

Developing a Co-Operative Sustainability Model (CSM) in Malaysia: What's driving them?

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This research explores, proposes, and develops a co-operative sustainability business model (CSM) in exploring the sustainability orientation of the Malaysian co-operative industry. Despite numerous studies that have explored sustainability development of businesses from different perspectives, this study provides a new model which can be served as strategic tool for a sustainability strategy. Based on the extant literature coupled with interviews conducted, we developed a comprehensive business model for co-operatives. This study considers five co-operatives emanating from two states in the east coast of Malaysia. The researchers conducted extensive interviews with board members and managers of the five selected co-operatives. Results of the study indicate that five major drivers account for the co-operative's sustainability:- namely, strong members' support, a better support system, effective management, an established business strategy and direction, and good knowledge required of the board members. Eventually, the study proposed a model serving as a guide for all co-operatives in sustaining their businesses.

Key words: *Sustainability, Business model, Co-operatives, Market, Strategic.*

Introduction

With rising global prospects in population and development that are connected with increasing usage of resources and environmental influences, it appears that business entities do not have a direct option for reliable future sustainability. However, there is a need for a holistic and pragmatic approach to combat the various difficulties of future sustainability. Therefore, potential answers to environmental dynamics should be associated with socio-economic change. The 4th industrial revolution period has considered sustainability as one of its major strategic agenda; in particular, sustainability efforts to meet both current and future socio-economic expectations of organisations and the ability to provide competitive advantage in

order to withstand the ever-changing market environment. As stated (Brehmer et al., 2018), sustainable development is a major challenge threatening the new millennium period. Evidence abounds that sustainable development was initially defined in the past three decades as “development that meets the needs of the present without compromising the ability of future generations to meet their own needs” WCED (1987). On the other hand, sustainability has been variously defined by many authors and scholars as various approaches are employed to deal with environment, social-cultural, and economic issues in a unique manner, and to meeting the direct needs of the organisation and indirect stakeholders, customers, and employees (Dyllick and Hockerts, 2002) (Whiteman et al., 2013). Recently, the essence of sustainability is accelerating, and its multi-dimensional nature has further made sustainability more challenging to tackle. (Langer and Schön, 2003).

Nowadays corporate leaders, firm managers, and owner-mangers of enterprises are being challenged to make inputs to sustainable development on economic, organisational, societal, and environmental matters. In today’s competitive market environment, for a business to achieve sustainability, it is largely dependent on a business sustainability model to highlight the logic behind firm value creation and its potential effects. The increasing distress with the modus operandi of current capitalist economies comprising of established organisations and institutions might be one of the major factors that will serve the interest of both scholars and practitioners to call for sustainable business models (Porter and Kramer, 2011) (McPhee, 2014). Specifically, in Malaysia, businesses like co-operatives are required to have a sustainable business model because of their large numbers and in order to guide them in learning and progressing in simple managerial and entrepreneurial strategies as well as strengthening both new and old business ideas (Schaltegger et al., 2012).

Recently, in Malaysia, business entities that are captured under the umbrella of co-operatives are steadily growing and have caught the attention of the government because of their immense contribution to the socio-economic development. These co-operatives have the central goal of growing their members economically and making a frantic effort to meet their socio-cultural aspirations as well as protecting the environment (Nooraslinda et al., 2018) (Whiteman et al., 2013). However, in spite of the growing concerns of the co-operatives’ activities, the issue of sustainability is still lacking (Nooraslinda et al., 2018). Also, limited studies have been conducted on sustainability among Malaysian co-operatives. Hence, this study intends to propose and develop a co-operative sustainability business model (CSM) by extensively reviewing past related literature and conducting interviews with co-operatives board members and managers. The study seeks to address the research question on what are the forces that collectively shape the business sustainability model among co-operatives.

The paper is organised in the following manner. The first section looks into the overview of the research paper on the sustainability issue and its importance. The second section of the paper concentrates on the review of related literature comprising the definition and concept of business sustainability, business model, overview of co-operatives in Malaysia and the co-

operatives' sustainability model. The next section outlines the detailed description of the method employed in undertaking this research. The proposed model together with the study discussion are shown in the subsequent section. While the final section highlights the conclusion of the study and offers suggestions for further study that can be explored by future researchers.

Literature Review

A. Sustainable business model

A business model is a comprehensive framework developed to assist a firm for better understanding in doing business, and it can be used for differentiation, analysis, value proposition, performance assessment, management, communication, and innovation (Osterwalder and Pigneur, 2005) (Rasmussen, 2007). On the other hand, it is argued that a business model provides a comprehensive framework which aids in understanding how established entities achieve sustainability (Massa et al., 2017). The dominant view (e.g. Margretta, (2002) Zotta and Amit, (2010) Beattie and Smith, (2013)) identifies a business model as a total description of how a firm conducts its business and how resources and capabilities are eventually changed into economic value. The argument is that a business model serves as a key to combat the high environmental and socio-economic sustainability problems that have bedevilled the organisational structure (Lüdeke-Freund, 2010) (Stubbs and Cocklin, 2008). Additionally, sustainable business models can be used as a tool that possess the ability to contribute substantially to sustainable development on environment, organisation and society through customer value. Notwithstanding, the role of a business model in relation to innovation (Creswell, 2007) to support sustainability, is increasing in management sciences, opening avenues for researchers and other scholars to develop different models for sustainability in different disciplines. Brocken et al. (2015) in their study into value mapping for sustainable business thinking, developed sustainable business model archetypes explaining how organisations add onto sustainable value. Other similar studies have also been undertaken investigating into the exact opposite, particularly studies that argue on how sustainability is missed and destroyed and studies that fail to incorporate value construct in developing a business model (Yang et al., 2017) (Bohnsack et al., 2014). Nevertheless earlier research has focused on a specific set of factors of a business model internally positioned, while limited investigation so far has been conducted on value transfer from one business model to another business model (Jolink and Niesten, 2015) (Richter, 2013). Indicatively, it should be noted that in developing a sustainable business model it is important to recognise the quality of management because this determines the success of the business model through its capabilities and expertise to effectively utilise the resources in a manner that will deliver a valued proposition to the customers (Yang et al., 2017) (Beltramello et al., 2013). The next section highlights on the definition, importance, and the need for a co-operative's business model.

B. Co-operative business model

Various studies have defined co-operative with their own definition. However, the most common and widely used definition is the one by the ICA in conjunction with USA department of Agriculture (USDA). According to these institutions co-operatives are associations voluntarily joined by individuals with a common interest and aim to pursue their cultural and socio-economic objectives and aspirations. In another development Zeuli et al. (2004) identify the co-operative as a unique model of business with a variety of group activities gearing towards common interest. Classifying the co-operative as a unique business model contributes to the development of the society as a whole. Such developmental benefits could be recognised in the areas of poverty alleviation, income generation, employment generation, and reduction in socio-economic inequalities among people in the society. It is argued that co-operatives serve as a medium through which poverty is reduced by identifying socio-economic opportunities for its members, empowering the vulnerable members and protecting their interest, extending security to the poor and vulnerable by replacing collective risk and doing away with individual specific risk, and finally supporting members to obtain the needed assets to survive (United Nations, 2011). It should be noted that co-operatives offer other essential supporting activities including providing strong resilience to overcome economic disaster. However, Araya et al. (2014) argued that the combine responsibility of promoting the members' value, coupled with sustainable model which is not aligned with short term profitability, has made co-operatives become frail and grim. The ultimate aim of meeting members' pressing needs makes co-operatives more risk-averse entities. However, co-operatives tend to grow sluggishly because they aim at long-term growth promises while neglecting short-term gains. The subsequent section will look at the research method used in the study.

Model Design

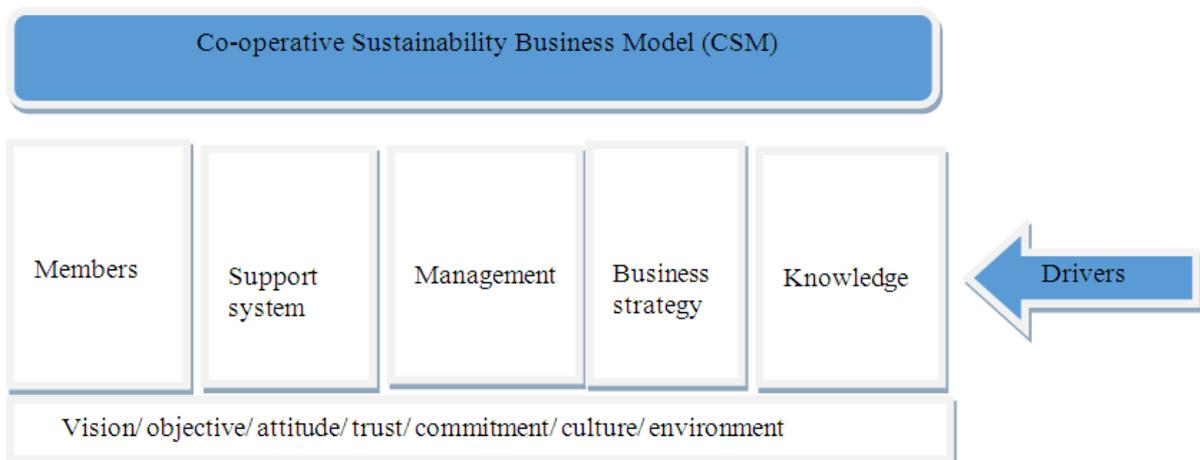
In order to accomplish the objective of the research, to propose and develop a co-operative sustainability business model (CSM), this study utilised a case study-based research approach which is exploratory in nature. This approach is selected because it has the ability to obtain an holistic worldwide view and address "how" and "why" questions on current events (Yin, 2014). The sample frame was the list of 100 top co-operatives in Malaysia reported by Suruhanjaya Koperasi Malaysia (SKM, 2017). Five co-operatives from two states in Malaysia were considered for this study namely Kelantan and Terengganu. To obtain accurate data and a sample representative of the population, the study considered the co-operatives' ranking, function, and year of establishment as the basis for selection. Additionally, the study took into consideration the sales and revenues of the co-operatives selected but not their comprehensive financial statement. Substantial efforts were made to increase the response rate from the selected co-operatives by developing interview protocol relying on the present cultural-change framework. While essential constructs such as organisational leadership, organisational vision, communication, organisational learning, and other important organisational supporting

structures were noted as equally potential factors that can bring change (Burke, 2008) (Daily and Huang, 2001). Co-operatives' members who have been actively participating in the company's operations, major activities, sustainability programme, and transition to sustainability were given semi-structured interview protocol to be filled and completed. This is in tandem with a qualitative research methodology, where interview- conducting during the later session of the interview could be different, as new variable data was introduced (Cohen and Kietzmann, 2014; Creswell, 2007; Zainol et al., 2019; Tyagi and Siddiqui, 2017; Udeh, 2017; Unlukaplan and Canikalp, 2017; Vafa et al., 2018; Valentine and Attamah, 2017; Vlasov and Kiseleva, 2017). In a nutshell, the study explored from the selected cases of co-operatives, the following information under the heading; (a) the way the company was established (b) the formulation of its own sustainable business model (c) barrier to challenges in sustaining the business (d) planning for growth of the business (e) the company effort to sustain and overcome challenges. The next section of the paper outlines the result of the study findings.

Result

This section of the paper highlights and summarises the findings obtained from the interviews conducted. However, with reference to the findings of the study we therefore proposed and developed a conceptual co-operatives' sustainability business model (CSM). Our research based on the selected cases presented suggest five key forces that determine business sustainability of co-operatives. These forces are strong member support, a better support system, effective management, established business strategy, and good knowledge required from the board members. Our study further recognised that the mix of both internal and external factors such as vision, objective, attitude, trust, commitment, culture, and environment, meaningfully complement the main forces of the co-operatives' sustainability business model. Below is the diagram illustrating the proposed co-operative sustainability business model (CSM).

Fig.4.1 The drivers for Co-Operative Sustainability Business Model (CSM)



Discussion

The focus of this study is to propose and develop a co-operative sustainability business model (CSM) to enhance the understanding of co-operative sustainability management. Despite the numerous alternative business-based sustainability models, there seems to be limited awareness in co-operative practice about a business-based sustainability model. The study findings revealed five key forces that determine sustainability among co-operatives which comprise of strong members' support, a better support system, effective management, business strategy, and knowledge of board members. Resilient support from the members generates sustainability of a co-operative as a whole (Nooraslinda et al., 2018). Previous studies have shown that co-operatives flourish when members have in mind of joining to contribute to the sustainability of the co-operative not just to earn dividends (Zeuli et al., 2004) (Araya et al., 2014). Management competency and knowledge of board members of the co-operative play a very important role toward co-operative sustainability. Board members must have knowledge to give clear policy direction while management comes out with good planning, forecast, and making strategic business investment. The higher the competency and knowledge of both management and board members the stronger is the co-operative to be sustained in business. The findings of this present study is consistent with this (e.g. Yang et al. (2017) Beltramello et al., (2013)) and suggest that management competency is important in the determination of the success of the business model sustainability because the management possesses the requisite capabilities, skills, and the expertise needed to acquire and utilise resources in a manner that deliver a value proposition to customers. Business strategy and other support systems can assist co-operatives as a whole in matters regarding income generation instead of focusing on (Wakili et al., 2017) never ending personal loan facilities. Finally, the study revealed that co-operatives thrive well when factors like vision, objective, attitude, culture, commitment, and trust are in existence to support the key drivers of sustainability.

Conclusion

The purpose of this paper is to explore the forces that shaped the co-operatives' sustainability business model (CSM). All in all, this study particularly can provide co-operatives, other business organisations, practitioners, and academics with new insights into business sustainability. Even though co-operatives' performances in Malaysia have shown steady performance, they are still left behind in growth and sustainability. Therefore, co-operatives in Malaysia need a comprehensive model for them to sustain their businesses. This study makes significant contribution to the literature by highlighting the need for a co-operative sustainability model (CSM), it's driving forces and it's importance to the sustainability development concept. Therefore the co-operative sustainability model acts as a guide for the co-operatives' practitioners in Malaysia towards sustaining their business.



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