

## The Driving Force of the Business Sustainability Model Among Co-Operatives in Malaysia

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### Abstract

The aim of this paper is to propose a business model, by reviewing the previous research work conducted and interviewed, related to business sustainability in co-operatives. There are a number of research papers that explore the sustainability of business and various authors discuss different points of view concerning the sustainability of business. However, this study specifically explores the business sustainability of co-operatives in five co-operatives in Kelantan and Terengganu. Based on the interviews conducted with five board of co-operative members, there are five drivers which aid co-operatives to sustain their business; namely, strong support from the members, a good overall support system, better management, a viable business strategy and focus, and the overall knowledge of the board members. Hence, this study proposes a model as a tool to drive the co-operatives toward sustainable business. The limitations and contributions of the study are discussed at the conclusion.



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### 1. Introduction

Sustainability is an interesting issue confronting all businesses today regardless of their size or location. Sustainability has become one of the most important strategic imperatives in the fourth industrial revolution era. Recently, the great challenges of the sustainability effort are to meet social expectations while providing a competitive advantage in order to survive in a competitive market. Additionally, as declared by [Brehmer et al. \(2018\)](#), sustainable development is one of the main challenges of the twenty-first century. Sustainability can be defined as the ability of utilising resources by organisations or businesses to meet their current time requirements, and without sacrificing their future resource requirements ([WCED, 1987](#)). The concept of sustainability was defined by the United Nations in the 1980's, and many other authors, as "meeting the needs of a firm's direct and indirect stakeholders, employees and clients" ([Dyllick and Hockerts, 2002](#)). The importance of sustainability is increasing, and because it is now multi-dimensional, has made sustainability more challenging ([Langer and Schön, 2003](#)). In addition, most business organisations are truly concerned with sustaining the business rather than running the business, in a proper way, without scarifying the future to achieve their target ([Gunasekaran and Spalanzani, 2011](#)). To be sustainable in the competitive market, the business sustainability models do not just focus on simply creating vision and setting goals, but they should go beyond that. A practicable business sustainability model should visibly establish new action, movement and behaviours that could change how the firm/organization interacts with the business world. Firms like co-operatives need emphasis on changing their activities and flow of work across their entire organization in order to seek new ways to create value ([McPhee, 2014](#)). Particularly, in Malaysia, business entities like co-operatives are those which need to have a sustainability model since the number of co-operatives is increasing tremendously in this country. Co-operatives are among business entities that play a significant role toward contributing sustainable economic and social development which is in line with the government agenda. Their aim is to encourage the economic progress of members, satisfying their socio-cultural interests and protecting the environment ([Nooraslinda et al., 2018](#)). Many international organisations have recorded the important role of co-operatives.

The understanding of sustainability in practice and reporting in Malaysia is still increasing and it is growing fast ([The Edge, 2014](#)). Sustainability is regarded as a holistic approach to business management which fuses monetary, natural, social and administration contemplations, within a viable plan of action, while supporting business coherence and long haul esteem creation for partners and society ([Bursa Malaysia, 2015](#)). Given those guidelines, it is noted the need for other companies to consider sustainability. Thus, a proposed model specifically for the co-

operatives' sustainability of their businesses, henceforth Co-operatives Sustainability Model (CSM) is deemed necessary.

**Table-1.** Statistic of Cooperatives in Malaysia from 2011 to 2015

Year	No of co-operatives	No of members	Share/fees (RM million)	Total assests (RM million)	Revenue (RM million)
2011	9,074	7,040,309	10,4855.55	92,801.04	23,088.25
2012	10,087	7,028,715	11,712.07	100,406.19	31,095.70
2013	10,914	7,609,204	12,811.94	107,898.89	32,972.42
2014	11,871	7,409,547	13,468.06	116,787.69	34,950.96
2015	12,769	7,491,191	13,811.53	123,276.79	33,557.91

Source: SKM (2018)

However, despite great concentration by these entities, the issues of sustainability still receives less attention by the co-operatives' policy makers. In fact, academically, very few studies focus on sustainability among co-operatives, specifically in the Malaysian environment (Nooraslinda *et al.*, 2018). This study helps to bridge the gap by investigating the factors leading to sustainability in co-operatives.

## 2. Methodology

In order to further conceptualise sustainability business models, a case-based approach has been taken to obtain a holistic, real-world perspective to address the 'how' and 'why' questions which focus on contemporary events (Yin, 2014). As such, this study chose a study exploratory in nature and the cases were selected based on reviewing a range of co-operatives as listed in the report 'Top 100 Co-operatives in Malaysia', by Suruhanjaya Koperasi Malaysia (SKM), 2017. The co-operatives were selected based on a few criteria, such as, ranking, function and year of establishment. Besides these co-operatives, even though they were still new and not included in the Top 100 listing (see Table 2), additional co-operatives or cases were selected based on how the company was established, their transition, process and their sustainability projects. Five co-operatives from Kelantan and Terengganu were selected for this study. A practical consideration was data availability and access to the organisation. It should also be noted that the cases, as presented, largely focus on sales and revenue, and not the detailed financial statements. The case studies explored the following themes:

- The way the company was established.
- The formulation of its own business model.
- Barriers or challenges in sustaining the business.
- Planning for growth and expansion of the business
- The company effort to sustain and overcome challenges

The case companies are depicted in Table 2.

**Table-2.** Informant for Interview

Company	Function	Participants/Informants
1. Koperasi Warga X	Credit/Services	Chairman
2. Koperasi Ko-X	Retail/Jewellery	BOC/Advisor
3. Koperasi Permodalan X	Agriculture	Chairman
4. Koperasi Koki X	Trading	Manager
5. Koperasi Adik X	Credit	Manager

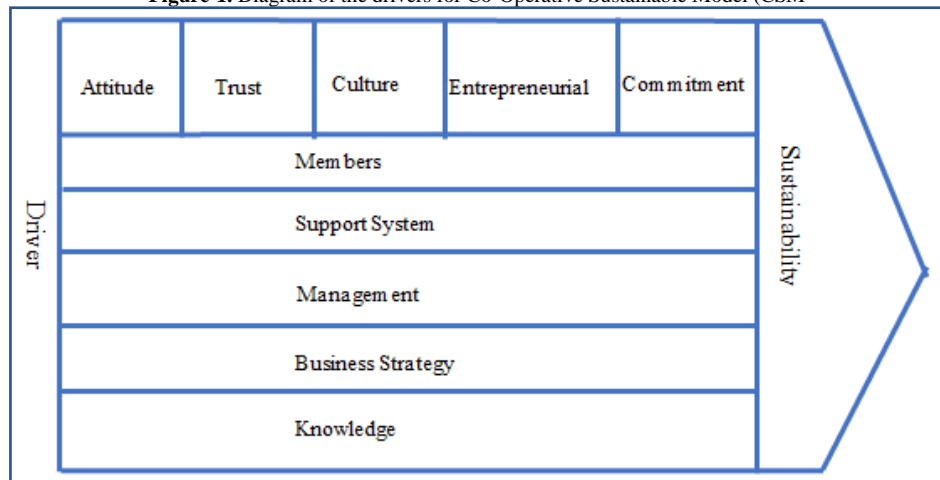
The interview protocol was developed based on existing culture-change frameworks whereby leadership, vision, communication, organisational learning, and support structures were found to be significantly essential constructs for change (Burke, 2008; Daily and Huang, 2001). Then, semi-structured interview guides were constructed for the participants who had been involved in running the co-operatives along with their activities, operation and their involvement in any transition of sustainability projects. Consistent with a qualitative methodology, Creswell (2007) stressed that the interview session during later rounds could be changed as new data emerged.

## 3. Result

As discussed, this paper through the cases presented, indicates that five drivers play important roles in determining the business sustainability of co-operatives. Based on the informant's experiences in conducting business, a few drivers shape the sustainability of the co-operatives; such as, strong support by members, a good support system, effective and efficient management, the business strategy or business focus and the knowledge of the management including the board of co-operative members. As co-operatives are established with the purpose of members benefiting in the business, strong support from the co-operative members is very important in sustaining the business. Their contribution via monthly fees and shares acts as a catalyst for the business sustainability model for co-operatives, henceforth, Co-Operatives Sustainability Model (CSM) see figure 1. Support from members especially in fund raising is critical during the initial stage. Full support will help co-operatives to obtain instant funds for their business operation. In the long run and for sustainability, continual support from members will aid the co-operatives in having enough financial sources to invest in prospective business. Moreover, the support system

plays a significant role in determining sustainability. The co-operative's activities, or business, need to run based on a corporate style as opposed to management based on a government style. Apart from that, support from Suruhanjaya Koperasi Malaysia (SKM), such as providing grants, loans, advice, etc, is also important in helping co-operatives to sustain their businesses. Each of the co-operatives must have their own Standard Operating Procedures (SOP) which have been practiced by many established companies. Co-operatives cannot operate using a traditional Malaysian approach, but should have a proper SOP which will help them to run the business in a corporate style thereby sustaining the business.

**Figure-1.** Diagram of the drivers for Co-Operative Sustainable Model (CSM)



People that are involved as board members and those who are managing the business operations play significant roles in sustaining the co-operative's business or activities. If the management team consists of various professions and backgrounds such as accountants, lawyers, doctors, consultant, etc, it will be more advantageous to any co-operative in sustaining the business. These professional team members will gain more respect from other stakeholders like banks, SKM and other suppliers.

#### 4. Discussion

Team members in co-operatives will strengthen the management team in running the business and developing strategic planning for sustaining purposes. Besides, the business strategy designed by each of the co-operatives will shape their business sustainability. Co-operatives need to focus on their niche-area and should utilize their existing resources. The co-operatives must have a business strategy that can help the members and co-operative as a whole to generate income rather than focusing on 'never ending' personal loan facilities. Probably the easiest way to generate income comes from members via loan facilities but, in the long run and with the objective of establishing co-operatives, the focus of business strategy must take into account the generation of income for their members as well, rather than encouraging them in the personal loan habit. Sustainability of the members will generate the sustainability of co-operatives as a whole. Eventually, knowledge of the board members and all of the members plays a significant role towards sustainability.

Members of the co-operatives must understand the purpose of joining co-operatives, which is not just to earn a dividend, but must together contribute to sustaining the business. Board members, as their function is to lead the co-operatives, must have knowledge of business and be able to forecast strategic business investment. The greater the knowledge possessed by the board members, the stronger the co-operative will be to sustain their business. Board members must have knowledge in business and strategic planning for the co-operative's long term survival and sustainability. The model also recognizes that the sustainability of businesses also depends on internal and external factors such as attitude, trust, commitment, culture, an entrepreneurial focus and the environment. All these factors complement the main drivers of the CSM.

#### 5. Conclusion

This research is based on an effort to combine the various views of researchers in the field of business sustainability and interviewed representatives from selected co-operatives. The conducted analysis supports an answer to the research question: What are the driving forces that help co-operatives to sustain their business? Since this research uses a constructivist approach to analyse data, the results of the study are based on the authors' interpretation of the data. As a result, researcher biasness is present in the data because of limited selection of co-operatives for analysis. These co-operatives are representing their businesses from two states in Malaysia and different results may occur if different organisations are studied. In fact, further research in sustainability's impact on any different organisation's culture is needed. Also, it is suggested to the researcher to use a multi-perspective cultural approach which could provide greater insight into how sustainability is operationalised in the companies which could verify and expand upon this study.

In all, this study can particularly provide co-operatives, organisations, practitioners, and academics with new insights into business sustainability. Even though co-operatives' performance in Malaysia have shown steady performance increases, they are still left behind in growth and sustainability. Therefore, co-operatives in Malaysia need a comprehensive model to sustain their businesses. This study has enriched the literature by highlighting the co-operative sustainability model (CSM) towards its driving force and its relevance. The CSM model acts as a guidance for the co-operatives in Malaysia towards sustainable businesses.

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