

SUCCESS FACTORS OF COOPERATIVES IN MALAYSIA: AN EXPLORATORY INVESTIGATION

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ABSTRACT

This paper explored the success factors of cooperatives in Malaysia as a study of this nature had not been attempted previously. Questionnaires were distributed using the purposive sampling method to obtain the perception of respondents from cooperatives. Responses from a sample of 203 respondents was then analysed using exploratory factor analysis. A total of five factors were extracted using the principal component method with a varimax rotation. The five factor rotated solution explained a total of 63.84 percent of the variance and all the factors had acceptable reliability. The five factors were labelled as visionary leadership, managerial competency, stability, functional characteristics and operational efficiency. Group mean scores were then calculated for the five factors to determine their importance in determining the success of cooperatives. Based on the group mean scores, only four factors were found to be important and they are visionary leadership, managerial competency, functional characteristics and stability.

INTRODUCTION

The cooperative movement in Malaysia has had a long history beginning with the establishment of the first thrift and loan cooperative on July 21, 1922. In line with the International Cooperative Alliance (ICA) definition, Section 2 of The Cooperative Societies Act 1993 defines a cooperative as “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. Cooperatives continue to occupy a dominant place in the Malaysian socio-economic environment as evidenced by the number of cooperatives in existence. For the year ended 31 December 2008 there were 6,084 cooperatives in Malaysia with a total membership of 6.51 million individuals, paid up capital worth RM8.42 billion and total assets amounting to RM55.73 billion (Malaysia Cooperative Societies Commission, 2008). The 6.51 million individual members represented 23 percent of the country’s population of 27.73 million in 2008 (Ministry of Finance, 2008).

Problem Statement

In spite of the fact that one in every five Malaysian is a cooperative member, the cooperative movement currently contributes only 1.4 percent to the country's Gross Domestic Product (GDP). The Government has targeted for cooperatives to increase this contribution to 4 percent in 2013 (Suruhanjaya Koperasi Malaysia, 2009). To achieve this target, the number of cooperatives will be increased to 10,000 in 2013 with each cooperative having an average yearly turnover of between RM800,000 to RM1.5 million. It is also expected that 50 percent of the adult population in Malaysia will be cooperative members by then. To ensure these targets are achieved, it is important that the cooperative movement in Malaysia is successful. Since successful cooperatives are bound to be influenced by certain pertinent factors, therefore it is of utmost importance to identify these factors in the context of cooperatives in Malaysia. Moreover at the time of writing this article, a study of this nature had not been attempted previously.

Objective of the Study

The objective of this study is to identify success factors of cooperatives in Malaysia, as perceived by key personnel associated with the cooperative movement in Malaysia.

REVIEW OF LITERATURE

This section reviews the relevant literature related to the present study. A brief description of the status of the cooperative movement in Malaysia is highlighted followed by a discussion on the literature relating to success factors of cooperatives in other countries.

Status of Cooperatives in Malaysia

Table 1 shows that as at 31 December 2008 there were 6,084 cooperatives in Malaysia with a total membership of 6.51 million individuals, paid up capital worth RM8.42 billion and total assets amounting to RM55.73 billion (Malaysia Cooperative Societies Commission, 2008). The 6.51 million individual members represented 23 percent of the country's population of 27.73 million in 2008 (Ministry of Finance, 2008). In terms of function, consumer cooperatives constituted the majority (54 percent) of the 6084 cooperatives. However, cooperatives engaged in banking and credit / finance, which represented only 9 percent of the cooperatives, had 73 percent of the paid up capital and 89 percent of the total assets of the movement. One reason for this situation is that a large number (61 percent) of the consumer cooperatives existed in schools and therefore, had only 0.2 percent of the paid up capital and total assets of the cooperative movement in the country.

As indicated in Table 1, the 6,084 cooperatives were involved in various functions specifically, banking, finance or credit, plantation, housing, industrial activities, consumerism, construction, transport and services. The Department of Cooperative Development (replaced by the Malaysia Cooperative Societies Commission or MCSC since 2008) which is responsible for the supervision of cooperatives in the country classifies them into nine functions based on their business activities. The cooperatives had a total turnover of RM 7.75 billion, which accounted for only 1.4 percent of the country's GDP of RM533.91 billion in 2008 (Ministry of Finance, 2008). This figure indicates that despite 23 percent of the population being cooperative members, the contribution of the cooperative movement to the country's economy is insignificant.

For the cooperative movement in the country to effectively contribute towards enhancing the socio-economic status of the people as well as contribute more significantly towards the country's GDP, it is imperative that the cooperative movement in the country, as a whole is successful.

Table 1: Status of Cooperatives by Function as at 31 December 2008

Function	No. of Cooperatives	Membership (individuals)	Capital (RM)	Assets (RM)	Turnover (RM)	Profit/Loss (RM)
Banking	2	828,484	2,199,709,013	42,208,732,138	3,551,004,345	1,254,943,822
Credit/ Finance	551	1,962,834	3,969,003,533	7,620,467,830	1,747,350,390	353,658,419
Agriculture	842	248,526	239,016,392	964,366,413	520,805,179	132,336,678
Housing	88	89,102	131,592,122	540,551,689	103,492,753	38,860,369
Industrial	75	11,997	6,953,639	49,874,089	42,628,043	41,824
Consumer:						
- adult	1,283	658,029	237,702,053	988,115,272	803,752,797	42,954,235
- school	2,043	2,022,091	17,529,109	149,894,519	160,819,115	23,170,906
Construc- tion	108	62,111	15,248,402	57,049,368	23,366,543	417,739
Transport	336	116,918	47,338,371	182,006,579	391,607,704	14,343,117
Services	756	509,556	1,553,903,547	2,969,662,339	405,033,640	81,592,599
Total	6,084	6,509,648	8,417,996,182	55,730,720,236	7,749,860,509	1,942,319,708

(Source: Malaysia Cooperative Societies Commission, 2008)

Success Factors of Cooperatives

There is some literature on the factors influencing the performance of cooperatives and these are generally referred to as success factors. The prior studies determined success factors by investigating the link between selected independent variables and performance of cooperatives. Cooperative performance was mainly measured in terms of financial performance using ratios. Hence, the variables found to be positively associated with improved financial performance of cooperatives were identified as success factors in previous studies.

It is worth noting that prior studies were undertaken in other countries, such as the United States, Europe, Canada, Fiji and Iran. None of the existing literature however, has investigated the success factors of cooperatives in Malaysia. This study focused only on exploring the factors associated with successful cooperatives in Malaysia based on the perceptions of key personnel involved with the Malaysian cooperative movement. The study however, did not measure performance of the cooperatives in Malaysia nor relate these factors to cooperative performance.

Some of the variables that have significantly contributed to cooperatives being successful are reviewed here. For instance, the impact of diversifying the activities of agricultural cooperatives on their financial and non financial performance was investigated by Trechter (1996). Diversification is important component of the functional characteristic of a cooperative as it relates closely to how cooperatives carry out their activities to meet the various needs of their members. Trechter's (1996) study showed that diversification was not significantly and positively associated to financial performance, measured as profitability, increase in patronage refunds or increases in equity redemption. In contrast however, diversification was positively related to membership size, the indicator used to gauge non financial performance of cooperatives by Trechter (1996), with diversified cooperatives enjoying larger memberships. Diversification was included as a variable in the present study as many of the cooperatives in Malaysia have diversified their activities and are known as multipurpose cooperatives.

As member based organisations, members involvement in their cooperatives is of paramount importance to the survival and success of cooperatives. In fact the existing literature (Amini and Ramezani, 2008; Lluch, Gomis and Jimenez, 2006) has identified active member participation in the administration of cooperatives as a key factor influencing the successful performance of cooperatives. As cooperatives are formed by members to fulfil their common economic and social needs, collective ownership would most likely instil a sense of belonging and in turn encourage active

involvement in the activities undertaken by their cooperatives. Generally, active member participation in the administration of cooperatives is manifested in the form of attendance at the annual general meetings and supporting the products or services of their cooperatives. Members' attendance at the annual general meeting as well as support towards their cooperatives' products and services reflect the unique functional characteristics of cooperatives. To reflect active member participation in the administration of cooperatives in Malaysia, the two pertinent variables that were included in the present study were: members' attendance at annual general meetings and members' support towards their cooperatives' products or services.

For cooperatives to succeed, it is imperative that they are managed effectively by visionary and competent leaders. In the context of cooperatives, leaders refer to the board members as well as managerial personnel who are employed by cooperatives. An important criterion of visionary leadership is the need to plan strategically for the continued survival of the cooperative. The importance of planning cannot be underestimated as Pathak and Kumar (2008) also identified that one of the main reasons for the failure of cooperatives in Fiji was inadequate planning. A number of prior studies (Carr, Kariyawasam and Casil, 2008; Carlberg, Ward and Holcomb, 2006; Henehan and Pelsue, Jr., 1986; Pathak and Kumar, 2008) found that having strategic or long term plans was positively associated with successful cooperatives. Long term planning is defined as planning for beyond 1 to a maximum of 5 years (Carr et al., 2008). As there are some cooperatives in Malaysia that have formulated strategic or long term plans, the variable pertaining to cooperatives having a strategic plan for at least three years, was included as a variable in this exploratory investigation. In addition, it makes sense to infer that cooperatives with visionary leaders would be more likely to have strategic plans, hence visionary leaders was regarded as a pertinent variable and included in the present study. Undeniably, two important traits good leaders should possess are effective communication skills and the ability to deal with problems and challenges. These two qualities were thus regarded as pertinent variables and incorporated in the present study.

A visionary and competent leadership also gives high priority to continuous education and training for board members, staff and members of their cooperatives. Continuous education and training is regarded as significant input for cooperatives to be successful by some prior studies (Amini and Ramezani, 2008; Bruynis et al., 2001). In the case of members, to promote their active participation, they need to be educated regularly on cooperative concepts as well as be aware of their rights and responsibilities towards their cooperatives. To ensure that board members and staff are equipped with the right competencies to manage the daily operations of the cooperative, it is vital for

them to undergo regular intensive training on cooperative philosophy and principles as well as management, interpersonal and operational skills related to the business activities of cooperatives. Interestingly, Pathak and Kumar (2008) identified that lack of training in financial management and lack of understanding of cooperative concepts were among the main reasons for the failure of many cooperatives in Fiji. Continuous training would equip board members and staff with the latest knowledge and skills and enable them to maintain the relevant documentation on the activities of cooperatives, including the maintenance of systematic accounting records. In fact, maintaining proper accounting documentation is an effective financial management practice and has been found to be positively associated with successful cooperatives (Boyer, Creech and Paas, 2008). As education, training and information is the fifth Cooperative Principle its role in contributing towards the success of cooperatives in Malaysia cannot be ignored. Therefore variables related to training and education were included in the current study. They were: ongoing training and education, knowledgeable board members and knowledgeable managers/supervisors.

Besides having the relevant knowledge and skills, board members and managerial staff should possess the appropriate experience to manage cooperatives. Board members and managerial staff of cooperatives who have had previous experience in leadership or managerial positions would be in a better position to make better informed decisions for their cooperatives. Indeed, earlier studies have found a positive relationship between previous experience possessed by the board and managers of cooperatives and cooperative performance (Bruynis et al., 2001; Carlberg, Ward and Holcomb, undated; Carr et al., 2008; Henehan and Pelsue, Jr., 1986). Therefore, knowledgeable board members and knowledgeable managers/supervisors were incorporated as two variables in the present study. In addition to having knowledgeable, skilled and experienced board members and managerial personnel to manage cooperatives professionally, their continuity of service is vital to ensure policies and plans are implemented efficiently without compromising stability of the cooperatives. Accordingly, the variables relating to continuity of board members and continuity of managers/supervisors were included in this study to reflect stability.

Another vital component of stability is financial stability. Some prior studies (Carr et al., 2008; Pathak and Kumar, 2008) have found that having sufficient amount of working capital for activities was positively related to the successful performance of cooperatives. Increasing members' contribution to share capital is one way to guarantee that cooperatives have a sufficient pool of working capital to carry out their activities. As such, the researchers included large share capital and subscription from members, as a variable in the current study. As owners, it is imperative that members

play an active role in contributing financially to prevent their cooperatives from being dependent on external funding and ultimately being controlled by non members. Prior studies (Bruynis et al., 2001; Carlberg, Ward and Holcomb, 2006) have also identified low operating cost to be associated with cooperatives being successful. Maintaining low cost of operations ensures that cooperatives have operational efficiency and are able to translate this efficiency into lower prices for the essential services provided to members. Low operating cost was therefore incorporated as a variable in this study.

METHOD

A preliminary investigation was carried out to explore the factors perceived to be important for the successful performance of cooperatives in Malaysia. A questionnaire listing twenty one items was developed using both the English and Malay languages and the survey method of data collection was used to obtain the perception of 250 respondents on the important factors influencing the success of cooperatives in Malaysia. Of the twenty one items, eleven items were adopted from previous studies while the remaining ten items were developed by the researchers who are experienced cooperative trainers. The ten items developed by the researchers based on their experience are: type of function, full time managers/supervisors, continuity of board members, continuity of managers/supervisors, highly qualified managers/supervisors, members' attendance at annual general meeting, visionary leaders, leaders who can communicate effectively, leaders who can deal effectively with problems and challenges and accessibility to financing. All twenty one items were measured on a five-point scale ranging from not important (1) to very important (5). Appendix 1 shows the questionnaire used in the present study.

The sample size of 250 respondents was determined based on the subject (respondent) to item ratio of 10:1, which is considered an appropriate and still prevalent rule of thumb many researchers use for determining sample size for the purpose of exploratory factor analysis (Costello and Osborne, 2005). The purposive sampling method was used to select the respondents who were board members, management staff and members of cooperatives as well as government officers supervising cooperatives. These respondents were deemed appropriate because of their expert knowledge on cooperatives. The questionnaires were distributed to those respondents who attended the training programmes at the Cooperative College of Malaysia. In addition, thirty cooperatives from the 2008 list of 100 best cooperatives in Malaysia were selected at random and three respondents comprising of board members were identified as respondents from each of the thirty cooperatives. The questionnaires were then mailed to the respondents in the thirty cooperatives. Of the 250 questionnaires which were

distributed personally or mailed, a total of 203 responses were usable for analysis, indicating a response rate of 81.2 percent.

The data was analysed using exploratory factor analysis. Exploratory factor analysis was deemed appropriate as the study sought to explore the underlying factors associated with successful cooperatives as perceived by the respondents.

FINDINGS

In terms of their positions in the cooperatives, of the 203 respondents, 123 (60.5percent) were board members, 23 (11.3 percent) were management employees (managers and supervisors), 40 (19.7 percent) were members and 12 (5.9 percent) were government officers supervising cooperatives while 5 respondents did not indicate their positions.

As the purpose of the exploratory investigation was to reduce the items or variables to a manageable number of components or factors contributing to the success of cooperatives, factor analysis was used. A total of twenty one items were subjected to factor analysis using SPSS for Windows (version 15). Factoring ceased when all eigenvalues of greater than one were obtained and when a set of factors explaining a large percentage of the total variance was achieved. The suitability of data for factor analysis was assessed. The Kaiser-Meyer-Olkin value was 0.88 exceeding the recommended value of 0.6 (Pallant, 2002) and the Barlett's Test of Sphericity reached statistical significance, supporting the factorability of the correlation matrix.

An accepted method of interpretation of factor loadings is to regard significant any variable or item with a loading of 0.5 or greater as associated with the appropriate factor ((Hair, Black, Babin, Anderson and Tatham, 2006). Hence 0.5 was used as the cut-off point to determine the number of items that loaded on to a factor or component. From the initial list of twenty-one items, two items, 'full time managers/supervisors' and "accessibility to financing" did not load significantly on to any component and were subsequently excluded. The remaining nineteen items were factor analysed again. The factors were extracted by using principal component method with a varimax rotation. The rotated component matrix presented in Table 2 revealed five components with all variables showing strong loadings (more than 0.5) and nearly all items or variables loading substantially on only one component. The five factor rotated solution explained a total of 63.84 percent of the variance, with Component 1 contributing 37.01 percent, Component 2 contributing 7.74 percent, Component 3 contributing 7.45 percent, Component 4 contributing 6.22 percent and Component 5 contributing 5.42 percent of the variance.

Reliability analysis using Cronbach's alpha was carried out to examine the internal consistency of the factors obtained where Cronbach's alpha coefficient at 0.5 or higher was considered acceptable (Kerlinger & Lee, 2000, cited in Mokhlis & Sparks, 2007). Specifically, the Cronbach's alpha coefficient values for the five factors ranged from 0.53 to 0.85, as shown in Table 2, indicating that the factors had acceptable reliability. Item No.7, "Members' support towards cooperative's products or services", cross-loaded significantly on two factors, Factor 1 and Factor 4. As its significant loading on Factor 4 was slightly higher (0.528) than on Factor 1 (0.512), this variable was retained on Factor 4 to calculate the reliability of Factor 4.

The five factors were labelled as follows: "Visionary Leadership" was the first factor followed by "Managerial Competency", "Stability", "Functional Characteristics" and the last factor was labelled as "Operational Efficiency". The first factor, "Visionary leadership" had seven items with significant factor loadings ranging from 0.512 to 0.769. The Visionary leadership factor was perceived to reflect cooperative leaders who are able to communicate effectively, have vision and strategic plan, deal effectively with problems and challenges, focus on continuous education and training as well as on having proper accounting records for their cooperative. With visionary leadership, the cooperative is able to sustain member support for its products or services. The second factor, "Managerial Competency" had four items and their factor loadings ranged from 0.574 to 0.800. This factor reflects the perception that managers/supervisors and board members who are experienced as well as knowledgeable are important for the success of cooperatives in Malaysia.

The third factor, "Stability" had three items with factor loadings ranging from 0.594 to 0.840. This factor indicates that continuity of service by board members and managers/supervisors as well as substantial amount of share capital and subscription from members, were perceived to be important for the success of cooperatives. The fourth factor, "Functional Characteristics" had four items and their factor loadings ranged from 0.528 to 0.684. This factor portrays the perception that the type of function, the diversification of activities, members' attendance at the annual general meeting and their support towards their cooperatives' products or services are important for the success of cooperatives. Members' attendance at the annual general meetings of cooperatives and support for cooperatives' products or services are two characteristics which are unique to cooperatives and influence the way cooperatives function. Finally, the fifth factor, "Operational Efficiency" had only two items with relatively high significant factor loadings of between 0.683 and 0.756. This factor reflects the perception that having highly qualified managers/supervisors to manage the cooperatives as well as maintaining low operating cost are important to the success of cooperatives in Malaysia.

Table 2: Factor Analysis of Determinants of Cooperative Performance

No.	Variable/Item	Factor				
		1 (Visionary leadership)	2 (Managerial Competency)	3 (Stability)	4 (Functional Characteristics)	5 (Operational Efficiency)
1.	Leaders who can communicate effectively.	0.769				
2.	Visionary leaders.	0.717				
3.	Leaders who can deal effectively with problems and challenges.	0.706				
4.	Cooperative has a strategic plan for at least 3 years.	0.627				
5.	On going education and training.	0.618				
6.	Maintaining proper accounting records.	0.547				
7.	Members' support towards cooperative's products or services.	0.512			0.528	
8.	Experienced managers/supervisors		0.800			
9.	Experienced board members		0.743			
10.	Knowledgeable managers/supervisors.		0.683			
11.	Knowledgeable board members.		0.574			
12.	Continuity of board members			0.840		
13.	Continuity of managers/supervisors.			0.718		

Table 2: cont.

Table 2: *cont.*

14.	Large share capital and subscription from members.			0.594		
15.	Type of Function.				0.684	
16.	Members' attendance at Annual General meeting.				0.597	
17.	Diversification of activities.				0.570	
18.	Highly qualified managers/ supervisors.					0.756
19.	Low operating cost.					0.683
	Eigen values	7.032	1.471	1.416	1.181	1.029
	% of variance explained	37.01	7.74	7.45	6.22	5.42
	Cumulative variance explained (%)	37.01	44.76	52.21	58.42	63.84
	Reliability (Cronbach's Alpha)	0.85	0.82	0.71	0.67	0.53

Respondents' opinions on the level of importance of the five factors associated with successful performance of cooperatives as well as the level of importance of the corresponding variables within each factor were obtained, using a 5-Point Likert type Scale ranging from 1 (not important) to 5 (very important). For the purpose of analysis, it was decided that if a factor or variable has a mean score of at least 4 on the Likert type scale means the respondents perceive the factor or the variable to be important for the successful performance of cooperatives in Malaysia. On the other hand, if a factor or variable has a mean score of between 1 to less than 4, means the respondents do not perceive that factor or variable to be important for the successful performance of cooperatives in Malaysia. The resulting mean scores for the five factors and their variables are shown in descending order in Table 3.

As indicated in Table 3, of the five factors, only four factors had group mean scores of at least 4 and these factors are Visionary Leadership, Managerial Competency,

Functional Characteristics and Stability. One factor, Operational Efficiency had a group mean score of less than 4 (group mean score=3.93) and was thus not perceived to be an important contributor to successful cooperative performance. Visionary leadership was perceived as the most important factor with a group mean score of 4.54, followed by the factor, Managerial Competency with a group mean score of 4.52, Functional Characteristics with a group mean score of 4.43 and finally the factor, Stability with a group mean score of 4.00.

Within Factor 1 labelled as Visionary Leadership, all six variables or statements were perceived to be very important as indicated by their individual item mean scores which exceeded 4 and ranged from mean scores of 4.40 to 4.66. Interestingly, the variable or statement, 'maintaining proper accounting records' which had the lowest loading on this factor had the highest mean score of 4.66, indicating that this variable was perceived to be the most important variable within the first factor as well as among the nineteen variables included in the study.

All four variables or statements in Factor 2 labelled as Managerial Competency were also perceived to be very important as seen from their high individual item mean scores, ranging from 4.49 to 4.55. It is worth noting that the variables or statements relating to 'experienced managers/supervisors' and 'knowledgeable managers/supervisors' were perceived to be more important in contributing towards successful cooperative performance than experienced or knowledgeable board members. One possible reason for this perception is that board members in cooperatives are generally inexperienced and manage the cooperatives on a voluntary basis unlike managers or supervisors who are employed full time to run the business operations of the cooperatives. Hence the perception, that for cooperatives to be successful, the commitment of managerial personnel with the appropriate experience and knowledge is important.

The fourth factor labelled as Functional Characteristics has four variables or statements all of which have been perceived to be important as seen from their high individual item mean scores, ranging from 4.19 to 4.52. As expected, the statements on 'members' support towards cooperative's products or services' and 'members' attendance at annual general meeting' were both perceived to be most important variables in this Factor that contributed towards the success of cooperatives, as seen from the mean score of 4.52. Both these statements reflect the essence of forming a cooperative, which is defined as an autonomous association of individuals united voluntarily to meet their common economic, social and cultural needs through a jointly owned and democratically controlled organisation. Hence, it is imperative that these

members support or patronise the services or products offered by their cooperative and participate directly in setting policies and making decisions for their cooperative by attending the annual general meeting.

The third factor, Stability has three statements with individual item mean scores from 3.95 to 4.04. Only two statements had mean scores exceeding 4.00 and were thus perceived to be important while the statement, 'large share capital and subscription from members' had a mean score of 3.95 and thus was perceived to be not important. Thus continuity of board members and managerial personnel are regarded as important variables that contribute to the stability and subsequently the success of cooperatives in Malaysia.

Finally, the fifth factor, Operational Efficiency (mean score = 3.93) has two variables or statements, 'highly qualified managers/supervisors' with a mean score of 3.96 and 'low operating cost' with a mean score of 3.96. Since both the individual item mean scores are less than 4.00, they were perceived to be not important in influencing the success of cooperatives in Malaysia.

Table 3: Factor and Variable Mean Scores

Factor No/Label	Group Mean Score	Variables/Items	Individual Item Mean Score
1 (Visionary Leadership)	4.54	Maintaining proper accounting records.	4.66
		Visionary leaders.	4.57
		Leaders who can deal effectively with problems and challenges.	4.56
		Leaders who can communicate effectively.	4.52
		On going education and training.	4.52
		Cooperative has a strategic plan for at least 3 years.	4.40
2 (Managerial Competency)	4.52	Experienced managers/supervisors	4.55
		Knowledgeable managers/supervisors.	4.53
		Experienced board members	4.51
		Knowledgeable board members.	4.49
4 (Functional Characteristics)	4.43	Members' support towards cooperative's products or services.	4.52

Table 3: *cont.*

Table 3: *cont.*

		Members' attendance at Annual General meeting.	4.52
		Type of Function.	4.48
		Diversification of activities.	4.19
3 (Stability)	4.00	Continuity of board members	4.04
		Continuity of managers/supervisors.	4.03
		Large share capital and subscription from members.	3.95
5 (Operational Efficiency)	3.93	Highly qualified managers/supervisors.	3.96
		Low operating cost.	3.91

DISCUSSION

The findings of this investigation indicated that only four factors were perceived as being important in influencing the success of cooperatives in Malaysia. In order of importance these four factors are Visionary Leadership, Managerial Competency, Functional Characteristics and Stability. Importantly, the findings of this study imply the need for cooperatives to be managed professionally so as to be efficient and viable business entities capable of fulfilling their social obligations effectively. Though there are some cooperatives which are led by visionary and competent board members and managerial personnel, the majority of Malaysian cooperatives have small amount of capital and are managed voluntarily by inexperienced board members who may lack the necessary leadership and managerial skills and experience. Moreover, such cooperatives do not employ qualified and competent managerial staff to carry out the business operations. As a result, the majority of cooperatives in the country continue to be involved in conventional low risk activities which eventually lose out to competition and fail.

Though the four factors are interrelated, it cannot be denied that the most important factor for the success of any organisation including cooperatives is the type of leadership that exists in the organisation. Effective leaders must be visionary, that is they must have a vision, put into place strategic or long term plans to achieve that vision and communicate their vision and plan to all stakeholders in the organisation so that everyone works together to achieve that vision. Managerial Competency, the second most important factor perceived in this study is closely linked to Visionary Leadership. This is because to be visionary leaders, it is imperative that board members of cooperatives have the appropriate knowledge and experience in

formulating policies and decision making, while the managerial employees have the relevant knowledge and experience to implement the policies and daily operations of the cooperatives.

The third most important factor perceived to influence the success of cooperatives in Malaysia, *Functional Characteristics* highlights the functional uniqueness of cooperatives as compared to other business organisations. In the case of cooperatives, members are a vital competitive edge as they have a dual role, as owners and users of the products and services offered by their cooperatives. Hence, to be successful member based business organisations, member participation in the policy making process through attendance at the annual general meeting and patronage of the cooperatives' products and services needs to be ensured. One way to do this is by focusing on the type of function or activity which would fulfil members' common economic and social needs. Whatever diversification of activities is undertaken should also be related to the function and in line with the aspirations of members. Finally, *Stability* was perceived as the fourth most important factor to influence the success of cooperatives and is pertinent to guarantee the continued survival of the cooperative organisation. Continuity of the board members and managers/supervisory staff is a crucial element of stability so as to ensure the sustained implementation and monitoring of the policies that have been formulated.

Though the findings obtained in this study cannot be directly compared to those of previous studies because of differences in context, the findings with regard to some of the variables or statements contained in the four factors are consistent with those of earlier studies. Specifically, in the case of the factor, *Visionary leadership*, the variable, maintaining proper accounting records was also found to significantly influence the successful performance of cooperatives by Boyer, Creech and Paas (2008), while the statement, 'ongoing education and training' was identified as a significant contributing variable by Amini and Ramezani (2008) as well as by Pathak and Kumar (2008). In addition, the statement, 'cooperative has a strategic plan for at least 3 years' was also found to significantly contribute towards the success of cooperatives by some prior studies (Carlberg et al., 2006; Henahan & Pelsue Jr., 1986; Pathak & Kumar, 2008). With regard to the factor, *Managerial Competency*, the variables or statements, 'experienced managers/supervisors' and 'experienced board members' were found to be significant in influencing the success of cooperative by some previous studies (Bruynis et al., 2001; Carr et al., 2008).

In the case of the factor, *Functional Characteristics*, the two variables, 'members' support towards the cooperative's products or services' and 'members' attendance at

the annual general meeting' were also identified as important elements influencing the success of cooperatives by Amini and Ramezani (2008), while the statement 'diversification of activities' was found to significantly contribute to the success of cooperatives by Trechter (1996). Finally, where the factor Stability is concerned, one variable, 'large share capital and subscription from members' was found to be an important element of cooperative success by Bruynis et al. (2001).

CONCLUSION

This study explored the success factors of cooperatives in Malaysia as a study of this nature had not been attempted previously. The results from this study provide evidence that only four factors are perceived to be important and in order of importance they are: visionary leadership, managerial competency, functional characteristics and stability. One factor, operational efficiency was found to be not an important factor and hence disregarded. The current study only focused on exploring the factors associated with successful cooperatives in Malaysia based on the perceptions of key personnel in the cooperative movement. The study however, did not measure the performance of cooperatives in Malaysia nor determine the relationship between the perceived factors and cooperative performance. Hence, future research can be undertaken to confirm the validity of the perceived factors and establish the relationship between the validated factors and performance of cooperatives in Malaysia.

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Appendix 1No. ID: 

MAKTAB KERJASAMA MALAYSIA
Co-operative College of Malaysia
(Kementerian Perdagangan Dalam Negeri dan Hal Ehwal Pengguna)
103, Jalan Templer, 46700 Petaling Jaya,
Selangor Darul Ehsan

BORANG SOALSELIDIK**FAKTOR-FAKTOR PENTING YANG MEMPENGARUHI KEJAYAAN
KOPERASI (IMPORTANT FACTORS INFLUENCING SUCCESS OF
COOPERATIVES)**

Tuan / Puan,

Pihak MKM sedang menjalankan penyelidikan bertajuk “Determinants of Cooperative Performance”. Objektif penyelidikan ini adalah untuk mengenalpasti faktor-faktor yang mempengaruhi kejayaan sesebuah koperasi. Sehubungan itu, kami sangat menghargai kerjasama tuan/puan dalam melengkapkan dan mengembalikan borang soal selidik ini kepada MKM, selewat-lewatnya pada 29 Mei 2009. Sokongan tuan/puan didahului dengan ucapan terima kasih.

SEGALA JAWAPAN YANG DIBERI AKAN DIRAHSIAKAN

Sekian, terima kasih.

Yang benar,
Raja Maimon binti Raja Yusof
Timbalan Pengarah (Akademik)
b.p Pengarah
Maktab Kerjasama Malaysia

**BAHAGIAN B: PANDANGAN MENGENAI FAKTOR-FAKTOR PENTING
YANG MEMPENGARUHI KEJAYAAN KOPERASI
(SECTION B: YOUR OPINION OF IMPORTANT FACTORS
INFLUENCING SUCCESS OF COOPERATIVES)**

ARAHAN: Sila tandakan (√) dalam satu petak sahaja pendapat anda mengenai tahap kepentingan faktor-faktor berikut terhadap kejayaan koperasi. Gunakan skala 1 hingga 5 seperti di bawah. Tiada jawapan yang dianggap betul atau salah.

(INSTRUCTIONS: Please indicate your opinion on the level of importance of the following factors on the success of coopeartives. Tick (√) only one box, according to the scale 1 to 5 below. There is no right or wrong answer.)

- | | | |
|---|---|---|
| 1 | = | Tidak Penting (<i>Not Important</i>) |
| 2 | = | Kurang Penting (<i>Less Important</i>) |
| 3 | = | Sederhana Penting (<i>Moderately Important</i>) |
| 4 | = | Penting (<i>Important</i>) |
| 5 | = | Sangat Penting (<i>Very Important</i>) |

- | | 1 | 2 | 3 | 4 | 5 |
|---|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| 1. Fungsi koperasi
(<i>Type of function</i>) | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. Kepelbagaian aktiviti
(<i>Diversification of Activities</i>) | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 3. Anggota Lembaga Koperasi yang berpengalaman
(<i>Experienced Board Members</i>). | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 4. Pengurus / Penyelia yang berpengalaman
(<i>Experienced Managers / Supervisors</i>). | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 5. Pengurus / Penyelia sepenuh masa
(<i>Full Time Managers / Supervisors</i>) | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 6. Anggota Lembaga Koperasi yang berpengetahuan
(<i>Knowledgeable Board Members</i>). | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

- | | | | | | | |
|-----|--|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| 7. | Pengurus / Penyelia yang berpengetahuan
(<i>Knowledgeable Managers / Supervisors</i>). | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 8. | Kesinambungan Anggota Lembaga Koperasi
memegang jawatan
(<i>Continuity of Board Members</i>) | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 9. | Kesinambungan Pengurus / Penyelia
berkhidmat di koperasi
(<i>Continuity of Managers / Supervisors</i>) | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 10. | Pengurus / Penyelia berkelayakan tinggi
(<i>Highly qualified Managers / Supervisors</i>). | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 11. | Pendidikan dan latihan yang berterusan
(<i>On going education and training</i>) | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 12. | Koperasi mempunyai perancangan strategik
untuk sekurang-kurangnya 3 tahun
(<i>Cooperative has a strategic plan for at
least 3 years</i>) | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 13. | Sokongan anggota terhadap produk atau
perkhidmatan koperasi
(<i>Members' support towards cooperative's products
or services</i>). | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 14. | Kehadiran Anggota ke Mesyuarat Agung
Tahunan
(<i>Members' attendance at Annual General Meeting</i>). | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 15. | Pemimpin yang berwawasan
(<i>Visionary leaders</i>). | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 16. | Pemimpin yang boleh berkomunikasi dengan
berkesan
(<i>Leaders who can comunicate effectively</i>). | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

17. Pemimpin yang boleh menangani masalah dan cabaran dengan berkesan
(*Leaders who can deal effectively with problems and challenges*).
18. Kemudahan mendapatkan pembiayaan
(*Accessibility to financing*).
19. Jumlah modal syer dan yuran anggota yang besar
(*Large share capital and subscription from members*).
20. Kos operasi yang rendah
(*Low operating cost*).
21. Penyenggaraan rekod perakaunan yang baik
(*Maintaining proper accounting records*).
22. Produk atau perkhidmatan yang ditawarkan memenuhi keperluan anggota
(*Products or services offered fulfill the needs of members*)
23. Pihak pengurusan yang proaktif , inovatif dan bersedia mengambil risiko
(*Management which is proactive ,innovative and willing to take risk*)
24. Lain-lain faktor yang difikirkan SANGAT PENTING kepada kejayaan koperasi.
(*Other factors that you consider to be VERY IMPORTANT for the success of cooperatives*).

TERIMA KASIH DI ATAS KERJASAMA ANDA.
(*THANK YOU FOR YOUR COOPERATION*).

AUTHORS' BACKGROUND

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