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**EXPLORING HOW LEADERSHIP SHAPES THE LINK
BETWEEN MEMBER PARTICIPATION AND CO-
OPERATIVE PERFORMANCE: A CONCEPTUAL**

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Abstract:

This conceptual paper examines the relationship between member participation and co-operative performance, emphasizing leadership as a moderating factor. While member participation is often recognized as the lifeblood of co-operatives, its impact on performance is not uniform and may be contingent upon leadership quality. Drawing on Agency Theory, Stakeholder Theory, the Resource-Based View, and leadership theories, the paper proposes a framework in which member

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participation contributes positively to financial and non-financial performance, but the strength of this relationship depends on the presence of effective leadership. Leadership traits such as inclusivity, vision, empathy, and coaching are argued to enhance accountability, foster shared purpose, and build member capacity, thereby amplifying the benefits of participation. The study develops three hypotheses: (1) member participation positively influences co-operative performance; (2) leadership positively influences cooperative performance; and (3) leadership moderates the participation–performance relationship. This paper contributes theoretically by extending cooperative governance models and practically by providing insights for managers and policymakers on the strategic role of leadership development. It is among the first studies to position leadership as a moderating factor in the relationship between member participation and cooperative performance within ASEAN cooperatives. Future empirical studies are recommended to validate the proposed framework across diverse co-operative contexts.

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Introduction

Co-operatives are unique organizational forms where individuals voluntarily unite to meet shared economic, social, and cultural needs through a jointly owned and democratically controlled enterprise. Unlike conventional firms, co-operatives embed democratic governance and member-centric values, ensuring that the principle of "one member, one vote" governs decision-making (Birchall, 2022). The core features of membership in cooperatives will provide a dynamic nature of open membership, member economic participation, autonomy, and community concern (Rodríguez-Sánchez, 2025). Profits in cooperatives can be maximized by combining social responsibility and the internal economic objectives of a cooperative firm. Central to this model is member participation, which is regarded as the lifeblood of co-operatives. Active involvement by members provides legitimacy to governance, fosters accountability, and enhances decision-making through the integration of localized knowledge (Rodríguez-Oramas et al., 2022). Participation also generates psychological ownership, strengthens commitment, and mitigates free-riding or agency problems. Without meaningful member engagement, co-operatives risk losing their democratic essence, weakening their ability to adapt and sustain themselves in volatile environments (Bhuyan, 2023).

Empirical studies consistently highlight the positive relationship between member participation and cooperative performance. For instance, Muryani et al. (2022) found that participation significantly improves cooperative performance in Indonesia, even when accounting for innovation capacity. Similarly, Byrne et al. (2023) demonstrated that participatory practices strengthen loyalty, reduce conflict, and build social capital, thereby enhancing resilience. Recent systematic reviews further affirm that member engagement contributes to both financial and non-financial outcomes, ranging from profitability and productivity to member satisfaction and retention (MJCS-IKMA, 2024).

Nevertheless, the participation-performance relationship is not always straightforward. Scholars note that its impact can be contingent on governance capacity, trust, institutional support, and leadership quality (Jamaluddin et al., 2023; Voordeckers et al., 2025). Much of the literature has narrowly examined participation in annual general meetings while overlooking deeper governance roles such as board service and strategic committees (Buang et al., 2021). These gaps highlight the need to explore moderating mechanisms, particularly leadership, that shape how member participation translates into cooperative performance. It is among the first to theoretically position leadership as a critical mechanism that enhances the effectiveness of member engagement within ASEAN cooperatives, offering both theoretical and practical insights for governance and management. This conceptual paper therefore advances the debate by proposing leadership as a key moderator of this relationship.

Underlying Theories

Agency Theory and Stakeholder Theory

Understanding the relationship between member participation and cooperative performance requires a strong theoretical grounding. Two widely applied lenses in cooperative research are Agency Theory and Stakeholder Theory. Agency Theory highlights the challenges of monitoring managers in organizations where ownership and control are separated (Jensen & Meckling, 1976). In cooperatives, however, members are both owners and beneficiaries, which reduces, but does not eliminate agency problems. Passive membership can still lead to information asymmetries and managerial opportunism. Stakeholder Theory complements this view by emphasizing that cooperatives must balance diverse member interests, reinforcing the importance of active engagement for aligning organizational goals with member needs (Freeman et al., 2021).

This Stakeholder Theory is also used for cooperatives that have experience in alliances with diverse partners and diverse goals to make a comprehensive position in cooperative operations to maximize profits and reduce fixed and variable costs (Rhouiri et al., 2023). Isaac et al. (2021) can emphasize management capabilities that act as a mediator between intellectual capital and member participation with cooperative performance. Active members of cooperatives also have effective advantages to increase the strength of efficient cooperative management capabilities. Therefore, Stakeholder Theory also has a significant relationship with active members for cooperative capabilities.

From an agency perspective, member participation can be conceptualised as a governance control mechanism: when members are actively involved (voting, attending assemblies, engaging in decision-making, monitoring management), the risk of managerial opportunism

decreases, and information asymmetry is reduced. Huang et. al (2015) supports that higher participation is associated with better governance and cooperative performance. Meanwhile, in cooperative setting, members as owners and beneficiaries participating in oversight help to reduce agency costs, improve alignment of objectives, and hence enhance performance. For example, the study by Ishak et al. (2021) shows that management capabilities mediate between intellectual capital and member participation and cooperative performance, therefore participation is not just a governance control but a source of organisational capability.

Resource-Based View (RBV) Theory

The Resource-Based View (RBV) further provides a strategic perspective. It conceptualizes member participation as a valuable intangible resource that can contribute to sustainable competitive advantage. Active members supply information, trust, and social capital, enabling cooperatives to innovate and adapt in ways that investor-owned firms may not (Barney, 1991; Bhuyan, 2023). This participation strengthens relational capital and creates collective capabilities that are difficult to imitate, positioning the cooperative to perform better in uncertain environments.

Competitive advantage in cooperative operations is a core used for Resource-Based View (RBV) measurement. Negreti (2022) states that cooperatives can leverage internal resources such as reputation, tradition, and environmental sustainability to gain competitive advantage. Adjustment of goodwill to cooperative performance is now a good thing in increasing efficiency through recruitment, training, and motivation (Murage & Waithaka, 2025). Mailani et al. (2024) argue that market position also influences strategic resource management in cooperatives. Azmi et al. (2024) state that maximizing resources in cooperatives can create positive value for social capital, quality products, and effective control mechanisms. Resource-Based View (RBV) has a good significance for Adjustment of goodwill, market position, and strategic internal resource management.

In broader management theory, this concept connects to organisational behaviour through the ideas of ownership, participation, and commitment. Active member participation creates a sense of belonging and shared responsibility, which increases motivation and communication within the organisation. From a strategic management perspective, the RBV aligns with the idea that competitive advantage depends on how well an organisation develops and uses unique resources. Cooperatives contribute to this body of knowledge by showing that not only financial assets but also social and relational resources such as trust, goodwill, and shared values which can drive performance and sustainability.

Transformational and Adaptive Leadership

Equally relevant are leadership theories, particularly Transformational and Adaptive Leadership. Transformational leaders inspire and motivate members to pursue collective goals, fostering identification with the cooperative (Bass & Riggio, 2006). Adaptive Leadership emphasizes flexibility and the ability to mobilize members during change and uncertainty, traits especially vital in cooperative governance (Northouse, 2021). Empirical studies demonstrate that inclusive and participatory leadership styles enhance trust, shared purpose, and performance in cooperatives (Voordeckers et al., 2025).

Improving the performance and sustainability of cooperatives is a foundation for transformational and adaptive leadership styles. Pucha and Noboa (2024) stated that talent retention in cooperative organizations can improve the sustainability of cooperatives. Paembonan et al. (2025) emphasized that transformational leadership can also improve performance in driving internal performance and service quality for cooperative operations. Andriani and Ramadhani (2023) maintaining discipline can improve performance in the cooperative service sector. Therefore, Transformational and Adaptive Leadership has constraints in the process of becoming a genuine organization for the quality of cooperative services as simplicity.

Institutional Theory

Institutional perspectives highlight how cooperatives are embedded in broader regulatory, cultural, and political environments. Institutional Theory suggests that norms and external pressures influence the extent to which member participation is valued and practiced (DiMaggio & Powell, 1983; Jamaluddin et al., 2023). For example, government support programs or cooperative federations may enhance participation incentives, while weak institutional frameworks can limit engagement. Together, these theories emphasize that the participation-performance link is multi-dimensional, requiring attention to internal resources, leadership, and external institutional conditions.

Previous studies have emphasized that Institutional Theory for cooperative operations is very helpful in improving service quality. Nilsson (2022) has stated that the process of institutional change in cooperatives is influenced by internal and external actors while the involvement of stakeholders in the governance structure can increase the legitimacy of cooperatives and facilitate the achievement of goals in cooperatives (Aarroumi & Oulhadj, 2020). Therefore, Institutional Theory in cooperative management has limitations in the study of the process of institutional change in cooperatives.

Literature Review

Member Participation and Co-operative Performance

Member participation is widely recognized as a critical determinant of co-operative performance. Participation can take multiple forms such as economic (use of services and capital contributions), governance (voting, attending annual meetings, serving on boards), and social (building solidarity and networks) (Bhuyan, 2023). These forms of engagement directly influence how effectively a co-operative aligns with member needs and sustains its democratic legitimacy. Higher participation ensures that co-operatives remain responsive to members while simultaneously enhancing transparency and accountability in decision-making.

Empirical research consistently demonstrates that active participation contributes positively to both financial and non-financial outcomes. Muryani et al. (2022) found that member participation significantly enhances cooperative performance in Indonesia, particularly when coupled with innovation capacity. Similarly, Byrne et al. (2023) highlighted that participatory practices foster loyalty, trust, and social capital, which strengthen resilience and improve organizational outcomes. A recent systematic review of cooperative studies between 2013 and

2024 further confirmed that higher levels of member involvement are associated with superior productivity, profitability, and member satisfaction (MJCS-IKMA, 2024).

However, the participation-performance link is not universally straightforward. Jamaluddin et al. (2023) argue that the benefits of participation depend on the strength of governance structures, leadership quality, and institutional support. In some contexts, participation is symbolic rather than substantive, leading to limited impact on performance. Buang and Abu Samah (2021) also point out that research often focuses narrowly on participation in annual general meetings, while deeper governance roles such as committee involvement or board representation remain underexplored. This limitation suggests that existing findings may underestimate the potential performance impact of comprehensive member participation.

Despite these challenges, evidence strongly suggests that co-operatives with robust participation are more likely to achieve long-term sustainability. Active engagement enables members to contribute diverse knowledge, monitor managerial behavior, and reinforce collective identity all of which foster organizational resilience in volatile environments (Voordeckers et al., 2025). In this sense, member participation is not merely an operational variable but a strategic resource that underpins competitive advantage. Strengthening participation thus represents both a governance imperative and a pathway to superior co-operative performance.

Leadership in Co-operatives

Leadership plays a central role in shaping the effectiveness, culture, and sustainability of co-operatives. Unlike conventional firms where authority is often concentrated at the top, co-operatives operate under democratic governance structures that demand more participatory and inclusive leadership styles. Effective leaders in co-operatives not only provide strategic direction but also act as facilitators who encourage member engagement and uphold cooperative principles (Alwi et al., 2019). Leadership in this context is multidimensional, blending managerial competence with values of empathy, inclusivity, and accountability.

Research highlights that leadership traits and styles strongly influence co-operative outcomes. Transformational leadership, characterized by vision, inspiration, and individual consideration, is particularly effective in mobilizing members and enhancing trust (Bass & Riggio, 2006). Adaptive leadership is equally critical in enabling co-operatives to respond to external shocks and uncertainties, ensuring resilience and long-term viability (Northouse, 2021). Recent studies also suggest that shared leadership within boards can enhance decision-making quality and strengthen organizational cohesion (Voordeckers et al., 2025). These findings emphasize that leadership in co-operatives is not about command and control but about empowering members to co-create value.

In addition to style, specific leadership practices are shown to strengthen cooperative performance. Avolio et al. (2018) argue that clarifying roles and responsibilities enhances accountability, while Eisenberger et al. (2019) demonstrate that fostering a shared sense of purpose improves collective commitment. Leadership that focuses on coaching and mentoring further boosts member capacity and motivation, creating a culture of continuous learning (Day et al., 2020). Such practices not only improve operational efficiency but also build long-term member loyalty and trust, reinforcing the cooperative identity.

Nevertheless, leadership in co-operatives faces significant challenges. Because authority is distributed and members often have diverse expectations, leaders must balance efficiency with inclusivity, sometimes navigating conflicting interests (Jamaluddin et al., 2023). Weak or overly centralized leadership can erode member trust, reduce participation, and ultimately undermine performance. Conversely, strong, values-based leadership can amplify the benefits of member participation, making leadership a strategic lever in cooperative success. This positions leadership not only as a determinant of outcomes but also as a potential moderator of the participation-performance relationship.

Leadership as a Moderator

While member participation is widely acknowledged as a driver of co-operative performance, its effectiveness often depends on the quality of leadership. Leadership functions as a moderating variable because it shapes how member contributions are channeled into meaningful outcomes. Strong, inclusive leaders ensure that participation translates into accountability, shared purpose, and innovation, whereas weak leadership may render participation symbolic or ineffective (Alwi et al., 2019). Thus, leadership serves as the critical link that amplifies or diminishes the performance benefits of member engagement.

Several mechanisms illustrate how leadership moderates this relationship. First, leaders who provide role clarity and accountability ensure that member contributions are aligned with organizational goals, reducing the risks of inefficiency or conflict (Avolio et al., 2018). Second, leadership that cultivates a shared sense of mission enhances member motivation and commitment, strengthening the relationship between participation and outcomes (Eisenberger et al., 2019). Third, leaders who emphasize mentorship and capacity building develop members' skills, thereby increasing the value of their contributions (Day et al., 2020). Lastly, personalized leadership practices that value individual voices enhance trust and cohesion, ensuring that participation fosters genuine collaboration rather than tokenism (Avolio & Gardner, 2018).

Empirical research supports these dynamics. Byrne et al. (2023) found that participatory leadership enhances social capital, making member involvement more effective in generating cooperative resilience. Similarly, Voordeckers et al. (2025) demonstrated that shared leadership within boards enhances governance outcomes, indirectly strengthening the participation and performance link. Jamaluddin et al. (2023) further emphasize that governance structures with strong leadership practices are better positioned to translate participation into sustainable performance. Collectively, these findings confirm leadership's moderating influence, highlighting its role as a catalyst for unlocking the full potential of member engagement.

In summary, leadership does not merely complement member participation; it fundamentally shapes the member participation and performance relationship. Effective leaders amplify the benefits of engagement by ensuring alignment, trust, and capacity building, while ineffective leaders risk neutralizing participation's impact. This positions leadership as a strategic moderator in cooperative governance, reinforcing the need for leadership development programs within the cooperative movement. Incorporating leadership as a moderating factor advances cooperative theory and offers practical pathways for achieving resilience and sustained success.

Theoretical Framework and Hypotheses Development

The proposed framework builds on the understanding that member participation is central to cooperative identity and sustainability. Participation, whether economic, governance-based, or social, provides the foundation for decision-making, accountability, and innovation in co-operatives (Bhuyan, 2023). Prior studies have consistently shown that higher levels of member involvement are associated with improved financial and non-financial performance (Muryani et al., 2022; MJCS-IKMA, 2024). Thus, member participation is hypothesized to have a direct positive relationship with co-operative performance.

Leadership is introduced into the framework as a moderating factor. While member participation drives performance, the extent of its impact depends on how leaders guide, align, and empower members. Transformational and adaptive leadership traits, such as inclusivity, vision, empathy, and coaching, strengthen participation outcomes by ensuring that member contributions are effectively channelled into organizational strategies (Bass & Riggio, 2006; Northouse, 2021). In this sense, leadership is not only complementary but also pivotal in amplifying the participation-performance link.

The model also incorporates insights from governance literature, which suggests that without effective leadership, member participation may become symbolic, leading to inefficiencies and weakened organizational outcomes (Jamaluddin et al., 2023). Conversely, strong leadership enhances trust, fosters shared purpose, and builds member capacity, thereby ensuring that participation contributes meaningfully to cooperative sustainability (Voordeckers et al., 2025). Leadership is therefore positioned as a strategic moderator that strengthens the predictive power of member participation on performance.

By integrating these perspectives, the conceptual framework offers both theoretical and practical contributions. Theoretically, it extends cooperative research by embedding leadership as a moderator within the participation-performance relationship. Practically, it highlights the importance of leadership development initiatives in co-operatives to maximize member engagement and organizational performance. The hypotheses derived from this framework are presented below:

- H1: Member participation has a significant positive relationship with co-operative performance.
- H2: Leadership has a significant positive relationship with cooperative performance.
- H3: Leadership moderates the relationship between member participation and co-operative performance, such that the relationship is stronger when leadership quality is high.

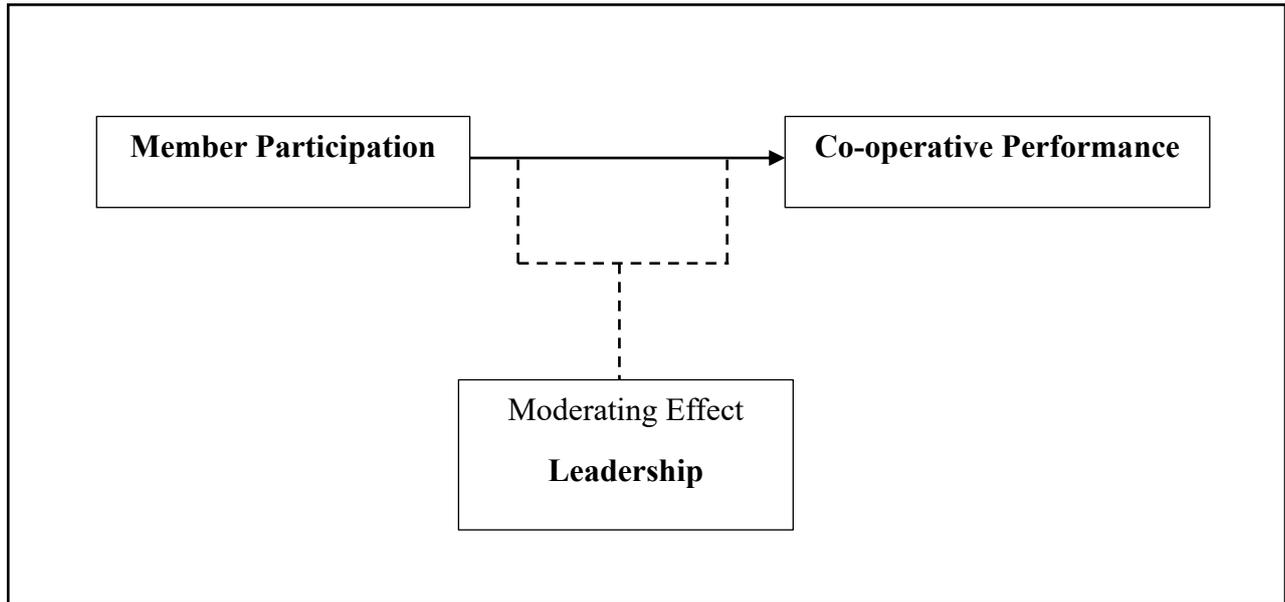


Figure 1: Theoretical Framework of the Research

Implications of the Study

Theoretical Implication Implications of the Study

This study contributes to cooperative research by advancing the understanding of how member participation translates into performance through the moderating role of leadership. Prior literature has primarily examined participation as a direct determinant of outcomes (Muryani et al., 2022; Bhuyan, 2023), with limited focus on the mechanisms that enhance or weaken this relationship. By positioning leadership as a moderator, the framework integrates perspectives from the Resource-Based View, leadership theories, and institutional governance, thus extending cooperative scholarship. This provides a more holistic explanation of cooperative performance that incorporates both member-based resources and leadership capabilities.

Managerial Implication

For cooperative managers and boards, the findings underscore that simply increasing member participation is insufficient unless guided by strong leadership. Leaders must adopt participatory and inclusive practices, such as clarifying roles, fostering shared purpose, and mentoring members, to ensure that participation is meaningful and productive (Day et al., 2020; Eisenberger et al., 2019). Leadership training and succession planning should therefore be prioritized within co-operatives to build capacity for sustaining democratic governance. By aligning member contributions with strategic objectives, leaders can maximize the cooperative's ability to adapt, innovate, and remain competitive in dynamic environments.

Policy Implication

From a policy perspective, the study highlights the importance of leadership development initiatives in the cooperative sector. Governments and cooperative federations can support cooperatives by offering structured leadership training, governance workshops, and

institutional support frameworks. Policies that encourage active member engagement while strengthening leadership capabilities are more likely to foster sustainable cooperative ecosystems (Jamaluddin et al., 2023). Such initiatives can contribute to achieving broader socio-economic goals, including community empowerment, financial inclusion, and sustainable development, in line with the United Nations Sustainable Development Goals (SDGs).

Challenges and Strategic Innovations in Cooperative Leadership

Cooperatives often face significant challenges that can constrain performance, including limited resources, resistance to change, and gaps in leadership capacity. Resource constraints, particularly in small and medium-sized cooperatives, can restrict investment in technology, training, and market expansion, limiting operational efficiency and innovation (Bhuyan, 2023; Mailani et al., 2024). Resistance to change is common due to entrenched cultural practices, diverse member expectations, and democratic decision-making structures, which may slow adoption of new strategies or processes (DiMaggio & Powell, 1983; Nilsson, 2022). Leadership capacity gaps, including limited strategic planning and conflict management skills, can further exacerbate these issues by reducing the ability to mobilize members and implement coordinated initiatives (Jamaluddin et al., 2023; Voordeckers et al., 2025).

Furthermore, mitigation strategies focus on both structural and behavioural interventions. Resource constraints can be addressed through strategic resource management, leveraging social capital, partnerships, and government or federation support programs to supplement financial and technical capabilities (Negreti, 2022; Azmi et al., 2024). Resistance to change can be mitigated through participative leadership, transparent communication, and member education initiatives that align organisational goals with member values and expectations (Bass & Riggio, 2006; Day et al., 2020). Leadership capacity gaps can be overcome by structured leadership development programs, mentoring, and coaching, which strengthen skills in strategic planning, conflict resolution, and adaptive decision-making (Northouse, 2021; Avolio et al., 2018). By integrating these mitigation strategies, cooperatives can transform potential vulnerabilities into sources of resilience, enhancing both operational performance and member engagement, and contributing to broader management knowledge regarding adaptive leadership, resource mobilization, and participatory governance.

In addition, the rise of digital governance and artificial intelligence (AI) presents new opportunities to transform cooperative management. AI-driven decision-support systems can enhance strategic planning, optimize resource allocation, and predict market or environmental risks, enabling cooperatives to respond proactively rather than reactively (Ramos et al., 2023). Digital platforms can facilitate real-time member engagement, transparent voting, and participatory governance, overcoming traditional barriers to inclusivity and accelerating decision-making processes. Integrating AI and data-driven analytics into cooperative governance not only improves operational efficiency but also strengthens evidence-based leadership, allowing boards and management to align interventions with evolving member needs and institutional expectations (Kovari, 2024). Future research should empirically examine how AI and digital tools influence the participation–performance nexus, leadership effectiveness, and cooperative resilience across diverse sectors. Ultimately, the framework offers a strategic lens for understanding how leadership converts democratic participation into

sustainable cooperative performance, strengthening resilience in Malaysia and the broader ASEAN region.

Conclusion

This paper has conceptualized the relationship between member participation and co-operative performance, highlighting leadership as a moderating factor that strengthens this link. While member participation is the foundation of co-operative identity and success, its impact on performance is contingent upon effective leadership that fosters accountability, trust, shared purpose, and member capacity. Drawing from Agency Theory, Stakeholder Theory, the Resource-Based View, and leadership perspectives, the study positions leadership as a strategic enabler that channels participation into meaningful outcomes and organizational resilience. The proposed framework advances theory by extending cooperative governance models and contributes practically by emphasizing the strategic importance of leadership development alongside mechanisms that encourage active member engagement. In the ASEAN context, where cooperatives operate within diverse institutional, cultural, and economic environments, the framework provides actionable guidance for strengthening governance and enhancing performance. Effective leadership in ASEAN cooperatives can align heterogeneous member interests, optimize resource use, and improve adaptability in response to dynamic regional markets, regulatory pressures, and socio-economic challenges. Future empirical research is encouraged to validate the model across various ASEAN cooperative sectors and explore additional contingencies, including institutional support, technological adoption, organizational culture, and AI-enabled governance. Such studies will not only reinforce the role of leadership in mobilizing participation but also support sustainable socio-economic development, positioning ASEAN cooperatives as resilient, inclusive, and strategically managed organizations capable of addressing contemporary challenges.

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