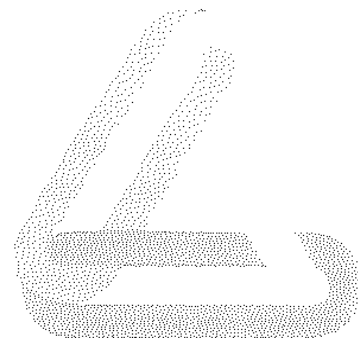


# CHARACTERISTICS AND MANAGEMENT PRACTICES IN MALAYSIAN CO-OPERATIVE ENTERPRISES: A COMPARISON BETWEEN SUCCESSFUL AND LESS SUCCESSFUL MANAGERS

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## ABSTRACT

*This study discusses the characteristics and management practices in Malaysian co-operative enterprises. From the research done, comparisons between the characteristics of the successful and less successful managers were made. The result is then used to identify the characteristics needed for a manager to lead the co-operative enterprises into an effective, efficient and a well productive organisation. This study concludes that the most outstanding characteristics found among the co-operative managers in Malaysia were nurturing quality, responsibility, excellence oriented, integrity and reliability and team building whereas the least outstanding but necessary were risk taking and independence.*



CO-OPERATIVE COLLEGE OF MALAYSIA

A co-operative is an autonomous association of persons united voluntarily to meet their common economic, social and cultural needs and aspirations through a jointly-owned and democratically-controlled enterprise. In many aspects, the co-operatives are more or less the same like other business companies. Towards this, the co-operative society faces a lot of competition in getting funds for the functioning and expansion of their businesses. Therefore, co-operatives must have a strong and efficient management, sufficient and capable human and financial resources to enable them to compete successfully.

Living in the business world today, competition in technology, modern management and involvement of co-operatives in challenging activities (e.g. land development, investment, insurance, small and medium scale industries, financial and etc.) requires co-operative to move professionally to achieve economic efficiency. Managers of co-operatives must have the ability to identify opportunities and translate it into business strategies.

Although co-operatives have been in existence for the past 80 years, we still hear negative feedback from the public about the achievement of co-operative societies. Most people associates co-operative with an organisation that conducts thrift and loan form of activities. Co-operative are rarely known as a body that could organised business and obtained high returns in term of profits even though there are a few big co-operatives that has made impressive achievements in various economic activities. The co-operative management is said to be less efficient and the bureaucracy problems that exists in the co-operatives seem to be the barriers to the success of co-operatives.

The entrepreneurship characteristics between the managers of co-operative are less appealing compared to managers in the private sector. So far no study has been conducted on managers of co-operative which proves that a co-operatives success depends on or is being influenced by the entrepreneurship characteristics of managers. However, there are many studies made among the managers in the private business which shows that managers who have the characteristics of 'self confidence', 'risk taking', 'flexibility', 'need for achievement' and 'self-reliance' would lead them to succeed in the business entity which they manage.

### *Objective of Study*

This study attempts to identify the entrepreneurship characteristics among the managers of co-operative and the management style practiced by them, similarities and differences of the characteristics and the practices among the co-operative managers that relates to the success of co-operatives. The objectives of the study are to identify the characteristics of entrepreneurship possessed by managers of co-operative enterprises, to identify

management practices of the managers of co-operative enterprises, to study the leadership trend among co-operative enterprises managers and to study similarities and differences on characteristics of entrepreneurship, management practices and leadership pattern and to do a comparison between groups of successful and less successful co-operatives.

The study could provide guideline and reference to those involved whether directly or indirectly to the co-operative movement such as Ministry of Entrepreneur and Co-operatives Development, Co-operative Development Department (JPK), ANGKASA, Co-operative College of Malaysia (MKM) on issues such as:

- To identify training needs for the leaders and managers of co-operative enterprises.
- To assist co-operative enterprises to shape development policies and human resource management.
- To provide reference and model for co-operatives enterprises to become a successful entity.
- To act as a guide for the co-operative societies' management team to shape behaviour, attitude and entrepreneurship culture.
- To act as a base for other studies in the field of co-operative enterprise management.

### *Scope*

The research was focused mainly on managers of co-operative enterprises. This is because managers are the one that handled the organisation and lead it to either success or failure. Furthermore, every manager should have a very clear understanding of their organisations operation compared to any other employee.

### *LITERATURE REVIEW*

Until today, there is no research publication about the entrepreneurship characteristics among the co-operative managers in Malaysia. Furthermore, most local or international publication that describes entrepreneur characteristic only explains the theoretical aspect of it.

Chee Peng Lim, M.C. Puthucheary and Donald Lee (1979) conducts a research on the development of small entrepreneur programs in Malaysia. Another research is also undertaken by the Association Development Institute for Pacific and Asia (ADIPA), (1979). Mc. Ber and company (1986) said that through their initial research in three developed countries, the successful entrepreneurship characteristics can be identified as the importance

of performing decision making and finding solution, influence, and the presence of a one director and controller in operations. Another research by Abdul Aziz Mahmud (1981) said that the successful entrepreneur have high motivation in facing risk , confident and has the ability to maximises his potential. The important of motivation and practicing is supported by Gerald Shelton (1985) which said that the success of strategies and decision making is dependent upon the entrepreneur himself.

Hal B. Pickle (1964) also found that abilities in thinking, communication, knowledge and experiences are the characteristics that bring the small entrepreneur to success. While F. Derossi (1971) stressed that without sufficient knowledge and experience, particularly in the era of rapid development of technologies and competition it is unlikely that an entrepreneur will succeed in the business world.

Most of the failures in business entity is found to have been the effect of inefficient management and inaccurate organisation practices. Aziz Mahmud (1981) in his studies proves that 95% of failures in businesses are due to management problems such as lack of experience in the related field, unbalanced experience and inefficiency.

## **METHODOLOGY**

300 managers from all over Malaysia including Sabah and Sarawak were selected randomly using the stratified random sampling method as the sample for the research. These represent 12% of total co-operatives in Malaysia excluding the schools co-operatives. However this study has only successfully interviewed 200 managers of co-operative of whom 182 were male managers and 18 female managers. The study was conducted based on interviews and structured questionnaires. The questionnaire was divided into four sections. Section A consist questions pertaining to the background of the co-operative, Section B - searching the entrepreneurial characteristics among the co-operative managers, Section C-to identify the management practices by the co-operative managers and Section D - to look into the leadership pattern of the co-operative.

Data were analysed by using the descriptive and statistical analysis - Chi- square Test, mean, standard deviation, percentiles and table. The Mann-Whitney test was used to test the hypothesis and the median of the two population related management practices and leadership pattern based on a 5 points Likert Scale.

$$Z = \frac{R - \mu_R}{\sigma_R}$$

where

$$\mu_R = \frac{n_1(n_1 + n_2 + 1)}{2}$$

$$\sigma_R = \sqrt{\frac{n_1 n_2 (n_1 + n_2 + 1)}{12}}$$

The Rensis Likert model were also used to test the leadership pattern among the managers. Basically there are four leadership systems, system 1 is exploitive-authoritative, system 2 is benevolent-authoritative, system 3 is consultative and system 4 participative.

The 19 traits of Entrepreneurship Characteristics developed by Geoffrey G. Meredith, Robert E. Nelson & Philip A. Neek (1982) was adopted to help identify the true quality of an entrepreneur. (Table 1)

## DISCUSSION AND ANALYSIS

### *Definition of Successful Cooperative*

The success of a co-operative is measured from the social and economic aspects. The social aspect refers to increase in membership, involvement of the members in annual general meeting, committee members activities, budget allocation on social activities such as scholarships and increase in share capital contributed by members. Meanwhile the economic aspects measurement is based on dividend payment, profit received for the last three years period and involvement of members in the economic activities of the co-operatives.

### *Definition of a Manager*

In general, a manager is an individual that holds a post and power base on the organisational structure. But, in the context of co-operative, and this study, a manager is a person who is earning a salary and is working fulltime with the co-operative for at least 2 years or one of the Board Member who has been playing the role as a manager for at least 2 years.

### *Results*

All data gathered and retrieved have been tabulated into a more legible version that has enable the researcher to make meaningful findings. Among the important results that were found from this study are presented in **Table 2**. The study found that the position of co-operative managers are still dominated by men, which is 91%. Only 19% of co-operative managers are women. 93% of the managers are married while the other 7% are bachelors, widows or widowers. 76.5% of managers are Malays. Another 24.5% are other races including ethnic group in Sabah and Sarawak. 36.5% of the managers are above 50 years of age. Only 4% of the managers are below 30 years of age. This reflects the interest of the younger generations in being involved with the co-operative movement.

In terms of qualification, only 29% of the co-operative managers in Malaysia are graduates. A large portion, that is 71% of the co-operative managers have low academic qualification. In terms of training for the past 3 years, 90 % of the managers have attended less than 5 times training programmes. 75.5 % of the managers have been working for a period of below 10 years and 24.5% for more than 11 years.

Almost 70% of the managers were found to receive a salary of less then RM1000.00. Another 14% received a salary above RM2000.00 while 12.5% of them are not being paid at all or doing the management job on a voluntary basis. 54% of the managers work part time while another 45.5% are working full-time. 23% of the part time managers are government servants. 81% of the co-operative managers are members of the co-operative and 19% are not co-operative members. 13% of the co-operatives surveyed were established before independence (1957) and 87% were established after the 90's. 86% of the co-operatives have less than 3000 members. Only 3% of the co-operatives surveyed have membership exceeding 9000 members.

By analysing the data acquired using the 19 traits of entrepreneur characteristic, some of the most outstanding characteristics found among the co-operative managers were integrity and reliability (99.3%), responsibility (98.8%), nurturing quality (97.3%), team building (95%)

and excellence oriented (94. %). Among the weakest characteristics identified as necessary for a manager but were not found among the Malaysian co-operative managers were independence (35.9%) and risk-taking (42.3%). (**Table 3**).

In comparing the successful co-operative managers and the less successful co-operative managers, the study found that both groups have almost equal score (**Table 4**). Hence, it is difficult to really identify the characteristic needed by the co-operative managers to be successful.

From the survey, it was perceived that the most important management practice was planning, followed by controlling, leading and organizing. However, based on the study the time spent on implementing these practices does not reflect the importance portrayed earlier as it was found that managers seems to be spending more time on controlling. (**Table 5 and 6**)

By using the Mann-Whitney leadership pattern formula, the study found that in order to become successful managers, one must not give too much freedom to the employees. Managers of co-operative must always control and monitor the organisation so that it meets its objectives. Two way communication between managers and employees must be implemented to ensure the smooth flowing of the organisations management.

By applying the Rensis Likert four leadership patterns, we found that the fourth system leadership pattern (participative group) is the best system to ensure success in an organisation. A comparison of the leadership patterns among successful co-operatives with the less successful co-operatives does not show much difference. Only the leadership and communication characteristics of managers from successful co-operatives is closer to the fourth system (participative group).

## CONCLUSION

It is clear that a managers' skill and ability shapes the productivity, stability and accountability of an organisation. The same applies to co-operative. Managers are leader of a team. It is they who will decide, lead their 'army to battle' and shape the victory. Should they fail to lead, the organisation will fall.

Planning is a crucial task or mission, therefore managers' of co-operative societies must be able to plan. It is important to focus on planning thoroughly before moving to the other function of managing, a co-operative. In terms of leadership pattern, most Malaysian co-operative managers were found to adopt the consultative approach.

The most outstanding characteristics found among the managers' of co-operative in Malaysia were nurturing quality, responsibility, excellence oriented, integrity and reliability and team building whereas the least outstanding but necessary were risk taking and independence. This may be due to the fact that most of the managers who are either paid managers or doing managerial jobs on a voluntary basis normally abstain themselves from getting involved with high risk projects for the reason of abiding to the co-operative principles which emphasize on reasonable profit and risk taking. Besides, most of the managers follows the decision and policies that is determined by the board members who have the higher authority in making management decisions for the co-operative. Comparison of characteristics between successful and less successful co-operative enterprises however could not be distinctly identified in the study.



**Table 1: 19 Traits of Entrepreneurship Character**

19 traits of entrepreneurship characteristics studied are:-

1. Need for achievement
2. Hardworking
3. Nurturing quality
4. Responsibility
5. Excellence oriented
6. Leadership quality/take charge people
7. Money oriented
8. Confidence
9. Independence
10. Creative and innovative
11. Vision
12. Risk taking
13. Initiative
14. Team building
15. Integrity and reliability
16. Versatile and knowledgeable
17. Foresight
18. Reward
19. Optimistic

**Table 2 : Characteristics of Sample Surveyed**

1. Sex Male Female	Percentage 91.00 9.00	Lower than 500 501 – 2000 More than 2000	40.50 30.50 14.50
2. Marital Status Single Married Widower	5.50 93.00 1.50	9. Organisation and Real Post/Job Government Department Private Sector Own Business Others	23.00 11.50 15.00 5.00
3. Race Malay Chinese Indian Others	76.50 5.00 2.00 16.50	10. Part Time Income None <500 501- 2000 >2000	49.50 5.50 33.00 12.00
4. Age 21 – 30 31 – 40 41 – 50 >50	4.00 27.50 32.00 36.50	11. Working Experience With Experience Without Experience	67.00 33.00
5. Qualification Primary Secondary Tertiary Professional	17.00 54.00 26.50 2.50	12. Co-operatives' Membership Members Non Members	81.00 19.00
6. Training Frequency 0 – 5 6 – 10 11 – 15	90.00 7.50 2.50	13. Duration for Current Post 1 – 10 11 – 20 21 – 30 31 – 40	76.50 18.50 4.50 1.50
7. Job Status Part Time Full Time	54.50 45.50		
8. Full Time Income None	15.00		

**Table 3 : Entrepreneurs' Characteristics**

No.	Characteristics	Percentage (%)
1.	Need for Achievement	76.00
2.	Hardworking	69.75
3.	Nurturing Quality	97.33
4.	Responsibility	98.75
5.	Excellence Oriented	94.00
6.	Leadership	62.33
7.	Money Oriented	77.00
8.	Confidence	59.75
9.	Independence	35.88
10.	Creative and Innovative	68.50
11.	Vision	70.75
12.	Risk Taking	42.33
13.	Initiative	77.75
14.	Team Building	95.00
15.	Integrity	99.25
16.	Versatile and Knowledgeable	84.00
17.	Foresight	83.00
18.	Reward	61.17
19.	Optimistic	83.33

**Table 4: Entrepreneurs' Characteristics: A Comparison Between Successful and Unsuccessful Managers**

No.	Characteristics	Successful Managers (%)	Unsuccessful Managers (%)
1.	Need for Achievement	75.83	76.67
2.	Hardworking	68.75	73.75
3.	Nurturing Quality	97.50	96.67
4.	Responsibility	94.70	96.25
5.	Excellence Oriented	95.00	90.00
6.	Leadership	63.17	59.17
7.	Money Oriented	76.90	77.50
8.	Confidence	59.35	61.25
9.	Independence	36.25	34.38
10.	Creative and Innovative	69.05	66.25
11.	Vision	73.15	61.25
12.	Risk Taking	41.07	47.50
13.	Initiative	76.25	83.75
14.	Team Building	94.70	96.25
15.	Integrity	99.70	97.50
16.	Versatile and Knowledgeable	85.23	79.17
17.	Foresight	82.50	85.00
18.	Reward	61.27	60.83
19.	Optimistic	84.80	77.50

**Table 5: Perception Towards the Importance of Management Practices**

LEVEL OF IMPORTANCE	MANAGERIAL FUNCTIONS			
	Planning	Organising	Leading	Controlling
Highly not important	1 (0.5%)	1 (0.5%)	1 (0.5%)	1 (0.5%)
Not important	2 (1.0%)	1 (0.5%)	2 (1.0%)	2 (1.0%)
Slightly important	2 (1.0%)	5 (2.5%)	3 (1.5%)	4 (2.0%)
Important	61 (30.5%)	95 (47.5%)	89 (44.5%)	85 (42.5%)
Highly important	134 (67.0%)	98 (49.0%)	105 (52.5%)	108 (54.0%)
Total	200 (100%)	200 (100%)	200 (100%)	200 (100%)

**Table 6: Time Spent for Management Practices**

LEVEL OF TIME SPENT	MANAGERIAL FUNCTIONS			
	Planning	Organising	Leading	Controlling
Very little	0 (0.0%)	0 (0.0%)	0 (0.0%)	1 (0.5%)
Little	1 (0.5%)	8 (4.0%)	7 (3.5%)	1 (0.5%)
Fair	41 (20.5%)	56 (28.0%)	63 (31.5%)	4 (2.0%)
Quite a lot	125 (62.5%)	114 (57.0%)	105 (52.5%)	85 (42.5%)
Very much	33 (16.5%)	22 (11.5%)	25 (12.5%)	109 (54.5%)
Total	200 (100%)	200 (100%)	200 (100%)	200 (100%)

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