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HUMAN CAPITAL AND LEADERSHIP AS DRIVERS OF COOPERATIVE PERFORMANCE: A CONCEPTUAL

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Abstract:

This conceptual paper develops a cross-context framework explaining how human capital influences cooperative performance, with leadership acting as a moderating factor across diverse cooperative environments. Anchored in the Human Capital Theory (HCT) and the Resource-Based View (RBV) theory, the paper conceptualises knowledge, skills, and experience as strategic resources that enhance cooperatives' financial, social, and governance outcomes. Drawing on evidence from Malaysia and comparative insights from Vietnam, Ethiopia, and other international settings, the model proposes that leadership, particularly transformational, participative, and servant styles, serves as a dynamic capability that activates and aligns human capital for sustainable performance. The framework advances theoretical understanding by positioning leadership as an orchestration mechanism within RBV,

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transforming HC into sustained cooperative advantage. Practically, it guides policymakers and cooperative boards to strengthen leadership development, digital readiness, and knowledge-sharing ecosystems. Socially, it underscores cooperatives' role in promoting inclusive growth, community resilience, and sustainable livelihoods, aligning with global Sustainable Development Goals (SDGs).

Keywords:

Cooperative Performance, Human Capital, Leadership, RBV

Introduction

The cooperative sector plays a critical role in socio-economic development by combining economic, social and governance objectives to serve members and communities (Bhuyan & Karantininis, 2023). Despite this importance, many cooperatives still struggle to achieve consistent high performance, owing to structural, governance and capability constraints. Recent literature emphasizes that intangible resources, particularly human capital, are increasingly important for organizations to adapt and thrive in turbulent environments. For instance, one systematic review concludes that "almost unanimous support" exists for a positive correlation between human capital and firm performance, albeit with significant contingency conditions (Giamos & Stroehle, 2024). Nevertheless, scholarship specific to cooperatives remains limited, especially regarding how human capital generates performance under collective governance and leadership conditions.

Basically, human capital refers to the collective knowledge, skills, experience and capabilities of an organization's workforce and its leadership teams. From a resource-based view (RBV) perspective, human capital is conceptualized as a valuable, rare, inimitable and non-substitutable (VRIN) resource capable of driving sustainable advantage (Gerhart & Feng, 2021). In the cooperative context, this theoretical lens has been extended to emphasize how member skills, managerial competencies and organizational learning routines can become differentiators (Liu & McCarthy, 2024). Importantly, the 2024 review by Giamos & Stroehle (2024) found that HC's effect on performance is often contingent on organizational attributes and strategy, suggesting that simply possessing human capital may not guarantee performance benefits unless contextualised and activated effectively.

A further set of issues emerging from contemporary cooperative research concerns structural, institutional, and capability barriers that restrict the effective activation of human capital. One persistent challenge is the misalignment between member expectations and managerial professionalism, where cooperative members often prioritize short-term benefits while managers must focus on long-term strategic development, creating tensions that weaken the impact of human capital initiatives (Bhuyan & Karantininis, 2023; Liu & McCarthy, 2024). Another issue involves institutional compliance pressures, as cooperatives must navigate complex regulatory requirements, reporting standards, and audit frameworks, which divert managerial attention away from capacity-building and human capital development (MCSC, 2023; Kant, 2024).

Additionally, many cooperatives face succession-planning deficiencies, where aging leadership teams and limited talent pipelines compromise knowledge continuity and reduce the long-term value of accumulated human capital (Anakpo & Mishi, 2024; Shakir et al., 2020). The problem of low youth participation also persists globally, as younger generations often perceive cooperatives as less attractive or technologically outdated, undermining future leadership and weakening innovation potential (Nguyen et al., 2023; Mori, 2024).

On the other hand, leadership emerges as a critical condition in the mobilization of human capital, especially in cooperative settings where participatory governance and member engagement matter. Practitioner research by Deloitte (2024) highlights that leaders and boards must go beyond managing resources. They need to embed people expertise into business processes, foster psychological safety, and redefine performance metrics to integrate both human and business outcomes (Deloitte, 2024a). Such leadership behaviors are particularly relevant in cooperatives, where democratic participation, empowerment and stewardship align with organizational values (Simkhada, Appiah & Li, 2023).

Moreover, emerging evidence shows that leadership does not merely influence the deployment of human capital but also determines the organizational conditions that allow skills and knowledge to produce meaningful outcomes. Studies across various cooperative contexts indicate that leadership shapes the quality of communication channels, the degree of transparency in decision-making, and the strength of learning cultures, all of which are essential for transforming individual competencies into collective performance (Voigt, 2024; Hashim, 2021). When leaders adopt participatory or transformational approaches, members become more willing to share expertise, engage in problem-solving, and contribute to strategic initiatives, thereby amplifying the performance effects of human capital (Islam et al., 2023; Mori, 2024). Thus, leadership may moderate the relationship between human capital and cooperative performance by shaping whether and how effectively human capital is aligned with cooperative goals.

The descriptive profile of Malaysian cooperatives (Table 1.0) shows marked variation in membership size, financial capacity, and revenue across sectors. Credit cooperatives, for example, dominate in terms of membership and asset accumulation, whereas others operate with much smaller financial bases and limited human resources. These differences suggest that cooperatives function within uneven capability environments, where the depth and quality of human capital vary substantially. Consequently, the table supports the view that human capital does not inherently generate performance gains unless it is activated through appropriate organizational arrangements, leadership behaviors, and operational routines. Beyond capability disparities, the table also highlights differing leadership demands across cooperative sectors. Cooperatives with extensive memberships and sizeable asset portfolios, particularly credit and consumer cooperatives, require leadership that is able to coordinate member knowledge, manage complex operations, and maintain strategic coherence. Conversely, sectors with smaller memberships may face constraints in attracting or nurturing competent leaders, which weakens their ability to convert human capital into strategic or financial outcomes. This pattern provides empirical support for the proposition that leadership influences the human capital, performance linkage by shaping the extent to which member skills and experience are utilized to advance cooperative objectives.

Industry	Number of co- operative	Number of members	Share Capital (RM' Million)	Asset (RM' Million)	Revenue (RM' Million)
Credit	590	1,317,256	6,181.41	14,119.57	5,401.39
Construction	238	98,681	35.23	330.11	58.23
Transportation	479	147,233	70.93	332.41	605.51
Consumer	5,238	2,586,528	437.41	1,980.00	1,340.07
Banking	2	971,613	3,328.58	101,499.38	28,716.40
Industrial	332	19,806	13.41	78.72	36.37
Services	3,372	1,029,426	3,068.18	8,515.86	2,096.69
Agricultural	2,891	738,800	656.96	2,849.54	1,185.11
Housing	286	156,879	199.74	1,035.10	224.86
Total	13,428	7,066,222	13,991.85	130,740.68	39,664.63

Note. Malaysia Co-operative Societies Commission (2018)

Table 1.0 Summary of General Co-Operative Statistic by Business Function For 2016

Despite the intuitive logic above, the moderating role of leadership in the human capital and performance relationship remains under-researched in the cooperative literature. Studies in other organizational forms provide some requisite support. As for example, human capital and transformational leadership jointly influence organizational performance in manufacturing firms (Islam et al., 2023). Yet, these findings rarely extend to cooperatives, which face unique governance, performance and stakeholder dynamics. Without explicitly modeling leadership as a moderator, we risk over-estimating the direct effect of human capital and under-estimating the contextual role of leadership in cooperative performance.

Accordingly, this paper develops a conceptual framework in which human capital positively affects cooperative performance, with leadership moderating this effect. The contributions of this paper are three-fold. First, it applies HCT and RBV within the cooperative domain, second, it positions leadership not merely as an antecedent but as a boundary condition that conditions the relationship between human capital and performance, and third, it emphasizes how leadership may enhance the translation of human capital into multi-dimensional performance (economic, member-oriented, governance). In doing so, the paper lays groundwork for future empirical work using multi-level data (members, managers, board) and performance metrics tailored for cooperatives.

Literature Review and Theoretical Foundation

This study is governed by three theories; HCT, RBV theory and Leadership Theories in cooperative. Synthesizing HCT, RBV, and leadership theories provides a robust conceptual base for understanding cooperative performance. HCT explains what human capital is and why it matters, RBV clarifies how human capital becomes a strategic resource, and leadership theory elucidates when and under what conditions human capital translates into superior outcomes. This integration underpins the proposed moderated model of relationship between

human capital and cooperative performance, moderated by leadership, which will be illustrated in the conceptual framework of this study.

Human Capital Theory (HCT)

HCT views people's knowledge, skills, education, and experiences as productive assets that enhance organizational performance (Becker, 1993). In contemporary cooperative research, human capital is conceptualized not only as individual capability but as collective competence. The integration of members' and employees' skills contributing to innovation and value creation (Voigt, 2024). Recent meta-reviews confirm that human capital remains a major determinant of firm competitiveness, but outcomes depend on complementary human resource practices and organizational climate (Giamos & Ströhle, 2024; Zhai et al., 2025). In cooperatives, human capital is particularly salient due to the dual role of members as both owners and contributors; the ability of members to understand governance principles, accounting systems, and market strategies directly shapes cooperative resilience (Liu & McCarthy, 2024).

Empirical findings show that cooperatives with higher human capital investments such as training, managerial education, and digital literacy, have reported stronger financial, social, and environmental performance (Nguyen et al., 2023; Shakir et al., 2020). However, studies in Malaysia indicate that human capital's impact can be paradoxical: while better-educated boards enhance decision quality, excessive dependence on a few skilled leaders without knowledge diffusion may reduce member participation (Ahmad Khan et al., 2016). Thus, human capital in cooperatives must be viewed as a dynamic, relational resource requiring shared learning systems and leadership that fosters knowledge exchange (Hashim, 2021).

Resource-Based View (RBV)

RBV posits that sustainable performance arises from firm-specific resources that are valuable, rare, inimitable, and non-substitutable (Barney, 1991). Human capital satisfies these criteria when effectively developed and embedded within cooperative routines (Gerhart & Feng, 2021). Yet, scholars argue that in today's volatile environments, RBV must evolve towards a dynamic-capability lens that emphasizes continual reconfiguration of resources to sustain advantage (Kero & Bogale, 2023). For cooperatives, dynamic capabilities include continuous learning, member knowledge sharing, and adaptability to market changes.

Human capital contributes to these dynamic capabilities by strengthening absorptive capacity. It is the ability to acquire, assimilate, and exploit knowledge for innovation (Voigt, 2024). In Malaysia, for example, the Cooperative Institute of Malaysia's (CIM) leadership development programs have been instrumental in enhancing decision-making and innovation across rural cooperatives (MCSC, 2023). Such initiatives reflect RBV's principle that intangible assets gain strategic value when complemented by organizational processes and leadership practices. Therefore, RBV provides a strong theoretical foundation for explaining why human capital can generate superior cooperative performance, provided the organization possesses leadership capable of orchestrating these resources.

Leadership Theory in Cooperatives

Leadership theory in cooperatives has evolved from transactional control models towards relational and participatory approaches. Three leadership paradigms align closely with cooperative values which are transformational, participative, and servant leadership. Transformational leadership emphasizes vision, inspiration, and empowerment, in which the

qualities shown to enhance employee motivation and innovation (Islam et al., 2023). Participative leadership reflects democratic governance, encouraging member involvement in decisions and fostering ownership (Mori, 2024). Meanwhile, servant leadership prioritizes ethical stewardship, humility, and service to members. These principles are consistent with cooperative identity (Simkhada et al., 2023).

Recent studies validate leadership's pivotal role in shaping human capital utilization. Deloitte's (2024) Global Human Capital Trends report reveals that organizations embedding "human-centred leadership" achieve higher engagement and innovation outcomes. In cooperative contexts, participatory and servant leadership increase psychological safety and communication, which in turn elevate human capital deployment effectiveness (Voigt, 2024). Malaysian evidence, such as from RISDA Malaysia Berhad Members' Cooperative (KARISMA) and Kelantan Tunas Mekar Cooperative, demonstrates that democratic leadership styles amplify human capital's contribution to performance through greater trust and knowledge exchange (Hashim, 2021; Fadzil & Nasir, 2022). Hence, leadership theory provides an explanatory lens for understanding how human capital is mobilized within cooperative governance frameworks.

Cooperative Performance Dimensions

Cooperative performance is multi-dimensional, extending beyond financial metrics to include social, environmental, and member-centered outcomes (Bhuyan & Karantininis, 2023). Literature shows that modern assessments often adopt the Triple Bottom Line (TBL) or Balanced Scorecard frameworks, capturing financial sustainability, member satisfaction, and community impact (Anakpo & Mishi, 2024). International evidence indicates that human capital and leadership jointly influence these dimensions by shaping innovation capacity and stakeholder relationships (Nguyen et al., 2023; Kant, 2024).

In Malaysia, cooperative performance indicators set by the Malaysian Cooperative Societies Commission (MCSC) include profitability, asset growth, member participation, and governance quality (MCSC, 2023). Studies reveal that cooperatives demonstrating strong human capital and participatory leadership outperform others in member loyalty and operational efficiency (Shakir et al., 2020). This reinforces the view that performance in cooperatives should be conceptualized holistically, which is by integrating economic viability with member empowerment and social contribution, consistent with global cooperative principles.

Human Capital, Leadership and Cooperative Performance

Human capital represents one of the most critical determinants of cooperative success across both developed and developing economies. Empirical studies consistently confirm that human capital, manifested through employees' and members' skills, experience, and learning capabilities, has contributed positively to productivity, innovation, and governance quality (Giamos & Ströhle, 2024; Voigt, 2024; Zhai, Voordeckers & De Winne, 2025). In Vietnam, Nguyen, Do, Rahut, Nguyen, and Chhay (2023) found that cooperatives led by women and supported by higher digital competence achieved significantly superior economic, social, and innovation performance, highlighting the importance of leadership composition and technological literacy in transforming human capital into tangible outcomes. Comparable evidence from Ethiopia's coffee cooperatives reveals that members' professional training, financial-management knowledge, and agronomic expertise strongly predict profitability and

member satisfaction, confirming the centrality of human capital in performance generation (Kant, 2024). Parallel conclusions have been drawn from credit-union systems, where sustainability depends heavily on learning systems, leadership quality, and talent capability (Anakpo & Mishi, 2024).

In Malaysia, human capital has emerged as a double-edged determinant of cooperative performance. Large-scale studies report that education, managerial experience, and training investments positively influence profitability and governance quality (Shakir, Ramli, Pulka & Ghazali, 2020), while board-level human capital, specifically formal qualifications and tenure, has enhanced decision-making quality and strategic alignment (Ahmad Khan, Mahazril' Aini Yaacob, Abdullah & Abu Bakar, 2016). However, other findings reveal that human capital alone does not guarantee success. Its benefits are mediated by member participation and board engagement, as seen in the Program Desa Lestari cooperatives, where governance involvement, not mere expertise, predicted performance (Hashim, 2021; MCSC, 2023). These mixed results mirror the international literature, highlighting that human capital must be activated through effective leadership, participatory structures, and knowledge-sharing routines to realize its potential value (Gerhart & Feng, 2021; Liu & McCarthy, 2024).

Mechanistically, human capital enhances cooperative performance through several pathways. First, operational and financial capability: trained staff and financially literate members improve budgeting, record-keeping, and resource utilization, strengthening organizational efficiency (Kant, 2024; Anakpo & Mishi, 2024). Second, innovation and digitalisation: employees equipped with IT and problem-solving skills facilitate new product development, logistics optimization, and market expansion, as evidenced by Vietnamese agricultural cooperatives (Nguyen et al., 2023). Third, member value creation: governance literacy and interpersonal skills foster trust, transparency, and higher member engagement, producing both economic and social returns (Bhuyan & Karantininis, 2023; Liu & McCarthy, 2024).

Nevertheless, the strength of these relationships is conditional. Leadership behavior and institutional context critically determine whether human capital translates into performance. Participative and transformational leadership styles amplify human capital's positive influence by promoting collaboration and psychological safety (Deloitte, 2024; Simkhada, Appiah & Li, 2023), whereas weak or autocratic leadership may suppress initiative and knowledge diffusion. Similarly, digital readiness and organizational learning capability serve as enabling conditions; cooperatives with limited access to technology or training resources struggle to convert human capital into productivity gains (Nguyen et al., 2023). Finally, concentrated human capital, where only a few leaders possess key expertise, often undermines collective performance unless knowledge is disseminated throughout the organization (Ahmad Khan et al., 2016; Anakpo & Mishi, 2024; Shakir et al., 2020).

Collectively, these insights justify modeling leadership as a moderating factor in the human capital-performance relationship. Cross-national evidence; from Asia (Vietnam, Malaysia), Africa (Ethiopia), and financial cooperatives worldwide, has converged on a single inference. It is that human capital is a necessary but insufficient condition for superior cooperative outcomes. Its impact materializes fully only when leadership behaviors, governance participation, and knowledge-sharing mechanisms provide the organizational 'activation energy' that releases human capital's latent value (Voigt, 2024; Gerhart & Feng, 2021).

Mechanisms: How Human Capital Creates Value

The performance contribution of human capital in cooperatives occurs through interrelated mechanisms that enhance operational, innovative, and social dimensions of performance. First, operational and financial capability arises when educated and trained personnel improve budgeting accuracy, cost control, and risk management, thereby elevating efficiency and profitability (Kant, 2024; Anakpo & Mishi, 2024; Shakir et al., 2020). In Ethiopian coffee cooperatives, members' financial-management literacy and training in record-keeping directly improved revenue stability, illustrating human capital's tangible effect on efficiency (Kant, 2024). Similarly, in Malaysian cooperatives, accounting and financial training among board members correlates with more disciplined resource allocation and stronger asset growth for the sake of cooperative performance (Ahmad Khan et al., 2016; MCSC, 2023).

Second, innovation and digitalisation capability stems from human capital that enhances creativity, technological literacy, and absorptive capacity. When members and employees possess ICT skills and analytical knowledge, they can adapt products, design new marketing strategies, and access wider markets (Nguyen et al., 2023; Voigt, 2024). The Vietnamese evidence demonstrates that cooperatives led by digitally literate, often female, leaders outperformed peers in product diversification and social innovation, proving that human capital embedded with technological proficiency amplifies performance (Nguyen et al., 2023). International reviews similarly link human capital development and learning orientation to dynamic capabilities that sustain competitiveness over time (Kero & Bogale, 2023; Zhai, Voordeckers & De Winne, 2025).

Third, member value creation and participatory governance reflect human capital's social dimension. Knowledgeable members with governance literacy, communication skills, and cooperative awareness are more engaged in decision-making, enhancing democratic legitimacy and increasing member satisfaction (Bhuyan & Karantininis, 2023; Liu & McCarthy, 2024). Malaysian evidence shows that training in cooperative principles increases member trust and loyalty, reinforcing the social returns of human capital investments (Hashim, 2021; Fadzil & Nasir, 2022). Collectively, these mechanisms indicate that human capital yields multidimensional value; economic, innovative, and social, when combined with institutionalized learning processes and inclusive leadership (Gerhart & Feng, 2021; Voigt, 2024).

Boundary Conditions and Contingencies

While human capital is a necessary condition for superior cooperative performance, its impact depends on contextual and organizational boundary conditions. Leadership behavior is the most critical moderator. Transformational, participative, and servant leadership styles create trust, psychological safety, and empowerment, enabling individuals to apply their knowledge effectively (Deloitte, 2024; Simkhada, Appiah & Li, 2023). Empirical results from Malaysian cooperatives such as RISDA Malaysia Berhad Member Cooperative and Kelantan Tunas Mekar Cooperative confirm that democratic leadership enhances the utilization of skilled members and encourages open communication, thus strengthening the relationship of human capital and performance (Hashim, 2021; Fadzil & Nasir, 2022). Conversely, authoritarian or passive leadership diminishes participation and knowledge diffusion, limiting human capital's contribution to cooperative outcomes (Voigt, 2024; Ahmad Khan et al., 2016). A second contingency is technological and digital readiness. In digital-deficient cooperatives, human capital may remain underutilized because employees and managers lack platforms for applying

or sharing knowledge. In contrast, digitally enabled cooperatives leverage human capital through data-driven decision-making and online market access, as evidenced in Vietnam's agricultural cooperatives (Nguyen et al., 2023) and in African credit-union studies linking ICT integration with improved service delivery and member inclusion (Anakpo & Mishi, 2024).

A third condition involves knowledge diffusion and organizational learning. When human capital is concentrated among a few executives or board members, cooperatives risk dependency and poor succession planning, in which, spreading expertise through mentorship and participatory committees actually sustains institutional memory and resilience (Shakir et al., 2020; Bhuyan & Karantininis, 2023; Liu & McCarthy, 2024). This dynamic parallels findings in RBV and dynamic-capability literature, where knowledge sharing and learning orientation mediate resource effectiveness (Kero & Bogale, 2023; Gerhart & Feng, 2021). Taken together, these boundary conditions affirm that the relationship between human capital and cooperative performance is conditional and non-linear. Human capital drives success most strongly under enabling leadership, technological support, and inclusive learning environments. These conditions allow capabilities to be mobilized, recombined, and scaled. The convergence of international and Malaysian evidence thus substantiates the theoretical rationale for modeling leadership as a moderator in the relationship between human capital and performance, and organizational learning as a complementary mechanism (Voigt, 2024; Deloitte, 2024; Liu & McCarthy, 2024).

The Moderating Role of Leadership

Leadership is increasingly recognized as a pivotal boundary condition that determines whether human capital translates into superior cooperative performance. While human capital provides the 'potential energy' for value creation, leadership functions as the catalyst that activates, coordinates, and sustains this energy across cooperative systems (Gerhart & Feng, 2021; Voigt, 2024). In cooperative organizations, where decision-making is democratic and collective, effective leadership becomes not merely hierarchical but relational, anchored in trust, empowerment, and shared purpose (Bhuyan & Karantininis, 2023; Liu & McCarthy, 2024).

Contemporary research identifies transformational, participative, and servant leadership as the styles most aligned with cooperative values and most conducive to leveraging human capital. Transformational leaders articulate clear visions, inspire followers, and stimulate intellectual engagement, which increases employees' commitment to cooperative goals (Islam, Bari, Al-Kharusi, Bhuiyan & E-Alam, 2023). Participative leadership emphasizes joint decision-making and accountability, enhancing the utilization of members' knowledge and skills (Mori, 2024). Servant leadership, grounded in empathy and stewardship, builds moral authority and a culture of collaboration; an ethos deeply embedded in cooperative identity (Simkhada, Appiah & Li, 2023). These styles foster psychological safety, mutual trust, and collective learning, as key mediators through which human capital yields higher organizational and member-based performance (Deloitte, 2024).

Moreover, empirical findings across contexts confirm leadership's moderating effect on the relationship between human capital and performance. In Vietnam, Nguyen et al. (2023) found that cooperatives led by women and characterized by participatory decision structures achieved stronger performance, implying that inclusive leadership amplifies the benefits of human capital and digital capability. In Malaysia, cooperative cases such as RISDA Malaysia Berhad Member Cooperative (KARISMA) and Kelantan Tunas Mekar Cooperative demonstrate that

democratic leadership improves communication flow, enabling skilled members to share expertise and propose innovations (Hashim, 2021). Similarly, evidence from African credit unions shows that visionary leadership and staff training jointly drive service quality and financial sustainability (Anakpo & Mishi, 2024). These consistent patterns substantiate the proposition that leadership acts as a positive moderator, claiming that when leadership quality is high, the human capital–performance relationship strengthens, while leadership is weak, human capital remains under-utilized. This moderation can be explained through the RBV theory. RBV positions leadership as an orchestrating capability that integrates, aligns, and reconfigures human resources towards strategic objectives (Gerhart & Feng, 2021). Thus, leadership not only shapes how human capital is mobilized but also determines when and to what extent it translates into cooperative performance across economic, social, and governance dimensions.

Conceptual Framework and Hypotheses Development

Conceptual Foundation

Building on the synthesis of HCT, the RBV, and Leadership Theory, this paper develops an integrative conceptual model connecting human capital and cooperative performance, with leadership as a moderating variable. Under HCT, investments in knowledge, skills, and training improve employees' productivity and innovation (Becker, 1993; Gerhart & Feng, 2021). RBV further posits that human capital, when valuable, rare, inimitable, and non-substitutable, becomes a source of sustained competitive advantage (Barney, 1991; Kero & Bogale, 2023). In cooperatives, in which entities are characterized by collective ownership and democratic participation, human capital's strategic value is often realized only when guided by leadership that aligns member capabilities with shared goals (Voigt, 2024; Liu & McCarthy, 2024). Leadership therefore functions as an organizing capability that orchestrates, integrates, and amplifies the productive potential of human capital (Deloitte, 2024). Transformational and participative leaders empower members to share knowledge, innovate, and engage in governance, as they are mechanisms that directly strengthen cooperative performance across financial, social, and member-oriented dimensions (Islam et al., 2023; Simkhada, Appiah & Li, 2023). Hence, leadership not only drives organizational culture and motivation but also shapes how and when human capital translates into measurable outcomes.

Conceptual Framework

The conceptual model in Figure 1 posits that human capital exerts a direct positive effect on cooperative performance. This relationship is moderated by leadership; specifically transformational, participative, and servant leadership styles, such that the relationship between human capital and cooperative performance is stronger under high levels of effective leadership. The model also acknowledges the presence of contextual enablers, such as digital readiness and member participation, which reinforce the human capital–performance pathway but are not explicitly modeled as variables in this conceptual paper.

Accordingly,

Human capital and cooperative performance (Direct effect):

HC drives operational efficiency, innovation, and governance quality, producing superior cooperative outcomes (Nguyen et al., 2023; Kant, 2024; Shakir et al., 2020).

Moderating role of leadership (Indirect effect):

Leadership determines the extent to which human capital is effectively mobilized; participatory and transformational leadership strengthen collaboration, while weak leadership constrains human capital's potential (Hashim, 2021; Islam et al., 2023).

Integrated effects:

Human capital and leadership jointly produce synergistic outcomes that enhance financial stability, innovation capability, and member satisfaction (Deloitte, 2024; Anakpo & Mishi, 2024; Voigt, 2024).

Together, these propositions construct a multi-theoretical framework rooted in the synergy between human capital resources and leadership competencies as twin levers of sustainable cooperative performance, as shown in Figure 1 below.

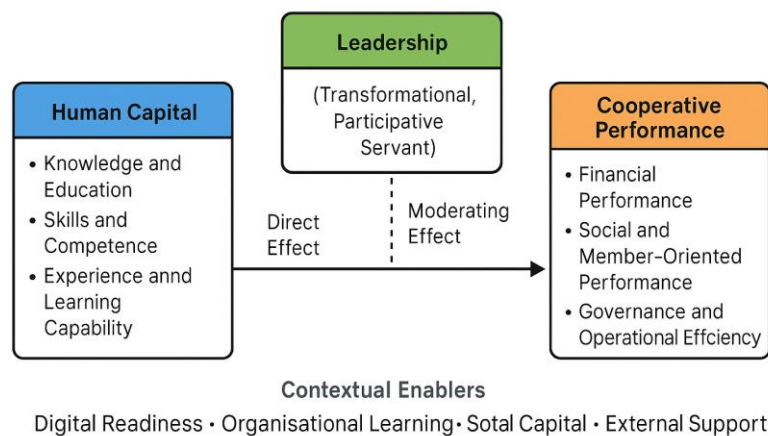


Figure 1: Conceptual Framework

*Hypotheses Development**Human Capital and Cooperative Performance*

HCT argues that investments in human knowledge and training enhance productivity (Becker, 1993), while RBV posits that human capital is a strategic asset when embedded in firm-specific processes (Gerhart & Feng, 2021). Empirical research across cooperatives in Malaysia, Vietnam, and Ethiopia confirms that cooperatives with skilled, educated, and digitally literate workforces achieve superior financial, innovative, and social outcomes (Nguyen et al., 2023; Kant, 2024; Shakir et al., 2020; Liu & McCarthy, 2024).

Therefore:

H₁: Human capital has a significant and positive relationship with cooperative performance.

Leadership as a Moderator

Leadership amplifies the human capital and performance link by facilitating coordination, learning, and motivation. Transformational and participatory leadership create trust and empowerment, enabling cooperative members to apply their skills collaboratively (Islam et al., 2023; Simkhada et al., 2023). Evidence from Malaysian cooperatives demonstrates that democratic leadership enhances communication and knowledge sharing, allowing human

capital to translate effectively into performance (Hashim, 2021). Cross-country evidence (Vietnam, Africa) further confirms that participatory leadership and digital literacy jointly improve cooperative outcomes (Nguyen et al., 2023; Anakpo & Mishi, 2024).

Hence:

H₂: Leadership positively moderates the relationship between human capital and cooperative performance, such that the relationship is stronger when leadership quality is high.

Contextual Moderation and Organizational Learning

The moderation effect of leadership may also be contingent upon cooperative learning culture and technological readiness. In digitalised environments, leaders can better harness human capital through data-driven decision-making, while inclusive governance encourages member learning (Deloitte, 2024; Voigt, 2024).

Accordingly:

H₃: The positive moderating effect of leadership on the human capital - cooperative performance relationship is stronger in cooperatives with higher digital readiness and learning orientation.

Implications and Future Research Directions

Theoretical Significance

This conceptual study advances theory by integrating HCT, the RBV, and Leadership theory to explain cooperative performance through a multi-level lens. It contributes to RBV literature by positioning leadership as an orchestrating capability that activates human capital, transforming it from a latent resource into a strategic asset (Gerhart & Feng, 2021; Kero & Bogale, 2023). In contrast to traditional RBV assumptions of static resources, this model introduces leadership as a dynamic moderator, extending the understanding of how intangible resources (knowledge, skills, and experience) yield sustainable advantage when integrated with relational and participatory leadership (Voigt, 2024). Moreover, it deepens cooperative theory by contextualising resource mobilization within democratic governance, collective ownership, and member participation. These features distinguish cooperatives from conventional firms (Bhuyan & Karantininis, 2023; Liu & McCarthy, 2024).

Managerial and Policy Implications

From a managerial perspective, this model provides actionable insights for cooperative boards, policymakers, and training institutes. First, human capital investment, through targeted training, certification, and knowledge management systems, must be institutionalized rather than treated as episodic. Malaysian cooperatives under the MCSC, for instance, could adopt structured talent development pathways and digital upskilling to enhance professionalization (MCSC, 2023). Second, leadership development should prioritize participatory and transformational competencies aligned with cooperative values of democracy and equity. Programs like those by the Cooperative Institute of Malaysia (CIM) can integrate leadership coaching that encourages inclusivity, ethical decision-making, and strategic foresight. Internationally, the model suggests that leadership mentoring, especially for women and youth in cooperatives, as seen in Vietnam (Nguyen et al., 2023), can bridge generational and gender gaps, fostering continuity and innovation. Third, policymakers should incentivize knowledge diffusion within cooperatives through inter-cooperative learning platforms, governance benchmarking, and digital integration funds. Such initiatives would strengthen the synergy

between human capital and leadership, ultimately boosting Malaysia's cooperative competitiveness regionally and globally (Jamaluddin, 2023; Deloitte, 2024).

Social Significance

Beyond theoretical and managerial outcomes, this study carries substantial social significance, particularly in advancing community empowerment and inclusive economic participation. By positioning human capital and leadership as interdependent levers, the model highlights how cooperatives serve as vehicles for social innovation by transforming individual knowledge into collective welfare (Anakpo & Mishi, 2024). In Malaysia, cooperatives contribute directly to national agendas on shared prosperity and community resilience, especially in rural and semi-urban areas. Enhanced leadership and human capital capacity can improve income stability, job creation, and financial inclusion among vulnerable groups, reinforcing the cooperative principle of 'people-centered business' (MCSC, 2023; Ahmad Khan et al., 2016). At the global level, cooperative education and participatory leadership promote social cohesion, bridging inequalities between genders, regions, and skill levels (Nguyen et al., 2023; Kant, 2024).

Thus, this model not only strengthens organizational performance but also delivers societal impact by supporting United Nations Sustainable Development Goals (SDGs), particularly SDG 8 (Decent Work and Economic Growth), SDG 10 (Reduced Inequalities), and SDG 12 (Responsible Consumption and Production). By enabling knowledge-based empowerment through cooperative structures, leadership-driven human capital mobilization becomes a catalyst for community transformation and sustainable livelihoods.

Future Research Directions

Future empirical work should validate this model across multiple cooperative types and countries. Quantitative studies can employ Partial Least Squares Structural Equation Modeling (PLS-SEM) and Covariance-based Structural Equation Modeling (CB-SEM) would be suitable to test direct, indirect, and moderating effects with high explanatory power. Cross-national comparisons (e.g., Malaysia - Vietnam - Ethiopia) would enhance generalizability, while longitudinal designs could assess how leadership development influences human capital utilization over time.

Moreover, qualitative and mixed-method approaches could explore micro-level mechanisms like how trust, communication, and values influence human capital deployment within cooperatives. Incorporating digital transformation variables (e.g., AI tools, data analytics, e-learning) may further refine understanding of how technology mediates human capital outcomes under different leadership regimes (Deloitte, 2024; Zhai, Voordeckers & De Winne, 2025). Finally, scholars should examine inclusive leadership models that account for gender diversity, youth participation, and indigenous knowledge systems, expanding the model's relevance beyond economic outcomes towards holistic social sustainability.

Conclusion

This conceptual paper conceptually examines how human capital influences cooperative performance, highlighting leadership as a key moderator that strengthens this relationship. Drawing upon the HCT and RBV, it posits that knowledge, skills, and experience are vital resources whose impact depends on effective leadership that mobilizes them through trust, participation, and shared vision. Evidence from Malaysia and other countries shows that cooperatives with strong transformational and participatory leaders achieve superior financial,

social, and governance outcomes. The model contributes theoretically by framing leadership as a dynamic capability that activates human capital, and practically by guiding cooperatives to invest in leadership development, digital readiness, and continuous learning. Socially, it accentuates cooperatives' role in fostering inclusive growth and community resilience, aligning with the SDGs. Overall, the study integrates global and Malaysian insights to propose a holistic framework linking human capital, leadership, and sustainable cooperative success.

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