International Journal of Business and Management Study - IJBMS
Volume 1 : Issue 4 [ISSN 2372-3955]
Publication Date: 27 December, 2014

Cooperation between Co-operative Business Organization and Invested Owned Firm to Stimulate Economic Growth of a Country:

A Cooperative Advantage Approach

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Abstract—**The roles of cooperative business organizations (Co-ops) and the invested owned firms (IOFs) to stimulate economic growth of a country depend on the level of understanding and competence of the policy maker to blend five different factors related to organizational structure and business model of the Co-op and the IOF to the five similarities factors on the managerial approach of them into one marked.**

Five different factors are: organizational structure, goal, objective; ownership advantage and financing policy; investment policy; dividend pay out policy; and social and mutual aspect. These five different factors make Co-op and IOF have their own different ideology, different goal of establishment, different organizational structure, vision, mission and different in the way of doing business.

Co-op concentrated on cooperation while IOF concentrated on competition. Misunderstanding and mismanagement of these five different factors together with selfish, competition and economic greedy of people will lead to economic, social, and natural disaster problems. Appropriate management of these five different factors can reduce problems and lead the Co-op and IOF reach to their organizational effectiveness. From these five different factors, IOF had expanded their business worldwide and pertained high risk and high return, while Co-op had pertained optimum risk and optimum return.

To reduce the socioeconomic disadvantages and global disaster, board's committee, and Co-op manager as well as the chief executive officer (CEO) of the IOF must also have a good understanding on the other five similarities factors: General national variables; Market and industry variables; Entrepreneu rial opportunity or threat; Entrepreneurial capacity: strength /weakness; Business or firm dynamic-active (sale, profit and lost). The first three factors are the external factors, fourth and fifth are internal factors within the firms. Appropriate management of these five similarities factors will make the firms reach to their high managerial efficiency, customer value, firm value, and finally the economic growth.

Keywords—**Co-operatives, Invested Owned Firms, Economic growth, AMOS**[1]

I. Introduction

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It was accepted worldwide that the world economic real growth rate had a trend to reduce gradually, according to the instability in the growth rate of both GDP and GNP. In addition, the economic growth was subtracted by the natural disaster and socioeconomic problem.

In order to stimulate economic growth of a country, the policy maker must have a good understanding on what are the engines for the economic growth. One giant mechanism is the higher productivities in the supply side of the whole economy. In the same time this mechanism was down size by many negative trickles down multiplier effects. The way to increase and maintain the real growth rate is to pursue the better economic growth concept that is the sustainable growth to create the green and constructive economy.

Not only the IOF but also the co-op business performance those are encouraging the growth of the economy. In the year 2012, the United Nation (UN) had proclaimed that the philosophy of the cooperatives business organization and the way of Co-ops business operation can promote to assist the world economy[2]. Co-op business organization had a philosophy to cooperate together to create growth with stability. The goal of the co-op organization is not looks for profit but only surplus. They allocated all surpluses to their members. Thus their member can have more and higher quality of life, low income inequality and higher welfare. Since the firm itself has not look for business benefit, the firm has no risk burden. But, in the same time most of the cooperatives organization, especially in the developing country are small and have a narrow business volume to help their member and has only a small effect to their member's way of life. The best way to stimulate the real economic growth is to blend the advantage of these two kinds of the firms into one marked to get both of the benefit of the two business philosophy.

II. Research objective

A. To elaborate that though the co-ops and the IOF had the different in their goal and objective of the business philosophy, but the cooperation between the co-ops business organization and it management and the IOF business organization and it management together will create the real and sustainable economic growth rate.

B. To identify that the five different factors between the co-ops and the IOF are: organizational structure, goal, and objective; ownership advantage and financing policy; investment policy; dividend pay out policy; and social and mutual aspect.

C. To indicate that the five similarities factors between the co-ops and the IOF are: General national variables; Market and industry variables; Entrepreneurial opportunity or threat; Entrepreneurial capacity: strength/weakness; and Business or firm dynamic-active: sale, profit and lost

III. Theoretical concepts and conceptual framework

There are ten measurements: five of them are similarities factors and five of them are different factors between the Coops firms and the IOF firms.

The five different factors

A. Different in organizational goal, objective, and structure

- Organizational goal and objective

Cooperative goal is a Not for Profit (NFP) [3] organization and has their business objective to service their members, while the IOF goal is the general capitalism looks for the Profit Maximization (PM). The former therefore did everything for their member benefit not their organization. But the latter do everything for their share holder wealth

- Organizational structure

Co-op organizational structure is composed of their general members, the whole member elected a group of fifteen members to be the board of director. One in this fifteen will be chairman, the leader of the board committee. Board committee will hire some professional manager to be the co-ops manager, Staff and workers. Policy of the co-op mostly came from their annual general meeting. But the IOF structure is composed of the share holder, Executive board, and management.

B. Different in ownership advantage and financing policy

Co-ops share or stock are owned by their member, we call "member owner" principle, control by their member or "member control" principle, and distributed benefit to their member or "member benefit" principle[4]. The business ownership within the coops firms are owned by their members, administered by their elected board of member and manage their businesses through the management team, but the ownership within the IOF is owned by the share holders and managed by their executive officer which hired by the company.

C. Different in the investment policy

The co-op organization mostly has their investment policy to providing service to their member, but the IOF investment policy is to find profit for the share owner. The investment policy of the co-op is depended on the needs of their membership and the members' economic and social problem. For the IOF, their investment policy is depended on the profit margin and the rate of return they can generate from their cash inflow and income stream which have to exceed their cost of financing.

D. Different in dividend pay out policy

The board member of the cooperative at the year end, they will allocate their surplus to their member in the form of patronage refund and dividend payout as much as possible. But the IOF firm will pay their profit to their share holder in the form of money return according to the number of share or stock they held. The co-op will not accumulate their surplus in to their own organization but to their member, because their investment is all for their member benefit, while the IOF is doing everything for the share holder wealth.

E. Different in the social and mutual aspect

Co-op firm looks for member surplus and welfare, while the IOF looks for the share holder wealth, the co-op firm is always looking for the mutual aspect reduced their selfish. They are globally increasingly their important role in local, regional, national, and international socioeconomic development. But the IOF mostly looks for it own sides. They are not caring to the social but mostly concentrated on a perspective of the individualism, not collectivism.

These all five different factors are the measurement of why or how the co-op was established and why and how the IOF was established. These five different factors need five different approaches to identify and pursue their business to reach to the organizational goal or effectiveness. But from the past up to present, we can saw many weak points to our economy, especially the income inequality and turbulence to the society and citizen. Many of the policy makers in many countries in the world, not only the developed countries but also the developing countries, had done these mistakes. This is a most serious issue. The world had faced many problems, both the nature problems and the socioeconomic problem. For examples: the global warming, the natural disaster, over consumption of natural resource and excess consumption of economic resource, the inequality of income distribution, and so on.

However, its still has five more similarities factors for the policy maker to blend and to synthesize their business managerial approach to create their efficiency to make their internal function to meet to their sale, revenue, cost, profit and lost.

The Five similarities Factors

It is the time to relocate misunderstanding and mis-policy management to turn the next decade into one marked out by much faster and more sustainable growth of the corporation between the cooperative business organization models and invested owned firm model to promote and carefully support the economic growth of every countries. The solution is related to the adjustment of the five similarities mechanism of the engine of these two kinds of firms; these five factors are:

A General National factors: S-P-E-L-T

This is general national framework conditions is belong to how to scan the general environment in five dimensions: S= social, P=political, E=economic, L=legal, and T=technology.

According to Francis J. Aguilar (1967) [5], he had proposed a concept of PEST and this concept had added with one more L which this L=Legal. Anyway, the policy maker have to scan these five dimension to cove with them to evaluate that the existing environment had created or generated any opportunities or threats to our organizations.

- Social openness
- Political/government policy
- Economic and financial condition
- Legal condition
- Technology, research & development

If the environment of these all five factor created opportunity to our firm, it's the time to penetrate our business in to the market to gain the market share. The next step is to look for and assess that we will penetrate to the new market with our existing product or the new product to our existing market (Ansoft 1941) [6].

B Market and industry factors,

Porter (1979 [7], 1980 [8]) suggested a "Five forces" model: he explained that, every firm has to evaluate the density of the rivalry in the industry or the market structure we are doing business. This concept is to calculate our competitive advantage level, which will be based on the other four independent variables: they are firstly, the new entry which will come in to the industry with the excess supply to the industry. Secondly, the substitute product, whether our product would be replaced by the future substitute goods or services, we will lost the market. The other third and fourth variables are the bargaining power of supplier and buyer which will reduce our market share or create our higher cost of production. Competitive Advantages, Five forces model are:

- Rivalry in the industry
- New entry
- Substitute product
- Bargaining power of supplier
- Bargaining power of buyer

C Co-op/IOF Business Opportunity-threat

As posited in part *A* and *B* according to those two external factors: SPELT and FIVE FORCES which the firms can not adjust or change them, the firms can only evaluated that those external factors had created opportunity or threat to the firm or not. Therefore, the firm has to scan their internal factor, to find out that his firm has any strength or weakness to pursue his business policy and plan, to be market leader and to gain market share. [9]

D Co-op/IOF strength/weakness

This is the step of scanning the firm internal functions or structure that it has any positive or benefit or advantage over our competitors. If we have no any strengths, but weakness, we have to prepare to prevent, to protect or adjust our business process as early as possible. The overall business process of a firm have included of overall activities which will create value chain to the firm and its customer. Therefore, the management has to explore our strength or weakness in all of our functions.

E Business/firm dynamic-active (sale, profit/lost)

Porter suggested that A firm must has to create its value chain (Porter 1985) [10] to both the firm and customer. Every firm has two parts of activities. The first one is the primary activities and the second one is the secondary activities. Primary activities consisted of three parts. The first part is the product interrelationship, the second part is marketing & sales, and the third part is service. Product interrelationship is compost of inbound logistic, operation, out bound logistics. Secondary activities are composted of firm infrastructure, human resource management, technology development and procurement.

F Economic growth of a country

According to part D and E, If a firm can manage, got and maintain the over all strength, the firm will reach to the profit margin. Finally, this profit margin is both the co-op and the

IOF surplus or profit respectively. In the same time, the growth of business sector will lead to demand for labor or employment and economic growth from the supply side.

If policy maker of these two kinds of firms have a good understanding on both the differences and similarities factors, blend up them together, these all factors will generate the sustainable economic growth to every country.

How those of firms can survive in the business arena, depend on their competence and capability to adapting in the business and industry. According to the "Population ecology" theory (Freeman and Hannan 1960) [11], if the firms can not adapted them, they will dead after a short period of establishment or bird stage. After that they have to try to find or access to some resources. According to the "Resource dependent" theory, every firm has to access to some resource to spend in their business and functions. If the firm can find the needed resources, they will then expand their business, if they can not access to the needed resources, they will going to the contraction stage or even the dead stage.

Business at the birth stage: at this stage of the firm, the policy maker have to know or need to know that, the firm who will can survive in the industry must have and adjust their organization like an human being, the firm who can not adjust themselves to the environment will be can not give a birth for itself in such market. This belongs to the "Population Ecology theory".

Business at the stage of expansion: at this stage, the firm has to acquire for resource such as capital for investment and expand the market. If the firm can not find the resources, they can not be the market leader or even challenger. This is the suggestion from the "Resource Dependence theory".

Thus, every firm has to know about the Institutional theory which explained that a well systematic firm has to challenge to adopt or imitate the big firm to make them selves professionally as the general perfect institution.

IV. Research model

According to the literature review in section III, the researcher had adopted the similarities factor together and construct a research model as posited in Figure 1, we can elaborate that the successful co-op and IOF firms performance that will influence the economic growth of a country depend on two groups of factors: the first group is the level of understanding on the different structure, goal, objective; investment policy; dividend pay out policy; and the last one is the social and mutual aspect which has to manage as efficient as possible, matching to the organizational goal and objective of the coop and IOF case by case.

The second group of the variable is the management factors, as elaborated in the research model. If the policy leader pertains their competence and can organize the five independent variables to explain the dependent variable. The research model elaborated the structural equation modeling: SEM, which consist of only one structural model and six measurement models. The structural model explained that the five independent measurement models finally explained the economic growth of a country.

A Dependent variable

In this study the dependent variable measurement (economic growth) has totally 3 sub-measurements, the GDP, Jobs/employment, and Low income gap. These mean that the all independent variables composed together can explained the high level of GDP, high level of job employment, and create low income inequality.

B Independent variables

- General national factors
- Market/industry factors (Five forces and STP-marketing [8]
- Coops/IOFs business opportunities and threat
- Coops/IOFs business strength and weakness
- Coops/IOFs business dynamic-active (sales, profit, and lost)

C Intervening variable

In the model, they are also the intervening variables that will change the relationship between the dependent variable and the independent variables, they are as the following

- International culture
- Global warming/natural disaster

V. Research methodology

This study employed the Delphi Technique [12] which is a systematic forecasting method that involves structured interaction among group of experts on a subject. Delphi Technique typically includes at least two rounds of experts answering questions and giving justification for their answers, providing the opportunity between rounds for changes and revisions. The multiple rounds, which are stopped after a pre-defined criterion is reached, enable the group of experts to arrive at a consensus forecast on the subject being discussed.

According to the literature review, the researcher had constructed an open-end questionnaire to ask for the expert opinion on what should be the major factors contributed from co-op and IOF performance to create the economic growth.

The results from this first round survey, we gained the overall twenty five factors. These twenty five factors are matching to the co-operatives theory and the IOFs theories as well, see Table1.

Table 1: Dependent and independent variables

	Dependent V.	Independent V
1	Economic growth (GNP, GDP, Employ, Income Gap)	Firm dynamic/active sales, profit & lost (Revenue)
2	Firm dynamic/active sales, profit & lost (Revenue)	Co-ops and IOFs opportunities/threat (Business opportunity/threat)
		Co-ops and IOFs strength/weakness (Organizational strength)
3	Co-ops and IOFs opportunities/threat	General national factor “SPELT”
		Market and industry factor (seven factors: see Figure 1)
4	Co-ops and IOFs strength/weakness	General national factor “SPELT”
		Market and industry factor (seven factors: see Figure 1)

Table 2: Types and number of respondents

	Types	Number	%
1	Lecturer in the universities	11	33.33
2	Doctoral International students	11	33.33
3	Policy maker	11	33.33
	Sum total	33	100.00

Apart from the first round, the researcher had contacted back again to the 33 persons who are the eleven lecturers in the area of cooperative economics, eleven doctoral international students, and eleven policy maker in the Ministry of Agriculture and Co-operatives. This second round of survey come up with the out put of the study. All of 33 respondents reported that the overall 25 measurements are influenced to both the performance of co-ops and IOFs firms. Even co-ops are the social enterprise, they are different from the IOFs only their goal, objective, structure, and the way to doing business. But both of them were affected by the business factors.

Acknowledgment

This study was got the financial supported from the Department of Cooperatives Economics, Faculty of Economics, Kasetsart University, Bangkok, Thailand.

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Both Co-ops and IOFs are creating economic growth to every country. Even, they have some differences in organizational goal, structure, and the business approach. But they had the same factors to generate growth, such as general national factors, market and industry factor, opportunity & threat, strength and weakness. These all factors will generate firm dynamic/active on sales, profit& lost, job and employment

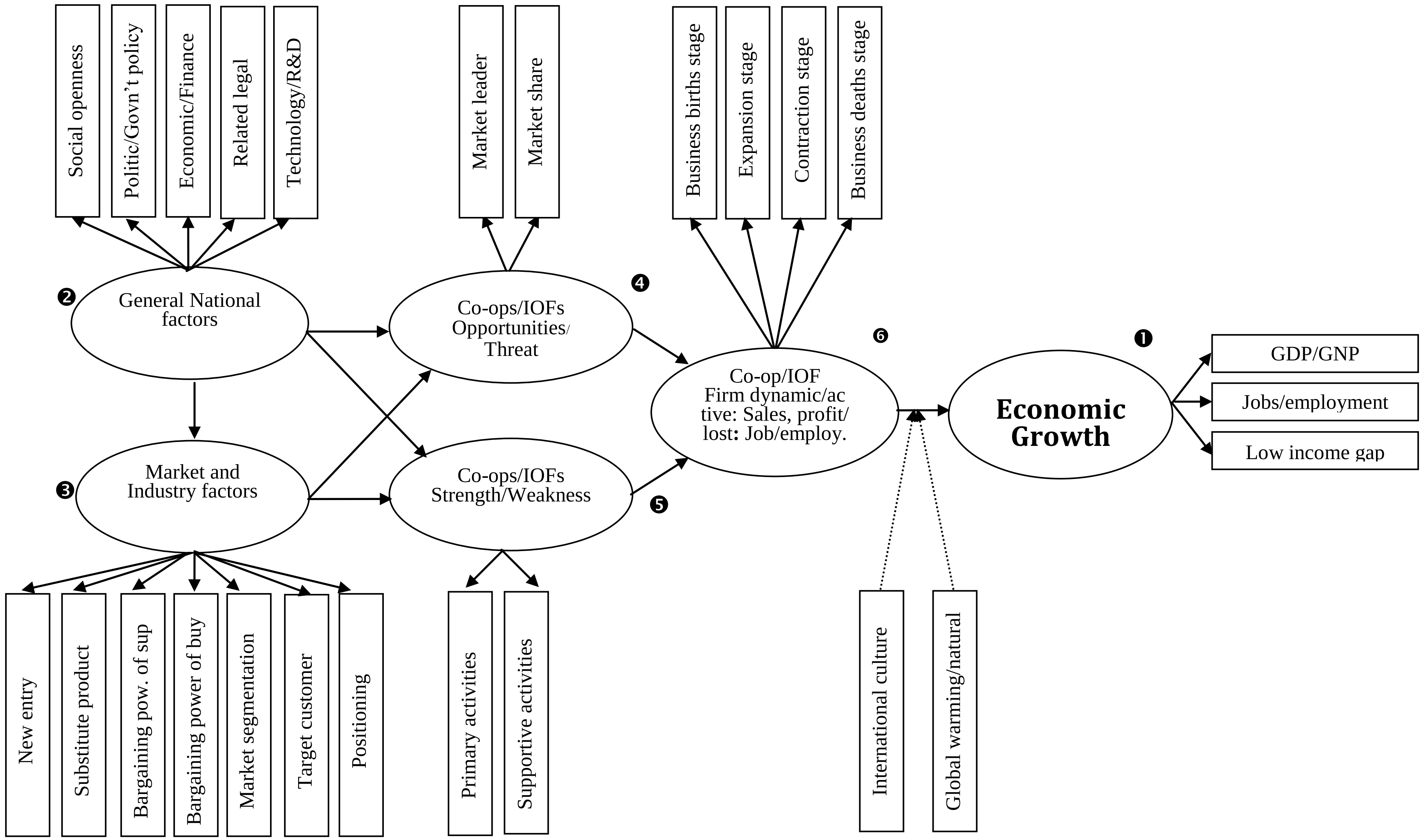

Figure I: Factors Determine the Co-ops business performance and the IOFs business performance to Economic Growth