

# THE ROLE OF STRATEGIC ENTREPRENEURSHIP IN THE GROWTH OF SUCCESSFUL COOPERATIVES: A CASE STUDY IN MALAYSIA

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**Abstract:** *This paper aims to explore the role of strategic entrepreneurship in the growth of successful cooperatives in Malaysia. Although cooperatives are an important contributor to the country's economy, their contribution to the Gross Domestic Product (GDP) is still low at around 3% despite the presence of more than 16,000 registered cooperatives. This study uses a qualitative approach through the case study method of 12 successful cooperatives in Malaysia identified by the Malaysian Cooperative Commission (SKM). Data was collected through semi-structured interviews and analyzed using NVIVO 12 Plus software. The results of the study found that the implementation of strategic entrepreneurship has a positive impact on the growth of cooperatives. Five main themes were identified: (i) entrepreneurial thinking, (ii) entrepreneurial culture and leadership, (iii) strategic resource management, (iv) application of innovation and creativity, and (v) social value creation. This study also developed a comprehensive model to explain the relationship between the five themes that interact with each other in driving cooperative growth. These findings are expected to serve as a guide for policymakers and cooperative management in strengthening the cooperative growth strategy in Malaysia in a sustainable manner.*

**Keywords:** *Strategic Entrepreneurship, Cooperative Growth, Innovation, Leadership, Social Value, Malaysia.*

## Introduction

Co-operatives play an important role in Malaysia's economic development by contributing to the creation of job opportunities, social well-being, and community development. Although the number of cooperatives in Malaysia increased to 16,284 in 2024 with over 7.3 million members (Malaysian Cooperative Commission, 2024), its contribution to GDP is still around 3%. This situation shows that an increase in the quantity of cooperatives does not necessarily guarantee an improvement in the quality and economic impact of the sector.

According to the International Cooperative Alliance (ICA, 2025) report, weaknesses in governance systems, lack of authoritative leadership, and poor innovation culture are among the main causes of the low growth rate of cooperatives. Therefore, a strategic entrepreneurial approach is seen as an important factor in ensuring that cooperatives are more competitive and sustainable.

This study aims to explore how the implementation of strategic entrepreneurship influences the growth of successful cooperatives in Malaysia. This study also aims to develop a conceptual model to explain the relationship between strategic entrepreneurship factors and cooperative growth achievements.

## Literature Review

### Cooperatives Growth in Malaysia

Cooperatives growth refers to the process of development and improvement that occurs in various aspects of the cooperative organization, including membership, financial resources, operational capabilities, as well as social impact and competitiveness in the market. According to Pan et al. (2024), this growth involves an increase in the number of members, an increase in capital and assets, and an expansion of products and services. Gemina et al. (2021) also stated that the growth of cooperatives reflects progress both quantitatively and qualitatively, making cooperatives more efficient and relevant to the needs of their members. The definition given by the International Alliances Cooperative (2025) emphasizes that a cooperative is a unique business entity because it is owned and managed by its own members, thus influencing its growth and success patterns compared to traditional organizations.

The development of cooperatives in Malaysia over a decade, from 2014 to 2024. Overall, the data show a consistent pattern of improvement that reflects the strength and resilience of cooperatives as a social economic entity. However, the growth of cooperatives in Malaysia is still showing a low rate even though the number of registered cooperatives continues to increase every year. According to the International Cooperative Alliance (ICA) 2025 report, cooperatives in Malaysia only contribute around 3% to the Malaysian economy despite the fact that there are more than 16,000 registered cooperatives with a total turnover of only USD7.34 billion per year. The main constraints of the low growth rate are due to weak governance systems, poor development of business strategy models, incompetent leadership, weak adoption of entrepreneurial culture, and constraints on innovation in business (DaKoM, 2025).

Furthermore, the statistics of cooperatives in Malaysia for 2024 which are divided by field or sector show that there is a significant imbalance between sectors. Although the financial (credit) sector represents only around 6.5% of the total number of registered cooperatives, it accounts for almost 60% of the total annual turnover of cooperatives nationally. On the other hand, other sectors such as agriculture, education, tourism and construction have a much higher number of

cooperatives, but record much lower turnover compared to the financial sector. This situation shows an imbalanced cooperative structure, where the real economic contribution is concentrated in the credit and financial sectors, while other cooperative sectors are still not able to provide an equivalent impact from the country's economic point of view.

The SKM (2022) and DOSM (2022) reports on the cooperative sector have recorded a much lower contribution to GDP compared to the SME sector. The trend of contributions to GDP by cooperatives and SMEs for the last ten years (2012–2021) is illustrated in reports such as Table 1. The contribution of cooperatives and micro, small and medium enterprises (MSMEs) to the Gross Domestic Product (GDP) in Malaysia shows a different growth pattern over the period 2014 to 2024. Referring to the 2.2 trend table of the Contribution of Cooperatives and SMEs to GDP (2014–2024) based on the annual report of the Malaysian Cooperative Commission (SKM) and the Department of Statistics Malaysia (DOSM), cooperatives recorded a modest increase from 2.0% in 2014 to an estimated 3.2% in 2024, despite their total turnover more than doubling from RM35 billion to RM68.18 billion (SKM, 2024; DOSM, 2024). This growth shows that although the number of cooperatives and assets is increasing, their contribution to the country's economy is still not comparable to that of MSMEs. On the other hand, MSMEs remain the main contributor to the country's economy, with a value added of RM385.6 billion in 2014, which increased to RM613.1 billion in 2023 and is targeted to reach 41% of GDP by 2024 (KUSKOP, 2024). This trend reflects the competitiveness and effectiveness of MSMEs in generating direct economic growth. The performance gap between the cooperative sector and MSMEs emphasises the need for improvement strategies in governance, business models and cooperative entrepreneurship so that cooperatives can contribute more significantly to the country's development.

The growth of cooperatives in Malaysia still faces weak governance constraints, including management transparency, operational efficiency and strategic leadership (SKM, 2022). Strategic entrepreneurship plays an important role in addressing these issues by driving structural reforms, strengthening leadership, as well as building values-oriented and innovation-oriented organizational cultures. Through a systematic and impact-focused approach, cooperatives can improve internal efficiency and market competitiveness. Therefore, the implementation of transformational entrepreneurial strategies is needed to ensure that cooperatives become a driver of sustainable community economic development (ICA, 2025; DOSM, 2023). Therefore, looking at the current landscape of cooperative development in Malaysia, a strategic entrepreneurship approach is seen as a critical necessity in driving the growth and competitiveness of cooperatives continuously.

**Table 1: Contribution of Cooperatives and SMEs to GDP (2014–2024)**

| Year | Contribution of Cooperatives to GDP (%) | Cooperative Revenue (RM Billion) | Contribution of MSMEs to GDP (%) | MSMEs Value Added (RM Billion) |
|------|-----------------------------------------|----------------------------------|----------------------------------|--------------------------------|
| 2014 | 2.0 %                                   | 35.0                             | 35.9 %                           | 385.6                          |
| 2015 | 2.2 %                                   | 38.5                             | 36.3 %                           | 405.2                          |
| 2016 | 2.4 %                                   | 42.0                             | 36.6 %                           | 426.1                          |
| 2017 | 2.5 %                                   | 45.3                             | 37.0 %                           | 448.7                          |
| 2018 | 2.6 %                                   | 48.7                             | 37.4 %                           | 472.3                          |
| 2019 | 2.8 %                                   | 52.1                             | 37.8 %                           | 497.0                          |
| 2020 | 2.9 %                                   | 55.4                             | 38.2 %                           | 523.1                          |
| 2021 | 3.0 %                                   | 58.8                             | 38.6 %                           | 548.9                          |

|       |                    |       |                          |                 |
|-------|--------------------|-------|--------------------------|-----------------|
| 2022  | 3.0 %              | 61.2  | 38.6 %                   | 584.1           |
| 2023  | 3.0 %              | 64.6  | 39.1 %                   | 613.1           |
| 2024* | 3.2 % (estimation) | 68.18 | 41.0 % (12th RMK target) | To be announced |

Source: International Cooperative Alliance (ICA) 2025 Report

### Strategic Entrepreneurship

Strategic entrepreneurship is a concept that combines two main areas — strategy and entrepreneurship — to ensure that organizations can adapt to a dynamic environment while creating new value (Ireland et al., 2003). In the context of cooperatives, this approach helps management identify market opportunities and use resources optimally to achieve competitive advantage.

A study by Ziyae and Vagharmousavi (2020) proves that strategic entrepreneurship improves organizational performance through dynamic capabilities. Hariance et al. (2024) emphasized the importance of a strategic approach to achieve sustainable growth. In the context of cooperatives, this approach involves the development of value-based leadership, wise resource management, and a culture of innovation and collaboration (Nor Zeeta et al., 2024).

Some past research has also shown that factors such as governance, product innovation, and active involvement of members are important components in determining the success of cooperatives (Novkovic, 2008; Kusnandar, 2023; Liu & Simon-Moya, 2025). However, most studies focus on management or financial aspects, not on a comprehensive strategic approach. Therefore, this study makes a new contribution through the development of a comprehensive model of cooperative growth based on strategic entrepreneurship.

### Study Methodology

This study used a qualitative approach through case study methods. A total of 12 successful cooperatives in Malaysia were selected using sampling techniques based on the list of Malaysia's Top 100 Cooperatives Index Profile (SKM, 2021). Data was collected through semi-structured interviews with cooperative chairmen and managers who were directly involved in the strategic management of the organization.

The interview process is carried out until the data saturation level is reached. All interview data is recorded, transcribed, and analyzed using the NVIVO 12 Plus software to identify key themes and patterns. The inductive analysis approach is used to construct categories and themes based on an in-depth interpretation of the informant's experiences. The reliability of the studies was ensured through resource triangulation, participant review, and trail audit of each analysis process. Research ethics were also fully adhered to by obtaining written consent from all study participants.

### Study Findings

The data analysis yielded five key themes that reflect the role of strategic entrepreneurship in the growth of successful cooperatives in Malaysia:

#### Entrepreneurial Thinking

Entrepreneurial mindset is the foundation for the success of cooperatives. Informants emphasized the importance of being proactive, opportunity-oriented, and daring to take risks in planning growth strategies. Successful cooperatives demonstrate the ability to identify new

market opportunities such as digital services, agro-innovative products, and community investments (Ireland et al., 2003; Malaysian Cooperative Commission, 2024).

### **Culture and Entrepreneurial Leadership**

An organizational culture that encourages innovation and member engagement has been identified as a key factor in growth. Cooperative leaders play a key role in shaping an inclusive entrepreneurial culture. Studies have found that cooperatives have successful leaders who have vision, integrity, and are able to lead strategic changes (Unang Yunasaf, 2019; Mohamad Suandi, 2019).

### **Strategic Resource Management**

The ability of cooperatives to strategically manage resources distinguishes successful cooperatives from other cooperatives. This includes optimizing assets, human capital, and financial resources. The informant explained that wise resource management allows cooperatives to strengthen operational efficiency and increase market competitiveness (Williams, 2020; Johnson, 2018).

### **Application of Innovation and Creativity**

The application of innovation and creativity is a critical factor that drives the growth of cooperatives. Cooperatives that practice product innovation, digital marketing, and operational automation perform better than traditional cooperatives. Innovation not only increases efficiency, but also expands market reach and increases added value to members (Agbasi & Onoh, 2024; Phayakkha et al., 2024).

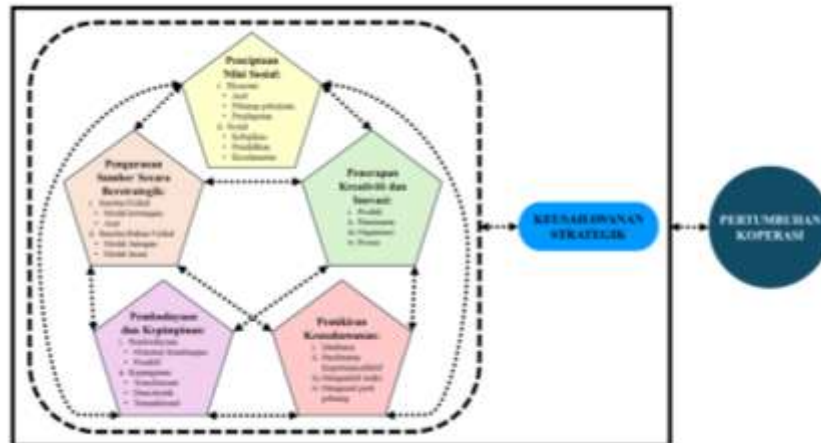
### **Social Value Creation**

Social values emerged as a new theme in the study. It involves the cooperative's commitment to strengthening the well-being of the community through education, welfare, and local community development programmes. The creation of social value forms a bilateral relationship between cooperatives and communities, which in turn strengthens trust and long-term sustainability (Rixon et al., 2025; Agusalim, 2024).

### **Discussion**

The findings of the study show that these five themes interact with each other and work synergistically in driving the growth of cooperatives. Entrepreneurial mindset is the main driver, while entrepreneurial culture and strategic leadership ensure that the vision and mission of the cooperative is successful. Strategic resource management as well as the application of innovation and creativity are the main drivers of operational efficiency. Finally, the creation of social value complements this model by having a direct impact on the community.

The results of this study also prove the suitability of the theory of strategic entrepreneurship by Ireland et al. (2003) in the context of Malaysian cooperatives. This study adds a new dimension of social value, which was rarely emphasized in the original theory. The comprehensive model developed shows that cooperatives need to balance economic and social goals to ensure sustainable growth. Table 1 shows the developed model for the Cooperatives growth in Malaysia.



**Figure 1: The Developed Model for the Cooperatives Growth in Malaysia**

### Conclusions, Implications, Limitations and Recommendations

The study emphasises that the implementation of strategic entrepreneurship is an important element in ensuring that cooperatives remain competitive and sustainable. Five key themes — entrepreneurial thinking, entrepreneurial culture and leadership, strategic resource management, innovation and creativity, and social value creation — are the foundation for the growth of cooperatives in Malaysia.

#### Implications of the study

This study has important implications from two angles, namely practical and academic. In practical terms, these findings can be used by the Ministry of Entrepreneur Development and Cooperatives (KUSKOP) and the Malaysian Cooperative Commission (SKM) to strengthen cooperative development policies. Cooperatives can use this model as a guide in planning growth strategies based on strategic entrepreneurship and social values. Academically, this study enriches the literature by expanding the theory of strategic entrepreneurship through the introduction of social value elements as a new dimension in the context of cooperatives.

#### Limitations of the Study

There are some limitations in this study. First, this study used a qualitative approach involving only 12 selected cooperatives. Therefore, the findings cannot be generalised to all cooperatives in Malaysia. Second, the data obtained depends on the perception of the informant, which may be influenced by the bias of experience or individual interests. Thirdly, this study focused on successful cooperatives only and did not involve low-performing cooperatives for a more balanced comparison.

#### Recommendations

To strengthen the understanding of strategic entrepreneurship in cooperatives, future studies are recommended to use a mixed-method approach involving a larger sample. Quantitative studies can be conducted to confirm the relationship between the dimensions of strategic entrepreneurship and cooperative performance. In addition, longitudinal studies can be conducted to assess the long-term impact of implementing entrepreneurial strategies on the growth of cooperatives. Future research may also examine the role of digital technology, women's leadership in cooperatives, as well as the impact of government policies on the development of innovation-based cooperatives.

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