-1.

Table 5-1 Avarage scale (x), understanding and Application of , Cooperative Staff			
Cooperative Empowerment	Commitment	Transparency	Availability of Qualified HR
Education and Financing	3,1		3,2
Law Enforcement	3,4		
Government Regulation and Policy		4,2	3,2
Finance or Equipment Support		4,0	
Integrity			2,9
Product knowledgable			1,7

6. Discussion.

This section covers the result of three unit analysis, they are Managers (GCG), Member (1st EKSF) and Personal Cooperative Office (represent Government). For CFA, discussion basically focus on the indicators fall in quadrant III (low priority) and quadrant IV (concentrate here), for indicators fall in quadrant I and II are assumed *saved* indicators.

6.1 Managers (G C G as unit analysis)

To identify the causation factors of the problem in GCG, using 2nd order CFA, *we measured two factors; 1). Manager's level of understanding of _* **How important it is to adapt and to apply the CPV in managing cooperative** (λ), **and 2) measured level of CPV application**

prior and during the year of research $(\bar{x})$. Indicators of each variables show in Figure 4-1 2nd order CFA framework.

6.1.1 There are six indicators of GCG- falled in low priority quadrant, that are assumed as not important indicators by Managers, they are:

a) Self –help (x_7).

This indicator has loading factor $(\lambda = 0.3)$, and level of application $(\bar{x} = 3,2)$. This means level of understanding, and application of this principle is low, in case of Medan City. Low level of understanding of self help, is also the case in Nigeria, (Agbetunde 2007: 222; while Salome 2012) also stated " .. knowledge of the cooperative principles, values, ideas and practices is very low". In Medan case, our deep interviewed and the facts in field revealed that low understanding and low-level of application of self-support, is not primarily because they do not understand the meaning, but it is more because of: 1) Lack Managers motivation to promote the cooperative principle. 2) Both managers and members are still trapped in the mindset of how to get financial support from "spoiled" government's program. 3) Most of saving and loan co-operatives in Medan, keep practicing as *loan sharks* guise of co-operatives. As a result, the Manager (which is factually is the "owner" of co-operative), fails to developed sense of belonging among members.

Consequently, Managers failed to encourage their members to perform their respective obligations, such as paying their mandatory saving, particularly in providing voluntary savings, as a primary financial source to be able to be self –help financially. Whereas, the idea of self-help occupies the most important position among the principles of the co-operative idea, and has to be eminent all the time in all activities, (Anton,1986).

b) Cooperative Social Responsibility (CSR x_8)

Low-level of understanding CSR (λ 0.3; and low level of application $(\bar{x} = 2.7)$, basically is due to a narrow understanding of the concept of: from us-by us - and for us. This concept is understood in the sense that all economic benefits of the cooperative activities, is the right of members, and has nothing to do with the surrounding

community. While according to Prakash, (2003), conditions necessary for the Success Agiculture Cooperatives in Japan are: open, ethical, caring, and socially-aware institutions, and the community at large.

c) Integrity (x_{12}).

Integrity, is one of the indicators measuring the quality of human resources associated with human characters. Integrity with low loading factor, (λ 0.4; and low-level of application ($\overline{x}$ =3.0), actually begs question to us: Could it be that board does not understand the meaning of integrity? What probably could have happened in the real world today is, the statement of Livingstone (2011), " Integrity, it's a missing ingredient of our time. It's one of these words that gets slung around in personal and leadership development circles, especially if you get into a discussion about" values"

   Lack of integrity is also the case in Malaysia (Maslinawati et all, 2013), which is believed as one contributing factor to the inefficient performance of cooperatives in Malaysia. Uganda was also facing the same problem in the decade of its cooperative development (Ministry of Tourism, Trade and Industry,2009) .

   Recognizing that the success of an organization (of any kind and nature) lies in the hands of managers, then, we believe building the integrity of the Manager is very important. Integrity must be built together with the commitment and motivation, for integrity without right motivation could be dangerous or even endanger.

d) Law Enforcement (x_{13} and x_{20})

We measured Law enforcement under principle of QHR (x_{13}), and under principle of accountability (x_{20}). Under QHR, loading factor of LE is ($\lambda = 0.08$; and ($\overline{x}$ =3.0) while under Accountability loading factor LE is ($\lambda = 0.25$; and ($\overline{x}$ =2.9). From QHR point of view, low-level of understanding in law enforcement, is caused by the reality, where managers did not gain enough access to regulation and government support policies, for study materials. While from the accountability point of view, managers do not have desire to obtain and study the law, because they know for sure, what will actually happened is "rules of the game" agreement. Medan Cooperative Managers tend to agree with "rules of the game" which offered by

government's personal of cooperative department; consequently, it is difficult for managers to enforce the laws in the terms of accountability requirements. These issues we believe associated with lack commitment and integrity.

   This issue caused many soft loan from government support, evaporate without trace. Yet, these issues has never been subject to legal sanction from the government, neither when any manager embezzled cooperative fund, he/she is also not subject to legal sanctions.

   The issue of law enforcement were also faced by Uganda (2009) where dispute settlement, offences and penalties, ethics and code of conduct not clearly in the framework of law. These law enforcement and accountability issues in Medan city, quite different from what Malaysian cooperative movement faced with, because in Malaysia (Muslinawati et all, 2013) said, ".. the incidences of fraudulent behavior (is done) by some international as well as local cooperative managers". This statement indicates, no involvement of personal government of cooperative department. Gowda and Muhendrakumar said, (2016), Rule of law, is one of cooperative pilar in governing cooperative. Where rule of law is strong, people uphold the law not out of fear but because they have a stake in its effectiveness.

6). Accountability of Government support_x_{18})

   The core components of accountability are transparency and compliance. This indicator measured the willingness to obey the rules dealing with government support. Accountability of Government support, has loading factors ($\lambda = 0.23$) and ($\overline{x} = 2.63$), which means, level of understanding and level of application is very low. Our research revealed, many of government support, are not clearly accountable to member, nor to government office; even many soft loan from government support, evaporate without trace. Low law enforcement and lack accountability, then erode trust of members towards Manager, and contribute to a deadly sense of belonging of members as well as their commitment to participate in co-perative activities. Of course we might agree, the main issue of unaccountable, is lack competency, commitment and integrity to act honestly. Accountability issue is also facing by Malaysia,

(Muslinawati et all, 2013) said "…absence of good governance, lack of managerial talent, lack of integrity among the management and the members in some cooperatives,… may affect the ability of cooperative to maintain certain level of accountability.

6.1.2 Indicators fall in quadrant IV.

There are ten indicators, fall in quadrant IV (concentrate here). Term *concentrate here* means, all indicators fall in this quadrant need serious attention of managers to govern and to make it done. As can be seen in Figure 5-1, all of these indicators have good loading factors with (λ > 0.5), but the level application of the whole indicators, are still bad ($\bar{x}$ < 3,5). Discussion of these indicators will be focused on explanation of *why* the application of CPV is not as good as the level of its understanding, by referring to the results of questionarre and interview. Of course, we realized, actually all of the CPV, are related one to another, therefore, the discussion of one indicator, also may refer to others.

a) Sense of belonging (x_3), Member control (x_5), Self responsible (x_6)

The failure of Managers to develope Sense of belonging among members (x_3), and to encourage members to take part in cooperatives activity and member control, are basically because members do not trust Managers, for some reason we talked, about indicators fall in quadrant III (Low priority), such as accountability, law enforcement, end the existence of "loan sharks" guise of cooperatives.

As we may know, the literature suggests, the success of a cooperative is determined by: "members participation; commitment; and the relationship between members and managers. Various studies have identified several factors which are responsible for the success of agricultural cooperatives are: member-driven, member-controlled and member-responsive organisations (Prakash, 2000:6 and Elena 2011).

To develop sense of belonging shall be an important task of Managers, for " **It is the cooperative which should be dependent on the member. It is often heard that cooperatives do not do enough for them.** "Member is the key and the main source of economic strength of the cooperative (Prakash lockcit; 9). Manager shall

has a good Motivation to push member participation in such away.

b) Fairness (x_4), and Commitment (x_9).

We measure Fairness from two point of view, i.e 1) Fairness for Members to gain benefit from cooperative, 2) Fairness for Managers to get reasonable paid. In the case of Medan city , there is causal relationship between these two indicators in the point of fairness for Managers. Eventhough Managers are trying to understand the ability of co-operative to provide reasonable compensation to them, factually their commitment is interrupted by, with level of application is only ($\bar{x}$ = 2.9). Low level of commitment is also driven by lack competence and leadership, which in turn trigger causal effect with member participation. Yet there is a good news, because in the distribution of net income, managers still consider member's participation, that can be regarded as one point of fairness.

c) Education (x_{10}), and Competency (x_{11})

Education, especially refer to CPV material. As it can be seen in Figure 5-1, the indicator of education (x_{10}) has loading factor (λ 0.7), while application ($\bar{x}$ = 2.9). We found out, nearly in all samples, managers do not have adequate knowledge of the cooperative, especially the CPV, as well as competence and leadership.

Admittedly, government often provide educational grant. Unfortunately, it was less success, partly due to: 1) Neither the Board/ Managers nor the members are willing to set their time a part, instead they prefer to take care of their own business. 2). Managers have not succeeded in reaping the benefits of training, perhaps because of it was done in a fairly short duration, plus the unavailability of assistance to implement the material in practice. 3). Educational materials are generally spin on the issue of cooperative management and book-keeping, not in building character nor HR empowerment. So, it is clear, government grants to increase competency through education, almost meaningless. Co-operatives that excellent and consistently perform co-operative education for their members are Credit Union.

Very rarely to find competent human resources, in primary cooperatives which are the object of our study, with ($\bar{x}$ = 3.2). Why?,

because when electing the Manager, often do not assess the competency of the candidate, rather, willingness of someone to take charge. Unfortunately, the willingness, might not be followed by internal desires to achieve cooperatives goals, that would suppose trigger motivation. Lack competence in handling docoments and administration made them unable to draw up a suitable report of cooperative performance. Even documents are complete and well filed, but the record-keeping is not well designed yet, to support the preparation of financial statement. Inadequacies of staff in terms of numbers, skills and experience is also faced by Uganda, by the time they start cooperative movement. Uganda's current education curriculum provides inadequate co-operative knowledge (p.12).

d) Honesty (x_{14}), Accessability of Financial information (x_{15}), and Accessability of Government regulation and policies (x_{16}).

All of these three indicators, are of variable transparency. The CFA result of transparency variable, there is one indicator that seems strange to us, it is an honesty with ($\lambda = 0.9$; ($\bar{x} = 3.54$), and fall in quadrant I "keep up the good work". So, we did further interviewed to find out the honesty issue, then we found manager refer the honesty solely in managing fund raised by cooperative, and exluded financial support from government. The other two, accesability of financial information and accesability of Government regulation, fall in quadrant IV (concentrate here}; by means, these two indicators need serious attention in its application. Again, it can be seen, the implementation constrained by lack commitment and integrity.

Honesty is the key to transparency because "**Transparency embodies honesty and open communication…**" (Gebler.D 2011). **In the era of M**alaysia Coperative movement (Mohamad and Othman, 2013 p3), it is proved, that transpancy is important as to increase reputation in the eyes of public interest as well as to improve the cooperative's image and receive some goodwill from stakeholders .

6.2 Members, as 1st External Key Success Factors.

As presented in Picture 5-2, the result of 1st order CFA, indicate three indicators of KSF variables, fall in quadrant III, (" low priority") they are: 1). Commitment ($\lambda = 0.36$; ($\bar{x} = 2.7$), 2).Independence ($\lambda = 0.07$; ($\bar{x} = 2.93$), and 3). Law enforcement of government regulation and policy ($\lambda = 0.06$; ($\bar{x} = 2.56$). From the results of interviewed and what we could understand from the field, low understanding and application of these three indicators basically is caused by the absence of GCG in managing co-operatives. Low Law enforcement, unaccountably, low integrity of Managers, caused members loss their confidence to Managers, and in turn, reduce members commitment. Members do not care about cooperative activities, consequently, they are also reluctant to perform their obligations, to support cooperative financially to be independence/ self help. ($\lambda = 0.07$); One of some factors which are responsible for the success of agricultural cooperatives.in Japan (Prakash 2008) is: Cooperatives are member-driven, member-controlled and member-responsive organisations. This also true in the empowerment of Farmer cooperative in China cooperative members are fundamental to the success of their cooperative. Members' knowledge of their organization; their education level; technical skills; participation; commitment; and the relationship between members and managers (Harris at al. 1996; Fulton 1999, [in Elena,at all 2011)] are all important factors.

The other two variables are QHR and Law enforcement of Cooperatives article. Regarding the QHR, members are very aware of the importance of Manager and staff who have good leadership and sufficient competency but the solution is hit on the quality of existing human resources in co-operatives ($\lambda = 0.07$), and the inability of cooperatives to provide reasonable compensation to Managers ($\bar{x} = 2.93$).

6.3 External KSF, government as 2nd KSF.
6.3.1. Commitment and Transparency.

Variable government commitment, and transparency are used to measure how strong official commitment to develop co-operatives under its auxiliaries, and the transparency of government financial support and the policy dealing with. Co-operative development activities in the perspective of Medan Co-operatives office, primarily aimed at financial

and educational support. Although the average value of development of cooperatives is good ($\overline{x}$ = 3.7) however we found, there are weaknesses in its implementation, namely:

1) The department seems have no clear criteria to determine the cooperative who deserves government support. In 2013, there are co-operatives that received assistance in two consecutive years, registered as active co-operatives, but we could not find the address indicated, some even an unknown, or never been heard by the local community.

2) The amount of financial support handed over to the cooperative, is almost always smaller than the amount signed by the receptor. This reality, is part of "rules of the game" we talked in GCG. There is not enough explanations to members, how the amount of the support evaporated on the way to co-operatives. This issue, raises distrust of members to the Government as well as to Manager, and become big issue in transparency.

3) Equipment support, sometimes, is not in accordance with the specification required by the co-operative, thus the contribution and benefit of support, less than it was expected.

6.3.2. Commitment to enforce the Law.

Indicators law enforcement has an average scale of ($\overline{x}$ = 3.2). We found, there are three main things that cause this indicator is low:

1) The government is not transparent about the regulation/rule dealing with any government support received by cooperative, neither available to acces openly. According to Michael,

2) The government failed to impose legal sanctions to personal employee who embezzled the amount of assistance that should be handed over to the co-operatives. This is also case in GCG.

3) The Government also failed to give legal sanction to the co-operatives that violate the terms of return and or scrolling assistance from the government to other cooperatives or SMEs.

6.3.3. Quality of Human Resources, (personal of cooperative office).

We used this variable to measure the availability of government's competent staff. This variable, has average scale of ($\overline{x}$ = 3.2). Indeed, at Medan cooperative office, it is quite not easy to find staff who has competency (ies) that meet the criteria requested in the ministerial regulation of Minister of Co-operatives and SMEs REPUBLIC OF INDONESIA, No.1 2013, on Guidelines for Revitalization of Co-operatives. Lack competence is especially someone who has business vision, and technical competence, in the quality product.

6.4 Understanding and Aplication.

Out of such a long discussion about the whole issues, what we might understand is, the whole problem is product of low QHR with all its issues in each indicators, and *inappropriate attitude and mindset interaction*, among stakeholders. This whole complicated problem is a logical consequences, of lack CPV knowledge, lack positive mindset, and lack leadership and competency.

To know and to understand the CPV is a must; but to apply CPV, someone has to have internal state (Cliff notes 2016) or "intrinsic motivation" that comes from inside (Mantell 2012). So, an alternative concept we propose to is, in order to revitalize Cooperatives, has to be started by revitalizing human resources. The revitalization QHR can be achieved through education of CPV, competency, and leadership, integreted with character building. Why CPV? Because Cooperative principles (ICA 1995) are "guidelines by which co-operatives put their values into practice". This approach will solve the problem of GCG and EKSF integrally as well. We realize building motivation, commitment and integrity is not an easy work and it is going to take such a "long" time, for sure.

We found, Education path, proved to be succeed, in various countries, such as: Malaysian cooperative movement, (Mohamad,Othman, 2013; Mislinawaty et all, 2013). Uganda (2009), in the effort rebuilding and revitalizing co-opertaives, noted, *"Government is committed to supporting co-operative education and training that meets ever changing co-operative movement need.* (2009). The Japanese Agriculture Co-operatives /JAs (Prakash 2000) revealed, Farm guidance advisor, succeed to bring JAs to be multipurpose cooperative; in China (Elena, at all, 2011) also revealed, " … that regular training has partially increased members' understanding and knowledge on cooperatives and their potentials.

The success of educational approach to increase QHR, can be easily understood, for: " This (education) is the fifth co-operative principle, as published by the International Co-operative Alliance.. as it was on the original list of seven Rochdale principles and has remained so .." Early co-operators lived in societies where education was reserved for the privileged, but they recognised then, as today, that education was fundamental to transforming their lives – a key to enlightenment and social progress (Wilson, 2014).

7. Conclusions.

1) We found, Education path, proved to be succeed, in various countries, such as: Malaysian cooperative movement, (Mohamad,Othman, 2013; Mislinawaty et all, 2013). Uganda (2009), Japan (Prakash,2008), Nigeria Salome et all,2012) and China (Elena et all, 2011), in the effort rebuilding and revitalizing their co-opertaives.
2) For the case of Medan City, Revitalization of human resources is the key to Revitalize cooperatives.
3) Revitalization of human resources, is the key word to develop GCG; while the key to developed GCG, is Education of the CPV, leadership, and competencies materials, ***embedded with Character building*** to develop positive mindset.
4) Human resources competency, leadership and character issues, must be analyzed in a comprehensive way, with regard to the fact that poor application of one particular CPV indicator by the manager, and or government, triggered bad reactions from members.
5) With the similarity of the characteristic cooperative problems throughout Indonesia, we hope this proposed alternative concept and approach could be used as a prototype model of cooperatives revitalization throughout the Indonesian cooperatives.

Appendix: 1.Revitalization Model.
2. Legend of Model

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Authors Profile

The authors completed a Masters of accounting in 1993 from University of Illinois. In April 2008-February 2009, participated in a national survey from the Ministry of cooperatives and Small Medium Enterprises. Based on that experience, she interested to know more about cooperatives. In last three year she did research in cooperative and the issue of cooperative revitalization

Appendix 1 and Appendix 2,next page

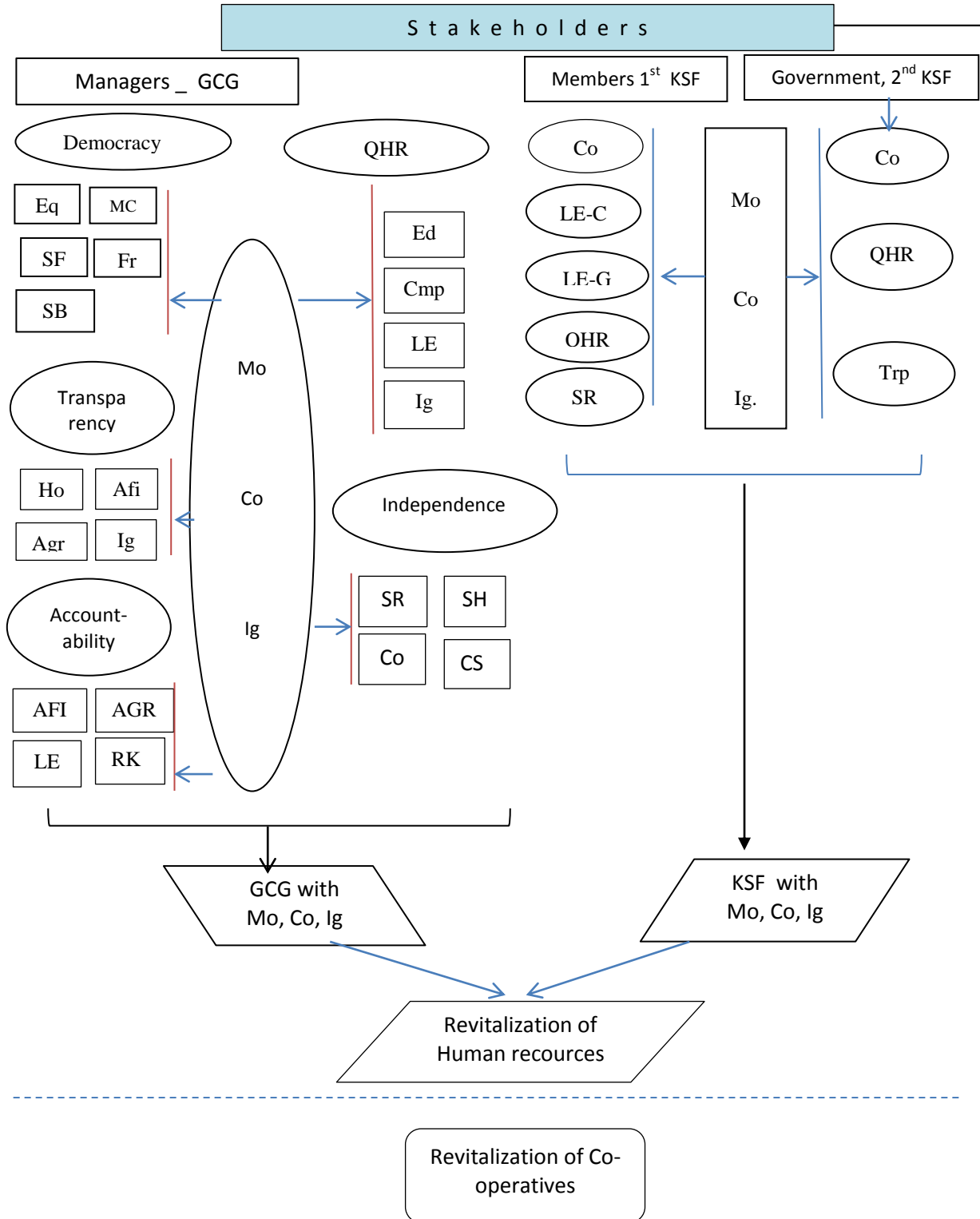**Revialization Model – Cooperatives of Medan Municipal City, Indonesia**

Figure - 6

Appendix 2.

Legend of Revitalization Model

Legend	Variabel/ Indicators	Legend	Variabel/ Indikator
GCG	**G**ood **C**ooperative **G**overnance		**Transparency**
KSF	**K**ey **S**uccess **F**actor	Ho	Honesty
Mo	Motivation	Agr	Accesability of government regulation and policies
Co	Commitment	Afi	Accesability of financial information
Ig	Integrity		**Accountability**
	Democracy	ACF	Countability of Cooperatives Finance
Eq	Equality	AGS	Accountability of Government Support
SF	Sense of Family	LE	Law Enforcement
SB	Sense of Belonging	RK	Record Keeping
MC	Member Control		**Members, 1st KSF**
Fr	Fairness	Co	Member Responsivness
	Quality of Human Resources (QHR)	LE-C	Law enforcement of Cooperatives article
Ed	Education	LE-G	Law Enforcement of Government regulation
Cmp	Competencies	QHR	Quality of Human Resources
LE	Law Enforcement	Idp	Independence
Ig	Integrity		**Government, 2nd KSF**
	Independence	Co	Commitment
SR	Self Responsibility	QHR	Quality of Human Resources
SH	Self-Help	Trp	Transparency
Co	Commitment		
CSR	Cooperative Social Responsibility (CSR)		