

Transforming Koperasi Merah Putih through Governance and Innovation: Strategic Insights from Swiss Cooperatives

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ABSTRACT

This study examines the influence of Good Cooperative Governance and Sustainability Strategic Orientation on Sustainable Cooperative Performance and Community Economic Resilience through Member Participation Capability and Cooperative Innovation Capability. Although the empirical data were collected only from Koperasi Merah Putih in Java, Indonesia, the study uses the success of Swiss cooperatives as a contextual learning perspective to strengthen the interpretation of cooperative governance, sustainability, innovation, member value creation, and community-based economic resilience. A quantitative approach was employed using structured questionnaires distributed to 120 top to middle management respondents of Koperasi Merah Putih in Java. The data were analyzed using SPSS through validity, reliability, multicollinearity, normality, multiple regression, t-test, F-test, and path regression logic. The results show that Good Cooperative Governance significantly affects Member Participation Capability and Cooperative Innovation Capability. Sustainability Strategic Orientation significantly affects Cooperative Innovation Capability but does not significantly affect Member Participation Capability. Member Participation Capability does not significantly affect Sustainable Cooperative Performance, while Cooperative Innovation Capability has a positive and significant effect on Sustainable Cooperative Performance. Furthermore, Sustainable Cooperative Performance significantly improves Community Economic Resilience. These findings indicate that the sustainability of Koperasi Merah Putih in Java is shaped more strongly by cooperative innovation capability than by member participation alone. The Swiss cooperative experience enriches the study by showing that cooperative success requires the integration of democratic governance, professional management, sustainability commitment, innovation capability, and direct member value creation. Therefore, the findings can be analytically generalized to cooperative contexts with similar governance, sustainability, innovation, and community resilience challenges. This study contributes to strategic management and cooperative sustainability literature by demonstrating that governance quality and sustainability-oriented strategy must be transformed into innovation-driven cooperative capabilities to create sustainable cooperative performance and stronger community economic resilience.

Keywords: *Good Cooperative Governance, Sustainability Strategic Orientation, Member Participation Capability, Cooperative Innovation Capability, Sustainable Cooperative Performance, Community Economic Resilience*

1. INTRODUCTION

Cooperatives are increasingly recognized as strategic institutions for inclusive economic development, community resilience, and sustainability-oriented business transformation. Unlike investor-owned firms that primarily pursue shareholder value, cooperatives are member-owned and democratically controlled enterprises designed to meet the economic, social, and cultural needs of their members. This dual character makes cooperatives unique: they must maintain business viability while preserving democratic participation, social responsibility, member welfare, and community development. In this context, cooperative competitiveness is no longer determined only by capital accumulation, asset ownership, or operational scale, but also by the quality of governance, sustainability orientation, member participation, innovation capability, and the ability to generate long-term community economic resilience.

The issue is particularly relevant in Indonesia following the national policy acceleration of Koperasi Desa/Kelurahan Merah Putih. Through Presidential Instruction No. 9 of 2025, the Indonesian government initiated the acceleration of the establishment of 80,000 Koperasi Desa/Kelurahan Merah Putih as part of a broader effort to strengthen village and urban community economies, improve distribution systems, support food security, and promote equitable economic

development from the grassroots level. This policy gives cooperatives a renewed strategic role, not merely as small-scale economic institutions, but as community-based business platforms expected to support local production, distribution, service access, basic needs provision, employment creation, and village-level economic independence. Therefore, the sustainability of Koperasi Merah Putih depends not only on formal establishment, but also on whether these cooperatives can develop strong governance systems, member participation, innovation capability, and sustainable performance.

This study is grounded in the Resource-Based View, Dynamic Capabilities Theory, Stakeholder Theory, and Cooperative Governance Theory. The Resource-Based View argues that organizations can achieve sustainable performance when they possess resources and capabilities that are valuable, rare, difficult to imitate, and effectively organized. In the cooperative context, strategic resources are not limited to physical assets or financial capital. They include good cooperative governance, member trust, social capital, democratic decision-making, managerial competence, sustainability orientation, digital and business innovation, and community legitimacy. These resources are especially important for Koperasi Merah Putih because the program is expected to operate within diverse local economic structures across Java, where cooperative performance will depend on both managerial discipline and the ability to mobilize member-based economic participation.

Dynamic Capabilities Theory complements this argument by explaining how cooperatives transform internal resources into sustainable outcomes under changing environmental conditions. Koperasi Merah Putih will operate in an environment shaped by market competition, supply chain challenges, digitalization, changing community needs, limited managerial capacity, regulatory expectations, and increasing pressure to demonstrate social and economic impact. Therefore, good governance and sustainability orientation do not automatically produce cooperative performance unless cooperative management can sense local opportunities, mobilize members, innovate services, build partnerships, and reconfigure operational practices. In this study, Member Participation Capability and Cooperative Innovation Capability are positioned as intervening mechanisms that explain how governance and sustainability orientation are converted into Sustainable Cooperative Performance.

Stakeholder Theory is also relevant because cooperatives are accountable not only to managers or founders, but also to members, communities, local government, suppliers, customers, financial institutions, and other stakeholders involved in the cooperative ecosystem. For Koperasi Merah Putih, stakeholder accountability is particularly important because these cooperatives are linked to public policy objectives and community economic empowerment. Good governance must therefore be reflected in transparency, accountability, fairness, democratic control, responsible decision-making, and member-oriented value creation. Cooperative Governance Theory further strengthens the argument by emphasizing that cooperative success depends on the alignment between professional management and democratic member control. A cooperative may have a good business model, but without member participation and governance discipline, it can easily become administratively active but economically weak.

The first independent variable in this study is Good Cooperative Governance. Good Cooperative Governance refers to the implementation of transparent, accountable, responsible, fair, participatory, and professionally managed cooperative governance practices. In cooperatives, governance is not only about compliance with formal rules; it is about ensuring that members have voice, information, representation, trust, and control over cooperative direction. Jamaluddin et al. (2023), through a systematic literature review, show that cooperative governance is closely associated with cooperative performance and that governance studies commonly involve board characteristics, policy compliance, member participation, accountability, and strategic control. This supports the view that governance is a strategic foundation for cooperative sustainability.

The second independent variable is Sustainability Strategic Orientation. Sustainability Strategic Orientation refers to the extent to which cooperative management integrates economic, social, environmental, and institutional sustainability into strategic decision-making. In the context of Koperasi Merah Putih, sustainability orientation is important because cooperatives are expected to support long-term community welfare, not merely short-term transactions. Sustainability may include economic viability, member welfare, responsible resource use, ethical business practices, local supply chain strengthening, community empowerment, environmental awareness, and institutional continuity. Chollet et al. (2025) emphasize that cooperative sustainability performance should be understood through economic-financial, environmental, social, and governance dimensions. This multidimensional view is relevant because cooperatives are structurally positioned to contribute to sustainable development through both business activity and community responsibility.

Based on this theoretical foundation, this study positions Member Participation Capability and Cooperative Innovation Capability as two intervening variables. Member Participation Capability refers to the cooperative's ability to encourage members to participate as owners, users, decision-makers, capital contributors, customers, and community actors. This is a critical mechanism because cooperatives are not ordinary firms. Their strength depends on whether

members actively use cooperative services, contribute capital, attend meetings, supervise management, participate in decision-making, and support cooperative business activities. If members are passive, even a formally established cooperative may fail to achieve sustainable performance. Therefore, member participation is positioned as a key pathway through which governance and sustainability orientation create cooperative outcomes.

Cooperative Innovation Capability is also central to this study because modern cooperatives must innovate to remain relevant. Innovation in Koperasi Merah Putih may include digital administration, transparent financial reporting, digital member databases, local product aggregation, supply chain coordination, community retail services, savings and loan innovations, partnerships with farmers and MSMEs, logistics improvement, digital marketplaces, and new member service models. Innovation is important because Koperasi Merah Putih will face the risk of becoming a bureaucratic institution if it is not able to create real economic value for members and communities. Recent cooperative and sustainability literature suggests that governance, innovation, and sustainability are increasingly interconnected, especially as cooperatives face pressure to improve efficiency, transparency, and social impact.

The dependent variable in this study is Sustainable Cooperative Performance. Sustainable Cooperative Performance refers to the cooperative's ability to achieve economic viability, member value, governance effectiveness, social contribution, institutional continuity, and responsible business development. This construct is broader than financial performance because cooperatives must be evaluated not only by profit or asset growth, but also by member welfare, service quality, member participation, transparency, community impact, and long-term resilience. Schlenker et al. (2026) show that ESG approaches in cooperatives are increasingly discussed in relation to efficiency, social performance, member relationships, and cooperative principles. This supports the argument that cooperative performance should be measured through economic, social, governance, and sustainability-based outcomes.

The final outcome variable is Community Economic Resilience. Community Economic Resilience refers to the ability of local communities to strengthen economic independence, maintain access to essential goods and services, absorb economic shocks, improve member welfare, support local entrepreneurship, and sustain productive economic activities. This outcome is highly relevant for Koperasi Merah Putih because the broader policy objective is not merely to establish cooperatives, but to strengthen local economies from the village and urban community level. If Koperasi Merah Putih performs well, it should contribute to more resilient communities through stronger local supply chains, improved access to affordable goods, productive member participation, and sustainable local business ecosystems.

The Swiss cooperative experience provides an important comparative learning perspective for this study. Switzerland is widely recognized as a country with a strong cooperative tradition, where cooperatives operate across retail, banking, housing, agriculture, insurance, and community services. Prominent Swiss cooperative organizations such as Migros, Coop Group, and Raiffeisen demonstrate that cooperatives can become large, professionally managed, competitive, and sustainable without abandoning member-oriented and community-based principles. Migros, for example, is organized through regional cooperatives and has millions of cooperative members, while Coop Group has developed into one of Switzerland's largest retail and wholesale organizations. Raiffeisen Switzerland also illustrates how cooperative banking can combine local autonomy, member ownership, professional governance, and national-scale financial strength.

The relevance of Swiss cooperatives for Koperasi Merah Putih is not that Indonesia should simply imitate the Swiss model. Rather, Switzerland offers strategic lessons on how cooperatives can institutionalize member democracy, professional governance, sustainability, innovation, and long-term business discipline. Swiss cooperatives show that cooperative identity and business competitiveness are not contradictory. A cooperative can be member-based and market-oriented at the same time, provided that governance structures are clear, member participation is meaningful, professional management is strong, and sustainability is embedded into strategy. This lesson is important for Koperasi Merah Putih because the program's success will depend on whether these cooperatives move beyond administrative formation and become economically productive, trusted, innovative, and resilient institutions.

Although the Swiss cooperative experience is used to sharpen the theoretical and contextual background, the empirical data in this study are collected only from Indonesia. Specifically, the study surveys 120 top to middle management respondents of Koperasi Merah Putih in Java. Java is selected because it represents a strategically important cooperative environment with dense population, strong MSME activity, diverse village and urban economies, agricultural and non-agricultural supply chains, high digital exposure, and significant market access. Koperasi Merah Putih in Java may face different challenges from cooperatives in more remote regions because they operate in markets with stronger competition, more complex member needs, higher digital expectations, and greater pressure for managerial accountability.

Despite growing scholarly attention to cooperative governance, sustainability, and performance, several research gaps remain. First, many studies examine the direct relationship between cooperative governance and cooperative

performance, but fewer explain the intervening mechanisms through which governance is converted into sustainable outcomes. Second, sustainability is often discussed normatively in cooperative studies, while fewer empirical studies position sustainability strategic orientation as a measurable strategic capability that influences participation, innovation, and performance. Third, member participation and cooperative innovation are often studied separately, even though both may function as critical mechanisms through which governance and sustainability orientation produce sustainable cooperative performance. Fourth, cooperative performance is frequently measured through financial or operational outcomes, while the broader impact on community economic resilience remains underdeveloped in strategic management research. Fifth, the emergence of Koperasi Merah Putih creates a new empirical context that has not yet been sufficiently examined through an integrated strategic management model.

This study responds to these gaps by developing a strategic management model that links Good Cooperative Governance and Sustainability Strategic Orientation to Member Participation Capability and Cooperative Innovation Capability. These two intervening variables are then proposed to influence Sustainable Cooperative Performance, which ultimately strengthens Community Economic Resilience. The model is designed to explain not only whether governance and sustainability matter, but how they are transformed into cooperative performance and community-level outcomes. This mechanism-based approach is important because Koperasi Merah Putih will not succeed merely because it exists as a formal institution. It will succeed only if governance creates trust, sustainability orientation guides long-term strategy, member participation activates cooperative ownership, and innovation creates real economic value.

The attractiveness of this study lies in its timeliness, theoretical integration, and policy relevance. Theoretically, the study integrates Resource-Based View, Dynamic Capabilities Theory, Stakeholder Theory, and Cooperative Governance Theory into one empirical model. Empirically, it examines a new and strategic cooperative program in Indonesia using data from 120 top to middle management respondents across Java. Contextually, it uses the Swiss cooperative experience as a learning perspective to show that cooperatives can combine democratic control, professional management, sustainability, innovation, and market competitiveness. Practically, the findings are expected to help Koperasi Merah Putih managers, policymakers, cooperative supervisors, and local government stakeholders strengthen governance quality, sustainability orientation, member participation, innovation capability, sustainable performance, and community economic resilience.

Accordingly, the primary objective of this study is to examine the influence of Good Cooperative Governance and Sustainability Strategic Orientation on Member Participation Capability and Cooperative Innovation Capability among Koperasi Merah Putih in Java, Indonesia. The study further investigates the effects of Member Participation Capability and Cooperative Innovation Capability on Sustainable Cooperative Performance, and the subsequent effect of Sustainable Cooperative Performance on Community Economic Resilience. By positioning Swiss cooperative success as a comparative learning lens, this research contributes to strategic management and cooperative sustainability literature by explaining how governance and sustainability-oriented strategy can be transformed into stronger cooperative performance and more resilient local economies.

1.1. Strategic Management Perspective in Cooperative Sustainability

The strategic management logic of this study is grounded in the Resource-Based View, Dynamic Capabilities Theory, Stakeholder Theory, and Cooperative Governance Theory. The Resource-Based View explains that organizations can achieve sustainable advantage when they possess resources and capabilities that are valuable, rare, difficult to imitate, and effectively organized. In cooperatives, strategic resources are not limited to financial capital, physical assets, or business units. They also include democratic governance, member trust, social capital, managerial competence, sustainability orientation, member participation, innovation capability, and community legitimacy.

Dynamic Capabilities Theory extends this argument by explaining how cooperatives transform resources into sustainable outcomes in changing environments. Koperasi Merah Putih in Java will operate in a complex environment shaped by market competition, supply chain challenges, digitalization, regulatory expectations, member needs, and community-level economic pressures. Therefore, good governance and sustainability orientation do not automatically create performance unless cooperative management can mobilize members, innovate services, build partnerships, and reconfigure cooperative operations.

Stakeholder Theory is also relevant because cooperatives are accountable to multiple stakeholders, including members, managers, communities, local government, suppliers, customers, and financing institutions. Cooperative Governance Theory further strengthens the model because cooperatives are different from investor-owned firms. Their performance depends on the balance between professional management and democratic member control. The Swiss cooperative experience illustrates this strategic logic. Cooperatives such as Migros, Coop, and Raiffeisen show that

cooperatives can become large, professionally managed, and competitive while maintaining member-oriented principles, governance discipline, and long-term sustainability.

Although Swiss cooperatives are used as a comparative learning perspective, the empirical data in this study are collected only from Koperasi Merah Putih in Java, Indonesia. Java is a relevant setting because it contains dense population, strong MSME activity, diverse village and urban economies, agricultural and non-agricultural supply chains, and high pressure for cooperative accountability. This study therefore examines how Good Cooperative Governance and Sustainability Strategic Orientation influence Sustainable Cooperative Performance through Member Participation Capability and Cooperative Innovation Capability, and how Sustainable Cooperative Performance strengthens Community Economic Resilience.

1.2. Good Cooperative Governance

Good Cooperative Governance refers to the implementation of transparent, accountable, responsible, fair, democratic, and professionally managed governance practices in cooperatives. In cooperatives, governance is not only a formal compliance mechanism. It is a strategic foundation that determines whether members trust the cooperative, participate in decision-making, use cooperative services, and support cooperative business development.

Jamaluddin et al. (2023) show that cooperative governance research is closely related to cooperative performance through board characteristics, policy compliance, management and leadership strategy, and social or human capital. This indicates that governance is not only an administrative issue, but also a strategic capability. In the context of Koperasi Merah Putih, governance quality is critical because the program is expected to strengthen village and urban community economies. Without transparency, accountability, and member control, Koperasi Merah Putih may become formally established but weak in performance and member trust.

1.3. Good Cooperative Governance and Member Participation Capability

Good Cooperative Governance is expected to strengthen Member Participation Capability because members are more likely to participate when cooperative management is transparent, accountable, and fair. Member participation includes attending meetings, contributing capital, using cooperative services, supervising management, giving input, and supporting cooperative business activities. In cooperatives, members are not only customers; they are also owners and decision-makers.

Muryani et al. (2022) found that member participation significantly contributes to cooperative performance. This supports the argument that participation is a central mechanism in cooperative development. However, member participation does not emerge automatically. It requires trust in management, access to information, democratic procedures, and perceived fairness. Therefore, good governance becomes an important antecedent of member participation.

H1: Good Cooperative Governance has a positive effect on Member Participation Capability.

1.4. Good Cooperative Governance and Cooperative Innovation Capability

Good Cooperative Governance is also expected to strengthen Cooperative Innovation Capability. Transparent and accountable governance allows cooperatives to make better strategic decisions, identify member needs, evaluate business opportunities, manage risk, and build partnerships. Innovation in cooperatives requires not only creativity, but also trust, coordination, leadership support, and clear decision-making mechanisms.

In the context of Koperasi Merah Putih, innovation may include digital administration, transparent financial reporting, local product aggregation, digital member databases, cooperative retail services, supply chain coordination, partnerships with MSMEs, and new member service models. Swiss cooperatives provide a useful lesson because their success is supported not only by cooperative identity, but also by professional governance, business discipline, innovation, and institutional capability.

H2: Good Cooperative Governance has a positive effect on Cooperative Innovation Capability.

1.5. Sustainability Strategic Orientation

Sustainability Strategic Orientation refers to the extent to which cooperative management integrates economic, social, environmental, and institutional sustainability into strategic decision-making. In cooperatives, sustainability is not an optional agenda because cooperatives are established to improve member welfare and community development.

Therefore, sustainability orientation includes economic viability, member welfare, responsible business practices, local supply chain strengthening, social contribution, environmental awareness, and institutional continuity.

Castilla-Polo et al. (2025) emphasize that ESG and sustainability reporting are increasingly important for cooperatives because cooperatives are expected to demonstrate not only economic performance but also social and governance responsibility. This is highly relevant for Koperasi Merah Putih because these cooperatives are expected to support local economic resilience, food distribution, member welfare, and inclusive development. Sustainability orientation therefore becomes a strategic capability that guides cooperative management beyond short-term transactions.

1.6. Sustainability Strategic Orientation and Member Participation Capability

Sustainability Strategic Orientation is expected to strengthen Member Participation Capability because members are more likely to participate when they perceive that the cooperative creates long-term value for members and communities. When cooperatives demonstrate commitment to member welfare, fair services, social responsibility, and community development, members may feel stronger ownership and responsibility toward the cooperative.

This relationship is important because Koperasi Merah Putih must avoid becoming a top-down administrative program. Its success depends on whether members see the cooperative as useful, fair, and sustainable. Sustainability orientation can strengthen participation by showing that the cooperative is not only a business unit, but also a collective institution for improving community welfare.

H3: Sustainability Strategic Orientation has a positive effect on Member Participation Capability.

1.7. Sustainability Strategic Orientation and Cooperative Innovation Capability

Sustainability Strategic Orientation is also expected to strengthen Cooperative Innovation Capability. Cooperatives with strong sustainability orientation are more likely to develop innovations that support long-term member value, efficient distribution, local entrepreneurship, responsible resource use, and community-based economic development. Sustainability encourages cooperatives to innovate not only for profit, but also for social impact and institutional continuity.

In Koperasi Merah Putih, sustainability-driven innovation may include local food supply systems, member-based retail services, environmentally responsible operations, digital cooperative platforms, MSME product aggregation, inclusive financing, and partnerships with village enterprises. Swiss cooperatives show that sustainability and innovation can coexist when cooperatives combine member orientation, professional management, and long-term strategic discipline.

H4: Sustainability Strategic Orientation has a positive effect on Cooperative Innovation Capability.

1.8. Member Participation Capability and Sustainable Cooperative Performance

Member Participation Capability is expected to strengthen Sustainable Cooperative Performance. Cooperatives depend on members for capital, transactions, legitimacy, supervision, and business continuity. When members actively participate, cooperatives can improve service relevance, strengthen accountability, increase transaction volume, reduce opportunistic behavior, and build stronger collective ownership.

Sustainable Cooperative Performance should not be measured only through profit or asset growth. It also includes member welfare, service quality, governance effectiveness, business continuity, social contribution, and institutional trust. Therefore, active member participation becomes a strategic mechanism that allows cooperatives to achieve both economic and social performance.

H5: Member Participation Capability has a positive effect on Sustainable Cooperative Performance.

1.9. Cooperative Innovation Capability and Sustainable Cooperative Performance

Cooperative Innovation Capability is expected to strengthen Sustainable Cooperative Performance because innovation enables cooperatives to remain relevant in changing economic environments. Cooperatives that innovate can improve member services, develop new business models, strengthen supply chains, adopt digital systems, expand partnerships, and respond to market opportunities more effectively.

Muryani et al. (2022) found that innovation ability has a significant influence on cooperative performance. This supports the argument that cooperatives cannot rely only on traditional routines. For Koperasi Merah Putih, innovation

is especially important because the program must create real economic value for members and communities. Without innovation, cooperatives may exist institutionally but fail to generate sustainable performance.

H6: Cooperative Innovation Capability has a positive effect on Sustainable Cooperative Performance.

1.10. Sustainable Cooperative Performance and Community Economic Resilience

Community Economic Resilience refers to the ability of local communities to maintain economic activity, improve welfare, strengthen local supply chains, support entrepreneurship, and withstand economic shocks. Sustainable Cooperative Performance is expected to strengthen Community Economic Resilience because well-performing cooperatives can improve access to goods and services, support local producers, increase member income, strengthen community distribution systems, and promote local economic independence.

This final relationship reflects the broader purpose of Koperasi Merah Putih. The goal is not only to create cooperatives that are legally established, but to build cooperatives that contribute to stronger village and urban community economies. The Swiss cooperative experience reinforces this logic by showing that cooperatives can become long-term institutions that support economic resilience when governance, participation, innovation, and sustainability are managed consistently.

H7: Sustainable Cooperative Performance has a positive effect on Community Economic Resilience.

2. RESEARCH METHODS

This study adopts the framework presented in Figure 1 to investigate the influence of Good Cooperative Governance and Sustainability Strategic Orientation on Member Participation Capability and Cooperative Innovation Capability, and the subsequent effect of these capabilities on Sustainable Cooperative Performance and Community Economic Resilience. The study is conducted in the context of Koperasi Merah Putih in Java, Indonesia, with the success of Swiss cooperatives used only as a contextual learning perspective to enrich the theoretical background. The key objective is to examine how governance quality and sustainability-oriented strategy help Koperasi Merah Putih strengthen member participation and cooperative innovation capability, and how these strategic capabilities ultimately contribute to sustainable cooperative performance and community economic resilience.

Data for this research were collected through a structured questionnaire administered to 120 top to middle management respondents of Koperasi Merah Putih in Java, Indonesia. The respondents were selected using purposive sampling because they were considered to have sufficient knowledge of cooperative governance, sustainability strategy, member participation, innovation practices, operational management, cooperative performance, and community economic development. Based on Table 2, the distribution of respondents by management level shows that the majority were middle management personnel, accounting for 83 respondents or 69.2% of the sample, while top management personnel accounted for 37 respondents or 30.8%. Regarding city distribution, as shown in Table 3, the largest proportion of respondents came from Jakarta with 28 respondents or 23.3%, followed by Surabaya with 22 respondents or 18.3%, Bandung with 17 respondents or 14.2%, Yogyakarta with 15 respondents or 12.5%, Semarang with 13 respondents or 10.8%, Tangerang/Banten with 11 respondents or 9.2%, Malang with 8 respondents or 6.7%, and Solo with 6 respondents or 5.0%. This composition indicates that the sample represents major cooperative environments in Java, including urban, semi-urban, MSME-based, agricultural-supporting, business-oriented, and community-based economic areas.

The questionnaire was designed to measure six main variables: Good Cooperative Governance, Sustainability Strategic Orientation, Member Participation Capability, Cooperative Innovation Capability, Sustainable Cooperative Performance, and Community Economic Resilience. Good Cooperative Governance reflects transparency, accountability, responsibility, fairness, democratic control, and professional management. Sustainability Strategic Orientation reflects the cooperative's strategic commitment to economic, social, environmental, and institutional sustainability. Member Participation Capability reflects the cooperative's ability to encourage active member involvement in meetings, decision-making, supervision, capital contribution, transactions, and service utilization. Cooperative Innovation Capability reflects the cooperative's ability to develop new services, improve business models, adopt digital systems, strengthen supply chains, build partnerships, and create value-added services for members and communities. Sustainable Cooperative Performance reflects economic viability, member welfare, service quality, governance effectiveness, social contribution, institutional continuity, and long-term business sustainability. Community Economic Resilience reflects the cooperative's contribution to local economic independence, community welfare, local entrepreneurship, access to essential goods and services, productive economic activities, and resilience against economic shocks.

All items were measured using a five-point Likert scale ranging from 1 (Strongly Disagree) to 5 (Strongly Agree). The data were analyzed using SPSS. Validity and reliability tests were conducted to ensure the quality of the research instruments. Multicollinearity and normality tests were conducted to ensure that the regression models met the required statistical assumptions. Multiple regression analysis was used to examine the significance of the direct relationships among variables. The t-test was used to assess the significance of each individual hypothesis, while the F-test was used to evaluate the feasibility of each regression model. In addition, mediation analysis using path regression logic was employed to assess the intervening roles of Member Participation Capability and Cooperative Innovation Capability in the relationship between the independent variables and Sustainable Cooperative Performance. The collected data provide empirical insights into how Koperasi Merah Putih in Java can transform good governance and sustainability-oriented strategy into member participation, innovation capability, sustainable cooperative performance, and community economic resilience.

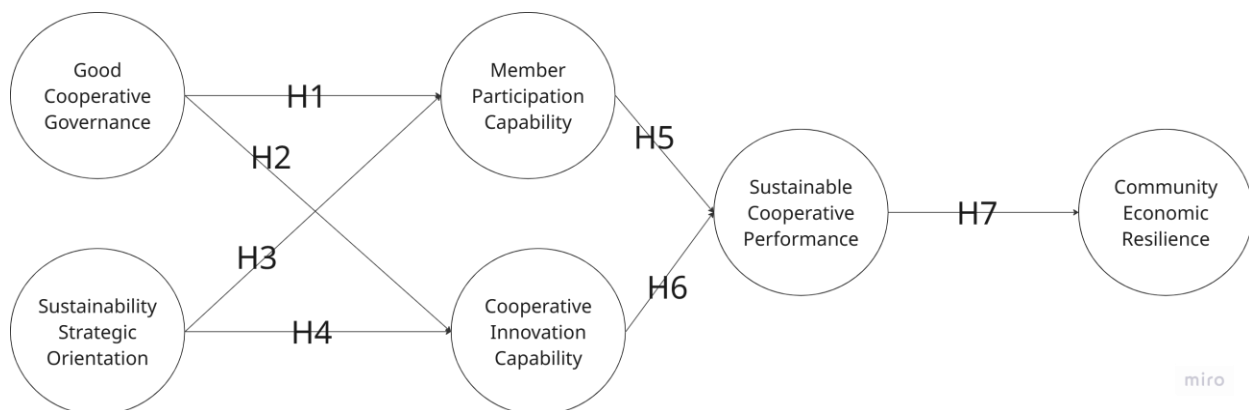


Figure 1. Research Model

3. RESULTS AND DISCUSSIONS

3.1. Characteristics of Respondents

In any research endeavor, understanding the characteristics of respondents is important for interpreting the findings accurately. In this study, respondent characteristics are presented based on management level, cooperative location, and functional area. These characteristics are relevant because the respondents are top to middle management personnel of Koperasi Merah Putih who are directly involved in cooperative governance, sustainability-oriented strategy, member participation, innovation practices, cooperative performance, and community-based economic development. Since the respondents are located in Java, Indonesia, the sample represents managerial personnel who understand the strategic challenges of developing Koperasi Merah Putih in diverse economic environments, including urban, semi-urban, MSME-based, agricultural-supporting, and community-oriented cooperative settings.

Table 1. Characteristics of Respondents Based on Management Level

No	Description	Qty	Percentage
1	Top Management	37	30.8%
2	Middle Management	83	69.2%
	Total Qty	120	100%

Based on Table 1, out of a total of 120 respondents, 37 respondents or 30.8% are top management personnel, while 83 respondents or 69.2% are middle management personnel. This indicates that middle management represents the largest proportion of the sample. This distribution is reasonable because middle managers are more widely involved in the operational implementation of cooperative strategies, member service coordination, business unit management, reporting activities, innovation practices, and daily interaction with members and communities. Meanwhile, top management respondents provide strategic-level perspectives related to cooperative governance, sustainability policy, strategic planning, institutional direction, partnership decisions, and long-term cooperative performance. Therefore, the composition of respondents is appropriate for examining strategic management issues in Koperasi Merah Putih.

Table 2. Characteristics of Respondents Based on Cooperative Location

No	Description	Qty	Percentage
1	Jakarta	28	23.3%
2	Surabaya	22	18.3%
3	Bandung	17	14.2%
4	Yogyakarta	15	12.5%
5	Semarang	13	10.8%
6	Tangerang/Banten	11	9.2%
7	Malang	8	6.7%
8	Solo	6	5.0%
	Total Qty	120	100%

Based on Table 2, the largest proportion of respondents comes from Jakarta, accounting for 28 respondents or 23.3% of the sample. This is followed by Surabaya with 22 respondents or 18.3%, Bandung with 17 respondents or 14.2%, Yogyakarta with 15 respondents or 12.5%, Semarang with 13 respondents or 10.8%, Tangerang/Banten with 11 respondents or 9.2%, Malang with 8 respondents or 6.7%, and Solo with 6 respondents or 5.0%. This distribution shows that the respondents represent several major cooperative environments in Java. Jakarta, Surabaya, and Tangerang/Banten represent urban and business-oriented cooperative settings with higher exposure to market competition, digital transactions, and formal institutional networks. Bandung, Yogyakarta, Semarang, Malang, and Solo represent areas with strong MSME activity, cultural economy, local trade, education-based communities, and community-centered economic development. This geographic composition supports the relevance of the study because Koperasi Merah Putih in Java operates in diverse strategic environments that require good governance, sustainability orientation, member participation, innovation capability, and sustainable cooperative performance.

Table 3. Characteristics of Respondents Based on Functional Area

No	Description	Qty	Percentage
1	Operations and Cooperative Services	19	15.8%
2	General Management and Strategic Planning	18	15.0%
3	Member Services and Participation	17	14.2%
4	Finance and Administration	15	12.5%
5	Business Development and MSME Partnership	14	11.7%
6	Supply Chain and Distribution	13	10.8%
7	Sustainability and Community Development	10	8.3%
8	Digital Administration and Information System	8	6.7%
9	Internal Control and Governance Supervision	6	5.0%
	Total Qty	120	100%

Based on Table 3, the respondents come from various functional areas within Koperasi Merah Putih. The largest group is from operations and cooperative services, accounting for 19 respondents or 15.8% of the sample. This is followed by general management and strategic planning with 18 respondents or 15.0%, member services and participation with 17 respondents or 14.2%, finance and administration with 15 respondents or 12.5%, business development and MSME partnership with 14 respondents or 11.7%, supply chain and distribution with 13 respondents or 10.8%, sustainability and community development with 10 respondents or 8.3%, digital administration and information system with 8 respondents or 6.7%, and internal control and governance supervision with 6 respondents or 5.0%.

This functional distribution indicates that the sample captures diverse managerial perspectives across strategic, operational, financial, governance, digital, member-facing, and community development functions. This composition is appropriate because the research variables require knowledge of Good Cooperative Governance, Sustainability Strategic Orientation, Member Participation Capability, Cooperative Innovation Capability, Sustainable Cooperative Performance, and Community Economic Resilience. Respondents from operations and cooperative services understand how cooperative programs are implemented in daily activities. Respondents from general management and strategic planning understand governance direction, sustainability strategy, and institutional priorities. Respondents from

member services understand the intensity of member participation, while respondents from business development, supply chain, and digital administration understand innovation practices and cooperative modernization.

The respondent profile strengthens the suitability of the research sample. Since this study examines strategic management issues in Koperasi Merah Putih, respondents must have sufficient managerial understanding of cooperative strategy, governance quality, sustainability programs, innovation practices, member involvement, and cooperative performance. The combination of top and middle management respondents ensures that the data reflect both strategic policy perspectives and operational implementation realities. The distribution across major cities in Java also provides a broader view of Koperasi Merah Putih development in different cooperative environments. Therefore, the respondent characteristics support the relevance and credibility of the empirical analysis.

3.2. *Validity, Reliability, and Multicollinearity*

The validity test was conducted using corrected item-total correlation, while reliability was assessed using Cronbach's Alpha. With 120 respondents, the minimum r-table value at the 5% significance level is approximately 0.179. Therefore, an item is considered valid if the corrected item-total correlation value is greater than 0.179. Reliability is accepted when Cronbach's Alpha exceeds 0.70. Multicollinearity was assessed using tolerance and Variance Inflation Factor (VIF). A regression model is considered free from multicollinearity when the tolerance value is greater than 0.10 and the VIF value is below 10.

Table 4. Validity, Reliability, and Multicollinearity Test

Variable	Indicator	Validity Test	Reliability Test	Tolerance	VIF
Good Cooperative Governance (GCG)	GCG1	0.721	0.904	0.618	1.618
	GCG2	0.754			
	GCG3	0.786			
	GCG4	0.742			
	GCG5	0.769			
Sustainability Strategic Orientation (SSO)	SSO1	0.697	0.891	0.609	1.611
	SSO2	0.735			
	SSO3	0.772			
	SSO4	0.748			
	SSO5	0.714			
Member Participation Capability (MPC)	MPC1	0.704	0.898	0.632	1.582
	MPC2	0.761			
	MPC3	0.793			
	MPC4	0.737			
	MPC5	0.722			
Cooperative Innovation Capability (CIC)	CIC1	0.731	0.912	0.632	1.582
	CIC2	0.776			
	CIC3	0.812			
	CIC4	0.759			
	CIC5	0.747			
Sustainable Cooperative Performance (SCP)	SCP1	0.744	0.914	1.000	1.000
	SCP2	0.789			
	SCP3	0.803			
	SCP4	0.771			
	SCP5	0.758			
Community Economic Resilience (CER)	CER1	0.759	0.923		
	CER2	0.796			
	CER3	0.824			
	CER4	0.808			

Variable	Indicator	Validity Test	Reliability Test	Tolerance	VIF
	CER5	0.781			

The results presented in Table 4 indicate that all indicators have corrected item-total correlation values above 0.179. Therefore, all measurement items are valid. The corrected item-total correlation values for Good Cooperative Governance range from 0.721 to 0.786, Sustainability Strategic Orientation ranges from 0.697 to 0.772, Member Participation Capability ranges from 0.704 to 0.793, Cooperative Innovation Capability ranges from 0.731 to 0.812, Sustainable Cooperative Performance ranges from 0.744 to 0.803, and Community Economic Resilience ranges from 0.759 to 0.824. These values confirm that each indicator is able to measure its respective construct properly.

The reliability test also shows that all Cronbach's Alpha values are above 0.70. Good Cooperative Governance has a Cronbach's Alpha value of 0.904, Sustainability Strategic Orientation has 0.891, Member Participation Capability has 0.898, Cooperative Innovation Capability has 0.912, Sustainable Cooperative Performance has 0.914, and Community Economic Resilience has 0.923. These results indicate that all variables have strong internal consistency and that the research instruments are reliable.

The multicollinearity test shows that the tolerance values for the predictor variables are greater than 0.10, while the VIF values are below 10. Good Cooperative Governance and Sustainability Strategic Orientation each have a tolerance value of 0.618 and a VIF value of 1.618. Member Participation Capability and Cooperative Innovation Capability each have a tolerance value of 0.632 and a VIF value of 1.582. Sustainable Cooperative Performance has a tolerance value of 1.000 and a VIF value of 1.000 because it is used as a single predictor of Community Economic Resilience. These results indicate that the regression models are free from serious multicollinearity problems and are suitable for further regression analysis.

3.3. Normality Test

The normality test was conducted to evaluate whether the residuals in the regression models were normally distributed (Ghozali, 2017). In this study, the Kolmogorov-Smirnov test was applied to examine the normality of the residuals. If the Asymp. Sig. value is greater than 0.05, the residuals are considered normally distributed, indicating that the regression model is suitable for further analysis.

Table 5. Normality Test

No.	Equation	Asymp. Sig. (2-tailed)	Critical Number	Description
1	GCG, SSO → MPC	0.082	0.05	Normal
2	GCG, SSO → CIC	0.096	0.05	Normal
3	MPC, CIC → SCP	0.071	0.05	Normal
4	SCP → CER	0.124	0.05	Normal

Based on Table 5, the Asymp. Sig. values for all four regression equations are greater than the threshold of 0.05. The first equation, which examines the influence of Good Cooperative Governance and Sustainability Strategic Orientation on Member Participation Capability, has an Asymp. Sig. value of 0.082. The second equation, which examines the influence of Good Cooperative Governance and Sustainability Strategic Orientation on Cooperative Innovation Capability, has an Asymp. Sig. value of 0.096. The third equation, which examines the influence of Member Participation Capability and Cooperative Innovation Capability on Sustainable Cooperative Performance, has an Asymp. Sig. value of 0.071. The fourth equation, which examines the influence of Sustainable Cooperative Performance on Community Economic Resilience, has an Asymp. Sig. value of 0.124.

These results indicate that the residuals in all regression models are normally distributed. Therefore, the normality assumption has been fulfilled, and the data are suitable for further regression analysis. This conclusion is also supported by the P-P Plot, where the data points are distributed closely along the diagonal line, confirming that the residuals follow a normal distribution pattern.

The normality result strengthens the methodological feasibility of the regression model. Since all equations meet the normality assumption, further analysis using multiple regression, t-test, F-test, and path regression logic can be conducted to examine how Good Cooperative Governance and Sustainability Strategic Orientation are transformed into Member Participation Capability, Cooperative Innovation Capability, Sustainable Cooperative Performance, and Community Economic Resilience.

3.4. Multiple Regression, T-Test

Table 6. Multiple Regression and T-Test

Variable	Standardised Coef.	Sig.	Description
GCG → MPC	.487	.000	Hypothesis Accepted
GCG → CIC	.302	.001	Hypothesis Accepted
SSO → MPC	.119	.156	Hypothesis Rejected
SSO → CIC	.514	.000	Hypothesis Accepted
MPC → SCP	.086	.284	Hypothesis Rejected
CIC → SCP	.621	.000	Hypothesis Accepted
SCP → CER	.668	.000	Hypothesis Accepted

The results of the t-test significance presented in Table 6 indicate that five proposed hypotheses are supported, while two hypotheses are not supported. Good Cooperative Governance has a positive and significant effect on Member Participation Capability, with a standardized coefficient of 0.487 and a significance value of 0.000, supporting H1. This finding indicates that Koperasi Merah Putih with stronger governance practices are more capable of encouraging member participation. Transparency, accountability, fairness, democratic control, and professional management create trust and strengthen members' willingness to participate in cooperative activities. In cooperatives, participation is not formed merely by formal membership status; it is strengthened when members believe that the cooperative is managed openly, responsibly, and fairly.

Good Cooperative Governance also has a positive and significant effect on Cooperative Innovation Capability, with a standardized coefficient of 0.302 and a significance value of 0.001, supporting H2. This result shows that governance quality contributes to the cooperative's ability to develop new services, improve business models, adopt digital systems, strengthen partnerships, and create value-added services for members and communities. Strong governance provides clearer decision-making structures, better supervision, stronger accountability, and greater managerial discipline. These conditions allow cooperatives to identify member needs, evaluate business opportunities, and implement innovation more effectively. In the context of Koperasi Merah Putih, governance is therefore not merely an administrative requirement, but a strategic foundation for cooperative modernization.

Sustainability Strategic Orientation has a positive but not significant effect on Member Participation Capability, with a standardized coefficient of 0.119 and a significance value of 0.156; therefore, H3 is rejected. This finding indicates that sustainability orientation does not automatically increase member participation. Although cooperative management may emphasize economic, social, environmental, and institutional sustainability, members may not immediately become more active unless sustainability programs are directly connected to their daily needs, economic benefits, service access, and decision-making involvement. In the context of Koperasi Merah Putih, sustainability may still be perceived as a strategic or policy-level agenda rather than as a practical reason for members to participate actively.

The rejection of H3 provides an important strategic insight. Sustainability orientation can guide cooperative direction, but it must be translated into visible member value before it can mobilize participation. Members are more likely to participate when they experience direct benefits such as better access to goods, fair pricing, business opportunities, financing support, market access, training, or income improvement. This means that sustainability communication alone is not enough. Koperasi Merah Putih needs to make sustainability concrete through programs that members can use, evaluate, and benefit from. The Swiss cooperative experience supports this logic: sustainability and cooperative values become meaningful because they are embedded in member services, retail systems, banking access, community benefits, and long-term institutional trust.

Sustainability Strategic Orientation has a positive and significant effect on Cooperative Innovation Capability, with a standardized coefficient of 0.514 and a significance value of 0.000, supporting H4. This finding indicates that cooperatives with stronger sustainability orientation are more capable of developing innovation. Sustainability encourages cooperatives to think beyond short-term transactions and develop services that support long-term member welfare, local supply chains, community development, environmental responsibility, and institutional continuity. In Koperasi Merah Putih, sustainability-oriented innovation may include digital cooperative administration, local product aggregation, member-based retail services, community distribution systems, MSME partnerships, inclusive financing, and responsible supply chain management.

Member Participation Capability has a positive but not significant effect on Sustainable Cooperative Performance, with a standardized coefficient of 0.086 and a significance value of 0.284; therefore, H5 is rejected. This result suggests that member participation alone is not sufficient to create sustainable cooperative performance. Participation may exist formally through meeting attendance, membership registration, or occasional involvement, but such participation may not yet be strong enough to improve economic viability, service quality, business continuity, governance effectiveness, and social contribution. In newly developed cooperative structures, participation can remain procedural rather than productive.

The rejection of H5 is theoretically important because cooperative literature often assumes that member participation directly improves cooperative performance. However, this study shows that participation must be meaningful, active, and economically connected before it can generate sustainable performance. If members only participate in administrative activities without increasing transactions, capital contribution, supervision quality, service utilization, or business commitment, the effect on performance may be weak. For Koperasi Merah Putih, this means that member participation should be strengthened not only in terms of quantity, but also in terms of quality. Participation must be converted into member transactions, collective ownership, supervision, business contribution, and loyalty to cooperative services.

Cooperative Innovation Capability has a positive and significant effect on Sustainable Cooperative Performance, with a standardized coefficient of 0.621 and a significance value of 0.000, supporting H6. This is the strongest relationship among the predictors of Sustainable Cooperative Performance. The result indicates that innovation capability is a major driver of cooperative sustainability. Cooperatives that are able to develop new services, adopt digital systems, improve business processes, strengthen supply chains, build partnerships, and create value-added services are more likely to achieve stronger performance. This finding confirms that Koperasi Merah Putih cannot rely only on formal establishment, member registration, or governance structure. It must create real economic value through innovation.

Sustainable Cooperative Performance has a positive and significant effect on Community Economic Resilience, with a standardized coefficient of 0.668 and a significance value of 0.000, supporting H7. This finding indicates that cooperatives with stronger sustainable performance are more likely to strengthen community economic resilience. When cooperatives are economically viable, well-governed, service-oriented, innovative, and socially contributive, they can improve access to goods and services, support local entrepreneurship, strengthen local supply chains, increase member welfare, and help communities become more resilient to economic shocks. This result confirms the strategic role of Koperasi Merah Putih as a community-based economic institution rather than merely an administrative cooperative program.

Collectively, the regression results confirm that Good Cooperative Governance and Sustainability Strategic Orientation are important strategic resources, but their effects operate differently. Good Cooperative Governance significantly strengthens both Member Participation Capability and Cooperative Innovation Capability. Sustainability Strategic Orientation significantly strengthens Cooperative Innovation Capability, but it does not significantly affect Member Participation Capability. Furthermore, Cooperative Innovation Capability has a strong significant effect on Sustainable Cooperative Performance, whereas Member Participation Capability does not show a significant direct effect. These findings suggest that in Koperasi Merah Putih in Java, sustainable performance is more strongly created through innovation capability than through member participation alone.

The two rejected hypotheses provide important strategic lessons. First, sustainability orientation must be translated into concrete member benefits before it can increase participation. Second, member participation must move beyond formal or procedural involvement and become productive participation that supports transactions, capital contribution, supervision, and cooperative business development. The Swiss cooperative experience provides a relevant benchmark because cooperative sustainability in Switzerland is supported by both member-based identity and professional business systems. Therefore, Koperasi Merah Putih should not only build governance structures and sustainability programs, but also develop innovation-driven cooperative services that create direct value for members and communities.

3.5. F-Test

Table 7. F-Test

Variable	Sig.	Standard	Hypothesis
GCG, SSO → MPC	0.000	0.05	Hypothesis Accepted
GCG, SSO → CIC	0.000	0.05	Hypothesis Accepted
MPC, CIC → SCP	0.000	0.05	Hypothesis Accepted

Variable	Sig.	Standard	Hypothesis
SCP → CER	0.000	0.05	Hypothesis Accepted

Based on the F-test results presented in Table 7, it can be concluded that the proposed regression models are statistically significant and feasible for further interpretation. Overall, the F-test results indicate that all regression models are statistically significant and appropriate for explaining the relationships among the variables. The results confirm that Good Cooperative Governance and Sustainability Strategic Orientation are relevant predictors of Member Participation Capability and Cooperative Innovation Capability, that Member Participation Capability and Cooperative Innovation Capability collectively explain Sustainable Cooperative Performance, and that Sustainable Cooperative Performance significantly explains Community Economic Resilience.

These results also clarify the difference between the t-test and F-test findings. The t-test evaluates the individual effect of each variable, while the F-test evaluates the feasibility of the overall regression model. Therefore, even though Sustainability Strategic Orientation does not significantly affect Member Participation Capability individually and Member Participation Capability does not significantly affect Sustainable Cooperative Performance individually, the overall models remain statistically feasible. This means that the proposed strategic management model is still suitable for analyzing how Koperasi Merah Putih in Java transforms governance quality and sustainability-oriented strategy into innovation capability, sustainable performance, and community economic resilience.

4. DISCUSSION

The purpose of this study was to examine how Good Cooperative Governance and Sustainability Strategic Orientation influence Member Participation Capability and Cooperative Innovation Capability, and how these strategic capabilities subsequently affect Sustainable Cooperative Performance and Community Economic Resilience. The study was conducted among 120 top to middle management respondents of Koperasi Merah Putih in Java, Indonesia. The findings show that five hypotheses were supported, while two hypotheses were not supported. Good Cooperative Governance had a positive and significant effect on Member Participation Capability and Cooperative Innovation Capability. Sustainability Strategic Orientation had a positive and significant effect on Cooperative Innovation Capability, but it did not significantly influence Member Participation Capability. Cooperative Innovation Capability had a positive and significant effect on Sustainable Cooperative Performance, while Member Participation Capability did not significantly influence Sustainable Cooperative Performance. Finally, Sustainable Cooperative Performance had a positive and significant effect on Community Economic Resilience.

The significant effect of Good Cooperative Governance on Member Participation Capability supports the argument that governance quality is a central foundation of cooperative participation. The standardized coefficient of 0.487 and significance value of 0.000 indicate that Koperasi Merah Putih with stronger transparency, accountability, responsibility, fairness, democratic control, and professional management are more capable of encouraging members to participate actively. This finding is consistent with Jamaluddin et al. (2023), who show that cooperative governance is closely related to cooperative performance through board characteristics, policy compliance, management and leadership strategies, and social or human capital. It also supports the cooperative principle of democratic member control, where members are not passive beneficiaries but owners who have the right to participate in cooperative direction.

This finding is highly relevant for Koperasi Merah Putih because member participation cannot be built only through formal registration or administrative membership. Members are more likely to participate when they trust the cooperative's leadership, receive clear information, understand cooperative benefits, and believe that decision-making processes are fair. The Swiss cooperative experience reinforces this logic. Migros, Coop, and Raiffeisen show that successful cooperatives institutionalize member ownership, participation rights, and professional governance at the same time. In the case of Migros, cooperative members are treated not only as customers but also as owners who can help shape cooperative development. This demonstrates that member participation becomes stronger when governance systems make members feel informed, represented, and valued.

Good Cooperative Governance also had a positive and significant effect on Cooperative Innovation Capability, with a standardized coefficient of 0.302 and a significance value of 0.001. This result supports H2 and confirms that governance quality contributes to the cooperative's ability to innovate. Strong governance provides clearer decision-making structures, stronger supervision, better accountability, and greater managerial discipline. These conditions allow cooperatives to identify member needs, evaluate business opportunities, build partnerships, adopt digital systems, and develop new services more effectively. This finding is consistent with Jamaluddin et al. (2023), who emphasize that

governance is linked to performance-related outcomes in cooperatives, and with Muryani et al. (2022), who found that innovation ability contributes to cooperative performance.

In the context of Koperasi Merah Putih, governance-driven innovation is particularly important because the program is expected to move beyond institutional formation and become a productive local economic platform. Innovation may include digital cooperative administration, transparent financial reporting, member databases, local product aggregation, retail services, savings and financing models, logistics coordination, MSME partnerships, and community distribution systems. The Swiss cooperative model provides a useful lesson. Coop Switzerland has developed strong retail, wholesale, production, and sustainability-oriented business systems, while Raiffeisen combines local cooperative autonomy with national-scale professional banking governance. These examples show that cooperative innovation requires governance discipline. Without strong governance, innovation may become fragmented, poorly supervised, and difficult to sustain.

Sustainability Strategic Orientation had a positive but not significant effect on Member Participation Capability, with a standardized coefficient of 0.119 and a significance value of 0.156; therefore, H3 is rejected. This finding indicates that sustainability orientation does not automatically increase member participation. Although cooperative management may emphasize economic, social, environmental, and institutional sustainability, members may not immediately become more active unless sustainability programs are directly connected to practical benefits. This result adds nuance to previous studies on cooperative sustainability. Castilla-Polo et al. (2025) argue that ESG and sustainability disclosure are increasingly important for cooperatives, while cooperative principles emphasize concern for community and member economic participation. However, the present study shows that sustainability orientation must be converted into visible member value before it can mobilize participation.

The rejection of H3 can be explained by the relatively new development stage of Koperasi Merah Putih. In newly formed or newly strengthened cooperatives, sustainability may still be understood by management as a policy-level or strategic agenda, while members may evaluate participation based on immediate economic usefulness. Members are more likely to participate when they see concrete benefits such as fair prices, access to goods, financing support, market access, training, local product distribution, or income improvement. Therefore, sustainability communication alone is not enough. Sustainability must be operationalized into services that members can use and experience.

The Swiss cooperative experience provides an important comparison. In Switzerland, sustainability and cooperative values are not only communicated as institutional ideals; they are embedded in concrete member and customer services. Migros, Coop, and Raiffeisen have developed long-term member-oriented systems, professional management, community engagement, sustainability practices, and reliable service delivery. This suggests that sustainability strengthens participation when members can see a direct connection between cooperative values and everyday benefits. For Koperasi Merah Putih, the strategic lesson is clear: sustainability orientation must be translated into member-facing programs before it can produce stronger participation.

Sustainability Strategic Orientation had a positive and significant effect on Cooperative Innovation Capability, with a standardized coefficient of 0.514 and a significance value of 0.000. This result supports H4 and confirms that sustainability orientation is an important driver of cooperative innovation. Cooperatives with stronger sustainability orientation are more likely to develop innovations that support long-term member welfare, responsible business practices, local supply chains, community development, environmental awareness, and institutional continuity. This finding is consistent with Castilla-Polo et al. (2025), who highlight the growing importance of ESG and sustainability frameworks in cooperatives. It is also aligned with recent cooperative sustainability literature showing that governance, member participation, innovation, and sustainability are central drivers of cooperative resilience.

This finding is particularly meaningful because Koperasi Merah Putih is not expected to function only as a transactional business unit. It is expected to become a vehicle for inclusive local economic development. Sustainability-oriented innovation may include cooperative retail services, local food distribution, MSME product aggregation, digital administration, responsible supply chain management, community-based entrepreneurship programs, inclusive financing, and member welfare programs. The Swiss cooperative experience again enriches the interpretation. Coop Switzerland has developed sustainability-oriented retail and wholesale practices, while Migros has long embedded community and cultural contribution into its cooperative identity. These examples show that sustainability can become a source of innovation when it is integrated into business systems rather than treated as a separate social program.

Member Participation Capability had a positive but not significant effect on Sustainable Cooperative Performance, with a standardized coefficient of 0.086 and a significance value of 0.284; therefore, H5 is rejected. This finding is important because it challenges the common assumption that member participation automatically improves cooperative performance. Muryani et al. (2022) found that member participation and innovation ability influence cooperative performance. However, the present study suggests that participation must be active, productive, and economically

connected before it can significantly improve performance. In Koperasi Merah Putih, participation may still be procedural, such as attending meetings, registering as members, or giving formal approval, but not yet strong enough to improve transaction volume, capital contribution, service utilization, supervision quality, or business continuity.

The rejection of H5 provides an important theoretical and managerial insight. Member participation is a core cooperative principle, but participation alone is not sufficient if it is not transformed into economic behavior and institutional commitment. A cooperative may have many members, but performance will remain weak if members do not actively use cooperative services, contribute capital, support cooperative business units, supervise management, and participate in value creation. Therefore, Koperasi Merah Putih should not measure participation only through attendance or membership numbers. It must develop participation quality, including transaction participation, capital participation, governance participation, service participation, and business participation.

The Swiss cooperative experience helps explain this result. In Swiss cooperatives, participation is supported by strong institutional systems, service relevance, professional management, and member trust. Members participate not only because they are formally registered, but because cooperatives provide reliable products, financial services, retail access, community value, and long-term institutional credibility. For Koperasi Merah Putih, this means that participation must be connected to real cooperative value. If members do not experience direct benefits, their participation may remain symbolic and may not significantly improve sustainable cooperative performance.

Cooperative Innovation Capability had a positive and significant effect on Sustainable Cooperative Performance, with a standardized coefficient of 0.621 and a significance value of 0.000. This is the strongest relationship among the predictors of Sustainable Cooperative Performance. The result supports H6 and indicates that innovation capability is a major driver of cooperative sustainability. This finding is consistent with Muryani et al. (2022), who found that innovation ability influences cooperative performance. It also supports recent cooperative sustainability studies showing that innovation, governance quality, and professional management are important drivers of cooperative resilience and performance.

This finding confirms that Koperasi Merah Putih cannot rely only on formal establishment, governance documents, or member registration. It must create real economic value through innovation. Cooperative innovation may include digital member systems, transparent accounting, cooperative marketplaces, local product aggregation, retail services, supply chain partnerships, logistics coordination, community financing, and new services for members and MSMEs. These innovations help cooperatives become economically viable, operationally relevant, and socially useful. The Swiss cooperative model strongly supports this interpretation. Migros and Coop have survived and grown not merely because they are cooperatives, but because they continuously innovate in retail, logistics, customer service, sustainability practices, and member value creation. Raiffeisen also shows that cooperative principles can be combined with modern financial services and professional risk management.

Sustainable Cooperative Performance had a positive and significant effect on Community Economic Resilience, with a standardized coefficient of 0.668 and a significance value of 0.000. This result supports H7 and confirms that stronger cooperative performance contributes to stronger community economic resilience. Cooperatives that are economically viable, innovative, well-governed, service-oriented, and socially contributive can improve access to goods and services, support local entrepreneurship, strengthen local supply chains, increase member welfare, and help communities withstand economic shocks. This finding is consistent with cooperative development literature which positions cooperatives as community-based institutions that support inclusive growth, economic equality, and local resilience.

In the context of Koperasi Merah Putih, this finding is highly relevant because the broader policy objective is not merely to establish cooperatives administratively, but to strengthen local economic independence. Sustainable cooperative performance can support community resilience through more stable distribution systems, better market access for local producers, increased member transactions, local job creation, and stronger collective economic capacity. The Swiss cooperative experience provides an important benchmark. Swiss cooperatives such as Migros, Coop, and Raiffeisen demonstrate that cooperatives can become resilient institutions when they combine member ownership, professional management, innovation, sustainability, and community orientation. Their success suggests that cooperatives can become long-term economic anchors when performance is built on both business discipline and cooperative values.

The respondent profile strengthens the interpretation of these findings. The study involved 120 top to middle management respondents from Koperasi Merah Putih in Java. This respondent group is appropriate because top management respondents understand cooperative strategy, governance policy, sustainability direction, institutional partnerships, and long-term performance, while middle management respondents understand operational implementation, member services, innovation practices, digital administration, and community-level cooperative

activities. Respondents came from major cooperative environments in Java, including Jakarta, Surabaya, Bandung, Yogyakarta, Semarang, Tangerang/Banten, Malang, and Solo. This distribution reflects the diversity of Java's cooperative landscape, which includes urban, semi-urban, MSME-based, agricultural-supporting, business-oriented, and community-based economies.

The statistical tests also support the robustness of the analysis. All measurement indicators were valid because their corrected item-total correlation values exceeded the minimum *r*-table value. All variables were reliable because their Cronbach's Alpha values exceeded 0.70. The multicollinearity test showed that all tolerance values were above 0.10 and all VIF values were below 10, indicating that the regression models were free from serious multicollinearity problems. The normality test also showed that all regression equations had Asymp. Sig. values above 0.05, confirming that the residuals were normally distributed. The F-test results further confirmed that all regression models were statistically feasible, even though two individual hypotheses were not significant.

Theoretically, the findings contribute to the Resource-Based View, Dynamic Capabilities Theory, Stakeholder Theory, and Cooperative Governance Theory. The findings show that strategic resources do not automatically create cooperative performance. Good Cooperative Governance and Sustainability Strategic Orientation must first be transformed into internal capabilities, especially Cooperative Innovation Capability, before they create Sustainable Cooperative Performance. The findings also refine the role of Member Participation Capability. Although participation is a core cooperative principle, this study shows that participation alone may not directly improve sustainable performance unless it is productive, economically connected, and supported by innovation.

From a managerial perspective, the findings suggest that Koperasi Merah Putih managers in Java should prioritize governance quality and innovation capability as the main pathway to sustainable performance. Good governance is necessary to build trust, encourage participation, and support innovation. Sustainability orientation is necessary to guide long-term cooperative direction, but it must be converted into concrete services and member benefits. Member participation must also move beyond formal involvement and become productive participation through transactions, capital contribution, supervision, service use, and business support.

The findings also suggest that Swiss cooperatives provide a relevant learning model for Koperasi Merah Putih. However, the lesson is not to copy Swiss institutions directly. The key lesson is that successful cooperatives combine democratic member control, professional governance, sustainability commitment, innovation capability, and member value creation. For Koperasi Merah Putih, this means that cooperative success will depend on the ability to become a trusted, innovative, and productive local economic institution. Cooperatives must create direct value for members while also strengthening community-level economic resilience.

Overall, this study confirms that the sustainability of Koperasi Merah Putih in Java is shaped by a capability transformation process. Good Cooperative Governance and Sustainability Strategic Orientation are important strategic resources, but their effects differ across organizational outcomes. Good Cooperative Governance strengthens both Member Participation Capability and Cooperative Innovation Capability, while Sustainability Strategic Orientation strengthens Cooperative Innovation Capability but does not significantly strengthen Member Participation Capability. Cooperative Innovation Capability becomes the strongest driver of Sustainable Cooperative Performance, while Member Participation Capability does not directly create Sustainable Cooperative Performance. Finally, Sustainable Cooperative Performance significantly improves Community Economic Resilience. These findings show that Koperasi Merah Putih must go beyond administrative establishment, formal participation, and policy-level sustainability. It must transform governance and sustainability into innovation, productive member value, sustainable cooperative performance, and stronger community economic resilience.

5. CONCLUSION

This research provides valuable insights into how Good Cooperative Governance and Sustainability Strategic Orientation influence Sustainable Cooperative Performance and Community Economic Resilience through Member Participation Capability and Cooperative Innovation Capability. The study was conducted among 120 top to middle management respondents of Koperasi Merah Putih in Java, Indonesia. Although the empirical data were collected only in Indonesia, the study was enriched by the strategic learning perspective of Swiss cooperatives. This perspective provides an important contextual understanding of how cooperatives can combine democratic member control, professional governance, innovation, sustainability, and long-term community value creation.

Based on the results, five hypotheses were supported, while two hypotheses were not supported. Good Cooperative Governance had a positive and significant effect on Member Participation Capability and Cooperative Innovation Capability. Sustainability Strategic Orientation had a positive and significant effect on Cooperative Innovation Capability, but it did not have a significant effect on Member Participation Capability. Cooperative Innovation

Capability had a positive and significant effect on Sustainable Cooperative Performance, while Member Participation Capability did not have a significant effect on Sustainable Cooperative Performance. Finally, Sustainable Cooperative Performance had a positive and significant effect on Community Economic Resilience.

The findings indicate that Good Cooperative Governance is an important strategic resource for Koperasi Merah Putih in Java. Governance quality allows cooperatives to strengthen transparency, accountability, fairness, democratic control, responsibility, and professional management. In this study, Good Cooperative Governance strengthens both Member Participation Capability and Cooperative Innovation Capability, showing that governance is not merely an administrative requirement but a strategic foundation for cooperative trust, managerial discipline, member involvement, and organizational renewal.

The study also confirms that Sustainability Strategic Orientation plays an important role in strengthening Cooperative Innovation Capability. Cooperatives with stronger sustainability orientation are more likely to develop innovations that support long-term member welfare, responsible business practices, local supply chains, community development, environmental awareness, and institutional continuity. This is particularly relevant for Koperasi Merah Putih because the cooperative is expected to function not only as a business unit, but also as a community-based economic institution that supports inclusive and sustainable development.

However, Sustainability Strategic Orientation did not significantly influence Member Participation Capability. This finding suggests that sustainability orientation does not automatically make members more active. Cooperative management may already understand the importance of economic, social, environmental, and institutional sustainability, but members may not participate more actively unless sustainability programs are connected to practical benefits. Therefore, sustainability must be translated into concrete member value, such as fair prices, access to goods, financing support, training, business opportunities, market access, and income improvement.

Member Participation Capability also did not significantly influence Sustainable Cooperative Performance. This finding indicates that participation alone is not sufficient to create sustainable performance when participation remains formal, procedural, or weakly connected to economic activity. Member participation must move beyond meeting attendance, registration, or passive approval. It must become productive participation through cooperative transactions, capital contribution, supervision, service utilization, business commitment, and loyalty to cooperative services.

Cooperative Innovation Capability was found to be the strongest driver of Sustainable Cooperative Performance. This means that the sustainability of Koperasi Merah Putih is created through the ability to continuously develop new and improved cooperative services. Cooperative innovation may include digital administration, transparent financial reporting, member databases, local product aggregation, cooperative retail services, MSME partnerships, supply chain coordination, inclusive financing, and value-added services for members and communities. These innovations create value because cooperatives must not only exist institutionally, but must also deliver real economic benefits to members.

Sustainable Cooperative Performance was also found to significantly improve Community Economic Resilience. Cooperatives that are economically viable, well-governed, innovative, service-oriented, and socially contributive are more likely to strengthen local economic independence, support local entrepreneurship, improve access to essential goods and services, strengthen local supply chains, increase member welfare, and help communities withstand economic shocks. This finding confirms that Koperasi Merah Putih should be understood as a strategic instrument for community economic resilience, not merely as a formal cooperative program.

The comparison with Swiss cooperatives provides important managerial learning for Koperasi Merah Putih in Java. Swiss cooperatives such as Migros, Coop, and Raiffeisen show that cooperatives can grow into large, professionally managed, and competitive institutions while maintaining cooperative identity and member-oriented values. Their success demonstrates that cooperative sustainability requires more than formal member ownership. It requires governance discipline, professional management, innovation capability, service relevance, member trust, and long-term strategic consistency.

For Koperasi Merah Putih, the key lesson from Swiss cooperatives is not to copy the Swiss model directly, because Indonesia and Switzerland have different institutional, cultural, economic, and community structures. The most important lesson is that cooperative principles must be translated into practical systems. Democratic member control must be supported by transparent governance. Sustainability values must be translated into useful member services. Member participation must be transformed into productive economic behavior. Innovation must be embedded in cooperative business models. Community orientation must be reflected in measurable local economic impact.

From a theoretical perspective, this study concludes that strategic resources do not automatically create sustainable cooperative performance. Good Cooperative Governance and Sustainability Strategic Orientation must first be transformed into internal capabilities, especially Cooperative Innovation Capability, before they can generate stronger

Sustainable Cooperative Performance and Community Economic Resilience. The findings also show that not all cooperative principles have the same direct effect. Member participation is important, but participation must be productive and economically connected before it can significantly improve cooperative performance.

From a managerial perspective, the findings suggest that Koperasi Merah Putih managers in Java should strengthen governance quality as the foundation of cooperative development. Transparency, accountability, democratic control, fairness, and professional management are necessary to build trust and support innovation. Managers should also strengthen sustainability orientation, but they must ensure that sustainability programs are visible and useful for members. Sustainability should not remain only as a policy statement; it must be converted into programs that improve member welfare, business access, local supply chains, and community economic value.

The findings also suggest that Cooperative Innovation Capability should become a central strategic priority for Koperasi Merah Putih. Cooperatives should not rely only on formal establishment, government support, or membership numbers. They should continuously create services and business models that respond to member needs and local market opportunities. For Koperasi Merah Putih in Java, this may include digital cooperative systems, cooperative-based retail models, agricultural and MSME product aggregation, logistics coordination, local market access, member financing, and transparent performance reporting.

Overall, this study concludes that the sustainability of Koperasi Merah Putih in Java is shaped by a capability transformation process. Good Cooperative Governance and Sustainability Strategic Orientation serve as strategic resources. These resources influence internal capabilities, especially Cooperative Innovation Capability. Cooperative Innovation Capability then becomes the strongest driver of Sustainable Cooperative Performance, which ultimately improves Community Economic Resilience. The findings also show that two relationships are not significant: Sustainability Strategic Orientation does not significantly affect Member Participation Capability, and Member Participation Capability does not significantly affect Sustainable Cooperative Performance. These results indicate that Koperasi Merah Putih must go beyond administrative establishment, formal participation, and policy-level sustainability. It must convert governance and sustainability into innovation, productive member value, sustainable performance, and stronger community economic resilience.

This study has several limitations. First, the research focused only on 120 top to middle management respondents of Koperasi Merah Putih in Java, Indonesia. Therefore, the findings may not be fully generalizable to Koperasi Merah Putih in other Indonesian regions such as Sumatra, Kalimantan, Sulawesi, Bali, Nusa Tenggara, Maluku, or Papua. Second, the study used a cross-sectional survey design, which captures managerial perceptions at one point in time but does not examine how governance, sustainability orientation, participation, innovation, and cooperative performance develop over time. Third, the study relied on self-reported managerial responses, which may not fully reflect objective cooperative performance data such as business revenue, member transaction volume, cooperative assets, surplus distribution, number of active members, or actual community economic indicators. Fourth, Swiss cooperatives were used only as a comparative learning perspective, not as an empirical research location. Therefore, this study does not statistically compare Koperasi Merah Putih and Swiss cooperatives.

Future research should extend this model by comparing Koperasi Merah Putih across different regions in Indonesia to examine whether the relationships among governance, sustainability orientation, participation, innovation, performance, and community resilience differ across urban, rural, agricultural, coastal, and industrial community settings. Future studies may also conduct direct comparative research between Indonesian cooperatives and Swiss cooperatives to examine how governance systems, member participation, innovation capability, and sustainability practices operate across different institutional contexts. Longitudinal studies are also recommended to examine how Koperasi Merah Putih develops over time, particularly after governance systems, innovation programs, and member participation mechanisms become more established.

Future research could also include objective performance indicators such as cooperative revenue growth, member transaction volume, surplus distribution, active member ratio, business unit productivity, digital adoption level, supply chain efficiency, and community income contribution. Further studies may add moderating variables such as digital capability, leadership quality, local government support, cooperative age, member trust, market competition, social capital, or institutional capacity to provide a deeper explanation of when and how governance and sustainability orientation produce stronger cooperative performance and community economic resilience.

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