

**THE RELATIONSHIP BETWEEN COMPETENCY
AND ENTREPRENEURIAL SUCCESS AMONG
CO-OPERATIVE MANAGERS IN EAST
MALAYSIA: THE MODERATING ROLE OF
SALES SKILLS**



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UNIVERSITI MALAYSIA SABAH

**FACULTY OF
BUSINESS, ECONOMICS AND ACCOUNTANCY
UNIVERSITI MALAYSIA SABAH
2023**

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VVY ELVIRA BINTI PENGIRAN

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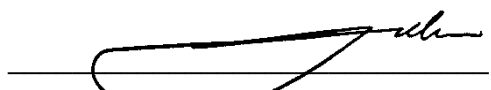
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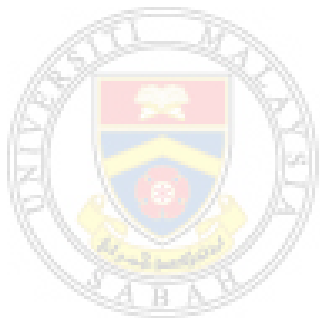

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DECLARATION

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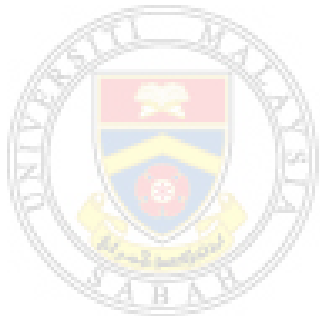
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Vvy Elvira Pengiran
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ABSTRACT

Co-operatives in both the industrial and service sectors have been identified as the drivers of Malaysia's fast economic growth. Lately, co-operative are faced with an inherent issue of competency capabilities and skills which constrains the ability of co-operative to improve performance. Due to this, it is critical for co-operative to understand and develop an important capability that supports them in facing a dynamic and competitive business environment. Every successful co-operative possesses essential entrepreneurship skills, including the capacity to see possibilities and to acquire the financial, technical, and human resources required to meet both new and improved demands. It is crucial to consider the manager's expertise and ability in order to improve co-operative performance. Their ability and competence have an impact on their performance as well. This study aims to examine how sales skills have a moderating role in the link between entrepreneurial success and competency among co-operative managers in East Malaysia. The researcher used purposive sampling to identify the respondent. A set of data from 277 respondents from co-operative managers at Sabah and Sarawak were used by analyzed with SPSS and Smart PLS for structural equation modeling. The results give the co-operative guide with clear understanding on how to enhance its performance in order to change the country and achieve a large income. Based on the findings of the current study, innovation and passion were discovered to have a positive impact on entrepreneurial success. This demonstrates how innovation and passion are linked to entrepreneurial success and how creativity will help the manager's ideas. Organizations will benefit from innovative and creative thinking. In the other hands, the unsupported results happen due the variety of co-operatives or their history. In order for managers to strengthen their co-operative through better corporate governance, the researcher came to conclusions based on the data and gave the appropriate recommendations.

ABSTRAK

HUBUNGAN ANTARA KOMPETENSI DAN KEJAYAAN KEUSAHAWANAN DALAM KALANGAN PENGURUS KOPERASI DI MALAYSIA TIMUR: PERANAN KEMAHIRAN JUALAN MENYEDERHANA

Koperasi dalam kedua-dua sektor perindustrian dan perkhidmatan telah dikenal pasti sebagai pemacu pertumbuhan ekonomi Malaysia yang pesat. Sejak kebelakangan ini, koperasi berhadapan dengan isu kebolehan kompetensi dan kemahiran yang menyekat keupayaan koperasi untuk meningkatkan prestasi. Oleh itu, adalah penting untuk koperasi memahami dan membangunkan keupayaan penting yang menyokong mereka dalam menghadapi persekitaran perniagaan yang dinamik dan berdaya saing. Setiap koperasi yang berjaya memiliki kemahiran keusahawanan yang penting, termasuk keupayaan untuk melihat kemungkinan dan memperoleh sumber kewangan, teknikal dan manusia yang diperlukan untuk memenuhi kedua-dua permintaan baharu dan dipertingkatkan. Adalah penting untuk mempertimbangkan kepakaran dan keupayaan pengurus untuk meningkatkan prestasi koperasi. Keupayaan dan kecekapan mereka juga memberi impak kepada prestasi mereka. Kajian ini bertujuan untuk mengkaji bagaimana kemahiran jualan mempunyai peranan sederhana dalam hubungan antara kejayaan dan kecekapan keusahawanan dalam kalangan pengurus koperasi di Malaysia Timur. Pengkaji menggunakan persampelan bertujuan untuk mengenal pasti responden. Satu set data daripada 277 responden daripada pengurus koperasi di Sabah dan Sarawak telah digunakan dengan dianalisis dengan SPSS dan Smart PLS untuk pemodelan persamaan struktur. Hasilnya memberi panduan koperasi dengan pemahaman yang jelas tentang cara meningkatkan prestasinya untuk mengubah negara dan mencapai pendapatan yang besar. Berdasarkan dapatan kajian semasa, inovasi dan semangat didapati memberi kesan positif kepada kejayaan keusahawanan. Ini menunjukkan bagaimana inovasi dan semangat dikaitkan dengan kejayaan keusahawanan dan cara kreativiti akan membantu idea pengurus. Organisasi akan mendapat manfaat daripada pemikiran yang inovatif dan kreatif. Sebaliknya, keputusan yang tidak disokong berlaku disebabkan kepelbagaian koperasi atau sejarah mereka. Bagi pengurus mengukuhkan koperasi mereka melalui tadbir urus korporat yang lebih baik, pengkaji membuat kesimpulan berdasarkan data dan memberikan cadangan yang sesuai.

LIST OF CONTENTS

	Page
TITLE	i
DECLARATION	ii
CERTIFICATION	iii
ABSTRACT	v
ABSTRAK	vi
LIST OF CONTENTS	vii
LIST OF TABLES	xii
LIST OF FIGURES	xiii
LIST OF ABBREVIATIONS	xiv
LIST OF APPENDICES	xv
CHAPTER 1 : INTRODUCTION	
1.1 Introduction	1
1.2 Background of study	1
1.3 Problem statements	5
1.4 Research Objectives	8
1.5 Research Questions	8
1.6 Significance of the Study	8
1.7 Scope of Study	9
1.8 Definitions of Key Terms	9
1.9 Outline of this study	12
1.10 Summary of Chapter	12
CHAPTER 2 : LITERATURE REVIEW	
2.1 Introduction	14
2.2 Co-operative Development around the world	14
2.3 Co-operative Development in Malaysia	16
2.4 Co-operative Development in East Malaysia	17
2.5 Issues in Cooperative	18
2.6 Human Capital Theory	21
2.7 Entrepreneurial Success	23

2.8	Competency	24
2.8.1	Independence and Entrepreneurial Success	25
2.8.2	Innovation and Entrepreneurial Success	27
2.8.3	Opportunity Recognition and Entrepreneurial Success	29
2.8.4	Passion and Entrepreneurial Success	32
2.9	Sales Skills Development	34
2.9.1	Adaptive Selling	36
2.9.2	Selling Skill	37
2.10	Summary of Chapter	41

CHAPTER 3 : THEORETICAL FRAMEWORK AND METHODOLOGY

3.1	Introduction	42
3.2	Research Framework	42
3.3	Hypothesis Development	45
3.3.1	Independence	45
3.3.2	Innovation	45
3.3.3	Opportunity recognition	46
3.3.4	Passion	47
3.3.5	Sales skills	48
3.4	Research Design	52
3.5	Target Population	53
3.6	Unit of analysis	53
3.7	Sampling Procedure	54
3.8	Sample Design	55
3.9	Sample Size	55
3.10	Data Collection Procedures	56
3.11	Research Instrument	56
3.12	Measurement of Variables	57
3.12.1	Measurement for entrepreneurial success	57
3.12.2	Measurement for ADAPTS	58
3.12.3	Measurement for Selling skills	59
3.12.4	Measurement for Independence	60
3.12.5	Measurement for Innovation	61
3.12.6	Measurement for Opportunity Recognition	61

3.12.7 Measurement for Passion	62
3.13 Statistical Analyses	63
3.14 Data Analysis Method	63
3.14.1 Analysis of Measurement Model	64
3.14.2 Assessment of Structural Model	66
3.14.3 Descriptive Statistics	69
3.15 Summary of Chapter	69

CHAPTER 4 : DATA ANALYSIS AND FINDING

4.1 Introduction	70
4.2 Data Collection and Response Rate	70
4.3 Respondents Profile	71
4.4 Data Analysis of Partial Least Squares Analysis (PLS) Structural Equation Model (SEM)	73
4.4.1 The Internal Consistency Reliability	73
4.4.2 Indicator Reliability (Outer Loading)	74
4.4.3 The Convergent Validity	75
4.4.4 Discriminant Validity	76
4.5 Assessment of Structural model	77
4.5.1 The Assessment of Structure Model Collinearity Issues	83
4.5.2 The Assessment of Significance and Relevance of the Structural Model Relationship	83
4.5.3 Assess the level of R^2	84
4.5.4 Assess the Effect Size f^2	84
4.5.5 Assess the Predictive Relevance (Q^2)	84
4.6 Moderator Analysis	88
4.6.1 Adaptive Analysis	91
4.6.2 Interpersonal Skills Analysis	93
4.6.3 Salesmanship Skills Analysis	95
4.6.4 Technical knowledge analysis	97
4.7 Results of Hypothesis Testing (moderating effect)	99
4.8 Results of Hypothesis Testing	100
4.9 Summary of Chapter	102

CHAPTER 5 : DISCUSSION AND CONCLUSION

5.1	Introduction	103
5.2	Summary of the Findings	103
5.3	Discussion of Hypothesis	104
5.3.1	There is no positive relationship between independence and entrepreneurial success among cooperative manager in East Malaysia	104
5.3.2	There is a positive relationship between innovation and entrepreneurial success among cooperative manager in East Malaysia	105
5.3.3	There is a positive relationship between passion and entrepreneurial success among cooperative manager in East Malaysia	106
5.3.4	There is no positive relationship between opportunity recognition and entrepreneurial success among co-operative manager in East Malaysia	106
5.4	Discussion of Moderating effect of sales skills	107
5.4.1	There is no positive relationship between independence and entrepreneurial success will be stronger when adaptive selling is high	108
5.4.2	The positive relationship between innovation and entrepreneurial success will be stronger when adaptiveselling is high.	109
5.4.3	There is no positive relationship between opportunity recognition and entrepreneurial success will be stronger when adaptive selling is high	109
5.4.4	There is no positive relationship between passion and entrepreneurial success will be stronger when adaptive selling is high	110
5.4.5	There is no positive relationship between independence and entrepreneurial success will be stronger when interpersonal skill is high	111
5.4.6	There is no positive relationship between innovation and entrepreneurial success will be stronger when interpersonal skill is high.	112
5.4.7	There is no positive relationship between opportunity recognition and entrepreneurial success will be stronger when interpersonal skill is high	113
5.4.8	There is no positive relationship between passion and entrepreneurial success will be stronger when interpersonal skill is high	114

5.4.9	There is no positive relationship between independence and entrepreneurial success will be stronger when salesmanship skills is high	115
5.4.10	The positive relationship between innovation and entrepreneurial success will be stronger when salesmanship skills is high	116
5.4.11	There is no positive relationship between opportunity recognition and entrepreneurial success will be stronger when salesmanship skills is high	116
5.4.12	There is no positive relationship between passion and entrepreneurial success will be stronger when salesmanship skills is high	117
5.4.13	The positive relationship between independence and entrepreneurial success will be stronger when technical knowledge is high	118
5.4.14	There is no positive relationship between innovation and entrepreneurial success will be stronger when technical knowledge is high	119
5.4.15	There is no positive relationship between opportunity recognition and entrepreneurial success will be stronger when technical knowledge is high	120
5.4.16	There is no positive relationship between passion and entrepreneurial success will be stronger when technical knowledge is high	120
5.5	Implication of study	121
5.6	Limitations and future study	124
5.7	Conclusion	124
REFERENCES		125
APPENDICES		148

LIST OF TABLES

	Page
Table 3.1 : Measurement of Entrepreneurial Success	57
Table 3.2 : Measurement of ADAPTS	58
Table 3.3 : Measurement of Interpersonal skills	59
Table 3.4 : Measurement of Salesmanship skills	59
Table 3.5 : Measurement of Technical Knowledge	60
Table 3.6 : Measurement of Independence	60
Table 3.7 : Measurement of Innovation	61
Table 3.8 : Measurement of Opportunity Recognition	61
Table 3.9 : Measurement of Passion	62
Table 3.10 : Summaries of Validity Guidelines for Assessing Reflective Measurement	66
Table 3.11 : Summaries the Guideline to Validate the Structural Model	68
Table 4.1 : Cumulative of Respondents	70
Table 4.2 : Respondents Demographic	72
Table 4.3 : Summary Report of the Measurement Model	75
Table 4.4 : Cross Loading Criterion	78
Table 4.5 : Summary of Fornell- Locker Criterion	80
Table 4.6 : HTMT Criterion	81
Table 4.7 : Predictive Relevance	85
Table 4.8 : Hypothesis Testing	86
Table 4.9 : Moderator Analysis	99
Table 4.10 : Results of Hypothesis Testing	100

LIST OF FIGURES

	Page
Figure 3.1 : The Relationships between Competency and Entrepreneurial Success among Co-Operatives Managers in East Malaysia: The Moderating Role of Sales Skills	43
Figure 4.1 : Measurement Model	82
Figure 4.2 : Structural Model	87
Figure 4.3 : The moderation effect of adaptive selling on the relationship between innovative and entrepreneurial success	88
Figure 4.4 : The moderation effect of salesman skills on the relationship between innovative and entrepreneurial success	88
Figure 4.5 : The moderation effect of technical knowledge on the relationship between independence and entrepreneurial success	89
Figure 4.6 : Moderator Adaptive Skills Algorithm	91
Figure 4.7 : Bootstrapping Adaptive Skills	92
Figure 4.8 : Moderator Interpersonal Algorithm	93
Figure 4.9 : Bootstrapping Interpersonal Skills	94
Figure 4.10 : Moderator Salesmanship Skills Algorithm	95
Figure 4.11 : Bootstrapping Salesmanship Skills	96
Figure 4.12 : Moderator Technical Knowledge Skills Algorithm	97
Figure 4.13 : Bootstrapping Technical Knowledge Skills	98

LIST OF ABBREVIATIONS

AS	-	Adaptive Skill
ADAPTS	-	Adaptive Selling
AVE	-	Average Variance Extracted
CR	-	Consistent Reliability
f²	-	Effect Size
HTMT	-	Heterotrait-Monotrait
ICA	-	International Co-Operative Alliance
IN	-	Innovation
IS	-	Interpersonal Skill
MCSC	-	Malaysia Co-Operative Society Commission
ANGKASA	-	National Co-Operative Organization of Malaysia
NARSCO	-	National Rubber Smallholders Co-Operative
SME	-	Medium-Sized Enterprises
OP	-	Opportunity Recognition
P	-	Passion
PLS-SEM	-	Partial Least Squares Structural Equation Model
Q²	-	Predictive Relevance
RISDA	-	Rubber Industry Smallholders Development Authority
SS	-	Salesmanship Skill
SKM	-	Suruhanjaya Koperasi Malaysia
TK	-	Technical Knowledge
R²	-	The Coefficient of Determination
VIF	-	Variance Inflation Factor

LIST OF APPENDICES

	Page
Appendix A : SPSS Data	148
Appendix B : PLS Data	171
Appendix C : Research Questionnaire for Respondent	174



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CHAPTER 1

INTRODUCTION

1.1 Introduction

This chapter presents of the introduction of study which is separated into seven areas. The primary segment starts with introduction, background of co-operative, followed by the problem statement, research objectives, and research questions, scope of study and definition of the terms.

1.2 Background of study

Co-operatives are often defined as an association registered under the Co-operative Societies Act 1993 with the aim to market economic interest among its members in accordance with co-operatives principles (Malaysia Co-operative Societies Commission, 2019). In Malaysia, the government places great emphasis on the importance of the co-operative as socio-economic growth and development. Co-operatives are sectors that contribute significantly towards national economy. Therefore, it is clear that the stronger cooperatives get, national economies also will become stronger.

In 2019, Prime Minister Tun Dr Mahathir Mohamad said that the level of co-operative development in Malaysia was still low compared to other developing countries (2019, Bernama). Despite the rise of co-operative registered, the performance of co-operative continues to be low. Kaur, Devi, Omar, Abdul & Samad (2005) study found sixty one percent of co-operatives lack executive staff. Hashim

and Fawzi (2015) mentioned that co-operative committees play an important role in connecting the managers' decisions to the engagement of their members and customers. The boards are responsible for observing the execution of administration, shaping long-term vital plans, assessing recommendations displayed by administration, and understanding the money related and vital activities embraced by the co-operatives (Bond, 2009). Hashim and Fawzi (2015) also stated that a great and effective governance help to enhance the financial performance and sustainability of the co-operatives. Thus, top management or top border in Malaysian cooperatives aggressively design and implement their strategic plan through competency in leadership especially on managers (Hasmin and Fawzi, 2015). The success of the organizations lies with the managers managing it. Furthermore, Ismail and Sharif (2010) suggested co-operative managers need a competency and managerial skills. A co-operative enterprise's structure and goals differ from those of a private corporation (Skurnik, 2002). Therefore, in this study, it is important to address that co-operatives is different from normal businesses because the person leading a co-operative can be seen as the manager and the same person may be a shareholder in the co-operative. Most of co-operative at East Malaysia does not have are salesperson or marketing team at their organization. Hence, a co-operative managers involved in sales and marketing task in which the liable for researching and creating marketing opportunities and form strategy and implementing new sales plans within the organization. Managers are responsible for management to operational within the co-operative.

The success of the organizations lies with the managers managing it. Hence, in order to be successful. Competencies play an important and better ways within the performance of employees (Lakshminarayanan, Pai & Ramaprasad, 2016; Hamzah, 2021; Albino, 2018). The concept of competency is usually applied to define the whole of individual abilities, skills, behaviors and knowledge, oriented to effective performance in a particular working environment. Almatrooshi et al. (2016) had demonstrated and discovered the role of leadership competencies and both in turn impact employee performance and organizational performance. Shet, Patil and Chandawarkar (2019) suggested a new approach to the performance management system and advocated that organizations could bring out effectiveness only by

adopting competency. Based on Yusoff, Jantan and Ibrahim (2004) studies mentioned that human capital enlarge individual's capabilities and abilities of discovering and exploiting business opportunities. Human capital helps individual's to accumulate other utilitarian resources within the accumulation of latest knowledge and skills. Bearing in mind the conceptualization of competencies and that human capital is defined as the combination of the knowledge and skills of the people working in a company (Yusoff et.al, 2004; Wright and McMahan, 2011, Vidotto, Ferenhof, Selig and Bastos (2017)), a certain element of overlap could be considered between these two concepts, when actually they are complementary concepts. Additional, Osiobe (2019) described competencies and abilities as the dimensions of behavior needed by companies to achieve a high performance.

Most of study claimed that independence, innovation, opportunity recognition and passion as competencies and beliefs that emerge in entrepreneurs become a motivator of entrepreneurial behavior which carried to perform well (Ardichvili, Cardozo and Ray, 2003; Marques, Ferreira, Ferreira, & Lages, 2013; Braga, 2014). Marques et al. (2013) mentioned that independence and opportunity recognition are drawn to business success by searching for freedom, self-realization or acknowledgment of an opportunity. Ardichvili et al. (2003) stated that the opportunity and passion have been recognized as element of skills and abilities to success. Knox (2002) highlighted that it is important for the organization to create innovative thinking in every decision for them to discover the best solutions

In short, competency and skills are important to be successful. It is vital to recognize and to get it the specified competencies and skills. Johlke (2006) and Peesker, Kerr, Bolander, Ryals, Lister & Dover (2022) discovered that sales skill also a significant aspect related to performance and it is important to adapt the skills, needs and management experience to different organizational forms (Markelova and Mwangi; 2010). Philip (2003) and Zonin (2014) found that there is a challenge for co-operative to sales their products to local markets. Prior studies acknowledge the importance of sales skill on organizational performance (Singh & Venugopal, 2015; Peesker & Kerr, 2018; Peeske, et al., 2022) and it enables value creation in organizations interactions (Walter, Auer, & Ritter, 2006; Nam & Lee, 2010).

Several studies have looked at important antecedents of sales skills as moderator such as personality with sales performance (Avila & Fern, 1986), adaptive selling (Porter et al, 2003; Yurova et al, 2017), selling performance (Porter et al. 2003; Haji, 2014), self-leadership on performance (Akbari and Samani, 2020), job satisfaction and performance (Purani and Sahadev, 2008), customer satisfaction and organization performance (Makoto and Takashi, 2002; Rapp et al., 2008; Wakener et al., 2009; Basir et al, 2010; Omar, 2016). The moderating role of sales skills in relationships can be negative (Makoto and Takashi, 2002) or positive (Rapp et al., 2008). Purani and Sahadev (2008) demonstrated that sales skills moderate the relationship between job satisfaction and performance, and the results were mixed as positive, negative as well as no effect.

The present study investigates the competency and entrepreneurial success by proposing the role of sales skills play as moderator. Their capabilities to offer and sell the product also influence the co-operative performance. In the current challenging economic climate, managers required to have sales skills especially, adaptive selling and selling skills to have a higher knowledge and information of their products and customers. These issues have a bearing on the sort of sales skills that are required in today's quickly changing commercial world. It is essential for managers to meet the requirements of customers. The ability to build a connection with customers and persuade them to make purchases and generate repeat business is at the center of selling.

On the other hand, Rahim (2017) mentioned only eighteen out of hundred companies registered with the Malaysian Companies Commission lasted five years after establishment. This scenario also happens in co-operatives at Sabah and Sarawak. Many researchers mentioned that co-operatives at Sabah and Sarawak has the least performance compared to other states in Malaysia (Cheuk, 2012; Idris & Hijrah Hati, 2013; Tola et al., 2021). Other than that, co-operatives at Sabah and Sarawak are more challenges compare to peninsular due to geographic and economic setting Sabah and Sarawak. The present study focuses in Sabah and Sarawak to know the determination and dedication of managers, even though their facing difficulties their still able to success. Therefore, the research comes out to

investigate the relationship between competency and entrepreneurial success among co-operative managers in East Malaysia the moderating role of sales skills.

1.3 Problem statements

Co-operative is significant as a catalyst in producing financial improvement, particularly for the poverty reduction among rural population in East Malaysia. However, Jamilah Yusman, Hamizah, Siti and Syarifah (2008) study found that the performance of co-operative is still low. The findings show 58.2 percent of the co-operatives in Sarawak are low performance and only 41.8 percent are good performance. Based on analysis performance tracking by Malaysia Co-operative Societies Commission (MCSC) for Sarawak in 2013 was 2.20 and 2014 around 1.66 which indicates low performance by co-operative organization. It shows that the performance for the co-operative in Sarawak is decreases. Chuek (2012) also found that the performance of co-operative in Sabah is still low due to lack of management factors.

According to Malaysia Co-operative Societies Commission (MCSC) report overall in Malaysia performance by Cluster 2013, only twenty percent of co-operatives are higher achiever the other of eighty percent co-operatives appeared under performer. Many researchers also examined the performance co-operatives and found that performance is utterly weak (Othman et al., 2014; Rasit & Ibrahim; 2018). Braga et al., (2014) pointed out that independence, innovation, opportunity recognition and passion as beliefs that emerge in entrepreneurs to let it become a motivator of entrepreneurial behavior which carried to perform well. In other studies, Marques et al. (2013) mentioned that individuals are drawn to business by searching for freedom, self-realization or acknowledgment of an opportunity. While, Ardichvili et al. (2003) stated that the opportunity and passion have been recognized as element of abilities to success and Knox (2002) highlighted that it is important for the organization to create innovative thinking in every decision for them to discover the best solutions and quick feedback on their performance to know if they have improved or not to accomplish goals.

In the other hand, Philip (2003) and Zonin (2014) found that there is a challenge for co-operative to sales their products to local markets. Theirs study found that the member of co-operatives has weak communication and lack of selling technique when dealing to local market. Plank, Reid, Koppitsch & Meyer (2018) discovered that sales skill also a significant aspect related to performance. Sales are important because the selling and sales management environment has changed dramatically in the last decade including the nature of the sales position (Cron et al., 2005; Tanner et al., 2008) and sales training contributes significantly to salesperson knowledge and skill levels, performance, effectiveness (Piercy et al., 1998; Lichtenthal and Tellefsen, 2001), and customer orientation (Pelham, 2002). It is wise to note that a manager in a cooperative involves in specific behaviours such as prospecting and negotiating. Furthermore, managers put a significant amount of time and attention to enhancing sales presentation skills because they believe that improved expertise will result in improved sales performance.

Co-operatives Sabah and Sarawak are more challenges due to geographic and economic setting. There are wide disparities between the levels of development of the different parts of the state. The Peninsular Malaysia has been and remains much more developed than the East Malaysia (Aslam, Hassan & Kedah, 2003; Krimi, Yusop & Hook, 2010). There is lack of supportive ecosystems such as the availability of local technology, lack of skilled talent and lack of sufficient supply (Hasan, Topimin, Ahmad & Othman, 2021). As an example, the geography of Sabah and Sarawak itself contributes the limitations in transportation because the road condition which make difficulties travel from other point to another point. Difference from Peninsular with develop great road infrastructures, it makes easier to allocate product or any technology system to their coverage.

In previous study of Malaysian context, most of study just focused on effective governance (Huang, 2010; Rohana & Roshayani, 2015), members' involvement, board team independence, high abilities and skillful of directors, other aspects of the co-operative such as board size (Othman, Kari, Jani and Hamdan, 2012), leadership and customer loyalty (Ahmad, 2009), lack of resources capital, involve in exactly conventional activities and poor of structure development

programme (Maslinawati, Waheedah and Mohamed, 2013), poor of involvement between co-operatives and low of integrity among the co-operative (Hashim and Fawzi, 2015) that are recognized as a challenges commonly to become effective sure their performances. However, there is a little study about the nature of the successful and unsuccessful co-operatives as well as the topic faced by the co-operatives that venture into the various business areas (Hashim and Zakaria, 2013; Hashim and Fawzi, 2015; Mohd, Shafiai & Noor, 2021).

Although lately there seems to be an increasing amount of literature that research on co-operatives, the scope and focus of these studies are still limited investigated (Skurnik, 2002; Jamilah, 2008; Cuek, 2012; Hashim and Zakaria, 2013, 2015). These issues and areas of research are not only important to be investigated for co-operatives but also important for those involved within the management as well as for the growth of co-operatives. The current research will adopt the human capital theory approach to form a conceptual framework to examine the relationship between competency and entrepreneurial success among co-operative managers in East Malaysia and the role of sales skills. It is important to know the intensity of determination and commitment that person is willing to do to become a success. It is important to carry out research about the competency and skills specifically managers of co-operatives because they are the sole ones that are given the authority by the management to manage the co-operative operation.

In light of these explanations, this research is conducted to investigate the relationship between competency and entrepreneurial success among co-operative managers: the moderating role of sales skills. It is important to provide a greater understanding of competency affects the performance of co-operative. There is a research gap in explaining the complex relationship between sales skills and organizations performance, which important for creating a human capital theory. These issues and areas of research are not only important to be investigated but also important for those involved within the management as well as for growth of co-operatives especially co-operatives in East Malaysia.