

## Community-based Tourism through Cooperatives in Sabah

<sup>1</sup>Najmah bintiNawawi (najmah@mkm.edu.my)

<sup>2</sup>Shamsiah bintiSyamsudin (sham@mkm.edu.my)

<sup>3</sup>Christina Andin @ NurQistina (christina@ums.edu.my)

<sup>1</sup>Cooperative College of Malaysia, 103, JalanTempler, 46700 Petaling Jaya, Selangor

<sup>2</sup>Cooperative College of Malaysia, Level 5, Menara MAA, Api-Api, Kota Kinabalu, Sabah

<sup>3</sup>Faculty of Psychology and Education, Universiti Malaysia Sabah

### Abstract

*The tourism industry is known as one of the largest and most influential industries in the world. The National Cooperative Policy 2011- 2020 identifies tourism as one of the industries that can offer high income to cooperatives. The tourism industry provides an opportunity for the cooperative sector to be involved in community activities, particularly in rural areas which can have immeasurable positive benefits for the local environment, societies and cultures. The societies could create downstream tourism activities as part of community-based tourism (CBT) and provide a stimulus for entrepreneurs among the communities. Despite the remarkable potential that the tourism industry can offer, only 12 (0.98%) out of 1,223 Sabahan cooperatives have actively become involved in tourism businesses (Malaysia Cooperative Societies Commission, 2015). Therefore, this study attempts to investigate the potential of the CBT industry as operated by cooperatives in Sabah. The current study employed a case study approach which is the method of interviewing applied. The data obtained were analyzed using a combination of within-case analysis and cross-case analysis on three selected cooperatives as samples. The findings showed that the CBT started with one specific activity and rapidly expanded to include many downstream activities. The expansion of activities directly contributes to an increase in income for the cooperatives. The success of the CBT is reinforced by a variety of factors such as the commitment of the cooperative board members and support of the local community. These findings are important for promoting the tourism industry as one of the most important potential businesses in cooperatives and as an input to relevant parties to support the growth of the tourism industry in Sabah.*

**Keywords:** *Community-based tourism, downstream activities, tourism cooperative, Sabah cooperative*

---

## **INTRODUCTION**

Cooperatives are autonomous, exercising democratic control and economic participation of member associations. Normally, a cooperative is formed by a group of people who come together to meet their common needs; they wish to improve their socio-economic status (Statement on the Co-operative Identity, 1995). Therefore, cooperatives exist in nearly every business sector and are organized in a variety of ways. Like other business organizations, they range in size from organizations with only a few member-owners (Norwatim & Christopher, 2010) to large and complex organizations having thousands of member-owners (Fonterra, 2016; Najmah & Norhayati, 2009). The way in which a cooperative is organized determines how it is operated, managed and controlled by its members, as well as the types of benefits it offers (USDA, 2011). By operating as individuals, they have difficulties in achieving their goals. The concept of cooperation among members is a basic premise in the co-operative establishment. The cooperative members may form at the level of villages, district, state or country respectively. The members may also groups of government servants, farmers, families or groups by functions; agriculture, insurance, housing, consumers and school. Therefore, cooperatives are community-based and committed to the sustainable development of their communities; environmentally, socially and economically (United Nation Website, 2017). Hence, the community-based tourism (CBT) concept is normally practiced at in rural areas in an attempt to uplift their socio-economic status based on cooperative principles and concerns for the local community. Accordingly, they are able to generate income of members and local communities through various downstream tourism activities (Mohd Nazlie, 2016). Hence, the tourism industry can be seen to be very closely-related to the community, especially in rural areas. This effort is important in supporting the role of cooperatives in helping to improve community income, so as to alleviate poverty and contribute to economic growth.

A study conducted by Norlida Hanim et al. (2015) found that there has been a remarkable increase in the tourism sub-sectors of hotels, restaurants, transportation, entertainment and recreation, as well as retail trade. Therefore, it was seen as appropriate for the cooperative movement in Sabah to establish a cooperative which will undertake the management of community-based tourism. According to statistics, 90 percent of the cooperatives in the state are in micro as well as medium-sized cooperative (Malaysia Cooperative Societies Commission, 2015). Some are located in rural areas which are rich in natural resources. It is hoped that the establishment of community-based tourism cooperatives will expand financial capital resources and human capital in order to mobilize a cooperative in an effort to offer a variety of downstream tourism activities. Based on information from the Sabah Tourism Board (2017), the province of Sabah is known as the “Land below the Wind”. It has received high tourism citations from both internal and external sources, in particular from China, South Korea and Indonesia due to its rich blessings of natural diversity. These include Danum Valley Conservation Area and Tabin which comprise Sabah’s largest wildlife reserve. They offer attractions such as: unique cultures; fun adventure prospects; beautiful beaches; and wonderful cuisines for adventurous taste buds. In addition, Sabah has the world’s largest flower, the Rafflesia, as well as one of the highest mountains in South East Asia (Mount Kinabalu). Further, it possesses one of the world’s top dive sites, Sipadan Island. Tourists will be treated with unique Sabahan hospitality.

As a state that has unique attractions, cooperatives should be aware of the forecast for the future of tourism and travel for 2017. The World Travel and Tourism Council (WTTC) 2017 predicted an increasing contribution in the Gross Domestic Product (GDP) for the world. Therefore, the success of the Sabah tourism industry among cooperative members will support the government's aspiration to strengthen cooperatives through downstream tourism

activities that mostly involve communities around the cooperative. The Ministry of Rural and Regional Development (KKLW) has created the Desa Lestari Program for the selected villages. This program is funded by the Ministry and managed by a cooperative. The objective of the Desa Lestari Program is to transform a rural area into a developed area with a high income population. The local community will plan and implement development projects in their area, including village tourism, retail, agriculture and farming (KKLW website, 2015; Syahirah, 2016). Hence, this study was conducted to identify downstream tourism activities and the potential for tourism business based on a local community cooperation. This study also identifies successful factor practices among cooperative management. The results of this study can be used as an initiative and guide for other cooperatives that as yet have not explored the potential of business in the tourism sector. Based on these findings, relevant parties can develop programs and policies to assist cooperatives to be actively involved in the tourism industry.

## **LITERATURE REVIEW**

### ***Community-based Tourism (CBT) through Cooperative Business Model***

Community-based tourism has been promoted as a means of development whereby the social, environmental and economic needs of local communities are met through the offering of a tourism product (Goodwin & Santilli, 2009). The standardized definition of Community-based Tourism for ASEAN countries is *Community-Based Tourism (CBT) which is a tourism activity that is community owned and operated, and managed or coordinated at the community level thereby contributing to the well-being of communities through the support of sustainable livelihoods and the protection of valued socio-cultural traditions and natural and cultural heritage resources* (Asean Community Based Tourism Standard, 2016).

Literature shows that many CBT organizations have encountered problems with weak business models that cannot support the development of CBT downstream activities. One of the initiatives for solving the issue is through the application of community cooperatives. A study by Lapeyre et al. 2012 outlines the International Labour Office's recommendation of the essential role of a community cooperative as follows: (a) to create an opportunity for employment, income generation, and an increase in the availability of goods and services, all of which also contribute to economic growth; and (b) to stimulate performance and competitiveness, as their members are also the beneficiaries. Community involvement in tourism activities will encourage community collaboration and joint decision-making (Asker et al., 2010). CBT can generate additional income and improve economic, social and political conditions (Rosazman & Velan, 2014; Kayat, 2013; Rafee, et al., 2012; Pakshir and Nair, 2011). Thus, the cooperative business model that emphasizes participation and community members, as well as democracy, equality and solidarity is an appropriate model for conducting a community-based tourism business.

In Malaysia, there is evidence of successful cooperatives based on community, such as the Koperasi Kariah Masjid (Mosque Cooperative). The objective of the cooperative is to strengthen the bond between citizens and community. Being a Muslim country, there are many mosques around the area which will be visited frequently by locals or tourists at various times. Therefore, a cooperative can run downstream tourism activities such as souvenir shops, minimarkets, homestay or other suitable businesses according to their abilities. Koperasi Adik Kakak Kampung Pulau Rusa Kuala Terengganu Berhad (KODIKA) is another successful cooperative run by a local community (Nor Aslamiah & Rosidah, 2013). KODIKA builds a very high entrepreneurial spirit among its members. It also provides loan facilities to its members in order to generate their economies, especially among batik and songket operators

and other businesses. This cooperative was established based on a 'chit fund' system. KODIKA has also succeeded in creating a spirit of unity and cooperation among villagers. This indirectly proves that KODIKA can create a spirit of business in the community as well as providing support to their members to run businesses related to tourists' needs (particularly batik and songket businesses). KODIKA believes that the success of its members symbolizes the success of the cooperative generally.

There are many opportunities for the CBT through the cooperatives business model in Malaysia. The Malaysian Cooperative Societies Commission (MCSC) identifies the downstream activities that can be managed through the concept of CBT. These include: hotels/budget hotels; homestays; wellness and lifestyle pursuits; Travel Operating Business and Travel Agent (TOBTAB); handicrafts; transport; food and beverages; in addition to health services (dialysis, hospital/clinic). Besides that, the Ministry of Tourism and Culture Malaysia (MOTAC) also listed a number of potential careers in the tourism industry which have not been itemized by MCSC. These include the fields of: culture; education; shopping; theme parks; cruises; as well as annual events and sporting organizations. Most downstream activities listed by MCSC and MOTAC can be carried out in groups or with community involvement (Jurry Foo, 2011).

### ***Success Factors of Cooperatives***

A cooperative is an organization that should be administered like a business organization. In fact, the Cooperative Act 1993 also suggested that the board members and management should manage the cooperative in the spirit of businessmen and entrepreneurs. They should act as a trigger for cooperative economic growth. They should be smart and always seek and

seize business opportunities that have the potential to be developed as well as being ready for any risks that arise in business (Webster Third International Dictionary, 1961).

Not quite in the same manner as an entrepreneur, cooperative management also needs to be wise in energizing their teams. There is more to life than work, hence, as leaders, they should, specifically: put people first; act with integrity; be effective communicators; be good listeners; be problem-solvers; and finally, lead through experience and competence, not through title or position (Zwilling , M., 2012). This characteristic feature of a leader is very important to ensure that staff and cooperative members feel important and appreciated. Besides the fact that excellent leaders and cooperation from members and the local community can contribute to a successful cooperative, the role of agencies related to the tourism industry is also important. Hence, the government has several strategies by which to boost the tourism industry by means of: increased tourism products; enhanced service quality; development of a suitable marketing strategy; enhancement of governance; and intensification of domestic tourism (RMK-11).

Cooperatives closely reflect the lives and thoughts of the member-owners much more than corporations. If the common interests of the members and the interests of the cooperative move apart, the cooperative effectively dies (Prout, 2017). All the basic factors for success in any business also apply to cooperatives, as would be expected. There has to be a real demand for the product; planning has to be thorough and realistic and the enterprise has to make money. In consensus with other members of the management committees, Prout (2017) has drawn up guidelines that can be considered important in building successful cooperative enterprises using these criteria. These guidelines comprise: fulfilment of the needs of members and community; establishing a founding group with one person as a leader;

commitment to a vision of the ideals and values implicit in cooperative enterprises; conducting a feasibility study to objectively evaluate the perceived need; setting out clear aims and objectives through consensus; development of a sound business plan; ensuring the support and involvement of the members; establishing a presence in the best possible location in the community; obtaining skilled management in business, financial, legal and accounting fields; and continuation of education and training, particularly for communication and interpersonal skills. Some of these criteria are supported by Habib (2013). Certain dominant elements in a business's Critical Success Factors (CSF) include: top management commitment; leadership; staff cooperation; knowledge and practical skills; as well as cooperation in groups.

As member-based organizations, issues of member cooperation and involvement are important for the survival of cooperatives (Aini et al., 2012; Sushila et al., 2010). In addition, the participation of members and community support can assist in the development of eco-tourism (Sharpley & Telfer, 2008). Accordingly, a study by Shemshad and Mohammadi (2012) suggests that the cooperative should provide adequate training for members in terms of eco-tourism downstream activities. It is envisaged that the training would equip members with the necessary skills to enable them to become service providers for the cooperative activities.

In terms of management of cooperatives, many previous studies also discussed the success factors relating to them. Among the identified critical factors that drive the success of cooperatives are experience and availability of competent leaders (Norhayati & Juliana, 2013), whereby the chairman of the Cooperative Development Service of the 3rd District (Tricoop) in Vietnam was the founder of the cooperative. A study by Bruynis et al. (2001) found that, in order to succeed in the emerging agricultural marketing cooperatives, both



board members and managers should have previous cooperative experience and undergo continuous management training. Emphasis on training is one of the main agendas in the process of human capital development. For example, the security guards at Premier Security Cooperative Singapore (SCL) were constantly exposed to new knowledge when carrying out their duties. This was to ensure they were updated with the latest developments in safety aspects. In addition, management staff members were exposed to training and courses relevant to their work (Mohamad Haswardi & Frank, 2012). Experienced, professional team members with suitable academic qualification and skills among the board members and staff can help the administrative management and cooperative operation to work efficiently and effectively (Ahmad Faizal & Yusri, 2012).

Besides having relevant knowledge and experience, board members must also possess commitment and good leadership skills. A case study by Noranita (2012) found that board members in India were active in promoting cooperatives by providing a high degree of commitment to the organization. The board members possess a business-oriented style with a clear goal and direction towards cooperative business. This can be attributed to the nature of the leadership style of board members. Sushila et al. (2010) indicated that visionary leadership is an important factor in influencing the success of cooperatives in Malaysia. Carlberg et al. (2006) found that the existence of strong local leadership was paramount in the beginning stages for the development of New Generation Cooperatives in the United States. The tireless efforts of initiators who spent their own time and money organizing meetings with farmers had supported the start-up. This was supported by Garnevska et al. (2011) in which a dedicated initiator and leader was influential in the successful development of farming cooperatives in north-west China. They also revealed that government financial and technical

support as well as appropriate external support from professional NGOs, were all vital in enhancing the performance of cooperatives.

Government assistance programs have had a strong positive effect on the performance of cooperatives in Malaysia. According to Ramlan and Dino (2012), the Working Capital Fund and grants awarded by various government agencies have assisted cooperatives to expand their business activities. This is supported by a study conducted by Syarifah Rohaya et al. (2013), in which one of the six critical factors contributing to the success of a cooperative business (a grocery store in Sarawak) was that of support. Other factors included entrepreneurship, communication, competition, layout and management.

Maina (2006) and Mbugua (2005), in their studies on Key Success Factors (KSFs), suggested that location was one of the factors that need to be considered in strategy planning. In the context of tourism, choosing a location that has diverse natural resources is crucial to attracting potential tourists. Tasik Kenyir, for example, is enriched by various types of flora and fauna and has become a special attraction for eco-tourism visitors (Set, K. et al., 2015). According to Set, K. (2014) Malaysia has a considerable number of varied geographical landscapes and each of the regions has its own local attraction that can be promoted as an eco-tourism product. Statistics released by the Sabah Tourism Board indicate that the primary motivation for the majority of tourists who visited Sabah in 2016 was for the purpose of a holiday. Thus, in order for cooperatives to fulfill the demands of potential tourists seeking relaxation and life style holidays, the business must be located in a pleasant area surrounded by nature.

## **METHODOLOGY**

This exploratory qualitative research uses a case study approach which is the method of interviewing applied. The three cooperatives were selected using purposive sampling with criteria based on high annual revenue, tourist location and cooperatives with many downstream tourism activities. A semi-structured question process was developed as a guide while conducting a focus group interview with the board members and staff of Koperasi Kakitangan Taman-Taman Sabah Berhad (KOKTAS), Koperasi Walai Tokou Kundasang Berhad (KOPSTAY) and Koperasi Keluarga Osman Jaafar Berhad (KKOJ). The issue of composition of membership was also evaluated. The membership of KOKTAS comprised the staff of Taman-Taman Sabah (Sabah Parks), one of the state government agencies. The KOPSTAY membership consisted of the community in the district of Kundasang, whereas KKOJ was made up of family members of Osman Jaafar. In addition, individual interviews were also carried out upon randomly-selected tourists visiting Sabah to provide additional opinions. All information gathered from interviews and documents were analyzed using a combination of within-case analysis and cross-case analysis. The three samples selected are among the active cooperatives from 12 (0.98%) out of 1,223 Sabahan cooperatives involved in tourism businesses (Malaysia Cooperative Societies Commission, 2015). Therefore, this study attempts to investigate the current downstream tourism activities and the potential of the CBT industry operated by cooperatives in Sabah and also the spirit of entrepreneurship among the cooperative management. A qualitative approach via the case study method was employed to gain a deeper understanding of the phenomenon being investigated. Semi-structured interviews were the main instrument, while direct observation served to complement the interviews. Direct observation turned out to be a very reliable source of data once the researchers had gained the trust of the local community by staying with the hosts throughout

the course of the longitudinal study. The researchers were able to observe how CBT works and the way in which it affects the local community socially, culturally, economically, and environmentally.

## **RESULT AND DISCUSSION**

All three selected cooperatives in this study have been established for a period of more than three years since KOKTAS was established some 28 years ago, KOPSTAY initiated seven years ago and KKOJ four years ago. This fulfilled the definition of longevity by Bruynis, et al. (2001) and portrayed the success of the cooperatives in terms of non-financial performance. Scott and Bruce (1987) identified five phases of development with various characteristics in the field of small business. They are *inception*, *survival*, *growth*, *expansion*, and *maturity*. Tourism cooperatives in this study had undergone the inception phase consisting of product development and marketing. In the context of this study, the cooperatives were determined to develop the services provided for their customers. In recent years, the cooperatives were in the survival phase and are now entering the growth phase. The studied cooperatives have crossed into the growth phase in which the businesses are developing and competition exists. Nevertheless, these cooperatives have not yet reached expansion and maturity levels. On the other hand, they have plans of moving towards these phases as they may be able to grasp possible potentials yet to be explored by the cooperatives.

Results from this study showed that all three cooperatives began with one downstream tourism activity. Other activities were offered after the cooperative began to experience demand from tourists; following this, opportunities were created for activities tourists seem to need. These activities were in addition to the basic services those cooperatives already

offered. Therefore, some services require involvement from members and local communities. KOKTAS, for example, which started off as a gift shop, is now venturing into downstream tourism activities such as transportation, budget accommodation, restaurants, touring packages and tool rental for sea and land activities. KOPSTAY has evolved from providing homestay services to tour package offers, cultural and heritage performances, handicrafts production, restaurants, transportation services and licensed tourist guides. Similarly, KKOJ which only started with boat rentals to tourists eventually created homestay accommodation and restaurant businesses to accommodate growing demand from tourists. Various activities undertaken by cooperatives have gained member and community interests to join cooperatives after witnessing the positive effects of such involvement. This was proven when KOKTAS, which began with only 127 people, managed to attract Sabah Parks' staff to join the cooperative (which now consists of 509 members). At the beginning of the establishment, KOPSTAY had a total of 55 people made up of the community and has subsequently expanded to comprise 180 active members. These findings indicate that family cooperatives experienced limitations in providing the various tourist services required. This was due to low membership numbers (only 25 people) since membership was limited to family members. KKOJ proposed the amendment of a by-law and opened its membership to the community after seeing the need to involve the local community, especially when the tourist season in Weston required additional travel services.

All three cooperatives also stated that their annual tourism activity income was encouraging. KOKTAS reported annual revenue in 2012 of RM5.68 million which increased to RM6.71 million in 2013. However, its 2014 revenue experienced a slight decrease of RM 0.28 million, bringing it to RM6.43 million. The decrease was due to external factors such as the dual tragedies of missing flight MH370 and MH17 which was shot down over Ukraine. It affected

the reputation of Malaysia Airlines and the country in general. KOKTAS believed that the decline was temporary and came up with several strategies to move forward. KOPSTAY also indicated an achievement of considerable increase in revenue per year. In 2012, its annual income was RM 9,387.80 and amplified to RM 50,145.17 in 2013. KOPSTAY managed to double its annual revenue in 2014 with a total of RM 119,222.75. KKOJ also reported that in 2013, they managed to record total revenue of RM 300,000. Nevertheless, KKOJ was not able to provide its audited financial statements to be analyzed by the research team. This finding was one of the challenges related particularly to the board members' competency in the field of financial management.

Overall, it was found that cooperatives engaging in tourism activities performed well both financially and non-financially. The ability of the cooperatives to grow from providing only one activity to offering a variety of activities has enabled them to increase their annual revenue, subsequently providing employment opportunities to both members and local communities. This proves that the cooperatives have realized the potential of increased revenue through the tourism chain concept. According to Abdul Aziz (2007), the concept of the tourism chain is to provide facilities for tourists to move, stay, eat, shop for groceries and be involved in leisure activities. Tourism cooperatives in Sabah perceived this development as an opportunity to add creativity value in enabling tourists to receive everything they need from the cooperative. Nieuwenhuizen and Kroon (2001) expressed the view that creativity in producing a unique product is one of the successful key factors to supporting an entrepreneurial project.

### ***Factors Influencing Performance of Cooperatives***

The study showed that the three cooperatives have the potential to succeed in the tourism industry. The success of cooperatives which have survived and remain relevant by providing tourism products was supported by a number of internal and external factors. The study results showed that commitment and leadership of board members was a dominant internal factor in supporting the success of all three cooperatives. This commitment included the accountability attitude not only for planning but also in the monitoring of business implementation. The importance of top management commitment to a business is one of the success factors which is crucial in any type of enterprise (Herzog et al., 2007; Prout, 2017). This is necessary because the upper management is responsible for ensuring that all plans go smoothly and any problems encountered can be dealt with immediately. Board members need to have a business-oriented nature which allows them to clearly understand the objectives and the principle of a cooperative, as well as an understanding of the direction and activities carried out by the cooperative (Noranita, 2012).

The second internal factor concerns the competency of the cooperative board members. According to Lussier (1995), businesses run by well-experienced people in their respective fields have the potential to succeed rather than those who have just started to learn their businesses. In this study, the KOPSTAY chairman's experience as the Deputy Chairman of the Malaysian Homestay Association helped the growth of the cooperative because he already had considerable exposure to homestay business activities. Similarly with KOKTAS, having been on the staff of Sabah Parks, staff members have knowledge and experience of relevant relationships with tourism-related affairs in Sabah. KKOJ, on the other hand, continues to run the businesses started by their families. Lussier (1995) believed that an entrepreneur who has a family background in the business will have the potential to succeed rather than those who

start their own businesses. Knowledge and experience (either from their own families or other sources) are very useful for a realistic business plan to be achieved with available resources (Abdolvand et al., 2008). For example, the Cooperative Trading Service (Tricoop) in Vietnam was supported by experienced leaders in the field who had a vision to help the success of the cooperative (Norhayati & Juliana, 2013).

The third internal factor is the cooperation of members of the cooperative. As a cooperative is based on a partnership concept among a group of individuals in society, teamwork is therefore a crucial requirement. Some 90 percent (90%) of Mondragon residents become employees and are cooperative members of Mondragon Cooperative Corporation (Norwatim & Christopher, 2010). Those member residents of Mondragon believe that a philosophy of ideas and cooperation is important in balancing the importance of profit-oriented economic activity and social activism that prioritizes the interests of members, employees and the community.

The study of McAdam and O'Hare (1998) found that the working spirit in a team is one factor driving the success of an organization, whether governmental or private, in achieving their goals. In this study, KOPSTAY's success in developing its business activity was the result of members' cooperation. The members not only contribute financial capital but also provide ideas and commitment by being actively involved in the activities carried out by the cooperative. For example, the members became the singers, musicians and dancers of the cultural group established by the cooperative. According to Lussier (1995), a business that is based on sharing by many members will be more developed than a business initiated by an individual. This is because an individual business may face significant problems in terms of its ability to plan and monitor the business. Thus, active participation of members in the cooperative is one key to the success of cooperatives.



In addition to the cooperation of members, local community support is the external factor underpinning the success of cooperatives. This supports the concept of community-based tourism (CBT) in which the members of the community work together to provide the best services to tourists (Asker et al., 2010). For example, during the tourist arrival season, KKOJ had to borrow boats from non-members. The willingness of local communities to assist in meeting the demand of tourist arrivals significantly helped KKOJ's running of the business. KKOJ was aware that failure to provide any of the downstream activities (such as having insufficient restaurants and accommodation) would burden the tourists and undoubtedly affect their future interest in visiting the area.

The composition of the membership in the cooperative also plays an important role in the success of tourism cooperation. Cooperatives comprising local communities of family or non-family members can carry a variety of tourism activities due to mobilization efforts in finance, energy, ideas and expertise in providing the best services to tourists. Similarly, cooperatives with government employees have the advantage of direct access of information due to the existence of a good social network. Social networks have an important influence on the competitiveness of a business (Noorasiah & Mohd Nasir, 2007). This advantage is adapted by KOKTAS to gain information regarding tourist activities around Sabah and services needed in their workplaces. This serves as an invaluable opportunity for KOKTAS to expand their activities in tourism-related business.

In addition to the employers' support in shaping social networking, support and cooperation of other agencies (such as government) has assisted in advancing the cooperatives.

KOPSTAY not only received financial assistance, but also gained recognition awards and the opportunity to promote their homestay abroad from MOTAC. The importance of support from government agencies has been discussed in previous studies involving entrepreneurial projects. Mohd Nor Hidayat (2011) found that financial and credit assistance, as well as training and marketing business opportunities from the government, can help improve the entrepreneurship success of Bumiputera small and medium entrepreneurs.

The final external factor influencing the success of cooperatives is the selection of a business site. In this study, location decision was supported by the demand for services related to tourism activities. Cooperatives have traditionally chosen a very strategic location in coastal lowlands and mountainous interiors that have an advantage in offering nature and adventure eco-tourism products. KOKTAS conducts its business in islands, beaches and mountainous areas of Sabah such as Tuanku Abdul Rahman Marine Park, Kinabalu National Park and Tawau Hills Park respectively. KOPSTAY operates in the area of Mount Kinabalu, which is a famous tourist destination in Sabah for outdoor activities such as hiking, jungle trekking, bird watching and mountain climbing. Similarly, KKOJ functions in the coastal area which provides activities for tourists such as fishing and river cruises. Table 1 shows a summary of these findings.

**Table 1: Success Factors and Potential Tourism Cooperative in Sabah**

No.	Success factors	KOKTAS	KOPSTAY	KKOJ
Internal factors				
1.	Commitment and leadership of board members	x	x	x
2.	Competency of the cooperative board members	x	x	x
3.	Cooperation among members		x	
External factors				
1.	Support from local community			x
2.	Social networks	x		

No.	Success factors	KOKTAS	KOPSTAY	KKOJ
3.	Support from government and external organizations	x	x	
4.	Location	x	x	x
Potential				
1.	Tourist destination	x	x	x
2.	Offers services on Travel Operating Business and Travel (TOBTAB)	x	x	x
3.	Exploration of new tourism activities in the ocean or on land	x	x	x
4.	Increase the number of accommodation places	x	x	x

## CONCLUSION

CBT has real potential to increase economic benefits; however it is vital that an appropriate business model is in place. This study shows that the idea of running a CBT through a cooperative business model strongly supports the economic and social development of the local community. This is in line with the goal to create “one community one cooperative” in order to match the “one district one industry” aim emphasized by the Malaysian government. Through the case study of three CBT cooperatives in Sabah, it can be concluded that downstream activities showed a high potential for expansion in the large scale. The potential can be seen from the success of the three CBT in many tourist downstream activities, the increase of income and the strong cooperation among cooperative members respectively.

## REFERENCES

- Abdolvand, N., Albadvi, A. and Ferdowsi, Z. (2008). Assessing readiness for business process reengineering. *Business Process Management Journal*, 14(4), 497-511.
- Abdul Aziz, H. (2007). *Aspek undang-undang pelancongan di Malaysia*. Malaysia: Dawana Sdn. Bhd.
- Ahmad Faizal, A. S. and Yusri, T. (2012). Di mana sahaja, setiap hari, kepada semua. *Kisah Kejayaan Koperasi: Kajian Kes Dalam dan Luar Negara*, 111-118. Selangor: Maktab Koperasi Malaysia.

- Aini, Y. M., Hafizah, H. A. K. and Zuraini, Y. (2012, Dec). Factors affecting cooperatives' performance in relation to strategic planning and members' participation. *Procedia – Social and Behavioral Sciences*, 65, 100-105.
- Asean Community Based Tourism Standard (2016). Retrieved from <http://www.asean.org/wp-content/uploads/2012/05/ASEAN-Community-Based-Tourism-Standard.pdf>.
- Asker, S., Boronyak, L., Carrard, N. and Paddon, M. (2010). *Effective community based tourism: a best practice manual*. Gold Coast, Australia: Sustainable Tourism Cooperative Research Centre.
- Bruynis, C.L., Goldsmith, P., Hahn, D.E. and Taylor, W.J. (2001). Critical success factors for emerging agricultural marketing cooperatives. *Journal of cooperation*, 16, 14-21.
- Carlberg, J.G., Ward, C.E. and Holcomb, R.B. (2006). Success factors for new generation cooperatives. *International Food and Agribusiness Management Review*, 9(1).
- Garnevaska, E., Liu, G. and Shadbolt, N.M. (2011). Factors for successful development of farmer cooperatives in Northwest China. *International Food and Agribusiness Management Review*, 14(4).
- Goodwin, H. and Santilli, R. (2009). Community-based tourism: a success? Retrieved from <http://www.haroldgoodwin.info/uploads/CBTaSuccess Pubpdf.pdf>.
- Habib, M.N. (2013). Understanding critical success and failure of business process reengineering. *International Review of Management and Business Research*, 2(1).
- Herzog, N.V., Polajnar, A. and Tonchia, S. (2007). Development and validation of business process reengineering (BPR) variables: a survey research in Slovenian companies. *International Journal of Production Research*, 45(24), 5811-5834.
- Jurry Foo (2011). Sistem tagal dalam industry pelancongan: Manfaat kepada komuniti. *Geografia Online™ Malaysian Journal of Society and Space*, 7(1), 14 - 25, ISSN 2180-2491.
- Kayat, K. (2013). Community-based homestay programmes in Langkawi: are they successful? *In Proceedings of the 3rd regional conference on tourism research*. Malaysia: Langkawi.
- KKLW (2016). Program desa lestari. Retrieved from <http://www.rurallink.gov.my/desa-lestari-2/>.
- Lapeyre, F., Ameratunga, S. and Possenti, S. (2012). Rural policy briefs, rural development through decent work. Retrieve from [http://www.ilo.org/wcmsp5/groups/public/@ed\\_emp/documents/publication/wcms\\_182737.pdf](http://www.ilo.org/wcmsp5/groups/public/@ed_emp/documents/publication/wcms_182737.pdf). International Labour Office.
- Lussier, R.N. (1995). A nonfinancial business success versus failure prediction model for young firms. *Journal of Small Business Management*, 33(1), 8-20.
- Maina, T.C. (2006). Key success factors in the banking industry: a case study of major commercial banks in Kenya. Unpublished M.B.A project. University of Nairobi.
- Malaysia Cooperative Societies Commission (2015). *Statistic of Sabahan Cooperative in Tourism Sector. (Unpublished)*.
- Mbugua, L. (2005). Key success factors in the petroleum industry. Unpublished M.B.A project. University of Nairobi.
- McAdam, R. and O'Hare, C. (1998). An improved BPR approach for offline enabling processes: a case study on a maintaining process within the chemical industry. *Business Process Management Journal*, 4(3), 226-240.
- Mohamad Haswardi, M. and Frank Me-ol, A. (2012). Premier Security Cooperative Singapore. *Kisah Kejayaan Koperasi: Kajian Kes Dalam dan Luar Negara*, Edisi 3: 43-51. Malaysia: Dawana Sdn. Bhd.

- Mohd Nazlie, Z. (2016, January 26). Koperasi disaran teroka bidang pelancongan, aktiviti hilirannya. *BH Online*. Retrieved from <https://www.bharian.com.my/node/118180>.
- Mohd Nor Hidayat, H. (2011). Faktor bantuan kerajaan yang meningkatkan kejayaan usahawan industry kecil dan sederhana bumiputera di Sabak Bernam, Selangor. *Bachelor Degree Thesis*. University Teknologi Malaysia.
- Najmah, N. and Norhayati, A.R. (2010). Strategi pentadbiran meningkatkan pencapaian koperasi berasaskan struktur koperasi hibrid: kajian kes di Satara co-operative group limited, New Zealand. *Malaysian Journal of Cooperative Studies*, 6, 73-90.
- Nieuwenhuizen, C. and Kroon, J. (2001). *Identification of entrepreneurial success factors to determine the content of entrepreneurship subjects*. South Africa.
- Noorasiah S. and Mohd Nasir M.S. (2007). Modal sosial dalam mempertingkatkan daya saing firma perusahaan kecil dan sederhana (PKS). *International Journal of Management Studies*, 14(2), 93-111.
- Nor Aslamiah, A. and Rosidah, R. (2013). Sistem pemungut pemangkin kejayaan koperasi adik kakak kampong pulau rusa kuala Terengganu berhad. *Kisah Kejayaan Koperasi Dalam dan Luar Negara Edisi 4*. Selangor: Maktab Koperasi Malaysia.
- Noranita, M.N. (2012). Pune: Kejayaan aktiviti peruncitan koperasi di India. *Kisah Kejayaan Koperasi: Kajian Kes Dalam dan Luar Negara*, Edisi 3: 101-113. Selangor: Maktab Koperasi Malaysia.
- Norhayati, A.R. and Juliana, M.Y. (2013). Di sebalik namamu: Koperasi Trading Service of 3rd district. *Kisah Kejayaan Koperasi: Kajian Kes Dalam dan Luar Negara*, 76-87. Selangor: Maktab Koperasi Malaysia.
- Norlida Hanim, M.S., Poo B.T., Nor Ain, M. and Redzuan, O. (2015). Analisis keperluan tenaga manusia dalam industry pelancongan di Malaysia. *Malaysian Journal of Mathematical Sciences*, 9(1), 161- 174.
- Norwatim, A.L. and Christopher, J.B. (2010). *Case study: spain mondragon humanity at work*. Selangor: Maktab Koperasi Malaysia.
- Pakshir, L. and Nair, V. (2011). Sustainability of homestay as a form of community-based tourism (CBT): a case study of the rural community in Bavanat-Iran. *TEAM Journal of Hospitality and Tourism*.8 (1), 5-18.
- Prout (2017). *What makes cooperatives successful?* Retrieved from <http://proutglobe.org/2012/10/what-makes-cooperatives-successful/>.
- Rafee, Y.M., Jussem, S.W., Arshad A.H.A., Hakimi Halim, Siri, H., and Hassan M.Z.A. (2012). Community based tourism-the attractions of 'Emphan' community in Kampung Semban, Sarawak. *BIMP-EAGA Journal of Sustainable Tourism Development*, 1(1), 11-20.
- Ramlan, K. and Dino Faizal, A. (2012). Gabungan koperasi di China. *Kisah Kejayaan Koperasi: Kajian Kes Dalam dan Luar Negara*. 53-74. Selangor: Maktab Koperasi Malaysia.
- Rosazman, H. and Velan, K. (2014). *Pelancongan mapan berasaskan komuniti (CBT) melalui program homestay di Sabah, Malaysia*. GEOGRAFIA: Malaysian Journal of Society and Space, 10 (3), pp. 160-174.
- Sabah Tourism Board (2017). Demographic profiles of international visitors (1st quarter 2016). Retrieved from <http://www.sabahtourism.com/business/statistic>.
- Scott, M. and Bruce, R. (1987). Five stages of growth in small business. *Long Range Planning*. 20 (3), 45-52.
- Set, K. (2014). Determining the key success factors of tourism small and medium-sized enterprise (TSMEs) in Malaysia (Doctoral dissertation). Retrieved from University of Newcastle research online.

- Set, K., Yaakop A.Y., Hussin, N.Z.I., Yusof, B.M. and Abdul Ghani, J. (2015). Understanding motivation factors of tourism entrepreneurs in Tasik Kenyir. *International Academic Research Journal of Social Science*, 1(2), 248-254.
- Sharpley, R. and Telfer, D.J. (2008). *Tourism and development*. Rout ledge, pp: 205-232.
- Shemshad, M. and Mohammadi, I.M. (2012). Analysis of Factors Affecting the Ecotourism Development (In Pasture and Forest Cooperatives in Golestan Province, Iran). *International Journal of Architecture and Urban Development*, 2(4), Autumn2012.
- Sushila Devi, R., Nurizah, N., Mohd. Shahron, A.S., Rafedah, J. and Farahaini, M.H. (2010). Success factors of cooperatives in Malaysia: An exploratory investigation. *Malaysian Journal of Cooperative Studies*, 6, 1-24.
- Syahirah (2016). Desa lestari: satu lagi usaha dalam perjuangan transformasi luar bandar. Retrieved from <http://www.kklwhariini.com/single-post/2016/08/16/DESA-LESTARI-Satu-Lagi-Usaha-Dalam-Perjuangan-TRANSFORMASI-Luar-Bandar>.
- Syarifah Rohaya, W.I, Yusman, Y., Frank Me-ol, A., Mohd. Suandi, M. and Mohd Haswardi, M. (2013). Faktor-faktor kritikal kejayaan perniagaan kedai runcit koperasi di negeri Sarawak. *Malaysia Journal of Co-operatives Studies*, 9, 94-114.
- United Nation (2017). Retrieved from <http://www.un.org/en/events/cooperativesday/index.shtml>.
- USDA (2011). Understanding cooperatives: the structure of cooperatives. Retrieved from [https://www.rd.usda.gov/files/CIR45\\_3.pdf](https://www.rd.usda.gov/files/CIR45_3.pdf).
- Fonterra (2016). Fonterra: About us. Retrieved from <https://www.fonterra.com/nz/en/about-us.html>.
- Zwilling, M. (2012). *8 ways leaders can motivate employees beyond money*. Retrieved from <https://www.forbes.com/sites/martinzwilling/2012/01/10/8-ways-leaders-can-motivate-employees-beyond-money/#77d0877426f4>.