

EXPLORING THE CATALYST AND CONSTRAINT FACTORS OF AGRICULTURE COOPERATIVE PERFORMANCE

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ABSTRACT

Performance can be affected by various factors that differ across organisational contexts. This study aims to identify and describe the catalyst and constraint factors for agriculture cooperative performance based on top management perspectives. Structured interviews were used to gather data from six informants, who were board members of their respective cooperatives. Thematic analysis was used to extract significant patterns from the interview transcripts. The findings indicated the themes of catalyst factors, namely, members' support, internal commitment and cooperation, obeying rules and maintaining good reputation with the responsible authority, the management team's integrity and the management's determination to achieve the desired objective(s). Meanwhile, the constraint factors for cooperative performance include high-risk avoidance amongst cooperative board members, disagreement amongst board members, market competition and uncertainty of the fresh fruit bunch produce. The originality of this study lies in its qualitative approach, which provides a rigorous understanding of the examined topic based on the cooperative practitioners' experiences.

Keywords: firm performance; human capital; organization identity, Resource-Based View; strategic leadership; qualitative method; palm oil.

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1. INTRODUCTION

Cooperatives play an important role and contribute to societal well-being in numerous countries (Kumar et al., 2015). These are not only considered relevant in developing countries, but have also maintained their status within the social structures of relatively developed countries, such as Japan and the United States (Kurimoto, 2004; Christy, 1987). For example, according to Esham et al. (2012), Japanese agricultural cooperatives form the backbone of the small farmers that dominate Japan's agricultural sector. As far as the agricultural sector is concerned, the role of cooperatives is incontestable in terms of empowering and promoting the well-being of the local farmers. Torgerson et al. (1998) reiterated the identity of agricultural cooperation as an independent, self-help, business entity that aims to assist the movement of farmers' products to the marketplace, thereby influencing the prices and other trade terms and providing fair treatment and benefits to its members.

A cooperative is an association that gives importance to collective rights over individual rights (Marcis et al. 2019). Therefore, cooperatives have characteristics that differ from ordinary business entities. These characteristics were developed based on Robert Owen's (1771–1858) idea of a 'cooperative village' in Scotland. The original cooperative village, which aimed to improve the lives of the working class, was later improved and formalised by its proponents, eventually becoming known as the Rochdale Principle (Kumar, 1990). Cooperatives aim to improve their members' well-being, eradicate poverty and serve as an alternative platform for distributing national wealth amongst the people (Mahazril 'Aini et al., 2012; Ortmann & King, 2007). The uniqueness of cooperative entities has led to a different set of behaviours and organisational performance metrics.

This paper presents an exploratory investigation aimed at understanding the success of palm oil smallholder cooperatives in Malaysia and the constraint factors affecting their performance. This study fills the gap in the literature by conducting a qualitative investigation to obtain fresh insights on agriculture cooperative performance based on the perspectives of top management. The significance of this study is justified by Iulina and Maria (2016), who stated that performance is a subjective perception of reality. As a result, the cooperatives' top management possess valuable knowledge pertaining to the catalyst and constraint factors of agricultural cooperative performance, which are worthy of further exploration. Additionally, according to Marcis et al. (2019), the agricultural cooperative performance model is still under construction, and no study has yet to investigate the relevant themes. Hence, this study attempts to better understand behaviours relating to the performance factors of agricultural cooperatives.

2. LITERATURE

2.1. Historical Background of Cooperatives

The history of cooperatives can be traced back to the 18th century. Owen pioneered the idea when he attempted to reform the miserable conditions faced by textile factory workers through a new collective and self-help cooperation model (Pathak & Kumar, 2005; Kumar, 1990). The cooperation model, known as the Village of Cooperation, aimed to provide the necessary material, intellectual and spiritual support to improve the workers' living standards. The experimental project

was first implemented in the communities surrounding a textile mill in New Lanark, Scotland in 1785. The model of cooperative community in New Lanark was known as the Owenite Communities. At that point, Owen introduced many improvements to the environment, such as introducing shorter working hours and safer working conditions, setting up schools for children of various ages, renovating homes, preventing child labour practices and providing insurance plans through workers' salary deductions. These efforts aimed to create a self-sufficient society that would enable the members to support themselves. However, the project was not sustained due to the lack of funding from the public and private sectors. Following the failure of the New Lanark project, Owen moved to the US and implemented his cooperative society model by establishing a cooperative village known as the New Harmony. Unfortunately, that project also became unsuccessful, as the individuals in the New Harmony cooperative village were more focused on the individual rewards and preservation of their personal interests.

Meanwhile, the situation was different in England wherein Owen's idea was accepted and practiced by the working-class proponents in England. The first proponents who succeeded in producing a successful modern cooperative prototype based on Owen's original idea were the Rochdale Pioneers. The modern cooperative prototype began with a group of 28 workers in a cotton factory in the industrial city of Rochdale in Manchester, who established a modern cooperative business entity known as the Rochdale Equitable Pioneers Society in 1844. These workers had faced severe workplace problems, low wages and the inability to buy food and afford living expenses due to rising prices. Thus, they decided to pool their resources and work together so that they can obtain basic necessities at a lower price. Since then, Rochdale has been considered as the birthplace of the cooperative movement in the United Kingdom, and the Rochdale Pioneers' principles have been accepted as the basic rules of modern cooperatives worldwide (Pathak & Kumar, 2005). The Rochdale Pioneers' basic principles have been updated over time by the International Cooperative Alliance (ICA) until they finally become part of the Statement on the Cooperative Identity (International Cooperative Alliance^a (2018). Currently, there are almost 3 million cooperatives in the world and at least 12% of the world's populations are members of the cooperative movement (ICA, 2019).

Meanwhile, the history of the establishment of cooperatives in Malaysia began in 1922 with the aim of promoting the welfare of the rural people and protecting them against exploitation. The first registered cooperatives in Malaysia were the *Syarikat Bekerjasama-Sama Jimat Cermat dan Pinjaman Wang Pekerja-Pekerja, Jabatan Pos* and *Telekom Berhad* (currently known as *Koperasi Telekom Malaysia Berhad* (KOTAMAS) and the *Koperasi Pos Nasional Berhad* (KOPONAS) (Mahazril' Aini et al., 2012). Subsequently, the first rural cooperative, known as *Syarikat Kampong Tebuk Haji Musa Berkerjasama-Sama dengan Tanggungan Berhad, Parit Buntar, Krian, Perak*, was registered in 1923. Since then, the cooperative movement in Malaysia has shown positive development through the introduction of relevant institutions, such as the *Maktab Kerjasama Malaysia, Angkatan Koperasi Kebangsaan Malaysia* (ANGKASA) and many new cooperatives in various sectors. Currently, there are a total of 14,417 registered cooperatives in Malaysia with 6,046,031 members and accumulated assets valued at RM 143,697.06 (see Table 1).

Table 1: Cooperative Statistics by State, June 2019.

No.	States	Numbers of Cooperatives	Membership	Assets (RM mil)
1.	Johor	1,424	411,444	1,278.11
2.	Kedah	978	237,185	735.09
3.	Kelantan	901	278,426	2,323.28
4.	Melaka	473	141,011	482.50
5.	Negeri Sembilan	779	166,253	344.38
6.	Pahang	1,147	244,631	1,486.34
7.	Perak	1,643	309,158	1,317.32
8.	Perlis	208	49,735	165.54
9.	Pulau Pinang	731	126,536	920.86
10.	Sabah	1,565	270,852	764.88
11.	Sarawak	1,058	262,590	589.92
12.	Selangor	1,720	548,885	1,715.72
13.	Terengganu	747	226,481	649.77
14.	Wilayah Persekutuan	1,040	1,788,979	18,633.39
15.	Headquarters	3	983,865	112,289.96
	Total	14,417	6,046,031	143,697.06

Source: Perangkaan Gerakan Koperasi Malaysia Interim 2019.

The number of cooperatives according to the different scope of functions is shown in Table 2. Based on Table 2, the total number of agriculture-related cooperatives as of June 2019 reached 3,183, with total membership of 513,550 members and cumulative assets of RM3,856.54 million. These indicators show that agricultural cooperatives have an important role within the context of the Malaysian cooperative sector, occupying the 4th position in terms of total cooperative assets and the 5th ranking in the number of memberships in Malaysia. Among all cooperatives in Malaysia, agriculture cooperatives occupy the 3rd ranking (or 22%) after the consumer (38%) and service-related (26%) cooperatives. For these reasons, agricultural cooperatives are an interesting niche to study, because most agriculture cooperative members are people with a relatively higher exposure to poverty issues and are more vulnerable compared to other segments of society.

Table 2: Cooperative Statistics by Function (Scope), June 2019

No.	Scope of Functions	Number of Cooperatives Available	Membership	Assets (RM mil)
1.	Banking	2	973,955	111,827.05
2.	Credit	578	1,131,696	15,529.17
3.	Agriculture	3,183	513,550	3,856.54
4.	Housing	309	129,343	1,113.40
5.	Industrials	362	16,794	88.54
6.	Consumers	5,429	2,032,096	2,093.40
7.	Constructions	259	82,172	195.38
8.	Transportations	490	114,518	342.77
9.	Services	3,805	1,051,907	8650.82
	Total	14,417	6,046,031	143,697.06

Source: Perangkaan Gerakan Koperasi Malaysia Interim 2019

Based on the historical background of cooperative establishment since the 18th century, cooperatives are indeed an important means of empowering the vulnerable groups in accordance with the SDG development agenda. Nevertheless, the capacity to be an effective tool for vulnerable group empowerment requires the cooperatives to perform well. This justifies the need to investigate the catalysts and barriers that facilitate and hinder cooperative performance, respectively, prior to the empowerment of the vulnerable palm oil smallholders group. The next section discusses the potential of cooperatives to contribute to the agenda pertaining to the sustainable development goals (SDGs).

2.2. Cooperatives and Sustainable Development Goals

Why is the cooperative context worth exploring? The answer relates to the potential role of the cooperatives within the contemporary development force, which involves the SDGs. The SDGs represent part of the 2030 Agenda for Sustainable Development. These were formed upon the expiration of the so-called ‘millennium development goals’ (MDG), which originally aimed to reduce extreme poverty in various dimensions between 2000–2015 (Woodbridge, 2015). Compared to MDGs, SDGs are perceived as more applicable to all countries, whilst the MDGs are criticised as being relatively suitable only to developed countries. Therefore, SDGs have been designed to include 17 target goals. These are geared towards developing a comprehensive perspective of development (Woodbridge, 2015), which aims for the achievement of the triple bottom lines: economic development, environmental protection and social equity (Esim, 2014).

The main feature contributing to the SDGs’ success is the empowerment of non-state actors to ensure the successful implementation of a people-centred development plan. As a result, cooperatives can serve as an important component of the SDG framework. This conceptualization is parallel with that of Mayo (2018) and Esim (2014), who stated that the SDG development model is consistent with the values and principles underlying the cooperatives’ identities defined in the Statement of Cooperative Identity published in 1995. According to Mayo (2018), there are 10 underlying values consisting of operative (6 items) and ethical values (4 items).

The cooperative values describe the design identity of cooperatives and include self-help, self-responsibility, democracy, equality, equity and solidarity. Meanwhile, the ethical values consist of honesty, openness, social responsibility and caring for others; they describe the operation identity of the cooperatives business. Furthermore, there are seven principles that determine the nature of cooperative ownership structure (three principles), culture (three principles) and independence of the business (one principle) (Mayo, 2018). As a result, the values and principles combine to create the unique identity of cooperatives, which fits the implementation of SDGs. According to Esim (2014), the cooperatives’ business model complements the SDGs through the exercise of its major roles described below:

- i. Poverty reduction through activities/services, such as credit and saving facilities for members and access to markets;
- ii. Employment creation and provision of economic opportunities for specific groups by facilitating their transition to the formal economy;
and

- iii. Gender equality through the expansion of women's opportunities in local economies.

As far as SDGs are concerned, they focus on the development of the people. Effective development efforts must be people-oriented, and the target outcome should be the promotion of the well-being of the vulnerable sectors of society. This study on the catalysts and barriers that promote and hinder agriculture cooperative performance, respectively, revolves around the effort of empowering the institution that connects directly with the vulnerable group (i.e. palm oil smallholders in Malaysia). The investigation allows the cooperative governing authorities, practitioners and interested academicians to gain a better understanding of the performance issues faced by agriculture cooperatives and seek ways to increase their potential to deliver greater value to their members. Why agriculture cooperatives? The answer goes back to the historical background of the establishment of cooperatives. Based on the discussion presented above, cooperatives can contribute to SDG achievement through their involvement in efforts to empower the vulnerable groups and protect their interests. Within this research context, the cooperatives have been established to fulfil the specific interests of the palm oil smallholders in Malaysia.

In Malaysia, the palm oil smallholders are categorised into two main categories: the independent smallholders and the organised smallholders (Senawi et al., 2019). The independent smallholders are individual farmers who own or lease oil palm smallholding of 40.46 ha or less and either manage it themselves or employ workers. The organised smallholders are managed by government agencies, such as the Federal Land Development Authority (FELDA), the Federal Land Consolidation and Rehabilitation Authority (FELCRA) and other state agencies. As far as this study is concerned, the independent smallholders and the organised smallholders under the FELDA and FELCRA have established their own cooperatives to serve some of the socio-economic causes they have identified. Most of the smallholders share typical characteristics, such as being within the age range of 56–58 years old or older, owning (or leasing) less than 3.9 ha, having no economics of scales, semi- or labour-intensive, operating in rural areas, lacking in market accessibility and having locations that are typically scattered. Due to these situations, the smallholders face relatively unstable incomes and vulnerable conditions.

Therefore, we reiterate that agriculture cooperatives are significant to the studies of management and organisational behaviour in line with the current sustainable development agenda. Moreover, studies on cooperative performance are necessary to ensure the viability of cooperatives in more effectively supporting the sustainable development agenda for the target groups.

2.3. Factors of Cooperative Performance

Organisational performance is a conundrum resulting from the interactions of various internal and external factors. Performance varies across organisations due to differences in the triggering factors. For example, Morrison and Teixeira (2004) and Leković and Marić (2015) suggested that small business performance is relatively more complex than that of bigger entities. As a result, performance is considered a subjective phenomenon that is closely related to the nature of an organisations' identity and its establishment motive(s). Performance refers to an organisation's ability to achieve its target objectives. Two dimensions represent the concept of 'performance': efficiency and effectiveness (Leković & Marić, 2015). Effectiveness refers to the selection of the right goals (doing the right things), whilst efficiency is the extent of rational usage and engagement

of available resources (doing things right). Although it is plausible to be successful in only one dimension, complete performance requires the accomplishment of both dimensions at the same time (Leković & Marić, 2015).

The evaluation of cooperative performance may vary depending on differences in factors, such as reference frames, constituencies, and contextual settings (Morrison & Teixeira, 2004; Marcis et al., 2019). As such, it may be expected that cooperatives are exposed to various conditions that either hinder or accelerate their performance. The argument is parallel with that of Liebrand (2007), who stated that the nature of cooperative may lead to the need for a different performance measurement scheme compared to the ordinary investor-owned entities. Moreover, Marcis et al.'s (2019) study concluded that no consensus has been reached in terms of sustainable performance evaluation for agricultural cooperatives. Thus, future studies are recommended to continue developing a specific model for evaluating the performance of agricultural cooperatives (Marcis et al., 2019). Overall, the model should assimilate the four features of sustainable performance, which include the cooperative principles as well as the economic, social and environmental evaluations.

Garnevska et al. (2011) found that successful farmers' cooperative development is influenced by a stable legal environment, dedicated initiators and leaders, the availability of financial and technical support from the government, farmers' participation in cooperative activities and the appropriate external support from the professional NGOs. Nevertheless, the concern of this study extends beyond the establishment or development phase. The issue of performance becomes important for the long-term survival of the cooperatives. According to Mahazril' Aini et al. (2012), two essential variables are expected to influence cooperative performance: strategic planning and members' participation. They found weak positive relationships between strategic planning and members' participation and performance. Many empirical studies have supported the positive relationship between strategic planning and cooperative performance (Mahazril' Aini et al., 2012; Boland et al., 2011; Sushila et al., 2009; Sushila et al., 2010; Pathak & Kumar, 2005). Strategic management refers to a process by which organisations analyse and learn about their internal and external environments, define their direction and implement strategies in order to satisfy major stakeholders. Malaysian cooperatives have adopted strategic management as part of their management tools (Ramli et al., 2014).

Mubirigi et al. (2016) evaluated the potential internal and external factors that affect performance, including cooperative structure, governance structure, managerial skills, training skills and the impact of government policies. Their findings further show that cooperative activities that fall under the cooperative structure indicator significantly influence the performance of agricultural cooperatives. The diversity of cooperative membership intention also leads towards slack commitment amongst members, eventually disrupting cooperative performance. Some members joined the cooperative merely to gain access to certain facilities (e.g. credit facilities) and are not interested with the purpose of the cooperative establishment. In addition, the poor implementation of policies also influences the performance of cooperatives. Studies by Khan et al. (2016) and Liang et al. (2015) suggested the significant influence of intangible factors on cooperative performance. These intangible factors consist of management capabilities to (1) manage intellectual capital, (2) encourage member's active participation, and (3) execute social roles efficiently.

Intellectual capital, which can be classified into structural capital, human capital and relational capital, includes factors that are able to influence the attainment of cooperative performance (Kamal et al., 2012; Wang & Cao, 2015; Scafarto et al., 2016). Structural capital refers to the exclusive possession of knowledge by cooperatives, such as an effective database, a positive organisational culture and efficient procedures. Relational capital includes the benefits that arise from cooperatives' relationships with their customers, suppliers and other constituencies, which enable them to perform tasks/transactions more effectively. Human capital refers to the knowledge, skills and commitment of the cooperative workers to perform the necessary tasks on behalf of the cooperatives. Intangible factors are reflected in two independent variables: 'organisational restructuring' and 'strategic attributes' (Benos et al., 2016). The choices of cooperatives in terms of organisational re-structuring and strategic attributes can influence their performance in the context of dynamic markets or transition periods (Benos et al., 2016).

As stated in the literature review, cooperative performance can be influenced significantly by strategic planning, which involves top management or the boards of directors. The top management or boards of directors play a significant role in navigating cooperatives towards goal attainment. Therefore, we must understand the top management's perspectives regarding factors that influence or mitigate the cooperative performance. Additionally, performance is influenced by intangible factors, such as human, structural and relational capital. As a result, performance phenomenon is worthy to explore based on the experiences of the cooperatives' practitioners. Thus far, no study has explored the context of palm oil smallholder cooperatives. Thus, our study has adopted a qualitative research approach to explore cooperative performance within this specific context. We believe our findings will contribute to the body of knowledge regarding cooperative performance specifically within this context.

The theoretical principle guiding our study comes from the resource-based view (RBV), which is one of the most influential and cited theories in the history of management theorising (Kraaijenbrink et al., 2010). According to RBV, each entity represents a collection of physical, human and organisational resources. Thus, performance is very much affected by the possession of strategic assets by particular entities (Wang, 2014; Madhani, 2010; Barney, 1991). Each firm performs differently due to variations in internal capabilities. Intangible assets, which are considered as valuable, rare, imperfect, imitable and non-substitutable, are expected to create competitive advantage and lead towards superior performance. Thus, we believe that this study will contribute to the body of knowledge by integrating RBV into the cooperative context. Basically, a cooperative is an autonomous association of persons who unite voluntarily to meet their common aspirations as well as economic, social and cultural needs through a jointly owned and democratically controlled enterprise. As such, internal resources are expected to have more impact on performance, as the cooperatives are 'internally driven and controlled' by the members.

The unique intangible and internal assets possessed by cooperative can be optimised for creating competitive advantage and achieving superior performance. For instance, the palm oil smallholders cooperatives have opportunity to exercise maximum control over the entire value creation activities by dealing only with members of the cooperative. The members play different roles, such as cooperative owners, customers and vendors simultaneously, that is, the members sell the fresh fruit bunch (FFB) to the cooperative, the cooperative purchases the FFB at a competitive price and later disburses the profit to smallholders in terms of dividend payment and other benefits, such as expanding the cooperative business. Such an operating model, which is simplified into the

description of an entity that is 'from the members, by the members and to the members' (Ishak et al. 2020), is considered as a potential intangible asset that facilitates good cooperative performance in parallel with the RBV argument. Despite the possession of such unique internal resources, cooperative performance can be influenced by other exogenous and endogenous factors. Thus, this study seeks to understand the catalysts and barriers that facilitate and hinder the attainment of cooperative performance, respectively, based on the top management's perspectives.

3. METHODOLOGY

There are two alternatives for scientific reasoning: the deductive and inductive reasoning approaches (Zalaghi & Khazaei, 2016). The deductive approach involves the validation of theory underlying a clear logical structure and objectives, whereas the induction approach represents a reasoning method that infers general principle(s) via the observation of specific cases. The inductive approach emphasises on the observations and derives conclusions based on the observed patterns. The approach includes identifying patterns based on the observations and suggesting valid explanations for the identified patterns (Zalaghi & Khazaei, 2016). It has been argued that the inductive approach is the best method for an exploratory type of research that is focused on factors that influence agricultural cooperative performance. The uniqueness of cooperatives compared to private and public entities may lead to a different set of factors for explaining the nature of organisational performance.

In relation to inductive reasoning, the qualitative design is the most appropriate for operationalising this kind of study. According to Daniel (2016), a qualitative research approach views human thoughts and behaviours in a social context and covers a wide range of phenomena in order to understand it thoroughly. Human behaviours, which include interactions, thoughts, reasoning, composition, and norms, are examined holistically due to the in-depth examination of phenomena. As such, this study employs the interview method for data collection in order to obtain new understanding about the factors that accelerate and hinder cooperative performance.

The interviews were conducted with six (6) representatives from six (6) palm oil smallholder cooperatives in the areas of Perak, Selangor and Johor, Malaysia. These cooperatives were chosen through a purposive sampling technique. The three states were chosen due to the fact that the total number of independent palm oil smallholders in Peninsular Malaysia comprise the largest portion (about 72%) of the total number of independent palm oil smallholders in Malaysia (excluding smallholders under the organised land programmes, such as the FELDA and FELCRA). Amongst the states, Johor, Selangor and Perak have the most numbers of palm oil smallholders, which make up about 57.5% of the entire population (see Table 3).

Table 3: Number of Independent Palm Oil Smallholders by State, December 2019

States	Numbers	Percentage
Johor	80,634	31.17
Kedah	6,565	2.54
Kelantan	2,209	0.85
Melaka	3,094	1.20
Negeri Sembilan	6,002	2.32
Pahang	13,877	5.37
Perak	47,184	18.24
Perlis	34	0.01
Pulau Pinang	1,847	0.71
Selangor	20,975	8.11
Terengganu	3,630	1.40
Total Peninsular	186,051	71.93
Sabah	32,156	12.43
Sarawak	40,450	15.64
Sabah & Sarawak	72,606	28.07
Total Malaysia	258,657	

Source: MPOB, Factsheet Pekebun Kecil December 2019

Furthermore, as shown in Table 1, Johor, Perak and Selangor have the most numbers of cooperatives in Peninsular Malaysia. The population of palm oil smallholder cooperatives in Peninsular Malaysia is estimated to be about 515 units. The cooperatives belong to the palm oil smallholders related to the FELDA, FELCRA and the MPOB Sustainable Palm Oil Cluster (SPOC) scheme.

All interviews were conducted at the premises of the cooperative offices. Each interview session lasted for about two hours and was guided by a list of structured questions. The informants were board members of their respective cooperatives or any appointed representative(s) who are able to give opinion based on their involvement in cooperative top management activities. The unit of analysis for this study consists of the cooperatives being examined. Table 4 presents the profiles of the informants.

Table 4: Informants' Profiles.

Coop	Cluster	Year of Establish ment	Current Membership	Permanent workers	Informant background
A	Small	1974	220	2	Chairman (Informant 1)
B	Small	1972	515	1	Chairman (Informant 2)
C	Large	1986	1888	98	Chairman (Informant 3)
D	No information	1979	1292	3	Chairman (Informant 4)
E	Large	1972	564	15	Secretary (Informant 5)

The interviews were recorded and transcribed for further analysis. The written transcripts were analysed through thematic analysis in order to draw significant sub-themes based on the interview outputs. The thematic analysis was selected in accordance with Vaismoradi's (2013) suggestion. That author stated that content and thematic analyses are most appropriate for studies aiming for a

relatively low level of interpretation, whereas grounded theory is suitable for studies that aim for higher level of interpretive complexity. Content analysis is a systematic coding and categorising approach that is used for exploring large amounts of textual information. It is an unobtrusive method that focuses on identifying trends and patterns of words, their frequencies, their relationships and the structures of communication involved. Meanwhile, thematic analysis is used for identifying, analysing and reporting patterns (themes) within the data. Hence, thematic analysis is more appropriate for our study, which attempts to explore common traits across a set of interview transcripts. The process of deriving themes follows the sequences of systematic procedure guidelines suggested by Braun and Clarke (2006).

4. RESULTS AND DISCUSSION

This section is further divided into two sub-sections, as presented below.

4.1. Catalyst Factors

Table 5 shows the sub-themes underlying the formation of the performance catalyst for the selected smallholder cooperatives.

Table 5: Catalysts of Cooperative Performance

No.	Catalyst Dimension	Informants transcript:	Sub Themes
1.	Intellectual Capital - <i>Human Capital</i>	Informant 3, Coop C: “Firstly, members’ support. If the members did not give their support, for example if they did not purchase fuel from our petrol station or just boycott the cooperative, we definitely cannot make business...”	T1: Members’ support
2.	Intellectual Capital – <i>Human Capital</i>	Informant 3, Coop C: “Good cooperation from cooperative board members and also the management, who provide board members with good idea and cooperation, is also important”	T2: Internal Management commitment & cooperation
3.	Intellectual Capital – <i>Relational Capital</i>	Informant 1, Coop A: “The most important thing is don’t get into with Malaysia Co-Operative Societies Commission (SKM). Meaning to say - just follow all the regulations. If you don’t satisfy with anything, just tell them..”	T3: Obey and maintain good reputation with responsible authority.
4.	Intellectual Capital – <i>Human Capital</i>	Informant 2, Coop B: “I think, the cooperative (management) must have integrity. Secondly, a clear objective. The objective determine where we want to navigate the cooperative. If want it to be sunk, it will definitely sunk. But if you want it to rise, it will rise”.	T4 _a : Management Integrity; T4 _b : Top management will/determination to achieve target objectives.

Based on the information in Table 5, members' support (T1) is an important factor as it serves as the income stream for cooperative businesses/activities. In addition, members' support, in terms of usage preference of the offered services, determines the relevance of respective cooperatives and their service continuity. Smallholder cooperatives usually offer specific services to accommodate members' needs and not those of other parties. This relates to the basic concept of the cooperative as being 'from the members, by the members and to the members.' Therefore, the owners and clients of cooperatives are the same group of people.

The second factor includes the commitment and cooperation amongst the cooperatives' management team (T2), which consists of employees and cooperative board members. In order to ensure smooth working environments and to support cooperatives' activities, there must be close relationships amongst the internal parties. Within the context of palm oil smallholders' cooperative management practices, the board members (usually the Chairman and the Secretary) are those who actively manage the cooperatives' daily operations. As shown in Table 5, most of the sampled cooperatives only hired a few workers to assist in daily operations under the direct supervision of the responsible board members. The operational matters must comply with many internal and external regulations. Therefore, the third catalyst factor is to maintain a good reputation by obeying all the stipulated rules and regulations (T3). This would protect the cooperatives from actions arising from non-compliance issues. Finally, the management must have integrity to run the cooperative operations on behalf of the absentee members who elected them to the board (T4_a). This also relates to the determination of the top management who runs the strategic and/or monitors the daily operations of the cooperatives (T4_b). As a result, management determination influences the level of effort given to attain the desired objective(s).

4.2. Constraint Factors

Table 6 shows the constraints for agricultural cooperative performance as identified from the interviews.

Table 6: Factors that Serve as Barriers to Cooperative Performance

No.	Barriers Dimensions	Informants transcript:	Sub Themes
1.	Intellectual Capital – <i>Human Capital</i>	Informant 1, Coop A: “Some of the board members are too afraid to take risks. I had prepared a working paper, to apply loan from SKM..... They approved about 70 % of the amount. The loan was charged with only 2% interest. We need another 70k. For almost 3 months, we (referring to the board) had been meeting to decide just on this.., but no one support me. Finally, we have to let go the offer”	T5 _a : High risk avoidance among the majority of board members.
	Intellectual Capital – <i>Human Capital</i>	Informant 6, Coop F: “Sometimes the cooperative don't have guts to take risks. To be honest, this (cooperative) belongs to the members. Therefore, sometimes the board members are a bit prudent to decide when it comes to financial matters.....the board members are so worry to	T5 _b : Disagreement and contrasting views among board members in making strategic decisions.

2.	External Force – Industry nature	<p>take the risk because if the investment loss, (they) cannot answered it to members, that's why (they) afraid to take the risk. Meaning to say, we just maintain everything as it is..."</p> <p>Informant 2, Coop B: "...When the smallholders output is at peak, our income is also high and vice versa. It is very uncertain."</p> <p>Informant 2, Coop B: "Currently we are facing problem (in terms) of the basic extraction rate (of the fresh fruit bunch)... last time we managed to get until 20 basic extraction rate, but now, not even achieve 19 (rate of extraction)..."</p> <p>Informant 4, Coop D: "The challenge is the fresh fruit bunch output itself. The industry really depend on the weather... during raining season, the output is high, after that, we did not even manage to get the (ordinary) target, usually we able to get 100 tonne per month, but now we only manage to get 70-80 tonne, meaning to say a bit low..."</p>	T6: Uncertainty of fresh fruit bunch supply and extraction quantity.
3.	External force – Industry structure	<p>Informant 5, Coop E: "Performance barriers... of course from the competitors. Because we are doing business..."</p>	T7: Market competition

The first barrier relates to the risk avoidance of the cooperatives' board of directors. Most of the board members in their respective cooperatives show relatively high levels of risk avoidance (T5_a). Most of the board members prefer to be conservative; they are highly prudent and tend to maintain status quo in running cooperative management. This may be related to the characteristics of the board members. The cooperative memberships consist of the palm oil smallholders themselves. Hence, the selection of board members comes from a pool of candidates with typical social backgrounds. The selected board members are usually the best or the most influential candidates amongst the members' population. Therefore, the candidates may have similar cognitive perspectives and beliefs like other members. This situation inevitably leads to conflicts and disagreements amongst the cooperative board members, because there are few of them who possess a relatively advanced strategic thinking (T5_b). The constraints of T5_a and T5_b actually relate to the social backgrounds of the board members, as verified by the interview responses:

Informant 1:

'Most of the board members are from here (i.e. they stay in that area/village). I am the only one who stays outside (the area/village). My (cooperative) secretary was an ex-postman, and my auditor is an ex-policemen. They have many experiences. The rest (of the board members) are quite good (in terms of their work). It's just that (they) cannot think at a higher level (out-of-the box or critical thinking)'.

Informant 1 has some working experience as a mechanic at the palm oil processing mill. He holds the chairman post for Cooperative A.

Informant 2:

‘Our treasurer was an ex-army. Same goes to our secretary. As for myself, I used to do informal work in the village. I used to teach at a religion school, but just for a while, because my parents did not allow me to be a teacher. They wanted me to look after the farm. As a result, I came back to do the farming work. The other board members are the local people’.

Informant 2 is the chairman of Cooperative B. He has a Malaysia Education Certificate (SPM) and a certificate of religion education from a religious school in Johor.

Informant 3:

‘All the 12 board members are our own members. They are all smallholders. Of course, we are not professionals. This is a rural area. (It is) different from the elite cooperatives. We are just local villagers’.

Informant 5:

‘All of us are FELDA settlers (palm oil smallholders). All of us stay here. We are all the same’.

The majority of the cooperative members are senior citizens aged 50 years and above, which means that board members are also typically part of the elderly population. As a result, they are less motivated to participate in high-risk business activities and are likely to adopt business strategies that are relatively simple and conservative.

Informant 6:

‘Actually (this area) is highly developing. But the problem is, no one here has the ability (skills) to grab the opportunities. Because the board members are quite old, all decisions are constrained by many considerations. None of them have an experience as a contractor. [So] they do not know how to do the project. Thus, we don’t want to take any risk’.

Another constraint that challenges cooperative performance is the uncertainty of incomes due to the inconsistency of FFB produce given that the cooperatives typically generate less income during the low season. Furthermore, stiff competition from private players has affected the cooperatives’ income streams. The private counterparts, known as the fruit dealers, sometimes offer better prices; hence, some cooperative members would rather sell their FFB to these private competitors and/or purchase products or services from them instead of the cooperatives.

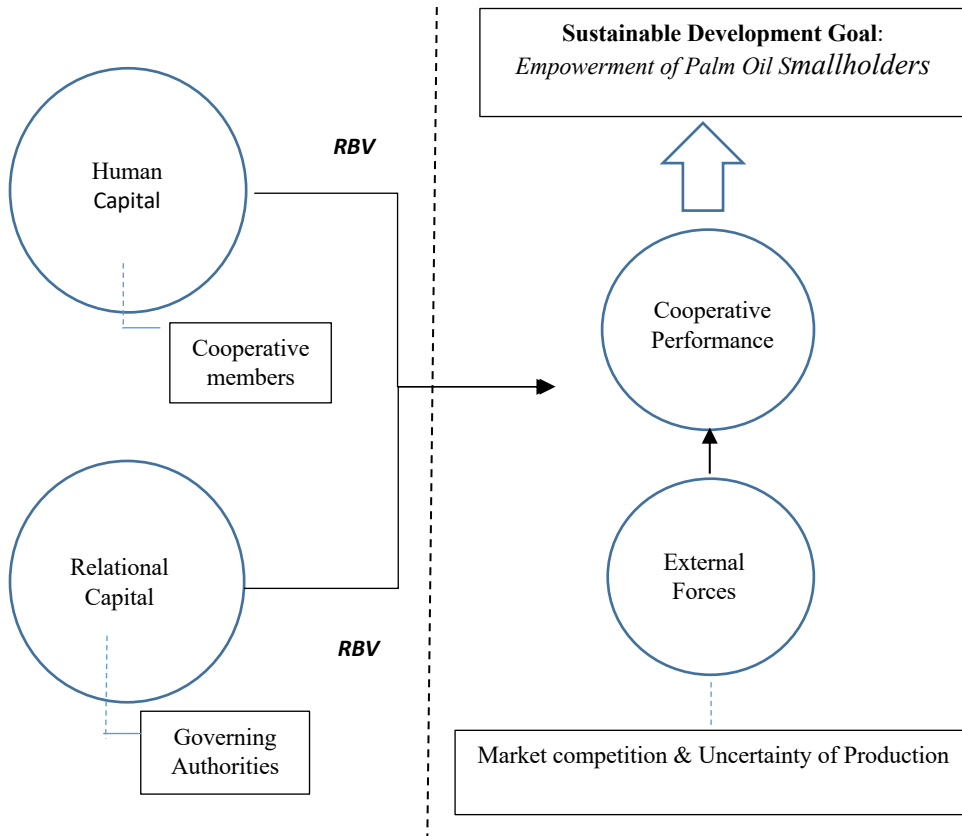
Based on the analysis, we found that the catalyst factors are closely attached to the internal strategic resources, which are members’ support, management commitment and cooperation, management integrity and determination, and good relationship with related constituencies. The factors can further be classified as ‘intellectual capital’, which falls under the element of human capital (sub-themes T1, T2, T4_a and T4_b) and relational capital (sub-theme T3). Meanwhile, the constraint factors come from the board itself, as they inevitably become obstacles to the adoption of more

progressive entrepreneurial business strategies. Moreover, to a certain extent, the board members' characteristics impose limitations on achieving advanced strategic thinking. These hindering factors (sub-themes T5_a and T5_b) actually relate to the capabilities and skills (human capital) of those members who are elected to the board. In addition, the nature of the cooperative entity and members' demographic backgrounds are expected to contribute to the choice of 'slow strategic momentum' by the cooperative board of directors. Most of the members believe that cooperative movements are meant to protect their common interest(s) in their respective areas. Therefore, as long as the cooperatives are able to deliver the basic objective(s), this is considered an achievement. As a result, the board remains complacent towards delivering the status quo and normal performance expectations.

Our exploratory study reiterates the previous findings of Kamal et al. (2012), Wang and Cao (2015) and Scafarto et al. (2016), who stated that intellectual capital (human and relational capital) are able to stimulate or hinder cooperative performance in line with the RBV. From the RBV perspective, organisations' internal resources and capabilities play pivotal roles in achieving competitive advantage in today's market (Wang, 2014; Barney, 1991). As far as our findings are concerned, the human capital within a cooperative context actually refers to the members. These members have different roles within the cooperative context and include owners, investors, board members, employees and clients/customers (Limnios et al., 2018). Therefore, in order to perform successfully within the current development agenda, the quality of cooperatives' human capital must be improved, which means that the members must reach a higher level than the current one. The shift inevitably contributes to a capable board and will lead cooperatives towards greater performance through a series of strategic initiatives.

Furthermore, the agricultural output uncertainty and market competition may potentially affect the profitability of the cooperatives in marketplace. These factors are considered as external forces derived from the nature and structure of the palm oil industry, which prevail within a specific operational environment. As far as external forces are concerned, the role of strategic management is indeed necessary. The idea is in line with previous studies that have indicated a positive relationship between strategic planning and cooperative performance (Mahazril' Aini et al., 2012; Boland et al. 2011; Sushila et al., 2009; Sushila et al., 2010; Pathak & Kumar, 2005). Therefore, the cooperative leadership (referring to cooperatives' board of directors) must formulate effective directions and strategies in order to manage existing external forces.

Figure 1 summarises the fundamental findings of this study. As can be seen, the most important intangible resources that lead towards superior cooperative performance are the human capital and relational capital. These elements fall under the RBV section. More specifically, the most valuable type of human capital that can create competitive advantage for palm oil cooperative performance consists of the cooperative members themselves. This is because cooperative members make up the group of people that play multiple roles within the cooperative supply chain, such as being cooperative customers, vendors, investors and owners. Furthermore, the cooperative board members are also elected from the pool of cooperative members. For all these reasons, we can say that the members are the most precious human capital that can determine the success of the cooperative. This finding adds new insight to the understanding of RBV within the context of smallholder cooperatives.

Figure 1: Summary of New Fundamental Understanding

Cooperative performance is also closely tied to the ability to maintain good relationship with the governing authorities by complying with related laws and regulations. A cooperative is a special kind of entity that is established to fulfil the interest of a group of people through the cooperation principles. Thus, the cooperatives' activities must be executed based on stringent requirements meant to ensure the smooth operation according to the cooperatives principles. Within the Malaysian context, all cooperatives are subjected to the rules and regulations governed by the Malaysian Cooperatives Commission under the administration of Co-Operative Societies Act 1993 (Act 502) and the by-laws of each cooperative. This can be understood from Section 17 of the Malaysian Co-Operative Act (Co-Operative Societies Act 1993, 2006), which states the following:

17(1) The by-laws of a co-operative society shall, when registered, bind the co-operative society and its members to the same extent as if they were signed by each member and contained covenants on the part of each member for himself and for his successor to observe all the provisions of the by-laws.

17(2) The Commission may, at any time, require the by-laws of a cooperative society to contain provisions relating to secrecy or permitted disclosures and

such by-laws shall, subject to subsection (1), bind the co-operative society and its members

17A(1) Any by-laws of a co-operative society which are inconsistent with the provisions of this Act shall be void to the extent of its inconsistency.

Thus, each smallholder cooperative's board of directors acknowledges compliance with the rules and maintaining good reputation with the responsible authorities as amongst the catalysts for good performance.

This exploratory finding proves that RBV is suitable for explaining cooperative performance. Cooperatives must keep track of the latest management perspectives (e.g. RBV), which emphasise the optimisation of internal competitive resources and capabilities as valuable sources that can help generate superior performance. Another threatening factor to cooperative performance comes from the external forces. The external factors consist of market competition and uncertainty of the FFB produce. Nevertheless, the negative impacts of external factors can be mitigated through the implementation of effective strategies by the cooperative management (i.e. management capabilities).

5. CONCLUSION

Performance can be influenced by many factors. On the one hand, the catalyst factors influencing cooperative performance according to the management perspectives consist of member support, internal commitment and cooperation, obeying rules and maintaining a good reputation with the responsible authorities, the integrity of the management team and the management's determination to achieve the desired objective(s). On the other hand, the factors that hinder the good performance of palm oil smallholder cooperatives include high risk avoidance amongst board members, disagreements amongst board members, the uncertainty of FFB produce and market competition. The performance of relevant cooperatives can be described 'in parallel with the conservative perspective of performance', which converges with the traditional beliefs regarding the cooperatives' purposes and functions. The factors that contribute to and/or hinder performance have also emerged in accordance with the nature of the cooperative functions held by members and the majority of the board members.

This study is an exploratory investigation aimed at understanding the behaviours and performance of several agricultural cooperatives established by some palm oil smallholders in Malaysia. Although the findings cannot be generalised to a larger context due to limitation of a qualitative study, this study contributes to the cooperative literature in two ways. Firstly, it explores performance behaviours by examining insights from the pragmatic perspectives of the cooperative board members. Secondly, this study attempts to derive new insights regarding performance factors through an inductive reasoning approach. Most studies on cooperative performance have implemented the deductive approach, which relies on existing theories and factors. Regarding the performance of palm oil smallholder cooperatives, it is equally important to identify new factor(s) within a specific context of cooperative environment. Hence, future studies should consider these findings to examine cooperative performance through a quantitative investigation. Amongst the aspects to be considered is the significance of member support, internal commitment and board

characteristics (in terms of risk acceptance, determination and social background diversity) as potential determinants of cooperative performance.

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