



Social Entrepreneurship Model for Co-operative (Co-op) in Malaysia: A Case of KoMajuJaya Berhad

Fakhrul Anwar Zainol¹, Wan Norhayate Wan Daud¹, Zulhamri Abdullah² & Mohd Rafi Yaacob³

¹Faculty of Business Management and Accountancy, Universiti Sultan Zainal Abidin (UniSZA), Gong Badak Campus, 21300 Kuala Terengganu, Terengganu, Malaysia.

²Faculty of Modern Language and Communication, Universiti Putra Malaysia (UPM), 43400 UPM Serdang Selangor, Malaysia.

³Faculty of Entrepreneurship and Business, Universiti Malaysia Kelantan (UMK) 16100 Kota Bharu, Kelantan, Malaysia.

Abstract

This case study explore how social entrepreneurship model for Co-operative can be implemented on the context of eradicating urban poverty in Malaysia. This study begins with the introduction of brief background of KoMajuJaya Berhad (KoMajuJaya). A details of KoMajuJaya's organization structure, vision, mission and its functions are described thoroughly. The study documents the operational characteristics and environment of the social entrepreneurship of KoMajuJaya. We measure three key characters of social entrepreneurship – innovation, proactiveness, and risk taking on the current practice of organization. We found that KoMajuJaya is being proactively in achieving their mission. Specifically, KoMajuJaya can be considered as innovation, proactiveness and risk taking in being efficient financially. The organization focuses on elevating their members' socio-economic living standard through shares and other profitable investments. This study implies that social entrepreneurship model can be effectively practiced in the co-operative setting which may leverage the networks in a moderate competitive business environment.

Keywords: Social entrepreneurship, urban poverty, co-operative, case study.

INTRODUCTION

“Great companies think as a social institution emphasizing on a social and institutional logic rather than a traditional sole purpose of business is to make money” – Kanter (2011)

KoMajuJaya was founded by the earlier corporation's board members who consist of citizen from Ampang Jaya, Selangor, Malaysia since 1977. They were 50 citizens from Ampang Jaya who discussed and agreed to form the corporation. After forming a committee for the corporation, an establishment general meeting was conducted and KoMajuJaya was registered and fully operated. To date, KoMajuJaya has around 250 registered members. The membership in KoMajuJaya consist of people who work or live or owning a land in the state of Selangor, Malaysia except Sabak Bernam.

The corporation main vision is to to enhance the socio economic level of all members through benefits from various activities of the corporation. KoMajuJaya also runs on the principle of cooperating with other corporation. Therefore their programs are conducted by collaborating with other corporations and their activities are conducted all over Malaysia.

KoMajuJaya is known for its specialty in housing and development. After their stagnant condition in 1977, it progressed drastically after the completion of KoMajuJaya condominium with a height of 16 floors and 185 units in 1993. Therefore the main help that the corporation provide is through assisting their members by providing a lower price on housing units for their members. Another way of the ways of helping their members is by providing their members with share bonus. To date they have provided their members with share bonus twice.

The Management of the Social Entrepreneurship Organization

The corporation has 12 chairmen board members and each of them are assigned for different portfolios. The administrative sections of the corporation consist of general manager, secretary and accounting department. The other staffs are divided based on their own project and each of the projects is monitored under different portfolios. The portfolios are construction portfolio, agricultural and agri-business portfolio, trading portfolio and training portfolio. In each of the portfolio there will be sub-committee which will consist of chairman, secretary, assistant secretary and treasurer. The rest of the members will be the driving force of the corporation. Currently, the key manager of KoMajuJaya is Encik Hassan Hussin. He was once with a leading Staff Corporation for 10 years before joining KoMajuJaya in April 1994. Currently he manages the administrative works in the organization.

As KoMajuJaya has a principle of collaborating with others, the corporation is doing so by utilizing their housing and development skill. The corporation has been collaborating to develop other corporation land and building. The organizations that have been collaborating with KoMajuJaya are Koperasi Keluarga Bani Hashim, Koperasi BELDA and many others.

Apart from that KoMajuJaya also provide members' children who excel in education with excellence award. The corporation keeps progressing and now they are obtaining approval to take over several convenience shops. Through the shop, the corporation would provide cheaper price and credit facilities for its members. Another recent plan of the corporation is to venture into agricultural field. KoMajuJaya now has sugar cane plantation in Kuala Selangor, palm

plantation and also goat rearing farm. As the corporation moves forward it is now in the process of doing Ar-Rahnu (Islamic mortgage system) for the benefit of the members. All of the activities conducted and planned by the corporation focused solely on enhancing their members' socioeconomic level. The housing, convenience store, Ar-Rahnu and agriculture programs are all giving chance to the members to progress in their life so that they can get away from the poverty line.

KoMajuJaya obtained their funding from two sources, internal and external source. The internal source is from their members' share. The minimum share was RM100 ringgit. Now it has increase to RM1,000 ringgit per share. To date KoMajuJaya has obtained RM50 million ringgit of capital from their members. The external funds come from banks and soft loans from Malaysian Commission Of Corporation. The maximum amount of loan the corporation can apply is RM10 million. The expense for KoMajuJaya is spread to each of the portfolio. Each portfolio has different expenses. Just like any other corporation the expenses must be proposed and approved by the board members. In KoMajuJaya's case, the approval must come from all 250 members of the corporation. This is because the incomes come from the members and the corporation cannot spend it hastily without the members' consent.

Identification Of Relevant Indicators/Descriptors Of The Social Entrepreneurship Organization Effectiveness

This organization can be characterized based on the descriptors below:

- **Innovation:** KoMajuJaya has managed to come as the leading corporation in housing development. There have been no corporation in existence in Malaysia that build their own condominium. They also progressed very fast by venturing into different field such as agriculture and business. The palm plantation and conveniences are among the activities that reflect how they ventured to new field for the benefit of their members.
- **Proactiveness:** Their type of activities keep progressing as time passed. KoMajuJaya keep trying to open up new opportunity for their members to invest in the corporation. They keep offering their members with new investment so that their member can invest well and get the profit from it. The profit that will later help their members to escape the poverty line.
- **Risk taking:** The risk that the organization faced is the declining commitment from the members. Some of the members are unable to pay lump sum for the shares and some of them want to get their money out of the corporation. This will make the corporation lose its capital. Without the capital, the corporation will be unable to use it as a tool to enhance the share bonus of the members.

This social entrepreneurship organization can be considered effective. Some of the criteria that determine the organization's effectiveness are:

- **Innovation in achieving mission:** KoMajuJaya specialized in housing and construction field. Therefore it has become a pioneer in conducting projects that assist their members through housing by building condominium and other building. It has become the NGO that provide privileges by giving special price for the members in term of buying real estate.
- **Proactiveness in achieving mission:** KoMajuJaya has shown its proactiveness by progressing further in conducting activities or project that suits their members' needs. The corporation is doing so by venturing into field that is unrelated to their specialty which are agriculture, retail business and mortgage business. This shows that KoMajuJaya is being proactively effective in achieving their mission.
- **Risk taking in achieving mission:** The corporation has been restricting their membership only to the people who lives in Selangor with the exception of Sabak Bernam. Therefore, KoMajuJaya is facing less risk to fulfil their mission effectively as their members is smaller in numbers. The members are so committed that even though they are only 250 of them, they can obtain high amount of capital.
- **Proactiveness in being efficient financially:** In managing their finance, the corporation is adhering to the Corporation Act. The act stated that if the budgets exceed 5% of the presented budget, the corporation has to present the proposed budget again. This reflects how the corporation is being proactive to be financially efficient.
- **Risk taking in being efficient financially:** The corporation constantly conducting meeting and discussion whenever they think their finance is not well managed. They do not take risk to have overspending in the corporation. Whenever the situation happens, instantaneous action will be taken to prevent it from repeating in the future so that the member will trust the corporation and keep investing with them.

Identification Of Social Entrepreneurship Model In Overcoming Urban Poverty That Currently Being Practiced In Malaysia

According to Zook and Allen (2011), a differentiation strategy is vital for entrepreneurs to gain competitive advantages. Specifically, great business model must be focused on how to create different products or services to attract target customers in a highly competitive business environment. The better entrepreneurs understand the source of differentiation, the greater entrepreneurs generate the sustained growth (Zook and Allen, 2011). Importantly, Sinfield, et. al, (2012) are concerned with how to build the organizational competency in business model innovation which is aligned with their target customers' needs.

For this corporation, their main focus is to elevate their members' socio economic living standard through shares and other investment. Generally they are trying to do so by providing their members with various opportunities to invest in the corporation through many fields. In the early years their focus was mainly on the housing and building, only in these recent years they have ventured into different field to suits their members' need.

However, there are no major model mentioned utilized by the corporation. Overall, KoMajuJaya has been progressing in accordance to the current need of their members and the main focus will always be to elevate their members' socio economic living standard. They have proven to be effective based on the increasing numbers of capitals provided by their committed members.

KoMajuJaya as the name suggests the corporation has been assisting the members of corporation well. It has become one of the pioneering organizations in elevating its members' socio economic standard of living through housing and building development. Their ability to further venture into totally different field proves that the corporation runs effectively for the past 37 years. It can continue to be so if it continues to operate the same way it does today.

The effectiveness of this organization lies on the passion of the KoMajuJaya members to willingly provide capital for the corporation to run and invest in their projects. Their trust to the corporation's clarity in managing the capital has made it possible for the corporation to progress and venturing into more fruitful investment. Convenience stores, Ar-Rahnu and palm oil plantation are among the few newly ventured project that are predicted to be profitable for the members. The selection of the projects to be implemented reflect that the corporation do not want to have profit for themselves but they also look forward to help their members well.

Therefore, by having such exemplary social corporation Malaysia can look forward to the elevation of socio economic standard of living among KoMajuJaya's members. There will be members who are good in managing their income by investing in the right channel. This investment would impact not only the members' standard of living but also the economic boost to the nation at the same time. As stated by Battilana, et al., (2009: 67), "an institutional entrepreneur acts as a change agent to initiate divergent changes, that is, changes that break the institutional status quo in the field of activity there by possibly contribute to transforming existing institutions or creating new ones".

CONCLUSION

The study attempts to explore how social entrepreneurship model for Co-operative can be implemented on the context of eradicating urban poverty in Malaysia. KoMajuJaya is purposefully chosen as an organization in this study. The outcomes of this study will be useful to social entrepreneur organization to help those who live below the line of poverty to enhance their income and upgrade their entrepreneurship strategies in particular for those who involved in co-operatives movement.

REFERENCES

- Battilana, J., Leca, B. and Boxenbaum, E., (2009). How Actors Change Institutions: Towards a Theory of Institutional Entrepreneurship. *The Academy of Management Annals*, 3, (1), 65-107.
- Freeman, J. and Engel, J.S., (2007). Models of Innovation: Start-ups and Mature Corporations. *California Management Review*; 50, (1), 94-119.
- Hall, J.K., Daneke, G.A., and Lenox, M.J., (2010). Sustainable Development and Entrepreneurship: Past Contributions ad Future Directions. *Journal of Business Venturing*. 25, 439-448.
- Kanter, R.M., (2011). How great companies think differently. *Harvard Business Review* 89, (11), 66-78.
- Sinfield, J. V., Calder, E., McConnell, B., & Colson, S. (2012). How to identify new business models. *MIT Sloan. Management Review*, 53 (2), 85-90.
- Zook, C. & Allen, J. (2011), "The Great Repeatable Business Model", *Harvard Business Review*, 89, (9), p107-114.