PERCEIVED BUSINESS SUCCESS OF MALAYSIAN HOUSING CO-OPERATIVES: A CASE STUDY OF KOPERASI TUNAS MUDA SUNGAI ARA BERHAD

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Abstract

According to the list issued by Malaysia Co-operative Societies Commission (MCSC) in 2016, Koperasi Tunas Muda Sungai Ara Berhad was placed ninth among 100 selected best co-operatives in Malaysia. This co-operative is among the leading housing organization in Penang with significant projects throughout the island. Drawing on primary data from an in-depth interview with the Chairman of Koperasi Tunas Muda Sungai Ara Berhad (KTMSAB), this effort reveals the success factors of the co-operative especially in managing its business towards superior performance. Among the emerging success factors given by the interviewee are committed leadership of the directors, collective works between staff and board members together with benefits enhancement for co-operative members, high organizational reputation, good relationships and networking, sound financial and customer retention management and ample landbanks for forthcoming projects. Although the real estate business currently faces many external challenges, this remarkable co-operative is confident of further progress by venturing to other states in Malaysia through joint-ventures. This study is the first of its kind to be conducted on a co-operative in a specific industry in Malaysia using the exploratory approach; the findings must be treated circumspectly and complementary to prior studies.

Keywords: Malaysia; residential developers; housing co-operatives; business success; Koperasi Tunas Muda Sungai Ara Berhad

1.0 INTRODUCTION

Salleh and Bujang (2008) stated that a co-operative is an entity comprising bona-fide members, who voluntarily manage and finance the organization in order to improve members’ living standards. As a mutual-benefit entrepreneurial body, co-operative is usually typified by democratic control, designed by its associated members. They are autonomous unions, owned by a group of people (Mohamad et al., 2013) aspiring to meet economic, social and cultural needs and promote self-reliance and teamwork among members through the execution of business obligation. In Malaysia, several academic commentators (e.g. Adnan et al., 2015; Mohamad et al., 2013; Salleh & Bujang, 2008) categorized the co-operative movement into nine different functions based on the activities carried out by the organization - financing and credit, housing, consumer, transportation, estate, industrial, construction, services and utility.

Generally, the co-operative society has been around since more than 200 years ago, being influential in supplying services that are normally unachievable and inaccessible (Das et al., 2006). As the third largest industry provider, after government and private sector, that contributes to the Malaysian economy, their role and involvement towards economic growth are getting trivial despite more than 10,000 registrants in co-operative movement nationally (Ahmad-Khan et al., 2016). A myriad of problems plagued the management of co-
operative in most countries around the world, with problems of government intervention, negligence and manipulation, lack of awareness among the members, restricted coverage due to its smaller size and inadequate function in terms of business activities have been highlighted by Das et al. (2006) as among the salient challenges that hinder the growth of co-operative enterprise.

The pathetic performance of the co-operative sector in Malaysia has raised some concerns about the correct factors and strategies that must be embraced by the managers to sustain their organizations against all odds and shortcomings. Unfortunately, there are very limited studies that have been conducted to examine the required resources and competencies for the co-operative societies to excel in their business. In essence, this paper focuses on a co-operative enterprise involved in housing development. A research work by Salleh and Bujang (2008) discovers that the co-operative movement encountered three key problems in the development of housing scheme, encompassing financial constraints, weak administration and lack of experience in delivering the housing development.

With the exception of three Malaysian research works (i.e. Adnan et al., 2015; Rahim et al., 1992; Salleh & Bujang, 2008), little research has been done regarding activities of housing co-operatives in Malaysia. While Adnan et al. (2015) discussed current issues and challenges faced by Malaysian housing co-operatives, this work is unique as it focuses specifically on one cooperative in the housing development sector and attempts to unravel its business success factors, and would be relevant with and complementary to Adnan et al. (2015) work. Detailed investigation of Koperasi Tunas Muda Sungai Ara Berhad (KTMSAB) was conducted to examine success factors in pursuing business excellence through numerous resources and capabilities.

The research anchors around a single research premise – that housing co-operatives in Malaysia apply more innovative strategies for success in order to prosper. The main purpose is to understand the characteristics of business success from the perspective of a Malaysian housing co-operative, in this case is KTMSAB. It moves around an overarching question: What are the success factors that influence the performance of Malaysian housing co-operatives? The structure of this article begins with a brief review on the growth of housing co-operatives in Malaysia followed by a succinct section on KTMSAB. The subsequent section clarifies the applied research methodology. Ensuing section successively treats the discussion part within the context of national literature. Finally, the last section concludes with a general discussion followed by suggestions for further research.

2.0 HOUSING CO-OPERATIVES IN MALAYSIA

Historically, it was the British that had established the co-operative movement in Malaysia (used to be known as Malaya prior to its independence in 1957), somewhere around early 1920s (Othman et al., 2014). The Postal and Telecommunication's Cooperative Thrift and Loan Society Limited is believed to be the first co-operative registered on July 21, 1922. A year later, Syarikat Kampong Telok Haji Musa Bekerjasama-sama Dengan Tangggongan Berhad, operated in Parit Buntar, Perak was initiated on December 3, 1923 - being touted as the pioneer co-operative in the rural vicinity. Bidin (2007) subsequently discloses that the existence of cooperative society in Sarawak and Sabah was commenced in 1949 and 1959, respectively. In 1922, the Co-operative Societies Enactment was endorsed by the Federal Legislative Council in order to eradicate poverty and enhance the socio-economy of the rural populace (Ching et al., 2015).

The cooperative movement in Malaysia originally began with activities in credit or agriculture before diversifying into other sort of businesses such as consumer, investment, transportation, property development and construction (Bidin, 2007). In the past, the co-operative society was viewed as a self-help and voluntary association, instrumental to rural populations such as peasants, farmers and fishermen. Ironically, Othman et al. (2014) surmise that the co-operatives in urban areas were dominated by lower-level government servants during the infancy stage. It was during the Fourth Malaysia Plan (1981-1985) that distinguished the
co-operative movement as an engine for economic development. However, only in 2002 that the launch of the National Co-operative Policy has strengthened the basic intention and objective of co-operative motion. Another evident booster occurred when the Department of Co-operative Development was upgraded into a commission called Malaysia Co-operative Societies Commission (MCSC) in 2008.

Meanwhile, in the context of housing co-operative, Salleh and Bujang (2008) presume that the concept was initiated in 1949, after the mass migration of rural inhabitants to the urban areas, which created housing problems among the populace. To solve the predicament, founding the housing co-operative was timely to offer a better alternative by erecting reasonable and affordable homes. For a record, two housing co-operatives were registered in 1949, i.e. Teluk Anson English School Teachers’ Housing Co-operative and the Kuala Lumpur Housing Co-operative and the numbers were increased to 30 in 1957 and 66 in 1967 (Rahim et al., 1992). At that period of time, the growth might be attributed to a greater institutional support from the government especially in terms of fund assistance and land supply (Adnan et al., 2015).

By and large, most of the housing projects developed by Malaysian co-operatives focus on the low- and medium-cost houses. As mentioned by Rahim et al. (1992), the housing co-operatives in Malaysia had contributed 13.7% from the total housing units constructed in the First Malaysia Plan. However, the figure was consistently diminished as only 0.97% was recorded in the Second Malaysia Plan and 0.64% in the Third Malaysia Plan respectively. In the next Malaysia Plans, the trends fluctuated dubiously - still with small percentages though, i.e. Fourth Malaysia Plan (0.90%), Fifth Malaysia Plan (2.43%), Sixth Malaysia Plan (1.72%), Seventh Malaysia Plan (1.57%) and Eighth Malaysia Plan (2.67%). Due to its incoherent variation, the performance of housing co-operatives ceased to be reported since the Ninth Malaysia Plan (Adnan et al., 2015).

In contrast to public-listed companies, Malaysian co-operative enterprises are not obliged to reveal their financial status to the public, but are required to inform the co-operative members (Mohamad et al., 2013). Co-operative membership is opened to all citizens of at least 18 years old (certain co-operative allows 12 years old) while for property-based co-operatives, members should reside or are employed or own land within the stipulated co-operative area (Salleh & Bujang, 2008). Although there is a significant increase of co-operative societies involved in housing development (Adnan et al., 2015), the number of houses built by housing co-operatives in Malaysia is still small. Their significance as housing providers has rapidly declined since the late 1980s, attributed to the organisational structure embedded inside the housing co-operative (Adnan et al., 2015). Currently, not many co-operatives are involved in property development but KTMSAB is a clear exception and has achieved huge success.

2.1 Brief Profile of Koperasi Tunas Muda Sungai Ara Berhad (KTMSAB)

KTMSAB was founded in 1963 by several local leaders with the support from a political party and state government. It was officially registered in 31 December 1966, with the original rationale of protecting residents from being evicted by the then new owner who bought almost all of the lands in that area after the demise of the estate manager. The residents fortunately managed to assemble an amount of RM 2.156 million to redeem the land title, partly with government loan and locally self-accumulated funds. Another challenge arose as the debts were unable to be settled within the stipulated time. By chance, the state government had decided to buy some parts of their landbank for the development of industrial zone and new city - regarded as the turning point for KTMSAB. The purchase of 260 acres of lands by the state authority facilitated the debt settlement and from the transaction, KTMSAB received the remaining sum of RM 806,000 that were prudently used as proceeds and capital to kick-start their venture in property development.

Permanent members consisted of Malay, Chinese and Indian with the current number of 1,334. Membership of the co-operative has been closed since 1970 and KTMSAB is managed by board members with assistance of appointed staff. KTMSAB owns three subsidiaries - Sri Tunas Sdn Bhd, Tunas Harta Sdn Bhd and Sri Tunas Edar Sdn Bhd to facilitate its main
business. Based on the profile compiled annually by the Malaysia Co-operative Societies Commission through the 'Best Malaysia 100 Index Co-operative', KTMSAB remains in the top 10 for the last four years, i.e. fifth (2013), third (2014), seventh (2015) and ninth (2016) correspondingly. As of 31 December 2015, total accumulated fee capital is RM 13,663,655.28 and since 2010, KTMSAB has successfully realised its vision to provide houses for eligible members through the 'One House, One Member' aspiration. Among the notable projects of KTMSAB are Taman Sri Tunas, Taman Tunas Muda and Taman Tunas Damai. Currently, this successful co-operative is led by Datuk Ir. Mansor Musa who also acts as Chairman.

3.0 METHODOLOGY

This study attempts to replicate the technique embraced by Salleh and Bujang (2008) by adopting the case study procedure. However, while Salleh and Bujang (2008) espoused a field survey through questionnaire instruments, this research opted for a qualitative approach through semi-structured interviews and detailed observation of organisational activities that allows the researchers to capture the heterogeneous characteristics of KTMSAB more vividly. This allows flexibility to the researchers to explore different situations using various research strategies. To increase validity and provide clearer description of the case study, multiple sources of reference, involving primary and secondary data that includes internal unpublished documentation, internal brochures, archival records, internet websites, organisation profiles, annual reports, newsletters, newspaper clippings, magazines as well as other sources (published and unpublished materials) were also collected.

KTMSAB was chosen as a case sample because; a) it is the best co-operative in Malaysia under the real estate category; and b) it was placed ninth among top Malaysian co-operatives based on the index issued by the Malaysia Co-operative Societies Commission in 2016. The researchers contacted the representatives of KTMSAB and subsequently, the interview with the Chairman was conducted on November 2014. Wherever possible and necessary, follow-up questions to answers, attempting to unpack the meaning of responses, were employed in the interview which lasted 75 minutes. The first-stage analysis involved transcribing and simplifying the audio-recorded data and field notes. A copy of the transcription was sent to the respondent for validation. The second-stage analysis involved more formal analysis on the activities of KTMSAB. The qualitative data were analysed using directed content analysis, and data/findings was presented and discussed according to each category. The complete case report was sent back to the interviewee to ensure authenticity of the collected data.

4.0 FINDINGS

Despite the drop in rankings since 2013, KTMSAB still remains the Malaysia's top-ranked housing co-operative. From the thorough scrutiny on the secondary data, the co-operative earnings fell from RM158,730,517 in 2015 to RM131,036,897 in 2016. This scenario is common in Malaysia during that period as consumers are adopting wait-and-see attitude due to uncertain global economic condition. On top of that, KTMSAB was also delaying its housing project by only concentrating on the existing ones. Nevertheless, the total co-operative assets continue to grow with a record of RM249,955,091 in 2015 to RM258,959,313 in 2016. This figure may be accredited to the investment activities made by KTMSAB, specifically through land acquisition. Next, the interview addressed the factors that determined a co-operative's success and how management adhered to the co-operative principles in sustaining its housing development business. Based on the conducted case study, seven key success factors of KTMSAB as housing co-operative were identified:

(1) Committed Leadership

As the head of KTMSAB, the Chairman portrayed his assertiveness in deciding the organisational mission. He expounded the following view on growth of subsidiaries, "I think it is not viable for us to further expand our
subsidiaries. I noticed that the staff has inadequate competitive spirit with low productivity, are getting complacent with the environment as they are certain to receive wages by the end of the month. Perhaps, it may look good for us to have a number of subsidiaries, but I think it is just a burden for us". The Chairman proposed a significant solution on that matter - "I have suggested to our Board of Directors to curtail the progress of our subsidiaries although we have our own contracting division, i.e. Sri Tunas Sdn Bhd and trading house, Sri Tunas Edar Sdn Bhd, because I can foresee the inclination to negative effects once we become too dependent on the subsidiaries". Clear assessment of the needs of business efficiency, while maintaining firm 'democracy' is crucial for housing co-operatives to remain competitive. Continuous discussion among board members constitutes one aspect of success.

The designated leader needs to exhibit both strong self-esteem and character, and final decisions must be made with commitment and determination. Having exemplary credentials academically and experience-wise are definite assets - "My employees are aware of my previous post as a former People's Representative in this area. They also respect me based on my qualification and background as a civil engineer and listen to my instructions as I am technically capable". The strength of any housing co-operative is apparently hinged on the leadership skills depicted by the superior. The ability to guide and collectively drive the organisation towards striving for excellence is vital in reifying the socio-economic status of co-operative members.

(2) Collective Works

Housing co-operatives rely heavily on the participation of members, being the ones who support and operate the organisation. Encouraging collective work through co-operative transformation requires a great deal of teamwork between members and employees. Regular meetings, presenting current issues and listening to discussions should be constantly practised by board members in order to exhibit endearing qualities to new personnel and the younger generation. The interviewee shared his hindsight; "...we encourage the spirit of collective decision among board members. Any new suggestions from members should go through the Secretary and will be seriously discussed at Board level". Resolutions must also take into account the recommendation and capability of workers. On the significance of staff involvement, the Chairman reiterated:

"Big decisions should be forwarded to the Board. The voice of the board must be unanimous to gain confidence from the staff. In construction, decisions should be made as fast as possible. Besides that, we also promote the value of teamwork to our staff. Monthly meetings are held to monitor the progress and growth of business".

Co-operative members should thus regularly communicate with appointed personnel to maintain the direction and ensure the success of their organisation. The work environment must be conducive and integrity among board members must be totally untarnished. The interviewee recognised this and the positive aura that may permeate within the working style of his subordinates. Conflicts notwithstanding, successful housing co-operatives characterise members' needs in tandem with the organisation’s purposes through transparent, inclusive governance as well as responsive and responsible administration.

(3) Financial Management

Having strong funding resources signify the organisation's reliability towards projects and clients. From the financial perspective, the interviewee claimed that, "Given our financial status, we have not applied for bank loans, so far, as we have cash in hand. However, we still need to monitor our cash flow wisely. With plans to grow bigger and move outside Penang, we are expecting to apply for bank facilities, as we intend to buy new lands that may warrant the use of bank loans in the future". The Chairman is quick to remind his staff to be prudent in expenses and be financially transparent in all deals. He recalled the failures of other co-operatives - "Based on my personal observation, those incapable of sustaining are always involved in mismanagement especially in cash flow and finance". Precautionary measures such as the provision of back-up capital and projected profit-
loss analysis are emplaced to critically safeguard the business.

(4) Reputation

Reputation and branding are two interwoven elements, normally observed by highly-efficient enterprises. While stiff rivalry among business peers are common in real estate, reputation and branding play significant roles in a sustainable business strategy. The Chairman of KTMSAB reaffirmed - "Despite intense competition, we managed to compete and outshine other industry players due to our influential brand". In relation to its good image, the interviewee highlighted relevant product factors - "Our products are good in quality and relatively reasonable in price. In fact, our reputation is enhanced further, with no abandoned projects recorded". Interestingly, the Chairman revealed that another co-operative, i.e., Koperasi Pasar Melayu Baling Berhad, utilised KTMSAB's name in developing and selling their houses to the public because of KTMSAB’s image and the expected public confidence. Acting as mentor and guardian, KTMSAB reputational quality is validated through cooperation such as this.

(5) Customer Retention

The commitment of KTMSAB in ensuring the best service to its purchasers is clearly captured by the Chairman’s statement - "We have formed a strategic partnership with one credit company to reduce our buyers’ mortgages and loans. The firm will offer direct consultation regarding current circumstances of buyers' financial ability. This is our exclusive approach to track our existing customers. Indirectly, we hope that their relatives or children will buy our properties in the future". Retaining as many customers as possible is a daunting task because it deals with human psychology: the interviewee conceded that - "I acknowledge that it is difficult to deal with human beings. But as a former politician, I found that it assists me a lot since I have experience in human relationship". KTMSAB is also optimistic with its desire in becoming a mortgage consultant for their own buyers in the future. To further maintain on good terms with the purchasers, after-sale services are provided specifically during the defects liability period of 24 months. This innovative strategy is pertinent and finds great traction among their legions of loyal homebuyers.

(6) Relationships and Network

Essentially, good rapport with industry stakeholders guarantees a smoother business journey in housing development. The Chairman of KTMSAB stressed that - "It is impossible to start a project without the consent from local authority. In order to expedite the approval, we must have good connections with the persons-in-charge". Personal connections with bankers, government officials and suppliers are fundamental to facilitate project growth. Housing co-operatives are urged to seek collaboration with fellow industry players in developing their projects. Implementing joint-venturing strategy with scrupulous companies is a smart strategy to minimise development risks. The interviewee mentioned his valuable experience - "Previously, we have partnered with local renowned developers such as Ideal Properties Sdn Bhd, SEAL Incorporated Berhad and Syarikat Nyaman Sdn Bhd to develop high-end residences...for security, we ensure that we are dealing with direct persons of such firms, not via brokers". KTMSAB also encourages mutual trust and ties within the organisation through trust-building and trust-enhancing values, with the relationship among board members transcending beyond the normal bond.

(7) Landbank

Property developers are encountering dwindling supply of land especially in the city centre. The Chairman accepted this fact and conceded that they are currently scouting for new lands outside Penang Island:

"We have bought new parcels outside Penang such as Sungai Petani for 180 acres, Kulim about 60 acres and Port Dickson as well, that cost us about RM 60 million on the whole. Indeed, we are in favour of buying assets for future development and investment. We will certainly continue with this landbanking move to ensure our survivability in property development".
KTMSAB’s strategy to keep replenishing the landbank is fairly appropriate as land appreciates over period of time, ensuring this policy benefits the co-operative as future investment. The recent acquisitions will not only consolidate the organisation, but the Chairman views them as enablers to catapult them to the top of the co-operative chart. He also outlined several elements of the selected parcels, such as neighbourhood characteristics, site accessibility and current status of land title as important factors of locational attributes.

The above description brings several salient issues to the fore, highlighting that irrespective of where housing co-operatives are based, success is potentially realisable if targets are set realistically through flexible and innovative execution, and through intelligent exploitation of resources and competencies, as provided by the set of enabling factors listed above.

5.0 DISCUSSION

Unique to housing development, Jaafar et al. (2014b) contended that the whole spectrum of success factors, whether internal or external, must be considered by residential developers as they are interconnected and instrumental, from the starting process of development planning till the end of defects-free period. Management-wise, co-operative leaders need to translate visions into actions by proactively creating new opportunities for the company. In KTMSAB’s case, Samad and Saleh (2010) conceded that outstanding leadership and management by elected board members from the first generation have provided a strong foundation for tangible progression. Furthermore, co-operative directors require foresight and courage to shift the business paradigm based on sufficient industry knowledge premised on technical, legal, procedural and financial aspects of housing development (Adnan et al., 2015). This resonates with the recommendation of Jaafar et al. (2014b) that distinguishes intelligence as the extra dimension of business success.

While proactive leadership may chart a co-operative’s fortunes, the involvement of fellow members is similarly important. Many researchers (e.g. Ching et al., 2015; Othman et al., 2014) concurred that the success of co-operative movement is contingent upon the strong support from the key members. The members’ welfare must be safeguarded by the administrators. KTMSAB increased benefits-in-kind such as annual incentives, insurance schemes, funeral expenses, funds for natural disasters, scholarships for family members and housing allocations to members over the last two decades, thereby eliciting the reciprocating loyalty, commitment and intimacy. A board of directors is known for its integrity and sensitive to the members’ needs receives the support and trust of both employees and members. Jaafar et al. (2014a) believed that the intrinsic value of integrity should be injected into the organisational structure for better project execution. In particular, active participation of members (Ahmad-Khan et al., 2016; Othman et al., 2014) through cohesive contribution (Ching et al., 2015) is vital for the growth of Malaysian housing co-operatives.

Capital-wise, both finance and landbank are among the principal resources needed by housing developers and critical evaluation of locational market potential is warranted to ensure proper viability. A study by Jaafar et al. (2014b) validated prime location with attractive facilities as being preferred by purchasers. While it is difficult to obtain strategic land in Malaysian major cities, Salleh and Bujang (2008) posited the idea of land alienation with government agencies to facilitate housing co-operatives towards reducing their financial risks. The issue of funding supply in housing development is addressed by a handful of scholars. Co-operatives need to have back-up funds to assist them during hard times as the property industry is exposed to many precarious circumstances (Jaafar et al., 2014b). The management of accounts specifically on the project cash flow must be prudent and thorough. Co-operative enterprises that dabble in housing must be highly vigilant in monitoring financial movements to thwart potential business failures and managerial negligence (Jaafar et al., 2016).

Another significant result concerns the product and service enhancement. Customer relationship management, for example, is the decisive determinant in acquiring buyers’ satisfaction. To compete with larger players,
housing co-operatives should be committed towards offering homebuyers with greater variety of products (Jaafar et al., 2015). Apart from purchasers, housing co-operatives need to set up strong networks with government bodies and professionals in development field that has been identified by many researchers as the main contributor to co-operatives’ success (Ahmad-Khan et al., 2016). Bankers, planners, engineers and architects along with federal and state authorities are among the external stakeholders that play important roles in property development (Jaafar et al., 2014a). The product development of housing co-operatives should therefore move in parallel with the three elements of customer retention, networking and reputation. Mobilising additional resources through branding will attract more customers and improve mutual connection with the buyers (Jaafar et al., 2014b; 2015).

In a nutshell, gauging the success of housing co-operatives requires detailed investigation on their activities and performance. It is perceived that the continuous enlargement of human capital within the co-operative industry would provide favourable and healthy business competition (Bidin, 2007). In a broader context, the enabling environment created by the central government along with constant innovation throughout the managerial and technical aspects of the real estate industry will inherently offer real benefits towards the co-operative members and local communities.

6.0 CONCLUSION

This research may be treated as a preliminary study of Malaysian housing co-operatives premised on their structure and daily activities. Hence, generalisation on the research outcome must be avoided as it entails one case study, considered suitable for academic indication and consumption. Industry-wise, as specified in the official website of KTMSAB, sustainable competitive advantage could be attained through the role amalgamations of co-operative members, board of directors and management that coherently strive to realise the generic vision to become a household name in Malaysia’s property landscape. They need to constantly identify innovative strategies to solve challenges posed by the housing market. In times of current economic uncertainty, it is recommended that all housing co-operatives in Malaysia enlarge their activities by diversifying into other sectors such as tourism, agriculture and retail. They could perhaps participate in downstream industries to yield products with added value in order to offer more returns and dividends for members. It is therefore imperative that future research devote closer attention to measuring business performances from multiple perspectives and facets.

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