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Understanding the Effectiveness of Co-operative Board Members from Resource Dependence and Participation Perspective: A Proposal of Conceptual Framework

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Abstract
Co-operatives played a critical part in the community development initiative, and its viability is reliant on the board members' ability to carry out their roles effectively. Since board members are a vital body of the cooperative's internal governance, it is important to examine how they affect the cooperative's performance. Several factors have been proposed and based on prior research inferences, the majority of which have used the concept of corporate governance to identify the factors that influence the cooperative board's effectiveness, which has also been adopted in this article. Owing to the inconsistent findings and gaps in previous research, this article has focused on the role of board members' human and social capital in affecting cooperative performance. The research also presented board participation as a mediator between human and social capital and cooperative performance. This study employs resource dependence and participation theory as underpinning theories to support its assumptions and performs a literature review to synthesize empirical findings on related factors. SmartPLS software will be used to analyze the data and explore all relationships using Structural Equation Modeling (SEM).
Keywords: Human Capital, Social Capital, Board Participation, Co-Operative Performance, Community Development

Introduction
Cooperatives are structured on the basis of basic principles and values identified by the ICA (Majee & Hoyt, 2011) and one of the essential components highlighted is concerning the community that was adopted in 1995 to acknowledge the connection between cooperatives and community development (Wilkinson & Quarter, 1996). Owing to its more community-oriented nature (Fairbairn, 1991), numerous studies have highlighted the critical role of

cooperatives in fostering community development (e.g., Bhuyan & Leistritz, 2000; Majee & Hoyt, 2011; Zeuli & Radel, 2005). As a result, since cooperatives play an important part in community development initiatives, the ability of the board to effectively fulfill their functions as the "experts" in charge (Cornforth, 2004) is essential in order to justify the viability of this platform as demonstrated by its performance.

Board has been regarded as the internal governance instruments (Matoussi & Gharbi, 2011) and is much more relevant in the context of cooperatives because of the official authority and legal obligation of the board to protect the common interest of members (Bijman, Hendrikse, & van Oijen, 2013; Jussila, Goel, & Tuominen, 2012). Since the cooperative board is answerable to the members, hence, it is very timely to explores possible factors contributing to the effectiveness of the board, especially in the context of cooperatives.

There are a number of studies on cooperative boards have been conducted, in which most of it has adopted the concept of corporate governance to explain the factors that influence the cooperative board's effectiveness. The concept and approach of corporate literature, according to Bond (2009); Hakelius (2018), can be used to cooperatives because both organizations are corporate in nature and have similar governance systems. Nevertheless, based on the systematic review conducted by Buang and Abu Samah (2020), most studies focused more on analysing the factors of board characteristics, including gender, level of education, knowledge and skills, tenure and attitudes (Kusuma et al., 2019; Chareonwongsak, 2017; Choi et al., 2014; D'Amato & Gallo, 2019; Hakelius, 2018; Hernández-Nicolás et al., 2019). Daily, Dalton and Cannella (2003) subsequently suggested that any advancement in board effectiveness requires the investigation of new fields of research, and in exploring the factors that impact the efficacy of cooperative board members, this study considers two theories, namely, resource dependence theory and participation theory.

Derived from Pfeffer and Salancik's (1978) resource dependence theory, the concept was adopted by Hillman and Dalziel (2003) and board capital was introduced as the main antecedent of the board's resource provision roles. Previous board capital literature recognizes two key components of the board's ability that affect organizational performance, namely human and social capital (Haynes & Hillman, 2010; Hillman & Dalziel, 2003; Pérez-Calero, Villegas, & Barroso, 2016). Nonetheless, from our perspective, providing key resources does not ensure that the board functions effectively without the active participation of the board members. Although several studies have demonstrated the relevance of the participation in the cooperative governance, and yet, the action of participation was mirrored in the attendance of members at Annual General Meetings (AGM) and the support of members for the products or services of their cooperatives (e.g., 'Aini et al., 2012; Khan et al., 2016; Rajaratnam et al., 2010). Fiegener (2005), on the other hand, emphasized the relevance of studying participation behavior, particularly in the firm's strategic decision-making process, which indirectly influences firm performance (Judge & Zeithaml, 1992). Hence, in this paper, the participation of board members in the strategic decision process, i.e., planning, implementation, monitoring, and evaluation, will be explored in accordance with the 'What' dimension as proposed in the participation theory (Cohen & Uphoff, 1977), in order to assess its impact on the cooperative's performance.

Underpinning Theories of Research Framework

Pfeffer and Salancik (1978) spawned one of the well-known theories in corporate governance in describing the board’s role in providing resources through the introduction of resource dependence theory. Previous research in resource dependence literature indicated that human capital emerged from Becker's (1975) work which referred to the director's knowledge, skills and abilities (Ketchen, 2011; Boivie, 2014; Nicholson, 2004) obtained from their educational investment and previous experiences (Becker, 1993; Kor & Sundaramurthy, 2009; Lester, 2008; Minichilli & Hansen, 2007; Pugliese & Wenstop, 2007). In addition, according to Becker (1964;1975), human capital can be differentiated into two categories, i.e., general and specific human capital.

Apart from human capital, economists have adopted the concept of social capital to explain its effect on economic outcomes (Hayami, 2009). Granovetter's (1973) seminal work on embeddedness is the most prominent social capital network approach used in relation to organization performance (Claridge, 2018) and derived from this line, Nahapiet and Ghoshal (1998), referred social capital as the total of actual and prospective resources contained within, accessible via, and developed from an individual's network of interactions. To better understand the impact of social capital on the board's effectiveness, Adler and Kwon (2002) as well as Kim and Cannella (2008) proposed that social capital should be differentiated into two forms: external and internal social capital, as each category contributes different resources to the board. Meanwhile, in the current study, cooperative performance was proposed as the dependent variable, in which according to Zahra and Pearce (1989), resource dependence scholars referred performance comprising of financial, systematic, and social components as suggested by the legalistic perspective in determining a company's performance. Based on these criteria, it corresponds to the explanation of cooperative performance assessment, which includes financial and non-financial indicators, as demonstrated in previous studies (Benos et al., 2018; Giacomini et al., 2017; Mayo, 2011).

Correspondingly, since cooperative structures are associated with community development initiatives, the participation theory of community development by Cohen and Uphoff (1977) was incorporated in this suggested model to analyze board member participation. According to Cohen and Uphoff (1977), participation is defined as a process in which a number of individuals are involved in decision-making and implementation of programmes, as well as participation in evaluation activities where voluntary and democratic participation of individual is required (Nikkhah & Redzuan, 2009). Subsequently, this theory provides a framework that describes three aspects of participation that address the questions: (1) ‘What’ types of participation take place, (2) ‘Who’ engages in them, and (3) ‘How’ the process of participation happens (Cohen & Uphoff, 1980). Since this study focused on the cooperative board members' participation in the process of strategic decision-making, the discussion therefore elaborates on the 'What' dimension that can be operationalized into four quantifiable dimensions, i.e. planning, implementation, benefit sharing and monitoring and evaluation (Abu Samah & Fariborz, 2011; Cohen & Uphoff, 1980). Nevertheless, due to the conflict of its practicality (Sheikh, 2015) and the passive form of participation (Cohen & Uphoff, 1977), the aspect of benefit participation was skipped.

Literature Review and Hypothesis Development

Cooperative performance

The performance measurement of cooperatives, as shown in previous research, is wider than the conventional company (Hind, 1999) that integrated social and business purposes (Spear, Cornforth, & Aiken, 2009). The performance measurement also relies on the cooperative's constitution, aims, identity, principles and values (Abdul Aris et al., 2018; Mayo, 2011; Soboh et al., 2009), which is difficult to measure relative to other forms of enterprise. Moreover, the interdisciplinary nature of cooperatives and non-profit organizations (Valentinov and Iliopoulos, 2013) and cooperatives and social enterprises (Borzaga et al., 2011) has had an indirect impact on the design, implementation, and application of quantifiable measures to assess their performance (Rajaratnam et al., 2009).

As enunciated, according to the resource dependence perspective, an organization's performance measurement consists of financial, systematic, and social components, all of which are compatible with current cooperative performance assessment practices. The cooperative performance was initially measured on the basis of an individual corporation (Benos et al., 2018) and typically compared to investor-owned firms (Chaddad, 2006). Cooperative performance is evaluated in this context using the available financial accounting metrics composed of four types of accounting ratios, i.e., profitability ratio, liquidity ratio, indebtedness ratio and wealth evaluation (Soboh et al., 2009). Furthermore, these ratios are widely used to assess the financial performance of different organizational settings (Aris et al., 2015), and may also be used to assess the performance of cooperatives in various sectors of the economy (Rajaratnam et al., 2009).

This current proposed framework, however, acknowledged the dual nature of a cooperative organizational structure that should not only fulfil traditional corporate success survival criteria, but also include members and social benefits (Benos et al., 2018; Franken and Cook, 2015; Hind, 1999; Soboh et al., 2009). There is a growing interest beyond the economic bottom line in identifying cooperative performance because financial metrics alone are not rigorous (Duguid, 2017) and incomplete without measuring non-financial indicators (Marie, Ibrahim, and Al Nasser, 2014). Systematic and social components are therefore recommended to be included in the measurement of cooperative performance. Systematic performance represents the sustainability and growth of the firm (Kyriakopoulos, Meulenberg, & Nilsson, 2004), which can be referred to in the context of cooperatives as the growth of cooperative membership. On the other hand, social performance relates to the organizational response to changing social standards (Duguid, 2017) and, from the cooperative point of view, it relates to the interests of members, caring for others and the general well-being of the community (Kyazze, Nkote, & Wakaisuka-Isingoma, 2017).

Therefore, in order to fulfill cooperative social and business goals (Spear, Cornforth, and Aiken, 2009), the performance indicators proposed in this current model include both financial and non-financial dimensions.

Human Capital and Cooperative Performance

As mentioned, human capital can be distinguished into general and specific human capital (Becker, 1964) in which Rauch and Rijsdijk (2013) found that both components had an impact on company performance with different outcomes (Bruderl, Preisendorfer, & Ziegler, 1992; Cooper, Gimeno-Gascon, & Woo, 1994; Dahlqvist, Davidsson, Dahlqvist, & Wiklund, 2000).

Khanna et al (2014) discovered that general human capital can be a source of competitive advantage in their research on external directors since such abilities derived from formal education and prior experience enable them to execute their job more effectively (Carpenter & Westphal, 2001). Bruderl et al (1992) found in their study that the founders' years of education and years of work experience are related to high survival rates and growth for a newly formed company enterprise, which is also supported by Cooper et al. (1994) and Dahlqvist et al. (2000). This is because general human capital is the cornerstone to developing the board's abilities that facilitate efficient decision-making (Pérez-Calero et al., 2016), lead to greater cognitive ability (Carpenter & Westphal, 2001) and higher productivity (Dahlqvist et al., 2000) as well as contributing to the company's governance effectiveness (Reeb & Zhao, 2009). Meanwhile, limited number of research in the context of cooperatives studied the factor of general human capital of the board influencing cooperative performance, but the findings were contradictory (Abolfazl Rahmatizadeh et al., 2016; Azadi et al., 2010; Hakelius, 2018).

However, Crook et al (2011) discovered that the correlation between specific human capital and firm performance is greater, as corroborated by the meta-analysis conducted by Unger et al. (2011) as it is difficult to trade or exchange (Chi, 1994). Similarly, Chen (2014) and Dalziel et al (2011) found that the industry-specific experience of directors has a positive influence on research and development (R&D) investment in order to develop innovative capabilities that indirectly affect the performance of the company. From the cooperative perspective, (Rahmatizadeh et al., 2016) found that the technical knowledge and skills of the members of the board were the most critical factors contributing to the Iranian cooperative performance due to their relevance to specific tasks (Rauch & Rijsdijk, 2013), particularly in the field of agriculture. Additionally, Hakelius (2018), in her research on the Swedish farmer cooperative board, stated that the director’s industry-specific experience in terms of knowledge of the activities, structure and understanding of the cooperative business form contributes to high performing cooperatives. According to Chareonwongsak (2017), it is necessary for the cooperative board to strengthen their specific knowledge and skills in order to boost their competitive advantage, as it is a good predictor of future performance (Cooper et al., 1994). Consequently, based on the empirical review alluded to above, the present researcher proposes to analyze the human capital indicator based on both general and specific human capital, to examine the effectiveness of the board which contributes to the performance of the cooperative.

Social Capital and Cooperative Performance

In corporate studies, social capital has been examined in relation to different organizational outcomes, such as firm performance (Kor & Sundaramurthy, 2009; Pérez-Calero et al., 2016), firm’s R&D investment (Chen, 2014; Dalziel et al., 2011), strategic change (Haynes & Hillman, 2010), CEO selection (Tian, Haleblian, & Rajagopalan, 2011), firm’s CSR disclosure (Ramón-Llorens, García-Meca, & Pucheta-Martínez, 2018), board tasks (Melkumov & Khoreva, 2015) and innovative performance (Kim & Kim, 2015; Wincent et al., 2010), and can be addressed based on external and internal social capital.

In some recent research, the primary function of external social capital is to bridge and link the firm to the external environment (Pérez-Calero et al., 2016). In evaluating the performance of 117 non-financial publicly traded firms in the Korea Composite Stock Price Index market, Lee et al. (2016) reported that firm growth relies on the bridging position of individual board members, as it provides the organization with useful information (Dalton, Daily, Ellstrand, & Johnson, 1998; Liang, Huang, Lu, & Wang, 2015) to reduce business volatility ((Lee, Choi, & Kim, 2012). Furthermore, Tian, Haleblian, and Rajagopalan (2011) discovered that stock market investors reacted favorably to the selection of CEOs with proven management ties to other company boards in a sample of 208 new CEO appointment events in U.S. manufacturing, indicating the relevance of bridging.

Apart from that, Pérez-Calero et al.'s (2016) study discovered the significance of linking the business through the director's interlock with important stakeholders or other significant institutions that substantially impact the company's performance, consistent with other studies (e.g., Burt, 1980; Hillman, Keim, & Luce, 2001; Kim & Cannella, 2008). Likewise, Lester et al. (2008) observed in the hiring of an ex-government official as an external director that the connection they established as former government officials ((Hillman, Cannella, & Paetzold, 2000) provides the organization with a benefit. Hafizah Hammad Ahmad Khan et al. (2016) discovered that there is a significant relation between external social capital and cooperative performance, consistent with the research conducted by (Yaacob et al., 2014). They argued that relations should be maintained between the cooperative and external bodies, such as the government, suppliers, and customers, to ensure the survival of the cooperative and to promote its business activities.

Meanwhile, a number of studies have studied the impact of the board's internal social capital (Barroso-Castro, Villegas-Periñan, & Casillas-Bueno, 2016; Kim & Cannella, 2008; Lee et al., 2016; Tian et al., 2011), which adds internal solidarity to the board and facilitates the pursuit of common goals (Adler & Kwon, 2002). Kim (2005) guided by Coleman's (1990) social capital theory, discovered in her study using the data obtained from the Korea Listed Companies Association from 1990 to 1999 that the extensiveness or cohesiveness of interaction between board members, resulting in an improvement in company performance. Furthermore, Tian et al. (2011) and Barroso-Castro et al. (2016) used the form of co-working experience to determine internal social capital that has positive impacts on the effectiveness of the group task (Littlepage, Robison, & Reddington, 1997) and in-board engagement (Kim & Cannella, 2008; Stevenson & Radin, 2009), in which board members' connectivity contributes has an impact on the firm performance (Pérez-Calero et al., 2016). However, Lee et al. (2016) noticed that boards with high internal social capital have a detrimental influence on firm performance because groups rich in bonding can restrict the effective functioning of the board (Sato, 2013).

Meanwhile, internal social capital is yet to be explored in the preceding studies from a cooperative perspective, especially in the context of the Malaysian cooperative. The inclusion of internal social capital as an input that contributes to the board’s effectiveness is therefore considered to be an exploration of new fields. The proposed social capital of the cooperative board members in this model was based on interaction, through bonding, bridging, and linking.

Mediation Effect of Board Participation

In this paper, board participation was suggested as a mediating factor in the relationship between human and social capital with cooperative performance. This is due to the fact that having key resources does not ensure that the board will function effectively without the active participation of its members. This is reinforced by Fiegener (2005) and who pointed out that the participation of the board as a unit in the strategic decision-making process, rather than the individual director, would affect the long-term effectiveness of the organization (Judge & Zeithaml, 1992). In a similar vein, Solange Charas (2015) stated that when a board functions as a collective unit, it affects the firm's decision-making and improves the coordination of activities through the use of multiple resources to create value for the organization (Huse et al., 2011).

The degree of board participation, according to Judge and Zeithaml (1992), is influenced by its resources, i.e., the human capital and social capital of the board members (Johnson, Schnatterly, & Hill, 2013). Pugliese & Wenstop (2007) emphasized that knowledge is one of the competencies acquired by the board through structured learning (Khanna et al., 2014) that generates greater capacity for board members to process information (Wiersema & Bantel, 1992) that indirectly affect the active participation of board members. The general human capital resulting from the knowledge and skills of previous experience (Pérez-Calero et al., 2016) strengthened the ability of the board members to participate in the board as it shapes the thinking, the scope of reference and expectations of the board (Kor & Sundaramurthy, 2009; Westphal & Fredrickson, 2001).

Additionally, a firm's in-depth knowledge of the industry, competitors, consumers and technologies, referred to as industry-specific knowledge, will mitigate the inactive behavior of the board (Pugliese & Wenstop, 2007), as it helps the board to effectively understand business activities and internal management issues (Forbes & Milliken, 1999). Meanwhile, in the cooperative context, knowledge of the operations, structure and understanding of the cooperative business model (Hakelius, 2018) is the component of specific human capital in which the active participation of the members of the board is indirectly promoted as they speak in a similar 'language'.

Board participation is also impacted by the internal social capital, which lead to the board's cohesiveness (Forbes & Milliken, 1999) towards achieving its shared goals by organizational bonding (Lee et al., 2016). Westphal's (1999) research was a pioneer in recognizing the importance of social ties within the board and Pérez-Calero et al. (2016) emphasized that this principle is the most appropriate approach for an analysis of the capacity of the board to function as a group as it improves the effectiveness of cooperation and coordination within the boardroom (Kim & Cannella, 2008). The ties between board members foster familiarity and confidence (Forbes & Milliken, 1999), allowing for information sharing and collaboration among the board (Kim & Cannella, 2008), which has a positive impact on firm performance (Pérez-Calero et al., 2016).

Furthermore, the extent to which board members have interactions with outsiders through their external ties (Kim, 2005) played an important role in increasing board participation, since the company's performance is dependent on the useful information they share in reacting to external circumstances (Pfeffer & Salancik, 1978; Wincent, Anokhin, &

Boter, 2009). In this context, Kim and Cannella (2008) noted that a board's external social capital may be a source of competitive advantage based on the experience gained from their external network, allowing them to participate more actively in the (Hillman & Dalziel, 2003; Kor & Sundaramurthy, 2009; Tian et al., 2011). Similarly, the importance of external social capital also been demonstrated in the cooperative setting where the connections between the cooperative (Yu & Nilsson, 2018) and also other inter-organizational networks (Liang et al., 2015), would benefit the cooperative through disseminating of valuable information in the boardroom that implicitly fosters the participation of the board members. Hence, the present paper would like to propose board participation as a mediating factor that influence the relationship between human capital and social capital towards cooperative performance. The present study would, therefore, like to propose that:

Conceptual Framework

The resource dependence theory applied in this study to examine the significant relationship between human and social capital on the performance of cooperatives. As discussed above, the capacity of the board members to fulfil their provision roles of resources obtained from general and specific human capital as well as from external and internal social capital. Meanwhile, this study employs the participation theory to investigate the mediation effect of board participation in strategic decision-making process on the direct relationship between human and social capital with cooperative performance. A conceptual model based on the independent variables (human capital and social capital), the mediating variable (board participation) and the dependent variable (cooperative performance) as proposed in this study is then developed and depicted in Figure 1.

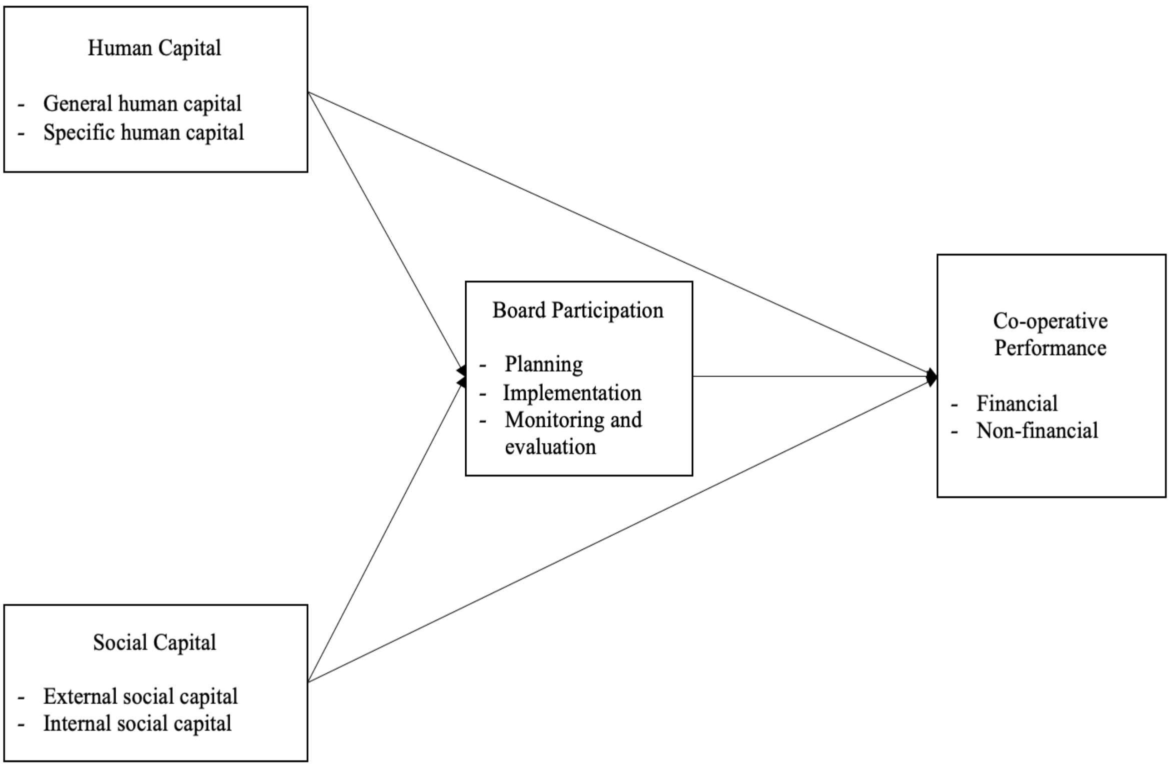

Figure 1: Conceptual Framework

Methodology

This study proposes a conceptual framework that emphasizes the impact of human and social capital on cooperative performance, with board participation serving as a mediating factor. This study employs a literature review to synthesize empirical findings on the board-related factors that influence cooperative performance. The review process is based on two primary journal databases, Scopus, and Web of Science (WoS), which is a comprehensive database consisting of more than 18,000 journals from more than 3,300 publishing partners, covering topics such as business, management and accounting, art and humanities, social science, and economics. After a thorough assessment of various secondary data sources in the context of cooperative governance, the current article was written with some proposals. Following that, the resource dependence theory (Pfeffer & Salancik, 1978) and participation theory are used to support the conceptual framework developed in this paper (Cohen & Uphoff, 1977). The PLS-SEM technique will be used to empirically validate this conceptual framework using SmartPLS 3.3.2.

Discussion

In this paper, the corporate governance concepts have been applied from a cooperative perspective in order to identify the potential of board-related variables affecting cooperative performance, which has been used in the non-profit literature since 1984 (Friedman & Miles, 2006). As a result, human and social capital factors was proposed as an exploration of new fields from the perspective of the resource provision role of the cooperative board members as it has not yet been explored. As noted, despite the fact that few studies have highlighted the factor of board members' human capital (e.g., Azadi et al., 2010; Chareonwongsak, 2017; Choi et al., 2014; Kusuma et al., 2019), the social capital factor has not been comprehensively discussed without taking into account the element of internal social capital. Thus, by integrating these factors, it will give new insight into the cooperative context by evaluating the influence of the cooperative board's resource provision role on cooperative performance.

In addition, board participation was introduced in this paper employing the community development concept to explain its mediation impact on the relationship between human capital and social capital with cooperative performance. In the article, participation was described as the behavior of the board that is involved in the strategic decision-making process, i.e., planning, implementation, monitoring, and evaluation, as opposed to previous studies that demonstrated participation in terms of members' attendance at Annual General Meetings (AGM) and member support for the products or services of their cooperatives.

Therefore, in this paper, a conceptual model was proposed to investigate the resource provision roles of cooperative board members, with the inclusion of an extended framework for the mediating impact of board participation in assessing cooperative performance.

Conclusion

As mentioned, this article adopted the concept of corporate governance to examine board members' effectiveness in influencing cooperative performance since both are corporate in nature and have a comparable governance structure. The potential factors from the perspective of the resource provision role derived from the cooperative board's human and social capital were explored. The exploration and introduction of these aspects from the perspective of cooperative acts as pioneer research and provides a new dimension in reviewing board-related factors that have not been widely explored, thus contributing to the body of knowledge, particularly in the Malaysian cooperative context.

Furthermore, board participation was proposed as a mediator between dependent and independent variables. The participation theory was subsequently introduced into this study, which serves as a pioneering study that contributes to the body of knowledge by demonstrating the appropriateness of the community development theory to analyze the participation of the cooperative board members in strategic decision-making process.

Apart from that, the framework proposed in this article can be used in a variety of cooperative clusters, not just micro clusters, but also large and medium clusters. Furthermore, the study proposed board participation construct that can be used by the government or other community development practitioners to investigate participation in the governing body's strategic decision-making process, particularly in the context of other community development-related organizations besides cooperatives.

The proposed conceptual framework examines three (3) factors that influence cooperative performance from resource dependence and participation perspective. In this paper, the discussions are conceptual and must be further validate and verify by empirical testing. Further research will be conducted to better understand the relationship between human capital, social capital, board participation, and cooperative performance. The research design would be a survey, with respondents drawn among cooperative board members. Using a Structural Equation Modeling (SEM) approach, SmartPLS software will be used to analyze the data and investigate all the relationships for this study.

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