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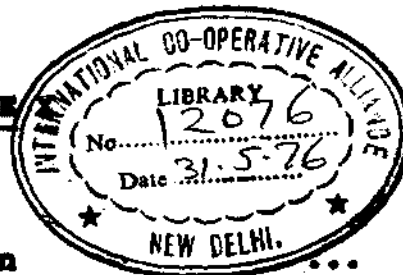


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ASIAN CONFERENCE ON COOPERATIVE MANAGEMENT
Manila, the Philippines - 1-6 Dec., 1975

I N D E X



	Page
1. Programme of the Inaugural Session ...	1
2. Welcome Address by Mr. B.P.Faustino ...	2
3. Introductory Remarks by Mr.Orlando J.Sacay ...	4
4. Key-note Address by Mr. Blas F.Ople ...	6
5. Programme of the Conference ...	11
6. List of Participants ...	12
7. Report of the Group Discussion on Marketing Management ...	25
8. Report of the Group Discussion on Financial Management ...	27
9. Report of the Group Discussion on Personnel Management ...	29
10. Report of the Group Discussion on Communications and Procedures ...	31
11. Report of the Group Discussion on Public Relations ...	36
12. Report of the Group Discussion on Cooperative Education ...	38
13. List of Groups for Group Discussions ...	41
14. Key Note Address by Mr. H.A.Kularajah ...	43
<u>WORKING PAPERS</u>	
15. Marketing Management by Dr. Fabian A.Tiongson ...	48
16. Marketing Management by Mr. L.M.V.de Silva ...	55
17. Financial Management by Dr. C.D.Datey ...	81
18. Financial Management by Mr. Florencio B. Orendain...	106

Index.....(Contd.)

19.	Personnel Management by Dr. M.K.Shah ...	...	113
20.	Perspective in Personnel Management in the Philippines by Mr. Gregorio S.Imperial Jr....		134
21.	Communication and Communication Procedures by Mr. Gote Levin ...	... ..	139
22.	Communications and Communication Procedures ...		160
23.	Management and Public Relations by Mr. M.Rex Wingard ...	... ..	170
24.	Why Cooperative Education by Mr. J.M.Rana ...		190
<u>BACKGROUND PAPERS</u>			
25.	Personnel Management by Md.Murul Islam, Bangladesh..		200
26.	Cooperative Management in India by Mr.R.G.Tiwari,India		209
27.	Relevance of Modern Management to Cooperatives ...		221
28.	Management of Marketing Cooperatives in Indian Context by Mr. B.M.Deshmukh, India ...	... ..	229
29.	Financial Management of Cooperative Banks and Agricultural Credit Cooperative Societies by Mr. B.M.Deshmukh, India ...	... ..	240
30.	Personnel Management by Mr.B.M.Deshmukh, India ...		245
31.	Communication and Procedures by Mr.B.M.Deshmukh,India		252
32.	Public Relation in Cooperatives by Mr.B.M.Deshmukh,India		256
33.	Cooperative Marketing in India, its Problems and Prospects by Dr.M.S.Patel, India ...	... ..	264
34.	Marketing Control by Mr. Oh Yun & Kim In Sun, Korea		285
35.	Fisheries Cooperatives Management in Korea by M/s. Oh Yun and Kim In Sun, Korea ...		292
36.	Personnel Management by Mr.C.Thanapalasingam, Malaysia		316
37.	Cooperative Management by Mr. N.B.Shah, Nepal ...		326
38.	Cooperative Management by Mr.Danapala Wijayatunga Sri Lanka ...	... ..	335

MISCELLANEOUS PAPERS

39.	Need and Aims of Cooperative Education by Mr. J.M.Rana	...	...	...	340
40.	Recommendation concerning the role of Cooperatives in the Economic and Social Development of Developing Countries, ILO	357
41.	Closing Programme	372
42.	Programme of Study Visits	373



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ASIAN CONFERENCE ON COOPERATIVE MANAGEMENT
December 1-6, 1975
Philippine Village Hotel, Manila, Philippines

OPENING CEREMONIES

December 1, 1975
9:00 - 10:00

National Anthem

Welcome

Atty. B. FAUSTINO
ICA Council Member
from the Philippines

Remarks

Mr. P. E. WEERAMAN
ICA Regional Director
for Southeast Asia

Introduction of Guest Speaker

Hon. ORLANDO J. SACAY
Undersecretary, Dept. of Local Government
and Community Development

Inaugural Address

Hon. BLAS F. OPLE
President, International Labour
Organization (ILO)
Secretary of Labor

Vote of Thanks

Mr. J. M. RANA
Director (Education)
ICA Regional Office and Education
Centre for Southeast Asia

Excerpts of the welcome remarks by Atty. Bienvenido P. Faustino, ICA Council Member from the Philippines.

In many parts of the world today, and especially in the Southeast Asian region represented today in this Asian Conference on Cooperative Management where fourteen countries, from Australia on one end to Iran on the other, are participating, there is taking place a very welcome upheaval, so to speak, in the attitudes and outlooks of people, in national directions, in long-range developmental planning, in overall social orientation, the one single outstanding feature of which is the paramount importance placed on social growth as a cornerstone of development, and which I can best describe, for want of a better term, as cooperative ferment.

Aware as the people in this region are the economic and social imbalances prevalent in many areas, cooperatives in these places are now being regarded and looked upon as major factors in national development strategies. The potential of cooperatives to bring about equalization measures - urgently needed, in varying degrees, in all developing economies, is now recognized and acknowledged. Along with this realization has come the feeling that if cooperation must prevail as a system, it must work as efficiently as any other system along which it is meant to co-exist. From this has come the feeling that as avidly as one studies cooperative ideology, parallel studies must be done aimed at not only preserving but also safeguarding the system through efficient business management of its affairs. This, I feel, is the reason the movements in our respective countries felt that an Asian Conference such as the one being opened today was needed. This is also the reason why the keynote address which follows after the opening ceremonies has for its central theme the role of management in the modern world.

We in the Philippines are very glad, and certainly feel very honored, to be the local hosts of this conference. We have selfish reasons, to be very glad because it means, for one, that we shall have within the next four days the benefit of the varied and wide-ranging expertise, know-how and experience accumulated in this hall today. There is no speedier, more effective learning process than interpersonal

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- 2 -

contact and direct, persons to person exchange of views and outlooks. Especially in the management field, there is nothing more effective than shared experiences, which after all is the very essence and purpose of any conference of this nature.

For another, it means for us the valuable opportunity to show you, especially those who are coming here for the first time, what our country looks like, and its people, and our ways of life and in the cooperative field, to share with you whatever modest advances we have in our own very limited way achieved, in the hope that this may be relevant and of some help to your own respective movements. We don't know whether it will, but in the same manner that we keenly looking forward towards learning from you, we are, in a reciprocal manner as keen to offer what we can.

And this goes not only for cooperative interchange. We shall try to make your stay here as pleasant and as comfortable as possible. Unfortunately, the timetables of this conference have been so telescoped that within the very short span of four days six major management subjects have been crammed into the working schedules, starting from 8:00 o'clock in the morning and last up to 6 o'clock in the evening, and at least in the case of the third day, ending as late as 9:30 in the evening as you will soon see if you take a look at the printed programme of activities distributed to you earlier today.

This is perhaps a strange way of saying welcome to you in the same breath saying that in the next four days, you, we, shall be working very hard. We trust, however, that we will be able to make up for this in some other way, in a number of other ways in the true spirit of cooperation.

#

Excerpts of the introductory remarks by Dr. Orlando J. Sacay, Undersecretary for Cooperatives, DLGCD, in presenting Sec. Blas Ople of the Department of Labor, principal guest at the opening ceremony, Asian Conference on Cooperative Management, Philippine Village Hotel, December 1, 1975.

Distinguished guest speaker, Mr. Weeraman and Mr. Rana of the ICA, Mr. Kularajah of Malaysia, Mr. Faustino, my friends and colleagues in the cooperative movements in this part of the world, experts, resource persons, and cooperative enthusiasts who have come here from different movements as far away as the other countries of Asia, the Middle East, and the West, friends, ladies and gentlemen.

I am deeply honored to be able to perform the very pleasant task of introducing to you today our inaugural speaker for this occasion which marks the opening of the Asian Conference on Cooperative Management. Before doing so, however, I would like to say a few words of welcome to all of you and especially to those of you who have travelled far and wide, taking time out of your very busy schedules, to be able to visit our country, and participate in this conference which is a historic first for us. I wish all of you a pleasant stay, and I sincerely hope your stay with us will be both enjoyable and fruitful.

The man who will inaugurate this Conference today is, and has been over the past several years, figuratively and literally the alter ego of the President of the Republic of the Philippines. That is perhaps the easiest and most accurate way of introducing him to you.

Starting from a career which saw him first as a practising journalist, political writer and analyst in various Philippine media in the early 1950's, and at ~~some~~ later stage a practitioner in public relations, his stint in the government service has ranged from technical assistant on labor and agrarian affairs to the late President Magsaysay in 1953, then Assistant to the President and Commissioner of the Social Security System in 1966 - 1967, and afterwards Secretary of Labor, a pivotal position in the overall government program which he occupies up to the present time, alongside various other key positions he holds in government.

It was in this latter capacity that he represented the Philippine government in the 60th Session of the International Labour Conference held in Geneva, and garnering honors for his country as usual, was elected to the very prestigious position of President of the ILO, an agency of

the United Nations that has gone very strong over the past several years for the promotion and encouragement of cooperatives, especially in developing countries.

Cooperatives are made up of people, concerned about people, exist for people, are run and administered by and for the people who make up its membership. Social in orientation and egalitarian in purpose and objective, cooperatives by far have been known to be the only economic institution with meaningful social content.

To all of you who, I know, are believers and practitioners of cooperation, the best way in which I can perhaps introduce our inaugural speakers is that HE IS ONE OF US.

Ladies and Gentlemen, Secretary of Labor BLAS F. OPLE, President of the ILO.

#

/rsg

KEYNOTE ADDRESS AT THE OPENING CEREMONIES OF THE ASIAN CONFERENCE ON COOPERATIVE MANAGEMENT, PHILIPPINE VILLAGE HOTEL, DECEMBER 1, 1975, 9:00 A.M. by SEC. BLAS F. OPIE, SECRETARY OF LABOR.

The Philippines is deeply honored to be chosen as the host country for the Asian Cooperative Conference and later on, the meeting of the International Cooperative Alliance. I know I speak for the entire Filipino people in extending to you all a warm and fraternal welcome. Of course, every developing country in Asia is a cooperative frontier, but the cooperative movement in this country has indeed become a most exciting new frontier which is increasingly involving millions of people in the process of social and economic development.

One of the most notable events of the past three years since President Ferdinand E. Marcos inaugurated a New Society is that cooperativism has risen from a minor to a major key, from a token level to a mass movement. Perhaps no national leader since the late Jawahardal Nehru of India has identified himself more closely with the cooperative movement than the incumbent President of the Philippines.

The Government's Agrarian Reform program has broken up the big landed estates in rice and corn, thus breaking the backbone of centuries-old feudalism in the countryside. ~~Presidential Decree 27 transfers about~~ one million hectares of rice and corn land to the tillers through a system of amortizing ownership financed by the Land Bank of the Philippines. In the wake of these structural changes, it has become necessary to supplant the power and facilities of the landlords, with the power and facilities of the people. The answer to this is a nationwide cooperative movement, which today is growing healthy roots in many of the villages all over the country -- a tribute also to the unwavering devotion of cooperativism's foremost exponents in the Philippines such as Secretary Jose Roño and Undersecretary Orlando J. Sacay of the Department of Local Governments and Community Development.

Moreover, by organizing on both village, district and national levels, the cooperative movement has become a major social and political force capable of exerting pressure on policy choices and directions.

I have no doubt in my mind that as the cooperatives flourish in the rural areas, the urban-based workers will be inspired to follow. Today, more and more trade unions in the cities and towns are forming their own cooperatives and the imminent organization of a unified national labor center on December 14 will, I feel sure, provide a strong impetus to the cooperative movement in the urban sector.

In recognition of this trend, the President of the Philippines has directed the Department of Labor, in conjunction with the Social Security System and the Government Service Insurance System, to lay the basis for the formation of a Workers Bank which will specialize in financial assistance to cooperatives.

The Philippines, of course, is no exception to developing countries which today are groping for innovative and effective forms of mobilizing the population for development objectives. The trade unions of course constitute a major outlet for popular participation in business and industry. The barangays -- the name we give to the organizations of the people in every village and in every city block -- constitute a new and dynamic organ of popular participation in public affairs. But it seems to me by far the most promising channels for popular mobilization in the interest of accelerated economic and social development is the cooperative movement, which is capable of releasing and directing vast energies of millions of farmers, workers and consumers in the entire society.

Never before has the cooperative movement achieved such a pervasive impact on Philippine society, but especially in the countryside. However, -- and I think the architects of the cooperative program, notable Undersecretary Orlando Sacay agree with this -- the outcome of this great experiment with economic and social cooperation remains in doubt. The path of cooperativism in the Philippines, as it must be in other developing countries, is littered with endless frustrations that always started as noble intentions. We therefore feel we must temper optimism with cautious realism, even a good dose of skepticism.

Still I think we have emerged stronger in the cooperative field because we decided to use our mistakes to instruct us, no less than the successes. I think we now realize that a national cooperative movement will succeed where the following conditions are present (in the context of an Asian developing country):

First, a land tenure system such as tenancy which penalizes initiative and rewards idleness and parasitism is incompatible with the cooperative movement; only free farmers owning or managing their own lands will have the motivation to join and lead cooperatives.

Second, the cooperative movement must be able to realize economies of scale through district, regional and nationwide organization with access to both financing and policy inputs.

Third, a sustained year-round educational campaign not only at leadership levels, but also at village levels, is necessary to sustain the climate of high motivation.

Fourth, the Government must indeed build the cooperative priority into its economic and social development plans and allocate to it the highest possible priority.

Fifth, the cooperatives must be seen not in isolation but as major strategy for rural mobilization and national development.

Sixth, the cooperatives must be able to draw upon adequate resources for continuing management development.

I think that on this occasion, the representatives of the cooperative movement in Asia are more immediately concerned with the last and by no means the least factor. Certainly, cooperatives, as economic enterprises, must be clearly understood to be bound by the test of economic performance as well as by the test of service to its members. And economic performance requires, as its minimum condition, good management.

- 4 -

I think one reason cooperatives fail is because of the inability and the unwillingness of its members to meet the test of economic performance. The very nobility and unselfishness of its conception makes the cooperative peculiarly vulnerable to economic complacency. For this reason it is all the more necessary to expose cooperative leadership and cooperative management to the principles of sound organization and the tools of modern management involving production, finance marketing and other dimensions of economic performance.

If the cooperatives are unwilling to be judged by the profit test -- the realization of investible surpluses that will sustain continuing growth -- then some other performance test must be instituted in its place which will achieve the same disciplinary effect. There is no escaping, nevertheless, the fact that a cooperative will be directly commensurate to the quality and skill of its management as well as the loyal support of its members.

Indeed, developing nations increasingly realize the fact that the degree of economic and social growth attained is perhaps a function of the quality and quantity of management actually delivered to the country. This is true whether we speak of the administrative effectiveness of the Government or of the public institutions such as universities, hospitals and research centers, or of the business and industrial world. Management is the key by means of which potentials in human and natural resources are converted into genuine assets for development.

The achievement of high quality management in the cooperative movement will guarantee its performance not only as an economic but also as a social democratizing force. In thus meeting here to discuss the relevance of the latest management principles and techniques to the cooperative movement, you are engaged in fact in a most important undertaking which can elevate the whole climate of management development for cooperatives in Asia.

- 5 -

Every country in the region, I am sure, can contribute valuable perceptions and insights based on its own experience which can significantly enrich your collective understanding of the subject and the challenges it poses. I have no doubt that your conference conclusions will be a significant contribution to the continuing advance of the cooperative movement in all of our countries. I wish you a most pleasant and productive conference.

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**ASIAN CONFERENCE
ON COOPERATIVE
MANAGEMENT**

**Philippine Village Hotel
Manila, Philippines**

December 1-6, 1975

Program

Monday, 1st December

- 9:00 — 10:00 Opening Ceremonies
10:00 — 10:30 (break)
10:30 — 11:30 Keynote Address by Mr. N. A. KULARAJAH, Chairman,
ICA Council for Southeast Asia
"Cooperative Management in the Modern World"
11:30 — 1:30 (lunch break)
- Marketing Management**
- 1:30 — 2:15 Lecture: Dr. FABIAN A. TIONGSON
IADA, U.P. at Los Banos
College, Laguna, Philippines
2:15 — 2:45 Lecture: Mr. L.M. V. DE SILVA
Chairman, Sri Lanka Cooperative Marketing
Federation, Coop Square, 127, Grandpass Road,
Colombo 14, Sri Lanka
2:45 — 3:30 Discussions
3:30 — 4:00 (break)
4:00 — 6:00 Discussions continued

Tuesday, 2nd December

Financial Management

- 8:00 — 8:45 Lecture: Dr. C. D. DATEY
Executive Director, Agricultural Credit Dept.,
Reserve Bank of India, Bombay
8:45 — 9:15 Lecture: Atty. FLORENCIO B. ORENDAIN
President, Philippine Shares Corporation
BF Condominiums, Aduana, Manila, Philippines
9:15 — 10:00 Discussions
10:30 — 11:00 (break)
11:00 — 12:30 Discussions continued
12:30 — 2:00 (lunch break)

Personnel Management

- 2:00 — 2:45 Lecture: Dr. M. K. SHAH
FAO Project Manager/Dairy Development
Adviser, Bangladesh
2:45 — 3:15 Lecture: Atty. GREGORIO S. IMPERIAL, JR.
Vice-President, Industrial Relations, USIPHIL, INC.
Buendia Avenue, Makati, Rizal, Philippines
3:15 — 4:00 Discussions
4:00 — 4:30 (break)
4:30 — 6:00 Discussions continued

Wednesday, 3rd December

Communications and Communication Procedures

- 8:00 — 8:45 Lecture: Mr. GOTTE LEVIN
ILO Expert, NCCF
New Delhi, India
- 8:45 — 0:15 Lecture: Mr. N. VEERIAH
Director, MCIS, Kuala Lumpur
Malaysia
- 9:15 — 10:30 Discussions
- 10:30 — 11:00 (break)
- 11:00 — 12:30 Discussions continued
- 12:30 — 1:30 (lunch break)

Public Relations

- 1:30 — 2:15 Lecture: Mr. M. REX WINGARD
Representative in India
Cooperative League of the USA (CLUSA)

Why Cooperative Education

- 2:15 — 3:00 Lecture: Mr. J. M. RANA
Director (Education), ICA RO & EC
New Delhi, India
- 3:00 — 4:00 Group discussions
- 4:00 — 4:30 (break)
- 4:30 — 6:00 Group discussions continued
- 6:00 — 7:30 (dinner break)
- 7:30 — 9:30 Group discussions continued and drafting
of recommendations

Thursday, 4th December

- 9:30 — 11:30 Plenary session for consideration of group reports
- 11:30 — 11:45 (break)
- 11:45 — 12:30 Plenary session continued
- 12:30 — 2:00 (lunch break)
- 2:00 — 5:00 Final plenary session

Friday, 5th December — Study Visits

Saturday, 6th December — Study Visits

Participating Countries:

AUSTRALIA
BANGLADESH
INDIA
INDONESIA
IRAN
JAPAN
KOREA
MALAYSIA
NEPAL
PAKISTAN
PHILIPPINES
SINGAPORE
SRI LANKA
THAILAND

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Philippine ICA Member Organizations — CCE, FCWS,
GRAMACOP

ASIAN CONFERENCE ON COOPERATIVE MANAGEMENT
 PHILIPPINE VILLAGE HOTEL, DECEMBER 1 - 6, 1965
 MANILA, PHILIPPINES

I. LIST OF PARTICIPANTS

AUSTRALIA

1. Mr. Irwin Hunter
 Divisional Manager, Livestock
 Westralian Farmers Cooperative, Ltd.
 569, Wellington St., Perth
 Western Australia

INDIA

2. Mr. J. B. L. Khachi
 Member, Governing Council
 National Cooperative Union of India
 5, Hotel Metropol, The Mall Simla
3. Dr. M. S. Patel
 Managing Director
 National Coop. Consumers' Federation
 25, Ring Road, Lajpat Nagar-IV
 New Delhi-24
4. Mr. R. S. Misra
 Director
 U.P. Cooperative Federation
 6, Capper Road, Lucknow (U.P.)
5. Mr. Rajo Singh
 Director
 Bihar State Coop. Marketing Union
 West Lawn, Patna-1
6. Mr. B. M. Deshmukh
 Vice-Chairman
 Maharashtra State Cooperative Bank
 9, Bakehouse Lane
 Fort, Bombay-1
7. Mr. R. G. Tiwari
 President
 National Cooperative Union of India
 Suryanukhi Building
 Sri Aurobindo Marg, New Delhi
8. Mr. M. V. Bayadekar
 Maharashtra State Cooperative Bank
 9, Bakehouse Lane
 Fort, Bombay-1

- 2 -

INDONESIA

9. Mr. M. Tamuzi
Trade Manager
National Federation of Navy Coops
c/o Dewan Koperasi Indonesia
Jakarta
10. Mr. Eddiwan
Vice President
Dewan Koperasi Indonesia
Komplek Pusdikkop
Jalan Jenderal Gatot Subroto
Jakarta
11. Mr. Djoko Basuki
Vice President
Dewan Koperasi Indonesia
Komplek Pusdikkop
Jalan Jenderal Gatot Subroto
Jakarta

KOREA

12. Mr. Ju In Song
Vice President
National Agricultural Coop. Federation
75, 1-Ka Choongjung-Ro
Sudaemoon-Ku, Seoul
13. Mr. Oh Yun
Manager
Jeonbook Provincial Office
88 Kyungwun-dong
Chongro-ku, Seoul-110
14. Mr. Kim In Sun
DY, Manager, Foreign Loan Department
Central Federation of Fisheries Coops
88, Kyungwun-dong
Chongro-Ku, Seoul-110

MALAYSIA

15. Mr. Hasbullah Bin Haji Ahmed
P.O. Box 768
No. 1 Jalan Sulaiman
Kuala Lumpur, West Malaysia
16. Mr. Mansor Ghafur
Assistant Manager
University of Malaysia Coop. Bookshop, Ltd.
P. O. Box 1127, Jalan Pantai Baru
Kuala Lumpur
17. Mr. Mohd. Mazlan Bin Idris
General Manager
Syarikat Kerjasama Polis Diraja
Malaysia-Berhad
P.O. Box 768, No. 1, Jalan Sulaiman
Kuala Lumpur

- 3 -

18. Mr. Ismail Din
General Manager
Cooperative Bank Malaysia-Berhad
140 Jalan Ipoh, Kuala Lumpur
19. Mr. E. Jacob
Ipoh Government Servants' Cooperative-
Thrift and Loan Society
Ipoh, Kuala Lumpur
20. Mr. A. Vythilingam
N.E.B. Cooperative Thrift & Loan Society
Kuala Lumpur
21. Mr. V. Vijendram
N.E.B. Cooperative Thrift & Loan Society
Kuala Lumpur
22. Mr. Raji B. Hji. Ali
Selangor Gov't. Servants' Cooperative
Thrift and Loan Society
Kuala Lumpur
23. Mr. Cho Mun Kit
Selangor Gov't. Servants' Cooperative
Thrift and Loan Society
Kuala Lumpur
24. Mr. Abh. Hai B. Abdul Hadi
Railway Cooperative Thrift and Loan
Society Ltd.
Kuala Lumpur
25. Mr. S. Thiagarajah
Railway Coop. Thrift and Loan Society, Ltd.
Kuala Lumpur
26. Mr. Foo Hon Ngoon
Railway Coop. Thrift and Loan Society, Ltd.
Kuala Lumpur
27. Mr. Mohd. Sahari B. Wass
Railway Coop. Multi Purpose Society
Melayu, Jalan Hishamuddin, Kuala Lumpur
28. Mr. Mohd. Yusoff B. Mat Esa
Railway Coop. Multi Purpose Society
Melayu, Jalan Hishamuddin, Kuala Lumpur
29. Mr. Chan Kin Beng
Railway Coop. Multi Purpose Society
Melayu, Jalan Hishamuddin, Kuala Lumpur

- 4 -

30. Mr. Lin Say Hock
Railway Coop. Multi Purpose Society
Melayu, Jalan Hishamuddin, Kuala Lumpur
31. Mr. N. Ganapathy
Minlabour Coop. Thrift and Loan Society
51 Rd. 14/26, P. Jaya, Selangor, Malaysia
32. Mr. C. Thanapalasingam
Midlands Coop. Union Ltd.
No. 11 Road 12/10, P.J. Malaysia
33. Mr. David Khoo Thian Seng
Midlands Coop. Union Ltd.
105 Jalan Ayer/Pawas, Setapak
Kuala Lumpur, Malaysia
34. Mr. Abdul Kadir B. Md. Noor
Penang Port Commission Coop. Society
335 H Sg. Glugor, Penang, Malaysia
35. Mr. Abdullah B. Hj. Mohd.
Chief Clerk, Penang Port Commission Society
33, Minden Hts. (1), Glugor
Penang, Malaysia
36. Mr. Boey Foong Phin
Penang Port Commission Coop. Society
5 Minden Hts. (2), SG, Glugor
Penang, Malaysia
37. Mr. N. Loganathan
Penang Port Commission Coop. Society
Penang, Malaysia
38. Mr. Ho Wah Chiew
Penang Teachers' Coop. Society, Ltd.
3, Free School Road, Penang, Malaysia
39. Mr. S. Ramasany
Penang Teachers' Coop. Society, Ltd.
4525 Jalan Raja Uda, Butterworth
Penang, Malaysia
40. Mr. Fong Ah Nghoh KMN
N.E.B. Coop. Thrift and Loan Society
10, Road 14/49 Petaling Jaya, Malaysia
41. Mr. Abdul Aziz B. Abh. Rani
M.C.I.S. Limited
Malaysia

- 5 -

42. Mr. K. Rabindranath
Asst. Manager, Malaysian Cooperative
Printing Press
73, Jalan SS 2/4 A. P. Jaya
Peninsular, Malaysia
43. Mr. Lee Ah Leng
Johore Cooperative Union Ltd.
44. Mr. K. Parames Varan
Railway Coop. Thrift and Loan Society
Kuala Lumpur
45. Mr. Jalalludin Hj. Kassim
SY K/Sama J/C Polis Diraja
46. Mr. P. Durairaju
Socfin Employees Coop. Thrift
and Loan Society
Socfin Co., Bld., P.O. Box 330
Kuala Lumpur, Malaysia
47. Mr. Hui Weng Chee
M.C.I.S. Limited
No. 5, Jalan Kepah, Kuala Lumpur
17-08, Malaysia
48. Mr. K. K. V. Singam
M.C.I.S. Limited
49. Mr. Abu Bakar B. Mohd. Ariff
M.C.I.S. Limited
50. Mr. Raji Bin Hasi Ali
M.C.I.S. Limited
51. Mr. N. Veeriah
M.C.I.S. Limited
No. 3, Road 3, Tiong Nan Settlement
Kuala Lumpur, Malaysia
52. Mr. A. Siva Perumal
Cooperative Printing
No. 25 Jalan Telawi, Bangsar Baru
Kuala Lumpur, Malaysia
53. Mr. S. M. Ratnan
M.C.I.S. Limited

- 6 -

54. Mr. E. R. A. Joseph
M.C.I.S. Limited
55. Mr. R. V. Ganeson
Supervising Dev. Manager
M.C.I.S. Limited
C-15 Jalan Kuantan
Tenerloh, Pahang
56. Ahmad T. Bin Abdul Malek
Manager
Ragala Malaysian Police Coop
7422 Taman Selayan Baru
8th Miles Ipoh Road, Kuala Lumpur
57. Mr. Loo Chork Hee
Accounting Officer
M.C.I.S. Limited
c/o 36 Jalan Anpang, Kuala Lumpur
- NEPAL
58. Mr. Deepak Prasad Dhungal
Divisional Chief
Institutional Division
Agricultural Development Bank
Central Office, Pham Path, Kathmandu
59. Mr. N. B. Shah
Joint Secretary
Ministry of Land Reforms
His Majesty's Gov't. of Nepal
Kathmandu
- PAKIST
60. Mr. Syed Muhammad Sadig Shah
Member, Executive Committee
West Pakistan Cooperative Union
11 Masson Road, P.O. Box 905, Lahore
- PHILIPPINES
61. Mr. Carmelo S. Ailes
Buhi Rural Social Dev. Center
Buhi, Camarines Sur
62. Mr. Benedicto Allanigue
Rizal Fed. of Cooperatives
San Juan Municipal Bldg. Annex
San Juan, Rizal
63. Dr. Filenon de las Alas
UST Graduate School
UST, España, Manila

- 7 -

64. Mr. Manuel P. Alonso, Jr.
VICTO, Cebu City
65. Mr. Antonio A. Arcellana
Coop. Marketing System of the Phils.
Dela Merced Bldg., West Ave., Quezon City
66. Mr. Lenadrito J. Asuncion, Sr.
Jai-Alai Cooperative
Taft Ave., Manila
67. Mr. Camilo D. Buntag
Coop. Union of Bukcan
Bukcan
68. Engr. Jose M. Belen
MBC Federation of Cooperatives
Cagayan de Oro City
69. Mr. Felix A. Borja
Coop. Union of Camarines Sur
70. Mr. Cellong Campos
Benguet Federation of Coops
c/o Bishop Residence, Baguio City
71. Jose T. Castro
Coop. Marketing System of the Phils.
Dela Merced Bldg, West Ave, Quezon City
72. Sis. Leontina Castillo, OSA
La Consolacion Convent
Pinaaglabanan, San Juan, Rizal
73. Mt. Mordino R. Cua
Southern Phil. Coop. Education Center
142 Burgos st., Cagayan de Oro City
74. Mr. Emeilito P. Dimaano
Economic Development Foundation
Makati, Rizal
75. Mr. Mateo S. Esguerra
Phil. College of Commerce
Lepanto St., Sampaloc, Manila
76. Atty. Jose Gonzaga
Coop. Insurance System of the Phils.
Dela Merced Bldg, West Ave, Quezon City
77. Mr. Gerardo V. Gaor
Norwcedec, PMA, Fort Del Pilar
Baguio City
78. Mr. Gaudencio R. Hernandez
Coop. Union of Batangas
Batangas, Batangas

- 8 -

79. Mr. Jose G. Huang
PHILIMEX Cooperative
248-10tj Ave. Cor. Ilang-Ilang
Grace Park, Caloocan City
80. Mr. Leoncio M. Janora, Jr.
Fed. of Coop. Credit Union of Neg. Occ.
19 Ruby St., City Heights Subd.
Bacolod City
81. Mr. Ariosto Llanas
Quezon Fed. of Cooperatives
Lucena City
82. Col. Arcadio S. Lozada
PHILICUL, Xavier Ville Village
Chico St., Quezon City
83. Mr. Cesar Manunbas
Canarines Norte Coop. Union
Dulongbayan, Daet, Canarines Norte
84. Mr. Antonio Manikan
KKBZO, Candelaria, Zenbales
85. Mr. Vicente A. Martires
Advisory Board
135 K-8 St., Kanias Dist.
Quezon City
86. Mr. Manuel T. Medina
Coop. Insurance System of the Phils.
Dela Merced Bldg., West Ave., Quezon City
87. Atty. Alejandro M. Mirasol
AMCI, Cania Road, Capitolville,
Bacolod City
88. Mr. Philip Mabanag
Central Cooperative Exchange
2nd Flr. Arle Bldg.
Cor. J. Ruiz St., Aurora Blvd.
San Juan, Rizal
89. Mr. Carlo Magno
National Publishing Cooperative
Santander Bldg., cor. Henady & Aurora Blvd.
Quezon City
90. Mr. Romeo A. Muere
ACCI, College, Laguna
91. Mrs. Agripina G. Nicer
FEU Consumers Cooperative
FEU, Manila

92. Mr. Daniel S. Necio
Albay Prov. Coop. Union, Albay
93. Mr. Francis Oca
Abra Fed. of Cooperatives
Bangued, Abra
94. Mr. Anthony Paragoso
Kalinga-Apayao KBP
95. Mr. Edmundo Perez
UST Cooperative, Manila Phil.
300 Samarillo Bldg., Escolta Manila
96. Mr. Emmanuel G. Pifiga
Coop. Marketing System of the Phils.
Dela Merced Bldg., West Ave., Quezon City
97. Mr. Rex B. Reyes
Mt. Province Federation of Coops
Bontoc, Mountain Province
98. Mr. Modesto P. Sa-Onoy
Sugar Quota Administration
Olympia Village, Bacolod City
99. Mr. Buenaventura A. Reposar
Central Cooperative Exchange
Palo, Leyte
100. Mr. Alejandro L. Ricardo
PEMA Consumers Coop, Inc.
c/o PNB Escolta, Manila
101. Mr. Ramon R. Rodriguez
Coop. Rural Bank of Nueva Ecija
No. 7 San Agustin st., Novaliches
Quezon City
102. Mr. Lorenzo M. de la Serna
Southern Phil. Educational Coop. Center
Coop. Printing, Tiano Pacana st.
Cagayan de Oro City
103. Mr. Francisco V. Sumagaysay, Jr.
Central Cooperative Exchange
Sta. Barbara PACOMA, Iloilo
104. Mr. Rogelio T. Tianzon
Tagalog Coop. Training Center
67 Alley 2, Rd. 8, Proj. 6, Quezon City
105. Mr. Pacifico G. Tolentino
Coop. Union of Bulacan
153 A. Luna, Baliuag, Bulacan

- 10 -

106. Erg. Gen. Domingo C. Tutcan
Grains Marketing Cooperative
107 Arellano St., Caloocan City
107. Mr. Gerardo B. Tumaneng
PRRM, 978 Romualdez St., Paco
Manila
108. Mr. Eleazar S. Tolledo
Litex Employees Consumers Coop, Inc.
Lirag Textile Mills, Malabon, Rizal
109. Mrs. Consolacion G. Valmonte
FEU Credit Union
FEU, Manila
110. Mr. Monico G. Yadao
U.S.T. Cooperative
U.S.T., España, Manila
- SINGAPORE
111. Mr. Mohd. Eusoff Abu Bakar
PSA Cooperative Thrift and Loan Society
80 J. Spottiswoode Park, Singapore
112. Mr. H. Che Mei Bin Puteh
PSA Cooperative Thrift and Loan Society
3502 Block B, Blair Plain, Singapore
- SRI LANKA
113. Mr. Dhanapala Wijetunga
Director, National Coop. Council
of Sri Lanka
Morawalte, Ruwanwelle, Sri Lanka
114. Mr. G. S. Dayananda
President, National Coop. Council
of Sri Lanka
455 Galle Road, Colombo, Sri Lanka
- THAILAND
115. Mr. Pradit Machina
Director, Cooperative League
of Thailand
4, Pichai Road, Dusit, Bangkok

II. OBSERVERS:OFFICE/COUNTRY

- | | |
|-------------------------|---|
| 1. Mr. P. J. Pilvio | ILO Regional Office for Asia
Bangkok, Thailand |
| 2. Dr. Zeev Unger | FAO/UNDP, Manila, Philippines |
| 3. Mr. Woong Seo Koo | Asian Development Bank, Manila |
| 4. Mr. Edgardo Barretto | ICFTU, Manila |
| 5. Mr. Bertel Fassnacht | Friedrich Ebert Stiftung |

6. Mr. Otto Dumbach Friedrich Ebert Stiftung
7. Mr. Steven Wilbur Volunteer Development Corps
8. Dr. Julio G. Reyes U.S.T. Cooperative
9. Mrs. Letty M. de Guia PEMMA Cooperative
10. Mr. Crispin Joaquin MBC Fed. of Cooperatives
11. Mr. Gonzalo Salvatierra Visayan Coop. Training Office
12. Mr. Daniel Cinco So. Phil. Coop. Education Center
13. Mr. Pedro G. Orofino Phil. Credit Union League
14. Mr. Alejandro Cadiante First Isabela Marketing Cooperative
15. Mr. Quirino Honguilada Phil. Rural Reconstruction Movement
16. Mr. Anthony Martin Visayan Coop. Training Office
17. Mr. Victor de Ocampo Asian Institute of Management
18. Mr. Sofronio Bautista City Hall Consumers Coop.

III. RESOURCE PERSONS:

1. Dr. Fabian A. Tiongson
IADA, UP, Los Baños
College, Laguna, Philippines
2. Mr. L. M. V. de Silva
Chairman, Sri Lanka Cooperative Marketing Fed.
Coop Square, 127, Grandpass Road
Colombo 14, Sri Lanka
3. Dr. C. D. Datey
Executive Director, Agricultural Credit Dept.
Reserve Bank of India, Bombay
4. Atty. Florencio B. Orendain
President, Phil. Shares Corporation
BF Condominiums, Aduana, Manila, Philippines
5. Dr. M. K. Shah
FAO Project Manager/Dairy Development Adviser
Dacca, Bangladesh
6. Atty. Gregorio S. Imperial, Jr.
Vice President, Industrial Relations, USIPHIL, Inc.
Buendia Ave., Makati, Rizal, Philippines
7. Mr. Gotte Levin
ILO Expert, NCCF
New Delhi, India

- 8. Mr. N. Veeriah
Director, MCLS, Kuala Lumpur, Malaysia
- 9. Mr. M. Rex Wingard
Representative in India
Cooperative League of the USA (CIUSA)
New Delhi, India
- 10. Mr. J. M. Rana
Director, (Education), ICA RO & EC
New Delhi, India
- 11. Mr. M. K. Puri
Chandigarh, India
- 12. Mr. N. A. Kallarajah
Chairman, ICA Council for Southeast Asia
(President, Cooperative Union of Malaysia)

IV. I C A:

- 1. Mr. Palita E. Weeraman
ICA Regional Director for Southeast Asia
- 2. Mr. J. M. Rana
Director (Education)
- 3. Mr. Lionel Gunawardana
Joint Director & Specialist in Agricultural Cooperation

V. HOST ORGANIZATIONS:

- 1. Dr. Orlando J. Sacay
- 2. Atty. Bienvenido P. Faustino
- 3. Prof. Monico G. Yadao
- 4. Gen. Domingo Tutaan

VI. SECRETARIAT:

- | | | |
|-------------|------------------------|-------------------------------------|
| ICA RO & EC | - 1. S. S. Avadhani ✓ | 13. Nelly Jamiro - C I S A |
| B C O D | - 2. Gene Necio | |
| R F C I | 3. Evelyn Carballo | <u>RECEPTION, ACCOMMODATION AND</u> |
| " | 4. Genie Macatangay | <u>TRANSPORTATION COMMITTEE:</u> |
| C E T F | 5. Linda Giron | 1. Rene Roño - C I S P |
| " | 6. Saturnino dela Cruz | 2. Tony Oris - D O T |
| F C W S | 7. Carmen dela Rosa | 3. Godo Abad - F C W S |
| " | 8. Tessie Gaytano | |
| F E U | 9. Alex Robles | |
| B C O D | 10. Narding Agcaoli | |
| C C E | 11. Mary Estacio | |
| " | 12. Delfin Torrecampo | |

343

8. Mr. N. Veeriah
Director, MCIS, Kuala Lumpur
Malaysia
9. Mr. M. Rex Wingard
Representative in India
Cooperative League of the USA (CLUSA)
New Delhi, India
10. Mr. J. M. Rana
Director (Education), ICA RO & EC
New Delhi, India
11. Mr. M. K. Puri
Chandigarh, India

IV. I C A STAFF:

1. Mr. Palita E. Weeraman
2. Mr. J. M. Rana
3. Mr. Lionel Gunawardana
4. Mr. M. K. Puri

V. HOST ORGANIZATIONS STAFF:

1. Atty. Bienvenido P. Faustino
2. Prof. Monico G. Yadao

VI. SECRETARIAT:

- | | | |
|-------------|------------------------|-------------------------------------|
| ICA RO & EC | - 1. S.S. Avadhani | 11. Mary Estacio - C C E |
| B C O D | - 2. Gene Necio | 12. Delfin Torre Ocampo - C C E |
| R F C I | 3. Evelyn Carballo | 13. Nelly Jamiro - C I S A |
| R F C I | 4. Genie Macatangay | |
| C E T F | 5. Linda Giron | <u>RECEPTION, ACCOMMODATION</u> |
| " | 6. Saturnino dela Cruz | <u>AND TRANSPORTATION COMMITTEE</u> |
| F C W S | 7. Carmen dela Rosa | 1. Rene Roño - C I S P |
| " | 8. Tessie Gaytano | 2. Tony Oris - D O T |
| F E U | 9. Alex Robles | 3. Godo Abad - F C W S |
| B C O D | 10. Narding Agcaolli | |

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ASIAN CONFERENCE ON COOPERATIVE MANAGEMENT
December 1-6, 1975
Philippine Village Hotel
Manila, Philippines

REPORT OF THE GROUP DISCUSSION ON MARKETING MANAGEMENT

Group recommendations:

1. Since entry into the international market is the ultimate test for marketing management capability, this group endorses the development and encouragement of intra-regional trade among cooperatives covering both cooperative and non-cooperative produced commodities thru or outside ICTO with the final end in view of developing a strong cooperative trading agency for the region.

This recommendation is proposed for the further incentive that foreign exchange earnings for the cooperatives could be used to strengthen internal marketing operations.

2. That in order to implement No. 1 hereof, the body recommends that trading discipline be instilled among cooperative bodies both at national, intermediate and primary levels.
That
3. /the body addresses to the session for its consideration that suggestion under normal conditions landlocked countries should be allowed access to the sea through the territory of another.
4. Recognizing the absolute need for upgrading cooperative management capability, this group indorses pooling of resources within the region towards the establishment of one strong regional training center, to disseminate tested management techniques, as well as pioneer in the search and testing of techniques based on the indigenous culture of the region. To further promote this end, an exchange program of experts among nationals of the region should be instituted.

Page 2
G.D. Marketing Management

5. Let integration be adopted as an instrument of policy to assure the stability and growth of the cooperative movement within the region as a hedge against well entrenched competition. Specifically, measures should be devised and incentives provided to promote vertical and horizontal commerce among primary, national and inter-regional co-operatives.
6. To develop aggressive selling techniques (advertising, packaging, quality control etc.) in order to promote greater patronage of regional products.
7. To develop a system of linkages between farm production, input supply and processing as one of our cooperative marketing strategy.

Group I - Marketing Management

Chairman	: Jose Belen	Philippines
Secretary	: Manuel Medina	Philippines
Members	: Jose Castro	Philippines
	Leandrito Asuncion	Philippines
	Antonio Arcellana	Philippines
	Antonio Manikan	Philippines
	Cesar Manumbas	Philippines
	H. Che Mei Puteh	Singapore
	Wijetunga	Sri Lanka
	Francisco Sumagaysay, Jr.	Philippines
	Deepak P. Dhungal	Nepal
	Tarnizi	Indo

ASIAN CONFERENCE ON COOPERATIVE MANAGEMENT
 December 1-6, 1975
 Philippine Village Hotel
 Manila, Philippines

REPORT OF THE GROUP DISCUSSION ON FINANCIAL MANAGEMENT

Chairman : J.B.L. KHACHI (India)
 Secretary : Jose Gonzaga (Philippines)

I - Credit Organization

Resource Mobilization -

How to mobilize resources for capital formation;

1. Share capital from members
2. Government participation subject to the following conditions;
 - a) Non-interference in management, supervision and control only
 - b) No preference in profit sharing
 - c) Nominate members in the board in token only; in no case have preferential treatment; role should be mostly advisory
 - d) Equity share capital

Questions to consider:

1. Structure of the credit giving institution at various levels; federation of banking institutions at various levels.
2. Central Bank to come to the help of cooperatives instead of the government for flexibility in the financial approach.
3. Lending policies and procedures -
 Priorities have to be determined:
 - a) Production
 - b) Input distribution
 - c) Marketing of produce and finished goods

- d) Consumption; except in urban areas where priority will be given to consumption loans.
Crop loan system in the form of short term loan can be popularized - Philippines and Indian experiences.
4. Rate of interest charge - Differential rate of interest according to priorities.
 5. Repaying capacity should be looked into by the society among its members.
 6. Credit worthiness and security on the part of the society and not on the individual.
 7. Discipline among members of the society should be taken into consideration by the society.
 8. In case of delinquency arising from natural calamities, it becomes necessary that some sort of funds be created, such as stabilization fund or calamities fund.

II - Non-credit Organizations

1. Marketing cooperatives
2. Processing of agricultural producer cooperatives
3. Manufacturing cooperatives
4. Consumers cooperatives
5. Transport cooperatives, etc.

Resources mobilization -

1. Primarily has to come from the members themselves and if not sufficient to meet the needs of the society, then resort to government and other financial institutions participation in share capital.
2. Automatic setting up of amount yearly or building in of share capital from the members by retaining part of sales for eventual retirement of government share capital.

ASIAN CONFERENCE ON COOPERATIVE MANAGEMENT
PHILIPPINE VILLAGE HOTEL, DECEMBER 1 - 6, 1975
MANILA, PHILIPPINES

DISCUSSION REPORT ON PERSONNEL MANAGEMENT

Personnel management in the cooperative movement is one of the most important factors in achieving and sustaining the objectives of the cooperative organization. There is an urgent and strong need to introduce innovations in the personnel management functions of the cooperatives in order to meet the challenges posed by the rapid development and increase in the volume and complexities of business operations in the face of competitions with private sector business organizations.

The group discussed in detail various aspects of Personnel Management, including the overlapping of personnel functions between the elected representatives and the management, the need for well-trained, competent and dedicated personnel, the role played by the government in some countries in the personnel functions of cooperatives, and the problems involved in decentralization of decision making process of management. The group therefore recommends that:

1. The Board shall lay down the organizational objectives, principles and policies of the cooperative. While the Board shall appoint the General Manager, all other subordinate staff shall be appointed by the General Manager, in accordance with the policies laid down by the Board. This is necessary in order to professionalize the management of the society and build up competent personnel.
2. When necessary, the government may give assistance in the form of subsidies to enable the cooperative to employ its Manager. This assistance shall not be conditional to the government appointing the General Manager and other personnel.
3. That Asian Cooperatives be fully aware of and adopt modern personnel and labor relations systems and techniques as a tool of management for progressive operations of cooperatives.

- 2 -

4. The cooperatives with the aid of the government when necessary and other institutions like foundations, universities and colleges shall institute manpower development programs to create a cadre of competent managers and other personnel of the cooperative in order to overcome the lack of skilled manpower in the Societies. On this aspect, preference shall be given to candidates nominated by the cooperative societies.
5. That in places where existing legislation may not be favorable towards progressive personnel and labor relations policies, cooperatives must join other concerned sectors in working for favorable legislation, preferably along principles and practices recommended by the International Labor Organization.
6. As cooperatives have to function in the face of increasing competition from the private sector, they should adopt sound and attractive employment policies to be able to attract and retain competent and dedicated personnel. This should include job descriptions, competitive salaries, fringe benefits and adequate opportunities for advancement and development.
7. In order to achieve maximum business efficiency and harmonious management staff relations, appropriate staff regulations must be formulated; and in order to permit the desired level of decentralization for purposes of achieving the objectives of the cooperative, it is necessary for employees to participate in the decision-making process at different management levels.

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ASIAN CONFERENCE ON COOPERATIVE MANAGEMENT
December 1-6, 1975
Philippine Village Hotel
Manila, Philippines

REPORT OF THE GROUP DISCUSSION ON COMMUNICATIONS
AND PROCEDURES

Group IV

I - Attendance:

The following participated in the discussions:

Dr. M. S. Patel	India
Vicente A. Martires	Philippines
P. Durairaju	Malaysia
Boey Foong Phin	Malaysia
Abd. Rahman Harun	Malaysia
N. Veeriah	Malaysia
Lorenzo de la Serua	Philippines
Gerardo Gaor	Philippines
Felipe Mabanag	Philippines
Buenaventura Reposar	Philippines
Crispin Quaquin	Philippines
Gotte Levin	I L O

II - Election of Chairman and Secretary:

Upon nominations made, seconded and unanimously agreed upon, the following were elected:

Chairman - Dr. M. S. Patel - - - - - India
Secretary - Mr. Vicente A. Martires - Philippines

III - Procedural Guidelines:

The following guidelines and parameters to facilitate group discussion were unanimously agreed upon:

1. Cooperative subjects would be given paramount treatment in the discussions.
2. The papers on communications and communications procedures presented during the preceding plenary discussions would be considered.
3. The depth of things as a whole and all other relevant matters and problem areas which came up during the earlier plenary discussions would be

Page 2
G.D. Communications & Procedure

formulated for the consideration of the plenary session.

IV - Papers Considered :

The following papers circulated on Communications and Communications Procedures were considered by the group:

1. Paper of Mr. Gotte Levin
2. Paper of Mr. N. Veeriah
3. Paper of Mr. B. M. Deshmukh

V - Following observations were made after detailed discussions:

In connection with the paper presented by Mr. Gotte Levin of the ILO concerning micro levels of communications within cooperative organizations, the following recommendations were agreed upon by the group:

1. That Asian Cooperatives must be aware of and use modern communications science and techniques as a tool of scientific management and for communicating cooperative principles and ideas.

2. That the following techniques in communications be utilized by Asian Cooperatives:

- Audio Visual Communication aids.
- Awareness and use of feedback in order to make communications effective and to contribute to successful cooperative operations and promotion of cooperative movements.
- Employment of group dynamics for effective two-way communications.
- Utilization of meetings, house publications and other tools for effective communications within cooperative organizations.

VI - In connection with the paper presented by Mr. N. Veeriah of Malaysia concerning the use by cooperatives of communications techniques for effective internal and external communications, the following recommendations were agreed

upon by the group:

1. That a system of monitoring and evaluating various modes, tools techniques and skills of communication successfully used by cooperative movements in Asia for dissemination to member nations for their information, guidance and/or adoption be established.

2. That a common journal or publication for this region be set up to implement the foregoing recommendation and to look into the possibility of utilizing the International Cooperative Alliance or other agencies for the purpose.

VII - Problem Areas and Other Relevant Matters:

The following problem areas and other relevant matters were considered during the group discussions and corresponding recommendations are:

1. Regarding Secrecy of Communications between policy makers and executive officers within cooperative organizations, the group recommends:

- That in communications in general for the good of the cooperative and the movement, there must be no secrecy.
- That in communications for or involving personal gain or aggrandisement, no secrecy is tolerable in any manner.
- That in communications of technological nature, launching of products especially those involving trade secrets, secrecy may be tolerable for that limited purpose.

2. Regarding Credibility Gap in Communications, the group recommends: that to bridge the gap which arises occasionally between cooperatives and the public, there is a need for integrity in communications on micro and macro levels, including "Truth in Advertising".

3. Regarding the need for specialized staff within a cooperative organization for communications, the group

Page 4
G.D. Communications & Procedures

recommends that line or staff personnel or office to function as a communications medium, as a specific management function, for internal and external communications, be set up by Asian Cooperative Organizations.

4. Regarding the need for a specialized Committee or Bureau to concentrate on communications and information needs of Asian Cooperatives, the group recommends that such a specialized Committee or Bureau be set up and that the feasibility of having such committee or bureau under the auspices of the ICA, ILO, or other agencies supporting and promoting cooperatives be explored.

5. Regarding ILO Data and Studies, the group recommends that the vast reservoir of ILO data and studies on communications and other management techniques be disseminated to Asian cooperatives for their information and guidance.

6. Regarding development of competent communicators, the group recommends that Asian cooperatives must give attention to the training of experts in communications for specialisation.

7. Regarding dissemination of scientific information and scientific advancements, the group recommends that communications as a tool be used for dissemination of such information and advancements.

8. Regarding consumer protection, the group recommends that communication techniques must be used for creating consumer awareness and for consumer protection, if cooperatives are to meet the larger welfare needs of their members and the people.

9. The group recommends that the latest communication tools, devices and techniques being used to the disadvantage of cooperatives, be discovered and Asian cooperatives be made aware of such tools, devices and techniques so that steps may be taken to neutralize or avoid them as far as possible to protect cooperative interests.

Page 5

G.D. Communications & Procedures

10. The group recommends that rewards or incentives be provided by cooperatives for those who help in improving and promoting better communication systems for promoting cooperatives.

11. The group felt that there is a need for regional cooperative strategy and concerted action to counteract the ill effects of the powerful communications media and techniques employed or used by advance countries, private enterprises and other agencies, including multi-national corporations and conglomerate if they are against cooperatives. It is necessary that Asian cooperatives develop and use/intensify their communication techniques to inform and to educate cooperative members and the public and make them aware of their own rights and their own potentialities if they want to preserve their own values, natural resources, and overall cooperatives principles.

(SGD.)
VICENTE A. MARTIRES
Secretary

(SGD.)
M. S. PATEL
Chairman

/cmr

ASIAN CONFERENCE ON COOPERATIVE MANAGEMENT
December 1-6, 1975
Philippine Village Hotel
Manila, Philippines

Report of the Group Discussion on Public Relations

REASONS FOR POOR PUBLIC RELATIONS (PROBLEMS)

1. Poor public relations with governmental authorities resulting in:
 - a) Poor coordination between assisting agencies
 - b) Poor implementation of land programs and slow implementation of cooperative programs.
 - c) Lack of funding for programs.
 2. Insufficient cooperation in education particularly at the local level and lack of dedicated leaders-trainers.
 3. Resistance because of past failures of cooperatives.
 4. Lack of funds for: cooperative education, public relations work, and demonstrations.
 5. Lack of proper planning, research and implementation and evaluation of plans at all levels.
 6. Low literacy rate.
 7. Lack of proper language media.
 8. Lack of appreciation of importance by the cooperatives themselves.
-

RECOMMENDED ACTIONS

1. An apex body adopt a positive planned campaign and assigned responsibility for it to one person.
2. Refer to Group No. 6.
3. Identify the causes of failure, document subsequent successes and remedial measure and publicize both. Include examples in other countries.
4. Mobilize internal resources and seek help outside the cooperatives.
5. Each cooperative should make this activity mandatory

Page 2
G.D. Public Relation

and the apex organization should develop the capability of assisting. The apex organization should develop an incentive program to encourage this activity in all cooperatives.

6. Promote adult education programs.
7. Promote translation of important cooperative materials into local languages with government apex bodies, and other agencies.
8. The ICA should promote the importance of public relations throughout the membership; provide technical assistance as required.

Group V - Public Relations

Chairman	: Arcadio S. Lozada	RP
Secretary	: Leticia M. de Guia	RP
Resource Person	: Rex Wingard	USA
Members	: Sis. Leontina Castillo	RP
	Kidston	Australia
	Alex Ricardo	RP
	Pradit Machima	Thailand
	Anthony Paragoso	RP
	Gerardo S. Tumaneng	RP

Alejandro Cadente RP

/cmr

ASIAN CONFERENCE ON COOPERATIVE MANAGEMENT
December 1-6, 1975
Philippine Village Hotel
Manila, Philippines

DISCUSSION REPORT ON COOPERATIVE EDUCATION

I. RATIONALE

"The aim of cooperative education is to provide education on cooperative matters, occupational education which will improve productivity, social and civic education which will improve the quality of life of the members and ethical education which will make the members more humane. The cooperative movement must prepare the members and various personnel to speedily develop the cooperative movement so that by expanding its membership of existing cooperatives and by expanding its coverage to new areas it can make its important contribution to bringing about a social and economic revolution. The overall aim of cooperative education is thus to develop strong self reliant and democratically managed cooperatives. The task confronting cooperative education therefore is not a small one. It is as big as the aim of the cooperative movement itself."

Based on these excerpts from the paper presented by Mr. J.M. Rana, the group submits to this conference some recommendations, which it believes can strengthen the Cooperative Education efforts now being undertaken by the various cooperatives in participating countries.

It is understood that the group considered the over-all Asian situation and the different experiences and contributions of the group members in deliberating on the guide questions provided.

II. RECOMMENDATIONS:

1. As much as possible cooperative education and training should be funded by the cooperatives themselves. If

page two
Report on Coop Educ.

-1-

-2-

they cannot afford to do so, then they can seek aid from agencies whether national or international, or even the government itself, provided that the latter will not interfere in the management of such cooperatives.

2. There should be an effort to organize a National Cooperative Union; however, the initiatives should come from the cooperatives themselves. In countries where no such unions exist and there is a felt need for such union, the government could assist in the formation of such. The group realizes, that cooperative unions should assume the responsibilities of cooperative education.
3. The usual statutory reserve provided for education and training is found to be inadequate. All cooperative societies at whatever level (primary, secondary or tertiary) must always have provision in the annual budget for a continuing education and training program. Other means at raising funds for education and training purposes may be resorted to provided such are not contrary to existing laws.
4. There should be education and training programmes aimed at involvement of women and the youth in the cooperative movement.
5. The group further recommends that it is expedient that full time educational officers be employed by the cooperatives to carry out comprehensive training and educational activities at all levels.
5. Training and technical assistance intended to upgrade the quality of cooperative personnel should be obtained

page three
Report on Coop Educ.

-3-

from organizations such as the ILO, ICA, FAO, UNDP and other agencies. In addition, a continuing cooperative personnel exchange program among countries should be pursued to further international understanding and cooperation.

7. ICA should make representations to the education ministry/department of Asian countries in regard to inclusion of cooperative education in school curricula in all levels (elementary, to tertiary). ICA should provide the needed expertise and instructional materials.
8. The group recommends that the ICA should endeavor to undertake regional education and training programmes for Asian cooperative educators.
9. It is further recommended that cooperatives with assistance from ICA or other agencies, provide opportunities that will expose cooperative leaders to national and international cooperative development. Hopefully, this will widen their vision and strengthen their commitment to the fulfillment of the objectives of cooperatives.
10. Finally, it is recommended that the ICA should take the necessary steps towards the establishment of an Asian Cooperative College that will provide cooperative education, including occupational education, social and civic education which will improve the quality of life of the members, and ethical education which will make them more humane.

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GROUP DISCUSSIONSMARKETING MANAGEMENT - Rm. 1

<u>NAME</u>	<u>COUNTRY/OFFICE</u>
1. Rex Reyes	RP
2. Manuel Medina	RP
3. Jose Belen	RP
4. Jose Castro	RP
5. Leandrito Asuncion	RP
6. Antonio Arcellana	RP
7. Antonio Manikan	RP
8. Cesar Manumbas	RP
9. B. Fassnacht	FES
10. Tarmizi	INDO
11. H. Che Mei Puteh	SING
12. Mohd. Sahari Wass	MAL
13. Lim Say Hock	MAL
14. A.M. Ahmad Tajuddin	MAL
15. Wijetunga	SL
16. L. M. V. De Silva	SL

PERSONNEL MANAGEMENT -Rm 3

<u>NAME</u>	<u>COUNTRY/OFFICE</u>
1. Francis Oca	RP
2. Modesto Sa-Onoy	RP
3. Daniel Necio	RP
4. Agripina Nicer	RP
5. Daniel Cinco	RP
6. Manuel Alonzo, Jr.	RP
7. Julio Reyes	RP
8. Carmelo Ailes	RP
9. Syed Mohammad Sadin Shah	PAK
10. Foo Hon Ngoon	MAL
11. Ismail Din	MAL
12. Yahya Manap	MAL
13. Abdullah Bim Hj. Mohd.	MAL
14. Raji B. Hj. Ali	MAL
15. K. Rabindranath	MAL
16. M. K. Shah	BANGL
17. N. A. Kularajah	MAL

FINANCIAL MANAGEMENT - Rm 2

<u>NAME</u>	<u>COUNTRY/OFFICE</u>
1. Abdul Aziz Abdul Rani	MAL
2. Ho Wah Chiew	MAL
3. Lee Ah Leng	MAL
4. M. K. Cho	MAL
5. Khachim J.B.L.	INDIA
6. Steven Wilbur	VDC
7. Eddiwan	INDO
8. B.M. Deshmukh	INDIA
9. Jose Gonzaga	RP
10. Emelito Dimaano	RP
11. Gaudencio Hernandez	RP
12. Ben Allanigue	RP
13. Consolacion Valmonte	RP
14. Victor de Ocampo	RP
15. Ariosto Llamas	RP
16. Leoncio Jamora, Jr.	RP
17. Camilo Buntag	RP
18. Fong Ah Nghoh	MAL
19. C. D. Datey	INDIA

- 2 -

GROUP DISCUSSIONSCOMMUNICATION & COMMUNICATION
PROCEDURES -- RM 4PUBLIC RELATIONS -- Rm. 6

<u>NAME</u>	<u>COUNTRY/OFFICE</u>	<u>NAME</u>	<u>COUNTRY/OFFICE</u>
1. P. Durairaju	MAL	1. Ramsewk Misra	INDIA
2. Hui Weng Chee	MAL	2. Abu Bakar Bin Md. Ariff	MAL
3. Boey Foong Phin	MAL	3. S. Ramasamy	MAL
4. Chan Kim Beng	MAL	4. C. Thanapalasingam	MAL
5. Abd. Rahman Harun	MAL	5. Abdul Kadir B. Md. Noor	MAL
6. Lorenzo dela Serna	RP	6. Anthony Paragoso	RP
7. Arcadio Lozada	RP	7. Jose Huang	RP
8. Gerardo Gaor	RP	8. Leticia M. de Guia	RP
9. Felipe Mabanag	RP	9. Alex Ricardo	RP
10. Edmundo Perez	RP	10. Gerardo B. Tumaneng	RP
11. Buenaventura Reposar	RP	11. Alejandro Cadiante	RP
12. Crispin Joaquin	RP	12. Pacifico Tolentino	RP
13. Eleazar Tollo	RP	13. Sis. Leontina Castillo	RP
14. Lionel Gunawardana	ICA	14. Kidston	AUS
15. Patel M. S.	INDIA	15. Pradit Machima	THAI
16. Gotte Levin	INDIA	16. Rex Wingard	USA
17. N. Veeriah	MAL	17. P. E. Weeraman	ICA

COOPERATIVE EDUCATION -- RM 7

<u>NAME</u>	<u>COUNTRY/OFFICE</u>	<u>NAME</u>	<u>COUNTRY/OFFICE</u>
1. Mordino Cua	RP	12. Rajo Singh	INDIA
2. Mateo Esguerra	RP	13. G. S. Dayananda	SL
3. Pedro Orofino	RP	14. Shah, N. B.	NEPAL
4. Gonzalo Salvatierra Jr.	RP	15. Ju In Song	ROK
5. Alejandro Mirasol	RP	16. Zeev Unger	FAO
6. Roger Tianzon	RP	17. J. M. Rana	INDIA
7. Felix Borja	RP		
8. Cellong Campos	RP		
9. Pekka Pilvio	THAI		
10. Asiva Perumal	MAL		
11. Mohd. Mazlan Idris	MAL		

Keynote Address by Mr. N. A. Kularajah, Chairman of the Council for South-East Asia of the International Co-operative Alliance on "Co-operative Management in the Modern World" at the Asian Co-operators Management Conference on 2nd December, 1975 in Manila

I would like to start my address by stating that this will be one of the most important co-operative conferences to be held in the Asian region. It is an important and rather significant one for many reasons.

In the first place, it is being attended by the leaders of the movements in Asia who hold in their hands the fate and directions of their respective movements for the present and the immediate future hopefully. In the second place, the subject of management is a very vital one for it is on management that hangs the life and death of any organisation including a co-operative. Finally, we are currently gripped by an atmosphere of expected changes forecasting a world economic recovery. After being in the doldrums for nearly 2 years, the world economy seems to be brightening up and it augurs well for everybody including co-operatives. It means fresh opportunities. However, one of the lessons everyone has learnt is this. Nothing can be taken for granted. Those who were most badly hit during the past two years were those who were not prepared and who had been complacent. The experience has made every person to be more keen and alert. In the future the competition is going to be much more keen and sharp. No quarter will be given. Co-operatives will have to gear themselves even more strongly and constructively to face the situation let alone develop in the situation. Decisive and effective co-operative managements will become the key factor in the growth or survival of co-operatives in the new situation. Therefore this conference is being held at a very significant time when swift and correct actions have to be taken which will mean greater and better hopes for the increased development of the various co-operative movements. I need not therefore emphasise the importance of this conference and the subject itself.

All of you have been managers of one kind or another. The difference being in levels. Some of you may be policymakers, others may be implementors but you are all decision makers in the ultimate analysis. Your decisions will set the trend and the direction the various co-operatives of which you are in charge will take and I hope that at the end of my address you will appreciate very much your role of policymakers and how very vital management is in the growth and development of co-operatives.

Most people don't realise that co-operative management is a very sensitive and complex one. It has to balance evenly the following needs or factors: (a) the non-profit element, (b) the service element; (c) the social responsibility element; (d) the competitive element, and finally (e) the most important the members needs. Also to be added is the fact that co-operative management is based on democratic control. Taking all these together it would seem that to manage a co-operative organisation needs a person or persons with many superb qualities. It need not be so. The policy making body, i. e., the Board should be able to gather into the organisation the many people or professionals possessing these qualities. They will make up the management team. We should be able to appreciate immediately that co-operative management is a greater art of science than the management of any other organisation. Very few of us do so. As time passes the problems of co-operative management will become more problematical. On the one hand we would want to make rapid progress. In the process democratic control and other principles may be overlooked or become hidden. There will be conflicts which may destroy the co-operative. It is bound to happen if we do not give ourselves time to act and with anticipation. If we could appreciate that these could happen and prepare our management structures and build the structure according-

Management is a very wide subject and there is no hard and fast rule regarding management principles. I shall not go into the basic aspects of management or the principles involved as I am sure you are well versed in that. However, my address would concentrate and emphasise the fact that we should not take for granted our duties and functions and that we should always be continuously conscious of the environment and of the people who work in our organisations. There can be no management without people and it is people who enable us to achieve the success we want or cause of failure that we do not want.

The proper development of co-operative management has had a very slow progress and co-operatives in the Asian region in particular have always neglected to take note of the value of developing it. We have always tended to become more engrossed in the concept and principles of co-operation. Invariably too much attention has been paid to the cart and the horse that pulls the cart has been ignored or neglected. It is no use having a full cart or a good cart if there isn't a sound or strong horse to pull it. Our emphasis and our efforts have been to please our members and to think of services for them without realising that the best way we could provide services for our members will be through an effective and serviceable management structure. We are behind time as always in thinking and in action. Our narrow-minded and distorted thinking at times has caused us to overlook and neglect the very basic aspect of our organisations. We have never paid importance to management or to the matter of employees. Even as recent as 5 years or 10 years back, for that matter even now there are many societies that are being run by part-time workers and voluntary officials.

Few co-operative organisations in the Asian countries excepting probably Japan, are managed by a full complement of staff with the proper management structure. But things are changing. How fast we change is going to be the deciding factor in the future because the modern world is a highly professional world. Every where and everything is being done on a professional basis and this is what co-operatives lack. We cannot have professionals and will not have professionals if we begrudge paying them or belittle their efforts in the same way. Even professionals will not mean much to an organisation if they do not have that dedication and desire to serve well. We have always tended to treat employees as machines. We have taken them for granted. Employees in co-operatives are just as important as members are and they should be treated as well and provided for as well. We have to offer them terms and conditions and remunerate them better than what is offered in the private sector, taking into consideration that employees in co-operatives have a dual role to play. They have to manage the co-operatives and run the co-operatives effectively and efficiently to provide and generate many services to members. At the same time, they have also the responsibility of being expert co-operators who are required to promote the co-operative system and develop the system. They are therefore two-sided people who are both workers and members building and encouraging the growth of the co-operative system. How many of us look at them in that manner? Very few. We always tend to look at them and compare them to the other sectors in an even negative manner. We as co-operators should not forget that employees are very vital links in our structure and we owe a duty and responsibility to them as co-operative employees to treat them more fairly in every way so that it does not reflect on our basic intention and purpose of setting up the co-operative system. If we do not value and respect our employees then we have no regard or requirement for a management structure. A co-operative is only successful when its management works effectively and efficiently. No management system can be successful if the people are not happy or are dissatisfied.

Let us look at the private sector. Many private organisations offer incentives to their employees in the form of shares in the organisation and other fringe benefits like special bonuses related to profits. In our co-operative structure, it is very difficult to instil a sense of belonging into employees because as co-operatives

organisation. There is also the question of insecurity of employment. The main problem faced in co-operative management stems unfortunately from co-operative democracy. It is a common fact that committees and officials of committees get changed quite regularly. Sometimes a committee member or a whole committee may be changed overnight. What happens in such a situation is that the co-operative overnight takes a new sense of direction and the employees or management becomes confused. Insecurity is one of the basic features faced by employees in co-operatives. The insecurity arises primarily because of co-operative boards and their susceptibility to change. A new board often means new policies, new attitude and doubts about employees who have served the previous board well. I would also like to say this as a matter of truth, that is, boards of co-operatives generally do not have that sense of dedication and interest in their respective co-operative organisations because of two very good reasons.

In the first place, they tend to take very cautious attitude towards changes or ideas for progressive development. Their attitude is that they may not be there for long and therefore they should not rock the boat. Again, there is no incentive or interest for them to think hard for innovative ideas and plans. Being honorary members and without being paid any remuneration, the attitude is one of 'why take risk when there is nothing to gain or when you are not paid to think and take such risk'. Just as employees should be paid well and provided for well, Board members should be given incentives. The world of today is different and ever so difficult to survive in. Policymakers in the Board should be adequately compensated for their time and for the overall responsibility that they hold in the various co-operatives. Let us not forget that it is these people who with their efforts and with their time are able to make and provide the various services which benefit the overall membership and the movement. If they are not rewarded adequately and properly then very little progress can be made by co-operatives. This is the basic management problem that co-operatives at the moment and in the modern world face. This is the first change that we have to institute in co-operative management to accelerate our pace of development.

There is no such thing as a super manager, just as there is no such thing as a perfect manager. Anyone and everyone could be good managers if they are alert and adaptive. In the different environment that we live in different kinds of opportunities are found. The manager who is alert to the situation is always a better manager than the one who goes by hard and fast rules or uses principles as be all and end all of management. In co-operative management the essential element is the ability to make members respond to the co-operative needs and to the services offered by it. This cannot be done if the management does not know what the needs of members are or what different services the members require. Very often a co-operative is set up to undertake a service just because it is the easiest thing to do. In that process what is overlooked is the member's reactions or requirements. Good co-operative management is a continuous activity of providing services while keeping members aware of the services and knowing their response and reactions to these services. Such a management means having in the fold highly perceptive and intuitive managers and employees who are continuously feeding the organisations with information about members' reaction and response to the services. A co-operative member is generally more tolerant than the others. He will accept any kind of service from his co-operative as long as there is some sort of satisfaction that he could derive. His attitude is simply that it is better this way than be exploited by others. It is often this attitude that is taken for granted by co-operative managements. A co-operative management has to be sensitive at all times. Every employee from the lowest rung to the highest has to be sensitive to member's whims and fancies. If there is a lack of these invariably the co-operative loses its patronage slowly but very surely.

I would like to emphasise this again and again that change is a constant factor in this world. Co-operative management more than anything else should be aware of this. We have also to appreciate that we are competitors and have competitors. Competition requires us to be one step ahead and our people to be more advanced. Science and technology are providing new tools to assist management. Co-operatives have also to provide the tools and techniques for good management to our employees. Training, re-training and continuous refresher courses for employees should be a fact of life in co-operative organisations. Co-operative employees should be exposed to all the different changes taking place around them in management, in business, in social and political life. We shy away from the idea of sending our employees and management personnel for training overseas as we often think this is a waste of good money. But each time we send our employees and expose them to other environments they learn new things and more important, appreciate the fact that their organisation has given them the opportunity to see and learn new things. To them such new things help in their personal development and therefore they become more loyal and dedicated to a good master who looks after their interest in every way.

Today's world is a world of electronics and computers. Progressive management or thinking is often measured by employees or even by members in the way they employ or use computers or modern electronic gadgets in the organisation. Computers provide speed and reduce physical efforts of employees. Such things add prestige to the organisation and increase the pride of the employees particularly those who have a feeling of belonging to the organisation. Computers save time and frustration for members over services they require. Therefore, it is imperative that co-operative management has to modernise itself in this area too. Many co-operatives do not like to spend money on computers. They consider them expensive and boards are always thinking of how they could justify such expenses to the members overlooking the fact as to the time, money and efforts which could be saved in the future. I for one am for computers and other aids for management to make decisions. The success of management depends on a large extent the ability to make quick decisions. Quick decisions cannot be made if facts, statistical data and other necessary information are not available at finger tip speed through modern computer system. Quick decisions mean that management can look into other areas or plan new programmes and services. Today opportunities arise and disappear faster than ever before. It is a quick thinking manager and a manager who has a lot of time who is able to take advantage of such opportunities. If a manager is bogged down with a lot of unnecessary work, he would be the last person to know about the changes taking place around him. A co-operative with such managers will always be lagging behind and missing the opportunities available to them. Time and again a co-operative has failed because its managers are two or three years behind implementing what should have been done years before. It is a false concept to think and believe that the best workers or the best managers are those who spend hours and hours at the office desk. The best managers are those who are able to make decision as and when they arise, willing to take the responsibility of their duties and being sensitive of the environment around them. It is this style of management which provide leadership and direction to the employees and to the co-operative board, and the manager cannot make quick decisions or get the organisation going if he does not have all the tools in his hand or the necessary environment to function smoothly. Before I conclude the following points should be considered by co-operatives in their future developments:-

- (a) In the Asian region there is a dearth of professionals and other skilled technicians and management personnel. The demand is so great for such people that co-operatives find it hard to acquire them. In a position of this nature, it is essential that co-operatives merge into national institutions to do away with wasteful duplicating activities and be able to afford the employment of professionals and other qualified people. It will also ensure the maximisation of resources

sectors if they do not function in size and strength with more than adequate capital and resources.

- (b) The formation of subsidiaries who will compete on an equal basis with the private sector. The Board of such subsidiary companies could be made up of the same members of the co-operative. Democratic control may be questioned here but the same board making the policy decisions provides that control still remains with members.
- (c) The formation of a national management co-ordinating body in every movement whose function will include
 - (i) to co-ordinate the activities and give direction and guidance to the various co-operative, commercial, industrial and agricultural activities;
 - (ii) to undertake research and statistical studies for the various co-operative organisations;
 - (iii) to identify areas where members needs are not being adequately met;
 - (iv)1 to organise and provide centralised management and other training facilities to employees exclusively.

A national management council of this nature will ensure that co-operatives co-operate at local and national levels. This is very important particularly for co-operative development.

I would like to end on this line.

ASIAN CONFERENCE ON COOPERATIVE MANAGEMENT
PHILIPPINE VILLAGE HOTEL, DECEMBER 1 - 6, 1975
MANILA, PHILIPPINES

MARKETING MANAGEMENT¹

by

Fabian A. Tiongson²

1. Paper presented at the Asian Conference on Cooperative Management held in Manila, Philippines, December 1 - 6, 1975.

2. Professor of Agricultural Economics, University of the Philippines, Los Baños, Laguna.

MARKETING MANAGEMENT

I am quite impressed with the objectives of the Conference, specifically the objective "to examine the relevance of modern concepts and techniques of business management in the context of cooperative development in Southeast Asia.

In discussing the subject of marketing management, this brief paper will attempt to depart from the usual approach of discussing the topic from a textbook approach, but to show the significance either directly or indirectly of the agribusiness management system in the developing an effective marketing management program.

In 1952, the Harvard Business School launched a program in agriculture and business. The first study under the program was undertaken by John H. Davis and Ray A. Goldberg to provide a description in quantitative terms of the character and extent of the existing interrelationship between agriculture and the industries which supply agriculture and which process and distribute the products of agriculture. In 1957, Davis and Goldberg brought out the study under the title "A Concept of Agribusiness."

Agribusiness was defined "as the sum total of all operations involved in the manufacture and distribution of farm supplies, production activities on the farm; and the storage, processing and distribution of farm commodities and items made from them."

The original concept was to analyze the complex relationships that exist between the farmer and those that processed and marketed items that had their origin on the farm so that private decision maker could take on more responsibility for their effective performance of U.S. Agribusiness. A Concept of Agribusiness described these interrelationships and developed a conceptual scheme for portraying and analy-

zing alternative private and public policies for the U.S. Agribusiness economy.

In Goldberg's later work, the Agribusiness Coordination, the study moves from the description of the total Agribusiness economy to a schematic analysis of the over-changing structure and performance of a widely divergent group of commodity systems. It develops a systematic approach for (a) identifying the commodity system in which a firm operates, (b) locating the critical trends that will be facing the primary decision makers, and (c) examining the kinds of coordinating machinery that are used and may be used by businessmen as they mesh firm's activities into their changing industry structure. The central concept behind this study is that if managers, private and public, are to develop effective strategies and policies, they must be fully aware of the total commodity system in which they participate, and they must understand the interaction of its parts.

An agribusiness commodity system encompasses all the participants involved in the production, processing, and marketing of single farm product. Such a system includes farm suppliers, farmers, storage operators, processors, wholesalers, and retailers involved in a commodity flow from initial inputs to the final consumer. It also includes all the institutions which affect and coordinate the successive stages of a commodity flow such as the government, cooperatives, futures markets, trade associations, and even educators.

On November 17-19, 1975, an International Corn Commodity Seminar was held in Tokyo, Japan, to discuss the corn system of Southeast Asia focusing on the three producing countries of the Republic of the Philippines, Thailand, and Indonesia, and the major importer, Japan. The corn system was used as the commodity structure against which the participants could evaluate the opportunities and problem areas in Southeast

Asian Agribusiness. The evaluation was made from the perspective of the commercial participants in the system (farmers, input suppliers, processors, distributors, financial institutions), the subsistence participants who desire to be a part of the system, government policy makers, and from the educational perspective of improving the formal and informal training.

This project is a joint effort of SEARCA (Southeast Asian Regional Center for Graduate Study and Research in Agriculture) and Harvard Business School to provide a systems perspective to private, public, and subsistence agribusiness decision making. The corn system was selected because (1) corn is a major internationally traded agricultural product, (2) corn's importance as the major input to the livestock and poultry commodity system, (3) corn is the second most important crop in the three production countries chosen, and (4) because the corn system in Southeast Asia is fragmented, dominated by small decision-making units, and thus, the opportunities to improve the commercial system and the subsistence support to that system are both numerous and challenging.

Although the conference was held on an international level, nevertheless, issues and/or discussion questions raised during the sessions could easily be applied to our conference on Cooperative Movement. No doubt, some of the questions or issues might not affect directly the cooperative activities, but then the issues might give us an opportunity to realize where the cooperatives could fit in the total picture of the agribusiness commodity systems approach.

The choice of a specific commodity system for discussion is deliberate. With the limited time allotted for the open forum session, it would be difficult to analyze the systems for various agricultural commodities.

I. Strategies for Improving Commercial and Subsistence Production of Corn in Southeast Asia

1. What arrangements offer the means of bringing the subsistence farmer into the commercial sector?
2. How do farmers decide on corn versus other crops?
3. What new crops offer attractive alternatives to corn?
4. What human nutritional requirements will alter the varietal developments of corn?
5. What marketing arrangements will permit him to be able to obtain credit, fertilizer, seed, etc.?
6. What institutional organizations best suit his needs, e.g., cooperatives?
7. What training, if any, should he expect from either his input suppliers or those he contracts to sell?
8. What responsibilities, if any, do governmental entities, experiment stations, or non-profit institutes have to the producer?
9. What are the political pressures on government programs that may give higher priorities to low food prices for the urban poor, than higher commodity prices to encourage the production of the farmer?

II. Future Strategies of Input Suppliers to the Southeast Asian Corn System

1. What special programs can the credit, seed, fertilizer, pesticide input suppliers devise to assure subsistence producers an opportunity to become part of the commercial corn system?
2. What packaged approach cooperation is possible among the different kind of input suppliers?
3. What role, if any, should cooperatives play in the development of input supply industries?
4. What role, if any, should the government play on the input side - is it competitor such as in the case of

the seed industry? Is it a subsidizer, as in the case of the fertilizer industry? Or is it an inhibitor such as by taxing farm supplier?

5. How feasible is the investment decision on joint subsistence-commercial production projects?

III. Strategies for Meeting Future Human and Animal Corn Consumption Needs

1. What are the market opportunities for Southeast Asian and U.S. corn?

2. What types of contractual arrangements will be most appropriate for the future?

3. What type of private and public storage and inventory policies will be adopted and who will pay for them?

4. What are the future cooperative-to-cooperative arrangements likely to be?

5. What are the future cooperative-corporate arrangements likely to be?

6. Does the subsistence producer have an opportunity to get involved in these arrangements?

7. What pricing strategies at the consumer level should exist that encourage consumption and at the same time act as an incentive to the producer?

8. What new pricing methods (e.g., local features markets, etc.) can be developed to improve the price knowledge and price discovery in the corn producing regions of Southeast Asia?

IV. Strategies for Improving Corn Processing Opportunities in Southeast Asia

1. How does one develop long-term procurement arrangements that enable both human food and animal feed processors to develop their product and market?

2. What product mixes will be most likely for processors?

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3. Who will develop the markets for these processors and what governmental policies will be most likely to affect them?

4. What will be the total economic environment over the next decade, and what are the implications to these processors?

V. Programs of Action and Evaluation

1. What should be the first priority in improving the effective operation of the Southeast Asian corn system?

(a) Change in government policies?

(b) Change in educational and on-job training?

(c) Development of new institutions - cooperative-corporate joint ventures, developing-developed country joint ventures, new futures markets?

(d) The future role of development agencies? How do they act as a catalyst and provide technical and financial "seed" resources?

(e) How do you relate political, social, nutrition and economic incentives to one another so that the system works more effectively for the ultimate consumer?

(f) How do you maintain the relationships developed at this Conference on Cooperative Movement so that a formal or informal structure exists for providing the statistical, analytical base information on this system in the future, and provide for an exchange of perspectives so badly needed in determining private and public long-range strategies?

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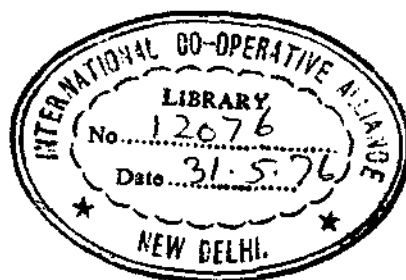
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ASIAN CONFERENCE ON COOPERATIVE MANAGEMENT
PHILIPPINE VILLAGE HOTEL, DECEMBER 1 - 6, 1975
MANILA, PHILIPPINES

MARKETING MANAGEMENT¹

by

L. M. V. DE SILVA²



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1. Paper presented at the Asian Conference on Cooperative Management held in Manila, Philippines, December 1 - 6, 1975.
 2. Chairman, Sri Lanka Co-op. Marketing Federation Limited.

MARKETING MANAGEMENT

by

L.M.V. De Silva
Chairman

Sri Lanka Cooperative Marketing Federation Limited.

There are perhaps more definitions on marketing than commercial activity. Therefore let me try to explain what I mean by marketing before we proceed.

Marketing is the identifying of a generic need, stimulating and satisfying the need, marketing in other words can be a system of business activity, which is designed to plan prices and promote products, which may satisfy a want of existing or potential custom. Marketing is the total concept of producing and supplying products and services in a free society.

The management of an enterprise is required to control, the application of range of skills and techniques in marketing, generally derived from the practical industrial experience and from modern social sciences, such as economics, statistics and Applied psychology.

Marketing skills and techniques can be divided into 4 broad groups:-

The first group of these comprises of techniques related to obtaining marketing information. In many of the marketing activities, the management has to obtain certain data. For example in the planning of the volume of production, it is necessary to find out, how many persons in the country have sufficient income and are willing to buy the product. It is also necessary to conduct consumer surveys utilising modern statistical techniques.

The second group of skills and techniques comprises those developed to influence the consumer and stimulate the demand for product. The most important would be advertising.

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The third group of skills and techniques would be not only obtaining of data; but also the ability to evaluate such data. The Management has to employ these techniques, to evaluate marketing costs and thereafter to determine final prices.

The fourth group of techniques is that of practical marketing skills such as Market Analysis, product co-ordination, specialised Advertising, trained sales force and planned distribution.

In war the art of deciding which military technique is to be applied is known as military strategy. In marketing the application of different techniques or the selection of alternatives is referred to as marketing strategy.

Marketing strategy depends on :-

- (1) on the type of product.
- (2) The type of market.
- (3) The sizes and resources of enterprises.

I shall now consider marketing management under the following headings :-

- (1) Market research.
- (2) product planning.
- (3) pricing.
- (4) Advertising.
- (5) sales promotion.
- (6) Distribution.
- (7) Export marketing.

MARKET RESEARCH :

Market research is the study of the market. These investigations may be carried out by a firm's own staff or a

research specialists to find out the possibility of expanding or creating the market. Enterprises should guard against marketing consulting firms who sometimes try to sell you a ball of wax. As the marketing department would be responsible for the marketing of the product, the marketing executive should be associated with the planning of the product from the beginning. When a new product is developed a market study should be made to assess the volume of sales that could be achieved and at what price it could be achieved.

Ideas for new products may be inspired in different ways:-

The discovery of glass fibre may provide ideas for different products. The non-availability of a source of energy may provide another idea for another product. Whatever the product may be we should necessarily study the market. Very often enterprises without the study of the market, undertake the marketing of products that are popular in country A without the study of the reactions of the people of country B;

We should also be careful of the tendency in developing countries to subsidise manufacturers in certain products. The provision of a subsidy need not necessarily mean, that there is a demand for that product. Therefore, a survey should be made to assess the demand for the product. The policy of import substitution in many of the newly formed industries in developing countries, have problems about marketing the goods manufactured because of the attitude of certain sectors of the population. The loyalty of these sectors to imported brands. This can be an impediment for marketing. Marketing research often reveals the gaps in the product ranges. Such as should there be a consideration of marketing pepper and salt only or would sales move better with the availability of Red pepper added to the range. A very good reason for developing a new product may also be an unutilised plant capacity and the contribution that could be made towards increased profits. The important areas of market investigation should be to assess the

: 4 :

potential market, the volume that could be achieved, geographical distribution of the market features of the products that are acceptable, packaging requirement and any other relevant features the market needs.

The principle technique that is used in studying the market is consumer surveys and in some instance a 'product testing' or a 'test market' technique is also used. This applies to especially products which are not known to the public.

The consumer survey will also determine what features the majority of the customers would like and what should be built into the product. The survey should also take into account the packaged goods field priorities between package sizes, designs, quantities that could be sold and prices that would be well received by customers etc. customers buy products for many reasons and are called buying motives of the customers. Market research should also design to cover areas of motivation. Buying motives are sometimes difficult to discover but nevertheless it has to be investigated fully in order to assess the market.

SOURCES OF MARKETING DATA :

Research may be made from the following sources :-

1. sales invoices.
2. salesmens' reports.
3. government department statistics.
4. Economic, trade and professional journals.
5. international Agencies and
6. specialised firms.

Market research, then is the systematic study of data relating to the market. The purpose of using it to obtain information which is then analysed objectively. It involves the use of a number of specialised techniques such as consumer surveys, test marketing and motivational research.

The information gathered by market research reduces the risks involved in decisions. This is very important when launching a new product, for an enterprise could suffer heavy losses if there was no market for the product.

Market research is also important in developing marketing strategy. It will influence decisions on the pricing of the product and on the scale of advertising. The information collected will directly affect the planning of the product.

PRODUCT PLANNING :

product planning, on the other hand is an active operation involving several departments within the firm - for example design, production and finance. since the main objective of product planning is to develop a product which will sell the marketing manager should play an important part in this planning. After he has obtained information about the market through market research, the marketing manager must use this information and become actively involved in planning the product in accordance with the needs of the customers and what the firm is best able to produce.

product planning will involve either the development of new products or modifications to existing ones. product planning can ensure that the product has the features the customers like best and offers the benefits the customers want. Modifications of the product may be caused by technical developments. for example, because of the widespread development of synthetic fibres, there has been a decline in the output of cotton shirts in some countries, even though the total consumption of shirts of all kinds has increased.

PACKAGING :

packaging has been receiving considerable attention in recent years. from the marketing point of view the package, is part of the product and is therefore, an important part of product planning.

The sizes of the package will often influence sales. This is so because there is an important price/quantity relationship. In wealthier markets large 'economy packs' are quite popular ; the customer makes a saving but lays out more money per purchase.

In the developing countries, it is sometimes held that the population, particularly in the rural areas, being accustomed to buying products which have not been packaged, is not likely to respond favourably to increased use of packaged goods. Available evidence does not support this view. Already in urban districts in some of these countries sales of packaged goods are increasing and self-service stores are well established and growing and there are sound reasons for supposing that packaging will spread to the rural areas as well.

The following features are expected in packaging :-

1. presentation.
2. preservation.
3. promotion.
4. proportion.
5. protection.
6. portability.

PRODUCT PLANNING IN DEVELOPING COUNTRIES :

Do techniques of product planning apply in developing countries? Some conclusions may be drawn from the post-war experience of western Europe. When mass markets were first introduced in Europe product planning tended to favour simplicity in products. Typical of such mass-produced innovations were small, simple automobiles and motorised scooters and bicycles, designed to sell to the lower-income groups of the new mass market. Cheap, but quite good mass-produced clothing made its appearance, bridging the gap between the pre-war alternatives of very good or rather poor quality.

These changes in Europe resulted from intensive product planning activities by many manufacturing firms. The broad trend has been towards re-designing products so that they appeal to the mass market. Manufacturers increasingly seek their profits through more sales, combining lower prices with simpler cheaper products. It is quite possible that the European pattern described above actually corresponds with the present situation in some of the developing countries. The process of establishing import-substitute industries create opportunities to develop new products specifically suited to the needs of these markets. The tendency will be towards simplification in design, especially if such products are to sell in larger quantities at lower prices.

PRICING :

The volume of sales of any product depends to some extent on its price and in certain cases pricing can even become the major element in marketing strategy. Pricing is therefore of direct concern to the marketing executive, whose responsibility it is to eliminate the effect of price on the market. In order to do this effectively he must understand the analytical techniques used in pricing and be aware of the interplay of such factors as costs, demand and competition.

Usually the first step in pricing is for the marketing executive to study the market in order to find out what price will be most acceptable, i.e. the price at which the product is likely to sell well. His duty will probably begin with an investigation of prevailing prices for products in the same category.

The marketing executive may also study the prices of related products. For examples, the manufacturer of soft drinks will also study the prices of such products as beer and ice-cream. In other words, he will examine the prices of products which compete for the customer's money in the same broad category of expenses.

Linked with the issue of price is the question of quantity, in terms of the unit of weight, measure or number, in which the product is sold. This price/quantity relationship must be taken into account. Consumer products are offered for sale in various forms of package of several sizes and weights are the price per unit will vary depending on the size of the package.

Quality too, is of importance in pricing. Most markets divide themselves into lower quality and higher quality segments and prices are determined accordingly. Although most people may buy lower quality products some may like and be able to afford higher quality products at higher prices.

Another important contribution of the marketing executive to pricing is the establishment of a sales forecast based on market research. With a sales forecast, the company is better able to establish its purchasing and production schedules, as well as its financial plan. Experience shows that good sales forecasting leads to better planning, lower cost and higher profit companies which fail to plan properly often see their costs get out of hand.

THE COST FACTOR IN PRICING:

The modern trend in pricing is for the marketing executive is not only to advise the top management on the prices, the market will accept but to go beyond this routine contribution and actually participate in the detailed costing of the product.

In the traditional form of cost plus pricing the manufacturer works out the total cost of producing and selling a product, and calculates a desired rate of profit. In many firms this is still being done by the accounts department without bringing the marketing executive into the picture. "feedback" costing is the latest trend. Here they find out what the product can fetch in the market and then work backwards

to manufacture the product with the desired optimum cost. But, whatever, form of pricing the company uses, the marketing executive will have to be familiar with industrial costs so as to be able to take part actively in the whole process of 'costing the product'.

THE DEMAND FACTOR:

In determining its price policy a company must sometimes be guided by the nature of demand for the product it wishes to market. Demand in the practical sense means the sales volume the company can obtain at a certain price level. According to the fundamental law of demand, sales volume increases when price is lowered. This applies to the majority of consumer products.

In the case of many products such as automobiles, durable goods in general and packaged goods, demand may increase very significantly when price is lowered.

Because of this companies sometimes use price action as a means of creating a market. By lowering the price of a product they may reach new customers who could not previously afford to buy it. As sales volume increases, the company may be able to effect important savings which will result in a decrease of unit cost. This low-price, high volume policy may be accompanied by a deliberate drive on its part to improve efficiency and lower costs still further.

COMPETITION:

Competition is of course a factor which may strongly influence pricing decision. Economic theory states that a manufacturer with a monopoly will tend to maximise his profits by deliberately limiting his volume of sales. He will set the price at such a level that his sales will expand only to a certain point. In practical terms this level will be that at which the volume of sales and production will correspond to the most economic level of work of the factory. He will for example, avoid overtime work.

Let us now consider the short term pricing problem in a competitive situation. If competition makes selling difficult an enterprise can either lower its prices or use other means of expanding sales.

First of all the management must consider whether or not the market will easily expand if prices are lowered, that is whether the demand for the product is elastic. For example, inks is typically inelastic product. you would not expect the demand for fountain pen ink to rise because the price is lowered.

price may be used as a short term competitive weapon in certain circumstances. But price cutting is not the only way of dealing with competition. Too often the management makes the mistake of regarding price as the most important factor in sales, forgetting that other marketing techniques might be more advantageous to the company.

We have seen that pricing is not only a financial but also a marketing function of the enterprise. Consequently the marketing executive must play a part in formulating the price policy of the firm. In many market-oriented companies, he will be expected to initiate price policies.

In such companies, pricing is regarded as an important marketing technique. This is because in some instances, price action may actually create a market.

ADVERTISING:

It is also useful to distinguish between general advertising carried out as a long term programme and supporting advertising, used occasionally in conjunction with sales promotion. Another form of advertising is cooperative advertising, through which a manufacturer assists his distributors say a department stores, to stimulate local sales of his product.

When he has decided what product he will make and how much it will cost, the manufacturer must prepare other aspects of his programme. He should consider advertising, sales promotion and distribution. In considering these activities and related techniques, it is important to distinguish between the stimulating of sales over a short period and the development of a market over a long period.

The reason why advertising is mainly effective in the long term lies in the nature of advertising itself. Advertising is a process of communication with potential customers and takes time to find an effective means of communication and to repeat the message often enough for customers to take notice and be influenced by it.

When a company wants to stimulate sales in the short term it will most likely use a promotion campaign supporting advertising may also be used, but the emphasis will be on sales promotion techniques.

The purpose of advertising is to persuade consumers to buy a product. This is achieved by creating consumer preference for a product. In attempting to establish consumer preference the manufacturer aims at inducing the consumer to prefer his products to other products of the same kind.

From the point of view of the manufacturer, consumer preference is a brand preference. This means that the consumer associates a particular brand or trade name with consistent quality and repeated satisfaction. Therefore establishing consumer preference for products of a particular brand can create a large market.

Brand preference should lead to brand loyalty. If customers have developed loyalty to a particular brand of product it may outsell competing products even if they are cheaper.

Advertising is an effective weapon if properly used but it can be very wasteful if badly used. The management must also know how to select the appropriate advertising 'media'. Advertising is the process of communicating with the public; media are the means of communication. So having decided to advertise the management will consider the means of communications at its disposal.

Available media include :-

1. Television.
2. Radio.
3. Cinema.
4. Newspapers.
5. posters & illuminated signs.
6. Leaflets.
7. Direct Mail.
8. Trade & professional journals.
9. popular magazines.
10. Womens' magazines.

selection of the best media is a very important part of an advertising programme. First, the company must discover what media are available. In some countries, there is no television; advertising in cinemas may be more important in one country than in another, and so on. The next step is to find out what area of the country can be reached through a particular medium. For example, investigation may show that, as is the case in many developing countries, television coverage is very limited and the readership of magazines is mainly confined to urban areas; on the other hand it may be found that the spread of transistor radios has brought radio broadcasts into the majority of homes. The third step in media selection is to see what particular segment of the market it is desired to reach. If the product is one bought by women womens' magazines would be a leading medium. If the product is motor cycles, the advertiser would look for the best way of reaching young men.

Advertisers in developing countries often encounter special difficulties, of which four will be mentioned here. first there may be a lack of media. for example, there may be no television in the country and there may be no readership of magazines or newspapers in rural areas.

secondly a high illiteracy rate may create a problem for advertising, especially in rural areas. this, however, can be overcome by the use of proper media.

thirdly, a manufacturer may be faced with the problem of advertising in a country with several languages.

A fourth problem which may confront advertisers in some developing countries is that, among low-income groups, brand is sometimes less important than price as a reason for buying. therefore it is argued that advertising is less effective. this is true in many situations.

if a marketing manager decides that the necessary conditions for successful advertising are not fulfilled or, more generally, if his aim is to stimulate the market in the short term, then he should consider the sales promotion techniques.

SALES PROMOTION:

sales promotion is a fairly broad term, embracing a variety of marketing techniques. The prime purpose of sales promotion is to stimulate sales; but this activity also includes methods of introducing a new product or of consolidating the market, for example, by providing good after-sales service.

because sales promotion comprises so many different techniques, it is necessary to define this broad marketing activity in some detail. this will be done by comparing sales promotion with advertising and actual selling.

: 14 :

Marketing men describe the difference between sales promotion and advertising by saying that advertising 'brings the customer to product' whereas sales promotion 'brings the product to the customer'. In other words, advertising aims at creating a demand even before the customer enters the shop, while sales promotion will generally seek to make the product more interesting and attractive once the customer sees it. Most sales promotion activities take place at the point of sale.

So advertising is essentially a method of influencing customers indirectly through public media, while sales promotion is regarded as a direct method in the sense that it usually presents the product directly to the customer.

Sales promotion is an activity akin to actual selling and can sometime barely be distinguished from it. For example, a company salesman is often expected both to arrange a display in a retailer's shop and to obtain orders from the retailer.

The difference and similarities between sales promotion and advertising must be well understood. For example, some sales promotion tasks are also performed by advertising personnel.

The two activities are related and may support each other; but they are not identical. One important difference between sales promotion and advertising lies in the time needed to produce results. The ultimate purpose of advertising is to create brand preference for a particular product, and so as emphasised above advertising gives mainly long term results.

Sales promotion be used to stimulate demand and increase sales in a particular town or district. General advertising, on the other hand, uses mass media of public communications, such as television, radio or magazines, and must usually address itself to a larger audience.

The manufacturer's most important ally in promoting sales is the retailer. It is the retailer who can display the product

to advantage, inform the customer fully about it and finally sell it. On the other hand, he can ruin the display recommend another product or fail to tell the customer how to use the product correctly.

To achieve this vital cooperation a number of methods can be used. The manufacturer might simply offer the retailer financial inducements. For example, an allowance for displaying the product in the best place. Or he may be able to extend him credit.

In many instances retailers are inexperienced in handling new products and in using modern marketing techniques. If a product is to be distributed by inexperienced retailers the manufacturer must consider this problem carefully. One way of solving it is to increase the amount of personal contact with the retailer, using company men both to gain his cooperation and to influence and assist him.

A promotional technique which is particularly suitable when introducing a new product to the customer is the technique known as 'sampling' i.e. giving people small amounts of the product to try. Sampling is expensive. One reason is that one or two small samples may be insufficient to accustom the potential user to a new product and therefore a sustained effort is usually required. The expense of such an extensive introductory campaign could be kept down by limiting the number of points where samples are given distribution being made only where samples would reach the most important part of the potential market. Another effective way of introducing customers to a new product is to arrange public demonstrations.

Another promotional method which is often used is training classes. Sewing machine and kitchen-utensil manufacturers often run sewing and cookery classes to create a market and a following for their products. This method is akin to public demonstration because it is open to the public and

acquaints potential customers with the product and its uses in the hope that they will eventually buy it. Sales promotion is well suited to developing countries because it is adaptable to limited local situations and so lends itself to use by small companies.

However, sales promotion does not usually remain a permanent alternative to advertising. Markets may develop to the point where the long term benefits of advertising are also desirable.

Sales promotion, then consists of a variety of techniques which an active management can apply in order to stimulate the sales of its products directly.

All these techniques can be very effectively used in the company's marketing strategy, though different techniques will be especially appropriate in particular markets and in particular conditions. An active and wide-awake management will know which of them to use in each case.

DISTRIBUTION:

Distribution involves all the activities concerned with getting the product from the manufacturer to the customer. Its aim is to make sure that the product is available and can be easily purchased by all who would like to buy it, wherever they may be. Effective distribution channels with their sales outlets and credit facilities are important to economic, and especially industrial, development. They complement the necessary physical distribution network of railways, road and transport services. Distribution channels may be long or short, direct or complex, depending on circumstances such as the nature of the product, local trade customs and buying habits, and volume and frequency of sales.

: 17 :

Making the product available and easy to buy clearly entails carrying out a number of activities in the field. Usually this requires a special form of organization. Distributive activities may be carried out by a department of the manufacturing company, but usually they are undertaken by specialised firms known collectively as the 'distributive trade'. Distribution then, is a specialised activity. However, the manufacturer still has to play an active role in the distributive process. It is a principle of modern distribution that the manufacturer should not ignore his product once it has passed out of his hands into those of agents, wholesalers or retailers.

This active role demands a continuous effort. It involves, in the first place, a number of key decisions on the part of top management concerning three groups of activities :-

(1) RETAIL FACILITIES:

facilities for purchase by the ultimate consumer including credit facilities.

(2) INTERMEDIATE FACILITIES:

(More generally known as wholesale facilities) storage and where necessary breaking bulk for the retailer, materials handling, inventory control etc.

(3) TRANSPORT:

transport from the place of manufacture to the point of sale to the ultimate consumer.

First it is necessary to decide on the facilities by which products will be offered for sale to the ultimate consumer. Particular products may be sold by door-to-door salesmen employed by the company, by itinerant vendors or through garages, restaurants, inns or similar channels.

: 18 :

Secondly it is usually necessary to decide upon the intermediate facilities needed to ensure adequate supplies to the retail outlets. These facilities may be provided by the establishment of the manufacturer's own depots or branches at various centres in the country or by some other arrangement.

Thirdly goods must be moved from the point of manufacture either to the wholesale outlets or direct to the retail outlets. This may be done by road or rail, occasionally by ship or air, or by a combination of two or more of these means. It may be by public carrier or by the firm's own transport or both.

The following is a list of the main retail outlets which the manufacturer is likely to encounter. It includes both traditional outlets and modern ones created by the rapid development of the distributive trade.

1. Itinerant general merchants.
2. Open markets.
3. Bazars (of the Middle Eastern and Asian type).
4. Small village or urban general stores.
5. General food stores and drug stores.
6. Supermarkets.
7. Department stores.
8. Chain stores.
9. Trading companies.
10. Mail order house.
11. Door-to-door speciality salesmen.
12. Shops specialising in a broad range of similar goods.
13. Shops specialising in a limited range of goods.
14. Dealers specialising in single maker's goods.

Assuming that choice of available retail outlets exists, the manufacturer's selection will be influenced by :-

The type of product.

The volume in which it is to be sold and the frequency of sales.

The buying habits of local consumers.

In examining the available retail outlets from the point of view of specialisation it is important to realise that some retailers may in fact, be classified both in the general and in the specialised group. This means that under one roof or within a defined area will be found sales counters or retailers selling goods which need no particular knowledge to sell and goods which need specialised knowledge to sell.

Selling through small retailers may require more salesmen and sales promotion personnel; but the price which the manufacturer receives for his product will usually be established at a level that will cover these costs.

Dealing through larger retail organisations may result in a lower price for the produce but the chances are that this type of organization will guarantee a larger sales volume.

Intensive distribution takes place when goods are sold through as many outlets as possible usually shops of various kinds having one thing in common, that they sell goods which are brought by a large number of people frequently and usually in small quantities. Sweets, cigarettes, bread and canned foods are typical intensive distribution products.

Products suitable for intensive distribution would normally have the following characteristics:-

- be in very wide demands.
- be bought at frequent intervals and small quantities at a time.
- have low unit cost.
- demand no specialised technical knowledge to sell, operate or service.
- demand little or no special after-sales service and repair facilities.
- require no special stocks of replacement parts.

SELECTIVE DISTRIBUTION:

selective distribution takes place when goods are sold only through a limited number of carefully selected retail outlets. The type of goods sold through selective distribution generally need special knowledge or facilities for selling or servicing.

selective distribution implies that the number of retail outlets for goods will be limited. This will generally be dictated by the nature of the product.

goods demanding selective distribution would normally have some or all the following characteristics :-

- require some specialised knowledge for selling.
- require specialised after-sales service.
- be of relatively high unit cost.
- carry a guarantee of performance over a certain period
- demand a reasonable investment by the retailer in the stocks and spare parts.
- demand special storage facilities.

related to selective distribution is so-called exclusive distribution, where the manufacturer grants a single wholesaler or retailer a monopoly or 'franchise' for the distribution of his products in a specified geographical area.

exclusive distribution applies especially to goods:-

- Having a very high prestige value
- demanding very specialised technical knowledge to sell or service
- often having a high unit cost
- demanding very heavy investment on the part of the distributors.
- requiring substantial training of the distributor's personnel
- needing prolonged and major efforts to finalise a sale.

A distributor exercising a franchise for a product enjoys certain advantages and runs certain risks. On the other hand he is assured of a monopoly for the product in his area. On the other he must usually give an undertaking not to deal in competitive goods of the same kind. Often too, he must incur heavy investment for stock, obtaining spares etc. He must therefore be assured of a reasonable return on his investment which means that there must be a sufficient market in his territory. In order to supply his products to retail outlets which are throughout the country a manufacturer has the choice of :-

- selling and delivering direct from the factory to each individual retailer or final customer.
- settling up his own storage and/or sales facilities in selected areas, and supplying local retailers and final customers from there.
- selling to independent wholesalers.

The first service which wholesalers provide is storage. This is of value to the manufacturer because he would otherwise have to set up his own storage facilities.

Thirdly a wholesaler often knows the needs of his retailers and the tastes of their customers and can thus make a selection of suitable products from the various lines he carries. For example, he will come to know the quality and price of various products which retailers serving different markets can best dispose of and can thus select goods accordingly. This is called 'assembling the assortment' for the retailers.

MARKETING STRATEGY IN DISTRIBUTION:

The purpose of distribution has already been stated to be that of ensuring that goods or services are easily available for purchase by all who wish to buy them, wherever they may be. This can only be done if the manufacturer establishes outlets in areas where there are potential customers.

When he has studied the market to find out where potential customers are located, and after having found out what wholesale and retail facilities are available, the manufacturer will determine his distribution strategy. The type of product, the volume and frequency of sales, the buying habits of customers and the availability of suitable intermediate and retail facilities will influence the manufacturer's distribution strategy. However, even though a combination of outlets may sometimes be used, the central problem in distribution policy is who will perform the essential functions needed in the intermediate stages of distribution.

Indeed the two alternative with which manufacturers are most likely to be confronted are whether to set up their own wholesale distribution network or to use independent wholesalers. This decision will depend on several factors.

If a manufacturer sets up his own distribution network he faces some financial risk, beginning with serious credit risks if he has to finance retailers. In addition he must invest in buildings, staff, and possibly equipment for materials handling and delivery purposes. He needs competent local managers, salesmen, store-keepers etc. who may have to be trained. He must make certain that the cost of establishing and providing these facilities will be balanced by the volume of sales. To ensure this he must gain the cooperation of the retailers in the region, possibly in fact of competition from established wholesalers, which may slow up the development of his retail operations. When a manufacturer first launches into a market he may find that existing wholesalers are not able to provide the required services satisfactorily. Rather than set up his own intermediate outlets, he may choose to improve the performance of the existing wholesalers.

When there is a lack of home produced goods in most categories, wholesalers will tend to be importers or import-oriented. They may be reluctant to distribute home produced goods because foreign made goods are more sought after. To break

down this prejudice the manufacturer has to prove to the wholesalers that handling his products is profitable and that the buying public will accept them.

PROBLEMS OF DISTRIBUTION IN DEVELOPING COUNTRIES:

Distributors who have been primarily importers may be more skilled at securing import licences and financing imports than at promoting home produced goods. Further problems faced by manufacturers in developing countries are those of storage and transport. Many developing countries are situated in tropical zones where goods may be subject to accelerated deterioration. Effective distribution demands adequate packing and sufficient storage capacity, suitably located and properly equipped to preserve the goods in good condition.

Transport facilities away from cities may be wholly inadequate; railways may be few and road poor and usable only at certain times of the year. To overcome such conditions shipment may have to be concentrated in certain periods only should be made as near to retail outlets as possible. Slow and uncertain transport means that orders should be placed and goods shipped well ahead of the date when they will be required.

Summing up, manufacturers in many developing countries face difficulties in setting up and operating their distribution networks which their counterparts in industrially advanced countries do not have to face. Nevertheless the principles of distribution which have proved their worth in economically advanced countries can be and are being applied to good effect in developing countries, although practices may have to be adapted and modified to suit local conditions and methods.

EXPORT MARKET:

As more and more developing countries, formerly dependent entirely on primary products for their foreign exchange, begin to industrialise they become potential exporters of industrial goods. Moreover, the growth and diversification of international

trade, including regional, trade, provide increasing opportunities for profitable exports of manufactured goods. There is however, a tendency to see export markets as representing an easy way out when home markets appear to be saturated.

Export markets cannot be regarded as an 'overpill' from home markets. Sound export markets for industrial products are built on sound and well exploited home markets, which alone can normally provide the volume of production necessary to keep prices competitive furthermore, export markets present their own special characteristics and problems.

First of all manufacturers aiming to export have to realise that instead of operating in what may be a fairly protected market or one in which they are competing with firms at the same level of efficiency as themselves, they have to face pitiless competition from firms in highly industrialised as well as other developing countries. This requires closer attention to quality than may be necessary for internal markets. It also demands really competitive prices.

Secondly in the case of many products, tastes and needs differ from country to country. The exporter has to be prepared to introduce variations into his goods which he would not need for the internal market. Not only does this call for some flexibility in design and production. It also means finding out what people in other countries want against those in the home markets, market research and its associated techniques are vitally important.

Thirdly the establishment of distribution outlets in foreign countries may present special problems. There are for example a range of arguments for and against the use of agents as opposed to the firm's own sales offices in specific foreign countries. There is the need to adapt to the distribution channels of the individual countries concerned, for instance selling through the bazaar in certain middle eastern countries.

: 25 :

each country has to be studied individually and generally speaking on the spot if a major market is to be built up. control over the performance of distributors, wholesale or retail is clearly more difficult abroad than at home. for this reason the careful selection distributors becomes doubly important and demands the closest verification of credentials as well as generally a visit by a senior member of the management of the firm.

finally an important factor often overlooked by firms wishing to export is the question of promotional literature in the language of the countries in which they aim to establish markets. summing up this brief discussions on exporting, unless the firm is producing some product which is very unusual and for which it is comparatively easy to stimulate sales abroad it should concentrate first and foremost the development of its internal markets, since these will be the mainstay of its existence. A firm launching itself into the export market without the most careful preparation and expecting this market rapidly to become a major source of income risks disappointment and serious loss; it may even prejudice future export possibilities by getting a bad reputation for its goods and manner of doing business. on the other hand, once the manufacturer is in a position to undertake export sales operations he may find these sales very profitable, since the cost of his product development and many of the operating expenses will have been fully absorbed by the internal market. In addition he will make a vitally important contribution to the national balance of payment.

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FINANCIAL MANAGEMENT IN THE COOPERATIVES

by

Dr. C. D. Datey

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1. Paper presented at the Asian Conference on Cooperative Management held in Manila, Philippines, December 1 - 6, 1975.
 2. Executive Director, Reserve Bank of India, Bombay.

FINANCIAL MANAGEMENT IN THE COOPERATIVES

Dr. C.D. Datey,
Executive Director,
Reserve Bank of India

Private, Public and Cooperative Undertakings

A cooperative is a way of doing business - a form of business organisation, the other two forms being private and public. Private undertakings may be owned and managed by individuals, partnerships, firms, companies or corporations. Public undertakings are those which are owned wholly or substantially by the Government or Government owned corporations or semi-Government bodies like municipal or other local bodies. The primary objective of a private undertakings is to maximise the profits for the owner. Considerations of common good or public benefit are seldom involved in such an undertaking. In a public undertaking, not profit, but service to the people is the governing consideration and, therefore, it is possible that the undertaking is run even at a loss, the loss being made good by subventions from the public exchequer. Very often the business is run on no profit or no loss basis. A cooperative combines in it the essential features of the other two forms of business organisations in that it is intended to make profits for the benefit of its membership without at the same time ignoring its responsibility towards the general community. Moral values are as important in a cooperative as financial gains for the members and that distinguishes it clearly from a private business. Unlike a Government undertaking which may as well be supported from the general revenues of the State, a cooperative cannot afford

to run at a loss, because it cannot draw on its own members to meet the loss without alienating them. To maintain their loyalty, it must make profits which should go back to the members as patronage dividend which will mean lower cost of funds if it is a financing institution, lower prices if it is a consumers' organisation or higher prices if it is a producers' organisation. Yet another distinguishing feature of a cooperative is that it deals primarily with its own members. A credit cooperative is formed by those who are in need of credit and a marketing cooperative by those who want to market their agricultural or other products. The individual units making a cooperative are generally weak and disorganised and it is to remove the weaknesses that they are organised into a cooperative. This and the other aspects referred to earlier have a bearing on financial management in the cooperatives which is the subject matter of this paper.

Credit and non-credit cooperatives

2. Since the cooperatives can embrace every aspect of economic life of a community, problems of financial management cannot possibly be the same in all the types of cooperatives. Broadly speaking the cooperative business organisations may be divided into two categories viz, the financing/resource/credit cooperatives and the manufacturing/trading/non-credit cooperatives. Primary credit societies - agricultural and non-agricultural or urban - central financing agencies at the intermediate and apex levels (e.g. as in India a central cooperative bank, a primary land development bank, the state cooperative bank and the state cooperative land development bank) fall in the first category. In the second category can be included marketing cooperatives,

processing societies like sugar factories and oil mills, consumers stores, weavers and other types of industrial societies. The problems of financial management may be considered separately for these two categories of the cooperatives. However, one thing which is common to all of them is that they are borrowers'/users' organisations and as such there may be a tendency amongst them all to sacrifice the interests of the organisation as a business unit for the temporary benefit of the members. In other words, it becomes difficult for them to recognise that the organisation as such has a personality of its own which must rise above that of individual members. Financial management in all the cooperative undertakings should at all times keep their permanent interest above the interests of the units which constitute their membership as well as the clientele.

I. Credit Cooperatives

Dividend not always an index of efficiency

3. Financial management in a financing or resource cooperative must concern itself with mobilisation of resources and the deployment thereof. A private or commercial type of financing agency will operate in such a way as to raise the resources as cheaply as possible and deploy them as dearly as can possibly be done so as to maximise its profits. The profits made are distributed in the form of dividend and the percentage of dividend declared is taken as an index of an undertaking's efficiency. A cooperative financing agency must also try to raise the needed resources as cheaply as possible particularly when a substantial portion thereof is from those who are not its members. But the efficiency of a cooperative need not necessarily be judged on the basis of the quantum of profits made or the rate of dividend declared

by it especially when the benefit of the credit facilities provided by it is derived primarily by its members for, by and large, it is immaterial whether the institution earns higher profits by lending at a relatively high rate of interest and then passes on the benefit of the profits in the form of patronage dividends in proportion to the interest paid by them or whether it charges initially a lower rate of interest and earns relatively small profits and declares no patronage dividend or rebate at all. The grant of patronage dividend to the constituents means in the final analysis a lower rate of interest on the loans. At the same time, care has to be taken to see that a fair return on the capital is provided, for it is possible that not all who have contributed to the capital will take advantage of the credit facilities extended by the cooperative financing agency or that the credit obtained is less in proportion to the capital contributed.

Resources

4. The resources of a cooperative financing agency should strictly speaking be derived entirely from its members, for a cooperative is expected to have dealings with its members only. In such a situation, the funds derived may fall in two broad categories, share capital and reserves and deposits, for the liability in respect of the latter has precedence over that to the shareholders who are entitled to receive, in the event of liquidation, only the balance after meeting the liability towards the depositors fully. While it will be certainly ideal for a cooperative not to have any dealings with those who are not its members, it may not be desirable and seldom practicable for it to do so. In most developing countries of Asia, Africa and Latin America, the base level organisation for credit, marketing, processing or supply is expected to play a role which goes beyond its membership

and embraces the community at large which for some reason or the other chooses to remain outside its fold. A primary agricultural credit society, for instance, may be regarded as an instrument of economic development in the rural areas and as such asked to undertake the responsibility to stock and supply inputs of agriculture or essential consumption goods which are in short supply to everyone without looking into whether he is a member or a non-member, although the latter may not be supplied any goods on credit.

State partnership

5. When it is a question of resources, the constraints arising from deriving these only from members become obvious. By and large the general body of membership of the primary cooperative operating in a rural area consists of people of small means and it is seldom possible for them to contribute all the capital required to enable it to command the needed funds. It may not be possible for them to raise even the minimum amount of capital from its members, right from the beginning. The weakness of a cooperative in this regard vis-a-vis a private or public undertaking is generally accepted and if, therefore, a cooperative is asked to raise the needed capital itself, the progress of cooperative enterprises may be slow or such enterprises may not be able even to come into existence. The responsibility of the State in this regard has been recognised, because it is only the State which can possibly lend its support to the weaker sections of the community. Thus, for instance, the Production Credit Associations which were organised in the U.S.A. under the Farm Credit Act of 1933 started with 100 per cent capital provided by the Government. It took almost 40 years for the entire farm credit system which was established in pursuance of the Act of 1933 to retire the Government capital completely.

6. It was in recognition of the difficulties involved in the weaker sections of the society raising an adequate capital base that the All-India Rural Credit Survey Committee (1954) strongly recommended State Partnership in the cooperatives. The observations and the recommendations being very relevant are quoted below :

"The failure of cooperative credit is explicable in terms of the total impracticability of any attempt to combine the very weak in competition with the very strong and expect them by themselves to create conditions, firstly for their emancipation from the interests which oppose them, and secondly for their social and economic development in the context of the severe disadvantages historically imposed on them by a structure of the type described. The problem is not one of reorganisation of cooperative credit as of the creation of new conditions in which it can operate effectively and for the benefit of the weaker. The prevailing conditions cannot be transformed by the very persons who are oppressed and rendered weak by their existence. The forces of transformation have to be at least as powerful as those which are sought to be counteracted. Such forces can be generated not by Cooperation alone but Cooperation in conjunction with the State." (Report Vol. II. p. 279)

The recommendation was accepted and is an important feature of the schemes of economic development through the cooperatives under the Five Year Plans of India. To facilitate partnership of the State in the cooperatives, the Reserve Bank of India Act was amended to establish the National Agricultural Credit (Long-term Operations) Fund to which appropriations are made annually out of the Bank's profits.

State partnership - Partnership among equals

7. While State partnership may be inevitable for strengthening the capital base of the financing cooperatives, the State should not enjoy any special rights or privileges

in the matter of dividend on the capital provided or control over the management vis-a-vis the other share-holders. The association of the State should be regarded as a partnership among equals and not used as a lever to intervene in the affairs of the cooperative and reduce it to the position of a department of the Government. At the same time, the cooperative should not forget the importance of self-help and, therefore, require its members to contribute to its share capital in proportion to the benefits they receive from it. It is an universally accepted practice in a financing cooperative to make a member contribute 5 to 10 per cent of what he borrows from it towards its share capital. Further contributions are expected if he obtains credit year after year until the capital held by him reaches a given proportion, say, 20 per cent of what he borrows. In this manner and with the accretion to the reserves, the cooperative may attain self-sufficiency and retire the Government capital that may have been provided to it initially.

Federations of credit cooperatives

8. A financing cooperative cannot possibly meet the needs of its members depending on the capital raised from them and contributed by the Government. The capital resources have to be supplemented substantially in several other ways through deposits of various types and subscriptions to bonds and debentures issued by it. The point for consideration is whether the cooperative should confine itself for the funds to its members and/or tap the wider sphere outside its membership. Alternatively, there may be special institutions established which are not owned and managed by the cooperatives, but are created to meet their requirements primarily. Further, it is clear that if a cooperative taps deposit and

other resources from members and non-members, but confines itself to a limited area which is the case with the base level primary credit society, the scope becomes very limited and the savings in the area that could be tapped may be insufficient to meet the needs of its membership entirely. Consequently, it may be advantageous for the primaries to federate at a district or regional level and for the latter organisations to again federate themselves into an apex body so that the federations would not only act as balancing centres for the lower level affiliates, but also have an access to the savings of the community in general and also to the money market of the country. This is the reason for the emergence and continuance of the three tier structure in the cooperative credit agencies providing short-term and medium-term credit in countries like India and Japan. In India each of the States has a state cooperative bank at the apex, a central cooperative bank at the district or intermediate level and a primary society serving individuals directly in a village or group of villages or in a town or city. In Japan there are base level multi-purpose or single purpose cooperatives which are federated into prefectural federations for credit for each one of the 46 prefectures. At the apex level is the Central Cooperative Bank for Agriculture, Forestry and Fisheries Cooperatives.

Position in Japan and the U.S.A.

9. The point was raised whether a cooperative financing agency should borrow in the form of deposits only from its members or loans from the higher level financing cooperative federations which themselves act as mere balancing centres in the sense that the surplus funds of one unit are lent to another which is in need of loans. Much will depend upon

how extensive and intensive is the coverage of the cooperatives at the base level and the savings potential in the area in which they operate. At one end is the picture of the cooperative financing institutions in Japan which derive their deposit and other resources almost exclusively from their members. Over 4/5th of the deposits of the prefectural credit federations and the Central Bank for Cooperatives are derived from the agricultural and other cooperatives. Such degree of self-reliance is somewhat unparalleled and the Japanese cooperatives deserve all the praise in achieving it over a period of years through sustained efforts and firm determination. At the other end is the arrangement obtaining in the U.S.A. in which the 2 Federal Intermediate Credit Banks provide loans to the Production Credit Associations for short-term and medium-term agricultural production purposes, the 12 Federal Land Banks provide support to Land Bank Associations and the 13 Banks for Cooperatives accommodate the cooperatives engaged in marketing and processing of agricultural produce, the production and distribution of agricultural inputs. The 37 banks of the farm credit system in the U.S. raise the funds needed by floating bonds and debentures in the money market. The 12 Federal Intermediate Credit Banks, the 12 Federal Land Banks and the 13 Banks for Cooperatives float bonds at regular intervals to meet the maturing bond liability or to raise additional funds, through a common fiscal agent operating from New York, on their joint and several liability and supported by the collateral security of the loans advanced by them. The bonds do not carry the guarantee of the Government.

The position in India

10. In between the two extremes of almost complete self-reliance in the matter of funds and substantial reliance on funds derived from outside the movement obtaining in Japan and the U.S. respectively, is a system obtaining in India. All the cooperative credit institutions mentioned earlier viz. the primary credit societies, the central cooperative banks and the state cooperative bank in each of the States of the Indian Union are permitted to accept all types of deposits from the public and in fact the banks are subject to the statutory control of, and inspections by, the Reserve Bank in the same manner as the commercial banks. The sources of funds of the cooperatives at all the levels are their respective owned funds, deposits from the public and borrowings from the higher level financing institution. However, these prove inadequate and are being supplemented to a very small extent by funds provided by the Government and to a large extent by the borrowings from the Reserve Bank of India. Such borrowings constitute roughly 40 per cent of the short-term and medium-term agricultural loans provided by primary agricultural credit societies. The refinance from the Central Bank of the country on a somewhat liberal basis is unique and has been in operation for over 25 years now. In the sphere of long-term agricultural credit operated by a separate wing of cooperative credit institutions called the State Cooperative Land Development Banks working through affiliated primary land development banks or their branches, almost all the funds are derived from outside the movement through the issue of ordinary, special or rural debentures which carry the guarantee of the respective State Government for the payment of interest and repayment of the

principal. The ordinary debentures are subscribed by the Life Insurance Corporation of India, the commercial and cooperative banks, the Central and State Governments, the Reserve Bank of India, if necessary, and the general public. The special development debentures receive contributions from the Agricultural Refinance Corporation (an autonomous corporation established by the Government of India for refinancing long-term investment in agriculture, horticulture, fisheries and forestry with majority shareholding by the Reserve Bank) and from 10 to 25 per cent from the State Government concerned. The rural debentures are intended for individuals in the rural areas and are issued to them and the Reserve Bank only.

Mixed arrangement suitable

11. The financial position and operational efficiency of the cooperative credit institutions in the South East Asian countries being what it is at present, it will be unrealistic to expect them to reach the position of self-sufficiency as the cooperatives in Japan or that of the cooperatives in the U.S.A. where the resources are raised mostly from outside the movement, but without any financial backing of the Government, although with the general supervision provided by the Farm Credit Administration established by the Government. For many years to come probably the cooperative credit agencies in the region may have to rely to a substantial extent on the support of the Government or Government sponsored institutions. However, the objective should be to make them independent of direct or indirect financial support by raising resources needed by them from their members or from the general public through deposits and bonds issued on the strength of the institutions themselves and not that of the Government. If they are to raise funds through deposits it is clear that, they must

provide all the banking facilities and services needed by the depositors and must carry on continuously an aggressive campaign to compete with the other sector of banking which is generally known to be quite aggressive and successful in: the mobilisation of the savings of the people. The cooperative banks will have to emulate the example of the commercial banks in this respect and open a wide network of their branches and improve in every manner their image in the public. One of the measures which is expected to help them in this behalf is the facility of insurance of their deposits. In India, the Deposit Insurance Corporation which was established initially to insure the deposits in the commercial banking system is prepared to extend its cover to the deposits in the cooperative banks under certain conditions. The image of these banks in the eyes of the public can improve also if the Government recognises them for the deposit of funds of public corporations, local bodies and other Government and semi-Government bodies. At the same time, disincentives to borrow have to be built into the system where substantial funds are derived from the Government or Government sponsored credit agencies. Thus, for instance, financial accommodation from the Reserve Bank of India is limited to four times the owned funds of a central cooperative bank. Further, under a scheme recently introduced the rate of interest on the accommodation from the Bank is linked with the efforts at deposit mobilisation of the concerned central cooperative bank.

Measures to cheapen the cost of funds:

Short-term and medium-term

12. It was mentioned that a financing bank should raise funds as cheaply as possible and lend as dearly as possible so as to maximise the profits, although in a cooperative it is immaterial whether it makes large profits by charging relatively high rates and declares a

13

high rate of dividend or makes low profits by charging a lower rate of interest, because the beneficiaries in either case are mostly the same. The attempt should, however, be to keep the cost of the funds as low as possible. In the arrangement prevailing in the U.S. the sale of bonds on the consolidated security of the Federal Intermediate Credit Banks or the Federal Land Banks or the Banks for Cooperatives, as the case may be, through a fiscal agent throughout the country ensures funds at the wholesale rates. Where deposits from members and non-members are the main or an important source of funds, the average cost of the deposits can be lower where the proportion of current or savings deposits is fairly high as compared to the time or fixed deposits, because while the current deposits generally do not carry any interest, the interest on fixed deposits rises progressively as the period of the deposits is longer. To this must be added the administrative costs of managing the deposit accounts which may be even 3 per cent of the deposits raised. The average cost of the funds can be lowered to some extent if funds raised through borrowings from higher financing agencies are charged a lower or even a concessionary rate. In India, for instance, the financial accommodation from the Reserve Bank for seasonal agricultural operations is provided to a state cooperative bank at 2 per cent below the Bank Rate. The Bank Rate being 9 per cent now (November 1975), the effective rate is 7 per cent to the state cooperative bank and as the latter banks generally operate on a margin of $\frac{1}{2}$ per cent, the central banks get the funds derived from the apex bank at about $7\frac{1}{2}$ per cent, which works out to a saving of about 1 per cent, as the cost of deposits inclusive of the administrative expenses comes to about $8\frac{1}{2}$ per cent.

Long-term funds

13. Long-term funds generally cost more on account of the much higher rates of interest on the long-term deposits. The economic lending rates on the long-term loans thus should be higher than on the short-term loans. But then the burden of the interest may be beyond the capacity of what the traffic can bear thereby affecting adversely long-term investment in agriculture or industry. It is necessary, therefore, to see that funds are raised at rates which are lower than the deposit rates. In Japan the Agriculture, Forestry and Fisheries Finance Corporation which was established by the Government arranges loans for long-term investment at relatively low rates out of funds derived from Government sources. In India the main source of funds for the cooperative land development banks are the debentures carrying Government guarantee. The rates of interest on Government securities or Government guaranteed bonds and debentures have been deliberately kept low. The rate on bonds/debentures with a maturity of 10 years comes to 6 1/4 per cent whereas the rate on fixed deposits with banks for periods exceeding five years now is 10 per cent per annum. It is not uncommon for the Government to subsidise directly or indirectly the rates on long-term funds for the cooperatives for promoting long-term investments in agriculture and industry.

Rates of interest on loans

14. Loan policies and procedures are an integral part of financial management representing the demand side of funds. Firstly, one has to consider the question of the rates of interest on the loans. It is obvious that the average rate of return on the funds invested in the loans primarily and other investments to a limited extent

for maintaining a certain degree of liquidity, statutory or customary, should be such as to meet the cost of the funds, all the administrative and operational costs including those on supervision over the end use of credit and leave a surplus to build up statutory and other reserves and pay a minimum rate of dividend on the capital. It does not mean that all the loans should carry the same rate of interest. As a guiding principle one may suggest that loans for productive purposes and those that reach the ultimate borrower through one or more intermediaries e.g. a central cooperative bank and a primary credit society should be lower than on the loans for financing trading or manufacturing activities where the turnover of funds is larger and the loans are made directly to the beneficiary. It is possible to introduce interest rate differential not only for the borrowers for the different purposes, but also in respect of borrowers for the same purpose. Thus, for example, some cooperative banks in India have recently introduced lower rates of interest on the loans to small farmers than on the loans to medium and big farmers. A cooperative is not only a business organisation, but has to subserve moral and social objectives and hence differential rates can be justified not only on economic or business consideration, but also on grounds of social justice to the weaker sections of the community.

Other aspects of loans

15. The beneficiaries of the loans, the quantum, the duration and security are the other aspects of the loans which may be considered next. While the funds may be derived by a cooperative financing agency partly or substantially from outside the movement, the beneficiaries of loans must necessarily be its members. Among the

beneficiaries again the financing bank may determine its priorities. Thus for instance the first priority may be accorded to those who are engaged in production, the second to those who handle the inputs or raw materials or production, the third to those who trade on finished products and the last to those who would use the facility for consumption. Even among the beneficiaries of loans for the different purposes, priority may be accorded to the persons of small means because it is to serve their interest that a cooperative is generally brought into existence. The quantum of credit will depend upon the activity to be financed. Thus in agriculture, the quantum should in no case exceed the cost of inputs of agriculture including in seasonal operations his labour charges and the repaying capacity of the farmer assumed at a certain proportion of the gross value of agricultural produce. In the case of investment agricultural credit the repaying capacity should be determined with reference to the incremental income generated by the investment. In an urban credit society, the quantum may be related to a borrower's annual income from salaries and wages. In a trading or manufacturing cooperative, the quantum should depend upon its annual turnover so far as working capital requirements are concerned. The loans for fixed assets have to be only up to a proportion of the cost - say, 50 to 60 per cent. The duration of the working capital or seasonal loans should not generally be more than one year. Loans for durable or fixed assets should not exceed the life of the asset. In determining the total long-term loans, the financing cooperative has to take care to see that such loans are within its term resources. It is a sound banking principle that a bank should not borrow short and lend long.

The life of the investment and the repaying capacity both justify a loan for, say, 10 years or more and if the institution does not have resources to correspond such a loan, it will be advisable to require the borrower to turn to another financing agency even outside the cooperative sector for the needed funds. In India, for instance, cooperative sugar, oil or spinning mills or cooperative fertilizer factories have been accommodated by the Industrial Finance Corporation of India or the Life Insurance Corporation of India, both of which are public sector undertakings. The Industrial Development Bank of India also provides long-term loans to big-sized industries in the cooperative sector like the Indian Fertilizer Cooperative.

Security for agricultural loans

16. The cooperative credit movement was founded in a way by Raiffeisen and in the societies organised on his model, the emphasis was on honesty, integrity and industry of an individual i.e. to personal qualities rather than on tangible security which the individual could offer. At the individual level, the security in a cooperative should be more personal than tangible and, therefore, the eligibility and the quantum of credit should be determined with reference to his productive activity and not the security offered. The system of lending should be no security, but production oriented. This does not mean that tangible security should not be taken even where it is available. In fact, in such cases it should be insisted upon for, then one is sure that the borrower may, in all probability continue to be in the business for which a loan has been taken and that he will not try to raise another loan on the same security and get his position overextended. The idea is that a loan should not be denied to an individual merely

13

because he cannot give tangible security and that it may not be given merely because he gives tangible security. The purpose of the loan and the personal character of the individual should be more important than the tangible security provided. A higher financing agency accommodating the base level primary credit society should not refuse to refinance the loans advanced by the latter to those who had not given tangible security, provided it is satisfied that the purpose and the personal character of the individuals have been duly looked into. To safeguard its own interest, the financing bank may reimburse not 100 per cent of the loans for a given purpose, but only a proportion so that the involvement of the primary from its own resources serves as a margin of security for its advances.

Security for loans to trading and
manufacturing cooperatives

17. The security considerations in financing the trading, processing, manufacturing or supply societies should be as if these were private or public sector undertakings. A special dispensation is not called for or warranted merely because it is a cooperative business undertaking and the financing bank is a cooperative. The risk of price fluctuations and managerial inadequacies are more or less common and measures have to be taken to provide safeguards against them. For instance, loans for meeting block capital needs of cooperative manufacturing units may be provided by maintaining a debt-equity ratio of 1:1 or at the most 1.5:1. The debt servicing burden consisting of annual payment of interest and of instalment towards the repayment of the principal may go beyond the capacity of the unit, if the equity base is smaller than what has been indicated above.

A trading cooperative may be accommodated against hypothecation or pledge of the commodities traded with appropriate margins. The margins in the former case are higher than in the case of accommodation against pledge, as in the latter situation the commodities are in the physical custody of the lender while in the case of hypothecation credit, the commodities remain in the possession of the borrower, although the lender has a right to take possession of the goods any time. It is needless to say that the goods pledged for hypothecated will be properly stored and adequately insured. The margins prescribed in India are generally 15 to 25 per cent for loans against pledge of goods and 25 to 40 per cent for advances against hypothecation of the goods in trade. Generally, accommodation on a clean basis is not recommended where limits have been sanctioned against the hypothecation or pledge of goods for that would dilute the margins for the other types of credit facilities. Even in determining the size of the limits in trading cooperatives, not the security of the goods, but the turnover should be the guiding consideration, as otherwise the credit facilities provided may lead to an unwarranted inventory building. Credit should no doubt be timely and adequate to sustain the production or trading activity, but should not be so facile as to make the borrower somewhat extravagant and unmindful of its judicious use.

Arrangement for stabilization
of agricultural credit

18. In the sphere of agricultural credit the inherent advantage of a primary credit society is well recognised all over the world. "Where larger production is the aim, the moneylender's credit is obviously unsuitable. The alternative is institutional credit, private or other, but this tends more than ever to confine itself to the bigger cultivators

if it is not channelled through some form of cooperative association of the borrowers" (All India Rural Credit Survey, 1954 Vol. II - p.372). Consequently, the cooperatives are already handling a sizeable portion of the total credit provided for agriculture and where this is not so the attempt is to improve their significance. Since agriculture is susceptible to the vagaries of nature and since large areas in every country of the South East Asian region are exposed to droughts or floods, the institutions dealing in agricultural credit have to meet situations arising out of natural calamities which adversely affect the repaying capacity of the farmers and consequently their own ability to honour their obligations to the depositors and other creditors. To overcome this difficulty, the All-India Rural Credit Survey Committee recommended the establishment of Agricultural Credit Stabilisation Funds at the levels of the central and State cooperative banks and at the national level in the Reserve Bank. The cooperative banks are required to contribute a given proportion of their net profits to the Fund to which the Government contributes amounts in excess of the dividend of 3 per cent on their capital in the institutions. Besides, ad hoc contributions are made to the Fund out of outright subventions and long-term loans from the Government carrying a low rate of interest, as the appropriations out of the profits of the institution can only be meagre in relation to the requirements. The National Agricultural Credit (Stabilisation) Fund which is maintained by the Reserve Bank receives contributions out of its annual profits. When a situation arises in which damage due to natural calamities affects the crop yields by more than 50 per cent, the short-term loan taken at each level viz. the individual farmer, the primary society, the central cooperative bank and the state cooperative bank is converted into a medium-term loan for 3 to 5 years by drawing on the Stabilisation Funds. As a result, the individual is assured of

21

adequate credit for his next year's operations and the institutions are able to meet their obligations. Otherwise, a situation like this would have caused a severe strain on their liquidity. In Japan also there is a Natural Disaster. Rehabilitation Fund to which contributions are received from private funds, agricultural cooperatives and banks. Loans at concessional rates are provided to farmers who suffer damages on account of natural disaster like typhoons, floods, earthquakes etc. State and local bodies provide an interest subsidy to the lending institution to enable the latter to charge a lower than its economic lending rate. These bodies also stand guarantee for these loans and compensate the institutions in case of default. The examples of India and Japan point out to the need for specific funds to take care of situations arising out of natural calamities so that the liquidity, stability and efficiency of the cooperative financing institutions are not impaired.

II. Non-credit Cooperatives

State partnership & support

19. The problems of financial management in cooperative marketing societies, consumers stores societies and cooperative manufacturing and processing concerns are different from those of the resource cooperatives. In all the cases of non-credit organisations the equity base has to be sufficient to enable them to provide the margins prescribed by the lending agencies to which a reference has been already made. A cooperative being an association of persons with common interest can tap capital from not all the sections of the community and not from anywhere, but only from a limited number of individuals or from a limited

area. The people are bound together not by the desire to maximise the return on capital, but by a desire to get goods as cheaply as possible as in a consumers society, or sell goods as dearly as possible as in a marketing cooperative or sell the finished products as dearly as possible as in a cooperative sugar factory. Since those who are bound by the common bond of service are people of small means, it is seldom that the cooperative trading and manufacturing concerns can mobilise all the capital needed even to make a beginning. This is recognised in India where there are two ways in which the share capital base is strengthened. Firstly, the Government participates in the share capital of cooperative marketing societies, processing societies and consumers stores societies. Secondly, the Reserve Bank of India Act enables the Bank to grant medium-term loans to farmers and artisans for periods extending upto 5 years to purchase shares in concerns engaged in the processing of agricultural produce on a cooperative basis.

20. It is not enough to make arrangements for the collection of required capital by the cooperative. Some of them may need large amounts by way of block capital loans. Lending agencies, particularly outside the cooperative sector which control long-term resources, are generally hesitant to grant large loans with maturity extending over a long-period. A cooperative is a democratic body where one man vote is the rule, and hence one is not sure whether persons of established integrity, industry and efficiency will always be at the helm of affairs. In short, the lending agency is not sure whether the cooperative will develop a personality of its own which is governed by business and economic considerations and rises above the interest of the individuals who are its members. Such confidence can certainly be created, but it may take some time to do so.

In the meanwhile, the lending agency may have to rely upon the assurances given by others. One can think of only the Government coming forward to do so, because the Government is interested in the well-being of the economically weaker sections. In India the Government extends guarantees to the long-term loans provided by the Industrial Finance Corporation of India, the Life Insurance Corporation of India or the Industrial Development Bank of India. It is this gesture as well as that of direct participation in the equity by the Government that has been in no small measure responsible for the increasing contribution of the cooperatives in India in marketing and processing of agricultural produce and distribution of inputs of agriculture or essential domestic requirements.

Measures to attain self-sufficiency

21. Financial management of a very high order is needed in a cooperative which comes into existence on the basis of the massive support extended by the Government. Government participation in the share capital and Government guarantees for the term loans can be the reasons for taking over the control of the cooperative in case the financial results are disappointing. The affairs must be managed in such a way that not only are the instalments of the loans paid in time, but arrangements are made to retire the Government capital. In its anxiety to please its membership a marketing or processing cooperative should not try to purchase from its members agricultural produce at prices or a consumers stores society should not try to sell its goods at lower than the market prices or a manufacturing cooperative should not postpone providing adequate depreciation in respect of its fixed assets. Each one of these organisations must operate first on commercial or business lines and in case

there is a surplus after meeting all the commitments including those in respect of loans guaranteed by the Government or the Government contribution to share capital, the same may be distributed among the members as patronage dividend. Financial management in these circumstances becomes an exercise in walking on a tight rope, because it is not an easy job to convince the large body of membership of a cooperative trading or manufacturing concern that they must sacrifice their temporary gains in the larger interest of the organisation.

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A CONCEPTUAL FRAMEWORK OF FINANCIAL MANAGEMENT
OF COOPERATIVES IN THE PHILIPPINES

by

Florencio B. Orendain

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1. Paper presented at the Asian Conference on Cooperative Management held in Manila, Philippines, December 1 - 6, 1975.
 2. President, Phil. Shares Corporation, BF Condominium Bldg., Intramuros, Manila.

A CONCEPTUAL FRAMEWORK OF FINANCIAL
MANAGEMENT OF COOPERATIVES IN THE PHILIPPINES

The Approach:

This paper will overlook the financial practices and theories of cooperatives in the Philippines in the expectation that such a survey or review can be undertaken by a government agency that has a better overview of the cooperative movement. As a participant from the private sector, I shall attempt to analyze the financial framework of cooperatives against a historical, cultural, legal and governmental backdrop, along with the economic and business climate now prevailing and expected to prevail in the next ten (10) years. This approach is premised on my observation that the cooperative movement in the Philippines has not yet been demonstrated to a level of economic significance and at best is only at its infant and conceptual stage inspite of the many cooperative laws and the several attempts to organize many types of cooperatives in the last three decades.

Legal Framework of Cooperatives:

We have several laws covering most types of cooperatives, both credit and non-credit. We also have the framework of a national cooperative bank, now defunct. We also have several cooperative schemes incorporated in the lending programs of state banks. There are also special and agrarian cooperatives which continue to exist today which are indeed remnants of past efforts of different administrations. The newly rekindled interest on cooperatives is a by-product of a re-organization of political units in the barrio level, such as, the Barangays and the Samahang Nayons. As you carry out land reform and restructure political and economic units, the cooperative system of doing business is always looked upon as the most appropriate system to maintain the economic viabilities of production units, especially in the agricultural sector.

There are also cooperatives covered by special laws such as Building and Loan Associations. There are also special laws covering tiered cooperatives at provincial and national levels, exemplified by wholesale societies and marketing cooperatives, the more prominent of which are now collaborating in the sponsorship of this symposium.

-2-

We can easily discern from this enumeration, which is not even exhaustive, that these cooperatives are not operating under a single charter; that their supervision and development are not centralized or even rationalized, borne perhaps by the fact that their creation are sometimes mere by-products of a bigger concept; or that they are remnants of now defunct agencies, or that they are mere consequences of banking policies as a means to achieve greater social and economic ends.

This indeed, is a challenge to any public administrator given the task to promote and encourage cooperatives because he has to contend with different agencies, such as, the Office of the President, the Department of Trade, Department of Local Government, the Central Bank, the Home Financing Commission, Provincial and Municipal Governments and the several state financial institutions.

Economic Concepts of a Cooperative:

As a form of business organization, a cooperative must seek a genuine economic role. There has to be a need to be fulfilled. It must operate at a so called "economic size" to enable it to operate with viability. It must operate under an economic environment that is healthy and profitable. It shall be evaluated under the same criteria as other business organizations, in terms of profit and growth and therefore, must operate efficiently, with good management and with technical expertise in the fields of production, marketing and finance. It must achieve its aims, aware of its strengths and weaknesses and must prepare a plan or a set of strategies in the face of a total business environment. Given these conditions, opportunities and constraints, it is folly to discuss the cooperative movement without regard of the total environment under which it is to operate, or to presume that the cooperative movement per se will succeed because it has succeeded elsewhere or because it has inherent advantages or a definitive role in a total environment.

I shall now analyze specific characteristics of the cooperative system which have economic considerations.

-3-

The Economics of Size:

A cooperative cannot defy economic laws. Considering that most cooperatives are started with meager equities and resources, risk of failure is high. Resource build up on its own is generally slow.

Beset with the problem of uneconomic size, government support could well overcome this disadvantage. On the other hand, government does not financially support cooperatives at its infant stages precisely because of (a) the anticipated high risks of cooperatives at that stage (b) the attendant massive credit exposure when executed in a national scale, (c) their own expectation that the cooperative movement must be accompanied with an educational process which is naturally slow and (d) the gargantuan task of supervision and control that must attend government support of this type.

Analysis of Economic Need:

I find it wrong to proceed in the encouragement and promotion of cooperatives based on the general assumption that a cooperative will succeed in all places, at all times and in any endeavor. It is more prudent to assume that there are very specific situations, environments and climate where the movement will succeed. The search for the economic need must be very thorough and must precede its organization. For example, it is wrong to presume that a cooperative has built-in profit margins because of its ability to eliminate the middleman. A different approach will require an analysis whether indeed the middleman can be dislodged in a locality with ease. It may be that the middleman is already performing an efficient economic function in the area and is earning his margins reasonably, in which case it shall be more difficult for the cooperative to succeed because in the ultimate analysis the cooperative shall be evaluated by whether it can perform a more efficient economic function or not. Our economic environment is segmented and analysis must likewise be segmented.

The Ownership and Management Concepts of the Cooperative:

There is a great deal of business romanticism in the cooperative

-4-

movement. The cooperative is a great ownership concept but is equally a very poor management concept. A cooperative gives all its members a real piece of the action. However, cooperatives suffer, more often than not, from lack of management. Building management skills within a cooperative is very slow process. Considering that a cooperative is a political unit, with all members just carrying only one vote, the political leader is likely to emerge as the cooperative manager. Sad to say, leadership cannot be fully equated with management and hoping to build management skills within the core of leadership is fraught with many pitfalls. Planning, control, marketing, production and finance skills cannot be presumed in leadership.

Temporal, Spatial and Numbers Considerations:

The cooperative movement is always associated with big numbers of participants, dispersed throughout the country, addressing themselves to diverse activities and established in different time spans. The interplay of numbers, space and time, considering diverse situations and environments, in different places at different times, makes a national cooperative program a very complex one indeed. I do not think that there is one prescription or one strategy that will work. Each cooperative, must be based on a very specific purpose or objective and must require a very specific strategy.

R e c o m m e n d a t i o n s

Business Planning Must Precede Organization. The onus of planning must be centralized and funded by government. The planning function must be assumed by Government and not by the cooperative members. Planning should not be left to chance and government must assume res-

-5-

possibility that before a cooperative is established, the conditions for its viability must be favorable. It is not enough for government to provide supervision and support after organization. Government support especially planning support, must be available before organization.

Management Must Be Superimposed. The cooperative business in itself is risky and it is presumptuous to expect that the cooperative on its own can develop in-house management capability. Management must be obtained from a pool of trained and skilled cooperative managers, not necessarily from the ranks of the members. Again, the government must establish this pool of managers through planned recruitment and training.

Financial Support From Government. Financial support of government to cooperatives must also be evaluated from an economic viewpoint. It does not make sense to spread financial support to too many cooperatives, too thinly. Financial support must be based on a business plan. Normally, government financial support is expressed in general and uniform terms, which certainly cannot be responsive to varying and specific needs of different cooperatives.

Re-examination of Cooperative Development Strategy. The approach of most cooperative movements is to build a wide base of small cooperatives and later support them by establishing an apex organization. This I think, is a weak strategy. I see wisdom in starting with the establishment of an apex cooperative organization that will later plan, establish and direct the base cooperatives. I find it much easier to build cooperative success at the national level and later to spread that success at provincial and municipal levels rather than the other way around. I find the strategy of building success through education at the mass level to be too slow and too risky.

-6-

Complementation Rather Than Competition. I question the validity of pitting cooperatives against other private business organizations and other institutions such as the middleman. I see value in dovetailing the cooperative effort with the existing participants in an economic society. There is no reason why a cooperative cannot work hand in hand with the middleman. While there will be changes in their roles and returns, certainly the efforts of both can still be complementary and work to their mutual advantage.

Existing financial institutions, such as, rural banks, investment houses, thrift banks, etc. could be tapped to provide support not only in financial matters but in marketing, production and management, as well. I do not believe in cooperatives working as a class by itself. I do not see any conflict of interest with the aforementioned institutions. In fact, I foresee that with a little more imagination, these very same institutions could be the sponsor of many cooperatives so that the burden of support by the government can be reduced. Under this doctrine, we may be able to minimize, if not eliminate, many of the inherent ills of the cooperatives. For one, I foresee massive transference of management and technical skills from these institutions towards the cooperatives.

All these recommendations are made out of my personal belief that there is much to commend and much to hope for in the cooperative movement. This view, I think, is shared by all. We in the private business sector are confident that inspite of the historical, geographical and cultural handicaps attending the cooperative movement, it will eventually find its real place in the Philippine economic setting. Given the opportunity, we would like to contribute to the hastening of the success of the cooperative movement.

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PERSONNEL MANAGEMENT¹

Dr. M. K. Shah²

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2. Project Manager, Dairy Cooperative Organization and Extension Programme; FOOD AND AGRICULTURE ORGANIZATION OF THE UN, UNITED NATIONS DEVELOPMENT PROGRAMME, DACCA, BANGLADESH

- 1 -

Synopsis

Management is the art of getting the work done through people and involves the combination of skills of dealing with people and undertaking planning, organizing, directing, co-ordinating and controlling the functions of the organization.

The subject of the personnel management is divided into two parts for convenience of discussion and this part which forms the subject matter of the first session deals with the principles of personnel management to include:-

1. Personnel Management and Co-operative Organization.
2. Principles and Motivation.
3. Policies and Procedures.
4. Work Situation.
5. Worker Participation and Improving Industrial Relations.

Behavioral pattern of people in industry as individuals and as a group is discussed. The effectiveness of traditional outlook of management based on authoritarian approach has been compared with the enlightened outlook of bringing out the best in men through participation in problem solving for higher productivity and decision making process. This does not involve forfeiting of the management functions of using judgement and making proper business decisions. The objectives and functioning of the trade union should not be treated as contradictory to those of the management. Both can be mutually helpful and complementary and can permit the participation and cooperation of workers for achieving organizational objectives under proper incentives and working conditions.

Emphasis has been placed in having clear business objectives and formulating long term policies and for achieving the objectives. This also includes clearly defined personnel policies and procedures to achieve a harmony of purpose, team work and productive efficiency.

- 2 -

Management is considered the art of getting things done through people and in a business organization it involves getting things done through various levels of supervision. It needs the combination of skills of planning, organizing, directing, coordinating and controlling. Human effort is involved in all these functions. Personnel Management deals with people and recognises their personalities, needs, aspirations and ambitions while utilising their abilities, capacities and skills for achieving the organizational objectives.

The principles and practice of personnel management have come a long way from the paternalism of traditional business management to the modern outlook based on actual results in terms of goals set and achieved by the concerted effort of a motivated group of people. Modern management has been complicated by technological change, large scale operations and mass production. Whereas this has resulted in increased productivity it has also increased the worker's discontent and made his search for meaning and self-realization in his work more difficult.

There has also been however, a better understanding of the employees' behaviour pattern in business and industrial organization. A worker is no longer a mere member of the labour force but is an individual whose rights and dignity as a human being must be respected. He wants to do a good job and is ready to work hard at it, he is not motivated by economic gain alone but would like to have the satisfaction that comes from contributing to common objectives and in general being a loyal member of the team. The contribution of behavioral sciences to our understanding of human motivation and behaviour on the one hand and the increasing complexity of business management due to technological changes, large scale operations and mass production on the other hand have

given a new dimension to Personnel Management.

Personnel Management is conveniently discussed in two parts. Principle of personnel management and administrative aspects of personnel management. In this session we shall discuss the first part of the Personnel Management which will include:-

- I - Personnel Management and Cooperative Organization.
- II - Principles and Motivation.
- III - Policies and Procedures.
- IV - Work Situation.
- V - Worker Participation and Improving Industrial Relations.

The administrative aspects which usually include employment (or recruitment), training, wage and salary administration, collective bargaining and benefits and services are not covered in this paper.

I - PERSONNEL MANAGEMENT AND COOPERATIVE ORGANIZATION

Personnel Management has a special place in cooperative organizations and more so in developing countries. Whether the personnel function is carried out by the elected directors (or managing committee members), general manager (or the Secretary of a Cooperative) or by delegating all or a portion of authority and responsibility to a special group or department of the organization depends on such factors as the stage of development of the cooperative, outlook of the board of directors, the extent of dependence of the cooperative on the government and or financial bodies and the quality and strength of the management. Moreover these factors themselves are interdependent. During the early stages of development of the cooperative organization the board of directors might have selected and appointed the staff, determined their salaries and working conditions and also planned the

business strategies and policies. When the business has developed both in volume in the number of staff and their skills, and when the cooperative has to operate in competition with other business organizations, the management functions, including the personnel aspects, have to be delegated to the full time professional management in the interest of the continued progress of the organization.

This is particularly required in the cooperative organization. Members of a cooperative have one vote for one member irrespective of the number of shares held by them (i.e. irrespective of their contribution to the share capital) as distinct from a joint stock company where a member has as many votes as the number of shares held by him. Thus in the joint stock company a small number or group of people have a decisive say in the composition of the board of directors and hence there are less frequent changes in the composition of the board, thereby providing the continuity of a steady and uniform direction and business objectives. These factors give a stability to management in the joint stock company. Do we need this continuity of direction, of clear business objectives, of stable management, or organizational structure and of personnel policies in cooperatives in Asian countries? If we do, how to achieve these objectives in our cooperatives which have the potential possibility of changing the composition of the board of directors every year or so because of the system based on one member one vote? Problem of population pressure resulting in pressures for employment on limited job opportunities would also add to the difficulties in developing and establishing strong stable and competent management. This is necessary to provide continuity and stability to the organization as a whole for its continuous, uninterrupted progress.

There are also other questions, to which the cooperative at its highest level should address itself. Goals and policies of the cooperative organization should be clearly defined as they are vital for the achievement of unity of purpose, team work and effective organizational structure. Mr. E. W. Reilley in his introduction to "The Personnel Man and His Job" (American Management Association 1962), has suggested the following questions to be considered for establishing the organizational structure which can enable executives to work together effectively as a co-ordinated team:-

- "1. What are the activities essential to achieving the company's objectives? Have all those activities been adequately provided for?
2. Are responsibilities properly grouped to achieve the most effective results?
 - a. Have activities been so classified as to facilitate their supervision by one person?
 - b. Have the responsibilities assigned to any one person become too numerous and complex for him to handle effectively?
 - c. Have any responsibilities been assigned to more than one organizational unit?
 - d. Wherever possible, does each organizational unit have responsibility for some completed piece of work?
3. Are the lines of authority and communication between individuals best adapted for effective supervision, coordination and control?
 - a. Do executives have more subordinates reporting to them than they can supervise and coordinate effectively?

- 6 -

- b. Is the number of levels of authority kept at a minimum?
 - c. Do some persons report to more than one superior or to none? Does each member of the organization know to whom he reports and who reports to him?
 - d. Has adequate provision been made for coordinating related activities?
4. Are responsibility and authority properly assigned and defined?
- a. Has authority been delegated to the greatest extent possible, consistent with necessary controls, so that functions are coordinated and decisions made as close as possible to the point of action?
 - b. Are distinctions between line and functional authority and staff work recognized?
 - c. Are the responsibility and authority of each executive in his relationships with other parts of the organization clearly defined?
 - d. Is responsibility matched by authority?
 - e. Have the organizational plan and the responsibilities, authorities, and relationships of executives been reduced to writing in an organization guide? "

A thorough examination of the operations will bring out a number of issues which need changes in organization structure to achieve the efficiency of work through better interpersonal relationships, communications, understanding and decision making process.

The personnel management usually performs the so called 'staff function' or advisory function to assist the topmost authority the general management, and the management and supervisory staff in performance of the 'line functions' of the organization.

The distinctions between staff and line are not clear out and are usually made with some qualifying statements.

The functions of line and staff have been distinguished by Lawrence A. Appley as follows:-

"The line organization includes those people who are engaged in the manufacture and distribution of the products or services for which the organization exists.

The staff is engaged in those activities that assist the line in the attainment of its objectives. The line cannot exist without the staff and the staff cannot exist without the line. They are equally important. While the staff and the line frequently deal with the same activities, their relationships to those activities are distinctly different.

The functions of the line organization are as follows: to set program and policy; to activate program and policy; to make the decisions and direct the organization required to attain the objectives of the organization. The staff organization has the following functions: to help in the development of program and policy, with the responsibility of seeing they are adequate; to interpret policy; to make the finest possible tools available to the line for the activation of policy and program; to train the line in the use of such tools; to help in the selection and development of specialized personnel; to measure the effectiveness with which policy and program are applied; and to report results to top management".

Though the conventional notion is that the staff should advise and line should decide, the line of demarcation between advising and deciding in practice is a very narrow one and greatly depends upon practical situations obtaining in the business organization at different times.

II - PRINCIPLES AND MOTIVATION

The organization achieves its objectives through the people it employs. The understanding of human nature and the influence exerted by a fast changing environment have a direct and important bearing on the management of people at work. In the search for understanding of what makes people as individuals and as a group work, two sharply divergent concepts of management have been put forward by Prof. Douglas McGregor of MIT, as Theory X and Theory Y.

Theory X is the conventional approach to management based on hidebound traditional assumptions about human behaviour, according to which:-

- a. Human beings are inherently lazy and will shun work if they can.
- b. People must be directed, controlled and motivated by fear of punishment or deprivation to impel them to work as the company requires.
- c. The average human being prefers to be directed, wishes to avoid responsibility, has relatively little ambition and wants security above all.

The management of people based on theory X does work upto a certain point as it has obviously done so far, though it takes rather a lop-sided view of human nature. Such management is found to be increasingly inadequate in modern times to cope up with the heavy demands made by large scale

and complex business operations on human resources to contribute their share fully for mutual growth and fulfilment.

According to Kuriloff the negative assumptions of Theory X under the philosophy of the assembly line where the worker can see only a minute segment of work in front of him which he has to perform repeatedly without the satisfaction of participating in the completion of the whole job. This leads to depersonisation and robotization of human existence. Moreover, the organizational structure that emerges from the practice of Theory X is the customary, multilayered and complex pyramid which is clogged with communication blocks and distortions as orders and information limp up and down the organizational ladder.

The following are the assumptions of Theory Y based on objective behavioral research:-

- a. The expenditure of physical and mental effort in work is as natural as play or rest.
- b. External control and the threat of punishment are not the only means of inducing people to work toward organizational goals. Men will exercise self direction and self-control in the service of objectives to which he is committed.
- c. Commitment to objectives is a function of the rewards associated with their achievement.
- d. The average human being learns, under proper conditions, not only to accept but also to seek responsibilities.
- e. The capacity for exercising a relatively high degree of imagination, ingenuity and creativity in solving organizational problems is widely, not narrowly, distributed in the population.

- 10 -

- f. Under the conditions of modern industrial life, the intellectual potentialities of the average human being are only partially utilized.

The assumptions of Theory Y are based on the well known formulation of human needs developed by Maslow. Man is a creature of ever-expanding needs. Once his basic needs are satisfied others take their place in the following order:

- a. Physiological needs for food, water, air, shelter, rest, exercise, and so on required to satisfy the biological demands of the human organism.
- b. Safety needs for becoming free from fear of deprivation, danger and threat on and off the job.
- c. Social needs which people have for gregariousness and social interaction. Men like to group together for many purposes of life. They need to associate, to belong, to accept and be accepted, to love and to be loved.
- d. Ego needs for reputation, self-respect and self-esteem. Men need to feel competent and knowledgeable. They need respect, recognition and status.
- e. Self-actualization needs for the realization of individual potential, the liberation of creative talents, the widest possible use of abilities and aptitudes - in short, for personal fulfilment.

These needs overlap and are interdependent. A higher, less tangible need emerges before the lower one is fully satisfied. Maslow has estimated that in American society the average citizen is about 85% satisfied in his physiological needs, 70% in his safety needs, 50% in his social needs, 40% in ego needs but only 10% in his self-actualization needs.

- 11 -

In the context of the personnel management and motivation in the co-operative organization of developing countries in Asia, inspite of the wide gap between physiological needs and their satisfaction, other higher levels in the hierarchy of needs still can and do play an important role in motivation.

Theory Y management aims at intergrating individual goals with those of the organization - at making the job the principal means through which each employee can enlarge his competence, self-control and sense of accomplishment. In such an atmosphere, employees are likely to identify with the goals of the organization because the organization identifies with their goals. In effect, the organization is propelled by the motivation of its various members, whose individual contributions combine to achieve the overall goals of the enterprise.

Managerial processes of the business organization create the work environment to which the employees respond. The poor performance of a man in his job is not much due to his incompetence or laziness. It is mostly due to the lack of his involvement in the decision making process.

While discussing the process of mutual involvement for releasing human potential Mr. Albert F. Watters writes:-

"If people have a hand in setting targets for themselves, they'll set good targets, and they'll see that what's good for the company can also be good for them."

"Rensis Linkert, of The University of Michigan, also maintains that employees would not be indifference and apathetic if they had more influence on the decisions that affect them, and a sense of identification with both the problems and the solutions.

- 12 -

"These conclusions suggest that in organizing our work groups we should move away from the rigid, formal patterns of the past toward greater consideration for the dynamic relations among people as one way to unlock the potential of the workforce. Key employees especially must be given freedom to work at the highest levels of which they are capable, and ways must be found to provide this freedom within the disciplines of the business organization.

"This may mean greater decentralization of authority and responsibility for end results - the establishment of teams having profit-making or creative responsibility, yet operating within the formal framework of multipurpose organizations. It suggests form and structure of organization but flexibility and movement within the form. It also suggests that job relationships and responsibilities should be organized in terms of agreed-upon end results, with full latitude being provided within the framework for the accomplishment of individual goals.

There are many opportunities for the manager to provide for employee participation in the day-to-day work situation:

- o Setting work goals.
- o Planning for work accomplishment.
- o Planning for work or performance improvement.
- o Reviewing progress.
- o Providing exposure to developmental activities.

When key people help decide what should be done and how it can be accomplished, with their superior acting as a resource person - suggesting, guiding, and stimulating - they usually:

- o Have a better understanding of what the job is and what results are expected.
 - o Establish more imaginative and challenging job goals
-

in keeping with their purposes and within the framework of the job.

- o Work more productively, using the methods most effective for them.
- o Assume responsibility and a sense of commitment for accomplishment.
- o Actively search for, and develop, their own solutions to problems.
- o Become more aware of how their achievements measure upto agreed-upon objectives.

In short, mutual involvement follows logically from our recognition of individual abilities. It capitalizes on differences rather than similarities - and these differences may be of extra value in the accomplishment of work by high-talent people.

III - POLICIES AND PROCEDURES

Clearly stated personnel policies are essential for achieving unity of purpose and a good team work in any organization. They are necessary for eliminating unproductive use of time and a major source of executive frustrations and frictions. They are also required to ensure consistency and equity in the relations of an organization with its staff.

The policies should be formulated by the board of directors with the active participation of top management. They should be long-range and should be stated in broad terms in writing. As policies are formulated by the authority at the highest level, the managers and supervisors can proceed with confidence in devising the procedures to attain the organizational objectives within the framework of stated policies. This facilitates the decentralization of authority and respon-

sibility. With the help of the policy statements on employee relations objectives, the personnel management group can assist the line organization in achieving these objectives. Moreover the statement of personnel policies becomes a charter of goodwill and assurance for workers giving them a sense of security and confidence in the outlook of the organization.

Important personnel policies would include an employment policy, a wage policy, an industrial relations policy and employee services policy. After determining the personnel policies or while they are being determined it is necessary to decide on procedures also. These are the methods or executive arrangements necessary for achieving the objectives stated in the policies and to ensure that the policies are followed consistently.

A general statement of personnel policies may precede others. For example, it may state the view of the organization that the highest standard of productive efficiency, job satisfaction for employees and adequate reward to employees depend upon mutual involvement, and willing co-operation and collaboration between managers and workers. Organization's personnel policies are directed to the achievement of efficiency and mutual involvement.

Employment Policy: is aimed at (i) recruiting the employees for office and factory of various ranks and grades, who are efficient in their work and who find satisfaction in the service of the organization, (ii) assuring them of the continuity of employment and other conditions of work to the greatest extent possible for the organization, and (iii) offering opportunity to advance in capacity, status and pay.

Wage Policy: Determination of a wage policy and line of action worked out in advance helps greatly in dealing with the recurring questions arising out of fluctuating wage fac-

tors, methods of fixing pay and their negotiations. Social principles of justice and individuality form the conceptual basis for a wage policy (i) to pay a sufficient wage to a man to enable him to maintain his family of normal size; (ii) to establish a differential in skills, responsibility and merit amongst various trades wherever applicable and practical; (iii) to adopt a high standard of productive efficiency with lower costs and higher earnings, (iv) to pay incentive wages based on the financial position of the organization.

Industrial Relations Policy: It is formulated (i) for ensuring the cooperation and collaboration of the employees to achieve organizational objectives; (ii) for recognizing the trade union or the representative association formed by the employees to represent them collectively with the organization; (iii) for establishing a system or machinery to deal promptly with issues which otherwise might jeopardise goodwill and cooperation.

Employee Services Policy: It is very useful to have employee services and welfare programmes if they are desired by the employees, if they are mutually beneficial at long run and are administered preferably by employees themselves. The policy may be formulated accordingly. These services and welfare programmes may include medical benefit or health insurance, medical aid through company operated dispensaries, staff canteen sports and recreation, etc.

IV - WORKING SITUATION

Even when workers are well paid, personnel management in some industries face the problem of dissatisfaction arising from the working environment, from discomfort inherent in a certain kind of work or from feeling aspect of work such as monotony and boredom.

1. Working Environment

a. Physical Environment:

In coal mines, engineering establishments, some textile mills, etc physical environment and working conditions both outside and inside are rather uncomfortable. Unclean and ugly physical environment does cause unconscious aversion to such conditions. Beautiful surroundings, cleanliness and order increase satisfaction in work and favourably affect the attitudes of employees, their sense of self respect and their standards of what is fitting and beautiful.

b. Mechanical Environment:

Machines upon which workers are employed and the routine processes form the work environment. Mechanical contrivances bring a sense of order and precision into the work room environment. Workers have to remain alert and attentive and do achieve skills of handling the machine and develop a sense of pride and achievement. However the noise of the machinery, speed and risk do cause strain and anxiety.

2. Physical Aspects of Work

The personnel management is concerned with the connection between fatigue and efficiency (i) fatigue from brief bursts of activity is not usually found to be a problem; (ii) fatigue from depletion of fuel reserves, e.g. fatigue due to malnutrition is often encountered in the industrial organizations in Asian and developing countries. Europe had faced this problem in the post-war years; (iii) fatigue from heavy and hot work of furnace and foundry workers is an industrial problem of physiological type. This fatigue is offset by cooling drinks with salt. (iv) 'Nervous' fatigue caused by anxiety, monotony, vocational maladjustment, concentration of attention

- 17 -

over long periods without pauses for relaxation, poor lighting, noise, etc.

Attempt has been made to measure the effect of fatigue on production by preparing the production curve in a factory. The curve rises slowly to a maximum in mid-morning but declines towards lunch recess time. After lunch it begins at a lower level and follows the same pattern as the morning.

Similarly a weekly production curve showed lower production on Mondays and Saturdays than on the days inbetween.

3. Feeling Aspects of Work

Boredom arises when the mental processes involved in work fail to accupy and to hold the focus of attention as it happens in repetitive kind of activity to be performed by some one all the time.

As repetition is less pleasant than variety, it is considered desirable to introduce changes in the work schedule as frequently as optimum production would permit.

V - WORKER PARTICIPATION AND IMPROVING INDUSTRIAL RELATIONS

Mostly our industrial outlook has been based on the unquestioned authority of management and the belief that they can always take correct and acceptable decisions and other employees are paid for doing what they are told to do. This attitude comes in the way of creating the atmosphere of mutual trust and confidence between management and workers and leads to the hardening of feelings and attitude of the trade unions towards management. This does not permit the synchronisation or organizational objectives with those of workers and the mu-

tual distrust and lack of confidence are also carried to the discussion tables of joint consultation committees such as workers committees, production committees, grievences committees, etc.

Industrial Relations and personnel administration are often treated as unavoidable nuisances. Often the management is inclined to consider the workers disloyal to the organization if they join the trade union. However it is possible to build up the loyalty of workers both to the organization and to the trade union, if it is understood that when a worker joins the union he is not necessarily dissatisfied with the organization or the management as a whole. By joining the union he wants a share in the management decisions which affect him directly. He also seeks recognition and dignity of his position amongst other things while joining the union though unfortunately this motive is often misconstrued as a mark of disloyalty to the management and the organization, whose beligerence to the union incites indignation and a feeling of martyrdom amongst the union representatives. This is a non-constructive and negative approach which is detrimental to morale, productivity, quality of work as well as for better industrial relations.

An average worker can and wants to contribute to the solution of the production problems under suitable circumstances. Though this concept challenges the traditional management philosophy, and calls for a measure of democracy in industry it permits dignity of labour, satisfaction in work and a sense of involvement and participation at all levels. The idea of participation, was put in practice during the late 'thirties' in U.S.A. by the steel worker, engineer and trade unionist Mr. Joseph N. Scanlon in a steel plant on the verge of collapse. The idea of worker participation in production problems which came to be known as Scanlon Plan resulted in such a tremendous

- 19 -

group effort at reducing cost, improving quality and raising production to make the company solvent for the benefit of all concerned that it spread to a number of industrial enterprises, ranging in size from 60 employees to 5000 and included such diverse industries as furniture, silver ware, steel fabricating, printings, rubber processing, corrugated paper containers and radio and television.

The worker participation in production problems does not mean liquidation of management authority for making decisions. What it involves is the willingness of management to discuss relevant problems and decisions and to accept useful and constructive suggestions for improvement. It involves willingness of management to face criticism at various levels, but it is amply rewarded in the enthusiasm of people at work, in their added efforts, both physical and mental, in solving problems and raising production. Ideas on production methods and problems are presented from different view points - of workers, foremen, supervisors and management. This involves hard work but people feel committed to the common cause, to their group effort. Thus participation does not mean only criticism, it means constructive suggestions for improvement and it also means willingness to work hard at putting them into practice. But it is not just the hard work alone. Real success results from people working more effectively and from cooperation between those who manage the factories and those who operate the factories.

It is very important that the additional productivity and extra net profit as a result of worker participation be measured as close to the realities as possible, and the financial incentives be given to employees to reflect the added gains in productivity and profits. This also gives a sense of pride, direction and accomplishment to the employees.

Amongst the major advantages of participation are: (i) conscious attempt sometimes found in group or individuals to keep the productivity down, gradually goes away; (ii) waste of time is avoided by employees voluntarily; (iii) new ideas, both technical and administrative, for raising the productivity find a favourable response and cooperation from workers; (iv) these ideas are often improved by worker participation; (v) management and supervision improve and supervisors become more alert to match the alertness and enthusiasm of workers; (vi) better communication through various levels of the hierarchy is achieved and management gets first hand information about problems and solutions of plant operations.

Amongst the difficulties in implementing the idea of participation for problem solving are :- (i) persuading the trade union to cooperate; this is however overcome when management has accepted objectives of the trade union and the way they function because the participation does not weaken the union but permits the continuation of collective bargaining for wages, etc by union while they cooperate for rising the productivity; (ii) the other obstacle in the way of participation is the initial loss of prestige for management, and more so for middle and lower level supervisors; (iii) resistance of middle and lower level supervisors due to a spectacular opening of communication channels between their junior and their senior colleagues. Reorientation of most of the supervisors however will be possible; (iv) decisions have to be taken by management more speedily, procrastination has to be avoided; manager does not necessarily have to agree with all ideas of his workers who know the importance of judgement by the boss from his perspective but the boss should be approachable and accessible to his people.

In the end I might say that great opportunities exist for cooperative organizations in Asia for harnessing tremendous human resources and natural resources through extending the democratic principles of the cooperative institutions to their outlook and practice of management of people whom they employ to run their business.

ASIAN CONFERENCE ON COOPERATIVE MANAGEMENT
PHILIPPINE VILLAGE HOTEL, DECEMBER 1 - 6, 1975
MANILA, PHILIPPINES

PERSPECTIVE IN PERSONNEL MANAGEMENT IN THE PHILIPPINES¹

Atty. Gregorio S. Imperial, Jr.²

1. Paper presented at the Asian Conference on Cooperative Management, held in Manila, Philippines, December 1 - 6, 1975.
2. Vice President and Management Consultant, USIPHIL, Inc.

We meet at a great turning point in human history where a worldwide crisis faces mankind not only in matters of peace and economic development but also because humanity has been shaken by severe social and psychological tensions, perhaps never encountered at anytime in human history. As human beings, we have realized that we cannot be isolated in our independent existence, that society is the whole world. It will take great imagination and foresight to survive in this very challenging world. It is no longer adequate for any of us to depend on ourselves alone. We must develop a deep sense of community.

To our national and world leaders, a growing consciousness has developed - that fulfillment can only result from becoming or belonging to a community. This consciousness of the interrelation of people in society and of nations is the name of the new ball game. To the developing countries in Asia, this means that we shall have to re-examine our assumptions and values if we are to successfully overcome the hazards and challenges of the modern world. It is possible that a lot of our problems arise from mental blocks which prevents us from working together.

President Marcos has, on various occasions, articulated these needs for a sense of society. The anarchic order of things prior to Martial Law made necessary the institution of quite drastic measures if we were to move out from our lethargic existence as a people imbued only with the desire to live our own lives and sometimes oblivious of others. The dream of a modern nation was the primary objective of this peaceful revolution. As a people, we have regained our pride because we have been privileged to witness the reformation of our values and attitudes. We have been able to overcome inspite of a series of worldwide economic crises, difficulties in our economic development and we have achieved considerable growth rates inspite of severe restrictions. Our social, economic and political institutions have emerged with new vigor and vision. But most of all, the Filipino has come to respect himself and has achieved a better appreciation of himself as the master of his own destiny.

These new dimensions in the Philippine society has made marked inprints in the area of Personnel Manager. Where once the erstwhile partners, Labor and Management were constantly at loggerheads, a new

- 2 -

order has been instituted oriented more towards cooperation than conflict. Where both parties treated one another as adversaries, the emphasis of labor relations in the New Society has been towards peaceful coexistence and active collaboration in a mutual partnership. The New Labor Code has mandated that differences between labor and management shall be resolved through peaceful means at the negotiating table and has decreed that the economically disastrous weapons of strikes and lockouts are outlawed. Arbitration, both compulsory and voluntary has been institutionalized as the system for resolving differences not only between organized labor and management, but also those arising from employer-employee relations. We have adopted expeditious means of settling other disputes through an Administrative Tribunal, rather than the prolonged proceedings in the regular Courts of Justice. And yet, the Code has also emphasized the dignity of the working man by giving him ample protection that may be perpetrated by unscrupulous employers. Reasonable labor standards have been set-up designed towards the amelioration of employees. The Labor Code has seen it fit to institute a system whereby employees shall share in the fruits of an enterprise by granting employees reasonable wages and fringe benefits commensurate to the ability of the employer to provide same. The trade union movement has been strengthened by doing away with the pernicious practice of unscrupulous fly-by-night labor leaders of establishing spurious unions. We have adopted the concept of a one-union in one industry and hopefully this will be a prelude to industry wide bargaining which certainly will up-grade the economic conditions of workers.

But more than this, the main thrust in Personnel Management in the Philippines, has been restructured recruitment procedures by making the government a partner. We have done this by the establishment of employment exchanges all over the country designed purposely to provide industry with available trained manpower. The National Manpower and Youth Council in partnership with Industry has embarked on a nationwide training program designed not only for employees already employed but with major emphasis on the unemployed particularly the out-of-school youth.

- 3 -

Training schemes in industry have been encouraged by the grant of tax incentives and this has triggered training consciousness among management people all over the country. The gamut of training and development in the Philippines has taken the form of inplant and outplant programs. We have established a number of training institutes which not only takes care of skills development but also handles supervisory and management development. Our universities and colleges have become aware of this development. Hence, they have embarked, in cooperation with Industry to provide degree and non-degree programs. The prestigious Asian Institute of Management has turned out in its short existence a respectable number of trained managers not only for the Philippines but also for Asian countries as well.

There has been a national realization that the effectiveness and profitability of an enterprise is directly proportional to the amount of investment in training and development of people. This rising consciousness has propelled the establishment of a new breed of technocrats, where a ready, willing and able to meet the challenges of modern management. Together with this development we are now in the process of converting and modifying the role of the personnel administration from one of enforcement of company policies to one of developing and motivating people. The critical area of motivation has been given critical importance as it has been proven, time and again that this is closely correlated with productivity. You will note, ladies and gentlemen, that this new thrust is a complementation of our national effort towards development, that we have become responsive to the needs of society; to the sense of community that we have embarked on. That only through togetherness, only through cooperation can we hope to achieve our national goals.

All these, demands a new set of values, a new set of attitudes. We no longer can afford the luxury of standing still and watching the world go by. We have embarked on this national adventure and we are determined as a people that together we shall overcome.

So that today, as we face this crucial stage of development, our flexibility will be put to severe strains. The effects of the international

- 4 -

economic dislocations have been great and yet we have dared inspite of the seemingly insurmountable obstacles to face the challenge of development. We have reasons to believe that we have made progress and we have reasons to believe that these reforms in our society will not only prove meaningful to our people but to all fellow Asians, in so far that these changes can meaningfully contribute to stability in Asia.

In closing, let me reiterate the trust of Personnel Management in the Philippines is no longer merely administration but one of dynamic development and let me assure you my friends that we welcome this challenge for it will give the new Filipino greater confidence to bestow to the future generations a better nation and hopefully a better world.

ASIAN CONFERENCE ON COOPERATIVE MANAGEMENT
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COMMUNICATION AND COMMUNICATION PROCEDURES¹

by

Gote Levin²

1. Paper presented at the Asian Conference on Cooperative Management held in Manila, Philippines, December 1 - 6, 1975.

2. ILO Expert, advisor on training and education, ILO/SIDA Consumer Cooperative Project, New Delhi, India.

COMMUNICATION AND COMMUNICATION PROCEDURES

by

Göte Levin
I.L.O. Expert.

The rapid development during this century has led to an explosion of information and communication. With the tremendous amount of communication in the modern society you sometimes feel that you have to get out of it, to escape being the target of all messages passed on to you in various forms: advertisements, music, political addresses, news bulletins, etc.

On the other hand you need communication, especially so in the job situation. You need to be informed about things, to be motivated and inspired to do your best. People no longer accept to work in the dark. To give their best they want to know the role they are expected to play in the production process.

To manage is to influence people or groups of people and the only way to achieve management is to communicate. Communication is, therefore considered as a function of management. As mentioned above people are more than ever exposed to all different kinds of information from a big number of different sources through more and more sophisticated means of communication. For the management of a modern business organisation it is very important to be clearly aware and conscious about the fact that the information extended by the management through its communication system and network, internally as well as externally, has to compete with the information extended from other sources for the attention and reaction of their employees. The organization's communication has to fit into the prevailing communication pattern and has to appeal to people. Means and methods have to be developed so that you in the most efficient way reach the people you want to communicate with.

The needs of communication: The cooperative organizations are like other organizations integrated in the society. They operate within a state, in a special locality, and they produce services to their members. They stand in constant relations to people who are all interested in their activities and how they

are performed, people who have something to give their organizations and who expect something in return. Such people form the organizations' interest parties. They are for example :

- Owners/members
- customers
- money lenders
- employees
- government
- local authorities
- suppliers

To keep smooth relations to the interest parties of your organizations and to build up and maintain their loyalty and support you have to develop a system of communications. Such a system must be based on an efficient communications network aiming at giving and receiving information from the external parties (suppliers, moneylenders, etc.), external/internal parties (governing bodies, members, government and local authorities) as well as the internal parties (groups of employees and/or individual employees).

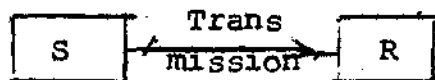
My task today is to deal with the internal communication, namely the communication between management and employees.

As the first lecturer of this section I feel that I should give you a short introduction of the basic principles in communication before elaborating more specifically on internal communication-systems and network. In doing so I run the risk of communicating to you information which you may already know or which you may find very plain and simple. Yet I find it useful to repete information about the communication process, partly because experience shows that a number of managers may know about the importance of proper communication but do not act accordingly, partly to increase the awareness of the importance of communication to a degree where reflections on the best way of communicating information becomes a routine every time information has to be passed on or collected.

What is Communication?

Communication is defined as the process of passing information and understanding from one person to another.

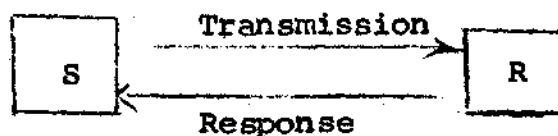
A significant point about communication is that it always involves at least two people : a sender and a receiver. One person cannot communicate, only a receiver can complete the communication. The communication process has, then, two sides: sender (S) and receiver (R). In order to start the communication you must transmit the information you want to pass on. A model of communication can, then, be illustrated as :



The quality of the communication and the final outcome of it depends, of course, on the three factors involved:

- sending can be bad (e.g. the message/information might be irrelevant)
- receiving can be bad (e.g. the receiver might be unmotivated, have insufficient background information to be able to understand, etc).
- transmission can be bad (e.g. too many disturbances, noise, telephone calls, messengers coming and going, letters read while listening, etc)

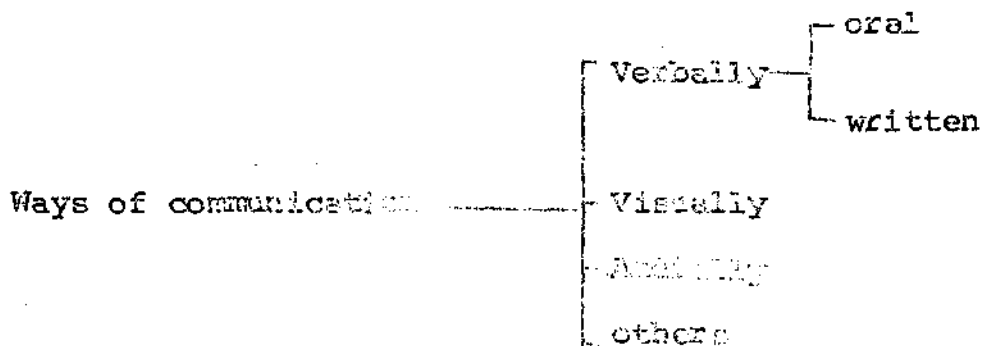
As communication is a two-sided process a prerequisite for a successful communication is that the sender is aware of the qualifications of the receiver (his level of knowledge, his mood, his surroundings, etc) and what the receiver will be able to understand, and that the sender understands to express himself accordingly, so that the receiver gets the message/information and understands it. In this case the response from the receiver plays a big role, as a corrective factor. A more complete communication model could then be :



To assure a feed-back (e.g. action according to the information) it is necessary that the sender communicates in a manner which allows the receiver to prepare himself to receive the message. This process is usually called the reinforcement process and it plays a big role in this connection.

Ways of communication

The ways of communication can be verbal or non-verbal. The verbal communication can be oral or written. Verbal communication is by far the most usual way of communication. But communication can also take place by sight, sound and actions.



The different ways of communication can be used either isolated or in combination. When verbal communication is used together with the other ways, the communication is supported by visual or audio-visual aids.

Types of Communication

The way in which communication is carried out is a question of what type of information you want to extend and what you want to achieve with it. If you just want to give an order it is a question of communication one way. The only feedback you expect is a "yes" or "no" and action accordingly. Unfortunately too much communication takes place in the form of simply ordering things to be done. It might be useful sometimes. But in most cases the manager should rather act as the teacher and guide ~~in~~ instead of as an officer on the battlefield. It pays, at least in the long run, to give human dignity and self-consciousness a chance in the organization. The way the manager communicates

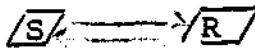
with his subordinates will certainly be noticed, discussed by the subordinates and have its positive or negative effect whether it is intended or not by the manager.

Downwards communication (one-way) : 

This is the authoritarian communication. It blocks the manager from a spontaneous feed-back. It oppresses people and de-personalizes them. Authoritarian management is likely to promote:

physically - higher speed in production
physiologically - open aggressions, expression of negative feelings and criticism, quarrels, and aggression against colleagues.

Unsatisfaction with the management.

Downwards + Upwards communication (two-way) : 

The two-way communication is the democratic form of communication. It stimulates to a feed-back from the receiver. Democratic management is likely to promote :

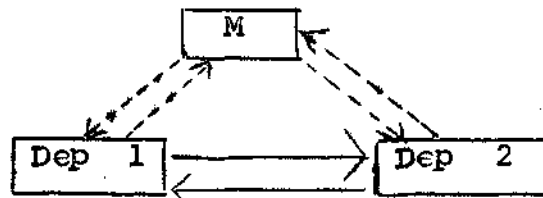
physically - higher quality in production
physiologically - kindness, satisfaction, peace, co-operation
willingness to help and assist one another

Satisfaction with the management.

Lateral communication (one-and/or two-way) : (Communication between various departments of an organization and/or various groups of employees).

An organization is normally built up from a number of groups of employees carrying out specific functions. Such groups may again be organized in departments within the organization. As the organization is dependent on the interdependent functions of these groups of people it should be a rigid rule to establish proper communication networks linking these various groups and not just to establish upwards and downwards communication between management and the employees, and to pass all essential information concerning every phase of the organization to all departments through the proper channels.

To neglect the integration of pertinent information results
in : confusion
misunderstanding
internal rivalries
lack of coordination among units doing related work.

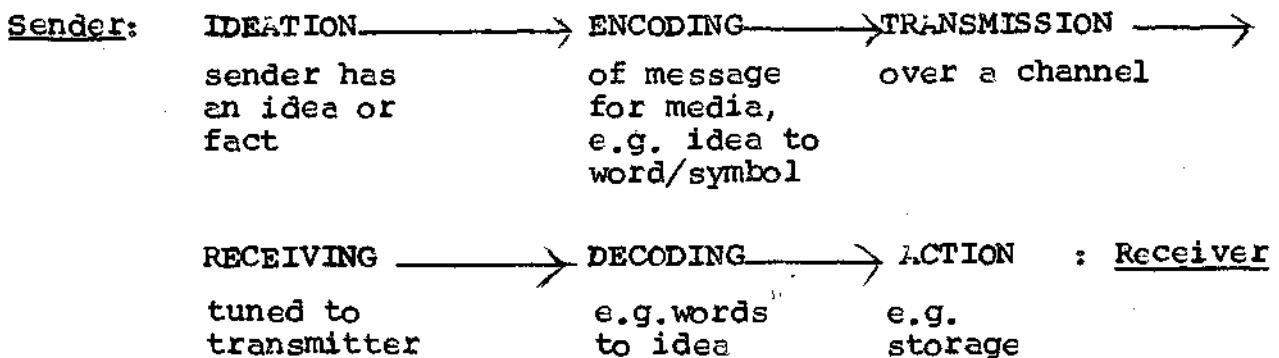


(M=Management, Dep = department)

The communication process

With our previous model we have been able to explain the direction in the communication process. We have also explained some problems of communication (bad message, bad sending, bad receiving, and bad transmission), which affect the quality of the communication. However, a closer look at the process of communication will be useful to sharpen the awareness and to avoid too many communication problems.

The closer look at the communication process reveals that it consists of six steps which are equally relevant whether you talk, use hand signals, or have some other form of communication, and whether the communication is upwards, downwards, or lateral. The six steps of the communication process are :



IDEATION: The first step of the process is that the sender has an idea, a fact, a piece of information, which he regards relevant for communicating to others. This is the content of the communication, the basis of his message. Ideation is a crucial step for two reasons: -

- you must have something to say before you "say". The process of communication starts in your mind, by your evaluation of what you find important, necessary, or interesting to communicate. Unfortunately many ideas and facts should be deemed to sink in oblivion rather than to be communicated to others.
- the character of your idea or fact to some extent determines the choice you make in the following steps of the communication process.

ENCODING: The encoding means that the sender selects the symbols (words, pictures, sounds, actions) by means of which he organizes his idea, so that it will be communicated to his intended receivers. Again this step necessitates that notice is given to two facts:

- that the selection of symbols must be related to the media used and
- that the selection of symbols and media must be related to the receivers.

To illustrate this three examples can be given briefly :

a) a telegram is worded differently from a book, and both are different from an oral conversation, all three using words as symbols for the idea, (b) a traffic police does little good if he yells to car drivers when he wants to regulate the traffic. He better uses his hands and a whistle (c), you don't get very far if you use a sophisticated terminology to express your ideas to children in lower primary schools. Such vocabulary is new and gives no meaning to them.

TRANSMISSION : This step is the actual transfer of your message. To get the message through in as smooth and undisturbed way as possible you have to think of possible barriers which may delay, change, or block your message from passing. Some hints for a more smooth transmission are to think of the following :

- the proper timing for the transmission
- the proper surroundings with the least possible disturbances,
- the proper links, e.g. which communication network you use, how many "middlemen" you use between you and the intended receiver (you run the risk of slight changes in the message at each link it has to pass) or whether you should bypass the supervisor and communicate directly.

RECEIVING : is the transfer of your message to the receiver, who must be prepared to receive the message. This step is crucial, because your message is lost, if the receiver is not prepared to receive it. If your message is oral, your receiver must be a good listener. How many of us are good listeners?

DECODING: is the process where the receiver takes the message from the symbols encoded by the sender. Here it is very important to think of the fact that the meaning is within the person, not in the symbols. As no two persons are similar (psychologically, or with similar knowledge, or similar milieu or surroundings - all influencing the meaning given to symbols) a message will not be decoded completely as it is encoded. For this reason it is very important that the sender thinks upon his receivers when encoding and chooses as clear symbols as possible.

ACTION : is the last step of the communication process and means that the receiver acts or responds in some way.

The closer look into the six steps of the communication process illustrates how complicated it is to communicate and be understood. Experience from our daily life support this, as it is so full of examples of problems of communication- on the job and in the private life. A first step towards a solution of the communication problems is to become fully aware of the six steps in the communication process and have them in mind - activate this knowledge - every time you have to communicate.

Communication to employees.

The principal purpose of internal communication is to help management to operate the business more successfully. It is aiming at passing on the information, skills, and knowledge relevant for the functioning of the organization, bolstering or changing employee attitudes towards the organization, and helping to solve problems confronting the organization and its employees. Communication is therefore as necessary for an organization as the bloodstream is to a person. What can we then achieve with good and honest internal communication :

- better understanding
- greater interest in the job
- solidarity with the organization
- greater security
- greater confidence
- better working climate
- more inspiration to improvements

Isolated or in combination these factors lead in turn to :

- better job satisfaction
- better work performance
- increased productivity

Communication has, of course, its limitations. As a function of management it can not compensate or substitute other functions of management. Brilliant ideas even in combination with a pronounced ability to communicate cannot substitute for instance bad financial management, inadequate business performance, lack of planning, poor administration, inability to take decisions etc. People are sensitive in noticing such things and even if the brilliant ideas are excellently communicated but no action taken to implement them, there will be no response in terms of increased productivity, rather the opposite.

However, there is an increasing evidence that modern work problems negatively affecting job satisfaction and productivity are related more to attitudes than to fundamental skills and job knowledge. The way to improvement is to try to adapt the employees' attitudes towards joint achievement of high job satisfaction and high productivity through team work. This is the process

by which managers can take action :

Purpose

Result

- | | |
|---|---|
| <ol style="list-style-type: none"> 1. to develop the concept of the working place (the organization) as a pooling centre for group efforts, 2. to provide the information and understanding necessary for group efforts, 3. to create the attitudes necessary for motivation and job satisfaction. | <p>better communication creates better job performance and better job satisfaction.</p> |
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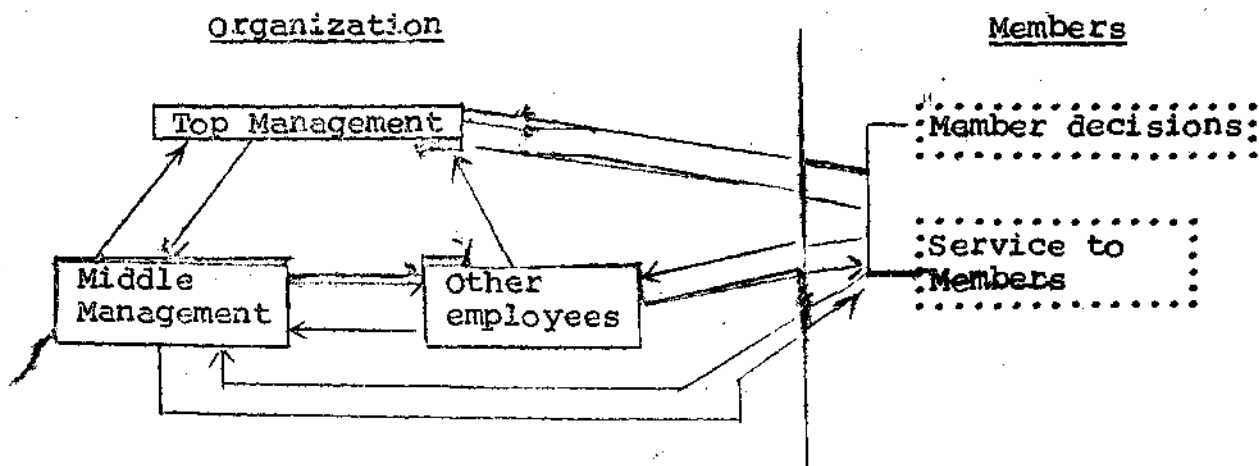
How to communicate?

1. Use two-way communication

As has already been indicated much information in our institutions (bureaucracies, cooperatives, free enterprises) takes place in form of one-way communication. However, a viable system of employee communication does not operate on a one-way switch from the manager's office. It should rather be the target that each communication act should in principle be based on the two-way communication between the management and the various other groups of employees (or individuals) of the institution. It is obvious that this principle should be strictly applied in institutions like the cooperatives linking members' wishes in a democratically organized form and an implementation involving all employees.

2. Build up a communication net-work.

As regards the direction of the internal communications three interlinking circuits should be built up to transmit information and opinions upwards, downwards, and laterally.



Downward communication: This is communication flowing from higher to lower authority. Employees downward in the organization have a number of communication needs, not only in the form of work orders and job instructions. Of some reason or another management has been reluctant to engage itself in systematic downward communication. However, this is changing now. In countries with strong trade unions the employee associations have increasingly come to play an important role in the promotion of downward communication by forcing the management to formulate its problems and policies and communicate them to the employees. Studies show that communication of this type of information ranks high with all kinds of employees: lower level managers, supervisors, office-and-shop workers. Frequent and systematic downward communication are connected with better performance and more positive attitudes.

Upward communication: To achieve a proper and smooth upward communication - e.g. communication from lower to higher levels of authority involves a number of problems. Upwards communication tends to pass slowly. Such communication is usually subject to delay, filtering, and dilution. Each level is reluctant to take up problems upwards, because to do so is considered an admission of failure by the own group. Also in organizations run by a strictly authoritarian management and in cultures where authoritarianism is prevailing and people brought up to blindly obey any authority without questioning it, people are more likely to be reluctant to approach the management. Two methods have proved effective in stimulating an upward flow of information and communication :

- frequent, well organized meetings

(see p.13-14) at departmental and company-wide levels.

- the top-management simply walks about in the shop, plant, office, sales area and speak to the workers. There is no adequate substitute for face to face discussions.

Lateral communication : Especially in large organizations it is necessary to maintain open channels of communication linking all departments on the same wave length. A business organization is built on the great interdependence of its various functions. Neglect of the integration of pertinent information results in confusion, misunderstanding, internal rivalries, and a lack of coordination between units doing related work. It should be a rigid rule that all essential information concerning every phase of the organization's operations is distributed to all departmental heads and their subordinates. As oral reports usually are grabbed and distorted in transmission all inter-departmental information should be written.

3. Build up a system of employee communication programmes.

The functioning of an organization is importantly affected by how well the employees can identify their own goals with those of the organization. Helping them to do so is the central objective of employee communication programmes.

To be fully effective such programmes must be :

- properly organized and integrated into the structure of the corporate organization,
- have the full support of the top management to operate in a climate favourable to free and open exchanges of views and information,
- have continuity.

Establishment of communication objectives: The first, most crucial step in setting up a communications programme is to establish the objectives. Most important is that the objectives are realistic and understandable. The following steps will provide a useful guide of formulating practical and meaningful objectives:

- through consultation with the top-management its views of corporate objectives are determined.
- through interviews with various members of the management so much information as possible should be gathered on the present and expected future problem areas.
- consider how employees need to be motivated to achieve the corporate objectives and help to solve the corporate problems.

- formulate objectives in the form of employee motivation.
- submit draft objectives to all management and supervisory levels.
- further define objectives by developing lists of themes or categories of communications contents aimed at achieving the objectives.

What are the corporate objectives?

- to build the individual employees pride in and identification with the organization.
- to foster understanding of the organization's nature, problems,
- to increase understanding of the employees' role and function within the organization,
- to encourage participation in efficiency measures.
- to promote a feeling of "family" unity among the employees.
- to build up pride in the organization and understanding of the management problems and decisions.
- to develop an understanding that the progress of the organization is linked with its business performance.
- that productivity is the source of good economic results and individual remuneration.
- to promote employees understanding of benefits and personal aspects of work.

Media and methods in employee communication programmes

There is a variety of media and methods to be used in a progressive communication kit:

MEETINGS

Types: Supervisory staff and workers' meetings
departmental meeting
organization wide meetings

The written word is the basic tool of communication. However, meetings providing face to face oral exchanges with employees can be highly effective. If planned carefully and properly conducted meetings can give a sensitive manager faceted assessments of employees attitudes and a more varied elucidation

of problems and problem areas. Unfortunately many managers do not utilize this opportunity as they rather talk than listen during the meetings. Many managers talk themselves into problems instead of trying to find fair solutions to them by listening to others. Conducted in such a way meetings become a burden for the employees rather than a gate to open communication, and free exchange of views.

Meetings should be conducted regularly, optimally once a month for the entire staff and fortnightly for departments. The sessions should never exceed one hour and should be held during the working hours.

Supervisory-staff and workers' meetings should be organized as open discussions of job related problems and explanations of the economics of the business (fixing the targets, planning, introduction of new systems and techniques, etc.)

Departmental meetings: could preferably be organized on serial basis. The topics should be selected so that they give a meaningful elucidation to the problems and prospects facing the organization and also provide for a wider outlook on the organization's operations. The meetings can be addressed by specialists within the own organization or invited from outside.

Organization-wide meetings: the aim of such meetings is to promote unity among the entire staff by commenting on problems and prospects of the organization. They should not necessarily be conducted by the chief executive, though he should find time to be present as often as possible. The important thing is, that the meetings are conducted in an articulate, open, and honest way, and that the atmosphere is friendly and gives room for a sense of humour.

IN HOUSE PUBLICATIONS

Types: company newspapers and magazines,
personnel policy manuals,
policy handbooks,
recruitment brochures,
annual - and periodic reports,
new product information.

Most of the cooperative organizations have their own house publications: newspapers, magazines, booklets, manuals, etc. The reason is apparent: well informed employees will be better employees, well informed and loyal employees are "ambassadors" for the organization and do a better public relations work for the organization, and well informed employees become more involved in the work they do and get a feeling of being members of the organization's "family".

But the content, the selection and presentation of material in many in house publications are unfortunately not up to the standard. Too many articles do not seem to be written for the employees. The content and presentation rather seem to be meant to impress interest groups upwards in the bureaucracy or upwards/ laterally to the top executives of other organizations. They are not meant for consumption downwards in the own organization.

Relevant communication and proper techniques used to extend information should be applied in all in house publications. The primary audience for them is the own employees. The employees want substantive information about things which directly affect their job-security, wage scales, and chances for advancement, and they want to know the organization's achievements, plans for future growth, new products, projection of sales and profit, etc. Such information should naturally be incorporated in the publications and be presented in a way which appeals to the receivers and makes the information meaningful to them.

Editing publications is a specialist's job, demanding specific qualifications and qualities of the person/persons carrying out this work. Sound writing and creative talent are important for an editor. In many organizations experienced journalists have been put in charge of information and publications. However, to employ a journalist and to build up an information and public relations department is, on its own, no answer to the problem of proper communication function. The information and public relations department must constantly be fed with information from the management and from other groups of the organization. The

editor/journalist is only a "technician" who understands to present the information.

OTHER WRITTEN MATERIAL AND DEVICES:

Types: notice boards,
employee letters and memos,
special occasion handouts,
reading racks.

JOB RELATED TEACHING AND INSTRUCTION MATERIALS:

(including visual aids).

Such material and such training and instruction can best be carried out within the premises or as close to them as possible and under the following forms :

short courses,
seminars,
workshops.

FILMS AND FILM STRIPS:

Some organizations produce their own film strips, but various specialized organizations have a varied supply of good quality films which can be borrowed or rented.

SPECIAL HINTS :

Act according to your words: In meetings with subordinates managers sometimes agree to proposals and measures to be taken and ask for reports, plans, information, and proposals to be submitted to him for approval before they are sent for communication within the organization. In too many cases no action is taken by the manager. Many good pieces of work and ideas to be implemented are instead stored in the manager's writing desk-drawers and never utilized, and many hours of thought and work of the employees are hereby wasted.

By such a behaviour the manager efficiently blocks all communication. By not acting and thus not keeping his words he also blocks and risks to destroy completely his relations to his subordinates. In their eyes he builds up the impression of a person who is not reliable, who is afraid of taking decisions, inactive, and not able to see to the best of his organization.

Don't forget, that action is one symbol which is useful in communication and one symbol which is decoded by the employees whether the manager planned to use action consciously as a symbol in his communication or not.

Be present as much as possible: To be present is an action which is noticed by the employees. By being present you communicate some sort of discipline towards your work. By not being present you may create an attitude among the employees that also to them it does not matter whether one is there or not. Again, don't forget that action is a symbol which is useful and effective in the communication process.

De-mystify management: A manager is not a god. He is an ordinary man who has been selected to carry out a certain function in the organization. He is an employee as other employees. His job differs from that of other employees in terms of greater responsibility, he might get better paid for his job and get a number of other benefits. He is employed by the board (and will get sacked by the board if things go wrong), while his subordinates are employed by him. There is nothing mystic in being a manager. It is an ordinary job which requires special skills and abilities. But so do other jobs.

Managers, however, often try to mystify their work, and the role they play in the organization. They build up images of being outstanding persons, who require special arrangements to be able to work: big office rooms, exclusive furniture, a number of telephones, tape recorder, someone to carry their bag and papers, special greetings, special style of clothes. And they prefer to communicate with people in these surroundings, to remain sitting behind their big desks and receive people. (do they have to hide their insecurity or their "fear" of direct confrontation with employees by being safe in their own surroundings?) From a communication point of view this way of functioning is disastrous. Many employees feel uncomfortable in such smart surroundings, many employees feel shy to knock

the door and walk the "long" distance from the door to the chair at the manager's desk meant for visitors, often they feel shy to enter these surroundings in their clothes which might be dirty from the work they are carrying out in the organization. So they rather abstain from the communication, they actually wanted to initiate. Managers should think upon the time when they themselves were youngsters and "under-dogs", and apprentices. They should be the ones who break this barrier to a more easy communication. Managers should move around in the plants, offices, sales localities, godowns, etc to see for themselves what is going on, to try to get on-the-spot-and direct communication with the employees.

The time spent on communication varies, but a good guess is is that good managers will use half of their time on communication. A substantial time of this is used in listening. A study of higher managers revealed that they spent 48% of their time on listening, talked 30% of their time, read 16%, and wrote 9%. A key to good management is to be a good listener.

The art of listening: A very efficient way of receiving information is through listening. There are 10 commandments for good listening, and they are :

1. Stop talking. You cannot talk if you are listening. Polonious (Hamlet) said: "give every man thine ear, but few thy voice."
2. Put the talker at ease. Help him to feel that he is free to talk.
3. Show him that you want to listen. Look and act interested. Do not read your mail while he is talking. Listen to understand rather than to oppose.
4. Remove distractions. Don't doodle, tap, or shuffle papers. Will it be quieter if you shut the door?
5. Sympathize with him. Try to put yourself in his place so that you can see his point of view.

6. Be patient. Allow plenty of time. Do not interrupt him. Don't start for the door or walk away.
7. Hold your temper. Any angry man gets the wrong meaning from words.
8. Go easy on argument and criticism. This puts him on the defensive. He may "calm up" or get angry. Do not argue: even if you win, you lose.
9. Ask questions. This encourages him and shows that you are listening. It helps to develop further points.
10. Stop talking. This is first and last, because all other commandments depend on it. You just cannot do a good listening job while you are talking.
Nature gave man two ears, but only one tongue.

(from K.Davis: Human Behaviour at Work, TMH edition, p.396
New Delhi 1975)

How to say/write it?

1. Use simple words instead of complex ones. Never use a word of several syllables when a word of one or two syllables will do just as well.
2. Use personal words. The generous use of personal pronouns (you, we, etc) will make your material more interesting to your reader. For instance: "We want you to" instead of "The company wants its employees to"
3. Use short sentences and simple sentence structure. Avoid dependant clauses and qualifying phrases. The New York Times has a basic recommendation to its reporters: One idea, one sentence.
4. Use the active rather than the passive voice. Do not say: "Your year", say "you must complete your vacation....etc" or even better : "you must take all your vacationetc".
5. Eliminate unnecessary words. Go back over a page or a section after you have written it, you will be surprised how many words you can cut out without changing the meaning at all.

6. Keep your paragraphs short. Any paragraph of more than eight or ten lines can almost always be broken up into two or more paragraphs. Use subheadings often to add interest to the page.
7. Be sure that the emphasis in any sentence or paragraph falls on the important point that you want to make. Often this can be done by proper use of punctuation; the use of the colon is particularly helpful here. But often you will find on rereading that you will have to rearrange your sentence to drive home the important point.

(from Joseph J. Famularo (ed): Handbook of Modern Personnel Administration. McGraw-Hill, Inc. New York, 1972. 74-6).

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COMMUNICATIONS AND COMMUNICATIONS PROCEDURES¹

by

N. Veeriah²

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2. Director, MCIS, Malaysia.

Communication is perhaps the life-blood of any modern activity, being rightly regarded as a professional asset to any field of endeavour (DEAN AND BRYSON, 1961).

These authors have also emphasized that effective communication is inseparable from effective thinking, and a study of the situations and processes in modern public communication is vital to all communicators.

Communication, in modern terms, has also ecological and environmental implications, in terms of vital social concerns which organizations must comprehend and adopt (ARUN, 1974).

For, gone are the days when an organization could get along happily on the strength of its corporate image alone. In fact, such excessive reliance on the corporate strength and ecological indifference has led to one-time leading American institutions even losing public confidence (HILL, 1974).

HILL (loc. cit.) has pleaded that public relations (or communication) and PR practitioners should now help business statemanship towards "forward thinking and actions in the interest of society as a whole."

He declared: ". . . Leaders of (American) industry have responsibilities far beyond their own companies, their own communities or their own nation.

"The problems of the world are coming to their doorsteps."

This is of course true in the context of any large-scale enterprise or activity, especially those which are "multi-national".

Hence, the Co-operative Movement should take due heed of this situation -- itself being 'multi-national' in the widest sense of the terms.

In fact, the cooperative movement can be said to be at the cross-roads today, with the writing on the wall being: "Communicate or perish:"

A cooperative society has been defined by the International Labour Organization (See NARAYANAN, 1975) as "an association of economically weak persons who, voluntarily and on the basis of equal rights and equal responsibility, transfer to an undertaking their economic needs which they are unable to fully satisfy by individual efforts".

- 2 -

This definition perhaps applies largely to the Third World, where the people in some developing countries lack not only the resources but even the will to strive for socio-economic betterment like their counterparts in the industrialized countries.

However, this is a far cry from the 'New Horizons' which the International Cooperative Movement has reached today -- especially after the adoption of the resolution on 'Cooperative Democracy' by the International Cooperative Alliance (ICA) at its 24th Congress held in Hamburg in 1969 (WATKINS, 1970).

The Cooperative Development Decade itself is now under way, conjointly with the United Nations' own Second Development Decade.

This has enabled the cooperative movement to make its policies and programmes discernible and viable in terms of the objectives which the United Nations has adopted for implementation by member-nations during the current decade.

In Malaysia, the first half of the Cooperative and the UN Development Decades have happily coincided with the country's own Second Five-Year Plan (1971-75), universally known as the Second Malaysia Plan which is also the blueprint for the nation's New Economic Policy (GOVERNMENT OF MALAYSIA, 1971).

The Plan has incorporated a two-pronged objective to eradicate poverty irrespective of race, and to restructure the Malaysian society to reduce and eventually eliminate the identification of any race with any economic function.

The Cooperatives, being non-partisan, non-political, non-sectarian, and non-discriminatory in nature and organization, naturally became one of the key social instruments through which the Plan's higher objectives are being attained.

More recently, the Cooperative Ordinance, originally adopted in 1948, was sought to be amended to enable it to keep in line with the modern development of the national cooperative movement.

A Bill to amend the Ordinance has already been approved by the Malaysian Parliament. The Act seeks to 'modernize' the operation of

- 3 -

cooperatives through the following measures:

- (a) The minimum number of members in a cooperative society is to be raised from 10 to 100 persons, to eliminate unviable 'mushroom' societies which hamper the progress of the movement;
- (b) the cooperative societies would henceforth be able to form subsidiary companies, participate in joint-venture with non cooperative organizations and corporations, and issue bonus shares to members through revaluation of their assets;
- (c) a National Cooperative Advisory Council is to be set up, to represent the movement at national level.

The definition of a cooperative society has also been modernized.

A cooperative is defined in the Act as "a registered society which has as its object the promotion of the economic interests of its members in accordance with cooperative principles, namely,

- * voluntary and open membership;
- * democratic management;
- * limited interest on capital;
- * equitable division of profits;
- * promotion of cooperative education; and
- * active cooperation among cooperative societies".

The Act generated one of the keenest debates ever in the Malaysian Parliament, with members from all sides of the House (and political affiliations) extending their support to the development of the nation's growing cooperative movement.

Needless to say that the 'lively interest' shown by the MP's in the Bill is positive proof of the success of the communication efforts mounted by the movement in recent years.

In fact, the cooperative light in Malaysia is no longer hidden under the bushel of one-time reticence and shyness among cooperators, to whom the movement then represented stray emergency needs in terms of 'thrift and loan' only.

Instead, it is being held aloft increasingly - to spread the light of knowledge all around, and dispel the darkness of ignorance and misconception.

- 4 -

Communication is a vital function of the movement's management today-- an indication of the rising tide of communication among Malaysian coops is the spectacular expansion of the Malaysian Cooperative Printing Press Society which, within, seven years of establishment, has become a beehive of round-the-clock activity (working 24 hours throughout the year except for five public holidays).

The Press is also being extended to considerably increase its production capacity through the installation of most modern equipment for printing -- to cope with the ever-increasing demand for its varied services.

The expansion of the cooperative printing press is a firm indication of the extensive use of the print media by the movement to communicate with its members and supporters.

A range of serial and casual publications on cooperation regularly roll off the presses at the Cooperative Printing Press. These include the following:

* Malaysian Co-operator

The monthly bilingual (English and Bahasa Malaysia) publication of the Cooperative Union of Malaysia, in tabloid size, which expounds the progress in Member-societies in relation to developments of significance nationally, regionally and internationally;

* Suara CCB

The regular bilingual (English and Bahasa Malaysia) publication of the Cooperative Central Bank Ltd. highlighting motivational communications of the Bank with its members as account-holders, depositors and borrowers, investors and shareholders;

* CAM Review

The bi-annual English publication of the Cooperative Autoworks Ltd. which provides news and information on the increasing technical and technological capacity and innovations of the country's only cooperative auto repair and maintenance unit, now drawing increasing institutional support among even non-cooperators;

* MCIS Review

The annual publication of the Malaysian Cooperative Insurance Society, the fountain-head of inspiration to societies within its

- 5 -

group and to the increasing number of associated companies and corporations, outlining new concepts and philosophies of relevance to the group's activities;

* Breakthrough

The bilingual monthly serving as a motivational medium among the staff of the MCIS group -- in itself quite unique as an employee communication aid;

* What's New in Jaya Puri

A monthly newsletter in English, to inform the clientele of Malaysia's only cooperative five-star international class hotel in Petaling Jaya, about its current attractions and coming events;

* Emporium Newsletter

A 'fighting' publication highlighting the varied shopping available in the premises and arcades of the Coop Emporium in Petaling Jaya, one of the coop supermarkets steadily making their presence felt in Peninsular Malaysia.

Apart from these, the National Cooperative Union, ANGKASA, also publishes a highly popular monthly in Bahasa Malaysia, entitled Pelancar, which can be regarded as the national spokesman of the movement among the concerned publics. Perhaps, among the many and varied cooperative publications in Malaysia, Pelancar can be regarded as the springboard of national concepts and innovations which would give the movement not only the advantage of 'spreading its wings' internationally but also putting down 'roots' nationally.

The Malaysian cooperative movement is extremely fortunate in having Professor Ungku Aziz, the respected Vice-Chancellor of the University of Malaya, as the head of Angkasa, and Encik N.A. Kularajah, the dynamic executive supremo of the MCIS group, as the President of the Cooperative Union of Malaysia.

While the former's influence -- as the national cooperative union -- is steadily penetrating among the official and organizational echelons, especially at the grass roots level among the societies, the CUM is solidly drawing together the urban secondary societies which have

- 6 -

the financial wherewithal and hence need top calibre managerial expertise to guide them regarding avenues such as major investments and participation in diversified industrial projects.

Thus, mass communication at the macro level has necessarily to be supplemental with inter-personal communication among influential target groups.

This is what the veteran management counsellor PHILIP IESLY (1974) called "The People Factor" in his widely read book of the same title.

Angkasa and the CUM resort to extensive inter-personal communication techniques to bridge what IESLY (loc. cit.) termed as the "widening chasm between those who manage institutions and a restive public vexed by the virtually speechless spokesmen of organizations".

Communication, in this regard, has the following major roles:

1. to report;
2. to instruct;
3. to order;
4. to persuade; and
5. to inoculate.

At inter-personal level, communication helps the leaders of the Malaysian cooperative movement to obtain almost instantaneous feedback, without which it would be difficult to make many of the urgent management decisions.

After all, cooperatives in Malaysia have become both economic and social organizations, also possessing a definite role in the protection of individual rights and human dignity (KULARAJAH, 1968). Without continual communication with the general body of members, leaders of the movement can hardly hope to take, much less implement, major decisions.

The technique of conference seminars and meetings is extensively used in this regard, in reiteration of the modern management concept that well conceived and efficiently run meetings "constitute highly effective communication tools (CAVALIER, 1973).

In this regard, the cross fertilization of concepts between the academic and entrepreneurial realms in Malaysia has significantly benefitted the cooperative movement.

- 7 -

Meetings of the Malaysian cooperative movement aren't necessarily 'macro' affairs . . . notable exceptions, of course, are national-scale conferences and celebrations (e.g., the ICA Day, which in 1975 was celebrated in Malaysia on an unprecedentedly large scale with the Honorable Prime Minister himself participating in the celebrations, and reiterating the government's all-out support to the cooperative movement).

Close rapport and comfortable meetings for meaningful dialogue have been established at smaller-meetings — typical are the frequent seminars now held on topics such as consumerism, women's role in cooperative and management of cooperative societies and joint-venture organizations (see Malaysian Cooperator, 1975 issues).

Just as innovatively, the Malaysian co-op leaders are also utilizing personal communication channels to extend the horizons of cooperation significantly.

This type of cosy communication exercise is becoming just as popular and necessary as larger-scale meetings . . . sometimes, the participants number just a handful of top-echelon leaders.'

Face-to-face communication, at any level or scale, is becoming highly valuable to Malaysian cooperatives, especially in regard to joint-venture participation in projects with the public (official and governmental) and the private (commercial) sectors.

This is a corporate break-through indeed, for, it was only a few years ago that the movement's leaders had to remain content with an occasional 'loan us more' visit to the odd bank manager.

Today, the co-op leaders and their successors are often seen in panelled in board rooms, discussing in hush tones (hardly inter-personal in terms of decibels) the intricacies of high finance.

Through such personal and personalized communication, the Malaysian cooperative movement is steadily preparing itself to meet the challenges of the days to come — "Tomorrow, a Co-op World", as KULARAJAH (1975) called it recently, in August company headed by the President of India and the doyens of the ICA.

The authors see future extensions of the co-op communication systems to include both above-the-line media and their below-the-line

counterparts (see JEPKINS, 1973).

This may mean, in due course, more direct mail, more point-of-scale promotions, more merchandising, etc. in addition to co-ops taking up more space in the traditional media ... and even more (rather, many) site messages to convey the co-op message to the comity.

In this task, the co-ops in Malaysia are richly supported by other people's movements, ranging from trade unions to women's organizations.

Consequently, co-ops are communicating to newer dimensions, using newer techniques and communication tools. In so doing, they are increasingly demonstrating the viability and eternity of the co-op maxim: "All For Each, Each For All".

Tomorrow ... a co-op world indeed, if communication can continue to strive in the making of it as envisaged by the new pioneers.'

- 9 -

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NOTES ON AUTHORS

1. Director, Malaysian Co-operative Insurance Society, Ltd. and also
of the Co-operative Central Bank Ltd. Kuala Lumpur.
2. Senior Managing Director & Chief Consultant, Preedisco (Sdn)
Berhad, PR-C Consultants, Kuala Lumpur.

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MANAGEMENT AND PUBLIC RELATIONS¹

by

M. Rex Wingard²

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MANAGEMENT AND PUBLIC RELATIONS

M. Rex Wingard

The Cooperative League of the U. S. A.

This presentation of some thoughts on the subject of "Public Relations" is intended to generate in the mind of the reader some questions and ideas for discussion at the ICA Asian Conference on Cooperative Management. For the purpose of this presentation, "Public Relations" are considered to be relations of management with any individuals or groups outside the immediate management team. This broad definition is being used because of the importance of good relations with all the groups concerned and the similarity of the principles and methods involved.

Basic responsibility for the promotion of "Public Relations" within and outside of the cooperative lies with the management of that cooperative, as does the responsibility for all activities. Delegation of portions of that responsibility to others is as desirable for this as it is for the other activities. In fact, every member, board member, manager, and employee should feel, and have, some responsibility for the promotion of "Public Relations". Within the context of our definition, "Public Relations" involves relations with members, employees, suppliers, and customers, other cooperatives, general public and the community and the government, as well as between the two management levels, i.e., board of directors and professional management themselves.

The importance of this area of activity hardly need be mentioned since it is fundamental to the basic existence, as well as success, of any cooperative. As does everything else, cooperatives and their management operate in an environment, or climate, which can be anything from extremely favourable to completely destructive. In general, their relations with others largely determine the nature of that environment. For instance, the general public and, in turn, the government impose the legal environment which could even prevent the existence of cooperatives. By contrast in India, for example, laws are in existence which provide assistance and subsidy to cooperatives in recognition of their social as well as economic purpose and value.

The general principle for the promotion of good "Public Relations" might be simply stated as one of good "communications", but only if it is realized that communication is a complete, two-way system. The system involves providing information, having it received, and receiving a response from the recipient that the information has been accepted and understood. Accordingly, "listening" is as important

as "telling". One might summarize the principles in another way: tell the true story; tell it well and often, tell it to the right people in the proper manner; and tell it by both word and deed. Obviously, the response aspect of communication is necessary in order to determine "whom" to tell the story to and "how" to tell it. Its importance dictates an active, organized programme and assignment of the responsibility to a key management team member.

In the following text we will discuss the subject in relation to different segments of the environment. These are arranged more or less in order of the importance they command in the U.S. presently. This order could be different for other countries and also different at any given time in history but all are very important.

Relations with Members.

Since the cooperative exists for its members the importance of member relations is axiomatic. The objective of management's member relations activities should be to ensure that the members realize this, give it full support, and promote their cooperative with others.

The most obvious method of informing all the members of the worth of their cooperative is by the payment of substantial patronage refunds and rendering services to them promptly and efficiently - the "deed" method. This is undoubtedly also the most effective. The U.S. regional cooperatives had an ideal opportunity recently to effectively put the service feature into practice. During the petroleum and fertilizer shortage and steep price rise, the private petroleum firms promptly cut the supplies to the less profitable rural areas in favour of the big cities and the fertilizer manufacturers shifted to export markets where the prices were higher (as they both should in the interest of return on their stockholders' capital). The cooperatives, by contrast, not only retained their production and supplies completely for their members, but absorbed a portion of the price rises so the members could more easily buy the products. This decreased patronage refunds temporarily but the timely action more than offset this by allowing higher production with raising agricultural prices and the members were greatly benefited overall.

In cases where patronage refunds are not characteristic of the operation of the cooperative, other performance criteria (such as lower prices to members) must be substituted. The service portion of the "deed" method becomes even more important in these cases.

However, since most people tend to forget unless reminded and there can be years which are poor financially, other methods should be employed as well. This is to help the "promote" objective as well since the member needs assistance in telling his neighbour about the value of cooperation.

These methods will vary from place to place and time to time, depending on communications facilities available, degree of literacy among members, geographical area covered, size of membership, and even type of cooperative. Accordingly, we will discuss only general methods and leave "mechanism" for the discussions. Some of these "methods" are as follows:

1. Cooperative Education

First and foremost, the member should understand what cooperation is, how it works, and what it should be expected to do for him and the other members. The first step in a successful programme is to assign someone (board members, professional management, or both) to be responsible for seeing that this and the other "methods" discussed below are actively pursued. This person may delegate the actual conduct of the programme to others, but he must be responsible for its success. Whether this is done by formal courses, discussion groups, prepared literature, village meetings, cooperative personnel, cooperative educational organisations, correspondence courses, or combinations of all, matters little as long as all members are exposed to it and understand it.

In some countries formal institutions and programme have been established for this purpose. Some have it available as part of a public school curriculum. In some it is the sole responsibility of the cooperatives themselves, but in many it is a combination of all of these. In any event, it is greatly in the interest of the individual cooperative to be certain it takes place regardless of how it is done.

2. Understanding Operations

Whether the cooperative is in marketing, supply, service, or whatever, an important step in building member involvement is to provide the member with a rudimentary understanding of how his cooperative operates, what its problems are, and what its overall plans and objectives are. In addition to his limited contacts in his dealings with the cooperatives, he must have some exposure to all its activities. This can be done as a part of or as an adjunct to the cooperative education programme depending upon circumstances. Other effective devices are special member group visits to facilities, prepared literature for all members, presentations made at member meetings, etc.

3. Building Member Involvement

In addition to the two items above which contribute greatly to this subject, there are other steps which can contribute substantially if taken. The "mechanism" for these will vary widely with circumstances but the essential steps are these:

- a. Disseminate news of progress, plans, problems, employees, other members, major cooperative developments (yours and others'), as widely as possible to members. Get the "key" active members in each area to help.
- b. Solicit opinions and advice from as many members as possible (particularly "key") on plans being considered and problems being faced.
- c. Survey the membership periodically on their needs and requirements.

4. Extension Services

For agricultural producer cooperatives, the extension service providing advice and information to the farmer members on their own problems should be a way of life for the cooperative. Not only does it enable him to produce more and improve the cooperative's volume and viability, but is a very effective instrument for assisting the first three methods discussed. This subject has been well covered in the past, but it is mentioned here to emphasize a particular point. That point is that a similar "extension" service is probably nearly as valuable to all types of cooperatives.

For consumer cooperatives, advice and information on quality, nutrition, food, preparations, etc., will accomplish the same general things as are accomplished with the farmers extension service. Methods will differ but the idea is the same. Most of this will physically take place at the store rather than at the home while the agricultural service takes place mostly by visits but is merely a change in proportion, both should occur in both cases. The proportion one to the other itself will even change depending upon the local conditions. Mailings, special courses, group meetings, and similar techniques are also indicated.

It is this writer's humble opinion that Member Relations are the most important single aspect of "public relations" and can do more to influence the success or failure of a cooperative venture than any other single item - given that by law cooperatives are permitted to exist. The members are really the cooperative's sole asset - all other assets can be replaced, borrowed, traded, or temporarily lost without disaster necessarily occurring.

Other Internal "Public Relations"

Although the relations between the elected management (Board of Directors or Board of Management) and the professional, hired management are a major topic in itself, we will mention it here briefly for the sake of completeness. Moreover, the general principles which apply to most relations are worth repeating. The cooperatives in the Western countries, particularly in the U.S., did not really become successful until they realized that professional management was required to operate any type of business successfully and established the proper relationship between Board and Manager. Good communications (two-way) are essential and it behoves each to involve the other in its activities as much as practical. Small gestures such as requesting opinions, consultations prior to important decisions even though approvals are not required, etc., lubricate the communications channels and promote a "team spirit" so essential for efficient working.

Relations with customers in the case of producers' cooperatives are of obvious major importance and warrant strict supervision on the part of management. Since this aspect of relations will be automatically a part of our Marketing Management

discussions, there is little need to dwell on the subject here. Where the customers are members, the Member Relations comments also apply.

Relations with suppliers are important for the economic well-being of the cooperative and, at times, can be even critical. In times of acute shortage, a good relationship can mean the difference in being able to operate due to inability to get supplies and materials. Suppliers will be inclined also to give better and faster service to customers with whom a good relationship has been established. Fair treatment, not preferential, is the soundest basis for good supplier relations with good communications as an essential adjunct. Each should make an effort to keep the other informed of plans and problems in order to avoid future misunderstandings and "surprise" crises.

Again, relations with employees only need be mentioned here since Personnel Management is another of our topics. Poor employee relations can result in loss of production, inefficiencies, and even deliberate sabotage. These can easily cancel out any raw material, location, modern facilities, or market advantages the cooperative might have. This makes employee relations one of the more important relations activities of management from an economic point of view. Reasonable expenditures in promoting good employee relations are really investments upon which returns are good.

Relations With Other Cooperatives

Cooperation is more than a term which merely defines a certain type of business organization. The accompanying social purposes and the fact that it is primarily applicable to large numbers of economically disadvantaged people, justify cooperation commonly being called a "movement". This, plus the fact that all cooperatives have so very many things in common, means that cooperatives are morally bound to cultivate extensive relationships with other cooperatives - and on a world-wide basis. It is also advantageous to each cooperative because concerted action can influence the legal and political environment in which they all operate.

More than this, the economic advantages of cooperation between cooperatives are fairly obvious and have been dramatically demonstrated time and time again. Joint action by cooperatives is really just an extension of the basis cooperative

which is joint action by individuals to their mutual benefit. The economic advantages are almost too numerous to mention but some of the more important are:

1. Pooling of resources results in increased purchasing power for all. It can even lead to jointly-owned facilities which produce raw materials and supplies for the member cooperatives resulting in large savings on those items as well as assured supplies. An outstanding example of the latter is cited in the attached description of the Indian Farmers Fertilizer Cooperative.
2. Joint marketing by a group of cooperatives can eliminate brokers and middlemen resulting in increased return to each member cooperative. A fine example of this is given in the attached description of Soy-Cot Sales, a vegetable oil marketing cooperative owned by cooperative oilseed processors. The processors themselves are in turn owned by the farmers so that the benefits eventually return to the producer. It also points out the other advantages that accrue as by-products of the marketing effort. Actually, the processors' units themselves are joint marketing examples since some are owned by farmers marketing organisations as well as individual farmers.
3. National or regional associations or federations of cooperatives enable them to engage in activities of substantial benefit to themselves which none of the smaller individual cooperatives could afford to undertake on their own such as : nationwide or worldwide promotion, research and development, development of materials and methods for education and training of members and employees, etc.
4. There are many other less direct economic advantages which are accruing to many "cooperating" cooperatives currently through such things as exchange of experienced personnel, assistance on common problems, exchange of technical and market information, and even loan of raw materials and supplies or temporary storage or uptake of surplus products.

The direct economic benefits of national and regional associations are mentioned above but indirect benefits may be even more substantial. Through large associations the individual cooperatives can become effective instruments for the conduct of the last two types of "Public Relations" which will be discussed below, i.e., relations with the general public and the government. In some countries these associations are mandatory while in others they are completely voluntary. In either case, active participation in and support of these is in the best interest of all the cooperatives. To repeat, organised group action and pooling of resources permits the cooperatives to accrue many advantages for their individual members and organizations than would be possible otherwise.

Some of the various forms of cooperation between cooperatives via formal organisations are as follows:

1. General Associations - These are usually at a national level and incorporate nearly all types of cooperatives, i.e., agricultural marketing and supply, consumers, insurance, artisans marketing and supply, health care, labour cooperatives, credit unions, banking, rural electric and telephone, consumer services, farm services, etc.

In some countries, these are completely voluntary and supported solely by member contributions. Naturally, not all cooperatives belong to such an organisation but they do tend to attract members from all the different types and represent a complete cross-section of the movement. They tend also to represent the movement in international activities and in those matters of interest to all cooperators (such as general cooperative legislation) as well as providing a focal point for inter-cooperative development. The cooperative League of the U.S.A. (CLUSA) is an example of such an organisation. It is characterised by an outstanding programme of promotion of relations with the public, with federal (or central) government, between all types of cooperatives, with cooperatives in third countries (it is the U.S. member of the ICA), and the production of materials and methods for member education and management development.

In other countries where cooperative resources are being developed and assistance is required or where the movement is more highly structured for other reasons, a more formal grouping is originally organized and

possibly even subsidized by government agencies. An example is the National Cooperative Union of India (NCUI) which is the official general apex body for cooperatives. Its purposes and activities are practically identical to those of CLUSA and its basic control by members is the same. The only differences are only in that the government supplies partial support by providing some finances and personnel and in that it is the only national body concerned with education and promotion of all cooperatives. These two organizations are listed as examples in order to illustrate that there are numerous methods of affecting these desirable ends. Needless to say, they are also the two with which the author is most familiar.

Specialized National Associations - These are usually comprised of cooperatives which have a common type of business interest and their activities are confined to the common needs of that activity. More general activities are largely relegated to the general associations such as NCUI or CLUSA by way of membership in them. The nature varies from country to country as does that of the general associations. Some examples of these are : National Agricultural Cooperative Marketing Federation, National Cooperative Consumers Federation, All India Federation of Cooperative Spinning Mills, National Federation of Cooperative Sugar Factories, National Federation of Industrial Cooperatives, in India; and the National Rural Electric Cooperative Association, Credit Union National Association, Group Health Association of America, National Association of Housing Cooperatives, in the U.S.A. The very names indicate the nature and purpose of these associations.

Regional Associations - These vary considerably in scope from country to country. In the U.S. these are usually specialized in nature and normally not confined to any particular political sub-division but are inclined to cover a regional market or supply area, although there are some state and country organizations. In a country with a more highly structured cooperative movement, the organizations will tend to follow political sub-divisions and include general as well as specialized cooperatives. Where specialized cooperative associations cover more than one political sub-division such as a state, the membership will usually be generally

by state in those countries. Again, for both economic benefit and "public relations", the purpose and results are the same - the mechanism is adjusted for local conditions.

4. International Associations - The predominant organization is, of course, the International Cooperative Alliance, which needs no discussion of its value, nature, or long record of accomplishment here. Specialized cooperative international organizations also are in effective existence and regional trade associations hold a bright promise not only for economic benefit but also for increased cooperation between cooperators the world over.

Although our purpose here is not to focus on any given geographical area other than Asia, it will be of value to discuss briefly some recent U.S. developments in cooperation between cooperatives as a source of ideas for discussion topics and experience sharing. CLUSA has long promoted a "common ground" relations campaign, the results of which are beginning to become substantial. That the age-old premise that producer and consumer cooperatives have exactly opposite interest is not necessarily true and they can cooperate to their mutual benefit was the theme of this campaign. These developments are as follows:

1. CLUSA is promoting legislation to establish a Bank for Cooperatives for those cooperatives which do not have access to the existing agricultural cooperative banks. This system would be established (as was the original) with the help of low-interest government loans initially. The real significance of the development is the tremendous support being given to the effort by the agricultural cooperatives themselves even though it would not benefit them, as well as the "teamwork" by all different kinds of cooperatives. Another testimony to good public relations is the very active support of the consumer advocate and other non-cooperative public interest groups.
2. In addition to extensive dialogue, concrete arrangements are being finalized for agricultural cooperatives to market directly to consumer cooperatives eliminating the "middlemen" and benefiting both groups. Further, and possibly joint, expansion into processing, warehousing, and distribution will broaden the scope of this collaboration. It is

noteworthy that this is strictly a voluntary effort with no governmental pressure or assistance and, as such, is a testimony to the effectiveness of good "Public Relations".

3. Cooperatives are joining in jointly-owned business ventures in ever-increasing numbers to enable them to compete effectively for raw materials and markets with the giant private corporations to better serve their members. These include such diverse activities as basic energy supply, transportation and distribution facilities, leasing activities, and many others in addition to the normal processing and manufacturing ventures. "Public Relations" have overcome the old suspicion and self-interest orientation of the individual cooperatives.

Relations with the General Public and Community

As stated previously, the "environment" or "climate" under which cooperatives operate can have a considerable impact on the success of the cooperative. Since any cooperative will always be under attack from the vested interest groups it displaces or curtails, as well as their friends and associates, it is critical that the general public be made aware of the true facts and the cooperative's value to the community as a whole demonstrated. Naturally, the political climate, as well as that in which the cooperative has direct dealings with the community, is affected by the quality of the public relations job done by the management and its agents (members and employees).

The most effective method of informing the public of the true story is by the voluntary testimony of members, customers, and suppliers. This, however, should be supplemented by other methods of communication using the media available. This is also a good opportunity to mention that, since this is a professional subject, the cooperative should obtain the professional help that may be available. For the small cooperatives, this should be available in the form of materials, instruction, and even training from an association of which the cooperative is a member. Larger ones can hire consultants in addition to this. Very large cooperatives and associations should have a permanent staff (even if one man).

Participation by the cooperative and its management in community affairs is essential to "goodwill" building and obtaining a receptive audience for the public relations story. The very nature of a cooperative should make participation

in community projects and taking an active part in promoting general improvements a moral obligation to its members as well as being a worthwhile economic investment in improved operating climate. Contributions to existing charitable and well-publicized "self-help" projects and voluntary participation by cooperative members and employees is an effective public relations tool. Small cooperatives would generally follow this route and place more emphasis on the donation of services of its people and materials than on money. Larger cooperatives could do more of both and make more substantial money contributions which could cover a wider range of subjects. A very effective activity is the complete financing and execution of a specific community project. National associations and larger groups can extend these activities to disadvantaged groups even outside of their own countries such as the Cooperative League Fund's international activities. An outstanding example of this type of activity lies in the recent establishment in India of a charitable trust fund to assist in area development projects by a large, successful group of cooperatives in Maharashtra. Another successful dairy cooperative has established a similar fund to finance organizing a community health plan. A large book could easily be written covering similar activities by western country cooperatives both within and outside their countries.

Participation of cooperative employees and cooperatives in trade associations and technical societies are not only desirable as a source of information but provide still another avenue for spreading the cooperative story. The contacts made also provide a source of specialized cooperative employees as well as consultants.

Naturally, the scope and nature of these activities will depend upon the resources available to the cooperatives and the local economic and social conditions. They may well vary from a simple donation of some time and effort by cooperative members and employees to these activities to a widespread, professional "PR" programme involving an appreciable expenditure. In either event, the basic purpose and dedication to the effort should be identical - through demonstration of its social concern and spreading the word through outside contacts, the cooperative will improve its operating climate.

Relations with the Government

Although this type of "Public Relations" varies somewhat in importance from country to country and the specific targets vary depending upon the exact type of government, these are of great importance for cooperatives of all countries. As stated previously the objective is to provide a favourable "climate" in which our cooperative will operate. This climate must be one which will promote its growth and the prosperity of its members. The basic elements are still the same - the true story, told well and often to the right people, and be sure to "listen". In general, cooperatives should be politically "neutral" becoming involved only in subjects which affect the well-being of their members or the movement as a whole. Support should be given to specific subjects and causes rather than individual politicians or parties except where it can be made clear that support is for the subject sponsored by that man or party. This, plus a practice of fair and honest dealings and demonstration of real benefits to their members, will contribute to their immunity to the effects of political change.

Since the circumstances vary so widely from country to country, detailed discussion of this item as applied to participants must take place within the seminar itself. This presentation will outline the present activities in this area in the U.S. where government assistance is at a minimum and concessions to cooperatives are frequently being questioned by other interest groups. This is intended to provide ideas for discussion and illustrations of methods in a cooperatively developed country.

At the national level we will deal primarily with the activities of the Cooperative League of the U.S.A. since this was originally one of its primary functions. The pertinent activities include:

1. CLUSA maintains a full-time (assisted by staff) professional who is Legislative Representative and Public Affairs Director. Through continuing contact with the legislators and executive branch personnel and their staff, he provides inputs of information on cooperative performance, objectives and feelings on pending legislation and actions, as well as learning in advance of planned legislation or executive action which might affect any or all of the cooperatives. He coordinates all informational campaign for, or against, pending legislation or action.

2. On significant campaigns, such as the current one for assistance and enabling legislation for a non-agricultural cooperative banking system, a task force approach is frequently employed wherein other key CLUSA staff members and key personnel from member cooperative organizations also participate in this effort.
3. CLUSA performs research on the performance, benefits, etc., of the various types of cooperatives and prepares informational and promotional materials which is used to inform government officials on a routine basis by mail and/or personal contact. Specific items are channelled to selected individuals based on interest areas, etc.
4. CLUSA transmits information on pending legislation and actions, along with an analysis of their implications and pertinent promotional (or contradictory) material to its membership for its use in planning and in its contacts with local government officials.
5. CLUSA provides liaison and backup services for cooperative members in their dealings with the various central governmental agencies.
6. Promotional and educational materials and copies of news items, questionnaires, etc., prepared by CLUSA for general public relations activities are channelled directly to key officials by direct mail, personal visits, etc. This material is likewise used by the local member cooperatives in the promotion of relations with local government personnel.

It might be well to also mention the situation in India where the role of government, both state and central, is quite different as far as the formal relationship is concerned. In India, the cooperatives are an essential part of the government's development planning and are recognized, to quote the late Prime Minister Nehru, "as an instrument of social justice". Consequently, in addition to concessions, massive financial assistance and involvement of governmental agencies and personnel characterize the relationship. Obviously, this is required for the formation and development of cooperatives quickly and on a large scale where the small farmers and urban as well as rural economically disadvantaged are in such a large majority and have essentially no capital base. This results in a closer and much more formal relationship between the cooperatives and the governments. However, it is interesting that the need for extensive promotion by the cooperatives of relations with governmental officials and agencies is not much less than

it is in the previously cited situation. To a limited degree this promotion is helped by the existence of governmental departments and other agencies who are directly concerned with advancing the cooperative as well as exercising some degree of control. However, since the "government" is still comprised of individual people and because the promoting activities still require the same "ammunition" of performance and information, the cooperatives' public relations job is still the same and deserves the same attention it gets in the other situation. In recognition of this, the NCUI has organized a public relations division whose activities will include promotion of governmental relations.

To summarize, "Public Relations" can cover such diverse groups as members, employees, board members, suppliers, customers, other cooperatives (at the local, national and international level), general public, local community, and different types of national and local governments. Even so, it appears that the general principles of "tell the true story", "tell it well and often", and "listen for feedback" cover relations with all these groups. "Telling" should be a matter of actions as well as words - "what you are speaks louder than what you say". This should all be done on a professional basis - whether internally, through associations, with outside consultants, or combinations of these. The importance of providing a favourable operating environment through public relations cannot be over-emphasized. It is a very important management function requiring assignment of the responsibility to key people and calling for an organized, active programme. In addition to common purpose and principles, public relations with all the different groups are interlocking and complementary and logically grouped into one programme. A good example of this as well as an illustration of a programme by a large, successful, and advanced cooperative is the appended description of the public relations programme of the marketing arm of the U.S. National Grape Growers Cooperative Association, Welch Foods. It also illustrates the importance this cooperative places on this activity.

It is felt that this conference might profitably address itself to the following:

1. Forming an opinion on the relative importance of this management function and the general approach which might be taken with respect to the various countries.
2. Recommendations as to the proper use of existing methods and approaches (with necessary modifications) in the various countries according to their situation. Also recommendations as to applicable new methods & approaches.
3. Recommendations as to steps which might be taken to improve this capability in member countries and the possible role of the ICA and cooperatives around the world in helping implement these steps.

INDIAN FARMERS FERTILIZER COOPERATIVE

The Indian Farmers Fertilizer Cooperative (IFFCO) is the net result, and outstanding example, of "cooperation between cooperators" on the broadest scale. Cooperation between primary societies and their members, between local and national federations, and internationally between two national cooperative movements, was involved in its formation and the realization of India's first cooperative fertilizer manufacturing complex. This complex, producing at a rate of 800,000 metric tons per year of fertilizer (ammonia, urea, and NKP complex fertilizers), is owned jointly by nearly 25,000 cooperatives (of which nearly 24,000 are primary village societies) in 10 different states. Distribution and marketing is handled by the members with expert and extensive extension services provided by trained IFFCO personnel.

The twenty-plus year old relationship between the Indian and U.S. cooperatives has been based on a mutual exchange of experiences to the benefit of both. The prior experience of joining together to produce their own fertilizer by the U.S. cooperatives as a solution to the problem of obtaining supplies for the members led to the concept that this might apply to Indian farmers as well. The National Cooperative Union of India (NCUI), the National Cooperative Development Corporation (NCDC), and the Cooperative Department became actively involved in promoting and organizing IFFCO. The Cooperative League of the U.S.A. (CLUSA) promoted the idea with the U.S. cooperatives and they, in turn, donated \$1,000,000 to form Cooperative Fertilizers International (CFI), a company which provided most of the technical assistance required. The Indian cooperatives subscribed nearly \$28,000,000 in share capital, while the government took the remaining \$24,000,000 (to be eventually retired by purchase by the cooperatives). Loans were arranged for the foreign exchange component (over \$20,000,000 by USAID, and nearly \$16,000,000 in credit from the U.K. and Dutch governments). Rupee loans totalling nearly \$50,000,000 were obtained from Indian financial sources, \$15,000,000 of which was from the Government of India.

The ammonia and urea units are located at Kalol in the state of Gujarat using natural gas from a nearby field as raw material. The complex fertilizer unit is located at the port city of Kandla in the same state. A special train was

built to transport ammonia to Kandla from Kalol. This has also proved very beneficial to overall fertilizer production in India since the same tank cars have been used to transport excess ammonia to other manufacturing complexes whose ammonia units are temporarily disabled. An important part of the programme was the development and trial operation (using fertilizer like that which would be produced) of the marketing system which incorporated a widespread extension service promoting good agricultural and balanced fertilizer use practices to the farmer members.

The results have been so satisfactory that IFFCO has another urea project under way in Uttar Pradesh and the addition of a phosphoric acid unit at Kandla under consideration. The plans were completed very nearly on schedule and were within the budget on foreign exchange components in spite of worldwide shortages and soaring prices, which is no mean tribute to cooperation in itself. This is undoubtedly the largest and most significant result of a single international cooperation between cooperatives to the present time and hopefully is only a beginning.

SOY-COT SALES, INC.

A Cooperative Vegetable Oil Marketing Organization.

This cooperative venture illustrates well the advantages of cooperation between cooperatives and concerns a solution to a situation that found the individual oilseed processing cooperatives at the mercy of the vegetable oil traders and their benefit to their farmer-members badly affected by wide fluctuations in raw material costs and product prices. Ample supplies exist in the U.S. so that it is a net exporter of vegetable oils and high-protein feed ingredients. More than 90% of the domestic market was confined to 9 large private firms which produced the finished products from crude vegetable oil.

During the late 1950's, some conferences of cooperative oilseed processors were organized and held to promote exchange of ideas and information and discuss solutions to common problems. During conferences a feeling of mutual trust and confidence was developed and the idea of joining together to solve the marketing problem was born in 1960. A new cooperative was formed in February of 1962 as an experiment. Twenty-one processors each purchased a share at \$1,000 and they all agreed to loan the new cooperative a total of \$50,000 for the first year of cooperation, plus a second \$50,000 if required for the second year. They further agreed to market all of their oil through the new cooperative.

They then proceeded to hire the best private trader in the business as a general manager, and provided an incentive plan as well as paid him well. The cooperative charged its members the regular brokerage fee - \$30 per tank car of cottonseed oil and \$20 per tank car of soybean oil. Each member cooperative processor had one member on the board of directors. The board controls by setting policy, hiring auditing firms (annual audits), attorneys, and designating banking connections, as well as hiring the general manager. The general manager conducts the day-to-day business, hires and fires employees, and accounts for the collection and disposal of all funds. Directors' meetings were held frequently, in the first few years for control and coordination and are still held approximately every three months, although for different reasons which will be discussed later.

Buyers quickly found Soy-Cot was reliable and a unique source of large quantities (by pooling oil from several cooperative processors). By the end of the first year, Soy-Cot had sold (both domestic and export) over 225,000 short tons of oil and showed a net savings of about \$23,000 over expenses. After 10 years, the volume had grown to 560,000 tons annually and it had become the fifth largest oil

supplier in the U.S. It also had begun to market soybean meal (90,000 tons in the first year) and soybeans (200,000 bushels in the first year). The second year loan was obviously never required and the 5% interest on the original was not only paid each year, but also the loan was paid off by 1967 instead of 1970 as scheduled. In the first ten years Soy-Cot had also paid out over \$100,000 to members in each dividends and had reached a net worth of over \$425,000. Strange as it may sound, this performance was of secondary importance. The major benefits were in optimum prices obtained by careful market analysis resulting in greatly higher returns to members than those mentioned above and also resulting in secondary benefits which are discussed later.

Soy-Cot's major activity is the gathering and analysis of market information and then projection of future trends in prices and volume to determine optimum selling times. This is done not only for oil but also for meal, raw material and even related commodities, which might affect the market (e.g., other vegetable oils, other raw materials, substitute products, etc.). This is done not only from private and public sources, but from the members themselves and the information is obtained and analysed daily. The results are also transmitted daily to the member cooperatives. This information is used by the members to plan production schedules, product mix, raw material purchases, and stocks to build or trim down of each. Soy-Cot itself uses the information to time sales for maximum prices for the members. As a testimony to their efficiency, the U.S. Department of Agriculture and other public agencies rely on Soy-Cot as their primary source for vegetable oil trend information for planning.

Obviously, Soy-Cot has become the focal point for cooperation in other areas between the cooperatives to their mutual advantage. Information on technical problems is exchanged, personnel are made available to other members temporarily (or even permanently for advancement), raw materials are loaned, critical spare parts and supplies are loaned, information on new development is shared, and similar mutual help activities result from the close communications and frequent contacts. Moreover, Soy-Cot services to members have expanded to include arranging transport, negotiating rates and assisting in the movement of the products as well as sales. The net result has been to help greatly increase the proportion of cooperative processing to private sector processing.

Naturally, many factors preclude the exact duplication of this operation in other countries, particularly the developing countries, because of different circumstances. However, the general principles could be undoubtedly applied and possibly with even greater relative success under the right conditions.

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WHY COOPERATIVE EDUCATION?¹

by

J. M. Rana²

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1. Paper presented at the Asian Conference of Cooperative Management held in Manila, Philippines, December 1 - 6, 1975.
 2. Director (Education), ICA ROEC, New Delhi, India.

Why Cooperative Education?

1. Introduction

1.1 The scope of this paper will be to discuss why cooperative education is needed, the meaning and content of cooperative education and raising some questions for discussion.

1.2 Some references will be made to the situation in the Region. The remarks made in the paper about South-East Asian countries refer to ^{and not to} 12 developing countries served by the ICA RO & EC, Japan and Australia which are in a separate category.

2. Why Cooperative Education?

This question can be answered briefly by reference to the quotations of eminent cooperators, and the ICA Commission on Cooperative Principles.

2.1 Mr. H. Elldin, a noted educationist from the Swedish Cooperative Movement, a very successful cooperative movement, has the following to say about the importance of cooperative education:

"If we had occasion to start our movement afresh, and if we were given the choice between two possibilities - that of starting without capital but with enlightened membership and staff, or, on the contrary, that of starting with a large amount of capital and ill-informed members - our experience would incline us to choose the first course".

2.2 Mr. Charles Gide, a noted cooperative pioneer of France said as follows:

"Common people with the ambition to try to provide for their own needs, and become their own merchants, bankers and creditors, their own employers and their own insurers would indeed be imprudent if they did not first equip themselves with the knowledge and faith necessary for the task".

2.3 Mr. W.P. Watkins, former Director of the International Cooperative Alliance, said:

"It has been said that cooperation is an economic

- 2 -

movement employing educational action. The statement would be no less true if it were reversed. The Co-operative movement is an educational movement employing economic action".

2.4 The report of the ICA Commission on Cooperative Principles has the following to say:

"Co-operation requires of those who would practice it effectively the acceptance of new ideas, new standards of conduct, new habits of thought and behaviour, based on the superior values of co-operative association. No co-operative institution, therefore, can be indifferent, in its own interest and for its own survival, to the need for educating its members in appropriate ways".

2.5. The above quotations show how important cooperative education is and the inseparability of cooperative education and the cooperative movement. It is on account of this factor that the ICA Commission on Cooperative Principles ~~conformed~~ "cooperative education" as one of the six Principles of Cooperation in its report on Cooperative Principles which was unanimously adopted by the ICA Congress in 1966.

3. Meaning and Content of Cooperative Education

3.1 In order to understand properly the meaning of and the content which cooperative education should have, it is essential to understand the principles and the nature of cooperative movement. The definition of a cooperative society which is generally accepted is given in "Co-operation - a Workers' Education Manual" published by the ILO as follows:

"A co-operative society is an association of persons varying in number who are grappling with the same economic difficulties and who, by joining together on a basis of equal rights and obligations, endeavour to solve those difficulties, mainly by conducting at their own risk a joint undertaking to which they have transferred certain economic functions corresponding to their common needs and by utilizing this undertaking jointly for their

- 3 -

common material and moral benefit".

3.2 The above is not adequate to understand the nature of the co-operative movement. But it is not further described to keep the paper brief and in view of the fact that it is well understood by the participants. Salient points may be spelled out in the discussion, if necessary.

3.3 The Report of the ICA Commission on Cooperative Principles emphasized the material and moral benefits of cooperative action as follows:

"The common element at all times has been that Co-operation at its best aims at something beyond promotion of the interests of the individual members who compose a co-operative at any time. Its object is rather to promote the progress and welfare of the humanity. It is this aim that makes a co-operative society something different from an ordinary economic enterprise and justifies its being tested, not simply from the stand-point of its business efficiency, but also from the standpoint of its contribution to the moral and social values which elevate human life above the merely material and animal".

3.4 If one looks at the meaning of education one sees the same spirit that has been expressed by the eminent cooperators above. The Oxford Dictionary says that education means "the systematic instruction, schooling or training given to the young (and by extension to adults) in preparation for the work of life".

3.5 Some cooperators particularly in the developing countries and officers of the government cooperative departments understand by cooperative education as education about cooperatives only or education on cooperative matters. In the opinion of the author, this definition is too narrowly conceived and ill-suited to the needs of the cooperative movements in the Region.

3.6 The eminent cooperators from successful cooperative movements have conceived cooperative education in much broader terms: (a) to teach, of necessity, about the social and economic situation in which

* 4 -

(potential) members live and the importance and methods of cooperative action; (b) education concerning the occupational requirements of the members such as farm guidance for agricultural cooperatives and consumer education for consumer cooperatives; (c) social and other needed education to improve the quality of life of member households; (d) civic and if one may use the word "ethical", education which would lift the members above mundane matters. The Principles Commission Report has this to say in regard: "For the purposes of Co-operation, however, education needs to be defined in a very broad sense which includes academic education of more than one kind but much besides. It includes both what people learn and how they learn itless and less in the contemporary world can education be limited to what is learnt in schools and colleges at special periods of people's lives. The co-operative concept is of education as a life-long process".

3.7 (1) In terms of the personnel to be covered, of necessity the cooperative movement must place the greatest possible emphasis in educating its members, elected committee members, office bearers and employees of cooperative societies.

(ii) In view of the fact, ^{generally} that the cooperative movements in the countries of South-East Asia are government sponsored, government planned and supervised and government controlled, it is essential to train employees in cooperative departments and other related departments in the principles and methods of cooperative work so that they plan and foster genuine cooperative organizations. In this category must be included the top leaders in the government hierarchy including the ministers and members of parliaments who formulate policies and who enact laws.

(iii) Women and Youth are an important source of power to all voluntary organizations and especially to the cooperative movement. The importance of this enormous source of power has only been somewhat understood. Only tentative and halting steps have been taken to bring them within the cooperative movement. The movement needs to be invigorated with the ~~utilized~~ power of women and the fresh energising blood of

- 5 -

youth. The movement must plan for ensuring new generation of leadership and thus it should spread its gospel among the students in schools and colleges and among the young who are unable to have access to academic life.

(iv) The image of the cooperative movement in the general public is of great significance. This image should be refurbished and made a shining one.

3.8 President Ferdinand E. Marcos in delivering the inaugural address to the First Asian Conference on Agricultural Credit and Cooperatives in Manila in December, 1970 had the following momentous words to say about importance of the Cooperative Movement and cooperative education in the context of the Asian situation:

"The meaning and message of this universal upheaval is change - change in the established order of things - change in the structure and premises of the traditional societies. In one fearsome word, revolution.

"There is another, gentler but equally expressive term for epochal phenomenon. It is social justice - the rising clamour of the poor and the disinherited of the world who have finally realized their rights, entitlements and worth as members - majority members at that - of political and social orders from which they have been alienated for so long.

This rising clamour is, I think, loudest and clearest in Asia where it is also most relevant and justified.

All Asia, with the singular exception of Japan, is agricultural and in the main feudalistic in character. Its poverty is massive and its poor are being exposed to winds of change Exposed to these competing winds of change, the masses of Asia are aroused and agitated. They are restive and confused. They are clamouring for change, for liberation from poverty, for social

justice. And, they are learning to articulate their clamour in militant and organized activism..... For the restless masses of Asia; cooperatives offer perhaps the only desirable and acceptable alternative to a violent revolution.

Asia is poor in material wealth but it is rich in human and natural resources. Its capacity for development must be drawn from the organization of vast reservoir of human resources which after all constitute the real and true productive and creative power in any society. Mobilized, motivated and organized in accordance with the dynamic principles of cooperation, the great masses of Asia can transform this sprawling but depressed region into a giant power bloc that can outspace the existing power system in the establishment of a new civilization.

In pursuing the cooperative vision, however, let us be practical and pragmatic. Cooperatives do not come out and develop out of a wish or even a solemn declaration of intention of policy. In the existing environment including the culture which shapes the attitudes and actuations of our peoples in Asia, cooperatives can only come to their own if supported and sustained by a consciously planned implemented programme of education in cooperatives. Less than this will not be enough. Indeed, we shall need more.

We shall need, to begin with, to elevate cooperatives or the cooperative system into an ideology. An ideology of change and development. An ideology of social reform and human reformation. A revolutionary ethic".

3.9 In the same vein the late Mr. Jawaharlal Nehru, former Prime Minister of India, said in his inaugural address at the

- 7 -

ICA's Regional Seminar on "Cooperative Leadership in South-East Asia" in 1960:

"But my outlook at present is not the outlook of spreading this Cooperative Movement gradually, progressively, as it has done. My outlook is to convulse India with the Cooperative Movement, or rather with Cooperation: to make it, broadly speaking, the basic activity of India, in every village as well as elsewhere; and finally, indeed to make the Cooperative approach the common thinking of India...Therefore the whole future of India really depends on the success of this approach of ours to these vast numbers, hundreds of millions of people. With that naturally come processes of training, etc. We cannot just ask them to cooperate. Therefore, we have to train them in a very big way - educate them and give them some special training".

3.10 To sum up then, the aim of cooperative education is to provide education on cooperative matters; occupational education which will improve productivity; social and civic education which will improve the quality of life of the members, and, ethical education which will make the members, if one may use the term, better "human-beings". In addition, the cooperative movement must prepare the members and various other categories of personnel to speedily develop cooperative movement so that by expanding its membership of existing cooperatives and by expanding its coverage to new areas it can make its important contribution to bringing about a social and economic revolution. The overall aim of cooperative education is thus to develop strong, self-reliant and democratically managed cooperatives -- in fact the cooperative movement which is in a position to achieve its social and economic objectives in a world which is becoming ever more competitive. The task confronting cooperative education therefore is not a small one. It is as big as the aim of the cooperative movement itself.

4. Some questions

4.1 When cooperative education is conceived in broad terms as mentioned above, it becomes absolutely important to fix priorities in relation to needs and available resources - financial, man-power and material. In doing so, it is necessary to look at the progress of the cooperative movement in Asia. As a generalization it can be said that there are outstanding examples of successful cooperative enterprises such as the Cooperative Insurance Society of Malaysia, the Kaira District Cooperative Milk Producers Union (AMUL) of India, the Consumers Cooperative Society in Bangkok and the Sepah Consumers Cooperative Society of Iran. However, these are like oases in a desert.

In a paper presented by the author to an FAO Conference on Farmers' Organization in Asia and the Far East held some time back the author had indicated that agricultural cooperatives in the Region have been developed in a number of fields. Agricultural cooperative credit, marketing and processing societies are the most important amongst these. Although notable successes have been achieved in some supervised credit projects, in working, in somewhat satisfactory manner, as agents of government in procuring foodgrains and distributing fertilizers, progress in regard to agricultural cooperatives on a countrywide basis has remained limited. With some exceptions, the same statement could be made with regard to cooperatives in urban areas, such as consumer cooperatives, housing cooperatives and thrift and credit cooperatives, and fishery cooperatives.

4.2 Keeping the above in view, the conference may consider the following questions:

- (i) Has the cooperative movement carried out the required man-power planning and formulated programmes of cooperative education in quantitative and qualitative terms to meet the present and the future requirements? Has the cooperative movement made adequate effort in qualitative and quantitative terms to realized the goals set by the great leaders of Asia such as President Ferdinand Marcos and the late Prime Minister of India, Pandit Jawaharlal Nehru?

- 9 -

- (ii) Is the cooperative movement by itself capable of undertaking the gigantic task of cooperative education? If not, in what way collaboration of other voluntary organizations should be mobilized. Also what should be the partnership between the state and the cooperative movement in planning and operating programmes of cooperative education, in view of the important role which the State assigns to cooperative movement in its economic plans?
- (iii) The cooperative unions are generally recognized as agencies which should carry out cooperative education programmes. Are they effectively supported by the business federations? If the needed collaboration is lacking, what steps should be taken to promote this collaboration, in view of the fact that cooperative unions and business organizations at all levels must act unitedly in performing the gigantic task of cooperative education.
- (iv) How can adequate funds be raised and personnel provided for the needed education programmes?
- (v) Has the time come to employ special personnel/ education officers in large cooperative organizations whether they are primary, secondary or tertiary, to cater to the needs of member education and training for the members and staff of their organizations in collaboration with the cooperative unions' set-up?
- (vi) Are the cooperative education programmes so geared as to produce leaders with vision and the needed capabilities for successfully achieving the revolutionary aims of the cooperative movement, of raising, on the one hand, the socio-economic conditions of the broad masses of the people living in rural and urban areas of various countries of Asia and of making cooperative movements self-reliant, democratically managed and independent of government apron strings and spoon feeding.

ASIAN CONFERENCE ON COOPERATIVE MANAGEMENT
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PERSONNEL MANAGEMENT¹

by

Md. Nural Islam²

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1. Paper presented at the Asian Conference on Cooperative Management held in Manila, Philippines, December 1-6, 1975.
 2. Vice Chairman, Bangladesh Jatiya Samabaya Union

PERSONNEL MANAGEMENT

The progress and prosperity of any economic enterprise is vitally dependent on the management. Of the several attributes, personnel management is a key factor for any enterprise including cooperative. The economic constraints in the developing countries in south-east Asia created by population boom in the face of limited resources have assumed need for maximising productivity. The accelerated development of cooperative movement in south-east Asia Region has involved wider participation of cooperatives in basic productive sectors like agriculture and industries. Side by side with the rapid urbanisation, there has been significant development in marketing and consumers cooperative to take responsibility of distribution. The cooperative organisations functioning in participation of people of small and moderate means have to acquire techniques and efficiency in management to attain maximum output at minimum cost. The modern concept of personnel management and scope of their applicability in cooperatives are the matters of studies here.

ORGANISATIONAL SET UP

The management of cooperative organisations constitute board of directors as the decision making body and official executives delegated with powers to conduct business. The organisational set up has to be planned keeping in view the requirement of particular enterprise. The objectives should be clearly defined and the organisational structure should be drawn up which will act as a frame-work for achievement of desired goals. The organisation chart should outline relationship and cooperation between the working personnel and top management. "Right man at the right job" should be motto in planning of set up. Whether a particular enterprise is a producing unit or commercial concern the set-up should be based on clearly defined role of personnel associated with the organisation.

PERSONNEL PLANNING

After the organisational set up and structure is decided, there should be clear assessment of future demand of personnel. The feasibility of every item of business or proper estimate of cost and the resultant income should be studied. The manpower employed by organisations involve a big element of cost. At the same time manpower equipped with professional techniques and know-how are the valuable assets on whom the progress and prosperity depend. The utility of personnel should therefore be evaluated taking into consideration all the practical aspects involved.

The role of personnel associated with the top management and those employed for internal working should be clearly defined. The constitution of fundamental charter of large organisation lay down the decision making power of the board and the chief executive. The delegation of authority should be made keeping in view the aspects of efficient conduct of business and at the same time capability of persons entrusted with power. The modern concept of organisational management favour the idea of decentralisation of power to ensure quick disposal of affairs. The element of risk involved in exercise of decision making powers by personnel beyond capability should not be overlooked.

In planning of utilisation of manpower it is necessary to have appropriate statistics for volume of work to determine the requirement of personnel on the basis of optimum efficiency. There should be realistic assessment of the requirement to obviate overstaffing and under-staffing. While the excess manpower will involve un-economic expenditure and reduce individual working output. The shortage over the normal requirement will become the cause of inefficiency. Overstaffing has another serious problem that in the event of retrenchment of employees, their morale is adversely affected. Manpower planning should be based on future

programme and in an expanding organisation calculated reserve strength should be maintained to meet the needs of expansion and development programme. The department or section entrusted with the responsibility of personnel management should maintain personal budget integrated with the business or operation budget of any enterprise. The control and supervision over the work of personnel planning should include:

- (i) Inventory of personnel, their experiences and qualifications.
- (ii) The actual requirements at various positions.
- (iii) Recruitment plan to meet the present and future needs.
- (iv) Training plans, internal job training and training at available technical institutions.
- (v) Development and promotion plans.

The various steps for personnel planning should be directed towards attaining management efficiency upto the optimum level. The working strength at various level should develop team spirit under the stable leadership of the persons engaged in managerial cadre.

JOB ALLOCATION

job description and duty charts are maintained in every organisation enumerating the duties and responsibilities of personnel in various positions in big industrial and other concerns where division of labour is favourable to the working output. clearly defined job description and allocation of duties should be maintained. There are organisations in which the performance of job is interconnected as chain links where it is not possible to maintain duty chart as water-tight compartment. There should be close coordination to create team spirit between different working people so that individual responsibilities are not avoided.

The allocation of duties are to be made on the basis of capabilities for performances of job responsibilities. The chain should be planned in a way so as to create a conducive working atmosphere free from chance of job frustration. A cordial feeling amongst the people at work having respect of juniors to seniors and sense of job loyalty will definitely improve the qualities in working output, efficiency and reputation. The job planning should be aimed at perfection towards "on-the-job training" of juniors from the seniors. Such training of personnel through the job performance benefits the organisation as well as the persons as they are groomed up to undertake higher responsibilities.

The improvement of working output depends on individual initiative for works, as well on leadership from persons who supervise the work. The quality leadership can develop a strong sense of awareness amongst working people to maximise their output. The incentive for future welfare in promotions and other material gains encourage improvement of efficiency. Job rotation is helpful for providing opportunity for an individual to learn varied work. Instead of being one-sided expert in sectionalised duty, it is better to learn various work in job rotation.

RECRUITMENT

Recruitment is based on job requirement and selection of persons is generally made from those who are eligible in respect of qualifications and experiences required for the particular organisation. Authority for appointment for different categories of employees is vested to executive or executive body according to rules governing such matters. The general quality of manpower of an organisation is dependent on its recruitment policy. Selection of people of talent and aptitude towards particular line of trade will definitely help the improvement of standard of personnel.

Except people of executive rank and managerial position where the source of recruitment is personal negotiation or borrowing of people on deputation from other organisation, the general recruitment should be made in fair open competition. The qualification, experiences and other background should be examined in process of testing. Suitability is generally judged on merit on the basis of:

- (i) Academic and technical qualifications,
- (ii) physical fitness and mental alertness,
- (iii) environment and social background,
- (iv) general behaviour and aptitude.

Recruitment is planned for phases of employment as needed by the organisation. In certain categories, the fresh recruits are straightway put to job. There are schemes for recruitment on probation or apprenticeship who under programme are absorbed in job after they undergo process of training. Where the recruitment of experienced persons become costly due to demand of high salary the building of manpower is preferred through process of training programme.

TRAINING

To develop professional skills and proficiency of personnel of any organisation the training plays a vital role. Training programme is conducted by different organisations according to their needs which may be following types:-

- (i) In service or on the job training which is imparted within the organisation by practising the various work.
- (ii) Training/organised training institute or centre specially established for personnel employed by organisations.
- (iii) Training under programme of study seminar or workshops and field visits.
- (iv) Training in process of acquiring practical experience with the length of service.

To make the training programme useful, it is desirable to have effective combination of theoretical and academic knowledge with practical work. persons entrusted with training work should be accomplished with full knowledge and skill. Training should be conducted in a disciplined environment. In case where it is not possible to establish training centre or institute by a particular organisation, it is advisable to form a group of those of same line of business to maintain training institute. In conducting job training the trainees should be made to work in practical operation and the persons who supervise training programme should guide the trainees in supplementing their knowledge in various types of work.

The result of training should be properly assessed and evaluated from the performances of personnel trained. This needs closer supervision of their work with regard to practical application of training knowledge. Should any deficiency or shortcomings are observed steps should be taken to make good such defects in future programme.

The training programme should be methodically planned consistent with the level of personnel placed under training. There should be discrimination between programme for newly recruited probationers or apprentice with refresher courses of the already experienced persons. The programme for elementary knowledge and that for advance courses should be formulated carefully so that the training method serves the best useful purpose to both the trainees as well as the organisation. The production of training literature and materials should be prepared according to the needs.

PROMOTION

The scope for promotion of employees to higher grades and ranks arise out of -

- (a) vacancy for particular post which can be filled by promotion from existing employees.
- (b) expansion of functions of organisation creating new position which can be filled up from existing personnel.
- (c) encouraging incentives to existing persons to retain them in job preventing them from seeking alternative better employment elsewhere.

The decision for promotion or granting of benefits to employees should be made judiciously. The criterion fixed for promotion may differ from organisation to organisation. Seniority in length of service is taken generally as one of the factors but this should not alone form basis for promotion. The promotion should be decided after evaluation of job performances. The merit should get priority over seniority.

Due consideration for merit about promotion create a general incentive to working people to maximise their efforts. The factors generally taken into consideration for promotion are :-

- (i) Capability and quality of work.
- (ii) Trustworthiness and job loyalty.
- (iii) Initiative and drive.
- (iv) General behaviour and
- (v) satisfactory job performances.

Promotion policy in personnel management should be judiciously planned. The decision should not be cause of frustration rather provide encouragement to maximise efficiency and output and to work for the interest of organisation.

Cooperative Management in Bangladesh

Under the cooperative regulation in force the top decision making body is the board of directors who are either elected representatives or nominated by government. The cooperative societies which are supported by the financial assistance largely from government the chief executives are deputed by government. The chief executives, apart from the executive functions in management of the society, act as secretary of the board. The internal management of personnel is supervised by the chief executive. The powers and duties of the chief executive are defined in the byelaws of the society. The board of directors may delegate such powers from time to time as are necessary for conduct of business. The Agricultural cooperatives form significant part of the cooperative movement in Bangladesh. The primary societies in the structure of Agricultural cooperatives at operation level are small in size and are mostly managed by cooperators themselves. The organisations at regional or national level are managed by executives deputed from government department and the board of directors constituted by elected representatives.

The skill of the management of cooperative organisations in Bangladesh may be satisfactorily increased by proper training facilities. The cooperation and coordination between different tiers will be developed if such training facilities are given by the ICA and other international organisations or with the assistance and cooperation of other friendly countries for the progress and prosperity of the economic conditions of the human beings.

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COOPERATIVE MANAGEMENT IN INDIA¹

by

R. G. Tiwari, M.P.²

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1. Paper presented at the Asian Conference on Cooperative Management held in Manila, Philippines, December 1 - 6, 1975.
 2. President, National Cooperative Union of India, NEW DELHI.

COOPERATIVE MANAGEMENT IN INDIA

In the business world—whether Public, Private or Cooperative — we are living with the continuous process of management revolution and at no time in the past people were concerned with the problems of management than today. Peter F. Drucker writes in the Practice of Management: "the emergence of management as an essential, a distinct and a leading institution is a pivotal event in social history. Rarely, if ever, has a new basic institution, a new leading group emerged as fast as has management since the turn of this century. Rarely in human history has a new institution proven indispensable so quickly; and even less often has a new institution arrived with so little opposition, so little disturbance so little controversy. Management will remain a basic and dominant institution perhaps as long as Western civilization "itself survives."

2. Cooperative enterprise emerging as an alternative to the two extremes of capitalism and socialism is, too, equally concerned with the maintenance of business efficiency through the adoption of scientific management techniques. In this context it is in fitness of things that the Regional Office of the International Cooperative Alliance has convened the Asian Conference on Cooperative Management. This paper which I am placing before the conference attempts to briefly project the principles and practices of management^{of} cooperatives in India.

CHARACTERISTIC FEATURE OF INDIAN COOPERATION:

3. With a view to having a lucid picture of cooperative management it would be appropriate to analyse the evolution of cooperative system in India. A critical study of growth and evolution of cooperation in India reveals the following characteristic features that have largely influenced the pattern of cooperative management in the country:

a) Cooperation emerged as state sponsored system to solve the limited problem of rural indebtedness in 1904. The Government, therefore, regarded cooperative law as primary instrument of managing cooperatives.

b) During pre-independence period, the British Government emphasised the need for honorary service. This was because of the limited extent of the growth of cooperatives. In fact the colonial Government did not visualise for larger diversification and complexities a cooperative business.

c) With the attainment of freedom and adoption of planned Economic Development, cooperation was regarded as principal instrument of economic planning for strengthening the mixed economy of the nation. The active

-2-

support of the state to the cooperatives is assured, although there may be, sometimes, practical deviations in the policy of the Government. Of late the Government is advocating the policy of multi-agency approach to development of agricultural and urban section. Thus cooperatives are expected to compete in the free market.

d) The cooperatives aim at creation of environment and situations for "better farming, better business and better living of the people". This has resulted into a big diversification and growth of cooperative business. The activities of cooperatives are now not limited to credit but extended to other spheres as well like marketing, agro-based industries, distributive trade, industrial cooperatives, housing, fisheries, machinery to name some have also been brought within the fold of cooperatives. This diversification has led to more complex business activities of cooperatives.

e) The organisational structure of cooperatives is federal consisting of primary units at local level, secondary units at district/regional level and provincial units which federate into national level federations of concerned sectors of cooperation. This naturally calls for effective business integration among various units of cooperative institutional framework.

f) Ideologically cooperatives in India subscribe to the principles laid down by the I.C.A. These principles are open and voluntary membership, democratic control, distribution of surplus in proportion to members transactions, limited interest on capital, cooperative education and cooperation among cooperatives.

STRUCTURE OF COOPERATIVE MANAGEMENT:

4. These distinctive features of Indian cooperation influence the application of techniques of management in cooperatives to a great deal. For some time past there has been ^{an} erroneous feeling that scientific management techniques have very little relevance to cooperatives since they do not aim at maximum profitability as the business enterprises in Private or Public sectors. Such a concept does not hold good in modern business enterprise whether cooperatives or otherwise. To quote an I.L.O. Publication, entitled Cooperative Management and Administration, "It is now generally accepted that a cooperative is both an association and enterprise, combining an

-3-

ethical content with a business structure and business activities".

This certainly calls for efficient managerial ability.

5. The Managerial ability is governed by the strength of structure of cooperative management built up with General Body, Board of Directors and administrative wing headed by the elected Chief Executive. The structure is constituted through the process of democratic control which is manifested as under:

- i) The General Body comprising of the entire membership of cooperatives elects the Board of Directors through democratic process on the basis of one member one vote. Constitutionally Board of Directors are responsible to formulate the policies and action programme so as to achieve the organisational goals.
 - ii) The Administrative Wing of the institution headed by administrative Executive is responsible to execute the action programme, within the framework of broad policy laid down by the elected Board.
 - iii) All these three units i.e. General Body, Board of Directors and Chief Executive, though independent in their functioning are inseparably linked with each other for achieving the organisational goals as per the provisions of bye-laws.
6. The latest trend, which is likely to have deep influence on the structure of cooperative management is its professionalisation. With the growing diversification of cooperative activity, it has become obviously necessary to professionalise the management of cooperatives. In sum and substance it means that while the policy making part of the management must be under the control of elected representatives of the members, operative or executive part with the professionals. There has to be clear cut demarcation of the jurisdiction of these two segments of management. However, in the context of organisational harmony, effective care has to be taken so that these two wings of cooperative management do not function parallelly but in close cohesion. This will pre-suppose operative freedom to the executives and vesting the elected management with necessary powers and responsibilities to have check and control on accountability of professionals. In other words both the wings of the management have to direct their efforts towards the realisation of organisational goals as incorporated in the bye-laws of the institution. Here it may be pointed out that interpretation of bye-laws is the responsibility of members

-4-

of cooperatives who act through their elected representatives.

IDEOLOGICAL SETTING OF COOPERATIVE MANAGEMENT:

7. Although the operational aspects of management of cooperatives may be akin to those of business in private and public sectors, there is a great deal of difference in their ideological approach, particularly in the context of profitability of enterprise. This is on account of the very contents of cooperation. To quote M.D. Vidwans in Cooperative Law in India, "Cooperation has twin elements. The first is human and social while the second is economic". This means that in cooperatives the economic contents have to be subservient to human and social contents. In other words the gains of business enterprise will not get concentrated at the level of investor of capital as it happens in private sector, but get equitably distributed among the members irrespective of differences in their socio-economic status.

8. The principles of cooperation enunciated by the International Cooperative Alliance provide the ideological framework of cooperative business. The management practices followed by cooperatives reflect such ideological framework. The following chart mentions the correlation between cooperative ideals and their business practices:

<u>Principles of cooperation</u>	<u>Management Practices</u>
i) Open and Voluntary Membership	Provisions in Act, Rules and Bye-Laws have been made for the purpose. No cooperative can refuse membership to any person on the consideration of caste, creed, religion or politics.
ii) Democratic control	a) One member one Vote. b) Elected Management c) General Body is supreme.
iii) Equitable distribution of surplus.	Provisions regarding Patronage Dividend or Patronage Bonus.
iv) Limited Interest on capital	a) Maximum limit for purchase of share per member. b) Limited interest on capital.
v) Coopeperative Education	Specific amount out of surplus earned by the cooperatives is allocated for creation of education fund.

-5-

vi) Cooperation among co-operatives.

It is reflected in horizontal and vertical integration among cooperatives. For example integration between credit and marketing cooperatives; between producers' and Consumers' cooperatives; and effective business integration among constituent units of federal structure in a particular sector of cooperation.

ROLE OF THE STATE:

9. The degree of correlation between cooperative ideals and business practices is influenced to a great deal by the role of state in the promotion of cooperation. The situation differs from country to country. In communist countries the cooperative form of business is gradually being used to increase the control of state on means of production. But in mixed economy like ours the State sponsors promotion of cooperatives with heavy support in the initial stage and withdraws itself when cooperatives reach at the stage of self-reliance. Valkeo illustrates this process in the following words:

".....in underdeveloped countries Welfare cooperatives with a maximum of State control may be necessary.....as the country develops, so likewise should the cooperatives with the role of the state decreasing as the role of member increase. Thus in mature economics cooperatives should be relatively independent associations". In India, although we subscribe to the same policy, it is observed that despite of great deal of progress of cooperatives in various sectors, the control of state on management of cooperatives is increasing day by day. This may not be conducive for self reliant growth of cooperatives.

AREAS OF MANAGEMENT:

10. The important areas of management in any business enterprise, including cooperatives, are personnel management; marketing management; financial management; communication and procedures and public relations. These areas or segments of management have emerged through a process of evolution and have been influenced by the ideological setting in which cooperatives are functioning. It would be relevant here to briefly discuss them.

-6-

(A) PERSONNEL MANAGEMENT:

11. This aspect emerges out of staffing function of management and deals with recruitment, training, placement and motivation of employees and workers. Personnel Management is the most important part of management as it deals with the human resources which actually provides concrete shape to the idea decisions of the elected management for the achievement of organisational goals. On the efficiency of personnel depends the efficiency of entire business enterprise which, of course, pre-supposes full understanding and confidence between elected management and executives. There has to be identity views in these two wings of the management.

12. In cooperative sector there have been difficulties in the evolution of well defined personnel management policies. The subjective considerations, whether at Government level or cooperative level, have had deeper influence in this context. Since movement largely thrived on Government initiative and assistance, the Government directed the personnel policies of the cooperatives. More emphasis was given on deputation from Government in cooperatives. This obstructed the process of independent development of managerial resources of cooperative, while the number of employees in Cooperative Department of the Government swelled.

13. The growing diversification and complexities in cooperative business called for development of personnel resources of cooperatives on their own. This process has given rise to following trends:-

- i) While evolving personnel policies a single cooperative society should not act in isolation. It has to function as part and parcel of entire organisational structure.
- ii) The federal institutions should have more say in the formulation of personnel policies.
- iii) For key posts specialised cadres should be created at the level of federal institutions for the benefit of their constituent units.

14. In order to give concrete shape to the personnel policies in cooperatives, of late, managerial cadres for various sectors of the cooperative movement have been created. Legal provisions for creation of such cadres and for selection of Chief Executive of the provincial and national level cooperative federations have been incorporated in the Cooperative Societies Acts. These provisions contemplate that every cooperative institution should have defined personnel management policies and the federal bodies should have increasing

-7-

role in this direction. The selection committees for recruiting and placement of the cooperative employees should be created at the level of federal institution in the various sectors of cooperative movement. So far, the managerial cadres in the sectors of credit, marketing and consumers cooperation have been constituted in the country. However, the experience of the working of the cadres shows that on account of lack of coordination between the constituent units and their federal institution the system reflects constraints in its operation. Therefore, the need is to create necessary environment so as to enable the system of managerial cadres work smoothly. Institutional understanding between the constituent units and their federation is required to be created for the success of the managerial cadres. This would call for suitable provisions in the cooperative societies act, rules and bye-laws on the one hand and on the other an unified and integrated business and administrative functioning of cooperative institutions at various levels.

B. MARKETING MANAGEMENT

15. The problem of marketing management is more acutely faced by the cooperatives operating in the mixed economy like ours. While the cooperatives are expected to execute the policies of the government in an efficient way, they are also expected to compete in the open market, Obviously on account of weak financial structure they are not in a position to compete in the market. Based on this criteria the policies pertaining to marketing management in cooperatives may be evolved as under:-

- a) The business operations at the level of marketing cooperatives should be directed in such a way as would not increase the cost of production. In other words the prices of the product of cooperative institutions should be competitive with those of the goods produced by the other sectors.
- b) With a view to having large scale economics out of the marketing process there should be effective business integration among various units of organisational structure. For example, if the primary agricultural marketing society goes to the market on its own it may not be in a position to compete with the well entrenched private traders; but if it functions through the federations it may be in a position to achieve better results. Same analogy holds good in respect of other types of cooperative institutions.

-8-

- c) Since the cooperatives are expected to act as countervailing force in the market and to assist the Government in bringing about stability, the government need to give all support to the cooperative institutions. This is also essential in view of the fact that the benefits of the cooperative marketing accrue to the weaker sections of the community who constitute the membership of the cooperative institutions.
- d) The public sector agencies, which are dealing in agriculture products for maintaining the public distribution system should give preference to the cooperative institutions.
- e) There is also a need for effective horizontal and verticle integration among various types of cooperative institutions. Possibilities should be explored to establish effective coordination between producers cooperatives and consumers cooperatives.
- f) The cooperative institutions have to develop their distinct "Brand" through the process of quality control. For this purpose it is essential that the timely technical assistance and guidance is made available to the cooperatives.

C. FINANCIAL MANAGEMENT:

16. The Cooperative institutions are business enterprises and therefore, need finances which are raised through the contribution from the members and the borrowings from financing agencies. The basic principle of financial management in cooperatives is that the use of capital should be for the socio-economic betterment of members and not for the capital concentration as is in private sector. Prof. D.G. Karve in his speech delivered at 23rd Congress of the International Cooperative Alliance held in Vienna in September 1966 suggested the following norms for financial management in the cooperative institutions.

1) Cooperatives are users' organisation for mutual services. Hence any capital owned or employed by them is only an instrument of production. It has to be hired at its market value. Different types of borrowings have appropriate rates of interest. Share capital, in so far as it is used in the business of cooperative, would be entitled to its appropriate rate of interest, though this would not preclude any society, from keeping its share capital at a low rate of interest or paying no interest at all on it. The only cooperative value involved is that capital in any form

-9-

used by a cooperative should not have a remuneration higher than an appropriate rate of interest; and that where unequal shares are held, the right of participation in the control of the cooperative should not be weighted in favour of those who hold more shares.

ii) Once it is made clear that capital is not entitled to anything more than interest, any surplus or saving which would emerge after due provision is made for all cost items and for business reserves which are parts of the balance sheet, should be returned to members in proportion to the contribution which they may have made towards its creation by the business which they brought to the society. A cooperative cannot make a net profit at the cost of its members, nor it can adopt an arrangement which enables any one of its members to benefit at the cost of another.

17. This explains the points of difference between the financial management in private sector unit and cooperative unit. However, on account of compulsion of the situation the cooperatives are also dealing with the non-members and therefore, operating in the free market as any business unit belonging to other sectors of the economy. This has resulted into an increase in the financial requirements of cooperative institutions. Many a times on account of lack of timely availability of resources cooperatives suffer a great loss. They cannot maintain the tempo of their business operations as required by the free market and their members are also not in a position to mobilise the required financial resources in time. Therefore, the need is for judicious use of limited financial resources with the cooperative institution. To quote Valko in his Essay on Economic Structure of Cooperatives "It is true that many cooperatives do not keep their revolving capital operating at a satisfactory rate. Sometimes, the revolving action is too slow or even "frozen", when as a result of rapid expansion the associations are "eating up" the capital rather than paying it to members as original planned. Therefore, a great number of old members consider their equities as a "worthless" account on the books and not representing any or certain value to them". In other words judicious use of financial resources aims at creation of corporate savings within the institutions so that in long run they are in a position to develop self reliance in terms of financial resources.

D. COMMUNICATION, PROCEDURES AND PUBLIC RELATIONS:

1. Communication is an important part of the process of management.

-10-

Through this process various segments of management in the cooperative institutions are well knit in unison for the achievement of organisational goals. Unfortunately since Indian cooperatives originated and developed at the Government's initiative the system of communication and various procedures adopted by them was influenced by the Governmental policy and machinery. As a result of which cooperatives could not adopt themselves with the latest changes and trends in the field of business management. The ICA Commission on Cooperative Principles analysed the problem in the words, "Those cooperative bodies who were unwilling or slow to adapt themselves to the requirements of new situation have suffered avoidable set backs".

19. Communication in cooperative institutions is a multi-directional process on which depends their successful working. There has to be communication between the members and the Board of Management; Board and Executives; Cooperative Institutions and the Government General Public & Cooperative Institutions and vice-versa. In view of this, effective and simplified ways and means have to be found out for maintaining continuous flow of communication among various segments of cooperative management and the allied agencies. Closely related with the process of communication is the problem of maintenance of good public relations, a key factor for building up goodwill of any institution. In big cooperative enterprises an independent department known as public relations department is created. Since the institutional frame work of cooperatives is federal one, the main burden of effecting public relations lies on the higher tiers of the structure. The objective of the public relations is not only to project a better image of the enterprise but also to imbibe the faith of general public in cooperative ideology. Many a times wrong impression is created by the press which is owned by the private sector capitalists. Therefore, the cooperative movement has to evolve its own system of press and publicity. The ideological federations like the state cooperative unions and National Cooperative Union of India have to direct their efforts towards this end. To quote Peter F. Drucker "The Management is also responsible for making sure that the present actions and decisions of business enterprise will not create future public opinion, demands and policies that threaten the enterprise, its freedom and its economic success".

MANAGEMENT DEVELOPMENT: CRUX OF THE PROBLEM:

20. The concept of management development visualises effective arrangements for proper training and education of all those who are associated with the cooperative institutions directly or indirectly. Basically it is a process of the development of human resources and the leadership which are the important limbs of cooperative management. One of the cardinal principles of cooperative organisation is the principle of cooperative education which envisages continuous arrangements of training and education within the cooperative movement. The National Cooperative Union of India through its comprehensive training frame work comprising of one National Institute of Cooperative Management, 14 cooperative training college for middle level executives and 67 cooperative training centres for junior personnel and one National Centre for Cooperative Education has been striving hard to achieve the objectives of management development programmes for the cooperative institutions. Yet great deal remains to be done. In this context what is needed is the development of built in arrangements within the cooperative structure for training and education of the cooperative personnel and leadership. Every apex level federation should have man power planning cell at its level for undertaking the following tasks:-

- i) "To assess the present and future managerial requirements,
- ii) To prepare list according to priority,
- iii) To secure effective coordination in the various areas of managerial trader requirements and
- iv) To maintain continuous follow up and evaluation programmes."

21. The Review Committee appointed by NCUI had observed that the conscious leadership and efficient executives will be core deciding factors for the success of cooperative movement in the country. In this context the committee recommended for effective inter-cooperative relationship which would, in long run, be instrumental in the management development programmes for the cooperative movement. To quote from the background papers on general approach to cooperative movement submitted to 6th Indian Cooperative Congress. "The leaders of cooperative enterprises will have to recognise that training has to be a continuous process through out the career of cooperative employees and development plans for cooperative enterprises should be tailored with the career development plans of cooperative personnel which in turn should be linked with a systematic practice oriented use of available training facilities and their further reorientation for the dynamic change".

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RELEVANCE OF MODERN MANAGEMENT TO COOPERATIVES¹

by

J. B . L. Khachi²

1. Paper presented at the Asian Conference on Cooperative Management held in Manila, Philippines, December 1 - 6, 1975.

2. Member, Executive Committee, National Cooperative Union of India.

RELEVANCE OF MODERN MANAGEMENT TO COOPERATIVES

1. Management which was considered to be an art based on experience has now developed into a science based on systematised body of knowledge and acquired the status of a profession. And, scientific management has come to be recognised as the sine qua non of progress in industry, trade, commerce and all sectors of developmental administration in government. Surely, cooperatives can no longer remain impervious to the developments taking place all around and content themselves with anachoristic methods of management. For, their success depends not so much on the availability of resources in money, facilities and men but on how well they have been welded together by good management for the achievement of the objectives set before them.

2. Cooperatives offer the best method of achieving the benefits of efficiency, of adequate financing, of larger scale purchasing and selling and of mass production with the ultimate objective of serving the society. As such, they have a vital role to play in raising the living standards of small men and contribute to the uplift of the national economy. They can only accomplish the task when they are dynamic and growing enterprises and not if they remain static and economically nonviable institutions. Again, their growth depends upon competent management comprising men who do not limit the growth of their institutions to the scope of their ability.

3. The cooperative movement in our country has recorded phenomenal growth in the recent past. It has an aggregate working capital of Rs. 7,695 crores and an annual turnover of Rs. 6,000 crores. Yet we have today as many as a lakh of cooperatives which are not economically viable in the sphere of agricultural credit alone to cater to the full production needs of their members. This situation obtains despite recognition accorded to cooperation by state as a potential instrument of development with social justice and financial participation of

state in cooperatives to accelerate the pace of their growth. If today the government is obliged to call in other agencies to open additional lines of credit to farmers to satisfy their production needs fully it is because of the apathy of cooperatives to change in respect of management and achieve growth to the extent envisaged in this vital sector of our national economy.

4. The growth of cooperatives and their dynamic functioning is in direct proportion to the quality of management they have. This has amply been demonstrated by experience. For the attainment of growth, cooperative management has to be not only as good in choosing and directing personnel, as shrewd in buying and merchandising commodities, as expert in financial and account matters, as resourceful in communication and co-ordination and as good in public relations and projection of image as managements in competing businesses but also serve as a leader of the community to effectively fulfill their objectives.

5. Admitted by these are tasks beyond the competence of the committees/boards of management comprising at best of lay managers. The committee of management no doubt is the source of authority for laying down policies to serve as guides to consistent decisions in recurring situations but certainly not the authority to make management decisions. The time has come for cooperative to entrust the management tasks to persons with the necessary skills and sttitudes to work for the achievement of their objectives. The principles of cooperative organisation and methods of its working fortunately make it possible for all persons in the enterprise - employees, members and patrons - to conciously contribute to the achievement of the objectives.

6. The foremost task of the manager lies in choosing and directing the personnel for the achievement of the business objectives viz, service, efficiency and economy. In a going concern first attention needs be given to the men and women already

on the payroll and the fuller utilisation of their abilities and skills rather than to recruitment of new employees. Faulty placement and poor morale, lack of teamwork and group spirit are the major factors that contribute to poor turnover. Employees need to be screened from time to time to institute corrective measures. Building a successful team of supporting talent calls for ability to motivate the workforce. Motivation is what makes a person to do what he does. Persons do not act because of their knowledge and skill. Sound salary administration and personnel policy which provides for transfer and promotional opportunities to the employees go a long way in motivating. Besides, the manager as leader of the workforce has to promote a sense of participation among the employees in the processes of decision making.

7. In the matter of recruitment cooperatives will be well advised to pay adequate attention to attitudes and skills of new recruits. As one eminent cooperator had said the question is not one of unemployment in our country but dearth of employable persons. Persons who lack a sense of commitment to their role do more harm than good to the cooperatives. Therefore, it is time that cooperatives resist the imposition of such persons on their work force.

8. Marketing is the most important task of cooperatives. The main object of marketing is to deliver a higher standard of living to the members. "Good marketing is not just meant to sell goods at any cost, but to avoid ever capitalisation with fixed assets, and to minimise the use of working capital, with the aid of good demand forecasting and good stock planning". Marketing has direct relevance to larger outflow of surplus farm products in the form of food-grains and industrial raw materials; and higher inflow of farm inputs and consumer goods to absorb rising farm incomes.

4

9. Fortunately we have in our country a net work of producers' organisations in the cooperative sector which handles agricultural commodities worth around Rs. 1,200 crores annually and a net work of outlets for distribution of consumer goods whose annual turnover is of the order of over Rs. 700 crores. Their present level of operations is not capable of influencing the trends in either the commodity markets or the retail markets. It is envisaged that by the end of the Fifth Five Year Plan, they will handle agricultural produce worth Rs. 1,900 crores and the urban consumer cooperatives will distribute goods of a value of Rs. 600 crores. The developments envisaged and the recent policy decision taken by the government to assign a permanent place to cooperatives in the public distribution system pose a challenge to the cooperatives. To discharge this responsibility efficiently the facilities in cooperatives must be as good and attractive as in competing business both from the point of view of patrons and from the point of view of employees. Cooperatives have to recognise this.

10. However competent the management is cooperatives cannot grow and undertake large scale operations and compete with private business without adequate finance. There must be enough capital for inventory, facilities and expansion and sufficient working capital for month to month operations. Three sources are open to cooperatives for obtaining the finance they need. (1) capital from members including government; (2) capital from savings; and (3) borrowings.

11. A systematic effort has to be made to improve the capital from members. A variety of innovations have to be thought of to motivate members to capitalise their savings from year to year, depending upon the nature of the transactions with them. Conversion of dividends and patronage refunds into capital has been in vogue in Western countries. This can be adopted here also.

12. Cooperatives have to exercise restraint in frittering away their surpluses on non-essentials. The State also has to modify the taxation laws to permit cooperatives to build capital from out of surpluses. If the surpluses are taken away by the State in the form of taxes cooperatives will not have incentives to work for surpluses. Secondly, without enough capital cooperatives will not be able to serve the purpose for which they were set up and supported by the State. These factors have to be brought home to the government. Lastly, borrowings have to be resorted to only when the cost utilisation ratio is advantageous. This is vital at a time when bank rates have soared to an all time high.

13. The job of the management is to get better results at less cost. Thus management has a crucial role to play in utilisation of the limited finances at their disposal to the best advantage.

14. Communication plays an important role in human relations in cooperatives for revolutionising team-spirit and motivating higher performance by employees. Increased communication among different levels and units and increased participation of employees in the direction of activities contribute to increase in output. Management has to accept the responsibility of keeping the employees fully informed of the policies pertaining to employee benefits and employee rewards to motivate them to work for the achievements of the objectives. There is a tendency among management to keep decisions of board and managers secret from the employees. The sooner this practice is given up the better for insuring employee motivation.

15. It has to be borne in mind that employees at all levels should be given more information about the cooperatives and their operations in order to convey to them that they are an important part of the organisation and how the management aims at making it stronger and greater with their help. The ana-

lysis made by managers of effects of changing economic conditions etc. on the society will motivate them to think. Then they can be expected to do things right rather than do right things.

16. Equally important is the need to ascertain the views of employees on all aspects of the operations including staff facilities. House magazines in bigger organisations and regular meetings of staff committees have been used with astounding success in some of the cooperatively advanced countries.

17. It is equally important to maintain the lines of communication with the members and patrons. Just as customers satisfaction is vital for operations, policies and management decisions are of considerable importance in motivating increasing participation by members and patrons in capital and operations. Hence communication contributes to the growth of the institution as well.

18. The one area which gets least importance from cooperatives is projection of image and maintenance of good public relations. Cooperatives do not feel any one any longer by what they say they do. Favourable attitudes not based on correct information or by concealing adverse facts will easily be destroyed by rumours and disclosure of true facts. Deeds however good, by themselves do not contribute to image building. They are open to misunderstanding if not pointed out and it is difficult to change the attitude of the public when once formed. Therefore, a dynamic public relations programme is of utmost importance.

19. The object of public relations is to create favourable attitude in public mind towards cooperatives. If cooperatives merit public acceptance they have not only to operate to serve public interest but also inform the public how their interest is served.

7

20. The importance of public relations cannot be over-emphasised. As it is, profit making business which is entrenched in almost all fields where cooperatives operate has become jealous of the cooperative sector. Besides creating obstacles by manipulating shortages and prices in the market, they are taking every opportunity to exaggerate the shortcomings of cooperatives and tarnish their fair name and image.

21. Without skilled managers who have a sense of commitment to work for them it is not possible for cooperatives to embark upon a dynamic public relations programme for creating a favourable atmosphere for the growth and progress which is envisaged.

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MANAGEMENT OF MARKETING COOPERATIVES
IN INDIAN CONTEXT

by

B. M. Deshmukh

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1. Paper presented at the Asian Conference on Cooperative Management held in Manila, Philippines, December 1 - 6, 1975.
 2. Vice-Chairman, Maharashtra State Coop. Bank, Ltd., Bombay, India.

MANAGEMENT OF MARKETING COOPERATIVES
IN INDIAN CONTEXT.

ACCM-CP (India)
Management of
Marketing Coop in
Indian Context

by

Mr. B.M. Deshmukh
Vice Chairman
Maharashtra State Cooperative Bank Ltd.,
Bombay.

Introduction

It is well known that Indian economy is basically agricultural-oriented since more or less 70% of gross national produce comes from Agricultural produce. There has been a growing awareness right from the beginning of this century that the imperfections in the system of marketing of Agricultural produce constitute a significant constraint on Agricultural production. It was realised that the real answer lies in the voluntary action by primary producers by organising Cooperative marketing.

Marketing of Agri-produce itself form a tremendous task on account of various factors and special features of the same. Seasonal character, lack of transport and storage facilities, small size of marketable lots, domination of trader-cum-money lender, various disparities and malpractices make the marketing of Agri-produce a complicated process. The Royal Commission on Agriculture in 1928 referred to these malpractices a 'Nothing less than theft' while the All India Rural Credit Survey Committee (1954) remarked as follows :-

'Often enough, the cultivator's position is that of having to bargain if he can, with some one who commends the money, commands the credit, commands the market and commands the transport'.

Although, the Cooperative movement in India was initiated mainly for the purpose of providing Agri-Credit to the farmers there was an early realisation that marketing is an essential adjunct of Agricultural Credit. Consequent upon the implementation of the integrated scheme of rural credit, concerted efforts are being made for the development of Cooperative marketing, processing warehousing and storage of Agricultural produce in the country.

CONCEPT OF MARKETING

Before proceeding into detailed discussions about the need, importance and role of Cooperative marketing, it will be better to consider and understand the clear concept of marketing.

According to Peter F. Drucker, "Marketing is the distinguishing the unique function of the business. A business is set apart from all other human organisations, by the fact that it markets a product or a service -- Any organisation in which marketing is either absent or incidental is not a business and should never be run as if it were one".

The American Marketing Association defines:- Marketing as "the performance business activities that direct the flow of goods and services from producers to consumers or users".

This includes - advertising, warehousing, transport and marketing Research and indicates that Marketing thinking should commence even before production activities are undertaken. Thus it is production oriented. Paul Mazur defined it as, 'the delivery of a standard of living to society'. This was further expanded by Prof. Malcom M.C. Nair to 'the creation and delivery of standard of living'. According to Council of Institute of Marketing (UK) 'the management function which organises and directs all those activities involved in assessing and converting customer's purchasing power into effective demand for a specific product or service and in moving the same to consumer or user so as to achieve profit target or other objectives set by a company'.

The following five activities stand most vital ones cristalysing the concept of Marketing :-

- i) Distribution of goods and services concept
- ii) Delivery of a standard of living concept
- iii) Creation of utility concept
- iv) Generation of revenue approach

v) System approach:- Marketing can be viewed as a social system created by society for the purpose of furnishing it with its desired standard of living-goods and services.

The Four 'P's in Marketing:-

The marketing manager's job / (function)

- 1) is to ensure that the Product is designed to meet the needs of customers and prospects.

- 2) is Priced right in terms of the customers managements aimed at
- 3) is promoted by adequate advertising - sales promotion and personnel selling to create interest and desire for the product among the customers.
- 4) and in Physically distributed to make it available to the customers and prospects at convenient places through adequate channels of distribution and the provision of appropriate warehousing and transport facilities.

The modern concept of marketing is based on two fundamental views :

- 1) that the company's policies and operations should be Customer-oriented.
- 2) that the goal of the organization should be profitable sales.

It is further recognised that functions such as production-Marketing and Finance are inter-dependent and should all be coordinated in relation to marketing or be customer-oriented. This is referred to as "Total Marketing Concept".

2. MARKETING ITS ROLE IN MANAGEMENT

In the present Indian context the role of marketing has been impaired and become even severely constricted, owing to a heavily protected and sheltered market. In these conditions, marketing naturally takes a back seat and efficient organisation of production assumes first importance. However, efficiency in production is also liable to be undermined when the sput of competition is blunted and resuscitation of the stimulus of competition, and thereby of the role of marketing thus becomes an important objective of the overall management of the economy.

2.1 Of late, self-reliance has come to be accepted as a cardinal tenet of national policy, the target of zero net aid by the end of the Fifth Plan has receded, perhaps a little far. And acceptance of self-reliance even as a proximate goal has important implications for the role of marketing in the management alike of the individual unit and of the economy.

2.II. A notable development in marketing management is the distinct shift of the marketing concept away from selling what you have toward supplying what the market or the consumer and user demand, as a creative management function, geared to assessment of consumer needs and their fulfilment. The concept is broadened to encompass organisation of research and development, coordinated application of productive resources and direction of total effort for reaching maximum benefits to the end-users of products and

2.III In marketing Management today, products, prices, sales and return to the enterprise engaged in production and marketing are the building blocks for the policy structure of market assessment and sales forecasting, marketing policy formulation, planning and operation of the marketing organisation, sales promotion, costing and budgeting of marketing effort and measurement of results on the basis of internal data and market research. The marketing Manager, then, must acquaint himself with the essentials of management of the enterprise as a whole. Marketing thus stands at the heart of the management function.

2.IV Among the problems which form the core of the marketing function itself, in its modern concept which treats the consumer as king and accepts customer orientation as basic marketing philosophy, one of the foremost is market research in consumer behaviour, responses to new products, or price changes, changes in methods of distribution, in media of information and in promotional strategies. Marketing plans, strategies, tactics and programmes must be adapted to the new challenges of change, which can be met by corresponding innovations in these sectors. The pricing problem is another important aspect of marketing, and approach to it may be considered in terms of various bases.

2.V One of the aspects of our national economy which stands out is that the economy has tended to be enmeshed in a complex of administrative controls and regulations, each of which was introduced and is supposedly continually adapted in furtherance of a specific policy objective or objectives - either economic or social. If in the process of systematic review in terms of management principles of the operation of some of these regulatory measures, the marketing managers should evolve some suggestions for improvement of their efficacy or more effective fulfilment of their purposes, marketing management could make a valuable contribution to economic policy formulation in a critical sector.

3. THE GROWTH AND DEVELOPMENT OF MARKETING COOPERATIVES

In our country with the commercialisation of agriculture, problems of marketing of agricultural produce have also cropped up. It was realised that the whole programmes for increasing agricultural production would be jeopardised unless supported by a sane and sound marketing policy designed to overcome the imperfections in the marketing system and safeguard the interests of the producers. To achieve this objective Cooperative Marketing has been assigned a crucial role. From the experience of many foreign countries it was found that Cooperative Marketing if organised properly is the most effective and comprehensive method for improving the agricultural marketing system and also to reduce the price spread between the producer and the consumer ensuring a fair return to the latter without adversely affecting the former. Besides, it also contemplated arranging supplies of farm requisites, providing farm guidance and services thus helping technological improvements in agriculture. Further development of Cooperative Marketing was found essential for large-scale expansion of credit and its recovery from sales of agricultural produce. Thus in our country Cooperative Marketing has been assigned an important role in the integrated programme of Cooperative Development.

3.II With all these aspirations and expectations, organised attempts have been made in our country, especially since 1955 onwards, to provide the necessary infrastructure to the Co-op. Marketing system to enable it to achieve these objectives.

3.III Cooperative Marketing structure in the country as at the end of June 1970 comprised the National Agricultural Cooperative Marketing Federation (NAFED), 27 State marketing federations, 160 central or regional marketing societies and 3,184 primary marketing societies. Of the last, 2685 societies were organized on territorial basis for dealing in various commodities and 499 societies were special ones dealing in single commodities like cotton, arecanut, coconut, tobacco, etc.

3.IV Total sales of agricultural produce by the marketing societies were of Rs.372.6 crores of which about 37 per cent were of foodgrains and 27 per cent of sugarcane. Only 7 states, however, accounted for four-fifths of the foodgrains' sales. Another important activity undertaken by these societies was the distribution of the production requisites. As on 30 June 1970,

these societies distributed inputs worth Rs.369.2 crores of which fertilizers alone accounted for about Rs.309.6 crores. This performance appears to be impressive but it was rather uneven among different states.

3.V They devoted increasing attention to inter-state trade in agricultural produce. This quantum of the business as on 30 June 1970 was of the order of Rs.66.6 crores.

3.VI The total number of state federations in the country as at the end of June 1970 was 27 with a membership of 7,211 comprising 2,671 marketing societies, 3256 other types of societies and 1,284 growers or nominal members. As at the end of June 1970, there were 160 central marketing societies at the district/regional level.

3.VII The number of primary marketing societies were 3,184 at the end of June 1970. Of these 2685 were general purpose societies constituting 84 per cent of the total primary marketing societies. The general as well as the specialized commodity marketing societies at all levels advanced production and processing loans and also those against the pledge or hypothecation of the produce.

3.VIII Linking of credit with marketing was the main function expected of the marketing societies. This, however, had not made much progress. The marketing and processing societies together had recovered total loans of Rs.43.1 crores during 1969-70.

4. PROGRESS AND PROBLEMS OF MARKETING COOPERATIVES

4.1 The progress and problems relating to organisation and structure and various operations of the marketing cooperatives were reviewed by the Conference of Registrars and State Ministers of Cooperation in 1971. The need for a speedy action to revitalise the weak and inactive societies was emphasised by all concerned. It was, therefore, urged, that higher provisions for revitalisation programmes should be made in the State Plans.

4.II In order to increase the effective coverage by the marketing cooperatives and improve their share capital base, it was suggested that membership of societies should be expanded by admitting liberally individual agricultural growers as members, besides other agricultural societies in the area of their operations.

4.III PROFESSIONALISATION OF MANAGEMENT

In order to achieve greater efficiency, it was necessary to see that greater attention to administrative arrangements in cooperative marketing and processing societies is given. This could be done by expeditious development of technical and managerial personnel. The State Governments have been taking various measures. The Government on its part should provide greater outlay for share capital contribution. Expeditious steps should be taken to select primary marketing societies for advancing production credit in the areas of weak agricultural credit societies. In case it was required, necessary action might be taken by the State Governments for providing legislative support as regards the implementation of the schemes for common cadres in the marketing cooperatives at various stages.

SPECIAL ATTENTION TO WEAKER SECTION

4.IV Since long it has been felt that gradually the marketing societies should accelerate their activities in respect of outright purchases from individual growers particularly small/marginal producer members. To support this programme, however, it was necessary to build up substantial Price Fluctuation Funds in all the marketing societies. For this purpose, National Cooperative Development Corporation has agreed to contribute to the Price Fluctuation Funds of Societies to the extent of 2 per cent of the value of agricultural produce purchased by them on outright basis.

LINK-UP WITH CONSUMERS' COOPERATIVES

4.V For some time past it was felt that effective linking between the marketing cooperatives with consumers' cooperatives should be achieved. This proposal was also discussed in the last conference of the Registrars of Cooperative Societies and Apex Marketing Societies as also the State Ministers' Conference.

4.VI Dantawala Committee had also recommended that the Central and State Governments which have invested considerable funds in consumers' stores may, in the larger interests of both the consumers and the produce, persuade these cooperatives to obtain their requirements, as far as possible, from the marketing cooperatives.

5. NEW HORIZONS IN COOPERATIVE MARKETING

5.I Many reasons are ascribed for the slow progress of cooperative marketing. The foremost is the opposition from merchants, traditionally in the trade. Historically, the trading community has acquired a fund of experience passed on from generation to generation and has a well-equipped system of trade connections spread all over the country. The trading community has also developed a system of marketing intelligence of its own.

5.II The age-old bond of affinity that it has developed with the rural community, therefore, is itself a great hindrance for the development of cooperative marketing. The cooperative system it is feared, may not always be able to satisfy the varying needs of the cultivator as promptly as the merchant does and, therefore the farmer always feels that it would be unwise to sever his ties with the merchant.

SPECIALISED MARKETING SOCIETIES

5.III Every commodity has its own individual system of marketing involving specialisation. If a State produces three or four commodities, would it be possible for one apex marketing society to handle the trade in all the commodities efficiently. The marketing organisation must be in a position to lay out a plan for what is to be grown and how much of it is to be grown. The standardisation of produce is one of the prerequisites of efficient marketing.

6. MAIN FEATURES OF THE SCHEME

6.1 I would at this stage, like to specify the primary objectives with which we have introduced the cotton monopoly scheme. The scheme seeks to achieve principally, the following objectives:

- i) To ensure a fair and remunerative price to cotton growers in the State.
- ii) To effect additional transfers of incomes to the cotton growers by eliminating middlemen and securing in full the advantage of terminal prices.
- iii) to bring about a stability in the grower's incomes and thereby bring about stability and growth in the overall production of cotton in the state.
- iv) to supply scientifically graded quality cotton to the consumer mills.

- v) Finally to revitalise the rural economy by establishing a close connection between the various processes connected with cotton, viz. ginning and pressing, oil-seeds crushing, spinning and weaving so that all the workers connected with the growth and use of cotton share equally the advantages of larger income.

6.II The scheme as it is operated at present, involves more than 12 lakh cultivators in the State. There are about 235 procurement stations and collection centres where cotton is purchased and no cultivator is required to travel more than 20 kms. from his home to tender cotton. The cotton so procured is processed in about 400 ginning and pressing factories of which more than 25% are in the cooperative sector. Nearly 166 Taluka State Purchase Unions and 115 AFMCS are involved in this gigantic operation and nearly 36,000 persons are employed in implementing and supervising these operations at every stage. The entire financial transactions are effected through the State and District Central Cooperative Banks and all payments to the cultivators are made by cheques who necessarily have to open an account with the Cooperative Bank.

6.III The final sale value of cotton-seed and the full pressed bales (nearly 11.5 lakh bales), was about Rs.175 crores and the surplus which generated by coop.marketing was of the order of more than Rs.20 crores. Of this surplus, more than 15 crores was given back to the cultivators in the form of bonus over guaranteed prices and the balance was credited to the Price Fluctuation Fund. Operationally speaking, 88.5 per cent of the total realisations was ploughed back to the cultivators, the balance accounting for processing and establishment charges. In other words the grower's share in the consumer's rupee was 88.5 paise.

7. SOCIALISATION OF TRADE

7.I The increasing emphasis in our economic planning in recent years on socialisation of trade, particularly in agricultural commodities, has opened up new vistas for cooperative marketing societies. The performance of the marketing cooperatives in handling the cotton trade in Gujarath and more recently, though under the monopoly procurement scheme, in foodgrains and cotton in Maharashtra may be considered indicative of the strength, ability and potentialities of marketing cooperatives.

7.II In principle, there would appear to be great potential for development of Cooperative marketing. What is needed is adequate mobilisation of resources of men, money and material and their fruitful utilisation for promotion of business on most efficient lines to subserve the interests of the community of members at large.

7.III This can only be achieved through efficient and effective Management of Marketing Cooperatives.

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FINANCIAL MANAGEMENT OF COOPERATIVE BANKS AND¹
AGRICULTURAL CREDIT COOPERATIVE SOCIETIES

by

Shri Bapurao Desmukh²

1. Paper presented at the Asian Conference on Cooperative Management held in Manila, Philippines, December 1 - 6, 1975.

2. Vice-Chairman, Maharashtra State Coop. Bank, Inc., Bombay.

A PAPER ON THE FINANCIAL MANAGEMENT OF COOPERATIVE
BANKS & AGRICULTURE CREDIT COOPERATIVE SOCIETIES

by

Bapurao Deshmukh
Vice Chairman,
Maharashtra State Cooperative Bank Limited,
Bombay.

1. INTRODUCTION

India is predominantly an agricultural country and main characteristic features of Indian agriculture has been a pre-dominance of small holding and subsistence farms. The indebtedness of the cultivators aggravated the problem of agricultural production. The Cooperative Movement commenced in this country in the beginning of the 20th century, for the purpose of overcoming the problem of indebtedness. During the pre-independence period emphasis was on Cooperative Credit Societies. After the independence and especially after the beginning of the era of planned economic development, persuing the recommendations of All India Rural Credit Survey Committee, the Cooperative Movement developed in an integrated manner. In a present paper, an effort is made to review the facets of financial management of agricultural cooperative credit societies and cooperative banks providing short and medium-term loans.

1.2 The cooperative credit structure for short-term credit is a three tier federal one with State Cooperative Bank at apex level in each State, the central cooperative banks at district level and primary agricultural credit cooperatives at primary level. There are also credit societies of the non-agricultural type.

2. SOCIAL OBJECTIVES:

2.1 The cooperative institutions, while providing the services have to serve the social objective and social purpose forms the backbone of every cooperative institution and activity. The Cooperative Banker has to play the developmental role. The Banking Principles are also to be kept in view for safeguarding the interest of depositors. This forms the crux of business in financial Management of Coop. Banking. This

problem could be discussed in two broad heads:

- i) Resource Mobilization
- ii) Utilization of Resources.

3.1 RESOURCE MOBILIZATION

The sources of the funds for Cooperative Bankers are mainly two viz i) Owned funds ii) borrowings. The share capital contributed by the members (including the contribution from the State Government, and various reserves created out of profits constitute the owned funds, while the deposits from cooperative institutions and individuals and loans borrowed from Reserve Bank of India, and other other institutions constitute the borrowings.

3.2 Owned funds are the chief and stable source of raising of funds. Such funds are very useful for earning profits. The cooperative banks have to see that the owned funds from their point of view. The principle of linking the borrowings from bank to the share-holding of the borrowing institution for the purpose of increasing capital of borrowing institution. The profit appropriation as per statute provide for plough back of profit for capital generation. Steady rate of increase in owned funds and reserves also help for increasing borrowing power of the cooperative banks.

3.3 In the function of resource mobilization, an important aspect is regarding deposit mobilization. Deposit mobilization is the important function of banker. The Deposit mobilization is a function of three factors - quality and range of services, branch network and rate of return. The performance of cooperative banks in Maharashtra is quite outstanding. As on 30th June, 1973, the State and Central Cooperative Banks in Maharashtra had mobilized 55 and 60 per cent at their total working funds through deposits as against the corresponding All-India percentage as on (30.6.72) of 45 per cent to State cooperative banks and 43 per cent for district central cooperative banks. In Maharashtra, the cooperative banks could succeed due to branch expansion programme, and wide range of banking services. Even though, the performance is satisfactory, the scope for mobilizing still more

deposits exists very much. Recently the scheme of linking the deposit mobilizing of cooperative banks, with their borrowings from Reserve Bank of India demands deposit mobilization, to achieve the self-reliance.

4.1 UTILIZATION OF RESOURCES:

The two main avenues for the employment of funds are
1) investment in securities ii) Advances of various types to the cooperative institutions. The Cooperative Banker has to observe the Reserve Bank conditions about the cash reserve and liquid assets imposed under Banking Regulation Act.

4.2 With a view to be in position to meet the demands from depositors if and when they arise, the Act requires that the banks should maintain resources equal to atleast 28% (including 3% Cash Reserves of its liabilities) in readily realizable form i.e. liquid assets. The liquid resources mostly in Government and approved securities earn relatively lower returns in comparison with the return on advances. The Banker has, therefore, to strike an optimum balance between liquidity and profitability. Excess liquidity reduces the profitability, while its shortage exposes the bank to the great risk of crash of public confidence.

4.3 After keeping adequate liquidity the available resources are to be utilized in advance in the most profitable manner. In this respect, we must realise a basic handicap of cooperative banks (viz) the responsibility to finance the risky business of agricultural production.

5. Another aspect of profitability relates to the lending and borrowing rates. The borrowing rates on deposits are also on loans from the Reserve Bank of India are almost fixed, so that the banker has very little freedom for skillful management of borrowing rates. He gets comparatively lower margin on agricultural loans than non-agricultural. Efforts must, therefore, be made to secure maximum reimbursement against agricultural finance and to utilise as much of the internal resources (i.e. capital, reserves and deposits) as

possible in non-agricultural business likemarketing, processing, industrial, consumers etc. which earns higher interest.

6.1 As regards primary level, the problem of financial management assumes very much importance in the sense that, the majority of the primary agricultural cooperative credit societies are not viable. Further, they are managed by the group secretaries at most of the places. They are yet to become sound financial institutions to attract deposits from members and non-members. Their operational efficiency needs to augmented to enable them to shoulder the greater responsibilities. The financial decisions are taken by Office-bearers and implomented by personnel. Thus success of financial management is linked with personnel management.

7. PROBLEMS AND DIFFICULTIES - OVERSEAS

One of the major problem facing the Cooperative Credit Movement in India is regarding the re-organisation of the primary credit society, deposit mobilisation by cooperative banks and operational difficulties of the credit institutions. Besides above the cooperative credit institutions are not evenly developed in all areas and there are regional imbalances. The primary credit cooperative societies are not viable. The above all, one of the major problem of the cooperatives for last 3-4 years is concerning the overdues. To this problem, the factors responsible are both internal factors connected with the borrowers and the external factors like natural calamities etc. The efforts are being made to rehabilitate the defaulters and measures for recovery are being made.

8. PROFESSIONALIZATION OF MANAGEMENT

From the above discussions one can conclude that the Financial Management is a specialised function and expert persons who are well trained and professionally experienced are essential to take and implement decisions. From this point of view the personnel planning in the financial areas is to be made. This will help to develop the financial institutions in the cooperative credit structure.

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PERSONNEL MANAGEMENT¹

by

B. M. Deshmukh²

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1. Paper presented at the Asian Conference on Cooperative Management held in Manila, Philippines, December 1 - 6, 1975.
 2. Vice-Chairman, Maharashtra State Coop. Bank Ltd., Bombay.

PERSONNEL MANAGEMENT

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B.M. Deshmukh
Vice Chairman,
Maharashtra State Coop. Bank Ltd.,
Bombay.

INTRODUCTION

1. For managing the business of any organisation, the personnel is very important. All the business is conducted by the persons. The results are also mostly dependent upon the performance of the personnel. In the following paragraphs, an attempt is made to review the Personnel Management in Cooperative sector.

2. COOPERATIVE SECTOR

The Cooperative Movement has touched all the facets of the life of the people. On the functional basis, the cooperatives are categorised as Credit, Marketing, Consumers, Industrial, Housing, Farming etc. The structure of the Coop. Movement is also evolved on three tier basis. At the primary level, there are primary Cooperative societies. At the district level, there are central organisations. At the State level, there are apex Cooperative institutions. National level institutions are also formed in almost all the sectors of Cooperative Movement.

3. PERSONNEL AT PRIMARY LEVEL

The Personnel Management in the Cooperative sector is to be viewed at various levels. The primary organisations have to directly deal with the people and hence the personnel working at the primary level occupies the significance from the point of view of serving the members to improve their business. The Central level organisations are expected to play the role of balancing factor in between the apex level and primary level institutions. In order to provide the

adequate service as and when needed by the members, it is very necessary that every primary cooperative societies must have full time paid Secretary/Manager. For the want of personnel, the primary cooperatives may not be able to provide adequate service to their members. It is observed that 1/3rd of the agricultural cooperative credit societies in India do not have full time paid secretary. Some of the institutions have part time secretaries. This reflects the inadequacy of the personnel for managing the primary agril. credit cooperative societies. One of the reasons for adequate personnel at the primary level is said that the primary cooperative credit societies are not viable to cover the expenditure of the office, staff etc. Now the problem is of making the cooperative institutions viable either by amalgamation or by increasing their membership and turnover. The efforts in India particularly in Maharashtra are being made to make these institutions/societies viable.

4. CADERISATION

Under the scheme of caderisation, secretaries/managers of the primary agricultural credit cooperative societies are appointed and their services are governed as per the rules of caderisation and supervision societies.

5. PERSONNEL AT DISTRICT LEVEL

At the district level, the District Central Cooperative Banks are functioning for the purpose of providing short and medium term credit to the cultivators through primary societies. The scheme for providing short term and medium term finance by the District Central Coop. Banks to be effective in implementing, needs, the efficient and training personnel. From this point of view, the personnel at the District level is very important.

6. PERSONNEL PLANNING

The personnel planning to be perfect, an organisation should keep in view the business forecast for the future period and an estimate of business be done to anticipate the requirement of members of the primary credit cooperative societies. For this purpose, it is desired that the management should prepare the business plan and a plan for opening the branches in future period.

7. POOL OF PERSONNEL

Now the time has come to think about the creation of pool of trained, competent and experienced managerial personnel, so that the needed district Central Cooperative Banks and Urban Cooperative Banks should be provided with the requisite personnel for the urban cooperative banks. This is a pressing need, particularly for urban cooperative banks.

8. RECRUITMENT POLICY AND PROCEDURE

The District level organisations are expected to lay down the detailed procedures for recruitment of the personnel so that the staff of the good quality could be recruited. At the time of recruitment, objective tests should be taken to ensure to the persons of right quality.

9. INDUCTION TRAINING

After the recruitment, every organisation should make an arrangement for the induction training to the newly recruited persons. For this purpose, the cooperative training colleges should be assigned training programmes.

10. STAFF DEVELOPMENT

It has become necessary for the growing organisations to develop their personnel for enabling them to shoulder responsibility and perform their jobs efficiently. For this purpose, the training programmes in the various functional areas such as, Banker-Customer relationship, Inspection and Bank laws can be proved very useful.

11. WAGES AND SALARIES

The performance of the personnel mostly depends upon their pay-scales and the allowances they are paid. Naturally the pay-scales are determined, keeping in view the market rates, rates prescribed by the law. Relevancy with the job-evaluation and job performance and the cost of living index is also kept in view. Since the wages are to be covered from out of profits, the cooperatives institutions are unable to pay the wages and salaries at increased rates. It is observed that a few institutions are paying at attractive rates. To solve this problem satisfactorily, it is necessary that the cooperative organisations have to augment their business turnover and increase their profitability so that they can employ the quality staff at the higher rates, prevailing in the market.

12. INCENTIVES

For the purpose of effective performance of the personnel, the cooperative organisations should keep in view of framing an incentive scheme for the purpose of ensuring the concentrated efforts of the employees towards job achievements. The most of the Cooperative Banks have already started providing incentives to their staff.

13. ROLE OF THE BOARD OF DIRECTORS IN PERSONNEL MANAGEMENT

For the purpose of taking decisions in the various areas of the Personnel Management, the Board of Directors have to play significant role especially in the matters of recruitments, promotions of their persons. Here they should be convinced that ultimately the success of organisation depends upon the integrity, honesty, hard work and the service minded attitude of the personnel and as such the people should be recruited and developed from this point of view. The directors of an organisation should always feel that the quality of the service of the organisation depends upon the quality of the persons working in it and from this point of view, they should concentrate always on improving the quality of the persons.

14. ROLE OF THE REGISTRAR OF COOPERATIVE SOCIETIES

The laws in some of the states empower the Registrar of Cooperative societies to extend approval for the appointment of the personnel especially in the matter of laying down the qualifications and conditions of the service etc. Some times the Registrar of the Cooperative Societies has also say on the Management's recruitment policy. Besides the Registrar of Cooperative Societies, apex level cooperative organisations should also consider to provide the guidance regarding the personnel to the affiliated societies. This practice is being followed in Maharashtra State with regard to Credit structure.

15. PERSONNEL ON DEPUTATION

It has become a practice of the Cooperative Department to provide their officer to work as a senior personnel in the important categories of the cooperative institutions. Such deputationists remain in the cooperative institutions for about 3 to 5 years, afterwards they are repatriated to the department. After the repatriation of the departmental officer, the vacuum is created. In order to overcome this difficulty, a pool of senior officers should be maintained by the apex level organisation to provide the staff for the affiliated institutions.

16. INFLUENCE ON THE PERSONNEL MANAGEMENT PRACTICES

The Personnel Management practices in an organisation are influenced by a set of external as well as internal factors. The major external factors which effect the management practices in an organisation are :

- i) the role of State agencies
- ii) the state of economic development
- iii) the labour situation in the market
- iv) the nature of competition, and
- v) cultural and social norms of behaviour in the community.

The internal environmental factors which influenced the Personnel Management practices are listed as :

- 1) the role, competence and integrity of the management
- 2) the working conditions
- 3) the quantified objectives before the employees
- 4) the organisational planning
- 5) the operational procedures and methods.

The last point is of crucial significance.

17. ROLE OF THE EMPLOYEES' UNION

In past, the trade unions had no role to play in cooperative organisations. Now, with increase in size of organizations and number of employees, the trade unions have been formed in banking and other cooperative organisations. In Maharashtra State, in the apex institutions, representatives of the employees are taken on Board of Directors through their Unions. The Unions have to play positive role for raising the productivity, morale of the workers and for establishing effective channel for communication in between management and employees.

18. LABOUR LEGISLATION

The various acts like, Payment of Wages Act, Bonus Act, Trade Union Act, etc. are applicable to the Cooperatives. Some times the disputes are cropped up. It should however be stressed that in the interest of both Management and employees, the disputes should be settled either by negotiations or by arbitration.

19. CONCLUSION

The personnel forms the core of Management of any organisation. Amongst the resources of the business, two resources, namely by Management and personnel are organic, and hence, in upkeeping the standard of both the success of an institution is ensured.

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COMMUNICATION AND PROCEDURES¹

by

B. M. Deshmukh²

1. Paper presented at the Asian Conference on Cooperative Management held in Manila, Philippines, December 1 - 6, 1975.

2. Vice-Chairman, Maharashtra State Coop. Bank Ltd., Bombay, India.

COMMUNICATION AND PROCEDURE

by

B.M. Deshmukh
Vice Chairman
Maharashtra State Cooperative Bank Ltd.,
Bombay.

INTRODUCTION

1. The Cooperative Movement consists of three tier structure as viz. apex, central and primary. The membership of apex and district level organizations consists of societies. The primary societies have individual membership.

2. POLICIES AND PROGRAMMES

The policy is designed in a process at state level by Apex level organization in collaboration with Cooperative Department, as per the directives of State Government. In financial institutions of Cooperative Movement, the Reserve Bank of India is also involved. The programmes are finalised by district level organizations in consultation with the apex level organization and Cooperative Department. There is continuous and close communication between the district level organisations and apex institution and Cooperative Department. This is effected due to the meaningful dialogue in the meetings planned periodically. The visit of the officers also help for clearing the concepts of district level organizations.

3. IMPLEMENTATION OF PROGRAMME

The schemes/programmes are to be implemented in the field. The primary level institutions/societies serve the members. The policies and programmes are to be made known to the societies and members by the concerned district level organisation.

4. OBJECT OF COMMUNICATION

For the effective organization of the programmes, the cooperators at society level and committee members are to be made aware about the implication of the programmes. Awareness may not be created by mailing the policy and programme circular to the primary societies. The matter of policy and programme is to be discussed with the Chairman and the Committee members of the societies and their commitment obtained.

5. EDUCATION AND COMMUNICATION

In almost all the countries, and in India also "Member education Programme" is implemented by a separate organization meant for the purpose. This organization has - state, Division and District level units. The district level units in charge of member education should work in close collaboration with business organizations. Thus, when monopolistic scheme of Cotton Procurement was implemented, the officers of the District Cooperative Board (agency to member education) had close liaison with the local offices of marketing federations and in course of the meeting with members/cultivators they discussed in detail about the various aspects of scheme. This is also true in case of the Programme of small farmers development agencies. Here the need for equipping the beneficiaries with details of the programmes is very urgent. Thus, the education programme of Coop. Union should be linked up with the programmes of business organizations.

6. PROGRAMME AND PROCEDURE NECESSARY

For communicating the policy and the details of the programmes and soliciting the involvement of members, it is necessary, especially for District level organizations to draw up the detailed programme and procedure for the purpose. The Directors of the institutions and the officials

of District level institutions have to concentrate to carry the programme. Some of the institutions in Maharashtra State have already started efforts in this direction and they are holding camps of a few societies at a centrally situated village/town to the society people. Such type of procedure should be followed by others and continuity of efforts should be ensured.

7. THE PROBLEM OF COMMUNICATION

The Credit forms the core of Cooperative Movement and District Central Cooperative Banks grant credit to the Societies and in turn the societies provide credit to the members. The resources of Central Cooperative banks are employed in this business. Since the District Central Coop. Banks have to perform the banking business, the function of deposit mobilization occupies priority. In this context, it is very necessary that the District Central Cooperative banks should have close contacts with members of the societies. In practice, effective contacts are not visualised. On the contrary, the nationalised commercial banks, which are now directly financing the cultivators, are in a position to maintain direct effective contacts with them. These contacts are helpful in many ways in Banking business.

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PUBLIC RELATION IN COOPERATIVES¹

by

Shri Bapurao Deshmukh²

1. Paper presented at the Asian Conference on Cooperative Management held in Manila, Philippines, December 1 - 6, 1975.

2. Vice-Chairman, Maharashtra State Coop. Bank, Inc., Bombay.

THE COOPERATIVE PERFORMANCE :

The Cooperative performance in the mixed economy is predominant as well as encouraging. The Cooperative sector has developed its network of 3.25 lakhs of cooperatives with Rs.725 crores of share capital spread from village to National level. It serves 5.80 crores of people, the annual turnover of Cooperative business is to the tune of Rs. 6000 crores. In spite of this achievement the cooperatives in India have to function side by side with Private and Public sector organisations, under the policy directives from Government agencies. The movement has also to face competition with formidable enterprises in other sectors and to maintain its democratic and autonomous character. False propaganda by vested interest and unhealthy criticism against cooperatives try to shake the faith of people in cooperative approach. In this frame-work and background the need and importance of public relations occupies significant relevance. Any negligence of this important area could spoil not only the image of Cooperation but also endanger its future development.

PUBLIC RELATIONS: MEANING AND IMPORTANCE

The concept of Public relations must first of all be cleared before we analyse its significance in Cooperatives. Defined by the Institute of Public Relations it is "the deliberate, planned and sustained effort to establish maintain understanding between an organisation and its " public ". It is essentially concerned with the business of communication - the communication of ideas, from those offering goods and services to their most likely customers,

Broadly speaking, Public relations is planned persuasive communication designed to influence significant public.

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It is not just being pleasant or friendly to people making them feel at ease, although these are important features of Public Relations. It is something more than advertising and propoganda. Public relations may be described as an art of making our cooperative organisations liked and respected by members, employees, customers and people at large. It evaluates Public attitudes, identifies policies and procedures of an organisation with public interest and executes an action-programme to get public understanding and acceptance.

IDENTIFYING THE ROLE OF PUBLIC RELATIONS IN COOPERATIVES:

The Cooperative sector in the country has entered in almost all fields of human life and as such reached to an adult age to be recognised as a single largest sector in our mixed economy. The growing complexity in the modern business and industry calls for immediate attention for effective communication channels. There is increasing presure of modern means of communication on one hand and wide range of large membership on another hand with all problems of understanding and attention. The organisational structure that is built up at various levels has become complicated where it has made harder job for Public Relation Officer to gain peoples attention and as such he has to devise several solutions e.g. more careful selection of audiences with which to communicate and more skillfully prepared communication and greater identification of communication with the existing interest of the audiences. In the same context there is the lack of two-way communication. Again people do not get proper opportunity to express themselves. This poses a problem before the Public Relation Officer in order to secure human Cooperation.

4

There are instances which show failure of certain good schemes of public interest for want of effective Public relations. Since public is the comprehensive term, the Public relations officer must think almost always in terms of small, more specific public drawn out of the general mass. A public is drawn together by definite interest in certain areas and has definite opinions on matters within these areas. This role needs to be identified with proper perspective and objective in order to have effective Public Relations.

THE CHALLENGING JOB :

Since cooperatives are coming in constant contacts with its counter parts organisation in Private and Public sector, there seems increasing awareness to recognise the importance of the job of Public Relations Officers. The Cooperative ventures that have gained prominence over the last one decade have felt the need to appoint their public relations Officers to look after various jobs and activities of Public Relations. Cooperative Sugar Factories, Spinning Mills, Marketing and Consumers Federations, Fertiliser and Dairy plants, Rice Mills, and other Federal bodies have taken special care to appoint Public relations Officers in order to specialise the jobs in the context of changing time and situations. It is, however, very difficult to give job description of these public relation Officers, as it varies from one organisation to another. Generally, it is found that the public relation Officer's job is concerned with duties to maintain clear understanding about the policies and objectives in the minds of Public within and without the organisation. Since the Cooperative management is, answerable, and accountable to Government and Society at large including its members and employees as well, the job of Public Relation Officers

crucial and challenging to a great extent. At this stage, it would be helpful to define the duties and to identify the 'public' to which the Public Relation Officer is concerned, the most.

The public in this context may be classified into internal and external public. Internal publics are those who are directly connected with Cooperative organisations such as members, employees, workers, investors, dealers, customers, suppliers etc; while, external publics consist of people who are not connected such as Government, pressmen, other officials who may or may not have interest in the particular organisation.

FORMS AND MEDIA OF PUBLIC RELATIONS :

Since, the concept of Public Relation is most comprehensive and wide one, the Public Relation Department has to undertake various and almost all activities which concern to Public from within and without the organisation. This department naturally must have access to the necessary skills and judgement to perform many complex duties which comprise:-

- i) Advertising media of all kinds.
- ii) Printing, Publications and publicity.
- iii) Press-relations and relations with Government agencies.
- iv) Exhibitions, conferences and meetings.
- v) Staff/member relations and communications.

The above forms and media of Public relations and the complex duties assigned to the Public Relation Department is again to be judged in terms of cost and benefits rendered. What costs more or less and benefits the organisation gets are the basic questions, the

After all what constitutes predominantly is the aim and objective of the organisation and its capability to achieve the same. It is evidently the vital task of cooperatives to maintain cooperative spirit and ideology before its own people and public at large to gain their faith in Cooperation and to safeguard the true image of Cooperation. What requires most in this direction is to frame sound policy in relation to all matters regarding Public Relations and to execute the same with dynamic zeal for its effectiveness.

MODERN APPROACH :

At the present juncture, the Cooperative sector is sharing major Socio-economic responsibilities towards the weaker sections of the community. New policies, programmes and schemes for the betterment of weaker sections are being implemented through cooperatives. The success of these schemes mostly depends upon the quality of public relations which needs to be revitalised and developed in right direction.

Cotton Monopoly Scheme, Employment Guarantee Scheme, Schemes of MFAL/SFD and all such other schemes and other programme of rural development require special considerations and attentions to develop Public Relation. In all these developments we have to build up new lines of communications. Since ours is a form of Economic democracy. The present time demands that the persons who function as member representatives, employees and board members understand and develop the right forms of democratic contacts, through internal as well as External relations.

In India there exists a three-tier system and federal structure in almost all the states and this structure is further well linked up at National level. This well built-in process of structural framework provides good opportunity to strengthen Public Relations on proper lines.

7

Federal bodies at all the levels the Apex societies, State unions, and National Federation form an effective channel for two-way communication

The interlinks between members-representatives boards, sub-committees, staff committees, general body meetings should function effectively to provide opportunity to all connected with the day-to-day working and decision making process to develop democratic character to strengthen Public Relations in terms of Members staff relations.

It also requires the federal bodies and the State Cooperative Unions to look after the member education programme and also to work as spokesmen for the orderly development of Cooperative sector. What we first of all need is more meetings and conferences and more psychological and democratic way of treating the members/staff groups. The role of employees who should be involved more through participation in decision making and its implementation. There are no doubt, the political and bureaucratic influences in the management however the board-members must see that all actions are taken on principles of serving all members equally with the interest of the Society on the basis of general principles of Cooperation.

In the context of present juncture the cooperatives have to perform their responsibility in building up National economy with particular emphasis upon rural-reconstruction. In the words of Mrs. Indira Gandhi, the Prime Minister of India, 'Just as we develop a common denominator or political commitment to racial equality, so should we now address ourselves to the issue of economic inequality and generate momentum for cooperative action. Past concepts and assumptions cannot meet the challenges of our new epoch'.

ACCM - CP (India)
Public Relation in
Cooperatives

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Public Relations in the modern world has become a necessity for Cooperatives and as such care is to be taken to build up good image of Cooperation. It is time the Cooperatives understand the importance of Public Relation in the management of business so that they are able to overcome their problems and difficulties as a also improve the confidence of the people and employees about the organisation. In totality, what is built up is Cooperative image.

sr/ 12.11.1975

COOPERATIVE MARKETING IN INDIA ITS PROBLEMS AND PROSPECTS

The Cooperative movement in India, which had a formal beginning at the start of this century, is now spread over the entire length and breadth of this country, and embraces almost all sectors of the economic and social life of the people. They serve the vast masses of the people in the fields of agricultural credit, marketing, processing and supply of inputs, distribution of consumer goods in urban and rural areas, animal husbandry and fisheries, small industry, rural electrification, urban thrift and credit, housing, transport, insurance, construction labour and other vocations of the small man. Thus, there are over 300,000 Cooperative Societies of various types in India, having a total membership of about 65 million people, a share capital of over Rs. 10,000 million and a working capital of over Rs. 80,000 million.

2. The cooperative credit structure forms the back-bone of the agricultural credit system in India, and is an integral part of the programmes of agricultural development and planning. The technological breakthrough in agricultural production sought to be achieved through new strategies of development has made heavy demands on cooperative credit institutions, both for key inputs like fertilisers, seeds and pesticides and investment in credit for agricultural operations, machinery, minor irrigation works and other land improvement measures of a long term nature. The total agricultural credit disbursed by 160,000 cooperative credit institutions, exceeded over Rs. 10,000 million during the year 1973-74. The Cooperatives distributed over 60% of the chemical fertilisers and other agricultural inputs, to the farmers. The Cooperative marketing societies (about 3,500) marketed agricultural produce of the value of Rs. 11,000 million during the year 1973-74. Among the processing cooperatives, cooperative sugar factories are notable for the success achieved by them and are manufacturing about 40 per cent of the total production of sugar in

the country. Other agricultural production societies include cooperative farming societies (about 9,500), Cooperative Irrigation Societies (about 4,000), Dairy Cooperatives (over 13,000) and Fishermen's Cooperatives (about 4,500).

3. Among the latest trends in the development of the cooperative movement in India, is the emergence of large manufacturing organisations in the cooperative sector. The Kaira District Cooperative Milk Union in the State of Gujarat, is the largest milk processing dairy cooperative in South East Asia and produces about 60 per cent of the baby food manufactured in India. The Indian Farmers' Fertiliser Cooperative has made a total investment of Rs. 1,000 million in its fertiliser plants which are in the various stages of construction and production. Another large cooperative in the field of manufacturing of Petro-Chemicals has also been established recently and is expected to go into production by the end of 1976.

4. A Cooperative movement of such massive dimensions, operating on a country-wide scale and embracing diverse aspects of the economic and social life of the people, is the outcome of close collaboration and understanding between the people and the Government of the country in the post-independence era. The vast problems thrown up by the Cooperative movement in the course of its functioning, including removal of regional imbalances and disparities, structural gaps and weak spots and elimination of unhealthy and anti-social influences, were capable of solution only with initial State help. Besides, the Government's financial support was indispensable for a Cooperative movement, that relies for its membership on, and caters to the needs of, vast masses of people of small means. Also, because of the comparatively low level of literacy among the masses greater reliance had to be placed initially on the administrative control, support and guidance, of the State.

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5. Much headway has been made in the field of Cooperative Marketing of agricultural produce in a developing country like India, but the experiences in the field of Marketing by Cooperatives in other consumer goods is limited. This paper, therefore, analyses the factors favourable in Marketing of consumer goods and the factors that retard its progress. The Marketing will have to be taken in the context of Marketing as a whole and not only buying and selling operations.

6. Attempts have been made to examine a new field of consumer goods marketing by the cooperatives because they have their own problems. Let it be stated at the outset that the basic marketing principles involved in marketing any commodity are the same.

7. Cooperative organisations of various kinds have been functioning in almost all the countries of the world. Cooperative Marketing has become an integral part of the Cooperative Movement. Cooperative marketing societies play a very important role in developing countries as they are mostly based on agrarian economy. Earlier, in the absence of any organisation of agricultural producers, they were being exploited by middlemen who made profits at the cost of both producers and consumers. This gave rise to Cooperative Marketing Societies to perform one or more functions from procuring, processing to marketing of members' produce. This was for collective gain and freedom from exploitation.

8. In India, the need of cooperative marketing was felt due to malpractices prevailing in buying and selling of agricultural produce. The producers were not getting their due share. They were forced to sell their produce at throw-away prices due to inadequate facilities of finance, agricultural inputs, storage, transportation, cold storage facilities and due to faulty marketing techniques. In view of this, an integrated programme of cooperative marketing was planned and a

cooperative marketing structure was built up at various levels. Today, cooperative marketing structure consists of a National level Marketing Federation to which are affiliated 21 State Marketing Federations and above 3,300 primary marketing societies. There are also State Marketing Federations functioning for special commodities. Cooperative Marketing system in India includes processing societies also viz., fruits and vegetables processing societies, rice mills, sugar factories, cotton ginning, processing units, dairing etc. These cooperatives undertake processing as well as marketing activities to derive maximum benefits from disposal of their produce. Cooperative Marketing has made a commendable progress in recent past in its various aspects.

9. Most of the cooperative marketing societies are also functioning as commission agents. They are collectively selling produce of their members to fetch best available market rates and reduce malpractice. Outright purchases by the cooperative marketing societies are negligible as the agency business is more secured and without much involvement. Cooperative marketing societies also purchase on behalf of the Government organizations. They are having their go-downs in market centres where they keep the produce of their members at the harvest time and sell in lean months for the benefit of cultivators. The producers are given advance money for pledging their produce with the societies. Apex cooperative marketing organisations are engaged in inter-state purchase and distribution of agricultural produce through primary and district level societies. The desired degree of success could not be achieved yet due to various problems such as inadequate finance, storage capacity, low margins, lack of proper market intelligence, lack of suitable field staff and managerial personnel. The magnitude of the task is enormous for a developing country which need skills at all levels.

Factors Responsible for Slow Growth

10. Some of the factors responsible for the slow progress in cooperative marketing structure and functioning are: -

While setting up of cooperative marketing structure, it was emphasised that there should be effective linking between credit and marketing societies. Whereas, credit societies will supply the funds, marketing societies will make necessary recoveries from their members. As a consequence, cooperative marketing societies are facing problems of inadequate finance and working capital, in the absence of which it is difficult to make outright purchases of agricultural produce on one side and distribution of agricultural inputs on the other.

Cooperative marketing societies have not yet been able to reach all the villages where 60 to 70 per cent of total produce is sold to the private trade in the field itself due to the debtor-creditor relations that existed earlier between cultivators and purchasers, lack of adequate road links with the markets, ignorance of marketing practices and ready money. Further, the offices of the cooperative marketing societies are functioning in market centres but have no adequate machinery to purchase in the villages.

Many cooperatives like to function as commission agents to avoid trading risk involved in outright purchases. On the other hand, small producers like to sell their produce on outright basis to get ready cash smoothly.

Societies are interested in distribution of agricultural inputs, like fertilisers, insecticides, pesticides and other agricultural implements to have safe and given margin without any risk. This retards the growth of marketing cooperatives, as they invest their availa-

6

ble funds for such activities rather than for marketing agricultural produce.

-Some cooperative marketing societies are manned by non-professionals who use societies as platforms for purpose other than pure marketing. Agricultural cultivators-cum-traders are having some hold in these societies who are not much interested to buy and sell to co-operatives. More often, cooperative marketing societies have to depend on private trade for purchase and disposal due to unorganised trade links at the secondary or terminal market.

-The weakness is also with regard to individual society buying on ad-hoc basis; members' personal interest and lack of marketing expertise in the field of consumer cooperative marketing. They suffer from lack of finances and financial management. Sometimes, they keep their capital idle and do not buy when the season is on, or when the prices are competitive.

Remedies to Gear up Progress

11. Many steps have already been taken for speedy growth of the cooperative marketing societies such as :

• Vested interests and several tiers in the cooperative marketing are gradually being eliminated.

-Cooperative marketing societies are being assisted to build up strong share capital of their own to carry on their transactions successfully. Margin money is being provided. More share money from their members and assistance from other institutions is extended because it is felt that due to poor working capital, many primary cooperative societies have become unviable units. Marketing society should naturally have a minimum turn-

over to be a viable unit and to be effective.

-Closer contacts with the consumer and the producer societies are established. Consumers cooperatives serve as outlets for cooperative marketing societies and the transactions are in mutual interest of the consumer and the producer.

-Storage capacities are being created for cooperative marketing societies. More godowns and cold storages are being constructed to cope with growing need with the help of State and Central Warehousing Corporations.

-For efficient functioning of cooperative marketing societies, it has been emphasised that Directors of these societies should lay down broad policies and principles. They should refrain from interfering in day-to-day purchases of the society. The professional managers are being made responsible for successful operations of the society within the guidelines given and member education programmes are being intensified.

-Effective links between credit and marketing societies are being established as this will solve major problems with regard to finance and other allied difficulties. With the help of adequate credit facilities, it will be possible to make outright purchases. Thus, there will be manifold increase in the turnover of marketing societies.

-The National Cooperative Development Corporation has introduced a scheme for providing financial assistance to National Agricultural Cooperative Marketing Federation and other higher level Marketing Cooperatives to enable them to create 'Agricultural Commodities Price Fluctuation Fund' to insure against possible losses on outright purchases because of fluctuations in

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the market price of agricultural commodities.

-For the successful functioning of cooperative marketing societies; trained experienced managers and field staff are being recruited in larger numbers. On-the-job and specialised training programmes are being conducted for the benefit of managers at all levels. The Managers on deputation who have good knowledge in administration but lack business initiative or commercial experience are gradually being replaced by professional managers and cooperative service cadres are being created.

Coordination in Cooperative Marketing

12. National Agricultural Cooperative Marketing Federation - an apex organisation of cooperative marketing societies at a national level and National Cooperative Consumers' Federation - an apex organisation of consumer cooperatives at the national level are strengthening the infra-structure and streamlining the functions of cooperative marketing societies. In the light of our new 20-Point Economic Programme, the responsibility of apex organisations has substantially increased in case of procurement of agricultural produce, distribution of fertilisers, insecticides and pesticides and other agricultural inputs as well as consumer goods of mass consumption. The entire distribution system is being geared up and service is being rendered to reduce distribution cost. National Agricultural Cooperative Marketing Federation and National Cooperative Consumers' Federation are mutually evolving policies so that larger transactions take place between the cooperatives of two kinds to their mutual benefit and ultimately to the benefit of the consumer and the producer eliminating middlement.

13. Members are being properly educated and told about the cooperative principles and made known that even the pro-

fits earned by the cooperative societies as ultimately ploughed back to the members by way of purchase rebate/dividend etc.

14. New Economic Programme also lay special stress on liquidation of rural indebtedness and provision of land to landless labourers. For this purpose, credit and consumer cooperatives are being strengthened so as to help the small farmers in providing credit for purchase of improved varieties of seeds, fertilisers and other agricultural inputs. Rural indebtedness is being reduced. Banks are being opened in larger numbers to render marketing credit in rural areas.

15. Recently, steps have been taken to set up managerial cadres recruiting management trainees, construction of regional warehouses, processing units and arrangements for supply of adequate credit which should go a long way in strengthening cooperative marketing and consumer cooperative structure. The question is - are they adequate to meet the serging needs of the time - but the steps are in the right direction.

16. The cooperative marketing operations will have to be done from a service angle utilising Modern Management practices by Professional Managers for effective marketing. Modern scientific and technological advances already used in this field including use of commercial intelligence and information services will have to be adopted. The consumer Stores, Super Markets, Wholesale and Retail Stores have tremendous power and infrastructure. They can get their requirements jointly through pooled purchases. The advantages that occur to them could be passed on to the consumer in terms of reduced prices, rebates, timely services, home deliveries etc.

Conflicts

17. It may be mentioned that the field of Consumer Co-

operative Marketing is a developing one and would need special attention. There would always remain conflicting interests because the producer cooperatives would ask for higher prices to protect the interests of their members. Processing cooperatives would like to buy consumer goods at cheaper rates and sale at higher rates to the consumer cooperative societies. On the contrary, the consumer cooperatives would like to buy the commodities at a cheaper price, so that the interests of their own members are protected. There will be another conflict with the private trade as the cooperatives are accountable and could not use all the mechanism available to the private trade. The cooperatives have primarily a service motive and could not indulge into profit making and exploitation. They would, however, need profit to build up the marketing structure for cooperative development. The social profit is for social good. There is another conflict as to the aspect of government aid being taken by the cooperatives and, if so, at what stages without sacrificing its autonomy. Can coops, stand on its own legs from its early start? A scheme has been formulated for linking of the activities of consumer societies with those of cooperative marketing and processing societies with a view to balancing the interests of the producers and the consumers. The scheme envisages closer relationship between different kinds of cooperative societies; representation on each other's management, and effective coordination between their activities to their mutual benefits. It has been stressed that consumer cooperatives should procure their requirements first through sister cooperatives of producers. This scheme will help in reducing the conflicts within the cooperative movement and promote the cause of serving the society as a whole.

18. State participation in the Cooperative Marketing Movement need not cause any conflict between the State and Cooperative Movement, where both are wedded to the ideals of

democracy and motivated by the desire to promote the welfare of the people. Each has a complementary role to play, and the common objective of the good of the people, pursued with mutual understanding and consideration, becomes easier of attainment. Cooperative marketing is not a charity but is a service. Its performance will be judged on its efficiency and effectiveness and how economically it serves its members.

19. Among conflicts, a via-media will have to be found because even cooperatives would have to function within the over-all-frame-work of national policy and parameters and cannot be effective otherwise. The field of cooperative consumer marketing is new and challenging and offers many solutions as it raises many problems and conflicts. There is no doubt, however, that the cooperative marketing could make a big success even in the field of consumer commodities besides agricultural commodities, if they are run by professional managers, using the modern technology and information and running it effectively and efficiently with service as a motto within the cooperative principles. The outstanding example are provided by Cooperative dairies, ginneries and Sugar Mills.

National Cooperative Consumers' Federation - Structure

20. The cooperative structure in the field of consumer cooperatives has a base and potentiality with its own eight branches and affiliated State Federations which form a distribution net work all over the country with 14 State Federations as its members; 400 wholesale consumer societies, 2,050 branches; 130 Department Stores and 13,000 primary consumer societies together with 4.4 million families as its members. Perhaps, no other agency could have such a gigantic set up on countrywide basis. If consumer collective bargaining power obtained through such an infra-structure, is utilised well in the field on marketing, it could have all the advantages of bulk buying, storage and processing and supplying the same at

12 .

reasonable prices to its members and others,

21. The future is bright and if handled well it will bring tremendous relief to the consumer. The middleman who takes away cream of the profit both from the consumer and the producer could be reduced, if not altogether eliminated. This could only be done by real good cooperative efforts and by competent managers. The consumer must be convinced that he is protected and he is getting the goods at the right time of right quality, at fairly reasonable price. If the consumer confidence is maintained, there is no doubt that the Cooperative Marketing in consumer goods can be an effective instrument of socio-economic revolution bringing considerable relief to the consumer - to which sector we all belong. Everyone is a consumer, irrespective of his place, occupation, age, sex, colour or creed. The key-pin of all this is a cooperative manager - efficient and effective manager - who can deliver the goods and therefore the central theme is "Cooperative Management".

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COOPERATIVE MARKETING IN INDIA—ITS PROBLEMS AND PROSPECTS

Presented by

DR. M.S. PATEL

Managing Director

National Cooperative Consumers' Federation Ltd., New Delhi, India

ASIAN CONFERENCE ON COOPERATIVE MANAGEMENT

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43, Friends Colony, New Delhi-14. INDIA

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**Grains Marketing Cooperative
of the Philippines.**

and

**Central Cooperative Exchange Inc.,
P.O. Box 1968
Manila, Philippines**

and

**Filipino Cooperative Wholesale
Society Inc.**

NATIONAL COOPERATIVE CONSUMERS' FEDERATION LIMITED

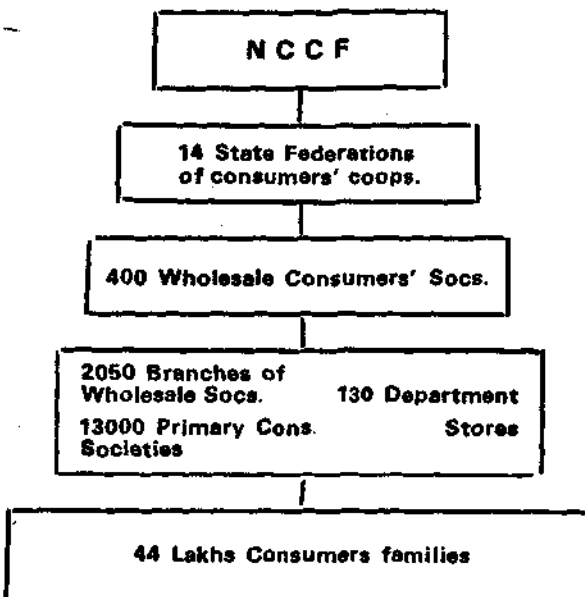
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 Cable: "KONFED" - Phones: 624521, 625436, 619946, 624492, 79307

N.C.C.F. is the apex organization of Consumers' Cooperative in the country. As spokesman of the Consumer Cooperative Movement, it is making every possible endeavour to facilitate the working of Consumers' Cooperative Societies and to improve their operational and managerial efficiency. It has won the support and confidence of all consumers' Cooperatives in the country.

BRANCHES

- Bombay** : 710-711, Prasad Chambers, 7th Floor, Swadesi Mills Compound, Behind Roxy Cinema, Bombay-4. Maharashtra.
 Phone : 355553—356440
 Cable : COOPFED, Telex : 3763
- Madras** : United Commercial Bank Building, No. 13-16, Thambu Chetty Street, 6th Floor, Madras-1, Tamil Nadu.
 Phone : 25208 & 20897
 Telex : 041-459.
- Gauhati** : Bonikanta Kakati Road, Ulubari, Gauhati-7, Assam
 Phone : 5943, Cable : KONFED
- Calcutta** : 27, Mirja Galib Street, Calcutta-16, West Bengal.
 Phone : 245068, 242841
 Cable : NACOFED
- Nagpur** : 151, Small Factory Area, Bagad Gunj, Nagpur-8, Maharashtra.
 Phone : 42379, Cable : KONFED
- Hissar** : NCCF Dall Mill, D. N. College Road, Hissar, Haryana.
 Phone : 2538, Cable : KONFED
- Patna** : C/o Bihar State Federation of Wholesale Consumers' Cooperative Ltd., In the Compound of Dr. R. Saran, Boring Road, Patna, Bihar.
 Phone : 24469
- Ahmedabad**: Mirzapur, Ahmedabad, Gujarat;

STRUCTURE



OBJECTIVES

- To help its members in developing business techniques and management methods;
- To improve and increase their operational and managerial efficiency;
- To promote the formation of cadres of employees for the member institutions and arrange for their proper training;
- To help the development of consumers cooperative movement in the country;
- To establish trade connection with suppliers and manufacturers and arrange for the procurement of consumer goods, if necessary, in collaboration with other agencies;
- To import and export consumer goods;
- To secure from the Government and other sources requisite facilities, assistance and financial aid, both for itself and for its member institutions;
- To coordinate the working of its member institutions;
- To collect and disseminate necessary marketing intelligence for the benefit of its member institutions and to undertake research work in connection with the consumers' cooperative movement.

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The Cooperative movement in India, which had a formal beginning at the start of this century, is now spread over the entire length and breadth of this country, and embraces almost all sectors of the economic and social life of the people. They serve the vast masses of the people in the fields of agricultural credit, marketing, processing and supply of inputs, distribution of consumer goods in urban and rural areas, animal husbandry and fisheries, small industry, rural electrification, urban thrift and credit, housing, transport, insurance, construction labour and other vocations of the small man. Thus, there are over 300,000 Cooperative Societies of various types in India, having a total membership of about 65 million people, a share capital of over Rs. 10,000 million and a working capital of over Rs. 80,000 million.

2. The cooperative credit structure forms the back-bone of the agricultural credit system in India, and is an integral part of the programmes of agricultural development and planning. The technological breakthrough in agricultural production sought to be achieved through new strategies of development has made heavy demands on cooperative credit institutions, both for key inputs like fertilisers, seeds and pesticides and investment in credit for agricultural operations, machinery, minor irrigation works and other land improvement measures of a long term nature. The total agricultural credit disbursed by 160,000 cooperative credit institutions, exceeded over Rs. 10,000 million during the year 1973-74. The Cooperatives distributed over 60% of the chemical fertilisers and other agricultural inputs, to the farmers. The Cooperative marketing societies (about 3,500) marketed agricultural produce of the value of Rs. 11,000 million during the year 1973-74. Among the processing cooperatives, cooperative sugar factories are notable for the success achieved by them and are manufacturing about 40 per cent of the total production of sugar in the country. Other agricultural production societies include cooperative farming societies (about 9,500), Cooperative Irrigation Societies (about 4,000), Dairy Cooperatives (over 13,000) and Fishermen's Cooperatives (about 4,500).

3. Among the latest trends in the development of the cooperative movement in India, is the emergence of large manufacturing organisations in the cooperative sector. The Kaira District Cooperative Milk Union in the State of Gujarat, is the largest milk processing dairy cooperative in South East Asia and produces about 60 per cent of the baby food manufactured in India. The Indian Farmers' Fertiliser Cooperative has made a total investment of Rs. 1,000 million in its fertiliser plants which are in the various stages of construction and production. Another large cooperative in the field of manufacturing of Petro-Chemicals has also been established recently and is expected to go into production by the end of 1976.

4. A Cooperative movement of such massive dimensions, operating on a country-wide scale and embracing diverse aspects of the economic and social life of the people, is the

outcome of close collaboration and understanding between the people and the Government of the country in the post-independence era. The vast problems thrown up by the Cooperative movement in the course of its functioning, including removal of regional imbalances and disparities, structural gaps and weak spots and elimination of unhealthy and anti-social influences, were capable of solution only with initial State help. Besides, the Government's financial support was indispensable for a Cooperative movement, that relies for its membership on, and caters to the needs of, vast masses of people of small means. Also, because of the comparatively low level of literacy among the masses greater reliance had to be placed initially on the administrative control, support and guidance of the State.

5. Much headway has been made in the field of Cooperative Marketing of agricultural produce in a developing country like India, but the experiences in the field of Marketing by Cooperatives in other consumer goods is limited. This paper, therefore, analyses the factors favourable in Marketing of consumer goods and the factors that retard its progress. The Marketing will have to be taken in the context of Marketing as a whole and not only buying and selling operations.

6. Attempts have been made to examine a new field of consumer goods marketing by the cooperatives because they have their own problems. Let it be stated at the outset that the basic marketing principles involved in marketing any commodity are the same.

7. Cooperative organisations of various kinds have been functioning in almost all the countries of the world. Cooperative Marketing has become an integral part of the Cooperative Movement. Cooperative marketing societies play a very important role in developing countries as they are mostly based on agrarian economy. Earlier, in the absence of any organisation of agricultural producers, they were being exploited by middlemen who made profits at the cost of both producers and consumers. This gave rise to Cooperative Marketing Societies to perform one or more functions from procuring, processing to marketing of members' produce. This was for collective gain and freedom from exploitation.

8. In India, the need of cooperative marketing was felt due to malpractices prevailing in buying and selling of agricultural produce. The producers were not getting their due share. They were forced to sell their produce at throw-away prices due to inadequate facilities of finance, agricultural inputs, storage, transportation, cold storage facilities and due to faulty marketing techniques. In view of this, an integrated programme of cooperative marketing was planned and a cooperative marketing structure was built up at various levels. Today, cooperative marketing structure consists of a National level Marketing Federation to which are affiliated 21 State Marketing Federation and above 3,300 primary marketing societies. There are also State Marketing Federations functioning for special commodities. Cooperative Marketing system in India includes processing societies also viz., fruits and vegetables processing societies, rice mills, sugar factories, cotton ginning, processing units, dairing etc. These cooperatives undertake processing as well as marketing activities to derive maximum benefits from disposal of their produce. Cooperative Marketing has made a commendable progress in recent past in its various aspects.

9. Most of the cooperative marketing societies are also functioning as commission agents. They are collectively selling produce of their members to fetch best available market rates and reduce malpractices. Outright purchases by the cooperative marketing societies are negligible as the agency business is more secured and without much involvement. Cooperative marketing societies also purchase on behalf of the Government organisations. They are having their godowns in market centres where they keep the produce of

their members at the harvest time and sell in lean months for the benefit of cultivators. The producers are given advance money for pledging their produce with the societies. Apex cooperative marketing organisations are engaged in inter-state purchase and distribution of agricultural produce through primary and district level societies. The desired degree of success could not be achieved yet due to various problems such as inadequate finance, storage capacity, low margins, lack of proper market intelligence, lack of suitable field staff and managerial personnel. The magnitude of the task is enormous for a developing country which need skills at all levels.

Factors Responsible for Slow Growth

10. Some of the factors responsible for the slow progress in cooperative marketing structure and functioning are :—

- While setting up of cooperative marketing structure, it was emphasised that there should be effective linking between credit and marketing societies. Whereas, credit societies will supply the funds, marketing societies will make necessary recoveries from their members. As a consequence, cooperative marketing societies are facing problems of inadequate finance and working capital, in the absence of which it is difficult to make outright purchases of agricultural produce on one side and distribution of agricultural inputs on the other.
- Cooperative marketing societies have not yet been able to reach all the villages where 60 to 70 per cent of total produce is sold to the private trade in the field itself due to the debtor-creditor relations that existed earlier between cultivators and purchasers, lack of adequate road links with the markets, ignorance of marketing practices and ready money. Further, the offices of the cooperative marketing societies are functioning in market centres but have no adequate machinery to purchase in the villages.
- Many cooperatives like to function as commission agents to avoid trading risk involved in outright purchases. On the other hand, small producers like to sell their produce on outright basis to get ready cash smoothly.
- Societies are interested in distribution of agricultural inputs, like fertilisers, insecticides, pesticides and other agricultural implements to have safe and given margin without any risk. This retards the growth of marketing cooperatives, as they invest their available funds for such activities rather than for marketing agricultural produce.
- Some cooperative marketing societies are manned by non-professionals who use societies as platforms for purpose other than pure marketing. Agricultural cultivators-cum-traders are having some hold in these societies who are not much interested to buy and sell to cooperatives. More often, cooperative marketing societies have to depend on private trade for purchase and disposal due to unorganised trade links at the secondary or terminal market.
- The weakness is also with regard to individual society buying on ad-hoc basis; members' personal interest and lack of marketing expertise in the field of consumer cooperative marketing. They suffer from lack of finances and financial management. Sometimes, they keep their capital idle and do not buy when the season is on, or when the prices are competitive.

Remedies to Gear up Progress

11. Many steps have already been taken for speedy growth of the cooperative marketing societies such as :

- Vested interests and several tiers in the cooperative marketing are gradually being eliminated.
- Cooperative marketing societies are being assisted to build up strong share capital of their own to carry on their transactions successfully. Margin money is being provided. More share money from their members and assistance from other institutions is extended because it is felt that due to poor working capital, many primary cooperative societies have become unviable units. Marketing society should naturally have a minimum turnover to be a viable unit and to be effective.
- Closer contacts with the consumer and the producer societies are established. Consumers cooperatives serve as outlets for cooperative marketing societies and the transactions are in mutual interest of the consumer and the producer.
- Storage capacities are being created for cooperative marketing societies. More godowns and cold storages are being constructed to cope with growing need with the help of State and Central Warehousing Corporations.
- For efficient functioning of cooperative marketing societies, it has been emphasised that Directors of these societies should lay down broad policies and principles. They should refrain from interfering in day-to-day purchases of the society. The professional managers are being made responsible for successful operations of the society within the guidelines given and member education programmes are being intensified.
- Effective links between credit and marketing societies are being established as this will solve major problems with regard to finance and other allied difficulties. With the help of adequate credit facilities, it will be possible to make outright purchases. Thus, there will be manifold increase in the turnover of marketing societies.
- The National Cooperative Development Corporation has introduced a scheme for providing financial assistance to National Agricultural Cooperative Marketing Federation and other higher level Marketing Cooperatives to enable them to create 'Agricultural Commodities Price Fluctuation Fund' to insure against possible losses on outright purchases because of fluctuations in the market price of agricultural commodities.
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ASIAN CONFERENCE ON COOPERATIVE MANAGEMENT
PHILIPPINE VILLAGE HOTEL, DECEMBER 1 - 6, 1975
MANILA, PHILIPPINES

MARKETING CONTROL¹

by

Oh Yun & Kim In Sun²

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1. Paper presented at the Asian Conference on Cooperative Management held in Manila, Philippines, December 1 - 6, 1975.
 2. From Central Federation of Fisheries Cooperatives, Seoul, Korea.

MARKETING CONTROL

by

Oh Yun & Kim in Sun
Seoul, Rep. of Korea

In the past years, particularly, after the 1950s, many newer techniques and concepts in marketing have developed. Among others the topics concerning marketing planning and strategies have been seriously studied. Such words as marketing system and quantitative techniques in marketing have become very popular in these days.

In contrast to such popular areas in the study of marketing, marketing control is one of the few areas, where marketing practitioners paid relatively less attention. The study of marketing control seems to remain as one of the few neglected areas in the study of marketing.

This paper is an attempt (1) to discuss the meaning and the scope of control in general; (2) to evaluate prevailing control techniques which are practiced widely in business (3) to present an effective control system to be employed in a marketing division; and (4) to present some useful idea in devising standard or a basis of control in marketing operations.

Meaning and scope of marketing control;

Many practitioners do define control as a process of measuring progress, comparing it with plans and providing corrective action to achieve better results toward a given objective. Some do define control as a synonym of direction, implementation, or even management. Still some others define control as a self-regulating process which plays the role of detecting changes of environment, making necessary adjustments and holding behaviour within desired limits. Each has certain merits to help understand the nature of control activities in marketing.

The control involves the activities and processes which undertake the task of adjusting current operations to achieve predetermined standards or goals. Also, it involves performance evaluation and other activities which eventually lead to influence in future marketing policy and strategy.

This concept emphasises the dynamic nature of control function of business organisation, so that the scope of control should not be limited to "ex-post" type of performance evaluation. Rather, it must include self-regulatory mechanism or automatic control process which would provide instantaneous corrective actions to assure given performance standards and goals. Therefore, marketing control deal basically with two type of management control for top marketing management and operational control for middle marketing management. This distinction is made by the nature of management and by the function performed in each level of management.

Review of prevailing marketing control techniques :

In the past most of the existing marketing conceptions assumed sales as marketing control. Moreover, it is merely sales analysis or sales expense analysis. Therefore, there was virtually no marketing control which has a dynamism and covers all phases of marketing activities.

As to sales analysis most marketing managers used sales as a good indicator of their performance. For further analysis sales are often classified by territory, by product, and by customer group. It may be true that sales analysis provides reasonably good estimates as to who, what, where, and how the company sold its products during a given period. However, the analysis has a few critical drawbacks. First, a detail analysis may not be available until some extended time elapsed for data correction, hence it would not effectively serve to take instantaneous corrective measures. Second, sales data represent to identify the degree of individual departmental contribution in marketing division.

To find the profitability of sales usually a marketing division undertakes a marketing and or distribution costs analysis. As an advanced form of marketing cost analysis often "functional cost analysis" is employed. Marketing expenses are reclassified by the functions in which the expenses incurred, so that the result of operations may be compared directly with the budget figures in which the allocation was completed by the function of marketing activities.

Due to the nature of the analysis as "ex-post" sales expenses analysis, the uses of it are limited to expense control rather than marketing control.

The analysis is too detailed to be used for performance evaluation of an individual department in a marketing division. Moreover, the analysis is not appropriate for instantaneous control even in a sales department. It merely serves to check how much expenses incurred in selling after some extended time of operation.

With such limitation of the uses and values of sales analysis and sales costs analysis, some other effective way must be developed to control marketing activities.

Marketing Control System:

To be effective control system of a marketing division it must be composed of multiple sub-control systems.

Marketing control system for top management must be different from the one for middle management. This means that each sub-system must develop a set of control points which are composed of key factors relating the separate marketing functions to the total marketing system. Hence, using the definition of significant deviation for each control point, marketing managers must initiate necessary corrective action.

Marketing control for top management is related mainly to performance evaluation of marketing departments, and the effects of control decisions may be left for some time in the future. To them speed of information in terms of hours and days is practically never vital. On the other hand for middle management the task of control is closely related to current operations. Therefore, instantaneous information on daily operations is highly desirable to correct the course of current activities.

In the past top management tended to care less about the establishment of an effective control system. In view of apparent necessity of establishing an effective marketing control system for the top management, systematic arrangement of the control process and control points must be developed. The major areas of control to be covered by the top management are listed as follows :

1. Marketing control that is related to performance evaluation
 - (a) Evaluation of marketing objectives and policies
 - (b) Evaluation of return on investment and profitability
 - (c) Evaluation of sales

- (d) Evaluation of market share
- (e) Evaluation of market research
- (f) Evaluation of marketing (mix) strategies

2. Control that is related to the examination of a marketing control system.

- (a) Examination of prevailing assumptions on marketing and market
- (b) Examination of marketing planning process
- (c) Examination of marketing control standards
- (d) Examination of the implementation process of marketing operations.

For middle management prompt feed-back of information and taking necessary corrective actions are critical factors for effective marketing control. As a prominent feature of operational control detail points are established to detect significant deviations as soon as possible. These are rules or standards which are devised to prescribe the action that leads to the most efficient and effective ways under a given set of circumstances. Under this arrangement the personal judgement of managers is kept at a minimum, so that he is able to exercise minor adjustment of specified activities.

In addition to this self-adjusting system in marketing control it presents coordinative control system among marketing departments. The primary purpose of establishing this control system is to check current operation by other interrelated departments, to exchange information among departments, and to take necessary corrective action by respective departments during a current period. Because of the need of such a cross-checking system, in most large organizations each departmental manager inevitably spends a large portion of his time interacting with other managers and through such lateral relationship prompt remedies in each operational department will be made.

With these three sub-systems of marketing control it is expected to achieve an effective control function of marketing as a whole. Since each

subsystem is designed to exercise a unique function of control, by clear understanding of the tasks and appropriate by having procedural arrangements the system would become a useful tool for marketing control.

Setting Control Standards:

The foregoing discussion presented sufficient evidence of the importance of establishing standards as the basis of control and measuring performance. Standards are nothing but attainable goals under normal circumstances, so that as long as an organization attempts to set goals to be achieved, standards must be provided as components of control. Nevertheless, the selection and development of sound standards of marketing operations would be one of a few critical phases of marketing control, particularly, because to a large extent marketing control is rather a difficult area to quantify actual performance into a meaningful basis of evaluation.

According to the type of standards to be established for marketing control, it may be divided into three categories; (1) setting critical points as standards to initiate necessary adjustment for middle management, (2) setting critical points as the basis of performance evaluation for top management, and (3) setting the basis of designing control process to check planning and control process itself.

Statistical techniques have become a useful tool of setting control standards. The control chart has found its wide uses for performance evaluation. By setting control limit a manager would be easily alerted to take necessary action whenever the actual performance exceeds from control limit.

The construction of marketing models has become very promising tool of marketing control. Several models have been proposed primarily for decision making in the domain of marketing planning. Multiple factor-breakeven model, total simulation model, sales effort models that deal with advertising, personal selling, merchandising, etc., have been developed to be a basis of control at respective point. It is difficult to say that these models are ready to be in use of marketing control either at top or middle management. Yet, with systematic field experiments and with the application of statistical analysis of related market variables, the design of model under variety of condition, would, to certain extent, become feasible.

Conclusions:

The discussion has been made to show the dynamism of marketing control and the necessity of having effective marketing control system in an organization. Depending on the level of management and nature of the task to be performed the type of control must be differentiated. That is, for top management control must be a nature of management control, which is related primarily to evaluate performance and to formulate marketing policy and strategy.

For middle management control must be a nature of operational control, which related primarily to adjust current operation whenever deviation occurs. In addition to these sub-control systems there is increasing necessity of establishing coordinating control system among interrelated departments. This system can be effectively used to check and assure over-all effect of an individual operation.

To assure effectiveness of control its standards must be developed. As the appropriate standards or basis of control statistical techniques and model building have provided an valuable insight to develop an integrative marketing control system of widely varying content.

FISHERIES COOPERATIVES MANAGEMENT

IN KOREA

- Materials for ICA Management Conference -

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Manila, Philippines

Mr. Oh, Yun, Manager
Jeonbuk Provincial Branch

Mr. Kim, In Sun, Deputy Manager
Foreign Loan Department.

CENTRAL FEDERATION OF FISHERIES COOPERATIVES

SEOUL, KOREA

C O N T E N T S

FISHERIES COOPERATIVES MANAGEMENT
IN KOREA

I. Fisheries Cooperatives in Korea	3
1. History	3
2. Role and Function	4
A. Guidance	4
B. Assistance in Production	5
C. Assistance in Marketing	6
D. Assistance in Funds	6
E. Assistance in Safe Fishing Operation	7
3. Organization	8
4. Major Activities in 1974	10
II. Fisheries Cooperatives Management	18
1. Personnel Management	13
A. Employment and Appointment	13
(1) Examination for Service	13
(2) Education and Training	13
(3) Promotion and Evaluation of Service	14
(4) Guarantee of Status	15
B. Appointment of Cooperative Staff	15

2. Financial Management	16
A. Fund Raising	16
B. Operation of Funds	17
3. Public Information and Publication	17
A. Introduction	17
B. Contents of Activities	18
(1) P.R.	18
(2) Publication	19
4. Marketing Management	19
A. Sales System	19
B. Sales Organizations	20
C. Price Sustaining Service of Fisheries Products	21
D. Marketing Information Service	22
5. Communication and Procedures	22

FISHERIES COOPERATIVES MANAGEMENT
IN KOREA

I. Fisheries Cooperatives in Korea

1. History

The Central Federation of Fisheries Cooperatives was established on April 1, 1962 under the provisions of Fisheries Cooperatives Law promulgated on January 20, 1962 as Law No. 1013. However, the history of fisheries cooperatives is quite long in the process of reviewing the establishment and transition of the now defunct fisheries organizations, the predecessor of the present fisheries cooperatives.

The pathfinder of the modern fisheries cooperatives in Korea was the fisheries organization established by the fishermen engaged in the setting net fishing and seaweed collecting residing in the southern island areas of Koje and Hansan. The said organization has developed into many shapes after many changes, going with the current of the times and improvement of the fisheries industry. The Central Federation of Fisheries Cooperatives was established after much complications.

2. Role and Function

The role of the Fisheries Cooperatives in Korea is characterized by the promotion of the economic and social status of the fishermen, strengthening the cooperative organization of the fishermen and the manufacturers of fisheries products and the increase in fisheries production for the purpose of ensuring the balanced development of national economy.

To perform the fundamental duties, the Fisheries Cooperatives in Korea initiates the following 20-odd projects in the fields of five categories, such as Guidance, Assistance in Production, Assistance in Marketing, Assistance in Funds, and Assistance in Safe Fishing Operation.

A. Guidance

The guidance service extended by the Fisheries Cooperatives, the most important business of the projects operated by the Fisheries Cooperatives contribute much to the fisheries productivity by means of extending the guidance closely related to management to materialize the cooperative idea and increase the earnings of the fishermen through improvement of their social participation. The project includes education and training, management guidance, research

and studies, public information, etc. The construction service of new fishing communities aimed at increasing the earnings of the fishermen is at present given priority.

B. Assistance in Production

The activities of assistance in production are divided into purchasing of equipment and materials needed for production and utilization and processing and the objects lie in timely purchase of the materials of fisheries production and supply the fishermen with them at low cost to curtail the fisheries production expenses and utilization of technique and the facilities to improve the fisheries productivity.

The Procurement Service is characterized by purchase and supply of tax-free fuel oil necessary to fishing operation, fishing nets, ropes, bamboos, etc. and extended to purchase supply of the subsistence commodities on a gradual basis.

The Utilization and Processing Service consists of the operation of the facilities of ice and refrigerant manufacturing for the purpose of maintaining freshness of the fish, and storage as well as operation of utilization facilities. Due to the active utilization of the fishermen, the sphere of the services of Procurement and Utilization and Processing is expanded gradually.

C. Assistance in Circulation

The activities of assistance in circulation lie in contributing to development of the fisheries productivity and protection of the fishermen's interests through promotion of circulation of the fisheries products by means of the favorable price fixing for the fishermen of the fish, natural landing of fish caught, evaluation of value, and smoothly implementing the function of dispersion. The categories are divided into Common Procurement Service, the largest business done by the Fisheries Cooperatives, Military Supply Service, Fisheries Products Export, and Fisheries Products Savings Service for emergency. The Price Sustaining Project initiated beginning 1975 in Korea is characteristic.

D. Assistance in Funds

The activities of assistance in funds lie in the timely supply of funds necessary to the production activities to enhance the production efficiency and contribute to the effective utilization of the funds after absorbing the idle funds into savings of the fishing communities.

The Funds Assistance Service consists of loan, savings, domestic exchange and foreign loan. The Fisheries Cooperatives, with concerted efforts, and all organizations united together, strongly initiate the "One Trillion Savings Campaign" to attain the goal of one trillion won savings campaign of the farming and fishing communities in order to secure the necessary economic resources for smooth supply of fisheries management funds needed for the fishermen's production activities.

E. Assistance in Safe Fishing Operation

As the most of the fisheries production activities are performed on the sea, the restriction of surroundings and danger are inevitable. Such being the case, the Safe Fishing Operation Service is the most important public work done by the Fisheries Cooperatives in that the unexpected disaster inflicted on the lives and property of the fishermen should be prevented and the losses therefrom must be compensated in order that the fishermen may devote themselves to fishing activities. At present, the three major projects of Mutual Insurance Service, Fisheries Communications, and Fishing Guidance Service are in operation. As a link in the chain of restoration service, two (2) mobile hospital ships are operated to extend medical treatment free of

charge to neglected fishermen on remote and deserted islands without their medical facilities.

3. Organization

The Fisheries Cooperatives in Korea consist of 86 Fisheries Cooperatives, 2 Fishery Manufacturer's Cooperatives and the Central Federation of Fisheries Cooperatives. The fisheries cooperative consist of 71 Regional Cooperatives and 15 Business-type Cooperatives. The regional cooperatives is the regional cooperative body composed of the fishermen residing in the fixed area and it is located at the district along the coast and uniquely functions the backbone of the Fisheries Cooperatives in Korea. The business-type cooperatives are composed of the fishermen engaged in the specific fisheries activities. The Central Federation of Fisheries Cooperatives is the central cooperative body composed of Fisheries Cooperatives and Fishery Manufacturer's Cooperatives of which members are the fishery manufacturers. The reason of establishing the central cooperative body combining the respective cooperative bodies is because the individual cooperative body is unable to perform its duties smoothly because the business sphere is very limited, and it is natural that organizing the central

cooperative body is to successfully and favorably perform the duties of cooperative activities by expanding the business quantity. The Central Federation of Fisheries Cooperatives has the provincial branches in 8 major cities for the purpose of guidance and control of the member cooperatives and coordination of business between the cooperatives.

The number of members of the Fisheries Cooperatives and the Fishery Manufacturer's Cooperatives reach 127, 807 persons as of 1975. In particular, the Regional Cooperatives have the fishing village "Kye" under their command which occupy the natural village as their fishing districts. The fishing village "Kyes" are in full swing as the foremost front organizations aimed at promoting construction of New Fishing Communities and the number of the fishing village "Kyes" reach 1,641.

The Fisheries Cooperatives in Korea has the Deliberate Organ and the Executive Organ as a corporation. The supreme deliberate organ of the fisheries cooperatives is the general meeting, and the deliberate organ in terms of execution is the board of directors. The president of the fisheries cooperatives acts as the executive and representative organ, and the auditor acts as the supervisory organ. In the matter of

managing the organs of the Fisheries Cooperatives in Korea, the voting right of the individual cooperative member is equal according to the principle of the cooperative body, and each member has only one (1) voting right despite the sum of money invested by him/her.

4. Major Activities in 1974

The Central Federation of Fisheries Cooperatives set up the major operation guidelines in 1974 aimed at improvement of fisheries products circulation, increase in the earnings of fishermen, increase of fishermen's savings and rationalization of fisheries funds, and tried to attain the goals of management efficiency, expansion of restoration service for the fishermen, and maintenance of fisheries funds system.

The scale of the total fund supplied and demanded did reach 55,731 million won as of the end of 1974, an increase of 11,598 million won compared with the previous year, and in terms of the consolidated earnings and expenses 87 million won appeared as the surplus. The total scale of funds executed for business in 1974 amounts to 1,074 hundred million won, an increase of 306 hundred million won compared with the sum of 768 hundred million won last year.

The major results emerged from the projects completed in 1974 are as follows: First, the all-out efforts were made toward the establishment of civil service system for the fishermen, and alleviation of fishermen's burden through curtailment of the fisheries production cost. The training center was newly set up as a education and training organization in order to intensify the education and training. The restoration service was expanded and 22,600 persons were given free medical treatment by operating the mobile hospital ship to remote and deserted islands without medical facilities. The mobile repair vehicle of inshore fishing vessels' radio communications was operated and the devices of radio communications were repaired free of charge for the fishermen. The systematic purchase of 1.4 million D/M of tax-free fuel oil, the major necessary fisheries production material, fishing nets and ropes was conducted for the purpose of curtailment of the fisheries expenses. The loan and overdue interests as well as the other allotment were exempted for the poor fishermen and destitute fisheries cooperatives.

Second, the nationwide fishing village leaders reaching 335 were educated and trained for the purpose of securing the

leaders of superior quality, the fundamental elements of constructing the new fishing communities, and the trained personnel exclusively devoted to constructing the new fishing communities were assigned to the front fishing communities to assist in constructing the new fishing communities. The total sum of 366 million won was invested to 152 fishing village "Kyes" for the purpose of promoting emphatically the earning business by means of cooperative work through multiplication and cultivation and 12 side line sites were constructed as a result of encouraging the side job in order to increase the fisheries earnings.

Third, the fisheries funds system was maintained. To quickly attain the goal of One Trillion Won Savings Drive, the all-out striven endeavor was concentrated to the continued savings boom, and as a result 142 hundred million won was secured. The Reciprocal Finance Service was opened for the 67 member fishery cooperatives, and they were made enable to utilize the deposited money totalling to 1,279 million won between the member cooperatives. The shops were increased for the purpose of expanding the business of savings and exchange. The banking institutions of savings reach 54, and the facilities of exchange totals to 43 at the end of 1974.

II. Fisheries Cooperatives Management

1. Personnel Management

A. Employment and Appointment

(1) Examination for Service

The personnel shall take examinations for service, the prerequisite for employment. The said examinations, divided into the regular examination to recruit personnel and the special examination to man the personnel in particular, are comprised of the written examination and the personal interview to which the successful applicants are subject.

(2) Education and Training

When the personnel is recruited, he shall receive the training and learn the business routine for more than 3 months. During the period, the newly employed personnel comes to acquire the attainments required for the personnel of the Fisheries Cooperatives and the preliminary knowledge necessary to the performance of the various kinds of routine business. The personnel is subject to the diversified training and education when and if necessary for the individual business in charge and promotion, etc. even after being assigned to the practical business resulted from the 3-month training and

learning of the business routine. As the contents of the practical business compared with the scale of the organization are extensive, the importance of the training and education conducted by the Fisheries Cooperatives is vital and more emphasized compared with the other organizations.

(3) Promotion and Evaluation of Service

The personnel shall be promoted annually according to the fixed service period or the service record. The promotion is determined by the service record, the rule of seniority, education and training, and the ranking based on the ability and the actual results. The service record is evaluated by the senior of the subject personnel in accordance with the results, discernment, ability to perform duties, status of service, suitability in the course of implementing the official duties assigned to the personnel during the specific period, and evaluation standards stipulated concerning the necessary elements for performing the assigned duties. The above mentioned service record is the nucleus of the personnel management, and the utmost efforts are extended to evaluate and manage the service record fairly and impartially.

(4) Guarantee of Status

The personnel shall not be relieved of his/her post without the sentence of penalty, disciplinary punishment, or specific reason. When the personnel reaches the age limit fixed in advance, he/she shall be automatically relieved.

The personnel shall be suspended from office temporarily in the event of his/her physical disorder or for personal reasons.

The personnel suspended from office shall be reinstated in the service unless otherwise provided. The system of status guarantee is aimed at the concentration of the personnel's energies on the individual duties, and this is very important together with the matter of welfare of the personnel.

B. Appointment of Cooperative Staff

The President of Central Federation of Fisheries Cooperatives appoints the executive director of the member cooperatives which is the auxiliary organ of the president of the member cooperative. The personnel of each cooperative is appointed by the president of the cooperative out of the successful applicants who have passed the examination for service conducted by the Central Federation of Fisheries Cooperatives. In this matter, the self-regulation is levied on the member cooperatives.

2. Financial Management

A. Fund Raising

The sufficient supply of funds is urgently needed in order to smoothly perform the functions of protection and service for the cooperative members. The major financial resources of the Fisheries Cooperatives are divided into the own funds such as the money invested, surplus money, etc. and borrowed funds such as the government loan, bank loan and deposits. The fact that the borrowings such as government loan, etc. out of the various kinds of funds required for the business of the Fisheries Cooperatives at present are given much more weight acts as the major reason for hinder the self-regulation of the Fisheries Cooperatives in Korea. The scale of funds for the credit business conducted by the Central Federation of Fisheries Cooperatives in 1974 shows the following data. The total sum of the credit business reaches 45,657 million won, and the composition ratio of the funds comprised of the own funds and deposits amounts to 36%, and the borrowings such as government loan, other loan, etc. occupies 64%.

B. Operation of Funds

The operation of funds is aimed at conducting the limit management system according to division into the business-type within the range of the raised funds. The total scale of the funds operated in 1974 by the Central Federation of Fisheries Cooperatives reaches 40,519 million won, and the loaned money out of the total funds amounts to 32,358 million won and it occupies 80%. The composition ratio of the loaned money given to the fishermen is divided into Operation Fund and Facilities Fund which occupy almost fifty-fifty according to use. The loan business of the Fisheries Cooperatives is characterized by the guided banking, compared with that of the other banking institutions. The guided banking is aimed at supporting the businessmen for their successful achievement of business through the continued guidance on the business in question in the course of conduction the loan.

3. Public Information and Publication

A. Introduction

The activities of public information initiated by the Fisheries Cooperatives in Korea lie in enhancing the interest toward the fisheries industry for the purpose of

the people's participation in the fisheries industry and inducement of investment. On the other hand, the activities include the P.R. aimed at the increase in consumption of the fisheries products. In addition to the public and information activities to promote the mutual interests of the fishermen by enhancing the utilization frequency of the fisheries cooperatives, there exist many kinds of activities such as the communication of the diversified information in order to support the fisheries production activities.

B. Contents of Activities

(1) P.R.

The public information activities for inducing the voluntary participation in the New Fishing Communities Construction Business and the external activities for increasing the consumption of the fisheries products are conducted continuously all the year round by means of various kinds of projects such as announcement of the press material, special advertisement program, manufacture of slides, monthly radio broadcasting, manufacture of T.V. and advertisement movies as well as showing movies. The total P.R. activities reached 342 times in terms of the external activities conducted in 1974.

(2) Publication

The monthly publications are divided into three (3) categories - magazines such as "New Fishermen" to promote the fishermen's culture, "Monthly Research of the Fisheries Cooperatives" acting as the research and survey activities, and "Overseas Fisheries Information" to promptly introduce for use the fisheries information to the domestic fishermen such as the overseas fisheries production, circulation, fisheries technique, etc. The above publications are distributed to the domestic fisheries industrial world, domestic organizations of different classes, and the authorities concerned free of charge for the purpose of promoting the understanding for the fisheries industrial world, and externally the publication activities are aimed at contributing to the development of the fisheries industry through circulation of the new knowledge and technique related to the fisheries industry.

4. Marketing Management

A. Sales System

The fisheries products circulated in Korea are transported to the consuming areas through the Common Sales Market of the Fisheries Cooperatives which function the Wholesale Market

of the producing area at the initial stage, and it is natural that the Common Sales Business conducted by the Fisheries Cooperatives in Korea plays an important role in the matter of the fisheries products circulation. The common sales business of the fisheries cooperatives lies in performing simultaneously the three (3) major functions of transportation, evaluation and dispersion of the fisheries products scattered in the vast districts. The kinds of common sales are divided into Consignment Sales, Collection Sales, etc. but the consignment sales is the most characteristic sales form. The whole quantity of consignment sales reached 828 hundred million won with 9.48 million M/T sold in 1974.

B. Sales Organizations

To smoothly implement the duties of common sales business conducted by the Fisheries Cooperatives, the organizations such as the Sales Organization of the Fisheries Cooperative itself functioning the fishing market as well as the middlemen participating in auction conducted by the Fisheries Cooperative, the retailers who buy the fisheries products from the middlemen, and other affiliated merchants are urgently required. The category of the middlemen, the retailers, and

the affiliated merchants are not necessarily required for the organization of the sales business, but their existence is a prerequisite for the purpose of functioning the common sales business conducted by the Fisheries Cooperative.

C. Price Sustaining Service of Fisheries Products

The Fisheries Cooperatives in Korea initiated the Price Sustaining Business of Fisheries Products for the purpose of protecting the fishermen from the decreasing income due to the dull increase ratio of fish price despite the sharp rise of the various materials affected by the inflation prevailed worldwide since 1973, and stabilizing the fishermen's income by means of alleviating the price changes affected by the seasonal fluctuation at the same time. It is characterized by securing the lowest price of fish in circulation on a fixed level after choosing the fishes. The said business is not yet in full swing, but it is anticipated that the system will contribute to the stabilization of the fisheries products prices and increase in the fishermen's income on the gradual basis upon raising the sufficient funds and experiences gained, and further contribute to the development of the fisheries industry.

D. Marketing Information Service

The Fisheries Cooperatives operate the radio communications network in order to secure the price equalization of the fisheries products on sale at the fishing markets across the country and guarantee the reasonable prices of fisheries products turned out by the fisheries producers. The information concerning the quantity of fish gathered at the fishing markets all over the nation, and fish prices are promptly obtained, and they are released on the air, in the papers and the other mass media. In addition, the said information are delivered to the fishing vessels in operation on the sea and fishing harbors. The monthly situation of production, circulation, and price are analyzed and the information concerning them are circulated through the publications.

5. Communication and Procedures

As stated above, the backbone of the fisheries cooperatives is the Regional Cooperative. The supreme deliberate organ of the regional cooperative is the General Meeting. The general meeting is comprised of 20 to 30 members (representatives) elected by the members of the individual village unit. The chairman of the general meeting is the president of the

cooperative. The attendance of the majority of the representatives shall be necessary for opening and the decision shall be made by the majority present at the meeting. The members of the cooperative shall have the equal voting right, franchise and eligibility for election regardless of the money invested by the members. In the event of the Business-type Cooperative, it may have the representatives only when the members exceed 100 persons, but the members are the constituents of the cooperative for the most part. The director which is the member of the board of directors acting as executive and deliberate organ of the cooperative is elected at the general meeting.

316
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PERSONNEL MANAGEMENT¹

by

C. Thanapalasingan²

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PERSONNEL MANAGEMENT

Allow me in the first place to thank the ICA and the Central Co-operative Ex. Inc. Manila for having given me this honour to speak to you today on the subject of "Personnel Management."

Very basically, this means management of people at work. Until recently historians had very little to say about the experience of work, which occupies the major portion of most people's hours while they are awake. Until the modern era, hard and sustained physical work was necessary for survival. The saying of the Bible 'In the sweat of they face shalt thou eat bread, till thou return unto the ground' - is held true for most people throughout history. The early Greeks regarded work as a curse. However, work is still indispensable for survival. But today there is a significant difference. With the coming of the industrial machine, work became less arduous and less physical. More important, the setting of work became more subject to human planning, and the rise of the trade union movement proved that the conditions could be improved without hurting productivity.

With delegates from so many countries assembled here, the compulsion to compare experiences in the field of personnel management cannot be resisted because in spite of close affinities each of our situations is peculiar in the composition of our people, form of government and socio-economic structure and the economic and social targets we have set and have to meet in our individual national interests.

Personnel Management in Malaysia can be said to have begun in the early 1960's following the government's policy to launch an industrialisation programme for the country. The Government invited foreign investors with capital to invest in the country to create employment opportunities and also created a climate conducive and attractive for foreign investment. With political stability in the country and with an attractive in-

2

vestment climate there was substantial foreign investment in the country. To date it is significant to note that 60% of shareholding in Limited companies in the country is in the hands of foreign investors. Industrial development has been rapid and such development was initially concentrated in the urban areas where infrastructure facilities were readily made available. With the setting up of various industrial establishments both foreign and local, Malaysians were recruited in large numbers for employment in these industrial establishments.

With large scale employment for local citizens in industrial establishments set up with foreign capital and foreign management, the management of local personnel was an important policy that needed attention. The foreign investors initially brought with them managerial skills taken for granted in Western Industrial Societies but which were unheard of in the context of Malaysian industrial development. Even industries set up by local capital were faced with the need to formulate personnel policies which were quite a novelty to the management which had been used to traditional family type business concerns traditional to Asian societies and where the sole owner or proprietor of the business or industry felt that he knew best what was good for the worker or employee. Personnel Management in Malaysia therefore became an important aspect of managerial function and is growing in importance as industrial development continues to progress year by year. Malaysia was not quite prepared to meet the problems of industrialisation programme of the country and initially the management of personnel was a difficult task. Foreign investors initially brought their own personnel directors and or managers from their own countries and these foreign trained specialists in personnel management found themselves in a situation quite different to what they had been used to. Another difficulty which confronted these foreign specialist with sophisticated training in personnel management was the

multi racial composition of the Malaysian population. To make their task even more difficult personnel managers from foreign countries employed locally were confronted with the problem of recruiting the right type of worker for the right job. This was because there was not very many skilled personnel in the labour market who could readily fit into the industrial establishments or meet the requirements of the employers. With improved employment opportunities there was a move among the workers to unionise themselves and the personnel manager had to be prepared to negotiate unionised demands in connection with conditions and terms of employment. The Personnel Manager has to be up to date on the existing labour laws in the country and also be well versed with the policies of the Government. Particularly important to the Personnel Manager is requirement of the Government of Malaysia to ensure that the labour force at all levels of employment in an industrial or commercial undertaking reflected the racial composition of the country namely Malaya, Chinese and Indians. In recruiting local people for employment it was not only skill and the required qualifications for the job that had to be considered but whether the racial composition of the work force is also reflected in the recruitment. It is now not uncommon to find large industrial and commercial undertakings creating a personnel department to deal with the problems of personnel management peculiar to Malaysia. In recruitment however the general policy on manpower management in the private sector is that recruitment and selection shall provide adequate quantities of the right types of manpower. In a developing country like Malaysia personnel managers face a heavy responsibility for employee training and development. The lack of trained manpower in the labour market compels personnel managers to formulate training programmes for raw recruits. Many employees, from operatives on the machines to operators in clerical sections require special educational preparation if they are to perform the jobs assigned to them.

Thus personnel managers face educational responsibilities at all levels in an organisation. These responsibilities are persistent in that new employees require training and employees with long service need additional training if they are to be advanced to more responsible levels of management. This is in the long terms interests of the organisations in view of the Malaysian Government's policy that Malaysians must eventually manage their own affairs. Thus training for promotion to greater responsibilities for Malaysians is now widely accepted by the private sector in Malaysia and expressions of this policy are manifested by the appointment of locally trained officers to man the personnel, supervisory and middle level management. Large organisations in the private sector send their selected personnel for training in developed countries where they are thus exposed to modern trends in management. In Malaysia personnel management policy in large firms is to maintain a wide range of training and development programmes designed to help employees increase their knowledge and skills and qualify themselves for continued employment and advancement.

The socio-economic changes in Malaysia are also accelerating other adjustments in management attitudes towards workers. There is change in workers' and unions' attitude towards management/worker relationships, corresponding change in managerial attitudes towards social responsibility to workers and improvements in the style of management especially the decision-making and organisation structure aspects.

Today, management is being confronted with a situation in which workers are becoming increasingly vocal regarding their desire to participate in decision making at the shop-floor and operational levels. A recent random survey indicates that the prevailing opinion among workers is that management should entrust junior executives with authority to make operational decisions instead of being autocratic.

To maintain effective industrial working relationships by reducing the degree of alienation between workers and employers, the Government and some Union leaders have encouraged employers to offer adequate equity participation to workers since this instills a sense of ownership in addition to the cash nexus of a wage-earning employee. Thereby, it is expected that workers will come to regard themselves as more than a mere operational cog in the organisational wheel. It is too early to pass judgement on the extent of adoption of this approach or on the likely outcome.

There is also the changing role of the trade unions. Malaysia is fortunate to have responsible, and relatively speaking, well organised trade unions. Many companies in the private sector do not desire to encourage participation by unions in decisions concerning promotion or dismissal of employees. These tend to hold, with the exception of management in larger companies, the conservative view that trade unions are only concerned with the welfare of workers through the negotiation of wage rates and on operating conditions, and that decisions influencing management policies are not within their domain.

Malaysian trade unions have also actively sought to diversify their role. For instance, the Malaysian Trades Union Congress (MTUC) together with the Government, is presently investigating the possibilities of providing family planning services for workers in the factories in their attempt to fulfill their responsibilities as a corporate citizen towards the national policy of population control. Further, a leading union, the National Union of Plantation Workers (NUPW), also performs other roles. In its own estate and industrial concerns, the workers themselves perform managerial functions. The changing role of trade unions is expected to force management to change its attitudes towards relationships with them.

Many companies have been urged to initiate a Works Council to assist in the resolution of daily problems between the organisation and workers. This implies that management must change its attitudes to accept participation by employees in decision making. Trade unions have advocated industrial democracy but the appropriate system for the Malaysian context is still unclear, and requires more research as the indigenous management practice in this country in the field of industrial relations is still in the embryonic stage. One advantage of the situation is that the diversity of managerial styles allows room for innovation and experiment.

The practice of personnel management in Malaysia is in the process of transition from the traditional style to a more formal one. Attitudes are swinging from the old authoritarian practices towards consultation and participation but much remains to be achieved and this will require management to change its attitudes and organisational practices to incorporate new social functions.

In Malaysia there can be no rigidity on the list of functions to be performed by the personnel department in an organisation and the responsibility in regard to each. The practice varies with the size, condition and background of the industry and in an industrially developing country like Malaysia the personnel department is concerned with functions like employment, grievance matters and formulation of policy regarding manpower requirements of the organisation.

Perhaps the best way to outline the work ethic on the basis of the future trends in any given undertaking is -

- that work should respect the worker's life and health; this is the problem of safety and healthiness in the workplace;

- that it should leave him free for rest and leisure; this is the question of hours of work and their adaptation to an improved pattern for life outside work;
- it should enable him to serve society and achieve self-fulfillment by developing his personal capacities; this is the problem of the content and organisation of work.

It is in this context i.e. 'making work more human' that we have to examine the personnel policies of the undertaking and to contain a policy that would satisfy the management, unions and workers. Therefore it is necessary for us to discuss the various procedures and approaches which could contribute to this climate and they are briefly as follows:-

(a) Termination of Employment

Policies, rules and procedures concerning termination of employment should be laid down. A distinction should be made between dismissal for just causes on the one hand and redundancy and temporary reduction of the workforce on the other. As regards dismissals collective agreements or staff regulations should contain clear provisions spelling out the elements of a disciplinary policy and the procedures to be followed. As regards redundancy, efforts should be made to find alternative jobs of a similar category or suitable severance payments should be fixed in relation to the years of service. In the case of temporary reduction adherence to the seniority principle should carry some weight whilst the efficiency factor should also be taken into consideration in the case of skilled jobs. Each country has its own tribunal or adjudicating body to determine whether the management's action in terminating employment was justified. An observation of the Industrial Courts decisions on appeals made to it regarding termination of employment in 1974 in Malaysia is as follows:

Of the 153 cases it adjudicated the Court found that in only 18½% of the cases the action of the management was justified. In the remaining 81½% of the cases, the Court either ordered reinstatement or compensation for the dismissed workers.

(b) Grievance Procedures

Grievance Procedures should be a normal part of every collective agreement or staff regulations. It should be adapted to the size and particular circumstances of each enterprise and include appropriate steps for the resolving of grievances. Grievances should as far as possible be settled at the lowest possible level so as to improve the industrial relations atmosphere.

(c) Protection & facilities to be afforded to Workers Representative

The term 'workers representatives' covers both trade union representatives and representatives freely elected by the workers. Provision should be made for the representation of workers by trade union delegates or shop stewards whose duty it is to take up workers grievances through the established channels in the enterprise, and in general to see that the terms and conditions of employments laid down are respected. Such representatives should enjoy effective protection against any act prejudicial to them, including dismissal based on their status or activities as workers' representatives. They should also enjoy the necessary facilities enabling them to carry out the functions properly and efficiently. The granting of such facilities should not impair the efficient operation of the undertaking concerned.

(d) Communication between Management & Workers (Labour-Management Consultation)

A communication system (Voluntary Joint Machinery) within an undertaking should be designed to ensure genuine and

regular two-way communication between representatives of management and the workers. The communication media should give information on conditions of employment, job description, training and advancement prospects, instructions for prevention of accidents, welfare services, social security schemes, etc. in the undertaking. Management should also use other media of communication such as periodical meetings for the purpose of exchanging views and information, news-bulletins, notice boards, workers suggestion schemes, etc.

Industrialisation in Malaysia and South East Asian countries continues and both management and workers are bound to be affected by the changes brought about by industrialization. These changes bring hopes of better standards of living for the workers whose expectations and aspirations become greater and their demands for better terms of employment is bound to create personnel management problems. Personnel management will therefore undergo radical changes and management must be ready to adapt to the requirements of having a disciplined workforce without infringing the rights of individual workers for fair terms and conditions of employment.

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ASIAN CONFERENCE ON COOPERATIVE MANAGEMENT
PHILIPPINE VILLAGE HOTEL, DECEMBER 1 - 6, 1975
MANILA, PHILIPPINES

COOPERATIVE MANAGEMENT¹

1. Paper presented at the Asian Conference on Cooperative Management held in Manila, Philippines, December 1 - 6, 1975.

COOPERATIVE MANAGEMENTBackground Information

Cooperative system in Nepal comprises of primary level village cooperative societies and district level cooperative unions. This system was introduced with the enactment of Cooperative Society Act 1959. A total number of 1273 cooperative societies, (multipurpose, credit, consumers, artisan, cooperative societies) were registered under the act within a period of a decade. The registration of the cooperatives were made with the objective of providing a strong and efficient credit and marketing system basically in the agricultural sector.

A review was made in the year 1968 and found that in the absence of adequate and timely credit, lack of managerial and technical personnel in the society, absence of marketing facilities for the benefit of members, lack of guidance and supervision, cooperative societies could not function as anticipated.

Cooperative Revitalization Programme

In order to overcome the various drawbacks encountered in the process of Cooperative Development in the Kingdom, a Cooperative Revitalization Programme was introduced in the year 1971-72. Under the programme cooperative societies previously registered and found ineffective over the period of time were to be reorganized and amalgamated. The programme has thus envisaged to provide various services in a package from i.e. provision for adequate and timely credit (preferably in kind), technical support through extension workers at the farm level, provision for storage and marketing services. These services are being channelized through an integrated approach under which various technical and financial backstopping are provided to the cooperatives

wherein various concerned agencies are involved. As for the selection of the cooperative a committee consisting of the representation from ADB/N, Cooperative Department HMG/N, Agricultural Input Corporation, Agricultural Department HMG/N, Land Reform/Administration HMG is constituted.

To provide technical backstopping at the farm level the Department of Agriculture is to assign one technical personnel (JTA) in each cooperative under Bank management.

Agricultural Input Corporation is to provide dealerships to each cooperative for the sales of Agricultural Input on cash and credit to the farmers of the area.

The Department of Cooperatives besides the promotional aspect like education and training to the members is responsible in conducting supervision and audit of the cooperatives. In the initial stage, these cooperative societies will function under the management and control of the Bank (ADM/N). ADB/N will handover the management of the cooperative to the member only when the cooperative societies expand their volume of business and can stand on their own as an economically viable unit. The present status of cooperative is given in Annex A.

Personnel Management

The primary level cooperative society organization is very simple. It is headed by a manager appointed by the Agricultural Development Bank. He is assisted by the advisory committee, selected from the shareholder. As the function of primary level cooperative demands an all time attention and effort of the manager, the manager deputed in a cooperative society stays in the headquarter for all the time. The recruitment of the cooperative manager is made among the candidates with the rural background through a process of written and oral examination. Other staff like salesman, accountant and storekeeper, however, are locally recruited by the cooperative manager himself.

The cooperative managers are then given a comprehensive training on the cooperative management practice, book-keeping and agri. credit at the cooperative training institute. The other staff receive training from the Bank. The Agricultural Development Bank conducts a field training programme each year. For these cooperative managers are required to prepare farm plan for different crops for the member farmer they are given a basic week long training at the government agricultural research station. In addition the field office of ADB/N conducts a monthly meeting of all the cooperative managers in their area of operation to identify the problems if any, and gives instruction for immediate solution.

The leaves are approved by the ADB/N field office. The attendance record for the each cooperative is kept in the society.

The cooperative manager besides his monthly salary is provided a field allowance which ranges from 25% to 50% of his salary amount. In addition he receives the travelling expenses while travelling outside his area of operation. So as to provide further incentives a programme of incentive bonus is also being introduced.

The other staff, however, receive their salary and other benefit fixed up by the Bank from the cooperative society itself. No cooperative society can recruit additional staff unless it can pay them through its net earning.

Usually, the employee of the cooperative is promoted to work as the manager in the district level cooperative union. The district level unions usually have a Chief Manager, an Assistant Manager, sales manager and the accountants.

Marketing Management

In order to establish a link between effective credit and marketing and hence collection of loans, marketing of agricultural produce is necessary and this activity is performed by the cooperative. The sales of input, its timely purchase and storage is the main function of the cooperative at present.

The cooperatives are the dealers in agricultural inputs such as improved seeds, chemical fertilizer, insecticides and small tools. The Agricultural Development Bank recently introduced a system where the agricultural implements such as pumpsets and small farm machinery is to be supplied by the cooperatives in the farm level.

At present there are about 40 godowns owned by the cooperatives. An additional 51 are also being constructed. The rest of the cooperatives are renting the godowns in the villages for the storage purpose.

The present marketing management, therefore, is seriously handicapped because of the non-availability of the storage facilities. Besides, the storage loss in case of input is very high because of the improper handling of the fertilizer. The lack of trained personnel in making management has hindered the smooth marketing operations of the cooperatives. Certain agricultural produce like wheat is very difficult to market, because the country does not have enough flour mills and the channel for external market is not yet developed.

Financial Management

The total paid up share capital of the cooperatives at present is approximately Rs.2 million. The only financing agency at present to these cooperatives is the Agricultural Development Bank.

The value per share is rupees ten payable within two instalments. A farmer within the area of operation is to have at least a share to be a member of the cooperative. Recently, it has been decided and agreed upon that, the paid up share capital of the cooperative is too small, so in order to increase the paid up share capital and thereby to build up a sound capital structure of the cooperatives each member on receiving credit from the cooperative should purchase share amount equal to three per cent of the loan to be borrowed. At present the total loan borrowed by the member is approximately 60 million. Even if the amount borrowed remained constant for a few years to come, each year the paid up share capital will increase at a considerable rate. The accumulation of this capital will greatly reduce the borrowing of the cooperatives which at present constitute more than 98% of the total operating capital of the cooperatives.

The cooperatives are to keep the books of accounts as per the prescribed system. The system of book-keeping is to be approved by the Department of Cooperatives His Majesty's Government.

The books of accounts and other stationery is supplied by the District Cooperative Union. The manager keeps the books of accounts and certified every balance with an initial. Once in a month the Department of Cooperatives checks the books of accounts to see whether all the books are kept up-to-date and in line with instructions. This monthly inspection is very effective in controlling the business of the cooperatives. Moreover, the inspection report is also being furnished to the ADB/N field offices. This helps timely detection of irregularities for control measures. Each month the cooperatives are also to submit a monthly report showing the loan outstanding loan repayment, sales of inputs and produce. This gives the cash flow position of the cooperatives. It is checked and compiled by the ADB/N field offices.

The Cooperative Department also performs annual auditing of the books of accounts. The audit report is approved by the shareholders on the recommendation of the management.

Each cooperative prepares annual programme and Budget for each financial year. The programme and budget clearly shows the financial requirements of the cooperative. The Agricultural Development Bank checks and makes sure that cooperative follows the programme formulated.

At present the greater part of earning of the cooperative societies is from the interest margin (i.e. the interest to be paid by the member over interest charged by the Bank to the cooperative) which is 4% of per annum. The income from the sales of input is 6%. At present the main problem is the small volume of business handled by the cooperatives. If this volume is increased considerably cooperatives would turn out to be economically viable.

Communication and Procedure

The member education programme is being organized by the Department of Cooperatives in the selected area. The main objective of the programme is to establish a better understanding between the member of the cooperatives. This programme also aims at increasing the participation of more membership toward the cooperatives.

The establishment and organization of the cooperatives is to be considered by the members themselves, rather than by the outsider. If the cooperative is a felt need of the farmers, and the farmers themselves coordinate the objectives through cooperative then only the cooperative programme can be successfully operated. Moreover, the progress must be understandable and can be quantified in terms of profit. There is a great communication gap between the organizer and the prospective member of the cooperative. This is the main drawback for the development of cooperative. The frequent

meeting of the members should be encouraged. A feeling of association in the programme formulation should be there so as to make the members more responsible.

Public Relation

The cooperative managers are the main driving force in the cooperative society. He should not only limit this time within the official time table but also act as a counsellor and friend of the area of his location. The books of accounts are to be open to all members inquiry. The business performed by the cooperative should be able to attract more and more members.

ANNEXE-1

Total number of cooperatives	252	average per society
Total members	80,000	317
Paid up share capital	2 million	7930

LOAN STATUS

Total loan outstanding	60 million	2,38 thousand
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BUSINESS

Input marketing (Rs.)	60 million	2.38 thousand
Produce Marketing dealt (Rs.)	20 million	80 thousand

BACKGROUND PAPER: SRI LANKA

COOPERATIVE MANAGEMENT

presented by

Danapala Wijayatunge

ASIAN CONFERENCE ON COOPERATIVE MANAGEMENT

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INTERNATIONAL COOPERATIVE ALLIANCE

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Manila, Philippines

Central Cooperative Exchange Inc.,
P.O. Box 1968
Manila, Philippines.

Grains Marketing Cooperative and
of the Philippines

Filipino Cooperative Wholesale
Society Inc.

COOPERATIVE MANAGEMENT

Presented by

Danapala Wijayatunge

The Cooperative Movement of Sri Lanka is 64 years old and was legally recognised with the promulgation of the Cooperative Societies Ordinance in 1911. During the period it has undergone several phases of which the period from 1911-1942 could be considered as the credit era. This period showed a significant growth of credit societies especially in the rural sector. With the outbreak of the second world war a food rationing scheme was introduced and during the period 1942 to 1952 a remarkable growth of Consumer Cooperative Societies was noticeable. With 38 societies in 1942 the number rose to 5,000 in 1945. A major change in the organisational set up of the societies was seen with the formation of the Multi-purpose Cooperative Societies in 1957. A Royal Commission was appointed in 1968 to examine the structure and organisation of the societies in order to propose recommendations to strengthen the Movement. The present era of the Movement commenced in 1971 with the setting up of the United Front Government in 1970. Since the Cooperative Movement plays a major role in the social and economic development, the Government recognised the necessity of reorganising the Cooperatives with large and economically viable units.

With the reorganisation in 1971, 5,000 Cooperative societies were amalgamated to form 362 large viable units. These Multipurpose Cooperative Societies are widely spread throughout the island each having about 20-50 branches. These societies are primarily engaged in the distribution of consumer commodities while in addition they are also engaged in agricultural credit, marketing and production activities. There are also other types of societies such as textile, fisheries, dairy and industrial, and, as much as 90% of the population is catered to or connected with one or more types of societies.

With the introduction of radical land reforms collective farms and agricultural settlements are formed to accelerate the food production in the country. These settlements and farms are being set up on a Cooperative basis and play a significant role in the Cooperative Movement today.

Cooperative Management

The importance of Management and Management controls have been emphasised with the setting up of large Cooperative Societies. The complexity of the business and the large number of employees have necessitated the introduction of Management techniques in them. The employees too are being trained in modern management methods. As a result the societies too are able to increase their operational efficiency.

Personnel Management

The promulgation of the Cooperative Employees Commission Act in 1972 set up an Employees Service Commission which brought about a significant change in the personnel working in Cooperative Societies. In accordance with the Employees Service Commission Act, regulations were framed by the Cooperative Employees Commission. The regulations thus framed related to procedures in making appointments, payments of salaries, termination of services, transfers, security of employees, leave, hours of work, promotions etc. Regulations governing the conduct of employees too were framed.

It is noticeable that emphasis is placed in the selection and training of Cooperative Managers. Basic minimum qualifications are laid down and considerable effort is taken for their training and retraining.

Marketing Management

The Government of Sri Lanka has emphasised the need for promoting agricultural production. Along with the promotion of production there is a need for distribution. The Cooperative societies play an important role in this aspect whereby the commodities produced by the farmers are channelled through the Multi-purpose Cooperative Society at the village level to be marketed in principal towns.

The Sri Lanka Marketing Federation set up in 1973 plays an important role in providing marketing facilities to Cooperative Societies and Cooperative farmers. They have set up retail sales points in Colombo to provide marketing facilities to consumers.

The Federation has also established a pilot project for the marketing of minor export crops. They are presently experimenting a contract farming system amongst the growers. This, if successful will be carried out on a wider scale in the other societies.

Large number of Cooperative agricultural settlements and farms are being set up in the island to promote food production. Hence there is a need for both production and marketing management. The managers are also now given a training in marketing techniques and methods which aim at reduction and control of marketing costs. The Marketing Federation while setting up retail shops for marketing producers agricultural commodities is also engaged in training all personnel connected with marketing in various aspects of marketing management.

Financial Management

The need for financial management in Cooperative societies was also felt with the reorganisation of Cooperative societies. The Accountants of the societies are given a training in Financial Management. Short refresher courses for them are held at the School of Cooperation from time to time.

Budgeting and Budgetary Control is introduced in Cooperative Societies. Today every Cooperative Society has to prepare a Budget for the ensuing year. The budget has to be approved by both the Board of Directors and the general body. In the operation of the budgets monthly performance should be compared with the budget and the managers have to take necessary action where control is called for. Financial Planning is also emphasised in negotiating loans from the Peoples Bank.

Communications

The organisational structure of the society helps to maintain a steady flow of information both vertically and horizontally.

In the Cooperative organisation there is a steady flow of communication from top to bottom and bottom to top. They are by discussions, meetings, notices, reports etc. Thus it helps to better presentation of information and make the employees aware of their working environments.

The societies too transmit information to the members and consumers through their branches. Sometimes the Cooperative fortnightly paper may be the communication media.

The Board of Directors is expected to meet once a month and in turn the General Manager of the Society too holds his conferences with his subordinates. This process is carried out to the lower management levels too. This enables the societies to continue the communication process uninterrupted.

Public Relations

It is necessary to maintain good public relations with the employees, members, consumers, the general public, government and non-government institutions. All efforts are taken by the Cooperative Societies to maintain cordial relationships with all persons and institutions connected with the Cooperatives.

The following methods are usually applied in maintaining such relationships.

1. Educational Programmes Seminars and Conferences,
2. Publication of books, news papers handouts leaflets etc.,
3. Cinema shows,
4. Public meetings,
5. Radio Programmes,
6. Special lectures,
7. Exhibitions,
8. Representations.

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NEED AND AIMS OF COOPERATIVE EDUCATION

J. M. Rana

1. INTRODUCTION

1.1 Scope

An attempt is made in this chapter to discuss the needs and aims of cooperative education in developing movements of South-East Asia. Defining the specific aims of cooperative education is of great importance in working out the practical details of an education programme. Once goals are properly determined, planning of various types of educational activities becomes somewhat easier. Further, if it is known what cooperative education programmes set out to achieve, it becomes possible to assess their effectiveness periodically.

We shall try to outline the important aims which a cooperative movement in a developing country may set before itself for education activities. Although some examples will be given from the South-East Asian movements, for want of space no attempt will be made to describe the aims of cooperative education embodied in the present education programmes of the respective movements in the Region.

The term "cooperative education" will be used in this paper to cover both education of the members, elected committee members and office bearers, as well as the training of employees of the cooperative movement and of government cooperative departments. Where necessary, we shall refer to the former, viz. education of members, managing committee members and office-bearers, as member education, while the latter will be referred to as employee training.

We shall start the discussion by describing the nature of the cooperative movement and its principles and then indicate the importance of cooperative education. The subsequent discussion will deal with the objectives for member education and employee training.

1.2 Nature of the Cooperative Movement

A cooperative society is a form of business organization which is organized by the members, on a basis of equality, to promote their economic and social interests. The cooperative society aims to provide goods and services to the members at costs as low as are compatible with the long-term development of the society. The management of a cooperative society is carried out by a board of directors elected by the members who exercise ultimate control over the operations of the society.

Cooperatives of individual members are called primary cooperatives. These primary cooperatives join themselves into a federation which performs commonly required functions involving more large-scale operations and bigger resources than those of the primary societies. Thus the federal structure of the cooperative movement, while enabling the small primaries to function independently, achieves for the constituent primaries significant financial managerial and technical advantages. Also, on account of such vertical integration, the cooperative movement can achieve significant competitive capacity.

The cooperative way of doing business takes many forms, from highly specialized to multi-purpose cooperative societies. In South-East Asia various forms of cooperatives have been developed in both rural and urban areas. The main forms of cooperatives in rural areas in South-East Asia include multi-purpose cooperatives, or specialized agricultural credit cooperatives. Since the last World War, agricultural marketing and processing is being increasingly organized on a cooperative basis. In urban areas, the main forms of cooperatives are thrift and credit societies, consumer cooperatives, cooperative housing societies, and in some cases, insurance cooperatives. In recent years, industrial cooperative societies for artisans have been formed in many parts of the Region.

1.3 Principles of Cooperation

The cooperative movement's social philosophy was formulated during the 19th century on the basis of the rules of the Rochdale Society of Equitable Pioneers established in 1844. The Principles of Cooperation which embodied the important rules of the Rochdale Society, were accepted by the ICA Congress held in 1937, they are as follows:

- Open membership.
- Democratic control.
- Limited interest on capital.
- Patronage dividend.
- Cash trading.
- Political and religious neutrality
- Cooperative education

The first four principles mentioned above are responsible for bringing about a form of economic organization radically different from that of private enterprise. Thus the cooperative movement represents a distinct ideology, which envisages control over economic institutions by the user-members and distribution of the surplus in proportion to the utilization of the services by the members. The role of capital as a productive agent is recognized, but it is no longer an arbiter of the economic destiny of the people. The distinctive appeal of the cooperative movement lies in its emphasis on the individual, on equality of one man with another and it stresses that ordinary persons of limited means can, through combined economic power, take their fate into their own hands and fashion a better social and economic life for themselves.

Although the cooperative movement places emphasis on promoting the economic interests of members, the social aims are no less important. Great importance is attached by the cooperative movement to the education of its members and employees. The cooperative movement attempts to raise, through adult education activities, the members' occupational social and cultural levels. Its employee training programmes are designed to strengthen the cooperative movement and to help the employees within the movement realise their full potential of abilities.

1.4 Need for Cooperative Education

An eminent cooperator has said that "Cooperation is an economic movement employing educational action. The statement would be no less true if it were reversed to say that the cooperative movement is an educational movement employing economic action"¹ Although the cooperative movement aims at improving the social and economic conditions of members, the methods employed by it for achieving these goals also help to broaden the horizons of members' consciousness and develop their personalities. The cooperative movement is not just another

business enterprise whose sole object is to be a grocer or a marketing outfit for farmers. It is also a practical school in which members learn essential business economics, the economics of their households or farms, and more important, the qualities of good citizenship - such as the awareness of their rights and the value of exercising these rights - which are invaluable in a democratic society.

However, it is not enough to rely on the educational effects on the members following their participation in the work of the cooperative society, if the cooperative societies are to be established on a sound basis and are to be developed as strong competitive institutions. In this connection, Charles Guide says "Common people with the ambition to try to provide for their own needs, and become their own merchants, bankers and creditors, their own employers and their own insurers, would indeed be imprudent if they did not first equip themselves with the knowledge and faith necessary for the task".² In the cooperative movement, the owners and users are the members who exercise ultimate control over both the policies and the operations of their cooperative societies, and the movement as a whole. The successful development of cooperative societies presupposes that this democratic control should be effective. For this purpose it is essential that the members, or at least a majority of them, have sufficient knowledge and the capacity to assess the economic activities of cooperative societies and to elect suitable men to the board of directors. Similarly, the education of directors and employees is essential for achieving the successful operation and the growth of cooperative societies.

Government cooperative departments in most countries of South-East Asia are now anxious to develop cooperative movements, and a majority of them have launched plans for doing so as part of their overall measures for economic development. Since the post-war period, the cooperative movements in many countries of South-East Asia, which were formerly limited to the simple sphere of cooperative credit, have started undertaking more complex and difficult forms of enterprises, such as agricultural marketing, processing of agricultural produce, and consumer business. In view of this, it is of the utmost importance that the greatest possible attention is paid to the development of cooperative education.

Some problems of the cooperative movements in the Region given below

illustrate the great importance of proper cooperative education. In the first place, cases of misappropriation of funds in the cooperative societies are reported from time to time. The problem of corruption and lack of integrity is to be found in many walks of life in the developing countries for a variety of reasons, such as shortage of essential commodities and governmental restrictions over a wide area of social and economic activity. The ramifications of this problem are too large to be discussed within the short space of this paper. However, it is obvious that a vigilant membership would be a great safeguard against corruption in cooperative societies.

Secondly, a sizeable number of cooperative societies in some of these countries have come to grief. For instance, it was estimated by Sir Malcom Darling that in India nearly 53% of the cooperative societies organised between 1904 and 1934 were either cancelled or were on their way to liquidation by the year 1934. In its first review of the cooperative movement 1939-46, the Reserve Bank of India stated in this connection "it appears that the pace of expansion before the depression has been too rapid to have been really sound and contained within itself the seeds of subsequent collapse. It had outrun cooperative education". In the Philippines, the Farmers' Agricultural Cooperative Marketing Associations and the Central Cooperative Exchange ran into difficulties in 1960 on account of low loan repayments by members, the consequent credit squeeze by the government corporation financing agricultural cooperatives, and mismanagement of cooperatives.³

Indeed the economic position of a sizeable number of cooperative societies in several countries of the Region cannot be considered satisfactory. For instance, by the end of June 1962 as many as 70 per cent of the agricultural credit societies in India were in C, D and E audit classes, these classes referring to mediocre, unsatisfactory, and hopeless categories. During this year, the percentage of A and B audit classes, implying very good and good types, was only 15, the rest being unclassified. A similar situation with regard to management efficiency prevails in several other countries of South-East Asia.

In this connection the statement of a noted Swedish Cooperator, Mr. H. Eildin, is of great relevance for the South-East Asian movements. "If we had occasion to start our movement afresh and if we were given the choice between two possibilities-that of starting without capital

but with enlightened membership and staff or, on the contrary, that of starting with a large amount of capital and ill-informed members—our experience would incline us to choose the first course."⁴

1.5 Some Considerations for Determining Objectives

In the cooperative movement, cooperative education will need to be planned for the following categories of people:

"Members of cooperative societies.

Elected committee members and office-bearers.

Employees of cooperative societies.

Employees in government cooperative departments

Persons among whom new cooperatives are to be organized.

Important social groups, such as women, youth and students in schools and colleges.

Employees in government development departments coming into contact with the cooperative movement and leaders of the local self-government institutions.

The general public."

Firstly, education programmes will have to be planned with reference to the categories to which cooperative education is directed. A single all-embracing cooperative education scheme which would be usually applicable to the different groups is not feasible because the aims of education schemes for the different group of people must vary. Secondly, the bulk of cooperative education activities will have to be directed to those people who are already within the cooperative movement, government employees, who are concerned with cooperative development and those people among whom new cooperatives are to be organized. Thirdly cooperative education programmes will have to be organized for the different groups in the context of the present stage of cooperative development and the projected expansion of the movement. Thus, the estimate of the number of employees who should be trained during a particular period must take into account not only the requirements of the existing societies but also those of the new societies likely to come into existence during the period in view. Cooperative education, however, should not become predominantly concerned with merely the numerical aspects but should keep in view the quality of the education imparted as well. Fourthly, cooperative education should be function-oriented and should prepare the persons, either members or employees,

for handling their specific tasks. Thus, differentiation in terms of types of cooperative societies, such as agricultural credit societies or consumers' cooperative societies, and in terms of job requirements, is essential for planning the education programmes. Finally, cooperative education should contribute to the total purpose of cooperative societies. It should attempt to develop the personalities of the members and employees and so help them realise their potential abilities.

1.6 Overall Objectives

The overall aims of cooperative education may be described as follows: Firstly, cooperative education activities should attempt to develop a strong, self-reliant and democratically-managed movement which would be in a position to achieve its social and economic objectives. The cooperative movement will function in a competitive economic set-up in the Region, operating as it must side by side with private enterprise and state-owned corporations. Therefore, the movement must be strong enough to meet effectively the competition from private enterprise and, if necessary, should be able to take the lead in combating business practices harmful to the interests of the members. Secondly, the cooperative movement should be extended by attracting new members to the existing cooperatives and by forming new cooperatives in areas hitherto unexplored. The cooperative movement is universal in its aims to provide services to all those who are willing to join its fold, and who agree to abide by its rules. Thus, cooperative education should aim to spread the ideology and the benefits of the cooperative movement to the largest possible number of people.

2. MEMBER EDUCATION

2.1 Setting-up of Cooperatives

Firstly, cooperative education should aim at creating in people an awareness of their social and economic conditions and the usefulness of cooperative action in bringing about an improvement in these conditions. The sponsoring agency - whether it is the government cooperative department or a secondary cooperative organization - must realize that it is essential to ensure that the would-be members are properly prepared for the task of establishing and running a cooperative society. Intending members should analyse the weaknesses in their economic situations and decide whether these weaknesses can be removed through joint action.

Sometimes their individual problems may be such as cannot be removed by cooperative action. For instance, the aboriginal tribes living in secluded areas, or the socially-depressed classes, such as the untouchables in India or the farmers with tiny plots of land unable to produce enough for a subsistence economy, cannot improve their conditions solely by cooperative action; they do not have the stability within their economies necessary for successful operation of the cooperative societies. In these cases, a rehabilitation programme supported by the government would be needed. It is thus necessary for the sponsoring organization to investigate and to decide carefully in which areas and for what groups of people cooperative societies should be planned. Once it is thought that the prospective members are in a position to organize a cooperative society successfully, it is necessary to educate them in the legal aspects of cooperatives, their goals, economics and the obligations resting on members.

It should be stated that very often the propaganda carried out for organizing the societies in several countries of the Region emphasises the advantages to be derived from joining a society while the corresponding responsibilities of members and the conditions necessary for cooperative success are not brought to members' notice. Such propaganda may succeed in organizing the cooperatives but not in ensuring that they develop successfully in the future. For example, Mr. Clemente Terso Jr., while discussing in his paper the problems of the agricultural cooperatives in the Philippines, has to say the following on this subject: "The early failures of cooperatives were, to a large extent, due to the lack of proper information and guidance of the people on the practices of Cooperation. People were induced to organize into cooperatives so that they could get loans on easy terms from the Government, an approach which was entirely wrong. The principal objective of placing the farmer on a dignified level of existence through self-help and mutual cooperation was forgotten in the frenzy of organizing the maximum number of cooperatives. While privileges and benefits were stressed, duties and obligations such as repayment and loyalty were let out"⁵ As someone remarked, in the developing countries, in many cases, the societies are organized in a hurry and liquidated at leisure. It is therefore essential that this preliminary propaganda should be carried out in a realistic and honest way so as to lay solid foundations for future stability of the society.⁶

2.2. Development of Members

Cooperative education must not stop once societies have been established. Enlightened membership is essential in cooperatives because the success of a cooperative society depends on its sustaining the loyalty of the members. They should be willing to extend their patronage as well as to put in the necessary finances by way of share capital and deposits for developing cooperative business. Furthermore, they should have an awareness of cooperative problems, some of which are considered below.

Cooperative societies frequently have to face stiff competition from private traders, especially in the initial stages. For example, the traders offer, for a temporary period, prices higher than the ruling market prices for the commodities produced by the farmers. In such cases the temptation for the members of agricultural marketing societies to trade with the private trader is very strong with the result that if a sizeable number of members stop trading with the society, it may collapse. Tactics of varied types are adopted by private enterprise in order to weaken and to disorganize cooperative societies.

A further important problem for several cooperative movements in South-East Asia is the lack of an integral relationship between the primary societies and their central organizations. As a consequence, the central organization does not hold the loyalty of primary societies, which in turn suffer for want of adequate services from the federal organization. Another problem which is widespread in the agricultural credit movement in the Region is the low repayment of loans advanced by cooperative societies. Thus, it is important that cooperative education informs members and other categories of persons on current problems, giving them factual knowledge about the cooperative societies and the movement as a whole and so helping them to think and to arrive at solutions of the problems. Education of members with regard to current problems should, therefore, be a continuing process in the member education programme for members and leaders both at the primary and secondary levels. Further, the members should possess the judgement to elect the right type of leaders and to take sound decisions in the general assemblies. These responsibilities call for considerable consciousness among the members about cooperative principles, the operations of cooperative societies, the problems and direction of progress of the

cooperative movement.

The goal of the cooperative society is to bring about an improvement in the economic conditions of the members. Quite often such improvement can be achieved by helping the members to conduct their individual operations more efficiently. A cooperative marketing society, for instance, may teach members to use improved varieties of seeds or to adopt better harvesting methods. Any increase in the production of the agriculturist members would not only be a help to the members but would also increase the marketable surplus available to the society. Similarly, a rural credit society may educate the housewives in the economies of household management and thereby help them to save.

Finally, member education should attempt to raise the cultural level of members, and thus help the development of their personalities. The cooperative movement cannot treat members merely as customers on the one hand or owners on the other. They must take the life of the member as a whole and try to provide not only education on cooperative matters but also recreational and cultural activities which will enrich his environment. The cultural activities of developed movements take a variety of forms, such as physical gymnastics, production and distribution of family journals, the organization of dramatic performances and study groups for fine arts. Through these activities members may also feel greater attachment to their societies.

2.3 Development of Leadership

A major objective of cooperative education is to ensure the steady supply of elected leaders to direct the cooperative organizations at the primary, secondary and national levels. Without enlightened and skilled leadership the cooperative movement will not be in a position to grow. The progress of the cooperative movement in some of the advanced countries has been effected by the emphasis placed on the provision of continuous and intensive education for the active groups of members and elected committee members. In all societies there are some active members who take greater interest in the operation of cooperative societies and who are anxious to know more. Given proper training, these members can assume leadership positions at the primary level and some of them at the next tiers of cooperative structure. It is obvious that a competent board of directors for the secondary organizations will be available only if there are knowledgeable people

with a broad outlook, imagination and intelligence among the leaders at the local level.

Finally, in South-East Asia, the government cooperative departments play a very active role in the promotion and sometimes even in the running of cooperative societies. The governments usually grant loans and subsidies to the societies for various purposes, depute officers to manage secondary or primary societies, exercise detailed supervision and control and even organize cooperative education and training facilities. Further, in some movements in South-East Asia, political parties have penetrated into the cooperative movement and acquired actual control of cooperative institutions. Therefore, an important purpose of cooperative education in South-East Asia should be to create conditions whereby the cooperative movement becomes self-reliant and independent of government control.

2.4 Some Considerations

In the developing countries greater emphasis will naturally have to be placed on what may be called education in cooperative ideology, so that an awareness may be created of the value of cooperative action. However, in South-East Asia at present, too much emphasis is placed on ideological education, to the relative neglect of instruction concerned with the efficient running of societies. Further, member education is usually organized through the cooperative unions in the Region. These unions represent all types of cooperative societies such as agricultural credit, agricultural marketing, processing, consumers cooperatives and industrial cooperatives. Hence, the member education activities of the unions attempt to cover members of all types of societies with the result that the instruction given is often extremely general, touching only upon aspects of general interest to all members. It is essential that sufficient specialized education concerning the particular types of cooperatives should be given if the aims described above are to be realized.

3. COOPERATIVE EMPLOYEE TRAINING

3.1 Employees of Cooperative Institutions

Training of employees is as important as member education because the cooperative societies cannot be properly administered without competent employees to carry on the day-to-day work within the framework of the policies laid down by the board of directors. The elected

board members in cooperative societies in the Region are mostly honorary workers devoting only a part of their time to the Society.

3.2 Categories of Employees

A proper categorisation of the various types of employees is essential in order to develop proper training facilities for them. A broad classification could be as follows:

Junior employees performing mainly routine tasks such as shop assistants and accounts clerks.

Intermediate supervisory personnel: The intermediate category would be expected to supervise the work of the junior employees and perform certain tasks themselves under the supervision of senior officers.

Managerial personnel: The managerial personnel would include the heads of various departments, such as sales manager and personnel manager, who would be expected to help lay down and implement policies in their special fields.

This categorisation may also be valid for the employees of government cooperative department. The third category may be called senior people in the case of government employees instead of the managerial personnel.

The training programmes for these categories will have to be planned with reference to the type of society or government department they are working with and their specific functions. Firstly, the training programmes may be planned with reference to the type of cooperative societies with which different employees work, such as agricultural credit, agricultural cooperative marketing, or consumer cooperatives. Secondly, the training may be for different jobs, such as shop assistants, accountants, and sales personnel in the case of employees of the cooperatives and extension workers, cooperative officers and auditors, in the case of government employees.

3.3, Objective of Employee Training

Firstly, an important objective in all the training schemes for employees is instruction in the skills necessary for handling their specific jobs. For example, an accounts clerk should be trained in elementary book-keeping and accountancy. A shop assistant should have a different kind of training, including perhaps, the study of customer psychology, and the way in which customers should be handled. Such emphasis on skills is necessary even in training courses for employees

at higher-levels. For example, the training programmes for the sales manager in an agricultural marketing society should develop business management skills conducive to efficient marketing operations, such as the organization of sales work and sales promotion techniques.

Secondly, it is necessary to create among the employees a faith in the cooperative movement. An employee who does not appreciate the broader importance of cooperatives, aside from the business aspects, will not be very efficient in cooperative business. He may think that the handling of policy-making and control of cooperatives by elected laymen is a needless bother. The employees, should therefore be instructed in the ideology of Cooperation and the organizational structure of the movement so that they understand their own functions in a proper perspective. Further, the employees, especially at the higher levels, should also know something of alternative ideologies and systems of business in order to understand their appeal and competitive capacity. Hence, social studies will have an important place in cooperative training programmes, since the managerial personnel should know something of democracy in cooperatives, economics of cooperatives and the competition with the private enterprise.

Thirdly, it is essential to develop leadership qualities in employees. Such leadership qualities are needed in all people expected to coordinate and supervise the work of other people. The supervisory officer should be able to interpret policies and programmes and direct people in his department. He should also be able to make his colleagues work as a team, obtaining the maximum response from them. Further, he should be in a position to analyse the problems likely to arise, and be capable of developing the necessary approaches and techniques to solve them. At the managerial level, these tasks become very important.

Fourthly, the cooperative movements in many advanced countries have attempted to ensure that their junior employees are able to assume progressively higher responsibilities including the managerial positions, provided they have the necessary potential and go through the requisite training. For instance, a handbook given to the young employees of the London Cooperative Society points out their opportunities in the following manner:

"If you have the desire and the will to improve your position, there is scarcely any limit to the opportunities ahead of you.

"It is the policy of the Committee of Management, as far as possible, to fill the higher posts from the ranks of our own staff. The present general manager started with the society as a boy; the present secretary started as an office junior and most of the other leading positions in the society are filled by men with a similar background who have qualified by hard work and loyal service for the positions they now occupy".⁷

This objective of developing the potential talent of employees has far-reaching importance: (i) As a result, the loyalty of employees to the cooperative movement will be great. (ii) The movement will recruit its personnel at advantageous costs from a pool of people who, for one reason or another, did not have an opportunity to receive higher education. In the early stages of development the cooperative movements, even in advanced countries, were not able to pay wages high enough to attract people already well-trained. (iii) The poorer industrial workers, for instance, had established cooperative societies and naturally desired to develop the employees who were usually drawn from their own ranks or from among people similarly situated. Thus the personnel policy of the cooperative movements in advanced countries was forced upon them and the movements made a virtue of their necessity by developing suitable training programmes. The developing movements in South-East Asia are by no means affluent. However, their present training programmes usually are not so fashioned as to allow junior employees, as a matter of course, to participate in courses qualifying them for higher jobs in the movement. The emphasis on university degree for admissions to higher courses in the cooperative training colleges appears inconsistent with both shrewd business acumen and the ideology of a movement emphasising the worth of the individual.

3.4 Some Considerations for Determining Objectives

Firstly, the emphasis on the various objectives in the training programmes for different groups must differ with the types of persons in view. For instance, the emphasis on developing skills will naturally be greater for junior employees than managerial personnel. Secondly, the costs of a training programme will be an important consideration in developing the training programmes for various personnel. In this connection, the possibility of utilizing the correspondence courses alongside the training courses in the cooperative schools and colleges should be

considered. The employment period of the personnel with the cooperative organizations could also be utilized by proper planning as an excellent opportunity for practical training. A further important question in this connection is which of the two systems will be more effective and economical—the long and comprehensive basic course or a series of short courses organized at suitable intervals. Finally, the question of planning training courses for the junior employees in a manner that will help able employees to qualify gradually for participation at higher level courses should be examined. This objective may be achieved if the courses are planned on a ladder system progressing towards higher levels. A related question is the arrangement of training courses for people who have higher academic or business qualifications. In such cases, the training programmes should be formulated in the context of the cooperative and business training which such persons already possess. For instance, the persons who are technically qualified in the field of personnel management or sales management, would not need technical training in those fields. However, they should be given some cooperative orientation. With regard to other university graduates, having degrees either in economics or sociology, it would not be necessary to give them training in social studies but they will have to be given some knowledge of the ideology, structure and problems of the movement, and will have to be trained in handling technical tasks. In the above mentioned ladder system of training, it may be possible to admit people, having university education, to courses at somewhat higher levels, such as the courses for intermediate or managerial personnel.

3.5 Personnel of Government Cooperative Department

The objectives outlined earlier would also apply to the various types of personnel in the government cooperative departments. The aims of training government personnel would be to inculcate faith in the cooperative movement, to develop in them both skills for their specific jobs and qualities of leadership. The training programmes for them will have to be arranged in the context of their tasks. The various tasks performed by the government personnel are the sponsoring and supervision organization of cooperative societies, ensuring that legal provisions of the cooperative societies acts are observed, the carrying out of statutory audit, provision of financial assistance and technical guidance, and finally, the formulation of policies and programmes for strengthening

and expanding the cooperative movement. In several cases, the employees of government cooperative departments are also deputed to work in cooperative societies. If the various tasks mentioned above are to be performed efficiently, it is essential that specialization ought to be developed amongst the various governmental personnel by providing them with a training suited for carrying out their specific tasks. For purposes of specialized training government employees may be divided into the following three categories:

Extension workers and cooperative officers concerned with legal work and the registering and supervision of cooperatives.

Persons who would be concerned with providing technical advice and financial assistance.

Personnel who may be deputed to work as business managers in cooperatives

While some uniform training may be given to all these categories, it is essential to emphasise the special aspects in their training programmes relevant to the tasks they will perform later on. It is also necessary to ensure that employees are not transferred to entirely dissimilar jobs, for instance from extension work to auditing. Transfers should naturally be restricted to allied jobs.

3.6 Some Considerations

In South-East Asia, the cooperative training colleges have concentrated to a considerable extent on training the employees of government cooperative departments. While this is useful in developing competence amongst the government officers, it is equally necessary to train the personnel of the cooperative movement. Secondly, in several cooperative training centres in the Region, officers of government cooperative departments and employees of cooperative institutions are given the same type of training. While some unity may be necessary in the training provided to the various personnel, it is essential to vary the training programmes according to the economic form of cooperative organization concerned and the tasks the personnel will have to perform.

4. CONCLUSION

Member education and employee training are very important in the cooperative movement if the cooperatives are to develop on sound lines. It has been suggested that member education should be directed towards the realistic education of potential members concerning the benefits

of organizing cooperatives and the manner in which cooperatives should be organized and properly managed. Secondly, member education should aim to develop member loyalty and to inform the members on the principles and organizational structure of cooperatives and their problems. A further important aim is the development of a steady supply of leaders from among the elected members. With regard to the employees, it was suggested that the training programmes for them should be organized in the context of the types of cooperatives in which they work and the tasks they have to perform. In view of this, while some subjects may be taught in common to all employees, it is necessary to develop specialization amongst the personnel both in cooperative institutions and in the government cooperative departments. The aims of training the employees would be to develop skills in them for performing their tasks, for developing leadership qualities and instructing them on the cooperative ideology, its organizational structure and the problems of the movement. The emphasis on specific objectives would vary depending upon the categories of employees such as junior, intermediate and managerial personnel. It has been further suggested that the training should be job-oriented and should emphasise business management aspects for employees of cooperative institutions.

3457

ASIAN CONFERENCE ON COOPERATIVE MANAGEMENT
PHILIPPINE VILLAGE HOTEL, DECEMBER 1 - 6, 1975
MANILA, PHILIPPINES

RECOMMENDATION CONCERNING THE ROLE OF CO-OPERATIVES¹
IN THE ECONOMIC AND SOCIAL DEVELOPMENT OF DEVELOPING
COUNTRIES

1. Paper presented at the Asian Conference on Cooperative Management held in Manila, Philippines, December 1 - 6, 1975.

INTERNATIONAL LABOUR CONFERENCE

Recommendation 127RECOMMENDATION CONCERNING THE ROLE OF
COOPERATIVES IN THE ECONOMIC AND SOCIAL
DEVELOPMENT OF DEVELOPING COUNTRIES

The General Conference of the International Labour Conference, Having been convened at Geneva by the Governing Body of the International Labour Office, and having met in its Fiftieth Session on 1 June 1966, and

Having decided upon the adoption of certain proposals with regard to the role of co-operatives in the economic and social development of developing countries, which is the fourth item on the agenda of the session, and

Having determined that these proposals shall take the form of a Recommendation,

adopts this twenty-first day of June of the year one thousand nine hundred and sixty-six the following Recommendation, which may be cited as the Co-operatives (Developing Countries) Recommendation, 1966:

I - SCOPE

1. This Recommendation applies to all categories of co-operatives, including consumer co-operatives, land improvement co-operatives, agricultural productive and processing co-operatives, rural supply cooperatives, agricultural marketing co-operatives, fishery co-operatives, service co-operatives, handicrafts co-operatives, workers' productive co-operatives, labour contracting co-operatives, co-operative thrift and credit societies and banks, housing co-operatives, transport co-operatives, insurance co-operatives, and health co-operatives.

II. OBJECTIVES OF POLICY CONCERNING COOPERATIVES

2. The establishment and growth of cooperatives should be regarded as one of the important instruments for economic, social and cultural development as well as human advancement

2

in developing countries.

3. In particular, cooperatives should be established and developed as a means of -

- (a) improving the economic, social and cultural situation of person of limited resources and opportunities as well as encouraging their spirit of initiative;
- (b) increasing personal and national capital resources by the encouragement of thrift, by eliminating usury and by the sound use of credit;
- (c) contributing to the economy an increased measure of democratic control of economic activity and of equitable distribution of surplus;
- (d) increasing national income, export revenues and employment by a fuller utilisation of resources, for instance in the implementation of systems of agrarian reform and of land settlement aimed at bringing fresh areas into productive use and in the development of modern industries, preferably scattered, processing local raw materials;
- (e) improving social conditions, and supplementing social services in such fields as housing and, where appropriate, health, education and communications;
- (f) helping to raise the level of general and technical knowledge of their members.

4. Governments of developing countries should formulate and carry out a policy under which co-operatives receive aid and encouragement, of an economic, financial, technical, legislative or other character, without effect on their independence.

5. (1) In elaborating such a policy, regard should be had to economic and social conditions, to available resources and to the role which cooperatives can play in the development of the country concerned.

(2) The policy should be integrated in development plans in so far as this is consistent with the essential features of cooperatives.

6. The policy should be kept under review and adapted to changes in social and economic needs and to technological progress.

7. Existing cooperatives should be associated with the formulation and, where possible, application of the policy.

8. The cooperative movement should be encouraged to seek the collaboration in the formulation and, where appropriate, application of the policy, of organisations with common objectives.

9. (1) The governments concerned should associate cooperatives on the same basis as other undertakings with the formulation of national economic plans and other general economic measures, at least whenever such plans and measures are liable to affect their activities. Cooperatives should also be associated with the application of such plans and measures in so far as this is consistent with their essential characteristics.

(2) For the purposes provided for in Paragraph 7 and Paragraph 9, subparagraph (1), of this Recommendation, federations of cooperatives should be empowered to represent their member societies at the local, regional and national levels.

III. METHODS OF IMPLEMENTATION OF POLICY CONCERNING COOPERATIVES

A. Legislation

10. All appropriate measures, including the consultation of existing cooperatives, should be taken -

(a) to detect and eliminate provisions contained in laws and regulations which may have the effect of unduly restricting the development of cooperatives through discrimination, for instance in regard to taxation or the allocation of licen-

ces and quotas, or through failure to take account of the special character of cooperatives or of the particular rules of operation of cooperatives;

(b) to avoid the inclusion of such provisions in future laws and regulations;

(c) to adapt fiscal laws and regulations to the special conditions of cooperatives.

11. There should be laws or regulations specifically concerned with the establishment and functioning of cooperatives, and with the protection of their right to operate on not less than equal terms with other forms of enterprise. These laws or regulations should preferably be applicable to all categories of cooperatives.

12. (1) Such laws and regulations should in any case include provisions on the following matters:

(a) a definition or description of a cooperative bringing out its essential characteristics, namely that it is an association of persons who have voluntarily joined together to achieve a common end through the formation of a democratically controlled organisation, making equitable contributions to the capital required and accepting a fair share of the risks and benefits of the undertaking in which the members actively participate;

(b) a description of the objects of a cooperative, and procedures for its establishment and registration, the amendment of its statutes, and its dissolution;

(c) the conditions of membership, such as the maximum amount of each share and, where appropriate, the proportion of the share due at the moment of subscription and the time allowed for full payment, as well as the rights and duties of members, which would be laid down in greater detail in the by-laws of cooperatives;

(d) methods of administration, management and internal audit, and procedures for the establishment and functioning of competent organs;

(e) the protection of the name "Co-operative";

(f) machinery for the external audit and guidance of cooperatives and for the enforcement of the laws and regulations.

(2) The procedures provided for in such laws or regulations, in particular the procedures for registration, should be as simple and practical as possible, so as not to hinder the creation and development of cooperatives.

13. Laws and regulations concerning cooperatives should authorise cooperatives to federate.

B. Education and Training

14. Measures should be taken to disseminate a knowledge of the principles, methods, possibilities and limitations of cooperatives as widely as possible among the peoples of developing countries.

15. Appropriate instruction on the subject should be given not only in cooperative schools, colleges and other specialised centres but also in educational institutions such as:

- (a) universities and centres of higher education;
- (b) teachers' training colleges;
- (c) agricultural schools and other vocational educational establishments and workers' education centres;
- (d) secondary schools;
- (e) primary schools.

16. (1) With a view to promoting practical experience in co-operative principles and methods, the formation and operation of student cooperatives in schools and colleges should be encouraged.

(2) Similarly, workers' organisations and craftsmen's associations should be encouraged and helped in the implementation of plans for the promotion of cooperatives.

17. Steps should be taken, in the first place at the local level, to familiarise the adult population with the principles, methods and possibilities of cooperatives.

18. Full use should be made of such media of instruction as text-books, lectures, seminars, study and discussion groups, mobile instructors, guided tours of cooperative undertakings, the press, films, radio and television and other media of mass communication. These should be adapted to the particular conditions of each country.

19. (1) Provision should be made both for appropriate technical training and for training in cooperative principles and methods of persons who will be - and, where necessary, of persons who are - office-bearers or members of the staffs of cooperatives, as well as of their advisers and publicists.

(2) Where existing facilities are inadequate, specialised colleges or schools should be established to provide such training, which should be given by specialised teachers or leaders of the cooperative movement with teaching materials adapted to the requirements of the country; if such specialised institutions cannot be established, special courses on cooperation should be given either by correspondence or in such establishments as schools of accountancy, schools of administration and schools of commerce.

(3) The use of special programmes of practical training should be one of the means of contributing to the education and basic and further training of members of cooperatives; these programmes should take into account local cultural conditions, and the need to disseminate literacy and knowledge of elementary arithmetic.

C. Aid to Cooperatives

Financial Aid -

20. (1) Where necessary, financial aid from outside should be given to cooperatives when they initiate their activities or encounter financial obstacles to growth or transformation.

(2) Such aid should not entail any obligations contrary to the independence or interests of cooperatives, and should be designed to encourage rather than replace the initiative and effort of the members of cooperatives.

21. (1) Such aid should take the form of loans or credit guarantees.

(2) Grants and reductions in or exemptions from taxes may also be provided, in particular, to help finance -

- (a) publicity, promotional and educational campaigns;
- (b) certain clearly defined tasks in the public interest.

22. Where such aid cannot be provided by the cooperative movement, it should preferably be given by the State or other public bodies, although it may, if necessary, come from private institutions. Such aid should be coordinated so as to avoid overlapping and dispersal of resources.

23. (1) Grants and tax exemptions or reductions should be subject to conditions prescribed by national laws or regulations and relating in particular to the use to be made of the aid and the amount thereof; the conditions of loans and credit

guarantees may be determined in each case.

(2) The competent authority should ensure that the use of financial aid and, in the case of a loan, its repayment, are adequately supervised.

24. (1) Financial aid from public or semi-public sources should be channelled through a national cooperative bank or, failing that, another central cooperative institution capable of assuming responsibility for its use and, where appropriate, repayment; pending the establishment of such institutions the aid may be given directly to individual cooperatives.

(2) Subject to the provisions of Paragraph 20, subparagraph (2), of this Recommendation, financial aid from private institutions may be given directly to individual cooperatives.

Administrative Aid -

25. While it is essential that the management and administration of a cooperative be, from the outset, the responsibility of the members and persons elected by them, the competent authority should, in appropriate cases and normally for an initial period only -

(a) assist the cooperative in obtaining and remunerating competent staff;

(b) place at the disposal of the cooperative persons competent to give guidance and advice.

26. (1) Generally, cooperatives should be able to obtain guidance and advice, which respect their autonomy and the responsibilities of their members, their organs and their staff, on matters relating to management and administration, as well as on technical matters.

(2) Such guidance and advice should preferably be given by a federation of cooperatives or by the competent authority.

D. Supervision and Responsibility for Implementation

27. (1) Cooperatives should be subject to a form of supervision designed to ensure that they carry on their activities in conformity with the objects for which they were established and in accordance with the law.

(2) Supervision should preferably be the responsibility of a federation of cooperatives or of the competent authority.

28. Auditing of the accounts of cooperatives affiliated to a federation of cooperatives should be the responsibility of that federation; pending the establishment of such a federation, or where a federation is unable to provide this service, the competent authority or a qualified independent body should assume the task.

29. The measures referred to in Paragraphs 27 and 28 of this Recommendation should be so planned and carried out as to -

- (a) ensure good management and administration of cooperatives;
- (b) protect third parties;
- (c) provide an opportunity of completing the education and training of the office-bearers and members of the staff of cooperatives through practice and through critical examination of mistakes.

30. (1) The functions of promoting cooperatives, providing for education concerning cooperatives and for the training of office-bearers and members of the staff of cooperatives, and giving aid in their organisation and functioning, should preferably be performed by one central body so as to ensure coherent action.

(2) The performance of these functions should preferably be the responsibility of a federation of cooperatives; pending the establishment of such a body the competent authority or, where appropriate, other qualified bodies, should assume

the task.

31. (1) The functions referred to in Paragraph 30 of this Recommendation should, wherever possible, be discharged as full-time work.

(2) They should be performed by persons who have received training specifically directed towards the exercise of such functions; such training should be provided by specialised institutions, or, wherever suitable, through specialised courses in schools and colleges referred to in Paragraph 19 of this Recommendation.

32. The competent authority should collect and publish at least once a year a report and statistics relating to the operations and growth of cooperatives in the national economy.

33. Where the services of federations of cooperatives or of other existing institutions cannot adequately meet the need for research, exchanges of experience and publications, special institutions, serving the entire country or several regions, should, if possible, be established.

IV. INTERNATIONAL COLLABORATION

34 (1) Members should, to the greatest extent possible, collaborate in providing aid and encouragement to cooperatives in developing countries.

(2) Such collaboration should be envisaged -

- (a) between developing countries;
- (b) between countries of a particular region, especially within the framework of regional organisations, where such exist; and
- (c) between countries with an old-established cooperative movement and developing countries.

(3) As appropriate, the help of national cooperative organisations should be enlisted for such collaboration, and use should be made, particularly with a view to the co-ordination of international effort, of international cooperative organisations and other interested international bodies.

(4) The collaboration should extend to such measures as -

- (a) the increased provision of technical assistance to the cooperative movement of developing countries, wherever possible in the form of coordinated programmes involving different agencies, both inter-governmental and non-governmental;
- (b) the preparation and supply of information, textbooks, audio-visual aids and analogous material to assist in the drafting of legislation, in instruction on cooperation and in the training of office-bearers and qualified staffs of cooperatives;
- (c) the exchange of qualified personnel;
- (d) the grant of fellowships;
- (e) the organisation of international seminars and discussion groups;
- (f) the inter cooperative exchange of goods and services;
- (g) the initiation of systematic research into the structure, working methods and problems of cooperative movements in developing countries.

V. SPECIAL PROVISIONS CONCERNING THE ROLE OF COOPERATIVES IN DEALING WITH PARTICULAR PROBLEMS

35. It should be recognised that cooperatives may, in certain circumstances, have a special role to play in dealing with particular problems of developing countries.

36. Suggestions illustrating the use which may be made of various forms of cooperatives in the successful implementation of agrarian reform and in the improvement in the level

of living of the beneficiaries are set forth in the Annex to this Recommendation.

A N N E X

1. In view of their importance as a means of promoting general economic and social progress and as a means of directly associating the rural population with the development process as well as in view of their educational and cultural value, cooperatives should be considered as having a vital role to play in programmes of agrarian reform.

2. Cooperatives should be used as a means of assessing the problems and interests of the rural population in the planning and preparation of agrarian reform measures. They should also serve for channelling information among agriculturists and making the purpose, principles and methods of such reforms understood.

3. Particular attention should be paid to the development of appropriate forms of cooperatives adapted to the various patterns and phases of agrarian reform. They should enable cultivators to operate holdings efficiently and productively and allow for the greatest possible initiative and participation of the membership.

4. Where appropriate, suitable voluntary forms of cooperative land use should be encouraged. These forms may range from the organisation of certain services and farming operations in common to the complete pooling of land, labour and equipment.

5. Wherever appropriate the voluntary consolidation of fragmentary holdings through cooperatives should be encouraged.

6. In cases where measures are being envisaged for the transfer of ownership or division of large estates, due consideration should be given to the organisation by the beneficiaries of cooperative systems of holding or cultivation.

7. The establishment of cooperatives should also be considered in connection with land settlement schemes, especially as regards land reclamation and improvement measures and the organisation of joint services and joint farming operations for settlers.

8. Development of cooperative thrift and credit societies and cooperative banks should be encouraged among the beneficiaries of agrarian reforms as well as among other small farmers for the purpose of -

- (a) providing loans to cultivators for the purchase of equipment and other farm requisites;
- (b) encouraging and assisting cultivators to save and accumulate capital;
- (c) advancing loans to, and promoting thrift among, agricultural families, including those of hired workers, who normally would not have access to established sources of credit;
- (d) facilitating the implementation of special governmental credit schemes through an efficient channeling of loans to beneficiaries and appropriate supervision of the use made of such loans and of their timely reimbursement.

9. The development of supply, marketing or multi-purpose cooperatives should be encouraged for the purpose of -

- (a) the joint purchase and supply of farm requisites of good quality on favourable terms;
- (b) the supply of basic domestic requirements for all categories of agricultural workers;
- (c) the joint conditioning, processing and marketing of agricultural products.

10. Encouragement should be given to the development of cooperatives providing farmers with other services such as the joint use of farm machinery, electrification, livestock breeding, the provision of veterinary and pest control services, facilities for irrigation, and crop and livestock insurance.

11. With a view to improving employment opportunities, working conditions and income, landless agricultural workers should be assisted, where appropriate, to organise themselves voluntarily into labour contracting cooperatives.

12. Agricultural cooperatives of different localities in areas in which agrarian reforms are being implemented should be encouraged to combine their activities where this is economically advantageous.

13. Due consideration should also be given to the encouragement and development of other types of cooperative activities providing full or part time non-agricultural employment for members of farmers' families (for instance, crafts, home or cottage industries) adequate distribution of consumer goods, and social services which the State may not always be in a position to provide (for instance, health, education, culture, recreation or transport).

14. The interchange and dissemination of information on the methods, possibilities and limitations of cooperatives in relation to agrarian reform should be encouraged by all possible means so that the experience may be made available to the largest possible number of countries.

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372

ASIAN CONFERENCE ON COOPERATIVE MANAGEMENT
December 1-6, 1975
Philippine Village Hotel, Manila, Philippines

CLOSING PROGRAM

Thursday, Dec. 4, 1975

3:00 P.M.

ADDRESS

Dr. Orlando J. Sacay
Undersecretary for Cooperatives
Development, Department of Local
Government & Community Development
Chairman, Advisory Board, MTAP

INTERMISSION

VOTE OF THANKS

1. Mr. R.G. Tiwari
President, National Cooperative Union of
India & ICA Council Member
2. Mr. Chong Thin Huatt
General Manager, Cooperative Supermarket
Society Ltd., Kuala Lumpur, Malaysia
3. Mr. F.E. Weeraman
ICA Regional Director for South-East Asia

CLOSING REMARKS

Atty. Bienvenido P. Faustino
ICA Council Member
Conference Chairman

CONFERENCE MEMORANDUM NO. 3

SUBJECT : STUDY VISITS, December 5 and 6, 1975

TO ALL PARTICIPANTS/OBSERVERS:

Following is the schedule of the study visits for participants and observers of the Asian Conference on Cooperative Management.

<u>DECEMBER 5</u>	<u>STUDY VISITS</u>
7:00	Departure from hotel
8:00	Arrival at Los Baños Breakfast Host: ACCI Visit to, and briefing on Agricultural Credit and Cooperative Institute and Int'l. Rice Research Institute activities, tour of UPLB Compound
12:00	Departure from Los Baños
12:15	Lunch at Cafe Valenzuela, Calamba, Laguna
1:30	Departure for Tagaytay City
3:00	Sightseeing in Tagaytay and snacks
5:00	Departure from Tagaytay
6:30	Arrival at Philippine Village Hotel
<u>DECEMBER 6</u>	<u>STUDY VISITS, CONTINUED</u>
8:00	Departure from hotel
8:45 onwards	Visit to UP Consumers Cooperative and UP Compound; CISP, CMSP, GMCC, UST Cooperative and U.S.T. Facilities
12:00 onwards	Lunch at Luau Restaurant Fort Santiago, Cultural Center, Rizal Park, etc. and Shopping Centers (Makati)
6:30	Back to hotel

The areas to be visited will allow participants to do some shopping. In addition, we have specifically scheduled the afternoon of December 6 as shopping time for all interested parties.

We would like to conduct the visits punctually according to schedule, and we are soliciting your cooperation in this regard.

BEN P. FAUSTINO
Conference Chairman