

UNIVERSITI TEKNOLOGI MARA

**THE RELATIONSHIP BETWEEN SP,
GP AND PERFORMANCE OF THE
OIL PALM COOPERATIVES: THE
MEDIATING ROLES OF
INNOVATIVENESS AND THE
MODERATING ROLES OF EOC**

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ABSTRACT

Cooperatives are regarded as third engine of Malaysia's economic growth. However, the sluggish growth of cooperative sector performance is becoming a growing concern as its revenue only contributed less than 3% of national growth domestic product (GDP). This sluggish growth is a strong indicator that cooperatives have problems with limited financial resources, governance issues, and lack of managerial skills that cannot be solved simply by providing more financial incentives. These problems have encouraged this research to examine the influences of sustainability practices (SP) and governance practices (GP) on cooperative performance. The integrative and holistic framework is developed to examine the second-order constructs of SP comprising economic, social and environmental dimensions, and GP encompassing principles and values, responsibility, management, communication and audit and control dimensions as the predictors that influence cooperative performance. At the same time, innovativeness is conceptualised as the potential mediator for explaining the underlying mechanisms that are required to transmit the effects of SP, and GP on cooperative performance. Furthermore, extension officer competency (EOC) is conceptualised as the individual-level boundary condition that moderates the relationship between innovativeness and cooperative performance because their roles are essential for disseminating current agricultural knowledge and innovations to the cooperative members. Notwithstanding the diverse types of cooperatives globally, this research focuses on oil palm cooperatives because of their pertinent roles for improving social wellbeing and economic prosperity amongst the oil palm independent smallholders (OPISH). Specifically, the palm oil sector is selected because of its substantial contributions as the bedrock of Malaysia's socio-economic and rural development. Thus, all 63 oil palm cooperatives or Sustainable Oil Palm Growers Cooperative (KPSM) were involved in this study, and the respondents who are board members were selected using systematic sampling technique. Based on a survey of 186 board members from 63 oil palm cooperatives nationwide, primary data was collected for data analysis. IBM SPSS 26 and SmartPLS 3.0 software were used to conduct the data analysis. Among the eight tested hypotheses, five were accepted. The results showed that GP emerged as the significant predictor and had the most critical roles towards achieving more excellent cooperative performance. Unfortunately, SP had no significant influence on cooperative performance. However, innovativeness was revealed to serve as the significant mediator between SP and cooperative performance. As the moderator, EOC provides substantive evidence as a catalyst in strengthening the relationship between innovativeness and cooperative performance. Specifically, these results strongly supported the moderated mediation model that SP affected cooperative performance through innovativeness and the mediation relationship was increased with the level of EOC. The theoretical implication of this research is the development of a holistic and valuable framework that can be used to assess SP, GP, innovativeness and EOC for achieving greater cooperative performance. Furthermore, the validation of robust measures encompassing higher-order constructs of SP and GP and other constructs using the stringent PLS-SEM procedures offer a parsimonious and reliable model as a palatable solution for maximising cooperative performance. The practical implication of this research is to guide policymakers for effective decision-making and design comprehensive policies, strategies, and interventions towards building cooperative sector resilience and growth.

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TABLE OF CONTENTS

	Page
CONFIRMATION BY PANEL OF EXAMINERS	ii
AUTHOR'S DECLARATION	iii
ABSTRACT	iv
ACKNOWLEDGEMENT	v
TABLE OF CONTENTS	vi
LIST OF TABLES	xii
LIST OF FIGURES	xiv
LIST OF SYMBOLS	xvi
LIST OF ABBREVIATIONS	xvii
CHAPTER ONE INTRODUCTION	1
1.1 Research Background	1
1.2 Problem Statement	6
1.3 Objectives	11
1.4 Research Questions	11
1.5 Significance of Study	12
1.5.1 Theoretical Perspectives	12
1.5.2 Practical Perspective	16
1.6 Scope of the Study	19
1.7 Definition of Key Terms	20
1.7.1 Smallholders	20
1.7.2 Oil Palm Independent Smallholders (OPISH)	20
1.7.3 Organised Smallholders	20
1.7.4 Cooperative	20
1.7.5 Cooperative Members	20
1.7.6 Cooperative Board Members	21
1.7.7 Cooperative Performance	21
1.7.8 Sustainable Oil Palm Growers Cooperative (KPSM)	21
1.7.9 Oil Palm Cooperative Performance	21

1.7.10 Sustainable Development	21
1.7.11 Business Sustainability	21
1.7.12 Sustainability Practices (SP)	22
1.7.13 Corporate Governance	23
1.7.14 Cooperative Governance	23
1.7.15 Cooperative Governance Practices (GP)	23
1.7.16 Innovativeness	24
1.7.17 Agricultural Extension Service	24
1.7.18 Extension Officer Competency (EOC)	24
1.7.19 TUNAS Officer	25
1.7.20 Oil Palm	25
1.8 Organisation of Thesis	25
 CHAPTER TWO LITERATURE REVIEW	 27
2.1 Introduction	27
2.2 The Concept of Cooperative	27
2.2.1 The Strategic Roles of Cooperatives	28
2.3 The Concept of Business and Cooperative Performance	30
2.3.1 The Concept of Agricultural Cooperative Performance	32
2.3.2 The Concept of Oil Palm Cooperative Performance	34
2.4 The Concept of Business Sustainability	35
2.4.1 The Concept of Sustainability Practices (SP)	39
2.5 The Concept of Governance Practices (GP) in Cooperatives	42
2.6 The Concept of Innovativeness	45
2.7 The Concept of Agricultural Extension Officer Competency (EOC)	47
2.8 The Overview of Previous Literature on Cooperative Movement in Malaysia	51
2.9 The Predictors of Cooperative Performance	54
2.10 The Research Gaps	56
2.10.1 Theoretical Perspective	57
2.10.2 Contextual Perspective	60
2.11 The Rationale for Adopting the Stakeholder Theory and Agency Theory	61
2.12 The Rationale for Adopting Social Cognitive Theory	65
2.13 Conceptual Framework	67
2.14 Development of Hypotheses	69