

**Research Article****Cooperative Organization Innovation In Facing The Digital Economy Competition****Fahda Nur Qaidah:** Muhammadiyah University of Sukabumi; Email: fahdanur88@gmail.com**Nabila Febrianti:** Muhammadiyah University of Sukabumi; Email: nabilafeb23@gmail.com**Alhidayatullah:** Muhammadiyah University of Sukabumi; Email: alhidayatullah@ummi.ac.id**\*Corresponding Author:**

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**Abstract:** *The digital economy has intensified competition, requiring cooperatives to adopt organizational innovation to remain sustainable. This study aims to examine forms of organizational innovation, their role in improving operational effectiveness and service quality, and the challenges of digital transformation in cooperatives. A qualitative descriptive-exploratory approach was employed. Data were collected through in-depth interviews and document analysis at the Primary Cooperative of the Sukabumi City Police Resort, involving six purposively selected informants. The data were analyzed using an interactive analysis model. The findings reveal that the cooperative implements multidimensional organizational innovation, including social, managerial, and digital innovations. Digital innovation, particularly the development of an application-based cooperative management information system (SIMACOP), enhances efficiency, transparency, and member satisfaction. However, limited digital literacy and data management complexity remain significant challenges. This study concludes that organizational innovation aligned with cooperative values is a critical strategy for strengthening competitiveness and ensuring the sustainability of cooperatives in the digital economy era.*

**Keywords:** *Organizational Innovation, Cooperatives, Digital Transformation, Digital Economy.*

**1. INTRODUCTION**

The development of the digital economy has brought significant changes to the way organizations conduct business and service activities. The use of digital technology has not only transformed the business models of large corporations but also requires community-based organizations, including cooperatives, to adapt to remain relevant and competitive. The digital economy is characterized by the speed of information, service efficiency, and the increasingly widespread use of platform-based technologies, creating a new competitive landscape for all economic actors (Tapscott, 2015; Verhoef et al., 2021).

Cooperatives, as a pillar of the national economy, play a strategic role in improving the welfare of their members and promoting economic equality. However, their membership-based characteristics, economic democracy, and shared values present unique challenges in responding to changes in the digital environment. Unlike conventional, profit-oriented companies, cooperatives are required to balance economic and social goals in every innovation strategy (Birchall, 2018).

Various previous studies have shown that cooperatives capable of implementing digital-based organizational innovations tend to perform better than those still relying on

conventional systems (Sari & Nugroho, 2022; Putri et al., 2023). Cooperative digitalization impacts not only administrative efficiency but also transparency in financial management and increased member satisfaction. However, on-the-ground research also shows that not all cooperatives are ready for digital transformation due to limited human resources, digital literacy, and resistance to change.

The urgency of this research is based on the increasing pressure of digital economic competition, which has the potential to erode the role of cooperatives if not responded to with appropriate innovation strategies. Digital transformation is no longer an option but a strategic necessity for cooperatives to maintain their existence and competitiveness. Verhoef et al. (2021) emphasize that organizations that fail to adapt to digital transformation risk declining performance and losing relevance in the market.

Based on the background, phenomena, and urgency, the objectives of this study are to analyze the forms of organizational innovation carried out by cooperatives in facing digital economic competition, examine the role of organizational innovation in improving operational effectiveness and the quality of cooperative services, and identify internal and external challenges faced by cooperatives in implementing digital-based organizational innovation, and analyze the digital transformation process implemented in cooperative service and management systems.

## **2. LITERATURE REVIEW**

### **The Concept of Organizational Innovation**

Organizational innovation is a dynamic process involving simultaneous individual, group, and organizational learning, enabling organizations to create and institutionalize new knowledge (Crossan et al., 1999). Organizational innovation is a key concept in modern management studies, relating to an organization's ability to create and adopt change to improve performance and effectiveness. Damanpour (1991) defines organizational innovation as the adoption of new ideas, practices, or processes related to organizational structure, systems, and behavior. This innovation encompasses various dimensions, including not only technological innovation but also managerial and social innovations that influence how an organization is managed and operated. From a strategic perspective, organizational innovation is seen as part of an organization's dynamic capabilities. Teece (2018) states that an organization's ability to innovate determines the extent to which it is able to adapt to environmental changes and maintain its competitive advantage. Thus, organizational innovation is not merely a reactive response but rather a continuous, proactive process.

### **Characteristics and Principles of Cooperatives**

Cooperatives are economic organizations based on the principles of voluntary membership, democratic management, and the primary goal of improving member welfare. The International Cooperative Alliance (2015) emphasizes that cooperatives have a unique identity that combines economic and social goals. This characteristic gives cooperatives a different approach to managing innovation compared to conventional business

organizations. Birchall (2018) emphasizes that governance and leadership are determining factors for the success of cooperatives in implementing organizational innovation. Cooperatives have unique characteristics that distinguish them from other business entities, namely their foundation in the principles of voluntary membership, democratic management, and the primary goal of improving member welfare (Suhartono & Widodo, 2020). Active member participation and a high level of trust in management are essential prerequisites for the acceptance and effective implementation of implemented innovations. Therefore, innovation in cooperatives must remain aligned with the values of togetherness and economic democracy.

### **Organizational Innovation in Cooperatives**

Organizational innovation in cooperatives is generally realized through improved governance, strengthened management, and the development of services oriented to member needs. Borzaga and Galera (2016) show that social innovation plays a crucial role in collectivity-based organizations, including cooperatives, because it can strengthen social capital and organizational legitimacy. This social innovation serves as a crucial foundation for the success of managerial and technological innovation. In the Indonesian context, cooperative innovation is also directed at increasing transparency and accountability in organizational management. Sari and Nugroho (2022) state that organizational innovation supported by digital systems can increase administrative efficiency and member trust in cooperatives. This demonstrates the multidimensional and interconnected nature of cooperative organizational innovation.

### **Digital Transformation and Digital Economy**

The digital economy is characterized by the massive use of digital technology in various economic and organizational activities. Kenney and Zysman (2016) explain that the development of the digital economy is driving the emergence of platform-based business models that are changing the pattern of competition between organizations. In this context, cooperatives face the challenge of adapting to avoid being left behind in the competition. The digital economy is characterized by the increasing use of information and communication technology in economic activities, which has an impact on changing business models, market structures, and interaction patterns between economic actors (Pratama & Irawan, 2020). Digital transformation is understood as a process of organizational change triggered by the use of digital technology to create new value and improve organizational performance. Vial (2019) emphasizes that digital transformation is not only related to technology adoption but also encompasses changes in organizational structure, work processes, and organizational culture. Organizational innovation in cooperatives serves as a strategic mechanism to increase organizational resilience and strengthen competitiveness, particularly through adapting managerial structures and practices to changes in the external environment (Battisti & Deakins, 2017). Verhoef et al. (2021) add that the success of digital transformation is highly dependent on the readiness of human resources and organizational leadership.

## **Digitalization of Cooperatives and Information Systems**

Cooperative digitalization is part of the digital transformation aimed at improving efficiency and service quality. Tilson et al. (2010) stated that digital infrastructure is a crucial prerequisite for supporting sustainable organizational transformation. In cooperatives, digitizing membership systems, savings and loans, and financial administration can improve transparency and accuracy of data management. Research by Kraus et al. (2019) shows that digitalization without organizational readiness and changes to business processes has the potential to fail. Therefore, cooperatives need to manage digitalization in a gradual and planned manner to align with organizational capacity and member characteristics.

### **Technology Acceptance and Digital Literacy**

The success of cooperative digitalization is largely determined by the level of technology acceptance by administrators and members. Davis (1989), through the Technology Acceptance Model (TAM), explains that perceived usefulness and ease of use of technology influence individuals' attitudes and intentions towards using digital systems. In the cooperative context, members' digital literacy is a key factor in supporting the success of digital transformation. Rahmawati et al. (2021) found that low member digital literacy can be a major obstacle to implementing a cooperative's digital system. Therefore, outreach and mentoring are important strategies to increase members' understanding and readiness for digital innovation.

### **Organizational Innovation and Cooperative Competitiveness**

Organizational innovation integrated with cooperative values contributes to increased competitiveness and organizational sustainability. Hidayat and Prabowo (2023) stated that cooperatives that adaptably adopt digital innovation tend to have higher levels of member satisfaction and loyalty. Furthermore, consistent social innovation can strengthen the emotional bond between members and the cooperative (Battilana & Lee, 2014).

## **3. METHOD**

### **Types of research**

This research uses a qualitative approach with a descriptive-exploratory design. The qualitative approach was chosen because this research aims to deeply understand the innovation process of cooperative organizations, digital transformation, and organizational members' perceptions of the changes that occur.

### **Research Population and Informants**

The population in this study was all management elements and members of the Sukabumi City Police Resort Cooperative. However, considering the qualitative nature of this study, the selection of research subjects was not done statistically, but through the selection of informants who were considered to best understand the research focus. The main informant in this study was the Chairperson of the Sukabumi City Police Resort Cooperative. Informants were selected using a purposive sampling technique, namely the deliberate

selection of informants based on considerations of knowledge, experience, and authority in strategic decision-making. The number of informants was 6 people.

### **Data collection technique**

Data collection techniques in this study were conducted through in-depth interviews and documentation. In-depth interviews were used to explore informants' perspectives, experiences, and strategies regarding organizational innovation and the digital transformation of cooperatives. In addition to interviews, documentation techniques were used to supplement and strengthen primary data, including cooperative documents, activity reports, internal policies, and other supporting archives.

### **Data Analysis Techniques**

The data analysis in this study employed an interactive qualitative data analysis model, which included data reduction, data presentation, and drawing and verifying conclusions. Data reduction was carried out by selecting and grouping interview and documentation data according to the research focus. The data were then presented in the form of thematic narratives and summary tables to facilitate interpretation. Conclusions were drawn repeatedly throughout the analysis process to ensure the consistency and validity of the findings.

## **4. RESULTS AND DISCUSSION**

Based on the research questions that have been formulated previously, namely regarding the form of cooperative organizational innovation, the role of innovation in improving operational and service effectiveness, internal and external challenges in implementing digital-based innovation, the digital transformation process in cooperative service and management systems, member perceptions of organizational innovation and digital services, the implications of innovation on member satisfaction, factors supporting the success of innovation, and cooperative strategies in facing digital economic competition, these aspects become the basis for implementation. The results of interviews and data analysis obtained are explained as follows:

### **Forms of Cooperative Organizational Innovation**

Interview results indicate that cooperatives are implementing organizational innovation in several key ways. These innovations focus not only on technological aspects but also encompass social and managerial innovations. Social innovation is realized through a scholarship program for outstanding children of cooperative members in academics, religious studies, sports, and the arts. This program aims to improve the overall welfare of members and strengthen the emotional bond between members and the cooperative. In addition to social innovation, cooperatives are also implementing managerial innovation by improving organizational governance and strengthening management coordination. As stated by the primary chairman of the Sukabumi City Police Resort Cooperative, strengthening governance aims to increase transparency and accountability in cooperative management. Digital innovation is realized through the development of an application-based

cooperative management information system (SIMACOP) in response to the development of the digital economy. As stated by the primary chairman of the Sukabumi City Police Resort Cooperative, "We are preparing a SIMACOP digital system so that cooperative management can keep up with the times."

### **The Role of Organizational Innovation on Operational and Service Effectiveness**

Based on the interview results, organizational innovation plays a crucial role in improving the operational effectiveness of cooperatives. Digitizing services through SIMACOP is expected to accelerate administrative processes, reduce manual recording errors, and facilitate management in managing financial and membership data. As stated by the Primary Chairperson of the Sukabumi City Police Resort Cooperative, "If it's still manual, the process is long and prone to errors. With a digital system, services can be faster." Digitization is expected to accelerate service processes and improve the quality of cooperative administration and service to members. With a digital system, members will be able to access information on savings, loans, and cooperative services more easily and quickly, without having to come directly to the cooperative office.

### **Internal and External Challenges in Implementing Digital Innovation**

Interviews revealed that cooperatives face various challenges in implementing digital-based organizational innovation. The main internal challenges stem from limited digital literacy and the complexity of member data management, as conveyed by the Primary Chair of the Sukabumi City Police Resort Cooperative, "We have quite a large number of members and frequent transfers, so the data entry process cannot be done all at once." Furthermore, cooperatives also face managerial challenges in managing savings and loan units, particularly regarding members' ability to meet loan obligations. Externally, cooperatives face competition from other financial services and digital businesses that offer the convenience and speed of technology-based services.

### **Digital Transformation Process in Cooperative Service and Management Systems**

The research results show that digital transformation in cooperatives is being carried out in stages. These stages begin with the planning and development of the SIMACOP application, followed by the process of entering and validating member data. As stated by the Primary Chair of the Sukabumi City Police Resort Cooperative, "We are not implementing it immediately, but rather gradually, starting with data tidying and socialization to members." Full implementation of the digital system is planned to be carried out after obtaining approval at the Annual Members Meeting (RAT). This phased approach is being taken to ensure organizational readiness and avoid disruption to the cooperative's operational stability.

### **Member Perceptions of Organizational Innovation and Digital Services**

Based on interviews with administrators, members' perceptions of organizational innovation and digital services tend to be positive. Members believe that implementing a digital system has the potential to facilitate access to services, increase transparency, and expedite the cooperative's service process. However, the research also indicates that some

members still require further guidance and outreach to understand and optimally utilize the digital system. As stated by the Primary Chairperson of the Sukabumi City Police Resort Cooperative, "Members' response has been quite positive; they hope this system will make cooperative services easier and more transparent."

### **Implications of Organizational Innovation on Member Satisfaction**

The research results show that organizational innovation has positive implications for cooperative member satisfaction. Social innovations such as scholarship programs increase members' sense of care and pride in the cooperative, as conveyed by the Primary Chair of the Sukabumi City Police Resort Cooperative, "Members feel cared for, not only regarding loans, but also regarding their children's education." Meanwhile, digital innovation is expected to increase member satisfaction through ease, speed, and transparency of service. The combination of social and digital innovations strengthens members' perceptions that the cooperative is not only oriented towards economic aspects, but also towards the welfare and needs of members.

### **Supporting Factors for the Success of Cooperative Organizational Innovation**

Interview results indicate that the success of cooperative organizational innovation is supported by several key factors. These factors include experienced leadership and a commitment to cooperative development, good synergy between management and members, and the level of member trust in the cooperative. As stated by the Primary Chair of the Sukabumi City Police Resort Cooperative, "So far, the relationship between management and members has been quite solid, so that every program can be discussed together." Furthermore, support from external parties, such as cooperative consultants, is also a contributing factor in increasing the cooperative's capacity to face digital transformation.

### **Cooperative Strategies in Overcoming Digitalization Barriers**

Based on the research results, the cooperative implemented a phased strategy to overcome digitalization barriers, as conveyed by the Primary Chair of the Sukabumi City Police Resort Cooperative, "We did not implement it immediately, but slowly, starting with tidying up the data and socializing it to members." The strategy includes:

1. Cooperatives are implementing digital systems in stages, starting with internal data structuring and validation. This strategy is implemented to ensure organizational readiness and minimize the risk of errors in digital system implementation.
2. The cooperative provides outreach and assistance to members to increase their understanding of the use of digital services and the benefits they receive, thereby reducing resistance to change.
3. In the digitalization process, cooperatives do not apply a coercive approach, but rather prioritize communication and deliberation with members so that the innovations implemented can be accepted collectively.
4. Digitalization is accompanied by improvements to cooperative governance to increase transparency, accountability, and member trust in cooperative management.

5. Cooperatives continue to uphold the values of togetherness, family, and social closeness as competitive advantages in facing competition with financial services and digital businesses.

## **DISCUSSION**

### **Cooperative Organizational Innovation as an Adaptation Strategy in the Digital Economy Era**

The results of the study indicate that the organizational innovation carried out by the Sukabumi City Police Resort Primary Cooperative is multidimensional, encompassing social, managerial, and digital innovations. This finding supports Damanpour's (1991) view that organizational innovation is not limited to technology adoption but also involves changes to organizational structures, processes, and practices. In the cooperative context, social innovations such as scholarship programs demonstrate that organizational innovation is consistently implemented in line with cooperative values that emphasize member welfare. Social programs implemented by cooperatives play a significant role in strengthening social capital and member trust. This aligns with the findings of Battilana and Lee (2014) who stated that collectivity-based organizations require integration between economic and social goals for innovation to be widely accepted by members. Thus, social innovation carried out by cooperatives not only functions as a welfare program but also as an important foundation in supporting the acceptance of digital innovation.

#### **Digitalization of Cooperatives and Increasing Operational Effectiveness**

The development of an application-based cooperative management information system (SIMACOP) demonstrates that cooperatives are beginning to respond to the demands for efficiency and transparency that are key characteristics of the digital economy. This transformation aligns with the concept of digital transformation proposed by Vial (2019), namely the use of digital technology to create new value through changes in organizational processes and work methods. Research findings indicate that digitalization is seen as capable of increasing the operational effectiveness of cooperatives, particularly in accelerating services, reducing manual recording errors, and improving member data management. These findings support the research of Sari and Nugroho (2022), which states that digitalization of cooperative systems contributes significantly to administrative efficiency and transparency in financial management. Thus, digital innovation in cooperatives is not only technical but also has a strategic impact on the quality of organizational governance.

#### **Digital Transformation Challenges in the Cooperative Context**

Although digitalization offers numerous benefits, research findings reveal that cooperatives still face significant challenges in their digital transformation process. Limited digital literacy among administrators and members, along with the complexity of data management, are key obstacles. These findings align with research by Verhoef et al. (2021), which asserts that the greatest challenge to digital transformation lies not with technology, but rather with human resource readiness and changes in organizational culture. In the cooperative context, these challenges are exacerbated by the heterogeneous nature of

membership and the occurrence of member transfers. Therefore, the phased approach adopted by cooperatives can be understood as an adaptive strategy to minimize the risk of implementation failure. This approach aligns with the view that digital transformation is a long-term process that requires comprehensive organizational commitment and readiness.

### **Member Perception and Acceptance of Digital Innovation**

The research results show that cooperative members have a positive perception of organizational innovation and plans for implementing digital services. This positive perception is a crucial factor in the success of organizational innovation. This can be explained through the Technology Acceptance Model (TAM) proposed by Davis (1989), which states that perceived ease of use and usefulness of technology influence the level of user acceptance. However, the need for socialization and mentoring indicates that technology acceptance within cooperatives cannot be separated from the role of management in building member understanding and trust. In other words, acceptance of digital innovation within cooperatives is determined not only by the quality of the system, but also by the quality of organizational communication.

### **Implications of Organizational Innovation on Member Satisfaction**

Organizational innovations undertaken by cooperatives have positive implications for member satisfaction. Social innovations increase members' sense of care and pride, while digital innovations have the potential to increase satisfaction through ease and speed of service. These findings align with research by Hidayat and Prabowo (2023), which states that integrating technological innovation with cooperative values contributes to increased member satisfaction and loyalty. Therefore, organizational innovations that improve member satisfaction will directly impact the sustainability of cooperatives amidst the competitive digital economy.

### **Supporting Factors and Strategies for the Success of Cooperative Organizational Innovation**

The research results show that the success of cooperative organizational innovation is significantly influenced by management leadership, synergy between management and members, and commitment to cooperative values. These findings support Birchall's (2018) view that governance and leadership are key factors in the success of cooperative innovation. Cooperatives' strategies for overcoming digitalization barriers are implemented through a gradual, educational, and participatory approach. This approach differentiates cooperatives from other digital financial services, as cooperatives prioritize social closeness and member trust as competitive advantages. Thus, cooperative organizational innovation serves not only as a tool for technological adaptation but also as a strategy for maintaining cooperative identity in the digital economy era.

## **5. CONCLUSION**

This study demonstrates that organizational innovation is a crucial adaptive strategy for cooperatives in facing digital economic competition. The research findings indicate that organizational innovation in cooperatives is not a single entity, but rather a multidimensional

one, encompassing integrated social, managerial, and digital innovations. Social innovation plays a role in strengthening social capital and member trust, managerial innovation improves the quality of organizational governance, while digital innovation through the development of a cooperative management information system (SIMACOP) contributes to increased operational effectiveness, transparency, and service quality. Nevertheless, the digital transformation process of cooperatives still faces challenges, particularly related to limited digital literacy, the complexity of membership data management, and the need for organizational cultural change. Therefore, a gradual, participatory, and deliberation-based digital transformation approach has proven relevant in the cooperative context. This study confirms that the success of cooperative organizational innovation is determined not only by technology adoption, but also by leadership, synergy between management and members, and consistency in upholding cooperative values. Therefore, organizational innovation that aligns with the characteristics of cooperatives is a key factor in maintaining the competitiveness and sustainability of cooperatives in the digital economy era.

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