

**SUSTAINING COMPETITIVE ADVANTAGE OF
KOPERASI KERAJAAN TEMPATAN
TOWARDS THE ECONOMIC GROWTH
AND SOCIAL DEVELOPMENT OF
LOCAL AUTHORITY**

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**ASIA e UNIVERSITY
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ABSTRACT

The abstract for the thesis titled "Sustaining Competitive Advantage of KOSPETA Towards the Economic Growth and Social Development of Local Authority" suffers from several issues that hinder its clarity and conciseness. This revised abstract aims to address these concerns by providing a more focused and informative summary of the research. This study explores strategies and practices employed by KOSPETA to maintain its competitive advantage and their impact on local economic growth and social development. Through a thorough examination of KOSPETA's intricate operations and its interactions with the local community, this research seeks to uncover the key drivers of sustained competitive advantage. The objectives of the study are to identify the best practices adopted by KOSPETA, assess their effectiveness, and analyze their implications for the broader community. To achieve this, a comprehensive analysis of KOSPETA's strategies and practices, including its supply chain management, marketing techniques, and community engagement, was conducted. The findings reveal that KOSPETA's commitment to environmentally sustainable practices and its active involvement in local capacity-building initiatives are instrumental in fostering economic growth and social development. Furthermore, this study recognizes the importance of acknowledging its limitations, particularly in terms of the generalizability of the findings to other contexts and the potential biases in data collection. In conclusion, this research contributes to our understanding of how businesses like KOSPETA can play a pivotal role in local economic growth and social development. It underscores the significance of sustainable and community-oriented business practices in achieving these goals. The implications of this study suggest that other businesses and local authorities can benefit from adopting similar strategies to create a more prosperous and inclusive society.

Keywords: Competitive advantage, KOSPETA, economic growth, social development, sustainability, business practices, community engagement, supply chain management, best practices, local authority

APPROVAL

This is to certify that this thesis conforms to acceptable standards of scholarly presentation and is fully adequate, in quality and scope, for the fulfilment of the requirements for the degree of Doctor of Business Administration

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.....
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DECLARATION

I hereby declare that the thesis submitted in fulfilment of the DBA degree is my own work and that all contributions from any other persons or sources are properly and duly cited. I further declare that the material has not been submitted either in whole or in part, for a degree at this or any other university. In making this declaration, I understand and acknowledge any breaches in this declaration constitute academic misconduct, which may result in my expulsion from the programme and/or exclusion from the award of the degree.

Name: Azih bin Muda

A handwritten signature in black ink, consisting of a series of loops and curves, representing the name Azih bin Muda.

Signature of Candidate:

Date: 18 September 2023

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LIST OF ABBREVIATION

KOSPETA	Koperasi Pihak Berkuasa Tempatan
SKM	Suruhanjaya Koperasi Malaysia
CA	Competitive Advantage
EG	Economic Growth
SD	Social Development
SUS	Sustainability
BP	Business Practices
CE	Community Engagement
SCM	Supply Chain Management
BP	Best Practices
LA	Local Authority

CHAPTER 1

INTRODUCTION

1.0 Research Background

Competitive advantage has long been a central focus of strategic management and business literature, as organizations strive to distinguish themselves in dynamic and competitive markets. In the context of this research, we delve into the specific case of KOSPETA (Koperasi Pihak Berkuasa Tempatan), a cooperative society operating within the local authority.

This thesis aims to explore and analyze how KOSPETA has managed to sustain its competitive advantage and the consequential impact on the economic growth and social development of the local authority it operates within.

1.0.1 Definition of Cooperatives Societies

Cooperative societies, often referred to as cooperatives, are unique business entities characterized by their democratic ownership and control structures. They are formed by individuals who voluntarily come together to address common economic, social, or cultural needs through a jointly owned and democratically controlled enterprise (Birchall, 2018). The cooperative principle of "one member, one vote" ensures that all members, regardless of their investment, have equal influence in decision-making, fostering a sense of inclusivity and shared responsibility (Birchall, 2018; UNESCO, 2001).

Malaysia Co-operative Societies Commission of Malaysia (SKM) is an entity that was incorporated on January 1, 2008. SKM was formerly known as the Co-operative Development Department of Malaysia (JPK). At its inception in July 1922, the department called The Office of The Director of Co-operation serves to form,

register and develop co-operatives under The Co-operative Societies Enactment 1922 [FMS Cap. 97 of 1935] and was assigned to guide and develop the cooperative movement. The first headquarters was located in Taiping, Perak. It then moved to Kuala Lumpur in 1924. The Cooperation Development Department name was then changed to the Department of Co-operative Development (JPK) in the late seventies. Enactment 1922 has been repealed and replaced by the Akta Koperasi 1948 (Revised in 1983). Akta Koperasi 1993 (Act 502) was subsequently enacted to consolidate the law of co-operatives across Malaysia and came into effect on January 22, 1994.

The objectives of Cooperative Societies are to stimulate the strong and stable development of cooperatives and the cooperative sector according to the values and principles of cooperatives to contribute to the achievement of the national socio-economic development objectives. Then, this society encourage co-operative sector to be financially sound, progressive and sustainable. After that, this society continuing with maintaining the confidence in the co-operative movement. Table 1.1 presents the main function of SKM in Malaysia.

Table 1.1: SKM function in Malaysia

No	Functions
1	Promote and maintain the stability of the co-operative sector;
2	Encourage and promote the strong and stable development of co-operatives and the co-operative;
3	Act as trustee and to manage any Islamic financing scheme or credit facility established by the Government of Malaysia for co-operatives;

4	Advise the Minister on all matters relating to co-operatives and the co-operative sector;
5	To carry out any functions under any other written laws as prescribed by the Minister by the notice published in the Gazette;
6	Responsible for monitoring, supervising and regulating the cooperatives and the cooperative sector;
7	Maintain co-operative values and principles;
8	Registering and canceling the registration of co-operatives;
9	Create the conducive environment for cooperatives to conduct their activities.

Source: Malaysia Co-operative Societies Commission of Malaysia (SKM), 2017

SKM Philosophy statement is committed to developing co-operatives through a conducive environment in order for them to be competitive and able to contribute towards national development. SKM facilitates the services delivery system through the dynamic enhancement of work processes as an instrument in the achievement of the co-operatives development policies. SKM workforce is trained and instilled with noble values with career advancement guarantee for them to serve with competence, sincerity, integrity and commitment. Thus, SKM also to ensures that co-operatives are continuously and professionally regulated based on the Acts and Regulations so as to increase the public confidence in co-operatives movement. SKM Vision is base on "A Leader in Co-operative Excellence; and to Established, it as an Effective Contributor Towards National Development".

SKM Mission have three main focus. First, stimulates development of co-operatives so that they become competitive, resilient, progressive and equipped with integrity. Second, increased involvement of co-operatives in various sectors of the economy. Third, human capital with competence and entrepreneurial culture.

1.0.2 Cooperatives Society

Cooperative societies operate across various sectors, including agriculture, finance, housing, and consumer services, among others. They are guided by a set of principles and values, as outlined by the International Cooperative Alliance (ICA), which include voluntary and open membership, democratic member control, member economic participation, autonomy and independence, education, training, and information, cooperation among cooperatives, and concern for the community (ICA, 2021).

Within the spectrum of cooperative societies, KOSPETA stands as a notable example. As a cooperative operating within the local authority, KOSPETA's unique position merits in-depth exploration. It operates within a specific geographic and administrative context, which presents opportunities and challenges distinct from those faced by other types of cooperatives. Understanding how KOSPETA has sustained its competitive advantage within this unique setting is crucial not only for the cooperative itself but also for the local authority and the broader cooperative movement.

In the subsequent sections of this thesis, we will delve into the strategies, practices, and dynamics that have enabled KOSPETA to maintain its competitive advantage, contributing to both the economic growth of the cooperative and the social development of the local authority. This research will employ a comprehensive methodological approach to analyze the intricacies of KOSPETA's operations,

shedding light on its effective practices and their implications for the broader community.

In the context of Malaysia, a Cooperative Society is a legally established entity formed by a group of individuals with shared socio-economic objectives, aimed at collectively enhancing their well-being and addressing common challenges. Rooted in the cooperative principles, Cooperative Societies operate under the provisions of the Cooperative Societies Act 1993, which outlines the framework for their establishment, functioning, and regulation. These societies play a significant role in empowering communities, promoting economic self-sufficiency, and fostering equitable distribution of resources. The concept of Cooperative Societies traces its roots back to the early 20th century when cooperative movements gained momentum worldwide as a response to the adverse effects of industrialization and unequal wealth distribution. In Malaysia, the cooperative movement was formalized during the British colonial period, with the establishment of the first recorded cooperative society in 1922. Since then, the cooperative sector has evolved to become an essential component of the country's socio-economic landscape.

A Cooperative Society is formed by individuals, often referred to as members, who come together voluntarily to address common needs and aspirations. These needs can span various sectors such as agriculture, consumer goods, credit and savings, housing, and services. The fundamental principle of voluntary membership ensures that individuals join willingly and share a common interest in achieving the society's objectives. This principle is deeply ingrained in the cooperative ethos, fostering a sense of ownership and collective responsibility. The Cooperative Societies Act 1993 serves as the legal framework governing the establishment and operation of cooperative societies in Malaysia. This legislation sets out guidelines for the registration,

governance, and management of these societies. It emphasizes democratic control, ensuring that decision-making is carried out through a participatory process where each member has an equal voice, regardless of their level of investment or shareholding. This principle aligns with Malaysia's aspiration to promote inclusivity and equal representation.

In Malaysia, Cooperative Societies operate across various sectors. Agricultural cooperatives help small farmers collectively market their produce and access modern farming techniques. Consumer cooperatives provide affordable goods to members, while credit cooperatives offer financial services and loans at reasonable rates. Housing cooperatives address housing affordability issues, particularly in urban areas. In conclusion, the concept of a Cooperative Society in Malaysia embodies the spirit of collective action, mutual aid, and shared prosperity. Rooted in history and guided by cooperative principles, these societies contribute significantly to community development, economic resilience, and social cohesion. By providing a platform for individuals to unite and address their common needs, Cooperative Societies play a pivotal role in shaping Malaysia's socio-economic landscape.

1.1 Background of the Study

Koperasi Pihak Berkuasa Tempatan (KOSPETA), as an entity, can be discussed in a general context based on common principles and strategies that cooperative societies might employ to sustain competitive advantage in their respective markets. And how a cooperative might work to maintain a competitive edge.

Background of KOSPETA Cooperative, KOSPETA Cooperative is a cooperative society that operates within a specific industry or sector, such as consumer goods, financial services, education, insurance and housing. The cooperative is formed by a group of individuals who share common goals and interests related to their chosen

industry. KOSPETA is built upon the cooperative principles, including voluntary and open membership, democratic control, member economic participation, and concern for the community.

Sustaining Competitive Advantage for a cooperative like KOSPETA involves several strategic initiatives and approaches. Differentiated Value Proposition, in KOSPETA strives to offer a unique value proposition that distinguishes it from competitors. This could include factors such as higher product quality, personalized services, or innovative solutions. By differentiating itself, KOSPETA can attract members who value these unique attributes. Through Collaborative Innovation, as one of the strengths of cooperatives is their ability to pool resources and knowledge. KOSPETA encourages collaboration among its members to foster innovation. By sharing ideas, expertise, and best practices, the cooperative can develop new products, services, or processes that address emerging market trends. Thus, in Member Empowerment, a competitive advantage can be sustained by empowering members within the cooperative. KOSPETA ensures that members have a voice in decision-making processes, allowing them to shape the direction of the cooperative. Empowered members are more likely to contribute actively and bring forth innovative ideas.

Strong Governance and Leadership: KOSPETA establishes a robust governance structure and capable leadership to guide its operations. Effective leadership ensures that the cooperative's strategies are aligned with its mission and objectives, helping to maintain a competitive edge in the market. KOSPETA needs an Efficient Resource Management. KOSPETA need to manage their resources efficiently to remain competitive. KOSPETA focuses on optimizing resource allocation, whether it's financial resources, human capital, or technological assets. Efficient resource

management enables the cooperative to invest in areas that drive growth and sustainability. In the Education and Training, the continuous learning is a key factor in staying competitive. KOSPETA Cooperative offers education and training programs to its members, enhancing their skills and knowledge. Well-informed members are better equipped to adapt to market changes and contribute to the cooperative's success.

Market Research and Adaptation: KOSPETA conducts thorough market research to understand evolving customer needs and preferences. This information informs the cooperative's decisions about product development, pricing strategies, and market positioning. Flexibility and the ability to adapt quickly are crucial in maintaining relevance. Then through Technology Integration of embracing technology can be a significant competitive advantage. KOSPETA leverages technology to streamline operations, improve communication, and enhance customer experiences. This might include online platforms for transactions, data analytics for informed decision-making, and digital marketing to reach a wider audience. Community Engagement, cooperatives are rooted in community values. KOSPETA actively engages with its local community, contributing to social development and fostering goodwill. A positive reputation and strong community ties can set the cooperative apart from competitors. Quality Assurance and Transparency by ensuring quality products or services is a cornerstone of competitive advantage. KOSPETA maintains rigorous quality standards and emphasizes transparency in its operations. Transparent practices build trust among members and customers alike.

In conclusion, sustaining competitive advantage for a cooperative like KOSPETA involves a combination of factors, ranging from offering unique value propositions and fostering innovation to empowering members and efficient resource

management. By embracing these strategies and aligning them with the cooperative's core principles, KOSPETA can position itself as a strong contender in its market, meeting the needs of its members and achieving long-term success.

1.1.1 Sustaining Competitive Advantage

The concept of competitive advantage has been a focal point in the field of strategic management for several decades. At its core, competitive advantage refers to an organization's ability to outperform its rivals in the industry or market it operates in (Porter, 1985). It is often regarded as the Holy Grail of business strategy, as it enables a company not only to survive but to thrive in a highly competitive environment.

Competitive advantage can be categorized into two main types: cost leadership and differentiation. Cost leadership is achieved when an organization can produce goods or services at a lower cost than its competitors, allowing it to offer products at a competitive price while maintaining healthy profit margins (Porter, 1985). On the other hand, differentiation involves offering unique products or services that are valued by customers, allowing a company to command premium prices (Porter, 1985).

Sustaining competitive advantage, as the term suggests, involves the ongoing ability of a firm to maintain its advantageous position over time. This is a significant challenge, as competitors are continually striving to catch up or surpass the leader in the industry. Therefore, strategies for sustaining competitive advantage are of paramount importance.

One widely recognized approach for sustaining competitive advantage is through the development and exploitation of core competencies. Core competencies are the unique capabilities and resources that a company possesses, which set it apart from competitors (Prahalad & Hamel, 1990). These competencies may encompass

technological expertise, innovative processes, brand reputation, or a highly skilled workforce. By continuously investing in and leveraging these core competencies, a firm can create barriers to imitation, making it difficult for competitors to replicate its success.

Moreover, the resource-based view (RBV) of the firm emphasizes the role of valuable, rare, and inimitable resources and capabilities in achieving and sustaining competitive advantage (Barney, 1991). According to this perspective, competitive advantage is not solely derived from external market factors but also from the internal resources and capabilities of a firm. Such resources can include patents, intellectual property, proprietary technology, and organizational knowledge.

Sustaining competitive advantage is not a static endeavor. It requires ongoing strategic adaptation and a deep understanding of changing market conditions. Firms must be vigilant in monitoring competitive forces, customer preferences, and technological advancements to adjust their strategies accordingly (Porter, 1996).

In the context of this thesis, the examination of how KOSPETA sustains its competitive advantage within the local authority is of particular interest. Understanding the specific strategies and practices that allow KOSPETA to maintain its edge in the cooperative sector is essential not only for the cooperative itself but also for the local authority and the broader cooperative movement.

1.1.2 Economics Growth

Economic growth stands as a fundamental pillar of modern societies and has garnered substantial attention from economists, policymakers, and scholars across disciplines. It serves as a measure of a nation's progress and prosperity, reflecting the increase in the production of goods and services within its borders over time. Economic growth is

essential for improving living standards, reducing poverty, and enhancing the overall well-being of a nation's citizens.

The measurement of economic growth is typically expressed in terms of the Gross Domestic Product (GDP), which quantifies the total value of goods and services produced within a country's borders during a specified period (Mankiw, 2014). The pursuit of sustained economic growth is a central goal for most countries, as it enables governments to provide essential public services, invest in infrastructure, and create employment opportunities, all of which contribute to enhancing the quality of life for their citizens.

Economic growth is a multifaceted phenomenon influenced by numerous factors, including investments in physical and human capital, technological advancements, political stability, and institutional quality (Acemoglu & Robinson, 2012; Romer, 1990). It is often portrayed as a virtuous cycle where increased economic activity leads to higher incomes, which, in turn, stimulate consumption and investment, further propelling growth.

The relationship between cooperative societies, such as KOSPETA, and economic growth is particularly intriguing. Cooperatives play a significant role in fostering economic growth at the local level by promoting entrepreneurship, income generation, and community development (Birchall, 2018). Their participatory and member-centric nature aligns well with broader development goals, as they often reinvest profits locally and contribute to sustainable economic development.

Cooperatives contribute to economic growth through various means, including job creation, access to credit and financial services for members, and the efficient utilization of resources (Morduch, 1999). In the context of KOSPETA's operations within the local authority, it is essential to explore how the cooperative's activities and