
Investigating Board of Directors' Perceptions on Corporate Governance Practice in Cooperatives

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Abstract

This study investigated 56 Board of Directors of the Malaysian budget hotel and accommodation cooperatives perceptions on corporate governance practice. They were asked to provide their perceptions regarding nine aspects of cooperatives governance – principles and values, responsibilities and accountability, appointment, management, communication, assessment, information, remuneration and also auditing and control. They were approached through questionnaire survey and were asked to return the questionnaire within three weeks using a stamped-envelope provided. The findings indicated that majority of the Board have positive perceptions regarding the corporate governance practice. This eventually contributes to the management of cooperatives to sustain the economy and community wealth particularly within the tourism and hospitality industry in Malaysia.

Keywords: budget hotel and accommodation, cooperative, corporate governance, Malaysia, tourism and hospitality.

1. Introduction

1.1 Background of the study

Today, cooperatives are considered as important institutions which significantly play a vital role in generating growth in an economy. Cooperative is defined by the International Co-operative Alliance (ICA) as ‘an autonomous association of persons united voluntarily to meet their common economic, social and cultural needs and aspirations through a jointly-owned and democratically controlled enterprise’ (ICA, 2009). As for Malaysia, the government has high confidence and commitment for cooperative movement thus the agenda has been included in many development plans. Further, cooperatives are also expected to become the third crucial engine after the public and privates sector in driving the Malaysian’s economic growth (National Cooperative Policy, 2002). In June 2011, about 110 cooperatives out of 8,606 registered that year have been classified as the big cluster due to the returns received from their businesses reached almost RM5million per year (Utusan Malaysia, 2012).

Several studies have emphasized that the success of cooperatives would depend on the way that cooperative organization structured (Imran, Shahnawaz, Khurram&Sohail, 2009; Salvosa, 2007). Further, the effectiveness of cooperative are found to be significantly depend on the existence of pillars of good governance for instance participation, accountability and transparency (Mahazril, Hafizah&Zuraini, 2012; Othman, Mohamad & Abdullah, 2013). Hence, in order for cooperatives to be sustainable, good corporate governance is vital in terms to prevent fraud and mismanagement, promote sound decision-making, avoid costly fines, create/maintain a positive corporate image, attract and retain financing and investment (Abdul Manap& Tehrani, 2014; Dayanandan, 2013; Shaarani, Arshad, Hassan, Abdullah &Mohd. Roslin, 2013).

It has also been noted that the ability of cooperatives to provide effective and efficient services was credited to the conscious effort to professionalize management (Salvosa, 2007). Additionally, the strengths of cooperatives have also resulted from factors for instance members, share capital, organization, benefits and community involvement (Hashim, Zakaria & Ahmad Fawzi, 2014). Thus, lack of good corporate governance practices in cooperatives has affected the management capacity and experiences which created a mismatch in the competencies of management and staff.

1.2 Problem statement and objective

In the context of Malaysia, cooperative can be defined as ‘a society registered under the Cooperative Societies Act 1993 with the objective is to promote economic interest among its members in accordance with cooperatives principles (Suruhanjaya Koperasi Malaysia, 2009). Good corporate governance provides positive influence and impacts not only on its owners/members but also to the whole community. Similarly, this is practiced by the budget hotels and accommodation cooperatives as to sustain and produce fusion between the economic and social development. Since tourism and hospitality industry in Malaysia also contributes to the country’s economy and plays essential role to sustain the community wealth, the government has expand the roles of budget hotels and accommodation cooperatives within the sectors.

As reported by the Malaysia Co-operative Societies Commission or Suruhanjaya Koperasi Malaysia (SKM), there are at least 30 hotels and accommodation including homestay with more than 1,200 rooms which are owned and managed by the Malaysian cooperatives (Suruhanjaya Koperasi Malaysia, 2012). Among them are; Kuala Lumpur International Hotel, City Park Hotel Kuala Lumpur, City Park Hotel Melaka, 7th Residence Villa Titiwangsa, Damai Villa, Kampung Pelegong Homestay, Jelita Inn Jeli and Eco Camp Mukim Batu Putih.

Few studies have significantly emphasized the roles of Boards of Directors in cooperatives governance within the tourism and hospitality industry (Adams, Hermalin&Weisbach, 2010; Iwasaki, 2008). Further, there have also been few studies on the relationship between tourism growth and financial performance which highlighted the corporate governance performance in determining economic growth (Chen, 2010; Dritsakis, 2004; Proenca&Soukiazis, 2008). However, there has been no study concerning the budget hotel and accommodation cooperatives within the context of Malaysia. Hence, this study focused on investigating the Board of Directors' perceptions on corporate governance practice in the Malaysian budget hotel and accommodation cooperatives.

2. Literature review

According to Othman and Kari (2008), cooperatives in Malaysia are built around the values of self-help, self-responsibility, democracy, equality, equity and solidarity. The cooperative legislation which has been governing cooperative movements is under the Cooperative Act 1948. It had been replaced by the Cooperative Act 1993 after it was reviewed and was found to be an instrument not quite efficient for constitution and control purposes. There have been few studies on the relationship between cooperatives and corporate governance practice (Abdul Manap& Tehrani, 2014; Mahazril, Hafizah&Zuraini, 2012; Nilsson, 1996; Othman, Mohamad & Abdullah, 2013; Shaarani et al., 2013; Salvosa, 2007). Consequently, it shows the importance of corporate governance to be applied in cooperatives even though the development and implementation of good corporate governance practice for cooperatives remains very much in its early stages.

Othman, Mohamad and Abdullah (2013) conducted a study regarding the issue of governance in cooperative movements in Malaysia and found that major problem in cooperatives

are compounded when members have apathy problem and poor networking skills. They also highlighted that the Board play an important role in intergrating the action of the managers hence they are given the responsibility to monitor the management performance. Consequently, the Board must have some basic literacy in finance and comprehension on business strategy in order to manage the cooperatives. In a current study by Abdul Manap and Tehrani (2014), it was suggested that to contribute towards economic and social development, the cooperatives need to be streamlined and overseen by strong and enabling legislation. They further stated that cooperatives need to develop the human resources with information, skills and training as to handle their responsibilities and tasks within the cooperatives management.

Several studies also indicated a negative relationship between board size and firm performance (Haniffa&Hudaib, 2006; Hermalin&Weisbach, 1991; Yermack, 1996). However, in the stream of literature investigating the role of boards in improving firm performance, there is no consensus regarding whether large or small boards are better for firms. Adams and Merhan(2005) and Dalton and Dalton (2005) on the other hand suggested that better performance is associated with large boards. Again, Jensen (1993) and Lipton and Lorsch (1992) argued that if the board size increases beyond a certain threshold, the disadvantages will offset the advantages of having large boards, and in turn, lower firm performance is expected. Additionally, cooperatives have frequently faced weak external competition through subsidized financing from government which has also enabled inefficient managers to survive thus cooperatives need a supportive governance policy framework to be sustainable (Cuevas & Fisher, 2006).

A previous study had found a positive significant influence of the strategic planning on cooperatives' performances. This is supported by a tentative framework developed in study

conducted that having a long term plan for cooperative will influence the performance of cooperatives in Malaysia (Sushila, Nurizah, MohdShahron, Rafedah and Farahaini, 2010). Moreover, the study among the 250 board of directors of cooperatives in Malaysia also revealed that cooperative that has a strategic plan for at least 3 years significantly contribute towards the success of cooperatives. In contrast, strategic planning and participation from the members were not considered as major factors contributing to the cooperatives performance. Mahazril, Hafizah and Zuraini (2012) indicated that these two factors contribute to the success of cooperatives but they did not affect the performance of the cooperatives. Therefore, they suggested that the Board members should be involved in the decision making through effective communication and activities.

3. Research Methodology

A survey questionnaire was used as a major instrument in the study and was distributed to 30 budget hotel and accommodation cooperatives throughout Malaysia via mail. They were identified according to the list provided by the SKM in the handbook of Budget Hotel and Accommodation Cooperatives. The respondents were asked to return the completed questionnaire using the stamped envelope provided within two months. Assuming there should be around six members in the Board of Directors within the 30 cooperatives, the population understudy was 180. However, only 56 Board of Directors returned the completed questionnaires which presented only 31% of the population. Since the study is an exploratory based to understand the phenomenon, the number of respondents is considered reliable to be further study. The data was analyzed for descriptive analysis using Statistical Package for Social Sciences (SPSS).

The first section of the questionnaire asked the respondents to provide their profile backgrounds such as gender, age, qualification, occupation, income per month, number of years as member of the Board, awareness on the corporate governance practice in cooperatives and also awareness of the existence of the guidelines. The next section consisted of 35 items and the respondents were asked to rate the items by indicating 1 = *highly disagree*, 2 = *disagree*, 3 = *no answer*, 4 = *agree* and 5 = *highly agree*. There were nine domains represented corporate governance practice in cooperatives based on the Malaysian cooperatives governance guideline. The Principles and Values domain consisted of three items. Further, the Responsibilities and Accountability domain consisted of six items. The Appointment domain consisted of three items while the Management domain consisted of five managerial items. The Communication domain consisted of three items and the Assessment domain consisted of six items. The Information domain consisted of three items. Additionally, the Remuneration and Auditing and Control domains also consisted of three items each.

4. Findings and Discussion

4.1 Respondents' profile

Table 1 depicts the profiles of respondents. Majority of the respondents were male (73.2%) and the remaining were female (26.8%). As for the age distribution, the findings showed majority of respondents was between 46 to 55 years old (39.3%) and followed by above 56 years old (35.7%). Further, the findings also indicated less number of respondents with age between 25 to 35 years old (14.3%) whilst the remaining were between 36 to 45 years old (10.7%). Further, majority of the respondents were graduated (67.9%), followed by school leavers (19.6%), post-graduated (7.1%) and the remaining had professional qualifications (5.4%). The survey also

asked the respondents regarding their occupation. The findings highlighted that most respondents were public employed (46.4%). Meanwhile 37.5% were private employed and the remaining 16.1% were running their own business.

As for the income per month, the findings of the survey indicated that most respondents received income of below RM14,999 per month (60.7%). It then followed by respondents with income between RM25,000 to RM44,999 per month (16.1%) and also respondents with income between RM45,000 to RM64,999 per month (14.3%). The findings also revealed several respondents with income between RM15,000 to RM24,999 per month (7.1%) and finally a small portion of respondents with income above RM65,000 per month (1.8%). The results further indicated that majority of the respondents had been a member of the Board between 1-3 years (50.0%), followed by respondents being member of the Board for more than 7 years (26.8%) and some had been a member between 4 to 6 years (23.2%).

The respondents were also asked about their awareness on corporate governance practice in the cooperatives. Majority of the respondents did aware on corporate governance practice in the cooperatives (85.7%). The findings however indicated that only a small portion of respondents did not aware of the practice (14.3%). As for the question regarding their awareness of the existence of corporate governance guideline, majority of the respondents did aware of the guideline (82.1%). Additionally, the findings generally indicated that respondents positively perceived corporate governance as good practice in cooperatives with average mean above 3.0. Item '*Policies and practices in rewarding remuneration are implemented through an approach consistent with the culture, objectives, direction and performance of the cooperative*' derived as the most corporate governance practice positively perceived by the respondents. This is followed by item '*Procedure for determining the remuneration package is carried out formally*' whilst

'The Board makes official assessment on the overall effectiveness of the Board' derived as the least corporate governance practice perceived by the respondents.

Table 1: Respondents' Profile

Item	Frequency	Percentage %
<i>Gender:</i>		
Male	41	73.2
Female	15	26.8
<i>Age:</i>		
25 – 35 years old	8	14.3
36 – 45 years old	6	10.7
46 – 55 years old	22	39.3
Above 56 years old	20	35.7
<i>Qualification:</i>		
School level	11	19.6
Graduate	38	67.9
Post-graduate	4	7.1
Professional	3	5.4
<i>Occupation:</i>		
Business	9	16.1
Private employed	21	37.5
Public employed	26	46.4
<i>Income per month:</i>		
Below RM14,999	34	60.7
RM15,000 – RM24,999	4	7.1
RM25,000 – RM44,999	9	16.1
RM45,000 – RM64,999	8	14.3
Above RM65,000	1	1.8
<i>Number of years as member of the Board:</i>		
1 -3 years	28	50.0
4 – 6 years	13	23.2
Above 7 years	15	26.8
<i>Awareness of the cooperative governance practice:</i>		
Aware	48	85.7
Not aware	8	14.3
<i>Awareness of the existence of guidelines:</i>		
Aware	46	82.1
Not aware	10	17.9

4.2 Respondents' perceptions on cooperatives governance

The finding of principles and values of corporate governance practice in cooperatives is presented in Table 2. As can be seen from the table, 76.8% of the respondents agreed that cooperative governance is strong as it is operated transparently. More, the findings of the study also indicated that 70.3% of the respondents perceived that the cooperatives affairs are managed with the principles and values of a cooperative.. The findings of the study also indicated a high portion of 80.3% agreement level among the respondents where most of them highly agreed that cooperative performance is evaluated based on the achievement of the level of member's satisfaction towards quality and service.

Table 2: Respondents' Perceptions on Cooperative Governance in Terms of Principles and Values

No.	Item	Highly disagree %	Disagree %	No answer %	Agree %	Highly agree %
PRINCIPLES & VALUES						
1	Cooperative governance is strong as it is operated transparently.	1.8	5.4	16.1	41.1	35.7
2	Cooperative affairs are managed with the principles and values of a cooperative.	3.6	3.6	12.5	25.7	44.6
3	Cooperative performance is evaluated based on the achievement of the level of member's satisfaction towards quality and service.	1.8	3.6	14.3	35.7	44.6

As for the responsibilities and accountability of the members in cooperatives, the findings found that all six items were positively perceived by the respondents (Table 3). 76.8% of the respondents agreed that members of the Board have appropriate skills in managing the cooperative. Meanwhile, 75.0% of the respondents agreed that members of the Board have appropriate experiences in cooperative. The findings also indicated 80.4% of the respondents agreed that members of the Board are caliber in performing their duties. Further findings also found that 78.5% of the respondents agreed that members of the Board are capable of carrying out their duties. Similarly, 78.5% of the respondents also agreed that members of the Board have integrity in performing their duties. Finally, the findings for this domain highlighted 80.3% of the respondents agreed that members of the Board focus and commit to the cooperative

Table 3: Respondents' Perceptions on Cooperative Governance in Terms of Responsibilities and Accountability

No.	Item	Highly disagree %	Disagree %	No answer %	Agree %	Highly agree %
RESPONSIBILITIES & ACCOUNTABILITY						
1	Members of the Board have appropriate skills.	1.8	8.9	12.5	53.6	23.2
2	Members of the Board have appropriate experiences.	3.6	7.1	14.3	41.1	33.9
3	Members of the Board are caliber in performing their duties.	1.8	7.1	10.7	50.0	30.4
4	Members of the Board are capable of carrying out their duties.	1.8	7.1	7.1	53.6	30.4
5	Members of the Board have integrity in performing their duties.	1.8	8.9	10.7	44.6	33.9

6	Members of the Board focus and commit to the cooperative.	1.8	10.7	7.1	44.6	35.7
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In terms of the appointment practice in cooperatives (Table 4), the findings indicated 85.7% of the respondents agreed that the process of appointment of new members of the Board is formally carried out. Meanwhile, a similar finding also derived where 85.7% of the respondents agreed that the process of appointment of new members of the Board is transparently carried out. Further, a total of 82.1% respondents agreed that the reappointment of members of the Board is set at an interval of at least every three years.

Table 4: Respondents' Perceptions on Cooperative Governance in Terms of Appointment Practice

No.	Item	Highly disagree %	Disagree %	No answer %	Agree %	Highly agree %
APPOINTMENT						
1	The process of appointment of new members is formally carried out.	0.0	3.6	10.7	39.3	46.4
2	The process of appointment of new members is transparently carried out.	0.0	1.8	12.5	32.1	53.6
3	Reappointment of members of the Board is set at an interval of at least every three years.	0.0	1.8	16.1	32.1	50.0

Table 5 depicts the findings of descriptive analysis regarding respondents' perceptions on cooperative governances in terms of the management practice. The findings indicated that a total of 85.8% respondents agreed that cooperative is governed by effective Board. The findings also

indicated that 85.7% of the respondents agreed that cooperative has a clear mission. 83.3% of the respondents agreed that cooperative also has a clear strategy. It was also found that 85.7% of the respondents agreed that cooperative has a clear governance values. Further, 75.0% of the respondents agreed that cooperative divides balanced responsibilities between the members of the Board.

Table 5: Respondents' Perceptions on Cooperative Governance in Terms of Management Practice

No.	Item	Highly disagree %	Disagree %	No answer %	Agree %	Highly agree %
MANAGEMENT						
1	Cooperative is governed by an effective Board.	3.6	7.1	3.6	42.9	42.9
2	Cooperative has a clear mission.	1.8	7.1	5.4	44.6	41.1
3	Cooperative has a clear strategy.	1.8	1.8	12.5	41.1	42.9
4	Cooperative has a clear governance values.	0.0	7.1	7.1	46.4	39.3
5	Cooperative divides balanced responsibilities between the Board members.	1.8	10.7	12.5	39.3	35.7

Table 6 depicts the findings from the analysis regarding the communication practice within the cooperatives. A total of 80.3% respondents agreed that cooperative practices effective communication with members and stakeholders. Additionally, 82.1% of the respondents agreed that cooperative practices open communication with employees and stakeholders. This significantly presented a high portion of agreement among the respondents. Finally, 69.6% of the

respondents were found to be agreed that the cooperative practices open communication with employees and stakeholders.

Table 6: Respondents' Perceptions on Cooperative Governance in Terms of Communication Practice

No.	Item	Highly disagree %	Disagree %	No answer %	Agree %	Highly agree %
COMMUNICATION						
1	Cooperative practices effective communication with members and stakeholders.	0.0	8.9	10.7	48.2	32.1
2	Cooperative practices open communication with employees and stakeholders.	0.0	1.8	16.1	50.0	32.1
3	Cooperative practices effective risk management.	0.0	5.4	25.0	46.4	23.2

The respondents were also asked about the assessment practiced by the cooperative management. Table 7 presents the findings of the survey regarding this matter. 73.2% of the respondents agreed that the Board of cooperative makes official assessment on the overall effectiveness of the Board. Further analysis of the findings also indicated that 73.2% of the respondents agreed that the Board of cooperative makes official assessment on the overall effectiveness of members of the Board. Moreover, 69.6% of the respondents agreed that the Board of cooperative makes official assessment on the overall effectiveness of the Chief Executive Officer. Additionally, the findings indicated 71.4% of the respondents agreed that the Board of cooperative makes continuous assessment on the overall effectiveness of the Board. As for the assessment regarding members, 71.4% of the respondents agreed that the Board of cooperative makes continuous assessment on the overall effectiveness of the members of the

Board. Finally, 73.2% of the respondents agreed that the Board of cooperative also makes continuous assessment on the overall effectiveness of the Chief Executive Officer.

Table 7: Respondents' Perceptions on Cooperative Governance in Terms of Assessment Practice

No.	Item	Highly disagree %	Disagree %	No answer %	Agree %	Highly agree %
ASSESSMENT						
1	The Board makes official assessment on the overall effectiveness of the Board.	0.0	10.7	16.1	51.8	21.4
2	The Board makes official assessment on the overall effectiveness of the members of the Board.	0.0	10.7	16.1	50.0	23.2
3	The Board makes official assessment on the overall effectiveness of the Chief Executive Officer.	1.8	10.7	17.9	46.4	23.2
4	The Board makes continuous assessment on the overall effectiveness of the Board.	1.8	10.7	16.1	51.8	19.6
5	The Board makes continuous assessment on the overall effectiveness of the members of	1.8	10.7	16.1	51.8	19.6

6	the Board. The Board makes continuous assessment on the overall effectiveness of the Chief Executive Officer.	5.4	7.1	14.3	46.4	26.8
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Table 8 depicts the findings of respondents' perceptions on cooperative governance in terms of the information practice. 71.5% of the respondents agreed that the management of cooperative provides complete information to Board during the meeting from time to time. Additionally, 75.0% of the respondents also agreed that the management of cooperative provides accurate information to Board during the meeting from time to time. Further findings indicated 76.7% of the respondents agreed that the management of cooperative also provides up-to-date information to the Board during the meeting from time to time.

Table 8: Respondents' Perceptions on Cooperative Governance in Terms of Information Practice

No.	Item	Highly disagree %	Disagree %	No answer %	Agree %	Highly agree %
INFORMATION						
1	The management provides complete information to the Board during the meeting.	1.8	7.1	19.6	41.1	30.4
2	The management provides accurate information to the Board during the meeting.	1.8	8.9	14.3	41.1	33.9
3	The management provides up-to-	0.0	10.7	12.5	44.6	32.1

date information
to the Board
during the
meeting.

Further, Table 9 presents the findings of respondents' perceptions on the remuneration provided by the cooperatives. It is depicted that 71.4% of the respondents agreed that the procedure for determining the remuneration package in cooperative is formally carried out. More, the findings also indicated 73.2% of the respondents agreed that the remuneration package in cooperative is transparently carried out. Similarly, the findings on the remuneration also indicated that 73.2% of the respondents agreed that the policies and practices in rewarding remuneration are implemented through an approach consistent with the culture, objectives, directions and performance of the cooperatives.

Table 9: Respondents' Perceptions on Cooperative Governance in Terms of Remuneration

No.	Item	Highly disagree %	Disagree %	No answer %	Agree %	Highly agree %
REMUNERATION						
1	Procedure for determining the remuneration package is formally carried out.	0.0	8.9	17.9	39.3	32.1
2	Procedure for determining the remuneration package is transparently carried out.	0.0	8.9	17.9	35.7	37.5
3	Policies and practices in rewarding remuneration are implemented	0.0	3.6	21.4	41.1	32.1

through an approach consistent with the culture, objectives, direction and performance.

Finally, the study presents the findings regarding the auditing and control process in the cooperatives (Table 10). A total of 66.1% respondents found that the cooperative always avoid a situation of conflict interest. The findings of the study also indicated that 71.4% of the respondents agreed that cooperative implements robust auditing requirements. A high portion of respondents with 75.0% agreed that cooperative maintains an objective and professional relationship among auditors, members of the Board and professional relationship among auditors, members of the Board and the management.

Table 10: Respondents' Perceptions on Cooperative Governance in Terms of Auditing and Control

No.	Item	Highly disagree %	Disagree %	No answer %	Agree %	Highly agree %
AUDITING & CONTROL						
1	Cooperative always avoid a situation of conflict of interest.	0.0	10.7	23.2	41.1	25.0
2	Cooperative implements robust auditing requirements.	0.0	7.1	21.4	41.1	30.4
3	Cooperative maintains an objective and professional	0.0	5.4	19.6	48.2	26.8

relationship
among
auditors,
members of
the Board
and the
management.

5. Discussion and Conclusions

5.1 Discussion

The study eventually contributes towards the importance of practicing corporate governance in the budget hotel and accommodation cooperatives. Majority of the Board did aware of the corporate governance practice and the existing guidelines of corporate governance in cooperatives. This shows that the Board of Directors probably concern in managing cooperatives ethically. Additionally, they also highlight that the policies and practices of corporate governance are in line with the cooperatives objectives and culture. This practice is seen by the Board of Directors as a vital corporate governance practice in the Malaysian budget hotel and accommodation cooperatives. The finding is consistent to Salvosa (2007), Nilsson (1996) and Shaaraniet *al.* (2013) where they indicate that the success of cooperatives would depend on the way the cooperatives organizations are structured. Eventually, having policies and practices documented would assist the Board of Directors to manage the cooperatives according to the cooperatives' objectives and culture. Hence this significantly indicates that corporate governance is vital in managing cooperatives and should be given serious attention by the government as to sustain community wealth particularly within the tourism and hospitality industry.

Specifically, the findings support previous studies by Jensen (1993), Lipton and Lorsch (1992) and Mahazril, Hafizah and Zuraini (2012) regarding the relationships between corporate governance and the Board participation. The Board of Directors have positive views on the procedure of determining the remuneration and assessment of the CEO, members and also the Board which they believe have been effectively carried out. This is in contrast with previous study which emphasized that a number of intimately related decision problems are commonly found in cooperative organizations, such as the monitoring problem, the follow-up problem, the influence cost problem, the decision problem, incentive problems such as membership body, the amount of financial contribution from members, the degree of contingency between members goals and cooperative goals, as well as the degree of members' involvement with their cooperative (Nilsson, 2001).

Generally, the findings indicate that the nine aspects of corporate governance practice have significantly being implemented in the Malaysian budget hotel and accommodation cooperatives. The practices include managing the cooperatives by the Board such as having a clear mission, strategy and value; the process of members' appointment which are carried out formally and transparently; responsibilities and accountability of the Board and members which generally concerns on having appropriate skills, experiences, capability, integrity and commitment. Additionally, the practices also include information provided by the Board; assessment of the Board, member of the Board and Chief Executive Officers; procedure in determining the remuneration package; implementation of the auditing and controlling requirements; having effective communication practice among members; and finally having strong principles and values which are transformed into the members' satisfaction.

5.2 Conclusions

Cooperatives movement in the Malaysian budget hotel and accommodation have played significant economic and social role particularly in gaining the community wealth. Using the nine aspects of corporate governance practice specified in the cooperatives guideline eventually assist the Board in managing the cooperative particularly in the budget hotel and accommodation. Further, it also provides a general description on cooperatives as suggested by Tchami (2007) as the social enterprises that are formed and owned by a group of individuals for the purpose of improving their standard of living, and the underlying philosophy of cooperatives is essentially service and the well-being of members. By having these practices as guideline in cooperatives would probably solve the issues and challenges which previously contributed to the inefficient performance of cooperatives in Malaysia such as lack of capital, weak governance structure, absence of good governance, lack of managerial talent, lack of integrity among the management and the members in some cooperatives (Mohamad, Othman & Mohamed, 2013). The study has highlighted the importance of governance in cooperative particularly in the budget hotel and accommodation which could lead to effective management by the Board of Directors.

Acknowledgement

This study is sponsored under the University Grant, UUM.

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