

**ATTRIBUTES AND PERCEIVED SUCCESS FACTORS OF PERFORMING
CO-OPERATIVES IN MALAYSIA**

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MAY 2011

EXECUTIVE SUMMARY

In view of the role and current performance of the co-operative sector in the economy, it is important to observe the attributes and profile of particularly the performing co-operatives, to discover if these co-operatives exhibit certain patterns related to their performance. It is also imperative to identify the factors that are deemed to influence their performance, as a better understanding of these factors could lead to identification of managerial practices that would enhance the performance of the sector and allow co-operative to focus their efforts on building the necessary capacity in order to be successful.

Therefore, in general, the research attempts to study the attributes of the performing co-operatives in Malaysia and to identify factors that are perceived to influence the performance of these co-operatives. Specifically this research will outline the attributes of selected performing co-operatives in terms of demographic, financial characteristics and financial management practices, and identify factors that are perceived to influence their performance from the perspective of the Board Members'.

A sample of 270 performing co-operatives in Peninsular Malaysia, Sabah and Sarawak was initially selected as the performing co-operatives. Subsequently, 89 co-operatives of different sizes and function from the list of 270 performing co-operatives were selected for the purpose of conducting an in depth analysis. In each selected performing co-operatives, a minimum six (6) Board Members who have been with the co-operatives for at least two years and are presently the Board Members of the performing co-operatives were randomly chosen as respondents. Data was collected using a self administered questionnaire and finally responses were received from 567 respondents.

The findings show that majority of the performing co-operatives are registered under the consumer, credit, agriculture, services and transportation function and concentrated only on one or two core business such as plantation, contracting, credit, consumer/retail and services oriented activities. Overall, more than half of the selected performing co-operatives has been in operations for more than 20 years with most of the medium, small and micro size co-operatives having membership below 500 members. The growth rate for the large, medium and small co-operatives however indicates a slow trend of growth (6%) while the membership for the micro co-operatives grew at an average rate of 14.4%. With respect to manpower, only the medium and large performing co-operatives have the capacity to employ more than 15 employees, with more than half of the performing co-operatives having 5 employees and less to manage their co-operative.

More than 50 % of the Board Members of the performing co-operatives studied were between 41 years old to 60 years old with more than 25% percent were 61 years above. More than 40 % of boards members were elected less than 5 years while another 60 % have served the co-operatives between 6 to 25 years. Support wise, more than 90 % of the performing co-operatives are found to have received from different government and state based agencies a wide range of assistance vis-a vis technical, financial, material or moral support. More than 50 % of the performing co-operatives also reported on average 81% to 100% of their members were present at the Annual General Meeting (AGM) and indicated a very high to high level of members patronage towards the services and products offered by the co-operatives. Although more than 80% of the performing co-operatives presented their financial reports in Board meetings, a disappointing 60%,

particularly the small and micro co-operatives do not have written guide lines or procedures regarding their investment activities and disbursement of co-operative expenditures.

Financially, large co-operatives are observed to have generated the highest total net profit to total income (67%) while the medium, small and micro co-operatives generated between 30% - 45%. As per function, the services, credit, housing and construction co-operatives generated higher profits from their income. Conversely, the average expenditures to total income of large, medium and micro co-operatives are found to be around 27%, much lower than the 46 % incurred by the small co-operatives. This study found that shares and subscription directly contributed by members forms a large portion (72%) of members fund of large co-operatives while that of micro co-operatives only form 37 % of their members' funds. On the contrary the micro co-operatives are found to have paid the highest average dividend payouts (19%). It is also observed that irrespective of function, there is an increasing trend in allocation towards members benefit for all co-operatives. In fact, the increase in allocation is higher compared to the increase in total income and profit netted.

Finally, based on the performing co-operatives Board Members viewpoint, three main factors; managerial competency, effective leadership and support are identified to be influential to the success of co-operatives. In terms of importance, effective leadership which warrants leaders who are honest, trustworthy, charismatic, have the ability to shape their vision with co-operative members and have the ability to deal effectively with problems and challenges was perceived as the most important factor. Managerial competency which necessitates a management team that is experienced in the appropriate field, trained and able to communicate well internally is viewed as the next most important factor to the achievement of co-operatives. Lastly, support in the form of members attendance at the annual general meetings, patronizing the products or services, contributing sufficient funds, continuity of board and support in various forms received from different entities are considered as the third most important factor to have influenced the success of these performing co-operatives.