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# Can Co-operatives Collaborate with Each Other? Cooperative Business Networks: Consumer Cooperatives' Willingness to Partner with Producer Cooperatives (Case Study in Employee Co-Operatives at Depok City, West Java, Indonesia)

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## Abstract

One of the significant challenges facing cooperative businesses is leveraging networks and connections efficiently. Cooperative Business Networks (CBN) like the Indonesian Jaringan Usaha Koperasi (JUK) aim to integrate buyers and sellers, reduce distribution costs, and strengthen market channels for SMEs. However, JUK has not been fully optimized, with cooperation primarily occurring between secondary forms of cooperatives rather than at a broader network level. This study explores how consumer cooperatives can better serve their members by partnering with producer cooperatives within the cooperative supply chain. It investigates the factors driving these partnerships and the success of cooperative networks. The qualitative methodology used includes case studies and in-depth interviews with key personnel from cooperatives in Depok City, West Java, Indonesia. Findings suggest that successful collaboration in the supply chain requires producer cooperatives to meet specific quality and administrative standards. The research has both theoretical and practical implications, offering insights into improving cooperative relationships and suggesting the need for further quantitative studies to generalize findings across different cultural contexts in Indonesia.

**Keywords:** Cooperative Business Networks, Consumer Cooperatives, Producer Cooperatives, Supply Chain Collaboration

## 1. Introduction

One of the biggest challenges in the cooperative business was the inability to efficiently capitalize on the network and connections between co-operatives (Co-op). It states in (Pesämaa et al., 2013) that Local co-operatives networks are autonomous volunteers, which makes a member cannot offer the network functions independently. Local cooperatives have to survive independently, and cooperative management must prioritize survival above growth. The sluggish growth of the cooperative comparison to other organizations demonstrates this.

Cooperatives, whether small or large, require their own network to run their businesses. One of the big Co-op, Novacoop, said that the network (heavy “bond” of mutualistic purposes) was the secret of the success of Co-op. (Frau, 2010 in Arcidiacono, 2018). Novacoop is one of the big Co-op in Italy that was founded in 1973 with total sales in 2021 is € 1.099 billion. They are a Consumer co-operative that has employees of 4.684 people. REWE Group, headquartered in Germany, is another major cooperative. The REWE Group is a German retail and tourism cooperative headquartered in Cologne. The cooperative trade association is based on a network of individual merchants. Sales lines include Billa, Penny, and Rewe, among others. In fiscal year 2022, the REWE Group's total external sales were €84.4 billion. The REWE Group is Germany's second-largest supermarket chain, after EDEKA.

The crucial role of networks in cooperative organizations can also be seen as a fundamental purpose for the growth of cooperative organizations. According to (Mestres & Lien, 2017), the Community Support Association (CSA), goal of co-operative organizations is to create a community-based organization that supports small-scale local organic agriculture, while also resisting the dominance of huge agrifood chains by changing the relationships between producers and consumers.

Special bonds in Co-op can make networking in the supply chain even more promising. Even though networking is only one of many options for cooperatives, it is a common manner of doing business due to its solidarity nature. (Menzani & Zamagni, 2010) Co-operatives Business Network/ Jaringan Usaha Koperasi (CBN/JUK) established by Indonesian Cooperatives Council has the intention to integrate buyers and sellers across Indonesia, reduce distribution costs, open market information, and strengthen the market channel for SMEs products. (Setiawan et al., 2019).

In Indonesia's cooperative environment, JUK institution under the Dekopin Organization has not performed optimally. This is evidenced by the lack of cooperation in cooperative relationships. The JUK institution has not been properly utilized in accordance with the program's goals and expectations. The majority of cooperative cooperation occurs between secondary forms of cooperatives such as central cooperatives, combined cooperatives, and main cooperatives. This collaboration, however, has a different meaning than the establishment of JUK.

This study aims to address the following question:

1. How do consumer cooperatives serve its members who participate in cooperative businesses?
2. What factors drive consumer cooperatives to partner with producer cooperatives in the establishment of cooperative networks within the co-operative supply chain?

This study is organized as follows. Section two contains a literature assessment on the cooperative point of view and the importance of networks. Section three presents an overview of the technique. The fourth section focuses on the data results. Section 5 includes a discussion, conclusions, and practical consequences.

## **2. Literature Review**

### *2.1 Relationship between Cooperative*

Cooperatives had been envisioned by Mohammad Hatta, the founding father of Indonesia, as a business model compatible with the Indonesian people's behavior to gain prosperity. Article 33 of the 1945 Constitution of Indonesia states that the economy shall be organized as a collaboration enterprise based on the family as the fundamental. Cooperatives share the same ideological values about democracy, equality, and solidarity, and not merely for profit-making. Cooperatives, as defined by the International Cooperative Alliance, are self-governing organizations formed by individuals who come together voluntarily to fulfill their economic, social, and cultural requirements and ambitions through a collectively-owned and democratically-managed business. The cooperative is presented as an optimal solution for individuals to focus on their areas of expertise and become owners of their own enterprises. This allows them to overcome challenges such as limited administrative knowledge, adherence to market regulations, and enables them to have stronger bargaining power with suppliers and customers. (Ribas et al., 2022).

Cooperatives and social capital have an unbreakable relationship, whereas cooperation or connection is the purpose of achieving organizational success. The cooperative business model was motivated by a set of principles and values, one of them is cooperation among cooperatives. (ICA, 2018) For organizations to function successfully and efficiently together, social capital is the attach that allows for collaboration in the first place (Ghauri et al., 2023). Social capital is a complicated and unresolved concept that covers a variety of disciplines. It is also frequently seen as a resource associated with social relationships and networks. (Mazzarol et al., 2012) Organizations for Economic Cooperation and Development (OECD, 2001, p.1) describe social capital as "networks together with shared norms, values, and understandings that facilitate cooperation within and among groups."

A network must be created in the interaction between consumer and producer cooperatives since they have distinct goals but may assist each other accomplish them. In this sort of connection, cooperatives require networking rather than forming alliances. It is strengthened by definition of alliance and network by (Spekman et al., 2000), an alliance is a collaborative relationship between two or more organizations with the purpose of pursuing mutually compatible goals that would be impossible for each to accomplish alone. In the other hand, network is a set of interactions that connect separate. External relationships include alliances and networks, which involves business relationships between organizations.

Networks frequently display patterns of "cooperation," which indicate a distinct equilibrium between cooperation and competition. The relationships between intra-networks and internetworks are based on collaboration and antagonism. The network comprises a collection of actors or nodes linked by specific types of ties, such as friendship. These interactions are interconnected to collectively work towards a common objective, creating a pathway that indirectly links players who are not directly connected or bonded. The network's bonding patterns give rise to distinct structures, and individuals assume positions within these structures. The application of the notion of ecosystems to entrepreneurship extends beyond the creation of inter-entrepreneurial network structures. This concept encompasses the ability of a region to foster the emergence and establishment of players and infrastructural arrangements that facilitate the growth and advancement of innovative business enterprises. (Muhyi, Purbasari, et al, 2020).

Indonesian cooperatives have a cooperative movement organization, which then forms a special institution, the Cooperative Business Network, to handle the development of cooperative cooperation (JUK). JUK provides facilitation, mediation, and assistance programs to cooperatives that want to do business together or cooperatives that want to market their products, including both consumer and producer cooperatives. To carry out this program, JUK creates a database and organizes business meetings and workshops using the Erfa method, which has been shown to be effective in other countries' cooperative movements, such as Denmark. JUK operates on a network level, whether it is local, national, or regional.

## *2.2 Supply Chain Relationships within the Co-op*

The term "supply chain between co-ops" refers to the interaction between co-op producers who offer goods and consumer co-ops who assist in marketing the co-op producer's products. The connection between co-ops cannot be defined just by producer co-ops; it also requires market demand, which is met by consumer co-operatives. A supply chain itself is a network of organizations that participate in a set of in both directions connections involving various processes and activities represented for creating value in the form of products and services. Effective supply networks must have a shared objective among all members, as well as a desire for players to be flexible in order to improve the overall performance of the supply chain. A supply chain must take into account market demand rather than solely supply volume, which is often the duty of the supply chain's focal the organization (for example, the co-op) (Mazzarol et al., 2012).

According to the Theory of Networks, a firm's position in the network determines its strategic activities and network dynamics. Firms use strategic activities to affect their position in the network. The cooperative's role in the food chain is crucial as supply networks become more optimized, leading to horizontal integration and stronger

partnerships with retail chains. By doing so, primary producers will be closer to the final customer. (Valerie A. Kelly, Eric W. Crawford, 2003).

The researcher presents the SOTA (State of the Art) table in Table 1 below to show the novelty of this research.

Table 1: SOTA Table

Author	Result	Document Type	Methodology	Originality and Weakness
(Setiawan et al., 2019)	Goodwill-based trust, Competence-based trust, Reward power, Cooperation, and Formal contract have a positive impact on <b>Willingness to collaborate</b> , except Coercive Power	Journal	SLR, Quali	<b>Originality:</b> provides the conceptual framework that focuses on the factors that initiate the relationship between supplier and Cooperative <b>Limitation:</b> this conceptual framework should be tested empirically in the future to confirm this framework.
(Pramudhita et al., 2015)	Cooperatives should create an inclusive business ecosystem that allows them to collaborate with all stakeholders to improve their operations' effectiveness, efficiency, and professionalism. An inclusive business ecosystem platform allows stakeholders to be involved in business, and everyone participating can connect and provide value to one another.	Conference	Quali	<b>Originality:</b> provides the proposed business literacy program and proposed the framework of the inclusive business ecosystem for the Cooperative Online platform
(Klingenberg et al., 2022)	There are two significant impacts: Value creation is increasingly emerging through platforms overseen by influential individuals beyond industry borders. Farmers' ability to benefit from value capture relies on the competitive dynamics among these players, as well as norms and regulations.	Journal	Quali	<b>Originality:</b> Offers an analysis of the four components of the agricultural value chain, facilitating an expanded understanding of its digital evolution. <b>Limitation:</b> focuses mainly on what is happening in significant corporations and should evaluate the influence of digital transformation on agricultural small and medium-sized businesses.
(Cherbib et al., 2021)	<ul style="list-style-type: none"> <li>▸ High collaboration motivates partners to invest in digital platforms, leading to joint learning.</li> <li>▸ Various digital solutions, such as platforms and digital infrastructure, facilitate the sharing of resources and the collaborative creation of value.</li> </ul>	Journal	Quali	<b>Originality:</b> a key initial stage of academic activities, carrying precise and practical consequences. <b>Limitation:</b> The concerns stem from the particular methodologies and geographical/industrial conditions of the study. More precisely, the qualitative element of the study offers comprehensive and intricate data, but its effectiveness is limited due to the small sample size.
(Ghauri et al., 2023)	<ul style="list-style-type: none"> <li>▸ Networking can be more effective in terms of developing long-term relationships while simultaneously acting as collective owners of the cooperative. Besides from commercial interests, cooperatives may facilitate networking events to allow SME members to engage with one another, so strengthening the power of the relations formed via networking. In this way, social capital is built.</li> </ul>	Journal	Quali	<b>Limitation:</b> The co-operatives and SME members chosen were based in Australia, therefore further investigation across nations, cultural situations, and co-operatives is required. The co-operatives chose the SME members who were interviewed in order to save time during the recruiting process. While there may have been certain biases in selection, the SME members were honest, critical, and informed about the topics addressed.
(Al-Hakim & Lu, 2017)	<ul style="list-style-type: none"> <li>▸ Trust is an indicator of effective collaboration, but it does not have a direct impact on company performance. However, the research reveals that cooperation acts as a full</li> </ul>	Journal	Quanti	<b>Originality:</b> Sample size and response rate was inspired to conduct a study that spans a wide variety of sectors in various regions, taking into account reliance and share market as additional factors influencing company success in addition to collaboration and technology dissemination.

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mediator between trust and company performance. The empirical results from this study suggested that technology diffusion does not accurately transform into cooperation, and that organizations do not pay enough consideration to process performance when collaborating with partners.

It is desirable to expand such research to include the influence of mediation and moderation of predictors on the outcome concept.

**Limitation:** Only considers one type of industry (SEP makers) and focuses on one place (the city of Wenzhou). Other restrictions to consider include cultural differences, the function of government, and infrastructure. The created study model has limitations since it does not account for elements that may influence both cooperation and company success, such as interdependence, share market, and power. The number of measurements for each construct was limited due to pilot interviews.

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### 3. Methodology

The qualitative methodology was using case studies. Case studies are a research approach in which the researcher examines deeply a program, event, activity, process, or one or more persons. Cases are specified by time and activity, and researchers collect comprehensive data across time utilizing a range of data-collecting methodologies (Stake, 1995 in Creswell, 1991).

The method was using an in-depth interview with CBN/JUK key personnel from Co-operatives in Depok City, West Java Indonesia. Depok was one of the cities that has many cooperatives rather than in other region. The purpose of this study is to gather consumer cooperative perspectives in order to establish collaboration amongst cooperatives. The selected co-operatives include employee cooperatives with stores are provided in Table 1. Three types of cooperatives that own businesses other than convenience stores, loans, and savings, have set out to compare how cooperatives work, what similarities exist between them, and how they wish to interact with producer cooperatives.

The data was collected around July-August 2022. A qualitative methodology will be used to learn more about the possibility of cooperative to collaborate with each other. The depth of data will be discovered and may be formed to be more precise to the JUK institution's needs using qualitative techniques. The data will be conducted using primary data to know about the relationship of the willingness of the members of cooperatives to create value co-creation with each other. The qualitative analysis will be used NVIVO application to validate the result of the in-depth interview, so the credibility is higher than the result with it.

The result of a previous study by (Setiawan et al., 2019) shows that the relationship between suppliers and cooperatives in Indonesia can be built if they have the Willingness to Collaborate with Goodwill-based trust, Reward power, Cooperation, Formal Contract, and Competence-based trust, although the study was limited by the conceptual framework. The result of the journals will base the theoretical foundation and the interview with practitioners to validate and support these chosen factors.

The result of that paper will support this study to know that the conceptual framework similar to the empirical study. This study used qualitative methodology to understand the willingness of Co-operatives to collaborate with each other. The tools that will be used in this research are an in-depth interview with 3 key persons of the Co-operatives CBN/JUK institution.

The researcher chose a semi-structured interview because it allows for follow-up questions and investigation of new areas that occur during the interview, as well as specific data that give deeper insights. The flexibility to explore, the ease with which data may be analyzed, and the ability to collect subtle insights and contextual details were all advantages of this interview type. The way of conducting interviews will also be designed to prevent bothering people. Before conducting the interview, the researcher will obtain permission from both the interviewee

and the Indonesian Cooperative Council, which serves as both an institution and a member of the institutions. The research findings will be utilized not just by the university, but also by Indonesian cooperatives.

Table 2: Selected cooperatives

Cooperative	Background	Interviewee status
Koperasi Teratai Mandiri (KTM)	KTM has around 770 members and generated IDR 21 billion in revenue during the 2020 fiscal year. KTM generates its income from many sectors, including convenience stores, savings and loans, laundries, and equipment rentals. KTM offers three retail outlets available for both members and the general public.	Executives' leader
Primer Koperasi Vira Gupti (PKVG)	PKVG boasts a membership of around 810 individuals and has reported a revenue of IDR 5 billion in the fiscal year of 2021. PKVG generates its income from the convenience store, savings and loan, gas station, and water refill sectors. PKVG has two stores available for both members and the general public.	Executives' treasure
Koperasi Karya Sejahtera Indonesia (KCSI)	KCSI has a membership of around 445 individuals and has reported a revenue of IDR 2 billion in the fiscal year of 2021. KCSI generates its income via operating in the convenience store, savings and loan, and canteen management sectors. KSSI operates a single retail location that serves both its members and the general public.	Executives' leader

Table 3: Construct and Measurement

Construct	Measurement	Type of Questions
Cooperative Organization	<ul style="list-style-type: none"> <li>. What is your cooperative's name?</li> <li>. How many people are currently members of your cooperative?</li> <li>. What are your cooperative's total assets?</li> <li>. Are there any rules requiring members to shop at your cooperative store? If so, what are the specifics of these rules?</li> <li>. How much money did members spend last year?</li> <li>. What percentage of members always shop at the cooperative store? and how long will it be?</li> </ul>	<b>Semi-structured Interview</b>
Member Management	<ul style="list-style-type: none"> <li>How is the store's service currently?</li> <li>What would you like to see improved in the co-op store's service?</li> <li>How do you meet members' needs and desires?</li> <li>What mechanism is used to determine member needs?</li> </ul>	
Inventory Management	<ul style="list-style-type: none"> <li>How does your cooperative's supply-chain management work?</li> <li>Are there any requirements for receiving and selling supplies to members?</li> <li>Where do the goods for your cooperative shop come from?</li> <li>What types of suppliers make your cooperative's life difficult? What's the problem?</li> <li>How much of the product remains unsold? What was the inventory turnover ratio last year?</li> <li>What will happen if the merchandise does not sell?</li> </ul>	
Sales Management	<ul style="list-style-type: none"> <li>What do you want to develop in the store to increase sales but haven't been able to accomplish?</li> </ul>	

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	What is the source of these difficulties?
	What commodities do your members frequently look for when they shop at cooperative stores?
	What is the method of procuring merchandise used by members? (cash/credit) and how is the system performing?
	What happens if a member fails to pay? What kind of punishment will be meted out?
Collaboration in supply chain	What do you think if a producer cooperative wants to collaborate with your cooperative?
	What kind of compensation will you accept if you want to collaborate?
	What will you do if the product's quality falls short of expectations?
	What do you hope the collaboration will achieve?

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## 4. Results

### 4.1. Cooperative Organization

All employee cooperatives have no explicit regulations concerning members' responsibilities to purchase items from the cooperative's store. All of them used the same concept, which was to award bonus points to members who shopped at the business. The point might affect the member's share of profit sharing or SHU, which is awarded at the end of the year. Nevertheless, KTM employs a slightly different strategy to urge their members to purchase. They discussed the regulations in the end-of-year meeting, also known as the RAT, and established an agreement to oblige members to buy in the store with a minimum purchase of IDR 5 million every year. However, if they do not meet the minimum purchase requirement, the member SHU will not be fully allocated to that member, and that amount will be placed in a reserve fund.

The level of member engagement in purchasing at cooperative stores varies considerably. According to KSSI, around 25% of its members make purchases at the cooperative. While in PKVG, it has reached 50% of members who make purchases in the store. KTM, which employs a different technique, now has 75% of its members making purchases of at least 5 million rupiah.

### 4.2. Member Management

All cooperatives agree that they want to meet the needs of all their members. A way that cooperatives fulfill the needs of their members is to collaborate with third parties, such as motorcycle/car dealers, banks for home loans, and other companies that may give discounts if managed by the cooperative. The expectations for improvement in cooperative management were different; KSSI hopes for retail services to be digitally and automatically connected into the system, hence reducing human error in store management. Other cooperatives that were more systematized were more willing to accommodate all of their members' needs. However, the strategy of all cooperatives examines Members' needs are found via a number of methods including word of mouth, member meetings, and WA groups.

### 4.3. Sales Management

Employee Co-operative tends to organize their organization with some variables, that summarize in five points that were stated here.

First, member of Co-operatives was allowed to buy with cash or credit systems. The credit system has more requirements, and there are some boundaries that have to be fulfilled by the members.

Interviewee 1: "(...) The members have to fill the form and stated their origin in office and home, the treasury will be the one who gives the permit based on their wage."



Interviewee 3: “(...) The members have to fill the credit sales book in the store, give the description of themselves and sign. (...)”

Second, for improvement planning, most of them are traditional Co-op, they give the online service using WhatsApp groups and some of them try to look for a strategic place that has most people mobility.

Third, the obstacle to implementing the improvement planning was that members like to buy offline with coming directly to the stores and there is a kink in the bureaucracy that makes a slow change.

Fourth, most of the members like to buy groceries, household appliances, snacks, and drinks. Fifth, if the members cannot pay their responsibility, they will get a warning, and for the time being, all the facilitate in Co-op will be frozen until they pay.

Figure 1 illustrates the Sales Management highlighted by the interviewees in the investigation. It enables us to have a comprehensive perspective on Sales Management in Employee Co-operatives.

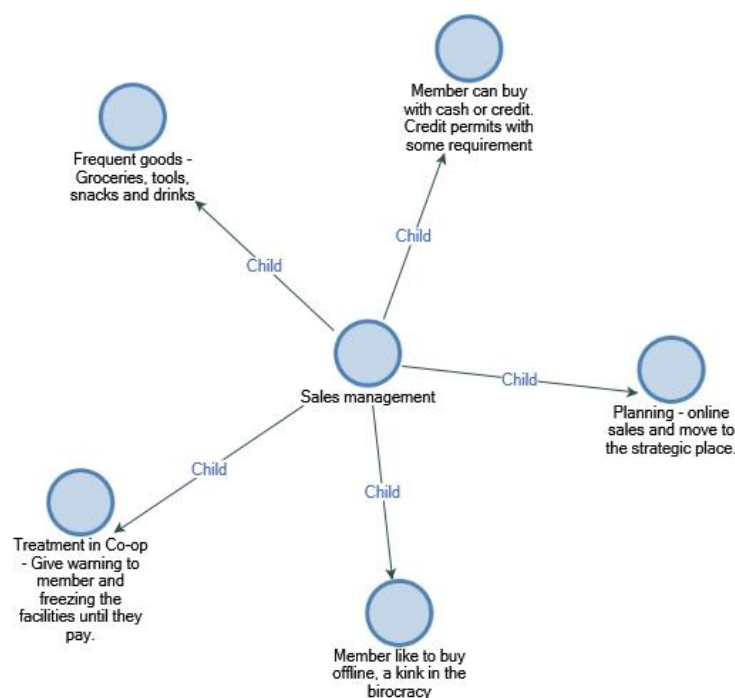


Figure 1: Sales Management

#### 4.4. Inventory Management

Inventory management in Consumer Co-operatives in Figure 2, especially in Employee Co-ops has 6 (six) rules that need to meet if the Producer Co-operatives want to join selling in their place.

1. Product has to meet the standard requirement from the government.
2. The source of the products can be from an Official distributor, wholesale place, or traditional market.
3. For some of the big Co-operatives almost 90% of their products were from Official Distributors, the wholesale place was the second option if the official cannot afford it. But, most of the small co-ops ended by fulfilling their need by buying in the traditional market.
4. Average of the Inventory turnover ratio was around 7 times.
5. Product that were not sold, can be returned back or co-ops make it to discount.  
There are two types of products with entrust systems or closed purchases.
6. Product re-purchase if the market gives positive impacts and the supplier entrusts the product to co-ops.

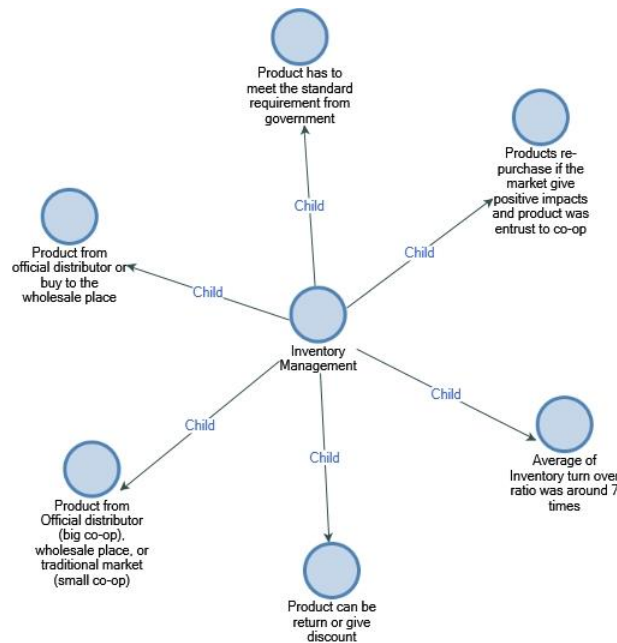


Figure 2: Inventory Management

4.5. Collaboration in the supply chain

For succession collaboration in the supply chain between consumer co-operatives and producer co-operatives have to fulfill four criteria, that shows in in Figure 3, there are:

First, the product has to be good quality products, the price was affordable, and the suppliers have to make a commitment for the after-sales. Second, most of the types of products that were needed by consumers were authentic food from the home industry and groceries. Third, co-ops will be sorting the products based on the administrative requirements and paying attention to expired dates in the products. Finally, the consumer co-ops are open to all collaboration from external environments with suppliers to fulfill the requirement of the products that are allowed to enter.

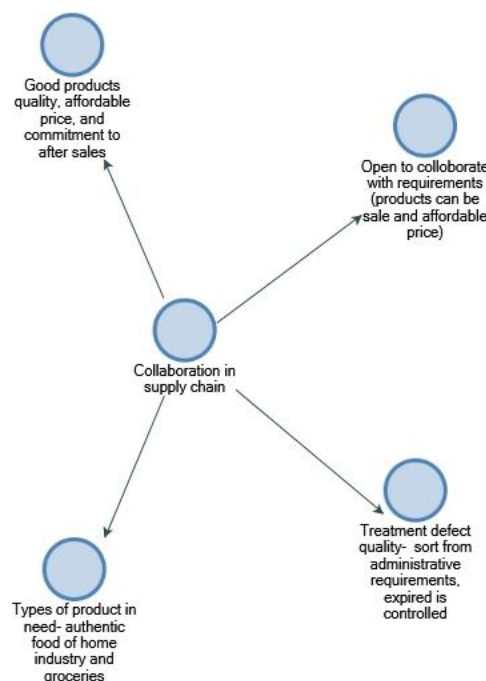


Figure 3: Collaboration in the supply chain

## 5. Discussion and implication

As a framework for the findings acquired in this research, it can be confirmed that a network of co-operatives, where consumer and producer co-ops collaborate, can be successful if the producer co-ops are willing to cooperate in meeting the standard requirements set by the consumer co-ops. If the supplier possesses a commendable character and a foundation of trust has been established, they are genuinely welcomed. The establishment of a network of co-operatives offers several advantages. However, in order for this to occur, effective coordination is necessary due to the varying preferences, methods, viewpoints, and objectives of the organizations involved. Additionally, there may be instances where these companies may find themselves in competition with one another. (Galvão et al., 2021).

This research aims to examine the elements that have contributed to the formation of cooperative networks inside the cooperative supply chain. Based on the acquired findings, it can be inferred that successful collaboration in the cooperative supply chain is contingent upon the fulfillment of rules by producer co-ops. Furthermore, connections inside co-op networks are characterized by trust, dedication, and effective communication, which play a crucial role in the production of value within these networks.

This paper is expected to have both theoretical and practical implications. This study is expected to contribute to the literature by providing a deeper understanding of the characteristics of consumer co-operatives as a theoretical implication. From a practical standpoint, producer cooperatives need to enhance both their product quality and their conduct in order to achieve the prescribed standard requirements.

During this research, certain limitations were identified, especially related to the qualitative nature of the study. These limitations mostly involve subjectivity, which might manifest in the analysis of findings, coding, and classification system of interviews, despite the implementation of necessary precautions. The recommendation is to pursue quantitative research to achieve generalizability in Indonesia, despite potential cultural barriers.

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