

# **MANAGEMENT CAPACITY BUILDING FOR STRENGTHENING COOPERATIVE ENTERPRISES**

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## **Introduction**

COOPERATIVES are value-based and people-based economic enterprises, founded upon the well-defined ethos and principles which include 'concern for the community'. This dual [social and economic] character is unique to cooperatives which makes them ideal and, in fact, the only vehicle to ensure equitable distribution. They have the flexibility to fit into any political system while reinforcing national commitments for equity, democracy and good governance.

In spite of the drawbacks and difficulties faced by them, agricultural cooperatives are the best-suited institutions for not only agricultural development but also for food security and poverty reduction. To a great extent they are indispensable for accelerating the development in general and agriculture in particular. Of special importance to cooperative functioning is the leadership provided by competent managerial and technical personnel to ensure maximum economic advantages to the producers and to ensure that the cooperatives are member-centred.

The staff and board members of cooperatives often lack managerial skills mainly due to inadequate training support available from within the Movements. Many precious business opportunities are missed because there was lack of interaction between the board and the managers. Due to limited resources at the command of primary and secondary level cooperatives, it has been difficult for them to sponsor their staff for training at higher level training institutions even within the country or abroad. The need is to expand their horizons of knowledge and understanding to improve the quality of management of their own cooperative institutions. Such opportunities and exposures are considered absolutely essential if the staff and board members are to play effective and fruitful roles in the business activities of their cooperatives and deliver a higher level of economic satisfaction to the members.

Reforms of the Cooperative Movement have become essential in the an era of globalisation. Cooperative marketing system must adjust to increased competition for the cooperatives to prosper or they will gradually stagnate and eventually get extinguished. To be competitive, cooperatives must be efficient – both price-efficient and technical-efficient.

## **Conditions Necessary for the Success of Agricultural Cooperatives**

Many successful cooperatives prospered and carved visible niche in the business world encountering the pressures of private enterprises because they reformed their ways of doing business. They learnt from others how to reach the customers by encouraging their personnel and adopting modern business management techniques. In India dairy and fertiliser cooperatives are the shining examples of playing their roles in the market. Experiences and the results of various studies have identified several factors which are responsible for the success of agricultural cooperatives. These are:

- Cooperatives are member-driven, member-controlled and member-responsive organisations;

- Design of the cooperatives imparts high drive level and a cohesive governance structure;
- Cooperatives are efficiently managed by trained and professionally-qualified staff under the supervision and control of democratically-elected boards of directors. Elected board members do not perform executive/business functions;
- Cooperatives have integrated their operations with the needs of their member-household;
- Well-integrated vertical structures of cooperatives exist and these provide support in order to enable the base level cooperatives to effectively and efficiently service their individual members;
- The federal cooperatives provide advisory services, technical know-how and back-up support services;
- Cooperatives undertake comprehensive programmes for member education in order to facilitate the process of members' participation, members' involvement and empowerment; and for training of staff and members of boards of directors;
- Cooperatives undertake value-added operations; choose, assess and employ appropriate but advanced technologies; and forge forward integration in order to gain competitive advantage in the market-place;
- Cooperatives establish viable and strong linkages with external research and development/extension agencies in the field of agriculture and technology;
- Cooperatives strive to become self-reliance, accumulate capital and develop other resources in order to remain free from all external controls and directions; and
- Cooperatives are open, value-based, ethical, caring, and socially aware institutions.

### **Management and Participation Issues**

It is understood that a primary level cooperative is **a basic level autonomous organisation**. Its basic objective is **to improve the standards of living and the quality of life of its members** residing in rural areas by undertaking **various economic activities** which help them **to increase productivity and production of agricultural and allied activities** and thereby **help increase their income**. In the cooperative, members are also expected to **participate actively – in its organisational structure as well as in its economic business**.

The major concerns for an agricultural cooperative, therefore, cover two aspects i.e., economic activities and managerial efficiency. The management of the functions of the society vests in the management bodies and officers at different levels of the organisational structure. These include, among others, the following: the General Body of Members which includes the annual members' meeting and other general meetings; the Managing Committee or the Board of Directors; Specialised committees; the Chairman and the Vice-Chairman, the General Manager and other business managers. While the general meeting frames the general policies, the managing committee after converting the policies into plans of action implements them through the general manager and other employees of the cooperative.

## **Enabling Role of the Management**

The day-to-day operations of the cooperative must be left in the hands of qualified management. Although cooperatives by nature are collaborative entities, a cooperative's success depends more on the manager than on any other individual. It is equally important for the board to compensate a manager adequately using performance incentives if possible, and to establish clear goals and objectives for management.

Managers play a vital role in fulfilling the wishes of the general meeting. Managers, being professionals within the cooperative management system, play an important role in an all-round development of a cooperative institution. Professionalisation of management in cooperatives explicitly implies that in the management of cooperatives, even when it is duly professionalised, it is the elected management which lays down the policy frame and procedural guidelines at the planning stage and regulates the performance of management towards achievement of its objectives at the control stage. In this sense, therefore, elected management performs crucial role in providing sense of purpose and direction to the process and system of cooperative management.

Managers are organisation builders and more so when the organisation belongs to small and marginal farmer-members. He is the basic and important link between the leadership and ordinary members. It is the manager who is contacted first by the members. And, it is the manager who remains in close contact with the market operators. Communication of felt-needs and fulfilling of these needs through provision of services flow through the medium of the manager. It then becomes the task of the manager to develop a smooth two-way channel of communication.

## **Enhancing Organisation Capacity**

The following two principal approaches can be adopted to enhance capacities of any organisation: Economic and Infrastructural Development approach; and HRD and Professionalisation approach.

Under the economic and infrastructural development approach, money, machines, markets, management and legal and policy facilitation come into play. Under the HRD and Professionalisation approach, it is the key players of the organisation which need to be qualified and improved in skills, methods and techniques to perform the business operations efficiently and with advantage to the owners and users of the organisation.

The following are the core areas in which capacities and capabilities need to be enhanced:

- *Enhancing the managerial efficiency by incorporating better career management methods and techniques through a process of continuous training and development;*
- *Enhancing management leadership capacities and capabilities through a process of intensive training and extension work at the level of committee members, leadership functionaries and key members;*
- *Enhancing physical institutional capacities of agricultural cooperatives to produce and market safe and fresh farm products with a view to generate earning capacities of the local farmers by making use of the local products;*

- *Enhancing the level of participation of sectoral business federations in promoting the production capacities of their affiliates and supporting them in marketing of their products; and*
- *Review of and assisting in the reformulation of existing government policies and procedures which are regarded as restrictive.*

The basic management tasks for any activity are: [i] Planning, [ii] Organising, [iii] Staffing, [iv] Supervision and control, and [v] Evaluation. The cooperative sector manager has to play two principal roles e.g., in relation to members of the cooperative; and in relation to his subordinate staff. He is a link between the organisation management and the members, and between the organisation itself and the open market. He is an authentic source of information enabling the management to take appropriate decisions – economic and non-economic. It is he who needs to be consulted by the board before making any business decision.

### **Professionalisation of Management**

Management implies both an act and a process of planning, organising, directing, coordinating, implementing, monitoring, and controlling in an organisation with a view to use its resources efficiently and effectively in pursuit of specified organisational goals. A manager is a person, who performs all these management functions. A professional manager is a person who has acquired specialised knowledge, skills and expertise in management through formal training in a management school and/or long work experience as a manager. In India, it is estimated that there are at present some 900-1000 management institutions imparting formal education and training in professional management. They together produce some 100,000 managers every year. This is in addition to the experienced managers who are not formally qualified but under whom many young and new managers work as apprentice managers.

Through its extensive cooperative employees' training network, the National Council for Cooperative Training [NCCT] of the National Cooperative Union of India offers a wide spectrum of training programmes aimed at strengthening cooperatives through management courses. A number of institutes of cooperative management and other cooperative training centres offer not only the diploma and certificate programmes but also MBA programmes which are patronized by a large number of students and cooperative employees. In addition, several national cooperative federations and multi-state cooperatives also offer various in-service management training programmes for the employees.

To survive and grow in the new era characterised by deregulation, delicensing, liberalisation, privatisation and globalisation, cooperatives need to be managed by professional managers. There are many obstacles to the professionalisation of management of cooperatives such as:

- Lack of professional managers having values and ethos congenial to cooperative management;
- Lack of good training institutes and good teachers;
- Lack of quality and well-structured training material like manuals, case studies, on-the-job training and learning opportunities;

- Poor and inadequate infrastructure in the existing cooperative management institutions;
- Inadequate financial resources on the part of NCCT and training institutions;
- Reluctance on the part of cooperative institutions to introduce IT and modern office machines;
- Small size of business of cooperatives and hence their inability to afford the services of professional managers;
- Archaic cooperative laws and excessive government control;
- Poor internal work culture and environment; and
- Lack of good leadership and governance.

Unless and until these obstacles are removed, there is very little, if any, hope for the cooperatives to survive and prosper in the new era.

### **Member Awareness**

Together with professionalisation of management, there is a dire need for creating among the members who own and manage their cooperative institutions. They need to understand the meaning and purpose of a cooperative institution and have faith in them. Faith is generated by a faithful presentation of accounts and transparent accounting system. Members have, therefore, to be brought closer to their institutions by a process of regular and intensive member education activity so that they participate in the organisational and business activities without being deceived or ignored. It thus becomes the responsibility of the management that they are treated equally and fairly and their suggestions are given due consideration. If there is a need to professionalise the management, there is also a need to develop a cordial relationship with the members. Business dealings with them have to be fair and prompt. This is possible if there is an active communication between the members and their cooperative. Cooperatives, whether big or small, must make sufficient allocations in their budget for member education programmes and also to modernize their business operations.

### **Opportunities under Bharat Nirman Programme**

India now stands poised for a big leap in economic development. Under the Bharat Nirman programme a huge investment in developing and strengthening rural infrastructure is being made. This programme also includes strengthening of rural institutions together with cooperatives and business to generate additional income and employment. Cooperatives have contributed significantly to rural and agricultural development and have great potential even for the future. They occupy an important place in India's rural economy in terms of their coverage of rural population and their share in the total supply of agricultural inputs, marketing of agricultural produce, including credit.

Bharat Nirman aims at strengthening the structure further. Bharat Nirman is a time bound plan for rural infrastructure by the Government of India in partnership with State Governments and Panchayati Raj institutions. An allocation of Rs 174,000 crores has been made to cover six key sectors e.g., roads, power, drinking water, housing,

telecommunication and irrigation. The programme is expected to create employment for about 30-40 million people in rural areas and increase rural income by 1 per cent a year in the span of five years [2005-2009]. Cooperatives being an integral part of rural development have to play a significant role in the entire process. The role of institutions like the NCCT therefore becomes not only critical but also more pronounced.

## **Conclusions**

Agricultural cooperatives generally perform these tasks: provision of inputs and credit, support in the marketing of basic products and provision of extension activities. Most of the managers are not qualified and they hardly are professional. In view of the open market they are not able to compete with the private business and, therefore, have been losing ground.

Because of low level of market information, and managerial competence of the managers and management leaders, agricultural cooperatives have not been able to strengthen their business operations. Most of their income is derived from commissions earned through the distribution of fertilisers, farm chemicals and credit disbursement. Also it has been found that the existing training infrastructure is inadequate to meet the demands of cooperatives. Some of the sector business federations have also been found to be competing with their own affiliates. There is a great need to re-evaluate and reform cooperative employees' training programme, infrastructure and supply of quality training material. It is also envisioned to establish a proper career development system to enable the cooperatives to retain managers and inspire them to have faith in cooperative enterprises.

In order to improve their business and management efficiency it is necessary that some well-structured training and development programmes are instituted to improve their capacities and capabilities. Cooperatives should not shy away from making use of the external consultants and managers to induct new and better methods of doing business. Well-qualified and professional managers can perform better if the elected leaders refrain from interfering in their work. While the elected leaders formulate policies and set business targets, the professional managers deliver performance. The trained managers could not only strengthen the business of a cooperative but also serve as the trainers of the future.

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### ***About the author...***

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