

Organizational Culture as a Mediator between Management Leadership and Governance Performance in Malaysian Cooperatives: A Structural Model Approach

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Abstract

The cooperative sector in Malaysia plays a significant role in socio-economic development, yet governance challenges persist. This study tests at how organisational culture influences the relationship between governance performance and managerial leadership in Malaysian cooperatives. Based on the Resource-Based Theory (RBT), the study suggests that culture and leadership are key intangible resources that can improve the quality of governance. The board of directors, managers, and cooperative members from a variety of industries provided a total of 400 responses. The study examined the proposed mediating link using Partial Least Squares Structural Equation Modelling (PLS-SEM). Partial Least Squares Structural Equation Modelling (PLS-SEM) was used in the study to test the proposed mediating link. These results challenge traditional assumptions in strategic management literature and underscore the unique governance dynamics in cooperatives, where formal structure, member control, and regulatory compliance may override cultural and leadership influences. These findings suggest that, within Malaysian cooperatives, formal governance structures and regulatory compliance may have a more substantial impact on governance performance than leadership and culture alone. The paper concludes with theoretical and practical implications, suggesting the need for context-sensitive frameworks for cooperative governance.

Keywords: *Organizational Culture, Management Leadership, Governance Performance, Cooperatives, Structural Model.*

Introduction

The cooperative movement in Malaysia has evolved into a cornerstone of the nation's socio-economic development, acting as a third-sector force complementing both the public and private sectors. Cooperatives, with their dual mandate of creating economic value and enhancing social welfare, play a crucial role in driving community development, empowering members, and ensuring fair wealth distribution, especially among marginalized communities. As of 2024, there are over 16,200 registered cooperatives in Malaysia, with approximately 7.2 million members, actively engaged in sectors such as agriculture, consumer retail, housing, transport, education, and financial services (Suruhanjaya Koperasi Malaysia, 2025). This widespread presence demonstrates not only the sector's economic significance, contributing billions to national Gross Domestic Product but also its social embeddedness within local communities.

However, despite this growth and structural expansion, the cooperative sector continues to face persistent governance challenges, particularly in terms of board effectiveness, internal control systems, leadership integrity, and regulatory compliance (Nawawi et al., 2017; Torino & Tagadiad, 2021). Government audits and investigative reports have consistently revealed issues such as financial mismanagement, opaque decision-making, and unethical conduct among board members and executive managers. These governance lapses have raised public concerns about the sector's credibility, especially when some cooperatives operate with substantial member deposits, government-linked projects or community mandates (Nawawi et al., 2017). Regulatory frameworks such as the Cooperatives Act 1993 and Cooperative Regulations 2010 (Amendment 2021) were introduced to

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strengthen the institutional and legal backbone of cooperative governance. These initiatives emphasize transparency, financial discipline, and performance benchmarking. Yet, a growing body of research suggests that governance effectiveness cannot be achieved by regulation alone. It must be reinforced by internal organizational factors that shape day to day behavior, decision quality, and strategic alignment (Cornforth, 2004; Birchall & Simmons, 2004).

In this context, governance literature has highlighted two key internal dimensions: management leadership and organizational culture. Management leadership encompasses the capability of cooperative leaders to craft vision, enforce accountability and inspire ethical conduct (Yukl, 2012) while organizational culture represents the shared beliefs, norms and values that influence behavior across all levels of the organization (Schein, 2010). Both constructs are considered strategic intangible resources under the Resource-Based Theory (RBT) with the potential to enhance governance performance when properly aligned (Barney, 1991). Previous empirical studies, particularly in the corporate sector, have shown that effective leadership can enhance performance by fostering a strong organizational culture (Ogbonna & Harris, 2000; Hartnell et al., 2011). This mediated relationship remains underexplored in the cooperative sector. This omission is problematic because cooperatives differ fundamentally from the corporate sector in their ownership, governance structure and stakeholder engagement. In cooperatives, leadership is often non-centralized elected rather than appointed and accountable to members rather than shareholders.

Few empirical research in Malaysia have thoroughly investigated these links using sophisticated statistical techniques like structural equation modelling (SEM), despite the acknowledged significance of internal organisational issues, particularly within the context of cooperative governance. In the specific context of cooperative governance, the use of Structural Equation Modeling (SEM) remains limited, as most studies continue to adopt descriptive or correlational methods, with mediation effects largely overlooked. This reveals a notable gap in the current literature.

This paper's objective is to present empirical evidence about whether organisational culture mediates the relationship between governance performance and managerial leadership in Malaysian cooperatives. The study aims to enhance the understanding of Resource-Based Theory (RBT) by evaluating its assumptions in a collectivist, non-profit, and value-driven organizational context, through the analysis of responses from a diverse sample of cooperative actors within the RBT framework. Then, the study will provide empirical evidence on the mediating mechanisms of governance performance using advanced analytical tools (PLS-SEM). Finally, this study will offer practical implications for board of directors, regulators and policymakers seeking to strengthen governance performance Malaysian cooperatives. In conclusion, this study not only deepens our theoretical understanding of internal governance drivers in cooperatives but also offers actionable insights for improving leadership effectiveness and cultural alignment in a sector vital to inclusive economic development.

Literature Review

Three steps are taken to analyse the literature review that is discussed in this study. The first step covered is research on the connections between management leadership and cooperative governance performance. Second, studies on organisational culture and how it relates to governance performance. Lastly, research on how organisational culture influences managerial leadership and governance performance is discussed.

Management Leadership and Governance Performance in Cooperatives

Management leadership is pivotal in shaping organizational direction, fostering ethical standards and ensuring effective governance. In the context of cooperatives, leadership extends beyond traditional managerial roles to encompass democratic participation, member engagement and adherence to cooperative principles. Effective leadership in cooperatives is characterized by transparency, accountability and the ability to navigate the unique challenges posed by member-owned structures. Meanwhile, the governance and performance of cooperatives represent a critical nexus of leadership, management systems and operational efficiency. As democratic, member-owned enterprises, cooperatives require governance structures that not only uphold participatory principles but also ensure strategic direction and managerial effectiveness. Leadership in such settings plays a pivotal role in navigating this balance, ensuring accountability, fostering ethical standards, and aligning cooperative operations with both financial and social objectives (Yukl, 2012).

Cornforth (2004) famously conceptualized cooperative governance as a paradox that requires leaders to balance the ideals of democratic member control with the demands of professional, strategic

management. In this context, management leadership goes beyond conventional top-down approaches and embraces inclusive, participatory decision-making structures. Leadership styles, particularly transformational and transactional leadership, have received attention in cooperative governance literature. Transformational leadership is associated with member motivation and innovation, while transactional leadership ensures compliance and operational discipline (Hejkrlik et al., 2023).

In the Malaysian context, Ghani et al. (2024) empirically demonstrate that internal organizational factors such as stakeholder engagement and audit committee functioning significantly affect governance performance. Although leadership was not their primary focus, the findings suggest that effective governance depends on managerial competence in strengthening these structures. Further supporting this, Jamaluddin et al. (2023) highlight in their systematic review that leadership remains one of the most cited predictors of cooperative success, though under-theorized in Malaysian studies. Both studies converge on the need for greater empirical scrutiny of leadership behaviours, competencies and styles in shaping cooperative governance particularly within Malaysia's unique institutional and cultural environment.

Organizational culture is another vital component of effective governance. Ogbonna & Harris (2000) argue that leadership styles directly shape the values and norms of an organization, thereby influencing governance quality. In cooperatives, organizational culture must reflect cooperative values such as solidarity, equity, and democratic participation. A healthy organizational culture fosters transparency, commitment, and collective responsibility, all of which enhance governance practices. Member participation also emerges as a foundational pillar in cooperative governance. Studies by Favalli et al. (2020) and Zeng et al. (2023) illustrate that active member engagement enhances representativeness, improves decision-making, and strengthens cooperative performance. Jamaluddin et al. (2023) further support this, showing that Malaysian cooperatives with high member involvement report better financial and social outcomes.

Governance mechanisms such as internal audit committees, stakeholder engagement systems, and knowledge-sharing platforms are essential in ensuring accountability and strategic direction. Fang et al. (2023) highlight how contract and relationship governance can enhance trust and cooperation, which are crucial for innovation and sustained performance. Similarly, Sun et al. (2019) emphasize the importance of aligning governance frameworks with cooperative cultural values to maintain responsiveness and adaptability. The external environment also influences cooperative governance. Public policy, regulatory frameworks, and financial support from government institutions can significantly affect the governance capacity of cooperatives.

Organizational Culture and Performance

Organizational culture refers to the shared values, norms, and assumptions that guide behavior within an organization. In cooperatives, culture is instrumental in aligning member interests, promoting transparency and ensuring commitment to cooperative principles such as equity and solidarity. A strong culture fosters trust and shared purpose, which are essential for effective governance (Rodrigues et al., 2015). Schein (2010) also emphasizes that culture is both created and reinforced by leadership, making it a dynamic resource for governance alignment. According to an empirical study by Dyahrini & Rachman (2020), cooperative performance is significantly improved by organisational culture. According to the findings, cooperative performance is improved by a strong organisational culture, which promotes regional economic development.

A crucial field of study with ramifications for management techniques in a variety of organisations, including cooperatives, is the connection between organisational culture and performance. The literature provides numerous insights into how organizational culture affects employee engagement and organizational effectiveness across various sectors. Firstly, the foundational theory posits that a strong organizational culture contributes directly to enhancing employee performance. Kosmajadi (2021) highlights the enormous impact that a positive organisational culture has on performance, suggesting that employee production is influenced by culture by as much as 51.84%. This notion is supported by empirical data, which shows that companies with strong cultural frameworks frequently have greater employee engagement, satisfaction, and performance levels (Firmansyah et al., 2023; Shintyawati et al., 2023).

The interplay between organizational culture and leadership is profound. In the context of savings and loan cooperatives in Papua, Sarminanto et al. (2017) demonstrate how employees' perceptions of organizational culture formulate intrinsic beliefs and values, which subsequently influence leadership behavior and employee performance. This finding underscores the necessity for leaders to cultivate a

supportive culture that aligns with organizational goals and addresses employee concerns and motivations. Leaders who actively cultivate a culture that values employee contributions and well-being help establish an environment that supports improved performance and productivity. The type of organizational culture can also significantly influence various performance metrics among cooperative members. Firmansyah et al. (2023) illustrate that organizational culture and discipline positively affect employees' performance in cooperatives. They argue that organizational culture shapes employee behaviour, leading to performance improvements through the internalization of organizational values and motivating employees to align their actions with organizational objectives. These cultural elements are crucial for sustaining discipline among employees, further enhancing overall cooperative performance.

Furthermore, the importance of transformative leadership in creating a favourable workplace culture and in turn, improving employee performance has also been well studied. According to Suartama et al. (2024), transformational leadership has a good effect on employee performance and organisational culture, with organisational commitment serving as a key mediating factor. Transformational leaders can create a culture that emphasizes innovation, collaboration, and performance excellence, thereby enhancing employee motivation and engagement. This synergy between leadership and culture signifies the importance of nurturing strong, positive cultural attributes to drive employee satisfaction and performance. In addition, studies focusing on internal cooperative dynamics illustrate how organizational culture contributes to overall cooperative success. Shintyawati et al. (2023) found that an organization's culture significantly impacts employee performance, noting that a stronger culture encourages greater performance levels. A well-defined culture helps cultivate a shared sense of purpose among employees, leading to increased commitment and higher levels of performance. The findings suggest that attention to cultural dimensions should be integral to managing change and promoting performance in cooperative settings.

A vital aspect to consider is the relationship between organizational culture and market competitiveness. Organizational cultural attributes may serve as a competitive advantage, especially in cooperative settings where employee engagement and community involvement are paramount. Strong cultures in cooperatives can lead to differentiation in service delivery, member satisfaction, and ultimately economic success. The effects of organisational culture go beyond internal frameworks that influence employee behaviour and attitudes when seen from a wider angle. According to García-Fernández et al. (2018), there is a correlation between employee engagement levels and customer satisfaction outcomes, and organisational culture has a major impact on customer loyalty and performance indicators. This correlation is particularly vital for cooperatives that rely heavily on member satisfaction and community support.

In conclusion, the thorough discussion in the literature confirms that organisational culture has a major role in determining how well employees perform in cooperatives. The interdependence of culture, leadership, dedication, and performance highlights the need for management plans that give equal weight to operational efficacy and cultural growth. Additionally, it will be crucial to identify practical frameworks to implement positive organizational cultures that are adaptable to diverse economic contexts. This exploration includes identifying best practices from successful cooperatives that have effectively navigated cultural transformations to achieve high organizational performance.

The Function of Organisational Culture in Mediating the Relationship Between Governance Performance and Management Leadership

The conceptual model of Baron & Kenny (1986) provides a robust framework for testing this mediation, where culture acts as an intervening variable linking leadership to governance effectiveness. Sarros et al. (2008) argue that transformational leadership enhances innovation and governance through its influence on organizational climate. Similarly, Ogbonna & Harris (2000) highlight that leadership indirectly affects organizational outcomes through the development of a supportive culture. These findings imply that leadership does not act in isolation. It operates through cultural mechanisms that embed values and practices conducive to sound governance. However, empirical research examining this mediating relationship in cooperatives remains scarce. The intricate and multifaceted interaction among governance performance, management leadership, and organisational culture highlights the crucial function of organisational culture as a mediating factor. This paper synthesizes existing literature on the interconnections among these elements, focusing on how organizational culture influences the effectiveness of various leadership styles and impacts governance performance.

In the Malaysian context, recent empirical investigations have sought to unravel how these internal organizational dimensions contribute to governance outcomes. Ghani & Mohamad Shabri (2024) using Partial Least Squares Structural Equation Modeling (PLS-SEM), explored the influence of internal organizational factors including leadership practices and stakeholder orientation on cooperative governance performance. Their findings revealed that while certain internal factors like stakeholder focus and internal audit mechanisms significantly impacted governance performance, the mediating role of organizational culture was not statistically supported. This suggests that although culture remains an important component of internal functioning, structural governance elements may exert a more direct and dominant influence on governance outcomes in cooperatives. Complementing this, Hashim & Latiff (2019) conducted a study examining the perceptions of board members regarding organizational culture and board effectiveness. Their results indicate that a well-established organizational culture significantly enhances the effectiveness of cooperative boards. Culture was found to influence decision-making quality, board dynamics, and strategic oversight elements central to cooperative governance. These findings support the notion that culture serves as a facilitating condition for governance, even if it may not always act as a formal mediating variable between leadership and performance.

The idea of organisational culture, which is characterised by the values, beliefs, and behaviours that influence how work is done within an organisation, is fundamental to comprehending the relationship between leadership and organisational success. Research emphasizes that a strong organizational culture fosters better performance outcomes. Organizational culture acts as an "organizational glue," fostering trust and social relationships essential for family firm performance (Stasa Ouzký & Macheck, 2024). This foundational understanding posits that organizational culture not only reflects existing operational paradigms but actively shapes leadership approaches and performance results.

Leadership styles significantly affect organizational culture. Authentic leadership, characterized by transparency and ethical behavior, is shown to create a positive organizational culture that drives performance (Cao et al., 2024). Authentic leaders enhance project performance through effective project governance (Cao et al., 2024). The implication is clear which is effective leadership nurtures a culture that enables high performance, thereby enhancing governance outcomes. In addition to authentic leadership, the alignment between leadership styles and organizational culture is pivotal. Transformational leadership, for example, helps develop an innovative culture that significantly boosts performance metrics across various sectors. According to Idris et al. (2022), transformational leadership can have a direct impact on performance as well as organisational culture and employee motivation. As a result, the nuances of how leaders cultivate a conducive organizational culture greatly inform governance performance, with cultural context serving as a mediating factor.

The role of organizational culture extends beyond merely serving as a backdrop for leadership actively mediates the direct effects of leadership on performance outcomes. This suggests that when organizational culture flourishes, it not only prepares the ground for effective leadership but also empowers knowledge management, further amplifying organizational performance. Moreover, empirical evidence suggests that various dimensions of organizational culture significantly impact governance performance by influencing employee behaviors and attitudes. A meta-analysis by Hartnell et al. (2019) corroborates these notions, underscoring organizational culture's predictive validity on performance outcomes. The study indicates that different cultural dimensions yield varied impacts on organizational effectiveness. This supports the assertion that an organization's cultural fabric is intricately woven into its performance outcomes. The sustained influence of a well-established organizational culture is crucial for optimal governance performance.

The relationship between leadership, culture, and performance also bears relevance to employee satisfaction and retention, further validating the mediating role of organizational culture. Organisational culture has a major impact on job satisfaction, which in turn affects performance, according to Ali (2023). His findings illustrate that a positive organizational culture enhances job satisfaction, pivotal for performance improvements. The feedback loop between culture, satisfaction and performance underscores how leadership effectiveness can be augmented through deliberate cultural crafting.

The interconnectedness of performance, organisational culture, and leadership styles points to an ecosystem that benefits from ongoing adaptation and feedback. As organizations face challenges in dynamic environments, the role of leadership becomes paramount in nurturing a resilient culture that responds to change. This adaptability correlates directly with performance resilience and governance efficacy, as demonstrated by the studies referenced above. Additional research on particular leadership techniques reveals the distinctive ways in which various styles might affect culture and, in turn,

performance. Successful governance, therefore, integrates transformative leadership with a supportive culture that fosters innovation and accountability.

Lastly, ongoing research into the relationships among these variables suggests an emergent need for organizations to prioritize cultivating a robust organizational culture, underpinned by effective leadership practices. The synthesis's conclusions show that organisational culture influences competitive advantage and long-term sustainability in addition to mediating the effect of leadership on performance. In conclusion, there is a complicated and crucial interaction between governance performance, managerial leadership, and organisational culture. The evidence strongly supports that organizational culture serves as a vital mediating influence that enhances the effectiveness of leadership practices, contributing significantly to overall governance performance.

The mediating role of organisational culture between management leadership and governance performance is still not well understood in the cooperative sector, especially in emerging markets like Malaysia, despite theoretical claims and empirical validations in corporate settings. Existing studies often treat culture and leadership as isolated predictors rather than interdependent constructs within a mediated framework. Furthermore, a small number of research have thoroughly examined mediation in the cooperative setting using structural equation modelling (SEM). The current study intends to empirically investigate the following hypotheses in order to close this gap:

H₁: Management leadership and governance performance are significantly correlated in Malaysian cooperatives.

H₂: Governance performance and organisational culture are significantly correlated in Malaysian cooperatives.

H₃: The relationship between managerial leadership and governance performance is mediated by organisational culture in Malaysian cooperatives.

Figure 1 presents this hypothesis to help direct further discussions. The results of this hypothesis testing will not only extend the RBT into the domain of cooperative governance but also inform leadership development and cultural transformation strategies aimed at strengthening cooperative accountability and effectiveness.

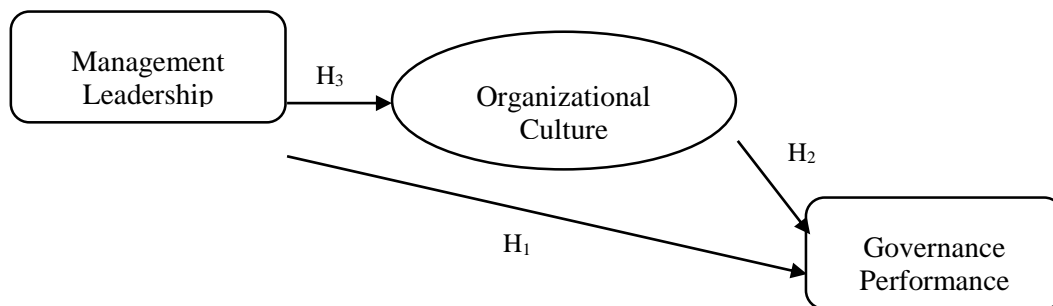


Fig. 1: Model of Research Hypotheses

Methodology

Research Design

This study adopts a quantitative, cross-sectional survey design grounded in the Resource-Based Theory (RBT) to explore how internal organizational capabilities affect cooperative governance. The purpose of the survey technique approach is to determine whether organisational culture mediates the relationship between governance performance and management leadership in Malaysian cooperatives. A positive paradigm was adopted, enabling objective measurement of constructs and testing of hypotheses using statistical methods.

Population, Sample and Data Collection

The study focuses on large cluster of Malaysian cooperatives comprising 170 cooperatives which is contributed over 94% of the cooperative sector's total revenue. The data are obtained from report issued by Suruhanjaya Koperasi Malaysia. Three key respondents, one board member, one manager, and one cooperative member were chosen from each cooperative using a purposive sampling technique. This approach ensured balanced perspectives on both management leadership and governance practices resulting in 510 targeted respondents. Out of the total number distributed, 144 sets of questionnaires were returned to the researchers. However, initial screening involved the detection of missing values, straight-lining patterns, and multivariate outliers. Six questionnaires were excluded due to straight-lining responses, indicating non-engagement and 37 questionnaires were identified as outliers.

Construct Measurement

Management Leadership (Independent Variable)

The ability of senior management and the cooperative board to inspire dedication and determine strategic direction was operationalised as management leadership. Six items that reflected fundamental leadership values and were modified from (Abdullah et al., 2003) were used to measure this construct: truthfulness, reliability, sincerity, direction, commitment, and competence. A 5-point Likert scale (1 = strongly disagree to 5 = strongly agree) was used.

Organizational Culture (Mediating Variable)

Shared norms and values that influence collaborative behaviour and decision-making were conceived as organisational culture. It was measured using six adapted items from (Abdullah et al., 2013), covering values such as brotherhood (ukhwah), consultation, empathy, teamwork, respect, and quality. Responses were captured on a 5-point Likert scale.

Governance Performance (Dependent Variable)

Governance performance was assessed based on Suruhanjaya Koperasi Malaysia governance indicators, reflecting accountability, transparency, and stakeholder responsiveness. Fifteen items corresponding to the 15 cooperative governance principles outlined in '*GP27: Garis Panduan Tadbir Urus Koperasi*' were used. These items were validated by SKM and adapted for survey use with a 5-point Likert scale.

Instrument Development and Validation

The questionnaire underwent by two academic experts and one senior cooperative practitioner to ensure content validity expert validation. Suggestions from the panel included simplifying lengthy items, removing subheadings for clarity, and ensuring cultural sensitivity in item wording. Cronbach's Alpha analysis is also conducted to determine the reliability of the items in the questionnaire instrument as shown in Table 1 below:

Table 1: Reliability Test

Variables	No of Items	Cronbach Alpha Value
1. Management Leadership	6	0.75
2. Organizational Culture	6	0.90
3. Governance Performance	15	0.94

Data Analysis

Data Preparation and Screening

Prior to model estimation, the dataset was examined for accuracy, missing values, and outliers. Initial screening involved the detection of missing values, straight-lining patterns, and multivariate outliers. 6 questionnaires were excluded due to straight-lining responses, indicating non-engagement and 37 questionnaires were identified as outliers. The final dataset comprised 101 complete responses. All variables were checked for normality. However, given the non-parametric nature of PLS-SEM, normality was not a strict assumption.

Evaluation of Measurement Models

The reflective measurement model will be assessed to ensure the reliability and validity of the constructs before testing the hypothesized relationships. Indicator reliability will be evaluated through outer loadings, where values exceeding the 0.70 threshold will indicate acceptable item reliability. Construct reliability will be examined using Cronbach’s alpha and Composite Reliability (CR), both of which should surpass 0.70 to demonstrate internal consistency. Convergent validity will be assessed through Average Variance Extracted (AVE), with a threshold of $AVE > 0.50$ indicating that each construct explains a sufficient proportion of variance in its indicators. The Heterotrait-Monotrait (HTMT) ratio and the Fornell-Larcker criterion will then be used to apply discriminant validity. If HTMT values stay below 0.90 and the square root of the AVE for each concept is greater than its correlations with other constructs, discriminant validity will be deemed sufficient. These tests will verify that every concept in the model is empirically different from the others.

Structural Model Assessment

Upon validating the measurement model, the structural model will be assessed using Partial Least Squares Structural Equation Modeling (PLS-SEM) with SmartPLS 4. The analysis will include 5,000 bootstrap resamples to assess the significance and strength of path relationships. In order to test the mediation hypothesis, the model will assess how management leadership directly affects organisational culture and governance performance as well as how management leadership indirectly affects governance performance through organisational culture. Key parameters to be examined include path coefficients (β), t-values, p-values, and confidence intervals. The Variance Accounted For (VAF) will also be calculated to determine the nature and strength of the mediating effect. Additionally, R^2 values will be used to assess the model’s explanatory power, and Q^2 statistics will be computed to evaluate its predictive relevance.

Results And Findings

Measurement Model Evaluation

The measuring methodology was examined to verify the validity and reliability of the constructs prior to evaluating structural linkages. Composite Reliability (CR) values ranged from 0.901 to 0.942, indicating strong internal consistency for all constructs, as each exceeded the recommended threshold of 0.70 (Hair et al., 2019). Average Variance Extracted (AVE) values over the 0.50 criterion indicated adequate construct convergence, supporting convergent validity. Content validity was supported by the fact that none of the items had loadings below 0.60, even though a number of them were between 0.65 and 0.70. Their preservation did not jeopardise AVE or CR values.

Table 2: Results of Internal Consistency and Convergent Validity

Constructs	Item	Outer Loadings	Composite Reliability (CR)	Average Variance Extracted (AVE)	Validity
Management Leadership (A_ML)	A_ML 1	0.65	0.901	0.603	Yes
	A_ML 2	0.83			
	A_ML 3	0.84			
	A_ML 4	0.80			
	A_ML 5	0.74			
	A_ML 6	0.75			
Organizational Culture (B_OC)	B_O C1	0.82	0.912	0.633	Yes
	B_O C2	0.79			
	B_O C3	0.79			

	B_O	0.75			
	C4	6			
	B_O	0.84			
	C5	0			
	B_O	0.74			
	C6	7			
Governan	C_GP	0.755	0.942	0.523	Yes
ce	01				
Performan	C_GP	0.702			
ce	02				
(GP)	C_GP	0.711			
	03				
	C_GP	0.648			
	04				
	C_GP	0.719			
	05				
	C_GP	0.685			
	06				
	C_GP	0.701			
	07				
	C_GP	0.790			
	08				
	C_GP	0.784			
	09				
	C_GP	0.833			
	10				
	C_GP	0.697			
	11				
	C_GP	0.744			
	12				
	C_GP	0.610			
	13				
	C_GP	0.764			
	14				
	C_GP	0.671			
	15				

Discriminant validity was established through three criteria. First, each indicator loaded higher on its intended design than on others, according to the cross-loadings. Table 3 presents the results of indicator loadings and cross-loadings for each construct. The findings indicate that the loading values of each indicator on its respective construct are higher than their loadings on other related constructs, thereby supporting discriminant validity.

Table 3: Results of Cross Loadings

	A_ML	B_OC	C_GP
A_ML1	0.655	0.415	0.271
A_ML2	0.836	0.415	0.43
A_ML3	0.845	0.49	0.485
A_ML4	0.809	0.516	0.443
A_ML5	0.741	0.449	0.521
A_ML6	0.757	0.536	0.549
B_OC1	0.468	0.828	0.503
B_OC2	0.506	0.799	0.515
B_OC3	0.451	0.798	0.536
B_OC4	0.420	0.756	0.423

B_OC5	0.561	0.840	0.621
B_OC6	0.490	0.747	0.522
C_GP01	0.595	0.588	0.755
C_GP02	0.439	0.492	0.702
C_GP03	0.385	0.426	0.711
C_GP04	0.476	0.467	0.648
C_GP05	0.359	0.451	0.719
C_GP06	0.418	0.318	0.685
C_GP07	0.423	0.517	0.701
C_GP08	0.404	0.440	0.790
C_GP09	0.389	0.474	0.784
C_GP10	0.429	0.608	0.833
C_GP11	0.378	0.398	0.697
C_GP12	0.406	0.568	0.744
C_GP13	0.436	0.428	0.610
C_GP14	0.473	0.481	0.764
C_GP15	0.401	0.457	0.671

Second, the square root of each construct's AVE was greater than its correlations with other constructs, as proven by the Fornell-Larcker criterion. The findings based on the Fornell and Larcker criterion are shown in Table 4.

Table 4: Results Based on the Fornell-Larcker Criterion

	A_ML	B_OC	G_GP
A_ML	0.777		
B_OC	0.373	0.795	
C_GP	0.352	0.436	0.723

Lastly, HTMT (Heterotrait-Monotrait Ratio) values were below 0.90, affirming discriminant validity among all constructs, including the focal mediator: organizational culture. Table 4 presents the results based on the HTMT criterion. The findings indicate that all HTMT values fall below the commonly accepted threshold of 0.90, thus confirming discriminant validity.

Table 5: Results Based on the HTMT Criterion

	A_ML	B_OC	C_GP
A_ML			
B_OC	0.688		
C_GP	0.644	0.717	

All constructs are different from one another, according to the discriminant validity assessment's overall findings.

Structural Model Evaluation

Using 5,000 bootstrapped resamples, the structural model was examined using PLS-SEM in SmartPLS 4 to examine the mediating function of organisational culture in the connection between governance performance and managerial leadership.

Direct and Indirect Path Coefficients

Table 5 demonstrates that there was no statistically significant relationship between management leadership and governance performance ($\beta = 0.075$, $t = 0.894$, $p = 0.180$). In this model, neither

dimension independently predicted governance performance, as evidenced by the non-significant direct influence of organisational culture on governance performance ($\beta = 0.099$, $t = 0.789$, $p = 0.221$).

Table 6: Results of Path Coefficient Assessment and Hypothesis Testing

Hypothesis	Relationship	Standardized Coefficient (β)	Standard Error (SE)	t-value	p-value	Results
H ₁	ML -> GP	0.075	0.084	0.894	0.180	Not Supported
H ₂	OC -> GP	0.099	0.125	0.789	0.221	Not Supported
* $t > 1.96$ ($p < 0.05$)						

Crucially, Table 6 demonstrates that the indirect impact of managerial leadership on governance performance through organisational culture was likewise not statistically significant ($\beta = 0.060$, $t = 0.775$, $p = 0.439$). This suggests that the relationship between management leadership and cooperative governance performance in the suggested model does not have a mediating influence. Stated differently, there is no statistically significant mediation effect.

Table 7: Results of Path Coefficient Evaluation for the Mediation Effect

Hypothesis	Relationship	Standardized Coefficient (β)	Standard Error (SE)	t-value	p-value	Results
H ₃	ML -> OC -> GP	0.060	0.078	0.775	0.439	Not Supported
* $t > 1.96$ ($p < 0.05$)						

Discussion of Findings

This paper aims to examine whether organizational culture mediates the relationship between management leadership and governance performance in Malaysian cooperatives, guided by the Resource-Based Theory (RBT). The findings demonstrated that neither managerial leadership nor organisational culture had a statistically significant mediation effect on governance performance, which was in contrast to popular belief and theoretical predictions. In other words, the findings do not support the proposed hypothesis. However, this non-significant relationship may be attributed to unique contextual factors inherent to cooperative organizations.

These findings are particularly notable within the cooperative context, where governance is shaped not only by internal leadership dynamics but also by member ownership, democratic participation, and regulatory frameworks. The insignificant direct effect of management leadership on governance performance suggests that leadership in cooperatives may be constrained by structural and legal obligations, which limit the discretionary space for leaders to influence governance outcomes solely through personal competencies or strategic orientation. Moreover, the lack of a significant mediating effect of organizational culture underscores a critical distinction between cooperatives and conventional corporate entities. However, in cooperatives, particularly those in Malaysia, culture may play a less direct or consistent role due to the heterogeneity of member interests, periodic changes in elected leadership, and externally imposed governance compliance mechanisms.

As previously discussed in relation to the non-significant direct effect between management leadership and governance performance, each board member may exhibit varying leadership behaviors and styles. Their roles and responsibilities are often not subject to consistent oversight or internal control mechanisms within the cooperative structure. Board members are typically granted broad autonomy to act in leadership roles based on the mandate provided by the cooperative's members. When this mandate is not exercised with integrity and transparency, it can adversely impact the quality of governance performance. Furthermore, given that leadership behavior rooted in individual attitudes and actions can be highly unpredictable, even the presence of a strong organizational culture may not

necessarily influence or be reflected in the actions of board members. As such, organizational culture fails to serve as a mediating factor in shaping how board members lead and manage cooperatives, and consequently, it does not significantly influence governance performance.

Conclusion and Implications

Using data gathered from Malaysian cooperatives, this study empirically tests a mediation model linking managerial leadership, organisational culture, and governance performance using PLS-SEM, adding to the body of literature on cooperative governance. The results show that organisational culture does not mediate the relationship between governance outcomes and leadership, nor do these dimensions statistically significantly predict governance performance on their own. The findings, from a theoretical perspective, question the assumption within Resource-Based Theory (RBT) that internal intangible resources such as leadership and organizational culture, consistently predict performance across all contexts. In the cooperative setting, these factors may require contextual adaptation, as the governance ecosystem is heavily influenced by institutional, democratic, and regulatory constraints.

In conclusion, cooperative governance effectiveness is deeply embedded in leadership styles, organizational culture, member participation, and institutional context. Future research should pursue mixed method approaches and longitudinal analyses to better understand how these variables interact. Furthermore, empirical research employing SEM in the cooperative sector, particularly in Malaysia is required to unravel the intricate relationships between governance and performance and to guide practice and policy in bolstering cooperative institutions.

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