

**VALUE BASED
PROFESSIONAL MANAGEMENT IN
COOPERATIVES**



TRAINING MANUAL

About the Manual

Cooperative form of business is designed primarily to meet the needs of members as distinct from a business that is set up to produce maximum financial returns to investors. It however, does not mean that the cooperative does not have to produce an adequate return on investment in the enterprise. Clearly, if cooperatives do not deploy their resources productively, they would not survive in the market. Unlike in the investor driven company, the ownership and control of the cooperative business should be linked with members level of participation in the business and not their investment in the capital of the enterprise.

The belief that the state could take over the responsibilities of running the individual cooperatives has made them instruments for implementing the developmental programmes of the government through direct intervention and management by the government functionaries. However, in the recent past, governments have begun to realise the mistake and, therefore, introduced the measures to disengage themselves from the direct intervention in the working of these member owned, self help and democratic organisations. In the context of the changing situation, cooperatives are now facing the new challenges in the competitive market arising from economic reforms being introduced by the governments.

Keeping the above in view, cooperatives have to be successfully managed not only as a business enterprises but also as institutions having values distinct from public and other private forms of economic organisations. The ICA statement on cooperative identity adopted in Manchester Congress in 1995 redefined the conceptual framework of cooperatives, the values and the principles the cooperatives should follow. Adequate thrust was paid to value based professional management in cooperatives. However, though they provide the

important guidelines, they still lack the necessary and operational tools for managing the cooperatives.

- i) The ICA ROPE in collaboration with ICA global HRD Committee organised an international seminar on value based professional management from Aug. 30 to Sept. 10, 1998 at VAMNICOM, Pune with the support of ILO Coopnet, CCA, DID and the NCUI. This seminar came out with the recommendation that a manual on VBPM in cooperatives may be prepared for the training of members, board member, govt. officials and employees. The seminar also suggested topics on which training modules need to be developed for ensuring a value based professional management in cooperatives. The manual is an attempt towards implementing the recommendation.

Approach to the Manual

This manual is intended for cooperative trainers who may organise training programmes for different target groups or will train other trainers. The basic thrust in the manual is on value based professional management, which can keep the distinctive character of cooperatives intact and yet manage cooperative as economic enterprises in a highly competitive environment.

The manual contains 13 modules on different subjects that are considered relevant for the manual. The trainer is expected to give suitable treatment to each module depending on the level of participants because the emphasis and analysis would vary with the variance in the target group. The trainer is also expected to facilitate discussion with suitable live examples from important sectors of cooperatives. The ILO, MATCOM approach has been followed in the manual where the greater emphasis is on learning through participation and the trainer is to perform the role of facilitator and resource person. Nevertheless, each module must result into a learning that is focussed, relevant and practical.

TRAINING MANUAL
ON
VALUE BASED PROFESSIONAL MANAGEMENT
IN COOPERATIVES

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Module – 1

COOPERATIVE IDENTITY

Topic	: Cooperative Identity
Sub-topics	i) Cooperative Values ii) Cooperative Principles iii) Distinctive Features of Cooperative Organisations
Objective	:To enable the participants to clearly understand and appreciate the Cooperative values and cooperative principles so that they can elaborate the distinctive features of cooperative organisations.
Sessions	: Two
Duration	: Three Hours
Training Material	Handout 1: ICA statement on Cooperative Identity (1.1) Handout 2: Practical application of Cooperative Values (1.2) Handout 3: Practical application of Cooperative Principles (1.3)
Methodology	: Question-Answer, Group discussion
Session Guide	: Step – 1 Introduce the topic by explaining that there are three major forms of economic organisations i.e. (i) Private organisations, (ii) Public organisations and (iii) Cooperative organisations. Clarify that private organisation is an investor owned and controlled enterprise with the sole objective to maximise profit. A public enterprise is a state owned or state controlled organisations providing goods and services as per policies of the government. As compared to the private and public organisations, cooperative is a member owned and

member controlled enterprise created to serve the needs and aspirations of its members.

Emphasise that no specific form of organisation is good or bad per se. Cooperatives offer no panacea and are not the most appropriate form of organisation for every situation. However, they do provide the kind of framework having a potential to provide great benefits to those who participate and are affected by operations of cooperatives.

Step – 2

Distribute Handout 1: “ICA statement on cooperative identity”, and ask the participants to read it and reassemble after 10 minutes. Invite the participants to describe cooperative values.

The discussion should lead to the following cooperative values.

- i) **Self Help** : Although member is responsible for his/her destiny, it is difficult to perform certain tasks or achieve the desired results without cooperation of others.
Therefore, self help through mutual help is essential.
- ii) **Equality** : Members have right to participate, right to be informed, right to be heard and right to be involved in the process of making decisions.
- iii) **Equity** : Members should be rewarded for their participation through patronage dividend reduction in price etc.

- iv) **Solidarity** : Cooperative has a responsibility for the collective interest of members. The financial assets of the cooperative belong to the group as a whole. It also means that all cooperatives have commonality of purpose and, therefore, must support each other.

- v) **Democracy** : It means that cooperatives are governed on the basis of one member, one vote. It also implies that members are provided opportunity to influence decisions and actions of their cooperative organisation.

Step – 3

Distribute the Handout 1.2 : “Practical Application of Cooperative Values” and **Handout : 1.3** “Practical Application of Cooperative Principles”. Divide the participants in three groups and ask them to list the examples of practical application of cooperative values and cooperative principles in the context of their enterprise. Tell them to reassemble after 30 minutes and ask each group to make presentation.

Discuss and summarize to highlight the following points.

- i) A cooperative is an economic organisation and not a charity. It operates within a market based economy and is based on self help. Although, it exists to serve its members, economic realities cannot be ignored because cooperative is not only a member driven but also market driven organisation. It must be remembered that full use of resources is essential because all the factors of production have to be paid at the market rate.

- ii) Membership in a cooperative is entirely voluntary and is not based upon any other affiliation (political, religious, gender, caste etc.).
- iii) A cooperative is owned and controlled by members created to meet their needs and aspirations. They deserve to have full opportunity to take part in its democratic decision making process.
- iv) Benefits are shared fairly among members on the basis of their economic participation by way of dividend, patronage dividend, and common welfare activities undertaken by the enterprise.
- v) All cooperatives have commonality of purpose and, therefore, must cooperate with each other to maximise need satisfaction of their members.
- vi) The cooperative character of a cooperative organisation would be lost if it ever becomes state controlled or state dominated.

Step – 4

Ask the participants to describe the distinguishing features of cooperative enterprises that make their identity distinct from other forms of economic organisations.

Ensure to bring out the following features :

1. It is autonomous.
2. It is an association of persons including individuals as well as legal persons.
3. It is formed and run by its members voluntarily. They can join and leave at their will.
4. Members form a cooperative to meet their common economic, social and cultural needs. The emphasis is on

members needs and not profit as in case of investor driven enterprises.

5. It is a jointly owned and democratically controlled enterprise. It is quite different from a public/private enterprise which may be jointly owned but not democratically controlled. However, it is recognised that it is an enterprise that must strive for its members welfare efficiently and effectively.

Handout 1.1
ICA Statement on Cooperative Identity
Manchester 23.9.95

Definition

A Cooperative is an autonomous association of persons united voluntarily to meet their common economic, social and cultural needs and aspirations through a jointly owned and democratically controlled enterprise.

Values

Cooperatives are based on the values of self help, self responsibility, democracy, equality, equity and solidarity. In the tradition of their founders. Cooperative members believe in the ethical values of honesty, openness, social responsibility and carrying for others.

Principles

The Cooperative principles are guidelines by which cooperatives put their values into practice.

1st Principle : Voluntary and Open Membership

Cooperatives are voluntary organisations, open to all persons able to use their services and willing to accept the responsibility of membership without gender, social, racial, political or religious discrimination.

2nd Principle : Democratic Member Control

Cooperatives are democratic organisations controlled by their members, who actively participate in setting their policies and making decisions. The individual members elected as representatives are accountable to membership. In primary

cooperatives, members have equal voting rights (one member, one vote), and cooperatives other levels are also organised in a democratic manner.

3rd Principle : Members Economic Participation

Members contribute equality to, and democratically control the capital of their cooperative. At least, a part of the capital is the common property of the enterprise. Members receive limited compensation on capital subscribed. The surplus is allocated for any or all the following purposes : developing their cooperative, setting up of reserves, benefiting member in proportion to their transactions with the cooperative and supporting other activities approved by membership.

4th Principle : Autonomy and Independence

Cooperatives are autonomous, self help organisations controlled by their members. If they enter into agreements with other organisations, including governments, or raise capital from external sources, they do so on terms that ensure democratic control by their members and maintain their cooperative autonomy.

5th Principle : Education, Training and Information

Cooperative provide education and training for their members, elected representatives, managers and employees as they can contribute effectively to the development of their cooperatives. They also inform the general public particularly young people and opinion leaders about the nature and benefits of cooperatives.

6th Principle : Cooperation Among Cooperatives

Cooperatives serve their members most effectively and strengthen the cooperative movement by working together through local, national, regional and international structures.

7th Principle : Concern for Community

Cooperative work for the sustainable development of their communities through policies approved by their members.

Handout – 1.2

Practical Application of Cooperative Values

Values	Examples of Application
Self Help	Capital contribution, business transactions by members with their cooperative.
Self Responsibility	Attend meetings, participate actively in decision making process, printing to enterprise and collective interest.
Democracy	Regular elections, one member, one vote.
Equality	Right to information, right to be heard, right to participate
Equity	Limited dividend on share capital, more patronage dividend linked with transactions.
Solidarity	Common good activities, forming partnership, or joint enterprises, cooperation among cooperatives.
Honesty	Transparency in all transactions, regular audit.

Handout 1.3

Practical Application of Cooperative Principles

PRINCIPLE	EXAMPLE
OPEN AND VOLUNTR Y MEMBERSHIP	Membership open to all who need and can avail services. No discrimination based on caste, religion, gender. Members are free to withdraw at any time.
DEMOCRATIC MEMBER CONTROL	One member, one vote. All members eligible to contest election. Right to attend and participate in meetings.
MEMBER ECONOMIC PARTICIPATION	Share capital contribution Surplus refund as per transactions creation of common assets.
AUTONOMY AND INDEPENDENCE	General body is supreme. External controls not permissible.
EDUCATION, TRAINING AND INFORMATION	Creation of education fund Contribution of education fund to State Cooperative Unions, NCUI. Right to record/information.
COOPERATION AMONG COOPERATIVES	Vertical integration with federations. Horizontal integration with other cooperatives through partnership, alliances.
CONCERN FOR COMMUNITY	Expending on environment, provision of roads, drinking water etc.

Module – 2

BUSINESS ETHICS AND VALUES IN COOPERATIVES

Topic	: Business Ethics and Values in Cooperatives
Sub Topics	<ul style="list-style-type: none"> i) Conceptual understanding of business organisations ii) General business ethics in cooperatives iii) Ethics of Cooperatives towards members, customers, government and community
Objective	: To enable the participants to understand ethical values of a cooperative enterprise.
Session	: One
Duration	: One and half hour
Methodology	: Question – Answer and Group Discussion
Session Guide	<p>: Step – 1</p> <p>Introduce the topic by emphasising that organisations can be broadly classified into the following three categories :</p> <ul style="list-style-type: none"> a) Revenue Based Organisations, whose survival and growth depends upon collection of revenue from different sources as per law (e.g. income tax, sales tax, customs etc.) b) Profit Based Organisations, whose survival and growth depends upon the profit earned by them. (e.g. banks, companies, traders etc.) c) Budget Based Organisations, whose survival and growth depends upon the prudent expenditure of the budget provided to them for specific activities (e.g. schools, hospitals etc.)

Also emphasise that business of cooperatives is to satisfy the needs of members resulting into increase in their income and better life.

Step - 2

Ask the participants about the ethical values of a cooperative business.

Explain that business of cooperatives has to follow ethics towards members, customers, government and community.

Divide the participants into three groups and ask them to list out *ethical values in respect of each category*.

Group 1 : Ethical values in respect of members.

Group 2 : Ethical values in respect of customers.

Group 3 : Ethical values in respect of government or community.

Reassemble after 20 minutes and ask each group to make a brief presentation.

Ensure that the discussion leads to the following values:

Common Ethical Values

1. No speculation
2. No. gains out of hoarding, creating artificial scarcity.
3. Honest dealings with members/customers

Ethical Values Towards Members

- i) Major benefits of transactions of cooperative must go to satisfy members, needs.

- ii) Transactions with non-members should be allowed only after meeting needs of the members.
- iii) Equality in treatment to members.
- iv) Transparency in all dealings.

Ethical Values Towards Customers

- i) To be honest and truthful in the matters of advertisements of products or services.
- ii) Prompt and courteous services and prompt response to customers grievances.
- iii) Provide product information to the customers.
- iv) Supply goods of right quality, quantity and provide timely sale service.

Ethical Values Towards Employees

- i) The right of just wage – A just wage is a living wage.
- ii) No wage discrimination
- iii) The right to protect their legitimate interest
- iv) Employees counseling

Ethical Values Towards Government

- i) It is the responsibility of the management to conduct affairs of the enterprise with the letter and spirit of law.
- ii) Payment of taxes to government should be done honestly, fully and promptly.
- iii) Transparency in accounts and making available the records and reports to government agencies as and when required.

- iv) Government schemes may be implemented if they are considered desirable and viable by the cooperatives.

Ethical Values Towards Community

- i) Healthy environment free from pollution
- ii) Opportunity for employment to be created
- iii) Protecting interest of marginalised sections including women.

Step –3

Ask the participants about the various instruments by which the ethical values may be adhered.

Ensure that the following instruments are discussed :

- i) Code of conduct for the members, directors representatives and employees
- ii) Social audit
- iii) Reporting system
- iv) Transparency – accessibility of books and records to members and publication of periodical business results.
- v) Assessment of members opinion and their involvement in formulation of policy and its implementation.

Module – 3

LEGAL FRAMEWORK FOR COOPERATIVES

Topic	: Legal Framework for Cooperatives
Sub Topics	i) Purpose of Cooperative Law. ii) Broad contents of Cooperative Law.
Objective	: To enable the participants to understand the purpose and provisions of cooperative laws so that they may manage their enterprise within the legal framework.
Session	: One
Duration	: One and half hour
Training Material	: Handout 1: Azadpur Primary Cooperative Society (3.1)
Methodology	: Question Answer and Group Discussion
Session Guide	: Step – 1

Explain to the participants that the legal framework for cooperatives comprises of the **Cooperative Act** passed by the legislature, **cooperative rules** framed by the government and the **bye-laws** adopted by the members of the concerned cooperative organisation

Also clarify that besides cooperative law there are other laws applicable to business organisations including cooperatives and, therefore, their clear understanding is also essential.

Step – 2

Divide the participants in three groups and ask them to list the purposes of cooperative law. Reassemble after 20 minutes and ask each group to make presentation.

Ensure that the discussion during and after presentation lead to include the following purposes of cooperative law :

- i) Incorporation of genuine and viable cooperatives giving them the status of a body corporate.
- ii) Reinforcement of the fact that cooperatives are member driven and user driven enterprises. They are of the members, by the members and for the members.
- iii) Ensuring that cooperative values and cooperative principles are strictly observed by the cooperative enterprises.
- iv) Determining the member relations and providing for speedy settlement of disputes if any.

Step- 3

Ask the participants about the important provisions that a cooperative law must have.

Ensure that they bring out the following :

1. It must provide conditions for the registration of cooperatives to ensure that only genuine and viable cooperatives are allowed to be registered. The registration proposals should be considered on the basis of complete Project Report which may be made obligatory to assess their viability.

2. Rights and responsibilities of members of cooperative enterprises.
3. Responsibilities and authority of the general body, Board of Directors, Chairman and Chief Executive should be clearly defined.
4. Responsibilities of the federal Cooperative bodies should be provided for their specific role.
5. Speedy and least expensive settlement of disputes among members and of others dealing with the cooperatives.
6. Reorganisation of cooperatives by way partnership, alliances, mergers, divisions etc.
7. Guidelines for investment of funds and distribution of surplus.
8. Decision making process which is democratic and treats all members equally and rewards them equitably.
9. Transparency in all transactions of cooperative organisations.
10. Admission, expulsion of members to ensure compliance of cooperative principles.
11. Cancellation of registration of cooperatives that are unlivable or violating cooperative principles incessantly.

Step – 4

Divide the participants in three groups and ask them to list the provisions in the cooperative law that, in their opinion, (a) encourage the purposes of cooperative law, and (b) discourage the purposes of law.

Reassemble after 20 minutes and ask each group to make brief presentation. At the end, sum up the discussion.

Step – 5

Distribute the Handout 3.1: Azadpur Primary Agricultural Cooperative Society . Ask them to read for 10 minutes.

Discuss the parameters

Ensure to cover the following parameters :

- a) Members provided share capital to the enterprise which should be rewarded at atleast at bank rate.
- b) Members have transacted with the enterprise due to which the cooperative could earn a surplus of Rs. 2.00 (Rs. 1.00 lakh as rental income not included). Therefore, maximum amount should be distributed as patronage dividend.
- c) Cooperative must create statutory funds like reserve fund, education fund under the cooperative law.
- d) Cooperative may create a few other funds as per need and also plough back certain portion of the surplus into the business.
- e) To recognise the contribution of employees, certain portion of surplus may be given as bonus etc.
- f) Some amount may be spent for common benefits of members.
- g) Some amount may be earmarked for the benefit of the community.

Handout – 3.1

AZADPUR PRIMARY AGRICULTURAL COOPERATIVE SOCIETY

Azadpur Primary Agricultural Cooperative Society (A PACS) was registered on 1.1.1950 within an area of operation comprising of ten villages covering a radius of 4 kms. the society started with 20 members and which now has increased to 600. The society is providing agricultural credit, non-farm credit, fertilisers to members. It also has recently started a small consumer store for the benefit of their members. The total turnover of the society has grown to Rs. 10 million and societies net surplus during the last year was Rs. 3 lakhs from the records of the society it is observed that 20% of the members have neither attended any meetings of society nor availed any service provided but it. The society included Rs. 1 lakh on account of rental income from private party.

The board in its meeting has to consider the proposal to appropriate surplus of 3 lakhs for which parameters have to be decided

Module - 4

PUBLIC POLICY AND COOPERATIVES

Topic	: Public Policy and Cooperatives
Sub Topics	<ul style="list-style-type: none"> i) Reasons for Public encouragement of Cooperatives. ii) Essential ingredients of Public Policy on Cooperatives. iii) Strategies to seek favourable Cooperative Public Policy.
Objective	:To enable the participants to appreciate that the cooperatives must function within the public policy framework. They should also understand the essential ingredients of a good public policy on cooperatives.
Session	: One
Duration	:One and half hour
Training Material	: Handout 4.1 : Public Policy and Cooperatives
Methodology	: Lecture-cum-discussion and Group discussion
Session Guide	<p>: Step – 1</p> <p>Explain that Government policies which pertain to the nation as a whole provide the framework within which individual citizens and corporate bodies can function and flourish. Also mention that cooperatives are important instruments of socio-economic development through self help and, therefore, public policy should decide about their role and provide a framework for their regulation and smooth functioning.</p>

Step – 2

Ask the participants to enumerate the reasons for which the Government should encourage cooperatives.

Ephasise the following reasons :

1. Government may wish to encourage the development of cooperatives as institutions that can benefit not only members but society in general.
2. Typically, cooperatives are seen as organisations that can correct the imbalances in the market and reduce the income-wealth disparities.
3. Cooperatives are seen as self help and self managed organisations and, therefore, are regarded as alternatives to state intervention. For example cooperatives can help to stabilise prices through their market intervention operations in agricultural commodities.
4. Cooperatives are seen as the means to improve both agricultural and non agricultural production as well as to enhance value addition, leading to higher exports and increased employment /income.

Step – 3

Ask the participants about the essential ingredients of public policy on Cooperatives.

Ensure that the answers cover the following :

- a) There should be minimum intervention in the affairs of cooperatives. It is absolutely essential to protect the

- interests of members and others dealing with cooperatives.
- b) Cooperatives should be viewed as self help and self reliant enterprises. Any direct intervention in their affairs should be viewed as a self defeating action.
 - c) Any provision under law/govt. schemes which may benefit other forms of enterprises should also be available to cooperatives at par with others.
 - b) Cooperatives and individual members should be taxed in a fair and equitable manner taking into account their special nature of business which is done mainly with their members.
 - c) Public policy should recognise cooperatives as alternative system to private and public sectors. Therefore, they deserve the public expenditure and support as is extended to others particularly in the matter of educating the public, and using/supporting them as instruments of socio-economic change.

Step – 4

Divide the participants into three groups and ask each of them to list out the areas of the government support to cooperatives. Reassemble after 20 minutes and ask them to make presentations.

Ensure to include the following areas :

- i) Legal framework should be positive that may leave the decision making authority to the members of each individual cooperative. Any effort to stimulate the growth and well being of the cooperatives needs to be made on

the basis which fully respects the integrity of the cooperatives and their right to self determination.

- ii) Legal framework should also provide as adequate protection for the name '**cooperative**' so that people are not hoodwinked into believing an organisation as a cooperative when, in practice, it may not be so.
- iii) While the treatment of cooperatives for taxation purpose may need to be somewhat different, it is expected that the principal of equal treatment should apply. The same incentives offered to investor companies and those investing in them should be available to cooperatives. Tax concessions may be well justified for certain types of cooperatives as an encouragement for their development in fields of activity which are deemed to be in the public interest.
- iv) The education and training system should pay sufficient attention to the cooperative form of business within their curriculum. There is a need to make sure that the students passing through the schools, colleges and universities should become aware of the cooperative business option.
- v) It is a mistake to promote the cooperatives as non profit organisations as this confuses them with the charities that are focused on doing things for other people. Although a cooperative is intended to provide benefits to its members, it cannot afford to be non profit organisation, although it may be described as not primarily for profit organisation.

- vi) Government should recognise the need for a coordinated policy towards cooperatives. This will usually require that special ministerial responsibilities are allocated for cooperatives or at least a specific unit within government should be given this task. This should however not signal any greater role of Government in the affairs of individual cooperatives. Instead, Government needs to recognise the benefits that cooperatives can bring to the achievement of the well being of the nation and consider to provide support to the cooperatives on a real cost benefit basis.

Step – 5

Ask the participants to list the various forums and strategies that may be used to influence the public policy in favour of cooperative organisations.

Ensure to include the following strategies:

- i) Forums may include (I) legislative forums (ii) cooperative initiative panels, sectoral cooperative federations, cooperative unions.
- ii) The strategies may include to highlight the achievements of cooperatives, their future plans and the public policy support required for implementing them through publication of magazine, journals, articles and research papers in news papers and other documents, holding of seminars, meetings of concerned officials/non-officials, and meeting the government officials in deputations representing cooperative movement.

Handout – 4.1

PUBLIC POLICY AND COOPERATIVES

Government policies are designed to provide a framework within which the cooperatives may grow and prosper. The main objective of such policies is to protect and promote the interest of members, enterprise and all other stakeholders including the community where the cooperatives operate. Such objective is achieved through the instrument of cooperative laws and other laws applicable to cooperatives, special provisions to support cooperatives, and agreements to implement certain developmental programme of the government through cooperatives.

It may not be wrong to believe that the state exists to ensure that all individuals may enjoy the maximum freedom to live their own life as they wish, without, however, adversely affecting the rights of other individuals, their organisations and the community. As a corollary, therefore, cooperatives as an extension of the individual will be similarly entitled to a free existence and development but without enjoying any privileged position. Nevertheless, it should be quite natural for the cooperatives to expect that the government and its agencies accord equal treatment as afforded to other forms of economic organisations. The government may, thus, provide a legal framework which provides for minimum intervention in their affairs considered absolutely necessary to protect the interests of members and others who may deal with cooperatives as third parties.

Government may wish to encourage cooperatives as institutions that can bring benefits not only to their members but also to the public in general. The various instruments of encouraging them may include (I) positive legal framework permitting to organise and manage the enterprise by members themselves,

(ii) Cooperatives are self help organisations and reduce the burden of the government. Therefore they deserve some concessions, in the form of taxes land prices etc.(iii) provision of arrangements to protect the interest of members of cooperatives and others dealing with them e.g. audit, settlement of disputes etc.

Module - 5

COOPERATIVE GOVERNANCE

Topic	: Cooperative Governance
Sub Topics	<ul style="list-style-type: none"> - Meaning of governance - Objectives of Cooperative governance - Essential features of a good cooperative governance
Objective	: To enable the participants to understand the objectives and essential features of cooperative governance so that they can ensure their application while managing their enterprises.
Session	: One
Duration	: One and Half Hour
Methodology	: Lecture-cum-discussion and Group Discussion
Session Guide	<p>Step – 1</p> <p>Introduce the topic by explaining that the cooperative governance covers the overall system of direction, management and control. It includes the exercise of authority and relationship between all individuals involved in the management of the enterprise.</p> <p>Ask the participants about the objectives of a good governance.</p> <p>Ensure to include the following objectives :</p> <p>i) Make sure that the cooperatives remain under effective control of members.</p>

- ii) Set high standards in terms of accountability on the part of management.
- iii) Promote openness and transparency in the relations between the board and the members.
- iv) Boost the confidence of members that their own enterprise will act in their best interest.

Step – 2

Divide the participants in three groups and ask them to list out the essential features of a good system of cooperative governance. Ask them to reassemble after 20 minutes and make presentations.

Make sure to bring out the following features :

- i) Cooperative governance should fit into the legal framework comprising of cooperative act, cooperative rules and the bye-laws of the enterprise.
- ii) There should be adequate checks and balances on the use of authority to ensure that the cooperative remains in the hands of members and ethical standards of behaviour are maintained.
- iii) The system of cooperative governance should match the purpose and objective of the cooperative and serve the long term survival of the enterprise.
- iv) Majority of the directors on the board of cooperative should be from among members so that abuse of power by the full time professionals can be kept under control.
- v) Good communications system should be provided to promote effective control of over their enterprise by the members.

- vi) The responsibilities of the board should include the following :
 - a) Setting the strategic objectives in consultation with members.
 - b) Providing the leadership to carry out the strategies.
 - c) Supervising the overall management of the business, and
 - d) Reporting to the members on their achievements as directors.
- vii) The board of directors should be truly in control so that they can do the job for which they are elected. The process of equipping the board to do its job may include:
 - a) Induction of new directors and capacity building of sitting directors through training on regular basis.
 - b) Access to the advise and services of a secretary directly appointed by the board so that the board can have additional support, independent of Chief Executive, whenever this becomes necessary.
 - c) Authority to call for such other independent and financial advise as it may be deemed necessary.
 - d) The post of Chairman of the board and Chief Executive must be completely distinct and separate so that the Chairman can ensure that the board remains in full control of the enterprise on behalf of members.
- viii) The role Chief Executive and other senior executives are critical to the success of the enterprise. Therefore, they should also be allowed

to play their role in the decision making process by making them as directors on the board. However,

- ix) the term of the Chairman should be limited for three years.
- x) There should be openness of all the financial and other benefits derived by the senior executives and other directors the board.
- xi) Every cooperative must be subjected to an independent audit. To keep the auditors really independent :
 - a) Change the auditors at regular intervals
 - b) Declare all fees paid to auditors in the annual report.
 - c) Obtain other professional services from a different firm than that of the auditor.
- xii) It may be good practice to establish a separate audit committee to oversea the internal controls within the cooperative and to follow up matters brought to its attention by the external auditors.
- xiii) The system should provide to maintain the fair and equitable treatment of all members without allowing any stakeholders group to gain at the cost of the other.
- xiv) It should be ensured that individual investment in shares by individual members is limited and only active members are allowed voting power.
- xv) Incase any cooperative establishes a subsidiary, same member directors (in majority case) should also serve on the boards of such subsidiaries.

Module – 6

PRODUCTIVITY IN COOPERATIVES

Topic	: Productivity in Cooperatives
Sub Topics	<ul style="list-style-type: none"> i) Meaning and importance of productivity ii) Indicators of productivity iii) Essential steps to unproductive
Objective	: To enable the participants to understand the concept and importance of productivity in cooperatives and appreciate the measures to improve productivity which may be measured against certain well defined indicators or parameters.
Session	: One
Duration	: One and half hour
Training Material	: Handout 6.1 “ A Note on Productivity ”
Methodology	: Lecture-cum-discussions and group discussions.
Session Guide	<p>Step – 1</p> <p>Introduce the topic by stating that productivity in a business enterprise is the ratio of wealth produced and the resources used. It is necessary that the output exceeds the input for the success of any enterprise particularly in a competitive economy. Explain further that productivity should be compared to the previous self performance and the performance of similar enterprises in the market.</p> <p>Step - 2</p> <p>Divide the participants in three groups and ask them to identify the indicators of productivity in cooperative organisation.</p> <p>Group 1 : Primary Agricultural Cooperative Credit Society.</p> <p>Group 2 : State/State Cooperative Union.</p>

Group 3 : Primary Cooperative Consumer Store.

Reassemble after 20 minutes and ask them to make presentation.

Ensure that the following Indicators are listed by them.

1. Cost of product/service per unit
2. Convenience of delivery
3. Delivery time

Step – 3

Ask the participants to suggest the measures to improve productivity. **The measures may conclude.**

1. Use of appropriate technology
2. Higher efficiency of employees.
3. Prevention of wastage of stock and materials.
4. Prevention of leakage of stock etc.
5. Keeping the receivables at the minimum.
6. Availing the economics of large scale.
7. Prevention of embezzlements, frauds etc.

Step – 4

Ask the participants to relate the concept of productivity with the objective of the cooperative. Reinforce that the objective of a primary cooperative is to increase the income of members and the federal cooperative is created to provide services to the affiliated cooperatives to help them to achieve their objective of increasing the income of their members.

Therefore, the productivity of any cooperative enterprise should also be measured on its contribution to increase the

income of primary cooperatives. The income of members could be raised through services and guidance for increased production, securing better price through value addition, generation of employment or supplies of consumer goods and materials etc.

A NOTE ON PRODUCTIVITY

“Productivity is a ratio of the wealth produced to the input resources used up in the Organisation”. (ILO).

All types of organisations, both economic and social, are engaged in the pursuit of high and higher level of productivity in the field of goods and services for the users. Along with products and services, high quality and competitive prices are to be ensured. These are must both for survival and growth in highly competitive economy of today.

Cooperative organisations are no exception. They have to compete with private sector. Productivity should be the prime concern for all types of cooperative organisations at different levels.

For a very small business unit, the low productivity may be due to small size of operation. The amalgamation of the small units to form a bigger operational unit may enhance the productivity through advantages of scale economy.

The other way to higher production is through rearrangements of inputs in a way that Marginal Productivity of each input (taking the cost of input into consideration) is equal. This may result in the replacement of labour by capital.

Along with maintaining a growing level of productivity , Cooperative should attempt :-

- To expand the existing business operation
- To diversify the business activities in the interest of members.
- To ensure that the benefit goes to all members.

- To meet its responsibilities as a social organisation and community upliftment centre.

Strategy :Productivity in Cooperatives:

Expected Role of Manager:

As the key person, he has to plan and implement the policy decisions by the Board and ensure higher productivity. He has to build up the key element in productivity – the work force. Expected qualities of work force are :

- A positive work attitude
- Skill upgradation and training
- A sense of belonging to the organisation
- A faith in Cooperative Ideology and mission

The Manager/Chief Executive can bring the qualitative changes in the work force by :

- i) Setting him as an example by hard work and devotion.
- ii) Recognising the workers as human being with emotion and sentiments
- iii) Making each worker realise that his/her work is important as that of other.
- iv) Giving recognition to the good work of an individual
- v) Periodic evaluation of the work and output to locate any deviation between actual and anticipated results.
- vi) Periodic Meeting to get feed back from workers
- vii) To arrange training whenever felt necessary.
- viii) Listening to the suggestions of employees.
- ix) Delegation of authority
- x) Taking advantage of technical changes.

Role of Board Members :

The relation between Board Members and the Executive should be cordial. The Board should not interfere in the day to day Management, ~~placement to a particular job and managerial decisions~~. Broad policy decisions are to be taken by the Board and execution should be left to the Executive.

There cannot be uniform guidelines applicable to all types of Cooperative Organisation as they are engaged in different types of business activities. The only guideline is to make the personnel in Cooperative conscious about the significance of productivity for the survival and growth. This will require a coordinated efforts by the Executive, workforce, Board members and also by the members. Cooperatives with high level of productivity should come forward to share their experience with cooperatives where level of productivity is below the desired level.

Module - 7

BUSINESS DEVELOPMENT PLAN IN COOPERATIVES

Topic	: Business Development Plan in Cooperatives
Sub Topics	<ul style="list-style-type: none"> i) Need and importance of Business Development Plans ii) Stages in preparation of Business Development Plans iii) Implementation, monitoring and evaluation of Business Development Plans
Objective	To enable the participants to appreciate the need and importance of Business Development Plans in Cooperatives and know the methods in preparation of such plans, their implementation, monitoring and evaluation.
Session	: One
Duration	: One and half hour
Methodology	: Question – Answer, Group Discussion
Session guide	<p>Step – 1</p> <p>Introduce the topic by stating that cooperatives are business enterprises and they have to fully satisfy the needs of their members. It is, therefore, essential that they should organise their activities in a planned manner for the development of their business.</p> <p>Explain that</p> <p>Business Development Plan of a cooperative means the plan of business activities for the coming year which may be prepared on the basis of business potential, availability of resources, costs and margin of profit.</p>

Ask the participants about the objectives of Business Development Plans in Cooperatives.

Focuses on the following objectives

- i) Business expansion and diversification to satisfy the growing needs of the members.
- ii) Enhancing member participation and member control
- iii) Working towards achieving organisational goals
- iv) Increasing the production and improving productivity without increasing the cost of sacrificing quality.
- v) Working towards self reliance by optimum utilisation of resources.
- vi) Building up of professional management.

Step – 2

Ask the participants to list out the stages in preparation of Business Development Plans

Describe the following stages

Stage – I Creation of awareness amongst members and staff of the society about the need and importance of BDP.

Stage – II Collection and analysis of requisite data of to unfold the potential for growth and to identify the specific activities to be undertaken.

Stage – III Finalisation of BDP with the knowledge of the members and approval by the Management Committee.

Stage – IV Preparation of activity based sectoral plans and consolidate them

Stage – VI Operationalisation of the plan.

Also explain that each and every stage, as indicated above will have to be completed in a chronological order.

Step – 3

Ask the participants to identify the requisites for implementation of Business Development Plans.

Ensure to include the following requisites

- i) Allocation of specific targets to various teams of employees and breaking of targets-quarterly and half-yearly.
- ii) Involvement of employees and members in the process of implementation and evaluation.
- iii) Training of employees to equip them for undertaking their roles and business acumen.
- iv) Clearly defining the Key Result Areas (KRA) and their management.
- v) Provision for resources and authorising for implementation of plans
- vi) Arrangement for backward and forward linkages.
- vii) Monitoring and evaluation of BDP.

Step – 4

Divide the participants in three groups and ask them to identify the parameters for evaluation of Business Development Plans. The following groups may be formed.

Group 1 : Business related indicators

Group 2 : Member participation related indicators

Group 3 : Management related indicators.

Reassemble after 20 minutes and ask each group to present the report .

Ensure that the following are covered :

I. Business Related Indicators :

- Increase in the volume of business with members as well as non-members.
- Increase in profit and profitability of the enterprise

II. Member Participation Related Indicators :

- Activation of members
- Benefits and services to members

III. Management Related Indicators :

- Timely conduct of AGM
- Timely conduct of election to managing committee members.
- Conducting managing committee meeting regularly
- Completion of Audit on time and compliance of audit reports and other inspection reports
- Financial health of the enterprise
- Constitution of various funds conducive for the development of the society, members and community.

Step – 6

Sum up that the implementation of BDP can result into the following advantages :

Advantages of BDP

- i) Besides self reliance and better services to members, the programme of BDP is expected to ameliorate the socio economic condition of not only members but the community as a whole.

- ii) The economic benefits would accrue because of increase in the productivity and thereby increase in the income of members.
- iii) It would also yield social benefits as the emphasis in the BDP is on optimum use of available resources.
- iv) The development of leadership would enable the cooperative to create pressure on higher tier cooperative institutions, other supporting Government departments and institutions to avail the advantages of various promotional schemes.
- v) Active participation of members would enable them to control over factors of production and equitable distribution of benefits.
- vi) It would also lead to investment for the cause of socio-economic development.

Step – 7

Explain that monitoring and evaluation of BDP is a process through which management gets to know as to how well it is performing various tasks. More specifically, it informs management and members about the performance of their organisation in regard to the achievement of planned targets for various activities on one hand and impact of such targets/activities on the achievement of objectives on the other.

In brief, monitoring can be defined as a process of measuring, recording, collection, processing and communicating information to assist management in

decision making in relation to the performance of its operations and the impact of such operations on members socio-economic welfare.

Also clarify that there are two types of evaluation

- a) **Quantitative Evaluation:** to know coverage under BDP and to assess the progress of implementation of various components and activities included in BDP.
- b) **Qualitative Evaluation:** to assess the impact of BDP on the health of a cooperative.

Module – 8

LEADING CHANGE IN A COOPERATIVE

Topic	: Leading Change in a Cooperative
Sub Topics	<ul style="list-style-type: none"> i) Need and scope of change ii) Overcoming resistance to change iii) Factors influencing implementation of change
Objective	:To enable the participants to appreciate that cooperatives need to change their strategies in the context of changing environment for stability, and sustainable growth.
Session	: One
Duration	: One and Half Hour
Training Material	<p>:Handout 8.1: Action Agenda for the Cooperative Movement.</p> <p>Handout 8.2: Why do people react to change.</p> <p>Handout 8.3 : How to reduce the resistance to change.</p>
Methodology	: Lecture-cum-discussion
Session Guide	<p>Step – 1</p> <p>Introduce the subject by explaining that change is an inevitable process and there is no escape from it. We can either plan and precipitate change or just react to it.</p> <p>Also Emphasise that</p> <p>The organisations that become successful and stay successful are always willing to change. They are always anticipating change and accordingly revising their strategies.</p> <p>Also stress that change must be real and make positive</p>

impact on the operations of cooperatives to benefit their members in the form of improved services and increased profits.

Step – 2

Divide the participants in three groups and distribute all the three handouts to them. Ask them to read them and list out the reasons that may prompt change in a cooperative organisation. Reassemble after 20 minutes and ask them to make presentation.

Ensure that the discussion covers the following reasons, besides others :

- i) Technical advancement leading to modernisation.
- ii) Changes in the members perception of their enterprise requiring diversification or expansion of business/services.
- iii) Emergence of competitors demanding to be cost effective, quality effective and service effective.
- iv) Changes in the public policy market operations etc.

Step – 3

Ask the participants to identify various changes that may be required in a cooperative organisation. Besides others, the discussion may cover the following :

- i) Change in governance i.e. overall system of direction, management and control.
- ii) Change in products/services or market.
- iii) Change in organisational structure.
- iv) Change in systems/procedures.

Step – 4

Divide the participants in three groups. Ask each group to prepare a plan of action for change in one of the following areas and reassemble after 20 minutes.

Group 1 :Adjustments by PACS due to withdrawal of government support including financial assistance.

Group 2 : Introduction of “**Home Delivery System**” by a cooperative consumer store.

Group 3 : Introducing a performance linked wage policy in Cooperative Bank.

Ask the leader of each group to make a brief presentation of their plan of action. **Bringout that the following are necessary for a successful change.**

- i) Nature and purpose of the proposed change.
- ii) Timeframe for implementing the change.
- iii) People responsible for introducing change.
- iv) Budgetary and other support for introducing change.
- v) Recognition and reward systems for implementing change.
- vi) Monitoring and evaluating change.

Also Emphasise that

- i) People in the organisations are the most important factor. Therefore, their readiness and commitment to change is most essential.
- ii) The required skills for bringing out change must be identified and the functionaries should be asked to undergo the relevant training programmes for acquiring necessary skills.

- iii) The responsibility – authority system should be transformed to match the requirements of change.
- iv) The advantage and need for the change should be reinforced from time to time. Else, people have a tendency to fall back to the earlier practice.
- v) The financial and other resources are important to bring out changes. Their adequacy and timely availability must be ensured.

Handout – 8.1

Transformation of Cooperatives – From a State sponsored to Member Based Enterprises.

From -

B.D. Sharma
Director
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Cooperatives have grown as a state-sponsored economic system wherein the state is actively involved in supporting and controlling cooperatives. In this process, dependence of cooperatives on Government support, patronage and financial assistance, has facilitated a great deal of diversification of cooperative activities, at the same time, it has also **sapped** their vitals of self-reliance, initiative and drive. There has also been alienation of user members from their cooperatives. Another important limitation which has been inflicted on the cooperatives is that they became a tool or agency of the Government to implement directed policies and thus could not emerge as member based enterprises in the real sense of the term. Therefore, the basic challenge presently faced by cooperatives is their transformation from a state-sponsored system into a member based system.

Cooperative Law

The cooperative laws which have been enacted in SAARC countries, are basically an articulation of the state's control in the management and functioning of cooperatives. These laws are restrictive in nature and implementation, as a result of which members' participation and professionalisation of management within the cooperative enterprise remains a far cry. The implementation of restrictive cooperative legislation has resulted into cooperatives which are mercantile in their nature, undertaking only specified limited activities as directed by the state without ensuring effective integration of

the multifarious needs of members at enterprise level. Thus reforming cooperative law is another important policy issue for SAARC countries.

Competitive Economy and Cooperatives

Open market economies based on competition and liberalisation are emerging all over the world. The same trend is witnessed in SAARC countries also. Important characteristic features of such economies are privatisation of economic activities; least involvement of Government in economy; enhanced competition through abolition of regulatory controls; globalisation through abolition of barriers to international trade; increasing significance of investors and dominance of transnational corporations. If we look into the evolution of cooperatives in SAARC Region, we find that these cooperatives were formed without heed to market competition. Even their business policies have not been formulated on the basis of market forces or members' needs. In such a situation, although cooperatives played a very significant role in implementing Government policies, they could not emerge as competing enterprises in the market economy. Further, the members also could not enhance their involvement in their cooperatives because of the domineering role of the state.

Corporate Vision of Cooperatives

In a state sponsored system, corporate vision of cooperatives has been restrictive without proper regard to the diversified needs of their members. Therefore, there is a need for transformation of corporate vision of cooperatives so as to make it more member oriented rather than that of an agency of the Government. This will call for adoption of the Cooperative Identity Statement which defines the cooperative organisation, cooperative values and the principles of cooperation.

Structural Re-organisation

Structural re-organisation/reforms within cooperatives should aim at development of internal resilience of enterprise; development of healthy relationship between elected board and professional executives and organic linkages between federal organisation and their cooperatives. Besides, the structure should also provide opportunities for effective involvement and participation of members in business and management of cooperatives.

Interface with External Environment

In a free economy, cooperatives cannot function in isolation from their environment. They have to interact with external environment constantly and effectively. They have to be open economic enterprises owned and controlled by the user members. The following issues, therefore, acquire a great significance:

a) Development of Marketing Information System within in the Cooperatives :

Presently cooperatives do not have a very effective mechanism for gathering market information and disseminating the same among its members. The primary agriculture cooperatives having a weak economic base may not be in a position to evolve such market information systems. In view of this, it should be enjoined upon the federal cooperatives to create a market information cell at their own level and disseminate information to their member cooperatives.

b) Strategic Alliance with Public and Private Sectors :

Growing commercialisation of agriculture would necessitate larger capital investment particularly in the areas of agro-processing and infrastructure

development. Since large public and private sector enterprise command resources and technology, cooperatives at appropriate level may have strategic alliances with public and private sector units which are in the field of agri-business. This will facilitate integration of agriculture cooperatives with the tertiary level and global economy and ultimately help cooperatives to provide greater benefits to their farmer members.

c) Resource Mobilisation :

A resource crunch is endemic within cooperatives. Ideologically speaking, the members are expected to provide resources for their cooperatives. In practice however, the state is the major contributor to the resources of cooperatives, with the result that there is a very limited scope for innovative maneuverability for mobilisation of resources by them. In spite of a growing capital market in all the countries of the region, cooperatives have failed to take advantage of this. Thus, it is high time that cooperatives reach out to the capital market to mobilise resources.

d) Transformation of the people who run Cooperatives :

Cooperatives are run by members, elected board of directors and paid executives. The future strategy for development of cooperatives should aim at transforming the mind-sets of these three segments of cooperative management with a view to achieve greater member participation and managerial capability to implement strategy for transformation.

HRM/HRD Policies

In order to promote professionalisation in cooperatives, HRM and HRD policies have to be vigorously pursued. Field studies reveal that in many segments of cooperatives, HRD policies and practices continue to be oriented towards out dated government systems. In such a situation, induction of efficient personnel becomes difficult. There is need for wholesale reformulation and modifications in

HRM policies in cooperatives in the coming years in the Asia and the Pacific Region.

The following may be guiding points :

- Preparation of enterprise development plan comprising all business activities including human resources by all cooperatives at all levels. The cooperative federations may offer guidance in this area to their affiliated cooperative institutions.
- Undertaking pragmatic manpower planning for short and long-term duration by cooperative organisations in all sectors at all levels. The federations may provide consultancy to their affiliated institutions.
- Creation of a pool of key personnel who are professionals and believe in cooperative philosophy, principles and values at the level of cooperative business federations to provide management guidance to the affiliated cooperatives.
- Streamlining the recruitment policies and procedures on scientific basis.
- Adopting performance linked salary/wages and incentives plans.
- Designing a suitable career development plan for employees of cooperatives.
- Including a provision of HRD in the budget of all cooperative institutions.
- Introducing suitable appraisal systems viz. Performance appraisal, potential appraisal and performance counseling.
- Influencing Government/Governments to assist cooperatives to develop their own HRD strategies without impairing the autonomy of the cooperatives.
- Setting up of HRD division in all cooperative enterprises.

Cooperatives and the Community

One of the principles of cooperation is 'concern for community'. Gender development and protection of environment are major concerns of the community. The cooperatives being economic organisations imbued with social purpose, should pay adequate attention to these issues. They should, therefore, have an effective interface with the community focused organisations who seek economic initiatives with social services. The women's groups which have commitment to gender equality and gender development should also be involved by cooperatives in their activities. Similarly, the institutions which are involved in environmental protection should also be brought within the activity focus of cooperatives.

Throughout the world, there has been an emergence of a large number of voluntary and non-governmental organisations which are named as 'civil society'. By aligning with such groups, cooperatives can be a major component of the civil society. However, care has to be taken in forging alliance with non-governmental organisations. A very large number of such non-governmental organisations are either fake organisations or pocket institutions of certain individuals. Therefore, cooperatives, while associating with such institutions, should make a thorough and in-depth analysis of the composition and working of such organisations and adopt a very selective approach.

Handout – 8.2

Why Do People React to Change

It is the attitude towards the change of all those who are likely to be affected that constitutes the sources of reaction. The factors that influence attitude may be summarised as below :

1. Predisposed feeling(s) about any change.
2. Feeling of insecurity and redundancy.
3. Cultural beliefs and norms relating to work and organisation.
4. Trust and loyalty to the management.
5. Historical events as to guide to the present.
6. Manner of change : Formal or informal, sudden or slow, authoritarian or appealing etc.

Some of the important reasons why people in organisations experience difficulties in adjusting themselves to change in technology and work relationships and develop a resistance towards these, may be enumerated as below.

1. **Economic Reasons** : Under this category, the following may be included.
 - i) Fear of technical unemployment.
 - ii) Fear of reduction in emoluments.
 - iii) Fear of demotion.
 - iv) Fear of speeding-to and reduced incentive wages.
2. **Personal Reasons** : Under this category, the following may be included.
 - i) The employees may resent criticism implied in a change that the present method is inadequate or unsuitable.

- ii) The employees may fear that their capacity to undertake the jobs will be reduced, if the proposed change is introduced.
- iii) The proposed change may be expected to lead to greater specialisation resulting in boredom and monotony.
- iv) The employees may resist change because they do not fully understand its implications.

3. Social Reasons : Under this category, the following may be included.

- i) A change in the work organisation usually involves new social adjustments which are generally not liked by the people because they involve stresses and strains.
- ii) People in the organisation may dislike outside interference and the persons responsible for making the change.
- iii) People may visualise changes as mostly benefiting the organisation rather than employees, their colleagues and/ or the general public.

Handout – 8.3

How To Reduce Resistance To Change

- 1. Supply Information:** Before implementing any change, all concerned groups and persons who are likely to be affected by the change, should be pre-informed so that their reactions, if any, any come to limelight and efforts are made to satisfy them. In the absence of pre-information, the rumors regarding the portable change may result in serious reactions and it may become difficult to overcome them. The rumors may be different from the reality and their consequences may be disastrous. Hence, it is very essential to give detailed information about the future changes.
- 2. Participation in Change :** Besides simple information , the scheme of change should be thoroughly discussed with all concerned as that its pros and cons may be known to everybody and the people may be ahead with zeal and interest.
- 3. Providing Economic Security :** An assurance be given to the employee that they will not have to face economic crisis as a result of the change. Thus, they should be mentally prepared to face the change consequences.
- 4. Cooperation, Confidence and Sympathy :** All possible efforts be made to get the cooperation, confidence and sympathy of those who are likely to be affected by the change.
- 5. Create confidence amongst, Members, Board Members and the managers.** Some times the managers also react to the change; hence no stone should be left unturned to create faith in them. They must be ahead with full confidence and zeal.

6. **Take Time to Change** : Haste makes waste; hence proper planning is to be done to introduce the change. Take time to manage the change.

Module – 9

LINKAGES FOR BETTER PERFORMANCE BY COOPERATIVES

Topic	: Linkages For Better Performance By Cooperatives
Sub Topics	<ul style="list-style-type: none"> i) Importance of linkages within and outside cooperative Enterprise. ii) Internal and external linkages iii) Conditions necessary for successful linkages.
Objective	: To enable the participants to understand and appreciate the importance of linkages for the success of cooperative organisations.
Session	: One
Duration	: One and Half Hour
Methodology	: Question and Answer, Group Discussion
Session Guide	<p>Step - 1</p> <p>Introduce the topic by explaining that cooperatives are business enterprises and, therefore, their success depends upon efficacy of linkages with the concerned stakeholders both within and outside the organisation. Emphasise that cooperatives cannot flourish without establishing linkages because each business depends upon various stakeholders e.g. customers, suppliers etc.</p> <p>Ask the participant to list out various stakeholders in the cooperative.</p> <p>Ensure that the list includes the following :</p> <ol style="list-style-type: none"> 1. Members 2. Customers 3. Suppliers

4. Financing Agencies
5. Investors
6. Federal Organisations
7. Govt. and Community

Step – 2

Divide the participants into five groups and ask them to identify the specific interests of various stakeholders in cooperatives, and also the type of linkages and the organisation/agency with whom such linkage may be essential. The groups may be formed as under :

Group 1 : Members

Group 2 : Customers/Suppliers

Group 3 :Financial Institutions/Investors

Group 4 : Government/Community

Group 5 : Federal Cooperatives

The groups may reassemble after 20 minutes and make presentations. At the end, sum up that it is necessary to identify the specific interests of each stakeholders group and establish appropriate linkages to satisfy it. No group should be allowed to pursue its interest to the exclusion of interest of other stakeholders. In fact, commonality of purpose between all the stakeholders is essential for the success of any cooperative enterprise.

Step - 3

Ask the participants to deliberate on the conditions necessary for successful linkages :

Ensure that the following are covered :

- i) The linkage is mutually beneficial
- ii) Complete transparency to the satisfaction of all concerned.
- iii) Arrangements for sharing the benefits as per agreement.

Step – 4

Ask the participants to enumerate the types of linkages that can be forged.

Ensure that the following types of linkages are covered

- i) Vertical linkages with affiliated cooperatives.
- ii) Horizontal linkages with other concerned cooperatives.
- iii) Strategic linkages with other by way of collaborations, partnership etc.
- iv) Linkage with HRD and Research Institutions.

Module – 10

DEVELOPING HUMAN RESOURCES IN COOPERATIVES

Topic	: Developing Human Resource in Cooperatives
Sub Topics	<ul style="list-style-type: none"> i) Various human resources in cooperatives and the need for their continuous development. ii) Assessing various HRD needs and devising suitable strategies for meeting them.
Objective	: To enable the participants to appreciate the need for continuous development of human resources in cooperative organisations and know the various strategies to encourage their development.
Session	: One
Duration	: One and Half Hour
Methodology	: Question-Answer and Discussion
Session guide	<p>: Step - 1</p> <p>Introduce the topic by explaining that human resources in a cooperative organisation include not only employees but also members and their elected leaders. All these three groups of human resources are equally important and can contribute to the success of the enterprise to achieve its mission.</p> <p>Step - 2</p> <p>Ask the participants about the various training needs of human resources.</p> <p>Ensure to include the following needs :</p> <ul style="list-style-type: none"> i) New knowledge required in the light of certain changes in the internal/external environment.

- ii) New skills required for implementing new technology, procedures.
- iii) New attitudes needed to focus on the paradigm shifts in strategy.

Step – 3

Divide the participants in three groups and ask them to list out the reasons for human resource development through training.

Reassemble after 20 minutes and ask each group to make presentation.

Ensure to include the following reasons :

- a) Appointment of new employees, enrollment of new members and election of new directors.
- b) Change in responsibilities due to promotion or transfer of employees.
- c) Change in strategy involving business diversification, expansion, alliances etc.
- d) Adoption of new technology, system or procedures.

Emphasis that primarily training for human resource development is the responsibility of cooperative organisation itself. Therefore, it has to make budgetary provision for the training of employees, members and elected directors and representatives. **Also stress**, that the training needs for the different groups of human resources should be assessed which should form the basis for preparing a plan for developing human resources.

Step – 4

Ask the participants about the various alternative methods of training for development of human resources in cooperatives. The discussion, besides others may cover the following alternatives.

- i) Classroom training
- ii) On the job training
- iii) Job rotation
- iv) Study visits to other successful organisations
- v) Interaction with successful managers and leaders of successful cooperative enterprises.
- vi) Participation in seminars, symposia, exhibitions etc. on cooperatives.

Step - 5

Divide the participants in three groups and ask them to list out the benefits resulting from training.

Group 1 : Members

Group 2 : Directors/Representative

Group 3 : Employees

Reassemble after 20 minutes and request each group to make a presentation.

Besides others, the following benefits may be highlighted.

Members :

- Increased attendance in meetings
- Increased participation in strategy formulation, implementation and its review
- Increased resource sharing with other members.
- Increased transactions with the cooperative.

Directors/Representatives

- Better appreciation of members needs
- Better performance in formulating policy.
- Better coordination with the Chief Executive and other employees.
- Better financial and other controls.
- Better representation of interests of the interests of the enterprise in various forums.

Employees

- Better understanding and appreciation of members needs
- Appreciation of the fact that cooperative belong to members.
- Improved business performance

Step - 5

While concluding, **emphasise** that the Chief Executive must take the following steps for the development of human resources in the cooperative.

- i) Prepare training plan for members directors/representatives and members.
- ii) Identify the training institution for deputing the personnel for attending a training programme, seminar etc.

- iii) Make adequate budgetary provisions to meet the required expenditure on account of travelling, boarding, lodging and training costs.
- iv) Depute those persons who are likely to be more responsive to training and provide motivation to them to learn maximum.
- v) Evaluate their learning and put them to do the jobs for which they are better suited as a result of their training.
- vi) If possible, use them as resource for the training of their peers or subordinates.

Module – 11

ROLE AND RESPONSIBILITY OF COOPERATIVE LEADERSHIP

Topic	: Role and Responsibility of Cooperative Leadership
Sub Topics	i) Distinguishing features of cooperative leadership ii) Role of cooperative leadership iii) Requisite competence of cooperative leaders.
Objective	: To enable the participants to appreciate the importance of leadership in value based professional management and define the expected role and responsibilities of leaders in this context in a cooperative organisation.
Session	: One
Duration	: One and Half Hour
Methodology	: Question and Answer, Group Discussion
Training Material	: Handout 1 : Qualities of a good leader (11.1) Handout 2 : Common pitfalls to be avoided by Cooperative Leaders (11.2)
Session Guide	: Step – 1 Recapitulate the cooperative values discussed in the first session and highlight that the leaders have to ensure that these values and cooperative principles are abundantly reflected in the business operation of their enterprise. This alone will preserve the real identity of cooperative organisations.

Explain that there are two categories of leadership in a cooperative. It includes, **elected leadership** (Chairman, Directors of the Board, representatives) and **executive leadership** that covers whole time paid managerial staff headed by Chief Executive. They are mainly responsible for the operational aspects of the cooperative by virtue of specialised knowledge, expertise and experience to handle business. In practice, however, they also influence policy matters in many cases.

Thus, the leadership in cooperatives comprises of two levels viz elected leadership (policy formulation) and executive leadership (policy implementation) and both are equally important and, therefore, a complete harmony between them is essential. They should have clearly demarcated powers and functions to avoid conflict.

Step – 2

Ask the participants about the special features associated with cooperative leadership.

Emphasise on the following features

- a) Leadership is not by succession as may be the case in some private family based organisations.
- b) Cooperatives are member driven and market driven enterprises as compared to private enterprises that are market driven only. Therefore, the leadership in cooperatives has a blending role to play.

- c) Chairmen or Directors in cooperatives are not always elected on consideration of their investment of capital or professional knowledge and experience as in the case of private companies.
- d) The leaders in cooperatives are elected through democratic process and their election is primarily based on the confidence of members in them rather than any other consideration.

Step – 3

Ask the participants to specify the leadership tasks in a cooperative enterprise.

Ensure to highlight the following leadership tasks in a cooperative :

- i) Knowing clearly the objective and purpose of the cooperative i.e. what the members want from their cooperative by way of “benefits”
- ii) Articulating the members wants into realistically attainable organisational objectives.
- iii) Developing a hierarchy of organisational objectives which provide the practical means of achieving the cooperative purpose.
- iv) Action as a “Trustee” on behalf of the members ensuring that the cooperative focuses upon its true purpose and that rights of the membership in terms of its ownership of resource is properly maintained.

- v) Monitoring progress toward the achievements of the cooperatives purpose, objectives and the vision for the future.

Step - 4

Ask the participants about the required competency of cooperative leadership so that they can perform the above tasks effectively.

Elaborate that it is essential for the leadership to have :

- i) A clear understanding of the purpose and prime objective of their cooperative and also the services expected by members.
- ii) Knowledge of their functions and responsibilities towards their members/third parties and risks and penalties for failing to carry out such responsibilities.
- iii) Understanding of the features and structure of the markets in which their cooperative operates and the knowledge of trends within the relevant business areas. Capacity to formulate strategy and specify clearly the Key Result Areas.
- iv) Understanding of the process of recording, implementing and monitoring the results of decisions of the Board or Committees.

Also Emphasise that

- i) Leaders must avoid to treat members as customer only because members are the real owners who have elected them for meeting their needs. They should be in

touch with the underlying aspirations of their members and then be able to convert those into plan of practical action.

- ii) Boards often become politicized when they are too large in size. Hence they should be of a reasonable size.
- iii) Better relationship between the board and the CEO is vital. If the Board's confidence in CEO breaks, there is no alternative to seeking replacement of CEO.
- iv) Developing planning for success is the key task of the current board. Constant development of members is essential and, therefore, adequate expenditure should be spent on this activity.
- v) Policies and strategies should be formulated in such a way that members are encouraged to do more business with their cooperative.

Step - 5

Ask the participants about the essential requirements for making the leadership role effective.

The discussion, besides others, should lead to include the following essential requirements :

- i) Communications with members to assess their needs and also inform them about the status of affairs in their enterprise.
- ii) Involvement of members in strategy formulation strategy implementation and its review on regular basis.
- iii) Framework for motivating the members to have more and more transactions with the enterprise.

- iv) It has to be realised that enlightened membership and leadership alone can make the cooperative achieve its mission effectively. Therefore, their continuous development through appropriate training and other measures has to be a regular feature.

Handout – 11.1

QUALITIES OF A GOOD LEADER

A cooperative leader must possess the following qualification :

- a) Understanding the ideology and principles of cooperation.
- b) Basic knowledge of Management – both managing human resource and managing business.
- c) Knowledge of particular branch of activity which he/she leads.

Other general qualities which a leader should possess are as follows :

1. **Courage** – He should have the courage to forcefully declare his conviction for cooperative ideology and act upon it.
2. **Judgement** – Judging a thing in the right perspective is very important for a leader and then taking a judgement qualitatively.
3. **Sympathy** – Keeness to know the people and their needs aspirations and respect to the sentiments of others are some of the qualities of good leader. Further a leader has to be tolerant to his opponents and have the sense to respond positively to constructive criticism.
4. **Imagination** – Cooperative movement is the outcome of creative imagination of the leader to save the people from exploitation. Imagination is the foundation of entire cooperative philosophy.
5. **Drive/Capacity to Lead** – An active leader with a drive to generate energy among all members would be able to create a true forceful and vibrant cooperative. A person lacking quality of drive will never be able to have committed followers and it is not possible to think of a leader without followers.
6. **Knowledge** – Knowledge is must but is not an inborn quality. A leader must be willing to acquire knowledge which is possible through training as well as practice willingness to learn is a quality that prepares a leader to gain knowledge.
7. **Decision Making Ability** – Cooperative leader must have ability to analysis the problems critically for right decision.
8. **Mass Support** – Cooperative leader should have a mass base and more support from members.

Handout – 11.2

COMMON PITFALLS TO BE AVOIDED BY A COOPERATIVE EXECUTIVE LEADERS

- **Overriding** – the desire to increase turnover at the expense of proper credit control, resulting in late payments and bad debts.
- **Poor Credit Control** – tough credit control procedure need to be in place and regular checks with debtors essential.
- **Inaccurate or Untimely Information** – poor or non-existent management information is the most common cause of failure.
- **Uncontrolled Capital Expansion** – growth can be good, but not for its own sake; every new capital investment must be able to make a financial contribution.
- **Rising Fixed Costs** – failure to control fixed costs, especially those which are not directly associated with earning a return (e.g. the over elaborate head office.)
- **Fixed-Price Contracts** – long term fixed price contracts without renegotiations clauses can result in cooperative facing heavy losses when their own costs increase.
- **Financial Impropriety** – without the right kind of controls in place than financial impropriety can lead to disaster.
- **Failure to respond to a changing environment** – not reacting to changes in the overall economic situation, or to changes in the patterns of demand for the cooperative's product, or services.
- **Dependence** – on a small number of key customers or suppliers – without reasonable spread of clients or suppliers, the loss of a major client or supplier can create serious difficulties.

- **Increased competition** – cooperatives which are unable to respond to increased competition in terms of product quality and price will not survive.
- **Failure to mature** – the failure to develop a management team which can lead to collapse.
- **Extravagant executive lifestyles** – when funds which ought to be spent on developing the cooperative are going into over generous executive offices, cars and rewards.

Module – 12

INTEGRATION OF VALUE BASED PROFESSIONAL MANAGEMENT

Topic	: Integration of Value Based Professional Management and Role of Support Organisations
Sub Topics	<ul style="list-style-type: none"> I) Meaning of value Based Professional Management. ii) Integration of Value Based Professional Management in different aspects of cooperative. iii) Identification of support organisations and their role in implementation of value based professional management in cooperatives.
Objectives	<ul style="list-style-type: none"> i) To enable the participants to understand the meaning of Value Based Professional Management and the process of integrating it with different aspects of the cooperatives so that they can successfully manage the cooperative enterprises in the competitive environment. ii) To enable the participants to identify the supporting organisations and their roles.
Sessions	: One
Duration	: One & half hours
Methodology	: Question Answer, Group Discussion
Session Note	<p>: Step – 1</p> <p>Ask the participants about the meaning of Value Based Professional Management ? Give the following definition of value based professional management.</p>

"Value Based Professional Management in cooperatives deals with the processes functions and systems that facilitates strengthening/revitalization of cooperative values and ensure sustainability of the member based and community oriented cooperative enterprises in competitive market."

Explain the definition to the participants by emphasizing that the objective of Value based Professional Management is to ensure the sustainability of the cooperatives as an enterprise in the competitive market without diluting the values and principles of cooperatives. For achieving this, different processes, functions and systems are to be adopted which must be in accordance with the cooperative values and principles.

Emphasis that value based professional management is only possible when members, board members, their elected representatives and employees all have a clear understanding, competency and willingness to implement VBPM.

Step - 2

Ask the members about the levels of integration of VBPM in cooperatives.

Ensure to conclude the following four level :

a) Members

- i) should be loyal and active in participation.
- ii) should share the benefits in an equitable manner.

- iii) should not be discriminated on the issues of gender, age etc.
- iv) should exercise self responsibility.

b) Board Members

- i) Should show adequate concern for members needs and community needs.
- ii) Should act in complete transparency and be accountable to the membership.
- iii) Should formulate policy in consultation with membership and appraise it from time to time.
- iv) Should encourage cordial and professional relationship with the executive management

c) Professional Management

- i) Should be goal oriented.
- ii) Should work as a team.
- iii) Should be competitive enough to sustain the enterprise in a competitive environment.
- iv) Should be cost effective and quality oriented.
- v) Should be socially responsive.

d) Organisational Structure

- i) All levels must be democratic.
- ii) There should be no political or religious influence.
- iii) Board-management relations should be positive.

Step - 3

Ask the participants to suggest how to integrate VBMM in the management of cooperative organisations.

Ensure that the following are included

- i) Bye-Laws of cooperative must provide provisions that facilitate the practice of value based professional management.
- ii) The board should report to the members on the steps taken to strengthen value based professional management and their results.
- iii) External as well as internal audit report may also cover the aspects of value based professional management.
- iv) The members, leaders and employers must be trained in understanding and implementation of VBPM.

Step – 4

Ask the participants to suggest the strategies for value based professional management. Ask them to reassemble after 15 minutes and make presentations.

At the end, sum up that

1. Cooperatives are human based organisations where profit is an instrument to provide/improve service to members and community through self help and mutual help.
2. Cooperatives are democratic organisations allowing freedom to express ideas and providing complete transparency in all matters.

3. Linkages within and outside the cooperative movement at all levels are necessary to seek market information, value addition and inter sector trade.
4. Collaboration with the government, international agencies, HRD institutions are required to protect the interest of members, sectors and the cooperative movement.
5. The federations have critical role to support their cooperative organisations particularly in capacity building, advisory and research and consultancy

Module – 13

MEASURING VALUE BASED

PROFESSIONAL MANAGEMENT IN COOPERATIVES

Topic	: Measuring Value Based Professional Management in Cooperatives
Sub Topics	- Major parameters of VBPM in Cooperatives - Yardsticks to measure VBPM in Cooperatives
Objective	: To enable the participants to understand the major parameters of VBPM and the yardsticks to measure their application.
Session	: One
Duration	: One and half hour
Methodology	: Question-Answer and Group Discussion
Session Guide	: Step – 1 Ask the participants to recapitulate the various ingredients of VBPM in cooperatives that have been discussed in earlier modules. Ensure that the following characteristics are included : <ol style="list-style-type: none"> 1. Active membership 2. Regular and timely elections 3. Continuous development of members, directors and representatives 4. Distribution of surplus in accordance with transactions with the enterprise. 5. Expenditure on common good of members and benefit of community. 6. Final authority vested in and exercised by the general body of members.

7. Observance of ethical values towards members, customers, employees, government and community.
8. Positive legal framework allowing formation and functioning of cooperatives as autonomous, self reliant and democratic organisations.
9. Cooperative governance should fit into the legal framework and match the purposes and objective of the cooperative and serve the long term survival of the enterprise. It should provide for clear responsibilities of the elected and executive leadership.
10. Elective and executive leadership must be competent enough to constantly achieve high level of efficiency and productivity so that the enterprise can grow in a highly competitive environment.
11. Cooperative organisation should be a vibrant and changing enterprise so that it does not lag behind the growing members needs and the forward moving market environment.
12. The backward and forward linkages should be effectively established through vertical and horizontal integration.

Step – 3

Ask the participants about the instruments of measuring the implementation of VBPM in cooperatives.

Explain the following instruments :

- a) Internal and external audit
- b) Sub-committees to review specific aspects.

- b) Periodic reporting to the board and general body of members.
- c) Information bulletins to members/community and other stakeholders.