

ISSUES, SCOPE AND FOCUS OF RESEARCH ON COOPERATIVES IN MALAYSIA

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ABSTRACT

Cooperatives have gained much acceptance and growth in Malaysia. Since their introduction in the 1920s, cooperatives have been recognized for their social and economic contributions to the national economy. Notwithstanding their significant social as well as economic contributions, cooperatives as a field of study have not attracted much research emphasis. The review of the literature reveals that both theoretical and empirical contributions in the field of cooperatives remained limited, particularly in the Malaysian context. Based on the literature review and past studies, this paper identifies as well as presents some of the issues and research areas concerning cooperatives that need further empirical investigations.

Key words: Cooperatives, Research, Issues, Scope, Focus, Malaysia

Introduction

The numbers of cooperatives have increased steadily in Malaysia. From only 11 cooperatives in 1922, their numbers have grown to about 10,000 cooperatives in 2014 (Malaysia Cooperative Societies Commission, 2014). Collectively, they play a key role in the development process of the national economy. Surprisingly, despite their significant role in the Malaysian economy, as an area of study, cooperatives have not received much research attention. The review of the literature indicates that research in this area is not only restricted but also neglected. This has resulted in limited information about cooperatives. For instance, although cooperatives play an important part in the social and economic development of the national economy, not much is known about the manner in which these organizations operated and how they are being managed.

At the same time, evidence from the literature seems to suggest that there are successful as well as unsuccessful cooperatives. Previous studies have showed that cooperatives are unsuccessful because they lack the ability to deal with issues affecting their organizations. For instance, the study by Carr, Kariyawasam and Casil (2008) indicated that the effectiveness of cooperatives was affected by both internal and external factors such as competition, attraction and retention of membership, cash flow, income generation, increasing cost of energy, increasing cost of other resources, and keeping track of changing technology. However, in the Malaysian context, little is known about the nature of the successful and unsuccessful cooperatives as well as the issues faced by the cooperatives that venture into various business area (Hashim & Zakaria (2013).

Although in recent years there seems to be increasing amount of literature that reports research on cooperatives, the scope and focus of these studies are limited. As such, they do not appear to be able to provide a framework for better understanding of the cooperative sector. Given the various shortcomings of these past studies and in view of the variety of issues as well as research areas pertaining to cooperatives that have yet to be rigorously investigated, it is high time that more emphasis be given to research on cooperatives, particularly in the Malaysian context.

This paper attempts to not only explain the need for more research to be conducted in the area of cooperatives but also identifies as well as provides some insights into the issues, scope and focus of research relevant to the cooperatives. Investigating these issues and areas of research are of practical importance to not only the cooperatives but also for those involved in the management as well as the development of cooperatives. More significantly, an understanding of these issues and areas of research may help us to explain why not much is known about cooperatives in Malaysia. In addition, if these issues are addressed empirically, then the information may be also useful for planning and developing more effective supporting programs to help the cooperatives to improve their management as well as performance.

The section below begins by highlighting the various research issues as identified based on the review of previous studies on cooperatives. Following this, the next section presents the scope and research focus for studying cooperatives in the Malaysian context. Accordingly, the last section provides a brief conclusion of the paper.

Issues in researching cooperatives

In Malaysia, there are huge numbers of cooperatives involve in various business activities and different industries. Consumer cooperatives, worker cooperatives, finance or banking cooperatives and community cooperatives are some examples of the cooperatives that represent the different industries. Yet little research has been conducted on the subject of managing different types of cooperatives as well as their effectiveness as organizations. As a result, there is little information concerning their management, business operations and success.

Despite their large numbers and contributions to the Malaysian economy, cooperatives have not been able to attract the attention of researchers. Although there are some studies conducted on cooperatives, the review of these past studies suggests that they are relatively limited in their scope, focus and that they are not integrated. The general emphasis has been primarily on investigating the performance of only certain cooperatives, their management styles, human resource management practices, and the compliance to Cooperative Societies Act 1993 (Kaur, 2009; Yacob, 2009; Tei, 2009; Rajartnam, 2007 and 2008).

In addition, previous reports on cooperatives tend to emphasize on their numbers, membership, share capital, turnover and total assets. Although the figures presented in the reports appear to suggest that they collectively contribute significantly to the social and economic development of the Malaysian economy, information on the problems faced by the different types of cooperatives has received limited research attention.

Evaluation of cooperative assistance programs

In realizing the need to assist the cooperatives in Malaysia, several agencies were established to help in their development and growth. For instance, through the Malaysia Cooperative Societies Commission (MCSC), the National Cooperative Organization of Malaysia (NCOM) and the Cooperative College of Malaysia (CCM), a variety of assistance programs have been introduced to stimulate as well as strengthen the business activities and management of the cooperatives.

Over the years, substantial amount of resources are committed to the different assistance programs that were designed to promote the development and growth of the cooperatives in the country. For instance, in 2010, the Malaysian Government allocated about RM114.2 million to implement various development programs for the cooperatives (Malaysia Cooperative Societies Commission, 2011). However, creating supporting agencies and apportioning large amount of monetary resources to the cooperative assistance programs can be very wasteful if the impact of these programs on the business activities of the cooperatives is unknown as well as found to be ineffective. Therefore, there is a need to evaluate the effectiveness of the government supporting agencies and the assistance programs provided and promoted by the supporting agencies.

Evaluating the effectiveness of the supporting agencies and their assistance programs has posed a challenge to management of cooperatives, policy makers and researchers because of the variety of programs being offered. Despite the need and challenge, evaluation of the assistance programs provided to the cooperatives has not received much research attention. Given the importance of the cooperatives and the lack of clear information as well as conclusions regarding their development and growth, investigating the effectiveness of the assistance programs are noteworthy since the information obtained from studying these programs can be useful to help the cooperatives improve their operations as well as performance.

Omission of management theories in researching cooperatives

Despite the numerous theories and knowledge in the areas of management such as leadership, finance, marketing, organizational behavior, production, and strategic management, not much of these management disciplines and theories have been utilized by researchers in investigating cooperatives. In addition, although contingency theory, resource based view theory, socio-cultural theory and survival based theory can be used to explain as well as predict the behavior of organizations such as the cooperatives, limited studies have attempted to adopt these theories when examining these organizations, particularly in the Malaysian context (Drucker, 1977 and 1987; Hashim & Wafa, 2002; Hashim & Zakaria, 2007; Hashim, 2008).

Lack of entrepreneurial perspective in the study of cooperatives

The need to examine organizations from the entrepreneurial perspective has long being emphasized in the literature. For instance, Jennings (1994) indicated that the success of an individual organization depends on various factors that need to be studied at different levels of analysis. However, in the case of the cooperatives, the review of past research indicated the lack of entrepreneur's perspective as well as multi-level research design in previous studies on cooperatives in Malaysia.

Majority of the past studies on cooperatives have been at a single level of analysis (either individual level or organizational level). This single level of analysis may result in a researcher overlooking other key factors that can affect the success of cooperatives at different levels of analysis. For instance, there are various external environmental factors in the different industries that the cooperatives operate that can influence their performance.

In addition, investigating cooperatives from the entrepreneurial perspective is important in maintaining the notion of the three basic elements of the strategic management - defining an organization's business and strategic mission; establishing strategic objectives; and formulating and implementing strategy - which are entrepreneurial responsibilities and tasks that requires entrepreneurial skills (Mintzberg, 1973; Miles & Snow, 1978; Drucker, 1986; Thompson & Strickland, 1987; and Greenly, 1989).

Adopting the entrepreneurial approach in the study of cooperatives is also in line with the recommendations of past studies. Findings of previous studies have indicated that organizations differ from each other in various ways. In general, the studies found that they

differ in terms of their management styles, sophistication, development as well as performance due to a variety of organizational and external environmental factors (Churchill & Lewis, 1983; Lafuente & Salas, 1989; Novey, Bimberg & Mersman, 1989; Lerman & Parliament, 1990; Birley & Westhead, 1990; Carson, 1991; Satgar, 2007; and Simmons & Birchall, 2010).

Following the views presented in past studies, it is suggested that future research on cooperatives should also investigate key variables from different levels of analysis. For example, a two-level analysis would involve examining the entrepreneurial (characteristics of board of directors) and the organizational characteristics of the cooperatives.

The multi-level approach in studying cooperatives will assist in differentiating between entrepreneurial, non-entrepreneurial board of directors and cooperatives which may lack the knowledge and experience in not only entrepreneurship but also strategic management as well as business activities that may have limited impact not only on the cooperatives but also the national economy.

Scope and focus of research on cooperatives in Malaysia

The shortcomings and limitations of previous studies on cooperatives as presented in the above section suggest the need for a more organized research agenda which could benefit future researchers. Accordingly, the following section presents and explains the important scope and focus of research for investigating cooperatives.

Classification of cooperatives

Cooperatives in the country are primarily classified according to business functions and clusters (based on their total turnover). However, given the uniqueness of each cooperative (in terms of actual size and management style for instance), any classification based on quantitative criteria is believed to be inappropriate to describe and measure satisfactorily the nature and size of cooperatives in different industries.

Any attempt to classify cooperative should not be merely developed based on limited quantitative criteria, but qualitative criteria should also be taken into consideration. It would be more appropriate to include qualitative criteria such as operations actively managed by members, personalized management style, localized operations, and use of internal sources of funding for expansion. These qualitative criteria are necessary to capture the general membership profile of the cooperatives as well as their entrepreneurial culture as well as orientation. Classification of cooperatives that include quantitative and qualitative criteria would be able to capture the true nature of cooperatives in the local context.

Purpose of study

A review of the literature on cooperatives suggests that in the past, much of the research on cooperatives has either lacked clarity of purpose or the specified purpose was of little consequence. The failure to clearly specify the purpose of the research combined with the lack of common ground for synthesizing research findings has in a way hindered the advancement of the field in Malaysia.

In addressing this research issue, it is suggested that future research projects should include a clear statement of purpose. Furthermore, researchers should link the specific purpose or objectives of their study to the fundamental purpose such as to explain factors that can influence their performances and the role of new cooperatives in furthering economic progress, particularly in the context of Malaysia achieving a developed country status in 2020.

Theoretical perspective

Theory should be used to underpin a meaningful and rigorously empirical research. Nevertheless, as mentioned previously, many of the previous studies on cooperatives to date has neglected the investigation of cooperatives from the perspective of modern management theories. Despite the tremendous increase in the knowledge in the areas of management theories, limited research has attempted to examine the relevant and applicability of these theories to cooperatives.

Even though some researchers may claimed that currently there is no one best single theory available to explain cooperatives business activities and growth, it is high time for researchers to start borrowing and adapting theories from the other field of studies (such as management theories, organization theories and economics theories) to help explain the behavior of cooperatives. For instance, since cooperatives are concerned with units of economic activity, there could be research attempts made to borrow the theory of monopolistic competition to help explain why certain cooperatives adopt product differentiation strategy.

By using either induction or deduction reasoning, researchers could also attempt to construct theories of cooperatives. In addition, the adoption of the various theories in the field of strategic management (such as contingency theory, resource-based view theory, socio-cultural theory, and the uncertainty-based theory) could be benefited and exploited to help understand, explain and predict the organizational behaviors of cooperatives.

Focus of study

When studying cooperatives, it is equally important to acknowledge that these organizations are not homogeneous but heterogeneous in nature. Cooperatives differ from each other in terms of their members, management styles and sophistication, stages of development, and performance. Yet the research focus on cooperatives in this country remained very static and

restricted. A review of past studies appeared to indicate that previous studies in general tend to confine to only certain areas such as quantitative characteristics of cooperatives, issues related to financing in cooperatives, and weaknesses of cooperatives.

Methodology to be adopted

Not many different research methods have been used in past studies that investigated cooperatives. Of the research on cooperatives, many suffer from methodological problems such as small sample sizes, non-comparability of samples, and static term of reference. As a result of these shortcomings, more contextual and process-orientated studies of the cooperatives are needed, especially in the Malaysian context.

Moreover, there has been slow progress in research that addresses issues of causality in cooperatives. Previous studies were mainly in the forms of exploratory case studies or cross sectional statistical studies of the sample survey type. Given the limitations of these studies, there is a need to pursue causality and longitudinal studies more aggressively. As a field of study, cooperatives must move to the stage where exploratory case analyses or cross sectional sample surveys that are not theory-driven and do not test hypotheses, are no longer suitable for investigating cooperatives since such approaches are very superficial in providing the necessary information to explain the true behavior of these organizations.

Level of analysis

In terms of the unit of analysis, cooperatives can be studied at five different levels of analysis. As an important area of research, cooperatives need to be investigated from these five levels. Researchers may choose among these five levels of analysis that include; individual level, group level, organizational level, industrial level, and societal level. A review of the prior research on cooperatives in Malaysia however indicated that previous researchers have the tendency to confine their analysis mainly to a single level of analysis only.

The relationships between various factors that can influence the effectiveness of cooperatives can be observed at different levels of analysis. Knowing and understanding these factors are important not only to scholars but also for both practitioners and public policy makers as well. From the entrepreneurial perspective, the success of the individual cooperative can be affected by factors that can be investigated at different levels of analysis. Failing to analyze cooperatives from different levels will increase the probability that key factors will be overlooked, and that unanticipated events that occur in the industry will take the cooperatives by surprise.

In addition, the information obtained from the multi-level studies can also be very useful for those involved in developing policies for the cooperatives. From the public policy maker's perspective, the insights generated by multi-level studies have the potential to provide information that can be used to further improve the assistance programs as well as government efforts in increasing the numbers of successful cooperatives.

Given the significant of adopting multi-level analysis, it is recommended that future researchers need to investigate more than one of the individual, group, organization, industry, and society levels of analysis. Such multi-level studies provide a much richer understanding of the cooperatives and should therefore be encouraged in future research projects.

Time frame

The review of the literature and prior studies suggests that the adoption of wider time frame for research on cooperatives in Malaysia has yet to be addressed. In general, short time frame studies (cross sectional study) are simpler to design and easier to execute, however, they clearly lack the richness of insights as compared to the results from studying a phenomenon over a longer time period (longitudinal study).

For research on cooperatives, this is important since new cooperatives are extremely fragile and experience many changes and challenges within a short period of time. Often the seeds of future problems are sown in the early stages. Only wider time frame studies will allow researchers to examine the development problems faced by new cooperative and to pursue the objective of causal inference.

Accordingly, it is suggested that future studies on cooperatives should attempt to move towards longer time frame. This is because addressing different strategic issues become more obvious and important to the cooperatives as the business environment of the industries in which they are involved in become more dynamic, complex, uncertain and competitive.

Conclusion

This paper highlights not only the concerns for the lack of research on cooperatives but also specifically presents the issues, scope and focus of research that are important as well as relevant to cooperatives in Malaysia. The paper begins by identifying and discussing some of the important research issues related to cooperatives that need to be addressed empirically. The research issues include; the need for more empirically studies to be conducted in the area of cooperatives, evaluation of the cooperative assistance programs, the inclusion of management theories in the study of cooperatives and the adoption of entrepreneurial perspective in the study of cooperatives.

In addition to the research issues, the paper also identifies the scope and focus of research that should be emphasized when conducting studies on cooperatives. The scope and focus of research presented in the paper was based on the shortcomings as identified in earlier works on cooperatives in the Malaysian context. As a whole, it was proposed in the paper that as a field of study; cooperatives need to

be appropriately reclassify, meaningful study on cooperatives should be based on modern management theories, the need to study cooperatives from multi-level as well as by using wider time frame.

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