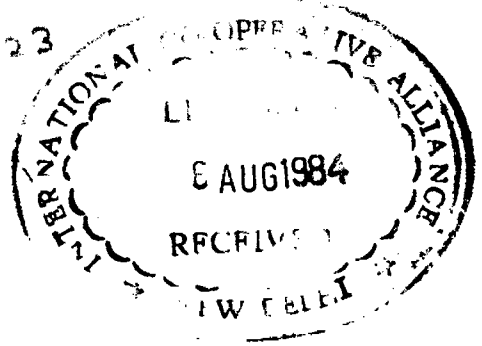


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MATCOM

Training for the management of cooperatives

*This programme was adapted for Sri Lanka
by the NCC / TEACHERS' TRAINING PROJECT
in collaboration with ILO / MATCOM during
a pilot seminar for managers of MPCSS at
the School of Cooperation, Polgolla,
16 June - 4 July, 1980*

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IN-SERVICE TRAINING PROGRAMME

FOR GENERAL MANAGERS OF MULTIPURPOSE COOPERATIVE SOCIETIES
IN SRI LANKA

*Adapted and published by the NCC / ICA / SCC
Project for Training of Cooperative Teachers
in Sri Lanka, 455 Galle Road, Colombo 3*



Introduction

The Training Programme

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2. Aim
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7. Preparing Yourself
8. Preparing the Training Material
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Suggested Timetable for the

In-Service Training Programme for General Managers of MPCSS

Programme Evaluation

INTRODUCTION

This material provides the basis for a 3-week training programme for general managers of MPCSSs. The original script for the material was written for MATCOM by Malcolm HARPER of the Cranfield School of Management (UK).

In Asia, the material was first introduced and used at the Vaikunth Mehta National Institute of Co-operative Management in Poona (India), and has been incorporated in the curriculum of several co-operative training institutions in India. The material is being widely used in several countries in Africa and Asia and also in other parts of the world.

The objective of the material is to provide ideas and a suggested structure for instructors responsible for conducting management courses for senior staff of agricultural co-operatives; the material does not absolve the instructor of the need to prepare for each session, nor does it provide the instructor with all the information necessary for a successful programme. It is hoped, however, that it will be a useful source of ideas and material which will enable instructors to make more use of participative learning techniques than they might otherwise have been able to do.

The timetable is purely a suggestion as to how the material may be used; individual sessions, or even parts of sessions, may be used on their own, and in any case, the topics to be covered in a particular programme should be determined as much as possible by the training needs and expressed interest of the participants.

The yellow pages are for the trainer. The white ones are the originals for the participants' handouts, and should be used for reproduction. It is important not to give participants material before the session and time for which it is intended, since in many cases, the build up of information is sequential and the effect will be lost if everything is available at the same time.

The material can be used in any situation where the handouts can be reproduced and where an adequate chalkboard is available. If possible, flip charts (which can be made locally from newsprint), an overhead projector and a cassette player can be used, but they are not essential. There is a large amount of group work, and participants will therefore need not only a classroom for plenary sessions, but also reasonably private facilities for group and role play exercises.

THE TRAINING PROGRAMME

1. Target Group

Target groups for this training programme on "Management of Agricultural Marketing Co-operatives" are General Managers and senior and experienced Credit & Marketing Managers of large MPCSSs, who have at least five years work experience in an MPCSS. Co-operative officers or extension staff supporting the above target groups could also benefit from the programme.

2. Aim

The aim of the programme is to train people to manage a large MPCSS, with greater orientation in Agriculture effectively.

In particular, the programme will enable trainees:

- to become acquainted with the region in which the fictitious co-operative society used in the rest of the programme will operate and to identify the critical activities which have to be performed in an agricultural economy.
- to recognise the importance of formulating an overall aim for an organisation, of setting priorities, of making initial plans and of identifying critical constraints before becoming involved in the administrative details.
- to identify the critical stages in the planning process and to apply these to their own situation.
- to recognise and design organisation structures which will contribute to the achievement of the aims of an MPCSS.
- to identify the reasons for carefully prepared descriptions and specifications of jobs, and to write such descriptions and specifications for jobs within their own organisations.
- to write a job description for a manager in an MPCSS.
- to relate details of job applicants to the specifications required of the job, and to rank applicants according to their suitability.
- to analyse the content of their own job and to write a detailed job description for it.
- to practice the skills of interviewing candidates for jobs, and to appreciate the point of view of the candidate in such a position.
- to compare the results of the foregoing simulations and in future to improve their ability to select the right staff for which they are responsible.

III

- to foster a working environment in which all staff are motivated to perform at the highest possible level.
- to deal with staff problems with due sensitivity towards the reasons why people are likely to behave as they do.
- to distinguish clearly between the responsibilities and authority of the committee and the manager of an MPCS.
- to deal with non co-operative pressures from their committees.
- to present proposals to their committees.
- to use simple accounting and other figures as an aid to decision making.
- to construct and analyse a Balance Sheet and a statement of the sources and applications of funds for a simple organisation.
- to appraise the borrowing capacity and general financial management of a primary society from its Annual Accounts.
- to use Accounts for management decisions.
- to share the insights of the group in relation to a given Set of Accounts, and to apply what they learn to their own situation.
- to decide how overall financial results can be achieved, and to identify the need for budgets as a device for controlling and motivating achievement.
- to identify the cash flow implications of proposals, and to produce cash budgets which will minimise the risk of insolvency.
- to set budgets in consultation with staff who are responsible for achieving them.
- to analyse the variances from budgets, to identify reasons and to deal effectively with them.
- to recognise conditions which are and are not conducive to the establishment of a co-operative, to suggest alternative solutions for problems of rural poverty and to design a strategy for promoting a co-operative if if this is an appropriate solution.
- to recognise the validity of arguments against co-operatives and effectively to "sell" co-operation to farmers on the basis of their own self interest.
- to apply what they have learned during the preceding days to their own problems in the areas of staffing, finance and accounts and external relations.
- to identify factors which are critical in selecting investment projects and to apply simple techniques of project appraisal with due understanding of their shortcomings.

- to apply techniques for appraising projects, and to rate projects according to quantitative and qualitative factors.
- to check their calculations and to share their experiences as to the reality of project appraisal on the job.
- to apply the principles of marketing to every aspect of an MPC's dealings with outside individuals and organisations.
- to devise an appropriate mix of products, price, information and distribution in order to satisfy the needs of members, customers or any other group.
- to present and defend marketing proposals and to put over relatively complex and specific proposals briefly and clearly.
- to calculate costs and set prices for a situation where there are both fixed and variable costs.
- to respond to the realities of a competitive marketing situation.
- to deal more effectively with recovery of overdue credit.
- to identify the training needs of their staff, to state training objectives for any training which they should undertake and to select appropriate forms of training for them.
- to plan the development of their staff using training as an instrument in such a way that they are able to perform the tasks allocated to them.
- to present and discuss staff training programmes.
- to apply what they have learned in the areas of marketing, project appraisal, training and recovery of loans from members to their own problems.

The programme as described in this manual can be used for a special course on management of large MPCs, or it can be incorporated in the curriculum for a more comprehensive management training programme.

3. Duration

The complete programme, as described in this manual, consists of 39 learning sessions. Session times vary from 1 to 4 hours. The total programme will take approximately 100 hours, or between 15 and 18 days, depending on the qualifications and experience of the trainees. A timetable should be prepared accordingly, though a suggested timetable for 15 days' duration is given.

4. Training Approach and Methods

The programme is based on the assumption that:

"training is expensive"

"money for co-operative management training is scarce"

Therefore, it looks upon training as an investment, and unless the training yields results, the return on the money invested in it will be nil.

On their return home from the training programme, the trainees should therefore be able to show concrete results of improved management. In order to prepare and equip the trainee to achieve this, the programme has adopted a highly active learning approach through the use of "participative" learning methods and a built-in action commitment.

Trainees will not learn about management of MPCs in a general and passive way. Their day-to-day management problems have, as much as possible, been translated into realistic case-studies, role-plays and other problem solving exercises. Trainees (working mostly in groups) will learn by solving these problems as in real life with the necessary assistance and guidance from the trainer, who will act more as a "facilitator" of learning than as a lecturer.

The built-in action commitment at the end of the second and third weeks will give each trainee the opportunity of using the knowledge and expertise of his colleagues in the training programme to find a concrete and acceptable solution to a specific management problem he is faced with - a solution to which the trainee will commit himself for implementation.

5. Structure

The programme is divided into fifteen TOPICS:

1. Identification of Tasks and Objectives in the Rural Community.
2. Setting Priorities, Initial Plans and Identification of Constraints.
3. Job Descriptions and Job Specifications.
4. Interviewing Job Candidates and Dealing with Discipline / Motivation Problems.
5. The Manager and His Committee.
6. Using Figures in Decision Making.
7. Financial Appraisal.
8. Budgets.
9. How to start a Co-operative.

10. Action Learning: Dealing with Our Own Problems of Staffing, Accounting, Budgeting or Co-operative Development and Members Relations
11. Project Appraisal.
12. The Marketing Concept and the Marketing Mix.
13. The Pricing Game.
14. Training: Needs, Objectives and Methods.
15. Action Learning: Dealing with Our Own Problems in Marketing, Project Appraisal, Training or Recovery of Loan.

Each topic is covered by a number of SESSIONS. The following material is provided for each session:

- . a session guide for the trainer (yellow pages), giving the objective of the session, an estimate of the time needed and a comprehensive "plan" for the session, including instructions on how to conduct the session;
- . handouts (white pages) of all case-studies, role-play briefs, etc., to be reproduced for distribution to the trainees.

6. Adapting the programme

Before "using" the programme in a real training situation, it may be necessary to adapt it. This can be done as follows:

Read through the programme and decide whether:

- the programme can be run as it is,
- only certain topics or sessions should be used,
- new topics and sessions should be added.

Your decision will depend on the training needs of your trainees and the means you have at your disposal.

Carefully read through the sessions you have decided to use. Check the subject matter in both the session guides and the handouts.

Modify them where possible to include local names, crops and so on. Such adaptation will help trainees identify themselves more easily with the people and the situations described in the handouts and will considerably increase the impact and effectiveness of the training programme.

7. Preparing Yourself

Some trainers may feel that material of this sort means that they need only spend a few minutes preparing for each session. This is not the case.

You should carefully study each session guide and prepare a detailed lesson plan based on the content and sequence suggested in the guide, and on the adaptation which you may find necessary.

You should work through all calculations, so that you can explain them to the trainees.

You should obtain and study all necessary forms, especially those prescribed by the CCD and other governmental authorities, statistics or other material so that you can incorporate them in the sessions where they are suggested.

8. Preparing the Training Material

Handouts constitute an important part of the training material used in the programme. They can be reproduced from the original handouts supplied in the ringbinder, wherever necessary after adaptation. Reproduction may be done using whatever method is available: stencil, offset printing, photocopy, or other.

The only item of training equipment which is absolutely essential is the chalkboard.

Certain sessions contain dialogues which can be pre-recorded and then played to the trainees during the session, whenever required after necessary modification. However, if this equipment is not available, the dialogue can be enacted by the trainees in the classroom.

Some suggestions for visual aids are given in the session guides. If flip-charts or overhead projectors are available, you should prepare these aids in advance. If they are not available you can still use the chalkboard.

Trainees should be informed in advance to bring examples of the following documentation from their society:

- Balance Sheet, profit and loss and trading Account Statements for the last three years.

VIII

- Detailed job description of the Staff.
- Staff training schemes.
- Forms used for budgets.

The Pre-course Questionnaire should be sent to trainees in advance. Trainees should be asked to complete it and hand it in at the beginning of the training programme.

9). Follow-up on Evaluation

It is recommended that you or other resource persons arrange to contact the trainees after six months, to see how well they are doing with implementing their "action commitments". The course - not the trainees - should be evaluated by the success trainees have had in the implementation of their commitments.

Suggested Timetable for the
In-Service Training Programme for General Managers of MPCSc

Day 1

8.30 - 12.30	Official Opening and Introduction of the Programme	
14.00 - 15.30	Introductions, Identifications of Group Problems, Expertise and Expectations	Plenary
15.45 - 16.30	Profile of a Rural Community: Alpha Region	Individual Reading

Day 2

8.30 - 10.00	Setting Priorities, Initial Plans and Identification of Constraints: Introduction	Plenary
10.15 - 12.30	Setting Priorities, Initial Plans and Identification of Constraints	Group Work
14.00 - 15.30	Discussion of Priorities and Plans Agreement on a Sequence	Plenary
15.45 - 16.30	The Problem of Organisation	Plenary

Day 3

8.30 - 10.00	Introduction to Job Descriptions and Job Specifications, Writing a Job Description	Plenary / Group Work
10.15 - 12.30	Writing a Job Description	Plenary / Group Work
14.00 - 15.30	Shortlisting Candidates for a Job	Group Work
15.45 - 16.30	Writing Your Own Job Description	Individual

Day 4

8.30 - 10.00	Interviewing Job Candidates	Role Play
10.15 - 12.30	Discussion of Shortlists and Interview Conclusions	Plenary
14.00 - 15.30	Motivation, Dealing with Discipline / Motivation Problems	Plenary / Role Play

Day 4 (cont)

15.45 - 16.30	Dealing with Discipline / Motivation Problems (continued)	Role Play
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Day 5

8.30 - 10.00	The Manager and His Committee	Plenary plus Exercises
10.15 - 12.30	Committee Pressure	Role Play
14.00 - 15.30	"Selling" to the Committee	Role Play
15.45 - 16.30	"Selling" to the Committee (continued)	Role Play

Day 6

8.30 - 10.00	Using Figures in Decision Making	Plenary plus Exercises
10.15 - 12.30	Using Figures in Decision Making (continued)	Plenary plus Exercises
14.00 - 15.30	The Balance Sheet	Plenary plus Exercises
15.45 - 16.30	The Balance Sheet (continued)	Plenary plus Exercises

Day 7

8.30 - 10.00	Financial Appraisal	Plenary plus Exercises
10.15 - 12.30	Appraisal of an MPC's Accounts	Group Work
14.00 - 15.30	Discussion of Accounts Appraisal	Plenary
15.45 - 16.30	Discussion of Accounts Appraisal (continued)	Plenary

Day 8

8.30 - 10.00	The need for Budgets	Plenary plus Exercises
10.15 - 12.30	Cash Budgets	Plenary plus Exercises

Day 8 (cont)

14.00 - 15.30	Setting Budgets	Role Play
15.45 - 16.30	Deviations from the Budget	Plenary plus Exercises

Day 9

8.30 - 10.00	How to Start a Co-operative	Group Work
10.15 - 12.30	How to Start a Co-operative	Plenary
14.00 - 15.30	"Selling" Co-operation	Role Play
15.45 - 16.30	Preparing Action Commitments	

Day 10

Whole day of Action Learning:
dealing with our own problems of staffing,
accounting, budgeting, internal relations,
co-operative development

Day 11

8.30 - 10.00	Project Appraisals: Why and How?	Plenary
10.15 - 12.30	Project Appraisal Exercises	Group Work
14.00 - 15.30	Discussion of Project Appraisal Exercises	Plenary
15.45 - 16.30	Discussion of Project Appraisal Exercises (continued)	Plenary

Day 12

8.30 - 10.00	The Marketing Concept and the Marketing Mix	Plenary
10.15 - 12.30	Channel Selection and the Promotional Mix	Group Work
14.00 - 15.30	Presentation and Discussion of a Marketing Proposal	Plenary
15.45 - 16.30	Presentation and Discussion of a Marketing Proposal (continued)	Plenary

Day 13

8.30 - 10.00	Pricing Game	Business Game
10.15 - 12.30	Pricing Game (continued)	Business Game
14.00 - 15.30	Arrears	Plenary / Group Work
15.45 - 16.30	Arrears (continued)	Plenary / Group Work

Day 14

8.30 - 10.00	Training: Needs, Objectives and Methods	Plenary / Group Work
10.15 - 12.30	Staff Development Planning	Group Work
14.00 - 15.30	Staff Development	Plenary
15.45 - 16.30	Preparing Action Commitments	

Day 15

Whole day of Action Learning:
dealing with our own problems in marketing,
project appraisal and training / staff
development

IN-SERVICE TRAINING SEMINAR FOR GENERAL MANAGERS OF MPCSS IN SRI LANKA

PROGRAMME EVALUATION

Please fill in the following questions carefully. Give your free and frank views. You need not indicate your name. Please mark (X) at the appropriate places.

1. Objectives of the programme:

- 1.1 - To develop skills of Agricultural Managers to manage Agricultural Co-operative Societies.
- 1.2 - To develop Agricultural Managers to manage Agro Business of Co-operative Societies
- 1.3 - To inculcate correct attitudes towards co-operative way of managing business.

Question: To what extent do you think these objectives were achieved?

Fully
achieved

Partially
achieved

Somewhat
achieved

Not
achieved

2. What are your views on the location of the programme?

Very good

Good

Fair

Bad

3. What do you think about the hostel facilities?

Very good

Good

Fair

Bad

4. What do you think about the food supplied to you?

Very good

Good

Fair

Bad

5. What do you think about the duration of 3 weeks of the seminar?

Too long

All right

Too short

6. What do you think about the duration of the sessions?

i.e. 8.30 - 10.00; 10.15 - 12.30; 14.00 - 15.30; 15.45 - 16.30

Very long

Long

Reasonable

7. a) What do you think about the coverage of the subject matter?

Adequate

Fairly
adequate

Inadequate

Not adequate
at all

b) Would you suggest any topic that needs to be included and has not been included?

1.

2.

8. To what extent was the material used in this programme relevant to your job?

Very relevant

Relevant

Fairly relevant

Not relevant

9. What do you think about the techniques used in the seminar?

	Very good	Good	Fair	Poor
9.1 Lecturers supplemented by V.A.	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
9.2 Role Play	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
9.3 Group Discussions	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
9.4 Case Studies	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
9.5 Business Games	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>

10. What are your views about the contributions and performance of the other participants?

Very good

Good

Fair

Poor

11. Which positions in MPCSS would have benefited from this programme and to what extent?

	Highly benefited	Fairly benefited	Benefited	Not benefited
a) General Managers	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
b) Credit Managers	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
c) Wholesale Managers	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
d) Others	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>

12. What do you think of the level of the other participants?

<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
Very high	High	Fair	Poor

13. What is your opinion about the resource persons?

	Very good	Good	Fair	Poor
a) Presentation	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
b) Facilitation in learning	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>

14. What would you propose as a follow-up to this seminar?

.....

.....

.....

15. Would you think that this programme should be used for other MPCSSs also?

YES / NO

16. Any other comments:

.....

17. Suggestions for improvements in the future (use separate sheets if necessary)

.....

.....

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- Session 1.1 Official Opening and Introduction to the Programme
- Session 1.2 Introductions, Identifications of Group Problems,
Expertise and Expectations
- Session 1.3 Identification of Tasks and Objectives in the Rural
Community

SESSION 1.1

OFFICIAL OPENING AND INTRODUCTION TO THE PROGRAMME

- Objectives:
- 1) To demonstrate the critical importance of MPCs management, and of this training programme, and thus to ensure maximum commitment by participants.
 - 2) To ensure that all administrative matters are dealt with, so that no personal uncertainties remain to distract participants from the programme.
 - 3) To ensure that all participants are aware of the objects of the programme and of their responsibilities.

Timing: One to two hours.

Materials: Participants should have completed the programme questionnaire before this session; it should be returned to the instructor during the session. Timetables, lists of participants and contributors and other documentation should be distributed at this time.

Session 1.1 Official Opening and Introduction to the Programme

SESSION GUIDE

Opening Speech

If a prominent guest is to open the programme, this can be a valuable demonstration of its importance. The formal opening should be brief and to the point; the speaker may welcome guidance as to the content of his speech, and should be asked to stress and if possible to quantify the importance of MPCs in the economy, and to point out that they must be well managed like any other institution; they must serve their "customers" as well as possible, that is the people who buy the products they handle, their branches and their members, and the society as a whole.

Objectives

It is vital from the outset to stress that the programme is intended to enable participants actually to do a better job on their return home; "improved attitudes" or "a broader view" may indeed result, but these are only means to the end of practical improvement.

If time allows, go through the timetable, stressing the positive action implications of each topic. Remind participants that they will be expected before the end of the programme to have decided on at least one major improvement they are going to implement on their return home, and that they will be expected to commit themselves personally to this; their success in implementing it will be ascertained at a later date and this will form the major input to the evaluation of the programme.

Learning Methods

Point out that the participants as a group have an enormous wealth of experience of MPCs management and practical ideas for its improvement; the purpose of the programme is to enable them to share these experiences with one another, so that each can go away with something approaching the total of the whole group's insights and abilities. They must not expect the answers from the instructors; they know far more about managing an MPC than any instructors, because they are doing it, the instructors' role is to

Session 1.1: Session Guide continued

guide and structure the discussion and to draw out from each participant the maximum contribution to shared learning for the whole group.

Point out that the timetable only covers the formal parts of the programme; many hours will have to be spent on individual reading and preparation, and all will suffer if anyone fails to do this; the programme as described in the timetable is provisional; it must be modified according to participants' wishes.

Administration

Ensure that all participants are fully briefed on administrative details such as the time and places of sessions, eating and financial arrangements, facilities for private study, medical facilities, mail, laundry and so on.

Stress that the programme is for participants' benefit; they should feel free to comment on or suggest changes to any aspect of the content, learning methods or administrative arrangements.

SESSION 1.2

INTRODUCTIONS, IDENTIFICATIONS OF GROUP PROBLEMS,
EXPERTISE AND EXPECTATIONS

Objectives: To identify the interests, problems and experience of the participants, so that all may have a clear view of what they are trying to achieve and what resources are available within the group.

Timing: One to two hours.

Materials: Completed pre-programme questionnaires should if possible have been collected well before this session and carefully analysed as to the problem areas and expertise. These should be used to stimulate discussion and to encourage participants during the session.

Session 1.2: Introductions, Identifications of Group Problems, Expertise
and Expectations

SESSION GUIDE

Each participant should be given about five minutes to introduce himself; the introduction should include:

- 1) The name by which he prefers to be addressed informally.
- 2) His organisation and title.
- 3) A brief statement of what he actually does.
- 4) The type of problems which give him the most trouble.
- 5) The achievements of which he is most proud.

Advance analysis of the pre-programme questionnaire should have identified the major emphases in terms of perceived training needs and particular strengths.

As participants go through their brief presentation, they should be prompted to include anything relevant which appeared in the form; their problems and strengths should be summarised on the chalkboard, following if possible the structure of the timetable; ensure that even the less experienced participants are recognised and that each is seen as bringing some particular expertise to the programme.

Go through the timetable relating the needs to the topics covered, and discuss possible changes which may appear to be suggested by the analysis of needs.

Reaffirm that the group's accumulated expertise is an unrivalled source of experience, practical lessons and successes; the aim is to draw this together and make it available to all.

Explain the syndicate and plenary method of working, and divide the participants into syndicates, which should give each syndicate of 4 or 5 members a fair mix of the specialised expertise already identified.

TRAINING PROGRAMME FOR GENERAL MANAGERS OF MPCSS

PRE-PROGRAMME QUESTIONNAIRE

Name _____

Position and Employer _____

What part of your work do you enjoy the most? _____

What part of your work do you dislike the most? _____

Describe, very briefly, one or more problems which are facing you at work at this time _____

Complete this sentence. "As a result of attending this training programme, I hope that I shall be able to _____

Please bring with you copies of annual reports or any other documentation which will help you to explain your job and your problems to the other members of the group.

SESSION 1.3

IDENTIFICATION OF TASKS AND OBJECTIVES IN THE RURAL COMMUNITY

Objectives: To enable participants in syndicates to become acquainted with the region in which the fictitious Co-operative Society used in the rest of the programme will operate and to identify the critical activities which have to be performed in an agricultural economy.

Timing: One to two hours.

Materials: Profile of Alpha District.

Session 1.3 Identification of Tasks and Objectives in the Rural Community

SESSION GUIDE

Distribute the Alpha District Profile to participants and ask them individually to read through it. Participants should read through the Profile carefully so that they get fully acquainted with the Alpha region, its characteristics and problems.

Inform participants that the Profile will form the basis and framework for all the exercises, case studies, role plays etc following in the programme.

The Activities That Must Be Performed

The attached information is in two parts. Part 1 provides a profile of "Alpha Region", summarising the major activities and outlining some of the problems presently being experienced.

Part 2 attempts to allocate these activities among different agencies / institutions including Co-operatives on the basis of efficiency, and effectiveness of each. Participants may review the allocation and suggest, if necessary, alternatives.

Profile of Alpha Region (Part 1)

Total population: 75,000 of which rural population is 60,000

Age Range: 45 % 0-14 years old
47 % 15-64 years old
8 % 65 years old and over

Rural Households: 12,000

Landless:		3,600 households
Less than	1 Acre	1,800 households
	1 to 3 Acres	3,600 households
	3 to 5 Acres	1,440 households
	5 to 7 Acres	960 households
	7 to 9 Acres	360 households
	Over 9 Acres	240 households
Total		<u>12,000 households</u>

Note: 3 collective farms of over 50 acres each are owned by aliens who are gradually leaving the country; this land will then have to be farmed by local farmers.

Literacy: 90 % of adults

Communities: 20 Villages

2 Small Towns, average population 3,500 each + the Main Town, population 8,000

Population Growth: Annual increase 1,6 % (Urban increase 1,8 %, Rural Areas 1,4 %)

Total Area: 1,250 square kilometres

Agricultural Credit: 30 % of farms over 2,5 acres are in receipt of institutional credit.

55 % of farms under 2,5 acres are in receipt of institutional credit

Profile of Alpha Region continued

Non-Farm Activities:

Region Headquarters Town:

- Wholesale and Retail Trade
- Metal Works
- Wood Works
- Printing Works
- Plastic Moulding
- Garment Manufacture
- Textile Spinning
- Road Transport
- All Normal Small-Scale Services
- Government Offices

Small Town Centres:

- Retail Trades
- Carpenters
- Blacksmiths
- Metal Workers
- Repair Shops
- Tailors
- Road Transport
- Government Offices

Village Centres:

- Retail Trade
- Tailors
- Occasional Carpenters or Blacksmiths
- Masonary Activities

Rural Areas:

- Traditional Hand Weaving
- Manufacture of Handicrafts

Profile of Alpha Region continued

Major Crops and Animals

Crop/Animals	No. of Farmers Involved	Average Area/No. Per Farmer	Major Inputs Required	Labour Requirement
Irrigated Rice	2,000	1 acre	Seeds, Seedlings, Fertiliser, Water, Insecticides	April and September Planting; August and March Harvest. Cultivation throughout.
Dry Rice	3,500	3 acres	Seeds, Fertiliser, Insecticide	April Planting, September Harvest
Coconuts	7,500	5 trees	Fertiliser	Plucking throughout the year
Vegetables	5,000	0,2 acre	Seeds, Insecticides, Fertiliser	September Planting, March Harvest
Ground Nuts	900	4 acres	Seeds, Fertiliser	March Planting, May Harvest
Cows/ Buffaloes	5,000	2	Breeding Stock, A.I., Feed, Veterinary Services. Artificial Insemination.	Steady
Goats/Sheep	4,000	3	Feed	Mainly Children, Steady
Chickens	5,000	10	Chicks, Feed, Veterinary Services	Mainly Women, Steady
Tea	300	0,5 acre	Fertiliser, Rain-water	Picking, Dilling, Pruning throughout

Profile of Alpha Region continued

Major Crops and Animals

Crop/Animals	Annual Production	Annual Marketed Production	Processing Required	Markets
Irrigated Rice	2,000-2,500 Tons	1,000-1,500 Tons	Milling	Local
Dry Rice	1,500-2,500 Tons	0-1,000 Tons	Milling	Local
Coconuts	37,5 Million Nuts	15 Million Nuts	De-husking, Oil Extraction; Poonac and Copra Processing	Export of Copra and Oil. Consumption Poonac
Vegetables	5,000 Tons	3,500 Tons	Washing, Grading, Some Packing	Local. Export in very small quantities.
Ground Nuts	2,000 Tons	2,000 Tons	Crushing, Packing	Local. Export.
Cows/Buffaloes	3,750 Tons Milk	2,000-2,500 Tons Milk	Pasteurisation, Separation, Bottling	Local
	100 Tons	100 Tons Meat	Slaughtering, Freezing	Local
Goats	100 Tons Meat	100 Tons Meat	Slaughtering	Local
Chickens	Eggs	100,000	Grading, Packing	Local
	Meat	30 Tons	Dressing, Freezing	Local
Tea	75 Tons	75 Tons	Drying, Cutting and Blending	Local but Mainly Export

Profile of Alpha Region continued

Major Crops and Animals

Crop/Animals	Major Problems	Possible Innovations
Irrigated Rice	Pump Breakdowns, Water Shortages. Financial	Higher Yielding Varieties, Tractor Ploughing and Harvesting. Motivating Farmer to use modern techniques.
Dry Rice	Erratic Rainfall. Crop Damages by Wild Animals.	Higher Yielding Varieties. Tractor Ploughing and Harvesting. Irrigation.
Coconuts	Old trees not fertilised	Replanting, Motivating farmers to fertilise
Vegetables	Poor Quality. Shortage of Water. Price Fluctuations.	Better Varieties, Fertiliser, Irrigation
Ground Nuts	Erratic Prices	Spraying
Cows	Diseases, Erratic Milk Supply, Hides Unmarketable	Improved Breeds, Regular Dipping, Better Feed, Enclosures, Feed Lots, Artificial Insemination
Goats	Low Yield, Over Grazing	Improved Breeds
Chickens	Disease, Low Yields	Improved Breeds, Better Feeding, Intensive Enclosed Rearing
Tea	Old Plants, Lack of Rain-water, Low Yields, Transport	Replanting, Improved Plucking, Improved Transport Facilities

Profile of Alpha Region continued

LIST AND ALLOCATION OF TASKS TO BE PERFORMED IN ALPHA REGION (Part 2)

	Individual Farmers	Private Business	Government Parastatal	MPCSS	Other Co-op Societies
Land Ownership	X				
Cultivation	X			(X)	
Inputs Supply		(X)	(X)	X	(X)
Harvesting	X				
Irrigation			X		
Processing:					
-Tea		(X)	(X)		X
-Ground Nuts		(X)	(X)	X	
-Coconut Oil Crushing	(X)	(X)		X	
-Rice Milling	(X)	(X)	(X)	X	
-Dairy		(X)	(X)		X
-Egg Packing		(X)		X	
Marketing:					
-Rice		(X)	X	(X)	
-Tea		(X)	(X)	X	(X)
-Oil		(X)		X	
-Milk		(X)	(X)		X
-Coconut, Copra Oil				X	
-Eggs		(X)		X	
Savings		X	(X)	(X)	
Credit				(X)	X
Transport to the Processing				(X)	X
Transport from the Processing to the Customer		X		(X)	

X = preferred performer

(X) = possible alternative performer(s)

	Individual Farmers	Private Business	Government Parastatal	MPCSS	Other Co-op Societies
Personal Transport		X	(X)		
Storage before Processing			(X)	X	
Storage after Processing			(X)	X	(X)
Consumer Goods Wholesaling		(X)	(X)	X	
Consumer Goods Retailing		X	(X)	(X)	
Petrol Retailing		X		(X)	
Farm Equipment Manufacture		X	(X)	(X)	
Farm Equipment Rental		X		(X)	
Farm Equipment Supply		X		(X)	
Veterinary Services		(X)	(X)	X	
AI			(X)	X	
Dipping	X			(X)	
Farm Record Keeping	X			(X)	
Stock Breeding		(X)	(X)		X
Crops Spraying	X			(X)	
Training	(X)		X	(X)	
Adult Literacy Education			X	(X)	
Farm Advisory Services			X	(X)	
Vehicle and Equipment Repair Maintenance		X		(X)	
Handicraft Input Supplies		X		(X)	
Handicraft Marketing		(X)	(X)	X	

- Session 2.1 Setting Priorities, Initial Plans and Identification
 of Constraints
- Session 2.2 Discussion of Priorities and Plans, Agreement on a
 Sequence
- Session 2.3 The Problem of Organisation

SESSION 2.1

SETTING PRIORITIES, INITIAL PLANS AND IDENTIFICATION OF CONSTRAINTS

Objectives: To enable participants to recognise the importance of formulating an overall aim for an organisation, of setting priorities, of making initial plans and of identifying critical constraints before becoming involved in the administrative details.

Timing: Three to four hours.

Materials: Handout "Priorities and Planning"; profile of Alpha Region.

Session 2.1: Setting Priorities, Initial Plans and Identification of Constraints

SESSION GUIDE

Unless serious interpersonal problems have emerged, the syndicates should be kept as for previous sessions and should work on the problem described in the handout "Priorities and Planning"; the tasks to be completed by the syndicates are clearly outlined on page ; it may at the beginning of this session be appropriate to point out to participants that for the remainder of the programme they will be dealing with this hypothetical MPCs known as "ARCS"; they should be reminded that the objective is not to solve the problems of ARCS but to improve their ability to solve their own problems; ARCS should nevertheless be a useful vehicle for introducing and solving problems of various sorts but participants should continually relate the problems described back to their own societies and ensure that they appreciate their relevance to their own home situation.

The tasks outlined in the handout are very specific. The handout should be distributed well in advance to allow careful reading. The groups should be instructed to present their ideas on flip-charts themselves. Time will never be sufficient but this is typical of the real life management situation; syndicates must appreciate that they should come to a conclusion, and record it in writing, even if they feel that they would have needed far more time to complete the task as they would have preferred

Before the group work starts it may be necessary to discuss the meaning of overall aims and specific task objectives as suggested below:

- 1) Participants will probably have different ideas about the meaning of words such as aim, objective, goal, target and so on. Stress at the outset that the overall aim of an organisation is to express the "raison d'etre" (reason for existence) of the organisation. The overall aim is therefore the same as the general purpose of an organisation.

Session 2.1: Session Guide continued

2) Ask trainees to suggest how each of the following people might describe the purpose of the MPCs in their area:

- the manager of a branch (to support my branch and to carry out for it such tasks as the branch on its own cannot perform);
- a farmer (to provide me with credit, farm inputs and markets);
- an employee of the MPCs Head Office (to provide me with a job);
- a politician (to act as a source of political influence and patronage within my constituency).

3) These may all be perfectly valid from the point of view of the individual. Ask participants to write down the purpose of an MPCs in a way that is valid from every point of view, and not only in relation to the interests of one person or a group of persons.

4) Participants' suggestions will probably include statements of many different sorts, such as:

"To improve the welfare of the people";

"To promote effective co-operative activities in the region";

"To carry out certain specific processing, marketing, credit or supply activities".

Ask participants to distinguish between those purposes which relate to ends, and those which describe the means by which these ends may be achieved. For example: Means which may not always be necessary:

To operate a processing factory.

To market a particular crop.

To supply particular inputs.

Ends which are always valid:

To increase farmers' incomes.

To foster co-operative enterprises.

To contribute to national well-being.

Session 2.1: Session Guide continued

- 5) Participants may feel that statements of ultimate ends, or overall aims, are too general to be of any use in managing an MPCS.

Show by examples that a statement such as:

"The aim of the MPCS is to improve the welfare of farmers in the region by itself carrying out such functions as can most effectively and economically be carried out at MPCS level."

can be used as a standard by which day to day decisions and activities can be judged. Decisions and activities may, for instance:

- advance the interests of the MPCS itself, but not those of farmer members.
- advance the interest of particular departments or individuals within the MPCS, but not those of the MPCS as a whole or its members.

Ask participants for examples of such occasions. Point out that they can be avoided if staff at all levels are aware of and sensitive to the statement of overall aims.

- 6) Task related objectives must also be stated and should contribute towards the achievement of the overall aim. It is important to appreciate that task related objectives may change while overall aims are likely to remain unchanged. Ask trainees for examples of co-operative or other institutions which continue to exist and to perform a function for which the need no longer exist. Task related objectives must be specific, measurable and related to particular people within the organisation. Ask participants to compare the following:

- "The objective of this section is to start a coconut dessicating unit.
- "The objective of this section is to start a d.c. unit which by June 30 will process 500 kg of coconuts per day which will allow the MPCS to pay members for their coconuts at prices which are at least as high as those available today and which will also cover its cost, including those of the capital employed, and earn a surplus for redistribution and strengthening reserves."

Session 2.1: Sessions Guide continued

Ask participants to suggest similarly specific and measurable objectives for:

- a marketing section;
- a consumer section;
- a farm supply section.

7) Remind participants once again of the need to state:

- overall aims (goals, purposes, ends)
- specific task objectives (targets, tasks, functions)

The terminology is unimportant; what matters is that everyone in an MPCS should know what the objective of his or her job is, and how this contributes to the overall aim of the organisation.

Priorities and Planning

The farmers of Alpha Region are not well served in many respects; research, inquiries and discussion with politicians, individual farmers and staff and committee members of the branches which are inactive, have identified the following functions which, it was felt, should be undertaken by a reorganised MPCS, to be known as the Alpha Region Co-operative Society (ARCS).

Processing - Tea Factory, Creamery Operation, Rice Mill, Coconut D.C. unit

Marketing - Tea Marketing, Dairy Product Marketing, Paddy Marketing, Coconut/Copra/Oil/Poonac Marketing, using branches as collection and receiving agencies.

Agricultural Credit and Savings, using Branches as collection points.

Bulk Transport.

Stock Breeding.

Farm Input Wholesaling and Supply to branches.

Distribution of Consumer Articles.

There are two or three reasonably active branches in each of the four SUB-REGIONS, engaged in various activities. They are distributing more articles than only rice and fertilisers or other items under compulsory distribution by Government. There were originally ten such branches in each SUB-REGION, and the badly working branches are to be revived at the same time as the MPCS is reorganised. The branches will subscribe additional amounts for shares in the reorganised MPCS, and will be nominally entitled to control its management, but it is envisaged that for the first year or so at least real control will be vested in the manager and his board of directors.

Finance is to be made available from the People's Bank or from internally generated savings and surplus as is later determined by the MPCS management. Providing that any proposed investment can be shown to be viable and to

Priorities and Planning continued

contribute to increased prosperity of the people of Alpha Region, it is not envisaged that finance will cause any problems.

The MPCS has been reorganised with additional share capital contributed by members, and recent regulations authorize Government to give MPCS a monopoly of the supply, or marketing, or any agricultural product or service when and if this is thought fit, subject to reasonable notice and in consultation with Local and concerned Government authorities. This right does not of course preclude the MPCS from undertaking any activity in competition with other suppliers if management so prefer.

The various functions which have been allocated to the MPCS are at present being performed inadequately, or not at all, by a number of different institutions. In broad outline, the situation is as follows;

Tea Factory and Marketing

There is one Factory in the Region, owned by a foreigner whose family have been in the area for some generations. The Factory is old and suffers from frequent breakdowns, and even when operating at full capacity it can only absorb about 75% of the regional tea crop; the balance of the tealeaves has to be sold outside the Region, at some expense and inconvenience to its cultivators. It is felt that a new Factory should be established at the other end of the Region; if the existing Factory is properly overhauled the two Factories should be able to cope with foreseeable production from the Region. The owner of the Factory advances fertilizer and occasional cash to some of the larger cultivators. Some co-operative societies requested and were granted the same facility, but in many cases they failed to deliver tealeaves as required and their members delivered direct to the Factory or sold their tealeaves elsewhere. The Factory owner therefore now refuses to do business with co-operative societies.

The Factory sells tea to private traders in the capital city, and direct to some importers in the country from which his own family originally came. Local farmers feel that they receive too low a price for their tealeaves, because the Factory is the only buyer whom they can reach without incurring excessive transport costs. In any case, the nearest alternative Factory is owned by the

Priorities and Planning continued

same family, and its prices are similar.

The owner of the Factory is dissatisfied with the tealeaves supply situation, and is unwilling to invest in major improvements without some assurance of supplies. He would be happy to sell the Factory as a going concern, for around Rs. 3,000 000. This price would be about one half the cost of building a similar size Factory at present price.

Dairy Processing

The existing Creamery was established by a dairy farmers' co-operative society some ten years ago. The society ran into difficulties and was wound up, the Creamery being sold to a local businessman. The Creamery is poorly managed, and its products are of doubtful quality, but those farmers who wish to market their milk outside their own communities are reasonably satisfied with the price they receive.

A few farmers who live near the Creamery deliver their own milk; the majority work through informal associations to collect and transport their milk to the Creamery.

The Creamery produces pasteurised bottled milk, butter and some cheese; the bulk of the production is marketed in the Alpha Region Headquarters Town, but a certain proportion is sold to more distant centres, via local Creameries which cannot obtain enough milk from their own farmers.

All payments for milk are made monthly in arrears; farmers complain of delays and "errors", but the price level is sufficiently much higher than the local village market price to satisfy them. Officials of the Ministry of Agriculture believe that farmers would raise quality cattle and market their surplus milk if two Creameries were available at each end of the Region.

Paddy Milling

There are currently only traditional rice processing facilities in Alpha Region. Local millers mill rice for local consumption, but there is a lot of breakage and underweighing of paddy/rice.

Priorities and Planning continued

Alpha Region is more or less self sufficient for paddy although the few mills in the Regional Headquarters Town prefer to buy dried Paddy from outside the Region. Alpha Region has high potential for paddy cultivation, and it is felt that if modern processing facilities were available farmers would receive higher prices and would be encouraged to produce more paddy for home sales and for the expanding tourist business.

Stock Breeding

There is at present little demand for quality dairy cattle in Alpha Region; Ministry of Agriculture staff believe that there would be such a demand if the Creamery and processing facilities were improved, and the reorganised MPCS has therefore been allocated the task of starting and operating a cattle breeding station to raise dairy cattle and to produce semen for an eventual artificial insemination service.

Saving and Credit

There are three commercial bank branches in the Alpha Regional Headquarters Town, and one in each of the other towns. They offer normal banking services, and most of their customers are traders, large farmers and Government offices and employees. Some small farmers have savings accounts; one of the branches of the People's Bank initiated a small farm credit scheme some years ago in conjunction with the old MPCS, but the results were very unsatisfactory and since then only very few small farmers have borrowed money from the rural bank. A Government Agricultural Financing Scheme provides funds for equipment purchase and land improvement, but only the larger farmers are able to visit the distant city and complete the necessary formalities to obtain such loans.

A large proportion of farm credit is obtained from local moneylenders; they charge high rates of interest, but they are friendly, convenient and available; moneylenders rarely foreclose on defaulting farmers but they roll-over the debts to subsequent seasons and although the repayment burden is substantial the moneylenders tend only to demand what they know a farmer can pay without reducing his family to total starvation.

Priorities and Planning continued

Transport

Most transport in Alpha Region is carried out by a large number of individual operator, owning one or two lorries each. These are fiercely competitive with each other, and are unreliable, and many farmers use vehicles belonging to friends or relatives rather than trying to find the cheapest for a particular job.

Farm Inputs

Apart from the few inputs provided by the Tea Factory, farm supplies are generally not linked to marketing outlets. In view of the non-functioning of many branches, most farmers have to go to distant branches or town HQ's to buy their inputs, and much of the business is for cash. The retailers in the town HQ's buy their supplies such as fertilizers, insecticides, seeds and animal feed either direct from the manufacturers or importers, or from one of the five privately owned wholesale traders in the Alpha Regional Headquarters Town. Those farmers who belong to the active branches buy their supplies from there. Co-operatives in the district have not been very successful, and even the better managed co-operatives must therefore pay cash for their supplies.

Distribution of Consumer Articles

Apart from distribution of free rice and a very limited number of consumer articles on irregular basis, most of the branches were inactive, forcing members to buy their consumption requirements from private retailers. Private retailers often charge exorbitant prices and also indulged in adulteration and underweighting. It is felt that consumers will buy their requirements from co-operative branches, provided supplies are regular and competitively priced.

Coconut Processing and Marketing

There are a few small traditional coconut dehusking and dissecting mills in the area but bulk of the coconut production is purchased by private millers and merchants from distant places. Prices that are paid by such millers and merchants are generally low, but farmers are satisfied in view of limited opportunities of processing and marketing. In recent period because of ~~increase in export prices of copra and coconut oil demand from outside~~

Priorities and Planning continued

private merchants and millers has been steadily going up. Farmers from Alpha Region, however, do not get higher prices from these merchants and millers.

The Manager and his Committee now have to work out guidelines as a basis for the subsequent reorganisation and staffing of the MPCs. The Committee has been asked:

- 1) To formulate an overall aim for the reorganised MPCs.
- 2) To identify the activities that should be carried out by the MPCs with due regard to their relative importance, to the interrelationship between them and to the limited capacity of the MPCs and the branches.
- 3) To draw up an approximative timetable for the first five years of the MPCs' life, indicating when activities should start and what targets should be achieved. The following simple outline of a time plan can be used.

Year Activity	I	II	III	IV	V

Assignment: Imagine yourself to be a member of the Committee and complete the three tasks which are listed above.

SESSION 2.2

DISCUSSION OF PRIORITIES AND PLANS, AGREEMENT ON A SEQUENCE

Objectives: To enable participants to identify the critical stages in the planning process and to apply these to their own situation.

Timing: Two to three hours.

Materials: Results of syndicates' discussions during session 2.1.

Session 2.2: Discussion of Priorities and Plans, Agreement on a Sequence

SESSION GUIDE

Syndicates should be asked briefly to present the result of their deliberations during the previous session; since the number of alternatives is infinite it is important not to spend too much time on discussing the detailed reason for selecting one order of priority rather than another, but to concentrate on the basic methodology of planning and on the importance of clearly stated objectives.

The structure of the session will vary according to the nature of syndicates' conclusions, but the following guide may be followed:

- 1) Ask each syndicate to read out the overall aim for the reorganised MPCs on which they have agreed.
- 2) Discuss and briefly compare these aims and evaluate them by reference to the following questions:
 - Is the aim feasible or is it merely a statement of an unattainable ideal?
 - Does the aim relate specifically to tasks which an MPCs can achieve, or does it merely describe a state of affairs which a number of organisations must work together to achieve?
 - Is the aim measurable; will it be possible at a given future time for somebody to state clearly whether or not it has been achieved?

Syndicates' suggestions will probably include statements which do and do not conform to these standards; if not, it may be necessary to make up extreme examples in order to illustrate the point, such as "TO HELP THE PEOPLE" or "TO IMPROVE WELFARE".

Aims must be related not to means but to ends; the aim is not to operate a particular type of processing facility or to extend credit but to increase incomes of certain people by a certain amount by a certain date, to increase production of certain crops and so on.

Session 2.2: Session Guide continued

- 3) Ask the group what additional information is needed to convert aims into feasible plans; stress the need to identify the critical constraints and opportunities in the environment which will affect priorities, and ask participants to suggest factors in the Alpha Regional Profile which will substantially affect the choice of priorities.
- 4) Ask syndicates briefly to outline the order of priority and approximate timetables which they have agreed on in the previous session.

Discuss with participants their reasons for choosing the particular priorities and timetables they have suggested; elicit or outline the following planning procedure which may usefully be followed:

- Selection of priorities, based on urgency and feasibility. Feasibility must relate not only to physical constraints but to people's willingness to change; the small and perhaps not particularly important project may have high priority for its demonstration effect in that it will convince people that the larger more important thing can and will be done.
- Identify possible alternatives, not rejecting at this stage those which may appear at first sight to be less attractive.
- Evaluate the alternatives in terms of their feasibility and thus their contribution to the organisation's aims and as a result of this evaluation choose a preferred alternative plan of action.

- 5) Decide actually how this plan should be carried out.

If time allows it may be possible to discuss how far ahead an MPCs should plan and how flexible their plans should be.

SESSION 2.3

THE PROBLEM OF ORGANISATION

Objectives: To enable participants to recognise and design organisation structures which will contribute to the achievement of the aims of an MPCs.

Timing: One hour.

Session 2.3: The Problem of Organisation

SESSION GUIDE

This session may be structured as follows;

- 1) Describe, or preferably elicit from participants, situations of ineffective management arising from lack of formal organisation and ill-defined responsibilities; examples might include situations where various inputs, marketing services or credit were not co-ordinated with one another, situations where instructions of one member of staff were countermanded by another or where staff were confused by not knowing to whom they were responsible.
- 2) Ask participants to suggest what anybody in an organisation must know in order to do an effective job; they should mention objectives, responsibility, authority and resources available to him/her. It is also vital that the totality of such allocations of objectives, responsibilities and so on should be co-ordinated so that the organisation as a whole works effectively towards a common objective. Stress that formal organisations alone cannot guarantee effective management, but that they do identify roles and define relationships.
- 3) Stress that formal organisation structures do not necessarily imply tight and over rigid formality with no communication other than through "official channels". The fact that some organisations are too rigid or do not function effectively does not mean that it is unnecessary or inappropriate to attempt to define an organisation structure.
- 4) Introduce participants to the use of organisation diagrams; describe the technique and ask participants to draw outline organograms for their own organisations. Stress that an organogram only illustrates formal relationships between functions in the organisation; it does not describe the type of people who should or do fill the various positions nor does it reveal any of the wealth of informal contracts within an organisation that actually permit it to function. Ensure by tactful questioning that all participants understand what an organisation chart contains.

Session 2.3: Session Guide continued

- 5) Point out that there is a limit to the number of subordinates a manager can effectively supervise, but the exact number will depend upon such factors as affect the difficulty and time required in managing the staff. Discuss the questions of levels of authority versus number of people who should report to any one manager. If possible illustrate the extremes of "broad" and "deep" organisation from the examples already given by the participants; describe the advantages and disadvantages of each extreme. Stress that limitations affecting the span of management are leading to the creation of levels in an organisation: the larger the enterprise or the narrower the spans, the greater the number of levels.

A "deep" organisation is generally expensive, complex and tends to distort communication and does not permit closer inter-personal relations. But it allows better control, supervision by technical personnel and encourages specialisation. A wide organisation, on the other hand, does not provide for closer supervision makes clubbing of similar functional activities under a single position difficult. But it is less expensive, encourages initiative, and gives freedom to employees and creates lesser distortions in communication, Subordinate training, delegation of authority, planning minimising rate of change in working time, use of objective standards and application of effective communication techniques can make wide span of management more effective.

- 6) Again by reference to organisations known to participants, introduce the various types of organisation; these should include territorial organisations, functional organisations and product-based organisations. Discuss the advantages and disadvantages of each type of organisation and suggest the type of situation for which each might be appropriate.

i) TERRITORIAL ORGANISATION

Advantages

- * decentralisation
- * easier to hold individual manager responsible for results
- * better communication

Disadvantages

- * lack of specialisation
- * difficulty in control
- * needs more general management specialisation
- * higher overheads

Session 2.3: Session Guide continued

ii) FUNCTIONAL ORGANISATION

Advantages

- * encourages specialisation
- * easy to fix functional responsibility
- * easier communication

Disadvantages

- * narrow view of operations
- * over specialisation
- * greater need for coordination
- * problem of succession for general management

iii) PRODUCT-BASED ORGANISATION

Advantages

- * easier functional organisation
- * easy to fix responsibility for results
- * decentralisation
- * better communication

Disadvantages

- * general management functions get neglected
- * sub-optimum utilisation of resources (product based rather than organisation-based)
- * duplication of facilities
- * need for coordination with other product departments

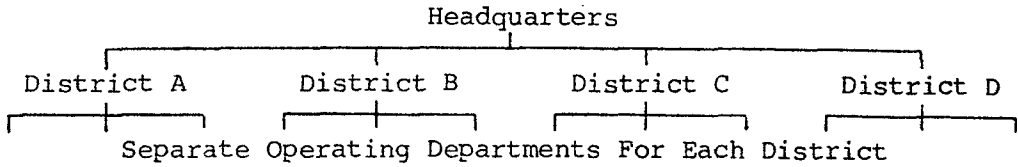
7) Introduce the concept of line and staff functions; ask participants to describe various ways in which functions such as personnel management, marketing or member relations may be placed within the organisation. Attempt to summarise guidelines as to when a particular person should have executive or advisory responsibilities.

8) Introduce the distinction between centralised and decentralised organisations, by reference to examples known to participants; stress the importance of effective delegation and identify the types of situation where each may be appropriate.

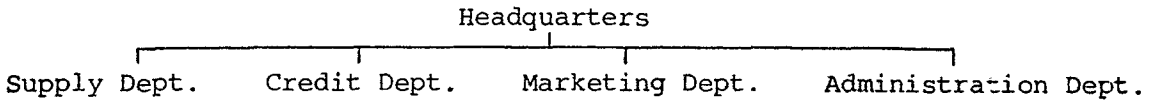
Examples of various types of organisation should wherever possible be drawn from participants' own experience; the following diagrams should only be used as a guide. They should preferably be reproduced and handed out to trainees.

Session 2.3: Session Guide continued

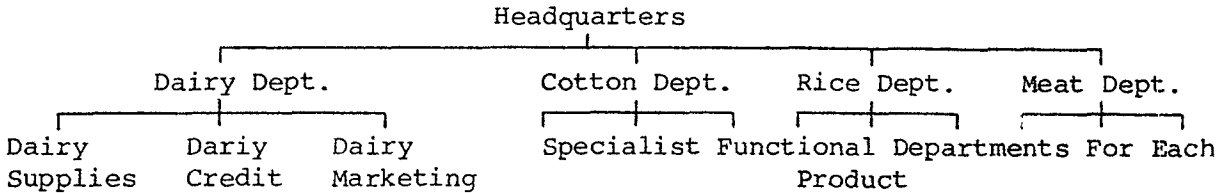
Territorial Organisation



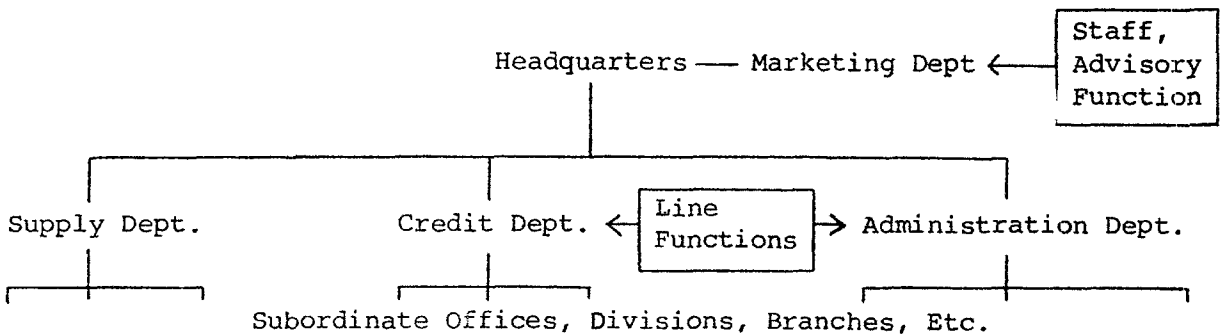
Functional Organisation



Product-Based Organisation

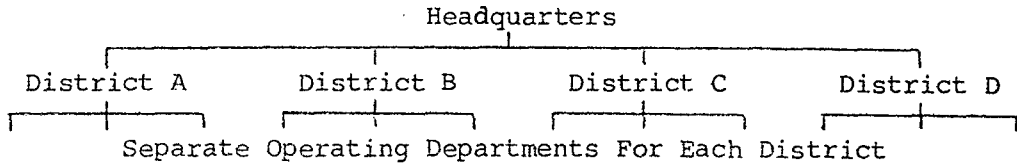


Line vs. Staff Functions

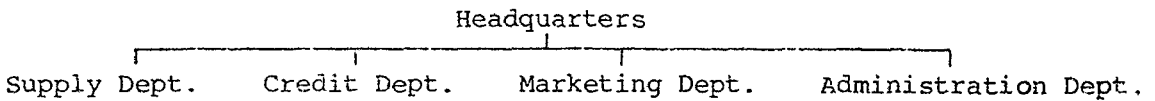


Session 2.3: Session Guide continued

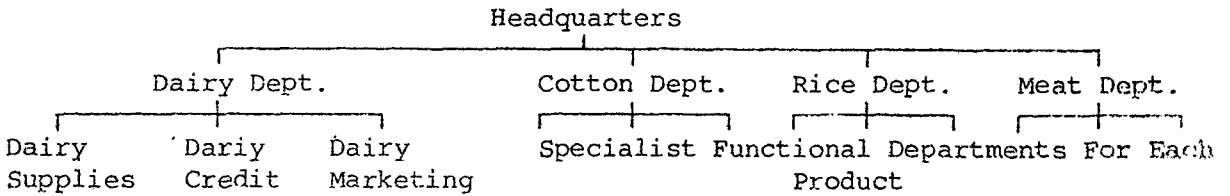
Territorial Organisation



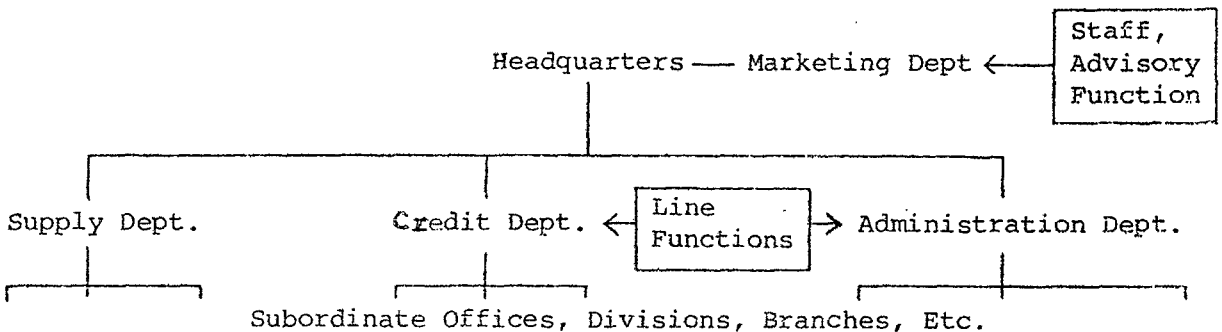
Functional Organisation



Product-Based Organisation



Line vs. Staff Functions



Session 3.1 Introduction to Job Descriptions and Job Specifications

Session 3.2 Writing a Job Description

Session 3.3 Shortlisting Candidates for a Job

Session 3.4 Writing Your Own Job Description

SESSION 3.1

INTRODUCTION TO JOB DESCRIPTIONS AND JOB SPECIFICATIONS

Objectives: To enable participants to identify the reasons for carefully prepared descriptions and specifications of jobs, and to write such descriptions and specifications for jobs within their own organisations.

Timing: One to two hours.

Session 3.1: Introduction to Job Descriptions and Job Specifications

SESSION GUIDE

- 1) Refer back to session 2.3 and the need for organisational objectives.
Ask participants whether it is enough to know the overall aim of an MPCS to determine in what way each staff member should contribute to realising this aim. Introduce the notion of "job objective" and discuss by reference to ARCS or participants' own experience the need for a "hierarchy" of objectives, breaking down the overall organisational objective into sub-objectives corresponding to the organisation structure.
- 2) Give examples of good and bad job objectives and discuss in this context the importance of "realistic" and "measurable" job objectives. Ask the participants to suggest a job objective for a storekeeper in an MPCS.
- 3) Discuss with participants what else is necessary to be able to ensure an efficient functioning of each staff member in an organisation:
 - the name of the job under which one is working, i.e. the job title;
 - the objectives of the job;
 - the tasks involved in the job, i.e. the tasks that actually have to be done. Stress the importance of using "do language" when listing and describing tasks;
 - the necessary knowledge, skills and attitudes required to enable the job holder to perform the tasks, i.e. what the job holder should know, be able to do and how he/she should be. Illustrate by using the example of driving a car: driver needs to know the law (knowledge), should be able to drive the car (skill) and can behave in different ways in traffic: aggressive, patient, polite, etc (attitude). Discuss how shortcomings in knowledge can be overcome by education, how training can improve skills. Ask participants if attitude can be changed and how?
 - the authority and discretion permitted to the job holder, i.e. over which matters and persons the job holder has or has no authority or to what extent the job holder is for example required to keep information in connection with his job secret.

- 4) Summarise the above: - go over each item again and check with participants whether the information it contains helps to determine the efficient functioning of each staff member in an organisation;
- tell participants that all information together constitutes a "Job Description".

- 5) Face participants with recruitment problem. Ask them which candidate they want for a job: the best one, the ideal one. Question: can the information in the job description help us to describe the ideal candidate? Under which headings could this be done? Headings should include: physical requirements, education and qualifications, experience, personal attributes and disposition and aspects of candidates' personal situation. Each of these should preferably be divided into necessary and desirable features.

SESSION 3.2

WRITING A JOB DESCRIPTION

Objectives: To enable participants actually to write a job description for a manager in an MPCs.

Timing: Two to three hours.

Materials: "Job Description Exercise" 3.2

Session 3.2: Writing a Job Description

SESSION GUIDE

Distribute the session paper and ensure that each syndicate appreciates that it is responsible for producing a neatly worded and complete job description and not merely rough notes as to how such a thing might be put together.

Reconvene the group and ask each syndicate to state the requirements listed under each of the five headings; discuss any differences of opinion, and attempt to reach agreement on a job description; this should be typed and reproduced for use in the next session.

If time allows, participants can also be asked to prepare a newspaper advertisement for a manager, Rural Bank, based on the job description and the candidate's specifications.

Job Description Exercise

One of the first appointments to be made in the reorganised ARCS is the Manager, Rural Bank. Agricultural credit has always been a weak feature of co-operative management, and the General Manager is determined to spare no effort to ensure that the correct Manager is selected for the job.

The immediate tasks before the Manager, Rural Bank, will include laying down revised procedures for fixing credit limits of farmer-members, advancing loans and establishing closer liaison with People's Bank. Most farmers were forced, in the absence of an effective co-operative, to borrow loans from private money lenders and relatives. These farmers will have to be weaned away. At the same time supply of credit will have to be integrated with other essential inputs and marketing of output, so that recovery of loans can be made promptly and regularly. He will have to evolve healthy working environment for his staff to enable it to perform at a high level.

The Manager's salary will be about 10 % below similar jobs in the private sector, but the General Manager feels that the additional security and status, and the fringe benefits, will outweigh this small differential.

Before advertising for candidates the General Manager wants to have a clear idea of what the job will involve and what sort of person he should look for; he has therefore asked you to prepare a detailed job description for the new position, leading to a specification of the type of person required.

The job description should be given under the following headings:

- 1) The job title, its location and the hours of work.
- 2) The objectives, in clear, specific and measurable terms.
- 3) A description of the actual tasks involved in the job, answering the question "What will the job holder actually do?"
- 4) A list of the knowledge, skills and attitudes necessary for the job.

Following from this you should provide a specification for the potential job holder, under the following headings:

- 1) Physical requirements (age, health).
- 2) Education and qualifications.
- 3) Experience.
- 4) Personal attitudes and disposition.
- 5) Personal situation.

Requirements under each of these headings should be classified into two categories; "Required", indicating that they are a necessary condition for consideration and "Desirable", indicating that they are not absolutely required but would be welcome.

SESSION 3.3

SHORTLISTING CANDIDATES FOR A JOB

Objectives: To enable participants to relate details of job applicants to the specifications required of the job, and to rank applicants according to their suitability.

Timing: Two to three hours.

Materials: "Shortlisting" case study 3.3.

Session 3.3: Shortlisting Candidates for a Job

SESSION GUIDE

Participants are now required to evaluate six applicants for the position of Manager, Rural Bank, for which they have in session 3.2 produced a job specification; the information given about each applicant is of necessity extremely brief; but it includes most of the items normally available prior to the interviewing stage. If time and reproducing facilities permit, it may be possible to produce letters of application from each candidate which reflect the way in which the people described would be most likely to present their application.

Syndicates should be reminded that they must produce an order of preference, regardless of any genuine differences of opinion that may exist within the syndicate; this in itself is a valuable co-operative management exercise, since committees representing different interests must often produce a common front which may involve compromise in various directions.

Shortlisting

The position of Manager, Rural Bank, has been widely advertised, and large numbers of applicants have been received. Most of these were frivolous or unrealistic but six serious candidates have been identified.

The Board of Directors have asked the General Manager to consider these six applicants and to rank them in order of preference since it may not be possible to interview all of them and the General Manager wants in any case a second opinion to his own. The candidates' claims for consideration have been summarised on a standard format.

Assignment: Rank the six applicants in order of suitability for the job of Manager, Rural Bank, based on the information available.

Mr A

Age: 35, married with two children.

Educational
Qualification: Primary School Leaving Certificate (1st Class).

Experience: Age 14 to 25 - Accounts Assistant in a number of whole-
sale depots.
Age 25 to 34 - Cashier in a Branch of People's Bank.
Age 34 to 35 - Assistant Accountant in Agricultural Credit
(Present) Section of Bank of Ceylon Hqs

Reason for
Wishing to Change: Feels that 21 years' experience in Accountancy and
Agricultural Credit qualifies him for a senior management
position.

References: Good from the CWE.

Mr B

Age: 27, single.

Educational
Qualification: - High School Leaving Certificate.
- BSc Agricultural Economics.
- Certificate in Banking and Accountancy.
- Attended FAO Sponsored course on Credit and Marketing
Management in Japan and several middle management
courses within the country.

Experience: Age 25 to 27 - Junior Lecturer in Co-operative Management.
(Present)

Reason for
Wishing to Change: Feels that his extensive management and specialised
training qualifies him for a position where he can apply
all that he has learned.

References: Good from instructors at the University and overseas.

Mr C

Age: 38, married with two children.

Educational - Ordinary Level Secondary School Leaving Certificate.
Qualifications: - Training in Co-operative Management at the School of
Co-operation.
- Attended the Agricultural Credit Co-operative Management Course for 12 weeks in India.

Experience: Age 17 to 20 - Clerk in the Department of Co-operatives.
Age 21 to 28 - Senior Co-operative Assistant Extension
Officer in the Department of Co-operatives.
Age 29 to 32 - Assistant to the Credit and Marketing
Manager of a large multi-purpose co-operative
in Beta Region.
Age 32 to 38 - Secretary of a small but reasonably success-
(Present) ful co-operative coconut growers' credit
society in Alpha Region.

Reason for Better prospects, pay and security in an MPCS than in a
Wishing to Change: small coconut primary society.

References: Good from the Registrar's Department.

Mr D

Age: 27, single.

Educational BA in Economics.
Qualifications:

Experience: Age 22 to 27 - Clerical Assistant in the office of CCD
(Present)

Reason for Wants new responsibilities and challenge.
Wishing to Change:

(Note: This application was forwarded by the ACCD personally;
"Who asked that his nephew's application should receive normal
consideration")

Mr E

Age: 41, married with four children.

Educational
Qualifications: Primary School Leaving Certificate.

Experience: Age 15 to 20 - Cashier with private shopkeepers.
Age 20 to 32 - Assistant Accountant with a large
Agricultural Implements manufacturer.
Age 32 to 41 - Branch Manager, controlling 8 staff at
two locations in a large MPCS.

Reason for
Wishing to Change: Wishes to return to Alpha Region and to widen his
interests and responsibilities.

Mrs F

Age: 35, married (separated) with three children.

Educational
Qualifications: Higher Level School Leaving Certificate.

Experience: Age 18 to 22 - Clerk
Age 22 to 30 - Housewife and Mother.
Age 30 to 35 - De Facto Manager of private rural grocery
shop, owned by her husband, selling
agricultural inputs, consumer food and
doing money lending.

Reason for
Wishing to Change: Her husband has taken another wife and has expelled
Mrs F from the shop; she is therefore in need of employ-
ment.

SESSION 3.4

WRITING YOUR OWN JOB DESCRIPTION

Objectives: To enable participants to analyse the content of their own job and to write a detailed job description for it.

Timing: One hour.

Session 3.4: Writing Your Own Job Description

SESSION GUIDE

It is important that participants do not become so involved in the affairs of the hypothetical ARCS that they forget that the programme is intended to improve the performance of their own MPCSS; for this reason the remainder of day three, and day ten and day fifteen at least, are devoted to participants' own situations.

This session requires a major "change of gear" in that participants are asked to be highly introspective and to draft a description of their own job together with an objective specification of the type of person who should fill it. Depending on the types of personal relationships that have developed thus far it may be appropriate for participants to carry out this work in pairs or individually.

It may be that some participants already have job descriptions and specifications which have been adequately prepared for their own positions; in this case it may be appropriate for such participants to be allocated to those who are less fortunate in order to assist them to draw up such documents for themselves. Alternatively they may work on job descriptions for other positions in their own organisation.

Participants should be encouraged to attempt to forget their own personal strengths and weaknesses, which will be dealt with in subsequent sessions, and to look objectively at their own job and at the types of knowledge, skills and attitudes required to perform it effectively. This is not an easy task, and those participants who are most forthcoming in general discussion may be the least willing to devote themselves seriously to it.

The group may express some bewilderment at this assignment but one or more individuals can usually be found who welcome the idea with enthusiasm and this should encourage everyone to make an attempt.

Session 4.1 Interviewing Job Candidates

Session 4.2 Discussion of Shortlists and Interview Conclusions

Session 4.3 Motivation

Session 4.4 Dealing with Discipline / Motivation Problems

SESSION 4.1

INTERVIEWING JOB CANDIDATES

Objectives: To enable participants to practice the skills of interviewing candidates for jobs, and to appreciate the point of view of the candidate in such a position.

Timing: Two to three hours.

Materials: Briefs from session 3.2 and 3.3, syndicates' agreed job specifications and orders of preference for the six candidates.

Session 4.1: Interviewing Job Candidates

SESSION GUIDE

This session gives participants the opportunity to interview the candidates whose respective merits they have ranked in the previous session, and to evaluate the success of an interview from the point of view of the job applicant.

Six participants should be selected to play the roles of the applicants for the Rural Bank Manager's position and six to play the roles of the members of the interviewing committee. The remaining participants should be observers.

Arrange the "scene" with chairs and tables so that the observers can see and hear the actors. Instruct the observers to take notes of how the interviews are proceeding.

Indicate which participants should play the role of which job applicant, and allow participants at least twenty minutes to "think themselves" into their roles; remind them that they can embellish and add to the basic information given in the six role briefs as they think fit.

Let the interviews take place.

After the interviews have been completed, allow twenty minutes for meetings:

- the interviewing panel meets separately to decide which applicant they will appoint and why. They should indicate a second and third choice candidate and also justify these choices.
- the observers meet separately and summarise their notes on the performance of the interviewing panel; how effective was the interviewing panel?
- the applicants themselves should work individually on evaluating the interviewing panel: how successful was the panel in finding out what type of people they really are; was the panel able to assess their strengths and weaknesses (even the ones they wanted to hide); was the panel able to put them at their ease so that they could be seen as they are in real life?

SESSION 4.2

DISCUSSION OF SHORTLISTS AND INTERVIEW CONCLUSIONS

Objectives: To enable participants to compare the results of the foregoing simulations and in future to improve their ability to select the right staff for which they are responsible.

Timing: Two to three hours.

Session 4.2: Discussion of Shortlists and Interview Conclusions

SESSION GUIDE

This session should deal with the shortlisting exercise and the interview simulations fairly discretely, since the former is concerned mainly with criteria for staff selection whereas the latter is concerned with particular techniques used in the process of such selection.

Discussion of the shortlisting exercise may proceed as follows:

- 1) Ask the interviewing panel to give the ranking they selected and to state the criteria which they used and reasons for the selected order; discuss in this context different interpretations of the basic data, different criteria or different weighting of the advantages and disadvantages of each candidate.

- 2) Discuss the following issues if these have not already been brought up:
 - Which is more important: experience or paper qualifications?
 - Other things being equal, is it better to have a candidate with much experience and no qualifications or the reverse?
 - Is it particularly important for a candidate to have experience of management in the co-operative sector?
 - In the particular case of rural bank management is the management of agricultural credit more or less relevant than the experience in bookkeeping and accountancy?
 - Why are women so rarely employed in co-operative management positions; is this situation changing?
 - Is experience in the private sector or in the Government service more likely to qualify a candidate for a management position in the co-operative sector?
 - How can the claims of nepotism and favouritism be resisted?

Discussion on the interview simulation session may proceed as follows:

- 1) Ask each candidate to evaluate the interviewing syndicate in terms of its success in giving the candidate the opportunity to present himself as he really is.
- 2) Ask the interviewing panel to discuss their performance in terms of their achievement of their own objectives.
- 3) Compare opinions of interviewers and interviewees with those of the (non-involved) observers and attempt to identify the areas where the objectives of interviewers and interviewees coincide or differ.
- 4) Ask interviewees to comment in more detail on the "atmosphere" of the interviews; did the interviewers ask open ended questions or did they ask questions to which yes or no was sufficient answers, thus preventing further discussion; did the candidates feel that they would like to work in the organisation as it was represented by the interviewers; did the candidates find out all that they wanted to know about the job which was being offered and the organisation in which they were considering working?
- 5) Remind all participants that an interview is a two way process; the right candidate is likely to be in demand and the employing organisation should be trying to "sell" itself as effectively to such a candidate as the candidate will be trying to "sell" himself to the employer.

SESSION 4.3

MOTIVATION

Objectives: To enable participants to foster a working environment in which all staff are motivated to perform at the highest possible level.

Timing: One hour.

Session 4.3: Motivation

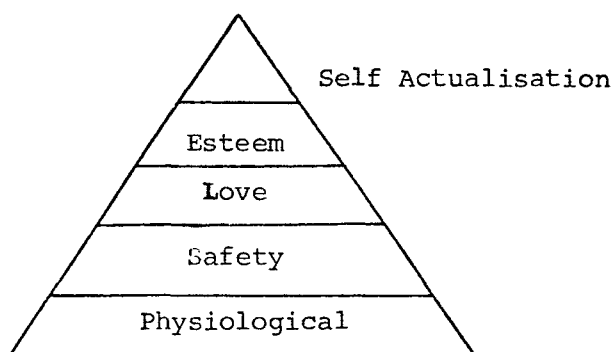
SESSION GUIDE

In order to become effective managers, participants should be encouraged to look critically upon their own ability to create a working environment which makes the best possible use of the human resources at their disposal.

The session may be structured as follows:

- 1) Referring to the previous sessions devoted to the appointment of the ARCS Rural Bank Manager, ask participants to suggest ways in which the General Manager of ARCS can ensure that the Rural Bank Manager will when appointed perform as well as possible; will his or her performance solely be determined by the qualities he/she brings to the job?
- 2) Describe, or ask participants to suggest, examples of organisation where even apparently excellent staff seem to fail to achieve anything, and others where mediocre staff achieve good results; what are the implications of this for the importance of the working environment? What constitutes the environment, quite apart from the traditional physical elements of it?
- 3) Elicit from participants a list of the types of things that encourage staff to perform effectively; it should be summarised more or less in the form of Maslow's hierarchy of needs; it may be possible to elicit from participants not only the individual motivators but also the concept that to some extent at least the satisfaction of one level of need may precede satisfaction of another.

The Hierarchy of Needs



- 4) Ask participants to consider their own organization and personal situation; to what extent do they find that each of the needs now identified by the group is satisfied in their work; what changes could they or their superiors make to improve this situation? How are their subordinates' needs satisfied? Can any improvements be made by participants to this situation?
- 5) Ask participants to suggest what type of person is likely to create the type of working environment or atmosphere which satisfies the various needs they have identified; is this likely to be an autocratic or a benevolent, sympathetic and team oriented manager? Ask participants to relate the type of environment in which they work to their own superiors; does their personality have a bearing on the nature of the working environment?
- 6) Return to the ARCS situation; ask participants to agree on a set of policies which is likely to lead the Rural Bank Manager to perform effectively.

SESSION 4.4

DEALING WITH DISCIPLINE/MOTIVATION PROBLEMS

Objectives: To enable participants to deal with staff problems with due sensitivity towards the reasons why people are likely to behave as they do.

Timing: Two to three hours.

Materials: Role briefs "Staff Problems", 4.4.

Session 4.4: Dealing with Discipline/Motivation Problems

SESSION GUIDE

The material for this session consists of four pairs of role briefs, each describing a situation where a manager in ARCS is faced with what appears to be an obvious infringement of the regulations, but where the guilty party has in his eyes at any rate very good reasons for his behaviour which are not necessarily inconsistent with the objectives of the organisation as a whole.

The use of the material will depend on the numbers in the group and the time available; one possible structure for the session is as follows:

- 1) Allocate roles to individuals well in advance and instruct them.
Arrange the "scene".
- 2) Allow each pair fifteen minutes to complete the role play.
- 3) Instruct the non-involved participants to observe what is going on in the plays and to take notes.
- 4) Reconvene the group and distribute copies of all briefs to each of them; deal with each of the role plays by allowing the group to read the papers, and then asking the respective pair to describe their experience.
- 5) Participants will most likely relate this session to session 4.3 and to their own experience and will be able to diagnose the situations quite adequately; the following guidelines may however be useful:

Situation One: The Transport Officer does not seem to be managing the transport section very effectively; the net effect of the driver's activities is probably beneficial for ARCS as a whole but management should look to the operation of the section rather than to the behaviour of individual members of it as a means to improving its performance. The Driver should be warned of the legal dangers of undertaking private business but the Manager should also discuss with him improvements to

Situation Two: The Checkweighman was acting in what he thought were the interests of the organisation, and no one seems to have taken the trouble to explain to him the implications of its changed ownership. He should be given the opportunity to "pour out his troubles", and while the deduction from real weight should be stopped forthwith the Checkweighman should be used informally as a source of information and guidance in monitoring farmers' deliveries quality. This feeling of involvement may in itself compensate for his belief that his earning have suffered.

Situation Three: Staff with responsibility should come to work because they want to work and not because they have to check in at a certain time; if it is genuinely impossible for Field Credit Officers to spend the time they should in the field, their work should be re-organised so that there is a genuine task for them in the office. It is most likely that there are jobs to be done in the field, and that by the use of public transport, bicycles or their own feet Credit Officers can, if they are encouraged, improve the credit situation by working in the field. They should be encouraged to do this and this particular problem should be dealt with by a discussion of the day's work and a mutually agreed timetable of each day's activities.

Situation Four: The Receiving Officer is protecting the interests of ARCS, and observing government regulations, but is also benefitting personally and is not exercising his discretion with any tact. It may be necessary to devise a system whereby proof of ownership can be conveniently provided but closer consultation between HO Branch Managers and Government Inspectors will probably solve the problem in that the HO Manager will feel that his opinions are being respected and that he is a valuable member of the team. He obviously now feels that he alone is paying any attention to the problem of the proper distribution of cement.

Staff Problems

Brief 1 A

You are the transport officer. A branch committee member has reported that one of the MPCS lorry drivers is conveying goods for private traders in the MPCS's lorry, in MPCS time and pocketing the proceeds for himself. You are particularly concerned not only because of the obvious indiscipline involved but because the MPCS's vehicles are only insured for co-operative business. You are about to interview the driver in question.

CUT HERE

Brief 1 B

You are a lorry driver for the MPCS. Your vehicle is poorly maintained by the MPCS mechanics and simple spares like light bulbs or spark plugs take weeks to arrive. The vehicle is only licenced for co-operative business, and in any case no attempt seems to be made by management to schedule trips so that loads can be carried in both directions. A distant relative who trades privately in farm produce asked if he could transport some of his merchandise in your lorry when it was returning empty, and you agreed. He insisted on "tipping" you for the service, and you have been carrying his goods regularly for some months. The work has not cost the MPCS any money, since the lorry would have been travelling empty over the same route in any case, and you have spent about Rs 70 of the Rs 100 you have received in "tips", on spares which the MPCS mechanics could not provide. You have expected that you would be found out, and the transport officer has just sent for you.

Brief 2 A

You are the Manager of the MPCs Paddy Mill. The Branch Manager of the most active paddy growers' branch has complained that the Checkweighman at the Mill is understating the weight of paddy delivered; the society is thus being defrauded. You have discovered the error by borrowing a scale and weighing consignments before they were delivered to the Mill. The Checkweighman in question has worked for the Mill under its previous ownership and for the MPCs for over 20 years, and is well respected. You have asked him to come and see you.

CUT HERE

Brief 2 B

You are the Checkweighman at the MPCs Paddy Mill, responsible for weighing deliveries of paddy and passing the figures to the Accounts Department for credit to farmer or society accounts. You worked for about 20 years for the previous Mill owner; farmers and others often bring wet paddy or put stones in their paddy or try in other ways to cheat the Mill by overweighing it. As a result you started to deduct around 5% from the weight of the larger deliveries, in order to allow for this cheating; this also increased the Mill's earnings. It was easy to adjust the scales so that they showed less, or more, than the true weight, and most farmers had no way of checking whether their paddy was correctly weighed. Since the Mill has been taken over by the ARCS you have continued the practice, and you have also started to overstate some of the smaller amounts brought in by poorer individual farmers. Your wages are very low, and your old boss used to give you a generous present at Sinhalese New Year, with the implication that this was partly to reward you for your "flexibility" with the weighing scales. The MPCs has allowed one New Year to pass without any such recognition, and you are tempted to start asking for "tips" in return for overstating farmers' deliveries. You have always supposed that the new management were aware of what you were doing, and you wonder why the Manager has asked you to come and see him.

Brief 3 A

You are the Credit and Marketing Manager of the MPCs. One of your field credit officers is persistently late for work, and this sets a bad example to clerical staff and others. The officer in question has just come in 15 minutes late and you have asked him to come and see you.

CUT HERE

Brief 3 B

You are an MPCs Field Credit Officer responsible for visiting branches and their members in order to check on loan applications and to ensure that credit is being effectively utilised. You are very frustrated in your work because the only vehicle in the section is reserved for the use of the Credit and Marketing Manager, and you can only use it on one or two days a month. The rest of the time you spend in the office, checking files, completing reports or just chatting to the other officers. Very little money is available to be lent at this time, and not many farmers come to the office since many are in arrears and wish to avoid the Credit Officers. Because there is little real work at the office, you are very careless about time keeping, and tend to arrive 10 or 20 minutes after the official time. You know that many senior officials arrive half an hour or more after their official time for starting and you have just arrived 15 minutes late. The Credit and Marketing Manager, in apparent annoyance, has asked you to come and see him.

Brief 4 A

You are the Consumer Manager of the ARCS and an irate headman from a distant part of Alpha Region has just complained to you that the HO Branch Manager has for the third time in two months asked a farmer from his area to provide evidence of ownership of house before issuing him cement and that farmers from other places bribe the HO Branch Manager to admit their claim for cement without question. The formality of proving ownership takes time and money, since farmers have to go back to their respective villages to carry out the necessary procedures with their local Grama Sevaka and A.G.A. and obtain a certificate. He feels that his village is being discriminated against. You are particularly annoyed because farmers have only recently started to patronize cooperative and to buy their needs from the reorganised MPCs instead of going to the private shops, and you have asked the Branch Manager to come and see you.

CUT HERE

Brief 4 B

You are the MPCs HO Branch Manager. It is your job to personally verify about the genuineness of demand of cement by farmers, pass the information on to the salesman who makes necessary entries, receives payments and issues cement to the farmers. You have already, in the few months during which the Branch has been operating, had some trouble with sale of cement. The government inspector has warned you to demand proof of ownership of a house and genuineness of demand of cement whenever you have any reason to suspect that the farmer does not really need cement since it is virtually impossible to do anything once the cement is sold. Farmers can obtain proof of ownership and genuineness of demand for cement but the procedure is complicated and Grama Sevakas are unwilling to carry out the necessary investigations unless they have to. You always admit claim for cement from certain reliable farmers who are known to you, without any question, and some of these people "tip" you fairly generously because they realise how much trouble you could cause them; you are more suspicious about farmers from other regions, particularly if the farmers have not bothered to cultivate your acquaintance, and you regularly reject demand of cement from one particular village whose people have always been known to be dishonest. This means that they have to go back to their village and obtain proof of ownership of a house and on one occasion a farmer from this region came and went back without attempting to secure cement again. You recently refused another farmer immediate delivery of cement and he threatened to report you to his local M.P. and you are wondering whether the Consumer Manager has sent for you because of

Session 5.1 The Manager and His Committee

Session 5.2 Committee Pressure

Session 5.3 "Selling" to the Committee

SESSION 5.1

THE MANAGER AND HIS COMMITTEE

Objective: To enable trainees to distinguish clearly between the responsibilities and authority of the committee and the manager of an MPCs.

Time: One to two hours.

Material: Micro cases; these brief descriptions should if possible be written on OHP or flip charts; if this is not possible the hand-outs should be cut into pieces so that trainees only have one part at a time.

Session Guide:

- 1) Distribute the first micro case and allow trainees up to five minutes to decide on their answer.
 - Normally the proceedings of each item of the agenda of AGM are written, approved and signed by the chairman of the meeting before moving on to the next item. In this case, however, this procedure was not followed and hence the problem.
 - Neither the committee nor the manager can alter the proceedings of AGM. AGM alone enjoys the right to do so. This would clearly be an expensive, time consuming and irritating procedure. In the circumstance Manager may suggest to refer the issue to the chairman of the AGM for his opinion, which may then be accepted.
 - To avoid occurrence of similar situations in the future, Manager must ensure that proceedings of meetings of all important organs/committees of the MPCs are taken by somebody who appreciates the need for precision and who is not afraid to ask for clarification during the meeting itself, if he is not sure. Briefing of Chairman and insistence on immediate recording of proceedings will help the Manager a great deal.

- 2) Distribute the second micro case and allow five minutes for trainees to study it.
 - The reinstatement of the labourer by the committee is well within its right. But by doing so, without asking the Manager to review his

decision in the light of the information that may have come to the knowledge of the committee, they have no doubt gravely undermined his position.

- To avoid occurrence of similar situations in the future, Manager must try to secure an agreement, preferably through a formal resolution from the committee, on the demarcation of functions, duties and powers between the committee and himself.
- Since cases involving major decision making like dismissal of an employee tend to have wider repercussions, some of the committee members expect to be taken into confidence beforehand. Manager should keep Chairman and other active members informally informed. This is particularly important till the Manager enjoys full confidence of the committee and can depend on its unconditional support.

3) Distribute the third micro case.

- Such situations generally arise when functions and authority of the Manager are undefined or when there is a lack of confidence or trust in the ability of the Manager among the committee.
- To avoid occurrence of such situations, Manager must try to persuade the committee to delegate adequate authority in him to make purchases in critical situations.
- Manager must also try to persuade the committee to only lay down broad policies and leave their implementation to himself. Anyway rigidity in framing resolutions or their interpretation need to be avoided. The Manager should realize that rigid rules or resolutions framed by the committee would be bound to cause trouble. He should therefore ensure that his own freedom to manage is not compromised.

4) Distribute the fourth micro case.

- The situation here too is almost similar to the one faced in micro-case three.
- Manager must explain to the committee that he had taken the best decision in the then prevailing circumstances and on the basis of information available to him at that time. Any change in his decision at this stage will result in loss of credibility of the Manager and the MPCS, including its committee. In the long run it will cause more damage than the small gain which the MPCS stands to make by reversing his decision. Manager must, however, ensure that he presents his viewpoint without hurting the feelings of the member who brought

5) Distribute the fifth micro case.

- In the co-operative society, Manager must act cautiously in areas touching members' welfare, members' economy and members' service. He should realize that committee is a democratically elected body and its actions and decisions in these areas are not always based on purely economic considerations.
- Manager should not have taken the decision to deny members of the benefit of a service which they had been enjoying, without detailed explanation to the committee and without securing its prior approval, even when the justification of his decision was obvious and its effect in the co-operative positive. Committees in such situations tend to be swayed by political considerations.
- Manager must prepare and present a detailed case to the committee in such situations, before proceeding ahead.

6) Ask trainees to suggest what basic problems underlie all these disagreements.

Stress that ignorance of procedures and regulations is only one aspect and not necessarily the most important one.

- The committees and the Managers were not working together, for common objectives. The problems arose because the committee was not fully informed about or in agreement with the Manager's policies.

7) Ask trainees whether they have such problems with their committees; how can they be overcome?

- Trainees may refer to steps which compel the committee to work with the Manager, such as:
 - Appeal to the terms and conditions of the Manager's appointment.
 - Appeal to the Government or the ACCD's Department.
 - Refer to the departmental and CEC circulars.

8) Stress that appeals of this sort are a symptom of failure; ask whose failure.

A co-operative Manager should consider that working with his committee is an important part of his job; if the committee does not support him he should consider it his own fault and not theirs.

- A co-operative Manager is appointed and controlled by the committee and must carry out their wishes.
- ~~A co-operative Manager must also be able to influence his committee's~~

opinions, not by threats or appeals to outsiders, but by other means

- 9) Ask trainees how they can influence their committees to support policies which they as Managers know to be in the interest of members.
- By keeping the committee informed about vital or major decisions and their implementation.
 - By communicating with the committee in writing and at meetings, in a way that is appropriate for their level of education and the time they have to devote to the Co-operative's affairs.
 - By tactfully encouraging and promoting training for committee members, if possible jointly with Managers such as himself.
 - By "selling" their recommendations to their committees in such a way that the committee members believe that the ideas were originally their own.
- 10) Remind trainees that if this training course fails to help them to improve their performance, it will be the instructor's and the organisers' fault, not the trainees.

Similarly they themselves must look to their own management methods when they feel frustrated or thwarted by an obstructive committee; it is far easier and more comfortable to blame other people's behaviour, but far less likely to result in change and improvement.

The Manager and His Committee - Micro Cases

For each of the following situations, decide who was right and how the disagreement might have been avoided.

- 1) The draft minutes of the Annual General Meeting of a Co-operative Society were not clear. The Committee argued that the meeting had agreed that the Society should spend Rs 100,000 on member education including foreign tours of the members of the Managing Committee, while the Manager said they had agreed to spend up to Rs 100,000. After some argument, the Committee overruled the Manager and rewrote the minutes accordingly. The Manager complained and argued that since he had made the original record he should decide what the minutes should say.
- 2) The Manager of a Co-operative Society had warned all the Warehouse Staff about the danger of smoking in the Warehouse, and had said that if anyone was caught he would be dismissed. Sometime later he discovered a Warehouse Labourer smoking in a corner of the Warehouse. This man had worked loyally for the Society for many years but the Manager felt that no exception could be made and after necessary inquiry and following legal procedure dismissed the man. The Labourer appealed to the Committee, who overruled the Manager and reinstated the Labourer. The Manager complained that by doing so they had gravely undermined his position.
- 3) The Committee of a Co-operative Society decided that in the interests of co-operative solidarity they should only buy seed from a co-operative supplier. Some months later there was a sudden unexpected demand for a particular type of seed; the approved co-operative supplier could only offer a limited quantity and the Manager decided to purchase from a private source in order to satisfy members' needs. He was severely reprimanded by the Committee, but complained that he was only trying to satisfy the members.
- 4) The Manager of a Co-operative Society agreed verbally to sell ten tons of produce to a particular Merchant. The following day there was a Committee Meeting and one of the Members produced a written offer from another Merchant offering a better price. The Committee declared that the previous agreement was void, and told the Manager to sell the

the produce for the better price; he accepted but was very disappointed.

- 5) The Manager of a Co-operative Society decided in the interests of economy that Members should bring their produce to the tarmac road for loading on to the Society's lorry. Members complained to the Committee and they overruled the Manager's instructions; they told him to instruct the Lorry Driver to go to Members' farms to pick up the produce. The Manager complained that the Committee should not interfere but they insisted.

SESSION 5.2

COMMITTEE PRESSURE

Objective: To enable trainees to deal with non co-operative pressures from their committees.

Time: One and a half to two hours.

Material: Role Play Briefs 1A, 1B and 1C. These should be given to suitable trainees well before the session; one trainee should have 1A, one should have 1C and four should have 1B. The selected trainees must not discuss the contents of their briefs with the others and it is particularly important that 1C should be given to an articulate, confident and experienced trainee who will respond positively to criticism of his own performance. If available, a tape recorder.

Session Guide:

1) Ask trainees to state why people are willing to serve on co-operative committees; a "proper" answer might be;

"To help the community, and thus themselves, by using their skill and reputation to promote and manage community enterprise."

Point out that it is perfectly legitimate and desirable that committee members should themselves gain by their membership of the committee;

- All members gain if a society is well managed.
- The more enterprising and successful the members are, the more likely it is that they will serve on the committee and the more likely it is that they will gain more than most other members.

2) Ask trainees to suggest other motives which may lead people to serve on a co-operative committee;

- They wish to organise the co-operative in such a way that a small group benefits at the expense of the majority of members.
- They wish to gain political influence by rewarding people who will

vote for them.

- They wish to manipulate the co-operative's purchasing arrangements so that firms with which they are associated obtain more business.
- They wish to get jobs in the society for their relatives.
- They wish to earn money from attendance fees.

- 3) Arrange the table and chairs at the front of the room to represent a co-operative committee room. Ask trainees allocated roles 1A, 1B and 1C to take their places at the table, and distribute all three briefs to the rest of the group. While the "actors" are taking their places, ask the others to read through the briefs and to consider how they would deal with the situation if they were the Manager.
- 4) Ask the "Chairman" to start the meeting; stress to him and all the actors that they should do their very best to reach a decision at the meeting. Allow up to thirty minutes for discussion and ensure that the observers do not interrupt and that they take notes on the progress of the meeting, observing particularly when critical moves are made by the Manager, and with what effect. If a tape recorder is available, it may be useful to record the proceedings so that parts may be played back afterwards.
- 5) Ask the "Manager" to comment on his own performance; what was his plan, when did he feel he went right or wrong, and how satisfied was he with the outcome?

Ask the "Chairman" to comment on the way the Manager attempted to steer the Committee towards his viewpoint. If the Manager was successful, how was his success achieved, and if not, how else might he have approached the problem?

Ask the "Committee Members" to comment; did the Manager show them how they could benefit from Peter's appointment, and did they feel involved in the decision, or merely observers who were being pressured by either side?

- 6) Ask the observers to add their comments on the Manager's performance; ensure that they back up criticism with statements of how they themselves would have handled the situation, but nevertheless encourage

positive and frank criticism.

The Manager could attempt to work by confrontation, threatening to resign or using similar tactics. He should preferably use a selection of the following approaches:

- Appeal to Members' pride in a well managed Co-operative; refer to the present delays in submitting accounts and stress the damage that this does to the Society and the community as a whole.
- Show how improved accounts systems would benefit Members, and could enhance the Committee's reputation and authority.
- Refer to the previous difficulties arising from poor records; ask the Members to suggest how these could be avoided in future.
- Avoid "running down" John, but remind participants of the short term nature of political appointments, and of the difficulty of correcting mistaken appointments.
- Give examples of how the Committee, and the Chairman, could work with the Manager to organise the Society better if they had more useful information.
- Avoid the appearance of setting the other Members against the Chairman, but flatter them by inviting their comments on the present situation, and their views on what would happen to the records of the Society if John, or Peter, were to be employed.
- Ensure that the whole Committee is included in the discussion, and ask Members to respond to questions which the Chairman puts to the Manager.
- The Manager should rather attempt to make the committee members understand the difficulty of managing people without being able to select them.

- 7) Ask trainees to relate this problem to their own experience; how have they fared on similar occasions, what suggestions have they for others and what have they learned from this simulation?

Role Play Brief 1A

The Chairman

You are the Chairman of the Zeta Co-operative Society and you are about to preside at a meeting of the Committee which is to discuss the appointment of a new Bookkeeper. He is to replace a man who recently retired on reaching sixty.

The local MP is Assistant Minister for Co-operatives, and he can undoubtedly influence the People's Bank and other agencies in favour of your Society in allocating loans, granting monopolies and so on. This MP's nephew John has applied for the Bookkeeper's job; he has been unemployed since he left GCE (OL) two years ago, with very poor gradings in his exams, but he seems fairly intelligent, if not particularly highly motivated or enthusiastic.

The MP mentioned to you a few weeks ago that his nephew was going to apply for the job; he did not ask you outright to try to ensure that he was appointed, but implied that he would be grateful if you would support his application.

Only one other serious candidate, Peter, has applied. He is the son of a landless labourer who completed GCE (OL) three years ago and has been working in the city as an Accounts Clerk for a wholesaler since then. His father recently died and Peter wishes to find a job in the village so that he can help his mother and his younger brothers and sisters.

You recently interviewed the two candidates together with the Manager; John was not very keen but seemed quite familiar with the affairs of the Ministry and Government in Colombo. It was clear that he would fit in easily to the Accounts Department and would perform routine tasks adequately enough with some supervision.

Peter was very different; he was almost aggressively eager for the position, and some of his answers suggested that he might try to introduce changes in the Society's procedures, which he clearly had no right to do.

You prefer John's type, but in any case, there is no question in your mind that the MP would be very disappointed if not annoyed if his nephew is not

appointed, and that the Society will suffer as a result.

You propose to recommend that John should be appointed; you are confident that the Committee will support you. You are not sure what the Manager will do since you had no opportunity to talk to him after the interview. It is clear to you that this is a matter of great importance and that the Committee has to have the last word.

The accounts of the Society are already even further behind than usual, and the ACCD's Office has made it clear that the Bookkeeper's position must be filled as a result of this meeting. A decision must therefore be reached.

Role Play Brief 1B

Zeta Society Committee Member

You are a Committee Member of the Zeta Co-operative Society; you are about to attend a meeting at which you believe the main subject will be the appointment of a new Bookkeeper. You are not sure who has applied for the vacancy, but you suppose that the Chairman will have a favoured candidate. You usually agree with the Chairman, because he is a powerful man in the Region and has often been proved right in the past.

You mistrust book learning, and believe that whom you know is more important than what you know.

You respect the Society's Manager for his intelligence and ability, but you think he is rather young and naive. He has made some major improvements to the Society in the eighteen months since he was appointed, and some of these were originally resisted by the Chairman.

The Manager often disagrees with the Chairman, and if you are forced openly to support one or the other you feel that you own more loyalty to the Chairman. On some previous occasions, however, the Manager has successfully persuaded you to support his point of view by making you feel that his ideas were originally yours. In retrospect, you realize that he manipulated you, but you also realize that he was right and so you agree with what he did.

Role Play Brief 1C

The Manager

You are the Manager of the Zeta Co-operative Society and you are about to attend a meeting to discuss the appointment of a new Bokkkeeper.

It has always been your understanding that in staff decisions your views would be respected. This is the most important appointment to be made since your own, eighteen months ago, and the Chairman has decided to discuss the matter in a committee meeting in order to formalise the appointment.

The local MP is Assistant Minister for Co-operatives, and he can undoubtedly influence the People's Bank and other agencies in favour of your Society in allocating loans and so on. This man's nephew John has applied for the Book-keeper's position; he has been unemployed since he left school at GCE (OL) two years ago with very poor exam results, but he seems fairly intelligent if not particularly highly motivated or enthusiastic.

Only one other serious candidate, Peter, has applied. He is the son of a landless labourer who completed GCE (OL) some three years ago and has since been working in the city as an Accounts Clerk for a large wholesale firm. Peter's father recently died and he wishes to find a job in the village so that he can help his mother and his younger brothers and sisters.

You recently interviewed the two candidates together with the Chairman; John was not very keen but seemed at least superficially very familiar with what was going on in Colombo; it was clear that he would fit in perhaps all too easily to the existing accounts routine and would perform the normal tasks fairly well so long as he was supervised. Peter was very different; he was extremely eager for the position and he implied that he might attempt to introduce some new methods which in your opinion are very badly needed.

You are very anxious that Peter should be appointed; you are ultimately responsible for the accounts but in the eighteen months you have been with the Society you have been unable to obtain any useful figures because the previous Bokkkeeper was totally incompetent.

You knew that he was due to leave this year and you have waited for this opportunity to make a real improvement to the Society's accounts, and its whole management, by putting all the record keeping and accounting systems right.

You have made many improvements to the Society since you joined, based on common sense and observations; you are sure that with the benefit of good management accounts you would be able to double the Society's surplus within two years and also to obtain loans through the People's Bank which have hitherto been refused because of inadequate information.

You feel that John would be content to allow the present chaotic condition to continue, and would also probably resist any attempts you made to improve matters by bringing pressure to bear on the Committee through his uncle. Peter will undoubtedly respond to your leadership and you look forward to working with him. You are not sure what the Chairman feels, since you were unable to talk to him after the interviews. You suspect that he will be impressed by Peter's eagerness but also by John's high level connections, but you hope to show him, and the rest of the Committee, the benefits that all will gain from improved accounting.

The accounts of the Society are already even further behind than usual and the ACCD's Office has made it clear that the Bookkeeper's position must be filled as a result of this meeting; a decision must therefore be made.

SESSION 5.3

"SELLING" TO THE COMMITTEE

Objective: To enable trainees effectively to present proposals to their Committees.

Time: Two to three hours.

Material: Managers' and Committee Members' Briefs. The Managers' Briefs must be given to three or four carefully selected trainees well in advance of the session to allow them time to prepare an effective presentation. Flip charts, blank OHP transparencies or other aids should be made available to them as appropriate.

Session Guide:

- 1) Ask trainees to recount examples of their own failures to persuade their committees to approve their proposals; ask them to suggest reasons for this failure. In spite of Session 5.1 trainees will probably refer to faults of their committees, such as:
 - Inability to understand financial data.
 - Short sighted view of the future.
 - Self interest overweighs the needs of membership or society at large.
 - Excessive caution and lack of confidence in the Manager's ability.
 - Illegitimate influence from outside sources.

- 2) Remind trainees that even if all their criticisms of their committees are true, they must nevertheless work with them and this is a fundamental part of their job:
 - Some farmers blame their land, disease or draught for their failure to obtain good yields.
 - Other farmers work hard to overcome natural difficulties and achieve good yields in spite of difficult conditions.

In the same way a good co-operative manager is one who can achieve good results in spite of the difficulty of working with and through a typical committee.

3) Ask trainees what motives of the committee members they should consider when presenting proposals to their committees:

- Their need to be appreciated by the community as good leaders.
- Their need to earn more money themselves through better services from the society.
- Their fear of exposing their own ignorance and possible lack of education.
- Their desire to save time since most are likely to have many other interests.
- Their fear of making mistakes which will discredit them more than inaction will.

How can proposals be presented in order to satisfy these needs?

- The proposal must be simply presented, in layman's language.
- The proposal must be brief and cover only those items of interest to the committee.
- The proposal should demonstrate clearly its benefit to members, so that the committee can see it will benefit them personally.

The following are typical mistakes which may be made by the Manager and his Deputy and should be brought to the attention of trainees:

- The use of jargon such as "rate of return", "sensitivity" or "probability".
- Lengthy description of technical features with no direct bearing on the decision.
- No clear introduction or final summary.
- Failure to state exactly what decision is required at this stage.
- Too much time is spent on presentation with little opportunity for questions.
- Uncertainty or errors in calculations.

- Failure to bring out the key points which may be submerged in a mass of other data.
- Refusal to listen to or to admit the reasonableness of contrary opinions.
- A patronising tone implying that members are really too ignorant to make the decision on their own.

Good points to recall might be as follows:

- A clear brief initial introduction and final summary.
- Clear separation and presentation of the amount to be invested and the anticipated net return to be earned as a result.
- A brief description of what will happen if alternatives are adopted such as doing nothing.
- A clear sequence so that members know exactly what stage of the proposal is being presented at all times.
- Frank identification of uncertain items and estimates of the affect of worse than expected results.
- Clear, simple, legible presentation.
- The proposal should show how the committee, rather than just the manager's reputation will gain if it is implemented.
- The proposal must show what the worst likely outcome is.

- 4) Select two trainees who will act as Manager and Deputy Manager of ARCS and give them both the Manager's role play brief (preferably the evening before the session takes place). Inform them that they should prepare AV Aids for their presentation. They should decide how to divide the presentation among themselves. Distribute the Committee Members' Brief to the remaining trainees. Allow them fifteen minutes to read the brief.

Select 5 trainees from this group to act as the Committee. The rest of the group will be observers. Both observers and committee should decide how they will evaluate the forthcoming presentation. Let the role play take place.

- 5) After the presentation has been made, discuss with reference to the guidelines suggested in "3)" above. Point out that a formal presentation

is a very useful way of initiating discussion and covering the necessary ground, even to a group of two or three people.

- 6) Confirm the guidelines already given, by referring to the strong and weak points in the presentation just made.
- 7) Stress the importance of effective and constructive answers to objections and questions.

Compare the following answers to possible questions or objections:

Question: "But what is it actually going to cost?"

Answer A: "Can't you see, it is just the working capital requirement since the initial purchase price will be funded by the bank and we shall be repaying the loan plus interest payments on the declining balance."

Answer B: "We shall borrow a total of Rs 600,000 from the Co-operative Bank to pay for the station. We shall repay this at a rate of Rs 150,000 a year for five years; this is Rs 50,000 a year less than the additional income I expect we shall earn. The garage should therefore pay for itself."

Question: "Will it all actually work out the way you say it will?"

Answer A: "Of course it will, it should be clear enough."

Answer B: "I am confident that it will; just what parts of the proposal do you think might not work as I have said?"

Question: "What's in it for members, that's what I want to know?"

Answer A: "Surely it's obvious; if the Society grows, everyone benefits."

Answer B: "The average member should benefit by about Rs 100 a year, either by patronage refund on his own fuel purchases or lower prices for tractor hire or transport as a result of the refund paid for co-operative fuel purchases. Some larger scale farming members will benefit by Rs 1,000 or more in a year and after five years all the debt will be paid off and members will benefit to the extent of the total surplus which is four times the amounts I've just mentioned."

Question: "That's all very well, but what if things go wrong?"

Answer A: "They won't, I've taken advice from all the experts, and I know it'll work out just the way I say it will."

Answer B: "Nothing is certain, but even if it costs 20% more to run the station than it does at the moment and members use 10% less fuel than they do now, we shall still be able to repay the loan and be no worse off."

Question: "Aren't there better things we can do with the money?"

Answer A: "There are no other projects with a higher rate of return which might be undertaken by the Society at this time."

Answer B: "We shall be borrowing money on the security of the petrol station; we do not have Rs 600,000 or anything like it at the moment, but the surplus we earn from it will enable us to borrow more money to pay for other improvements to our services to members which we cannot carry out now because we have no security for a loan."

Manager's Role Play Brief

The Petrol Station Proposal

You are the Manager of ARCS; Mr Ahmed, the owner of the local petrol station, where the Society and many of the members, as well as other local people buy fuel for their vehicles and get them repaired, is leaving the country and has offered his station to ARCS.

The station is the only one in the area, and although it gives good service the prices are rather high. Mr Ahmed has shown you the figures for the last two years and these are as follows:

<u>Item</u>	<u>Last Year</u>		<u>Previous Year</u>	
	Rs	Rs	Rs	Rs
Sale of Petrol	500,000		350,000	
Cost of Petrol	<u>450,000</u>		<u>310,000</u>	
		50,000		40,000
Sale of Diesel	800,000		580,000	
Cost of Diesel	<u>730,000</u>		<u>520,000</u>	
		70,000		60,000
Sale of Lubricating Oil, Tyres, Spares, etc.	200,000		150,000	
Cost of Sundries	<u>120,000</u>		<u>90,000</u>	
		80,000		60,000
Revenue from Repairs		<u>100,000</u>		<u>90,000</u>
Total Revenue		300,000		250,000
<u>Costs</u>				
Wages	50,000		40,000	
Sundry Expenses	150,000		120,000	
Power and Water	20,000		15,000	
Owner's Salary	<u>60,000</u>		<u>50,000</u>	
Total Costs		<u>280,000</u>		<u>225,000</u>
Net Profit Before Taxes		20,000		25,000
Taxes		<u>8,000</u>		<u>10,000</u>
Net Profit		Rs <u>12,000</u>		Rs <u>15,000</u>

Balance Sheet at End of Last Year

<u>Assets</u>	Rs	<u>Liabilities</u>	Rs
Cash and Bank Balance	10,000	Creditors	50,000
Debtors	200,000	Overdraft	100,000
Stocks	150,000	Reserves	600,000
Equipment	150,000	Capital	60,000
Land and Buildings	<u>300,000</u>		
Total	Rs <u>810,000</u>		Rs <u>810,000</u>

Mr Ahmed admitted in confidence that he had kept his profits and his own salary, both of which were taxable, as low as possible by charging a number of his personal expenses to "Sundry Expenses"; he estimated that last year he had hidden about Rs 100,000 worth of profits in this way; it would be possible to appoint a competent Manager at a salary of Rs 20,000 a year so that a further Rs 40,000 could be expected to be saved from the owner's salary. This would give Rs 160,000 profit based on last year's figures; fuel and other price increases already notified will add at least 20% to prices, and there is no reason to suppose the gross margins will not be maintained so you feel confident that a profit figure of Rs 200,000 can be achieved next year under ARCS ownership.

You have discussed these figures with the Local Representative of the Ceylon Petroleum Corporation; he is eager to ensure that the petrol station remains in good hands and in fact suggested to Mr Ahmed that he should offer the station to ARCS.

Mr Ahmed has after some negotiation agreed to offer the stock and the fixed assets at valuation, together with good will, for a total cash payment of Rs 600,000. He will himself take over the debtors and cash and will be responsible for the liabilities.

The People's Bank has informally agreed to fund the acquisition by a loan of Rs 600,000, secured on the deeds of the garage and repayable over five years at Rs 150,000 per annum, including interest.

You are not sure how the Society will use the anticipated annual surplus of

the loan has been repaid; it could be paid out in patronage refund, added to reserves or used for other purposes.

The Bank is very enthusiastic about the proposition, as is the ACCD's Department; they have pointed out that once the debt has been paid back and the property is unencumbered it will be a valuable security for further loans which may be necessary to develop improved services to members.

You believe that this represents a major opportunity for ARCS; the price being asked is very low, because Mr Ahmed has to leave the country. There are no other suitable private prospective purchasers, and if ARCS do not accept the offer it is probable that the Ceylon Petroleum Corporation will take over the station as a Company operated outlet.

You are about to present the proposal to your Committee; you have asked your deputy manager, Mr Silva, to join you. Mr Silva, with whom you have discussed the proposal at large, is as much in favour of the proposal as you are. You feel that his presence and assistance during the presentation may be an asset in convincing the Committee members. Together, you have carefully prepared the presentation and you are prepared for some discussion and argument, because the Committee members are generally very conservative and worried about any initiatives which are not similar to what ARCS is already doing. Most of the Committee members farm on a larger scale than average and should therefore benefit substantially from the acquisition, since they purchase a large volume of fuel.

A number of MPCSSs elsewhere in the country have invested in restaurants, petrol stations, mechanical workshops and other non-agricultural activities, usually with some success. You are sure that ARCS should be similarly enterprising, and you are determined to put the proposal to the Committee in such a way that they accept it and authorise you to purchase the garage at once.

The Petrol Station Proposal

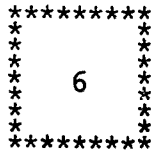
You are a Committee Member of ARCS. The Chairman has called a special meeting at the request of the Manager in order to discuss a proposal that ARCS should buy the local petrol station and garage, which is presently owned and operated by a Mr Ahmed.

You are very suprised and rather worried by the idea; Mr Ahmed is a prosperous businessman and you are sure that he will ask a very high price, far beyond the Rs 10,000 or so which you believe is the most that ARCS has in cash and at the bank. You also know that previous applications for loans from the People's Bank have been refused because of the lack of security.

In any case you believe that ARCS is mainly an agricultural organisation and should as little as possible divert its resources to non-agricultural activities. There is certainly a need for better service to members; they need better advisory sarvices, they need a greater selection of farm supplies and any money that is available should you believe be spent on improvements which directly benefit members.

You are yourself a rather larger farmer than average; you own a tractor, a pick-up lorry and a car and you naturally buy all your fuel from Ahmed's garage since there is no other outlet in the area. You are reasonably satisfied with the service you get, although the prices are rather high. Mr Ahmed and his staff are always very obliging and respectful to you, and you wonder how this would change if the Co-operative owned the petrol station.

You want ARCS to prosper since your own farming activities will benefit and you will gain status as a Committee Member; you admire the Manager for his energy and initiative, but you feel that many of his ideas are rather rash. This seems typical and you are very sceptical about the whole proposal.



Session 6.1 Using Figures in Decision Making

Session 6.2 The Balance Sheet

SESSION 6.1

USING FIGURES IN DECISION MAKING

Objectives: To enable participants to use simple accounting and other figures as an aid to decision making.

Timing: Three to four hours.

Materials: "Who is right?", 6.1

Session 6.1: Using Figures in Decision Making

SESSION GUIDE

The structure of this session, and the use of the material, will depend on the degree to which participants are already familiar with accounting procedures. Ensure that participants really do understand how Accounts are constructed and used; it is not enough merely to be able to define the terminology.

A possible structure for the session can be as follows:

- 1) Using very simple figures, find out how familiar participants are with the construction of a Profit and Loss Account. Ensure that they are all aware of how to deal with stock movements when calculating costs of goods produced or sold, of the distinction between fixed and variable costs and of the various methods of valuing inventory.

The following examples may be useful:

Ask participants to state whether the following enterprise is making a profit or a loss.

Sales	Rs 10,000
Purchases	Rs 10,000
Other Expenses	Rs 1,000

Most will say that it is losing money. Ask participants to suggest other information which is necessary before this question can be answered. They should suggest stock movements during the period. The following figures illustrate this:

	<u>Case 1</u>	<u>Case 2</u>
Opening stocks	30,000	30,000
Purchases	<u>10,000</u>	<u>10,000</u>
Total	40,000	40,000
Less Closing stocks	<u>28,000</u>	<u>32,000</u>
Cost of goods sold	12,000	8,000
Sales	<u>10,000</u>	<u>10,000</u>
Gross surplus	(2,000)Loss	2,000
Other expenses	<u>1,000</u>	<u>1,000</u>
Net surplus	(3,000)Loss	1,000

Session 6.1: Session Guide continued

A factory performs as follows in month 1:

Units produced	1,000
Total costs	Rs 20,000
Cost per unit	Rs 20

If it produces 1,500 units in month 2, what will be the total costs and the cost per unit?

Participants may say Rs 30,000 and Rs 20; elicit or introduce the distinction between fixed and variable costs, mentioning extreme cases such as hotels and market vendors. Ask participants to calculate the answer for month 2 under conditions as follows:

	<u>Case 1</u>	<u>Case 2</u>
Fixed costs	Rs 5,000	Rs 15,000
Variable costs per unit	Rs 15	Rs 5
Total costs at 1,500 units	Rs 27,500	Rs 22,500
Cost per unit at 1,500 units	Rs 18/33	Rs 15

- 2) After checking this, distribute the handout and ask each participant, individually, to work through the first problem.
- 3) Ask participants to say whether the farmers or the farm supply depot was right; should the price have been Rs 1,000 or Rs 1,500 a drum? Discuss the use of LIFO and FIFO inventory evaluation, and stress that accounting procedures in themselves are merely tools. On an issue of this sort a decision has to be made by a Manager using his own judgement. Ask participants to suggest factors which may influence this decision.

FIFO price (First in / First out)

Advantages: we charge members what the society has paid - no surplus is made on inventory.

Disadvantages: only few members will get insecticide at the old price / danger for favouritism and disappointment among other members;

society will have to look for additional funds to replace the insecticide, since the replacement price is higher; stock record should be kept very cautiously - if not we

may sell insecticide which the society purchased at the new (increased price) against the old (low) price;

we are postponing a decision which has to be taken anyhow.

LIFO price (Last in / First out)

Advantages: it does away with all the disadvantages mentioned under FIFO.

Disadvantages: the society makes a surplus on its inventory and therefore "cheats" to a certain extent its members.

However:

surplus can be used to increase the working capital of the society, otherwise the society will have to look for alternative sources of finance to be able to buy new insecticide;

additional surplus will be redistributed to members anyhow.

- 4) Ask participants to work through the second example; here, as with the first, opinions will no doubt differ. Discuss the concept of fixed and variable costs, and point out that many costs do not lie neatly in one or the other category. Ask participants to place particular costs in the fixed or the variable category in order to make this point more strongly.

Illustrate the nature of the decision by the following example:

A factory has fixed costs of Rs 10,000 per month and variable costs of Rs 10 per unit. Capacity is 6,000 units per month. Research suggests that customers will buy as follows, according to the price set:

Unit price	Demand per month
Rs 20	3,000
Rs 18	4,000
Rs 15	5,000

What price should be set?

- Paying the transport allowance, we will have to get a minimum of 71 bushels extra to be at the same position as we are now, i.e. to lose Rs 2,500:

$$\frac{(10,000 - 2,500)}{7} = \frac{7,500}{7} = 1,071$$

- If we can expect more than 71 bushels extra as a result of the transport allowance, we should go ahead with it since as from the 72nd bushel our loss will be less than Rs 2,500, and thus better than the present situation.

Ensure that participants can work out the actual "break-even point" for the new system, that is the minimum number of extra bushels which would have to be brought to the mill at 50 cents per bushel, in order to make the new system worthwhile. Point out to participants that while this figure does not in itself make the decision it allows the manager to exercise judgement as to whether or not this minimum number could be attained. Without the figure the decision is far more difficult.

Who Is Right?

- 1) The members of the Delta District Paddy Growers Society in Alpha Region were annoyed and disappointed with their reorganised MPCS. They knew that the farm supply depot had several 50 litre drums of insecticide left over from the previous season, when they had paid Rs 1,000 a drum. Now at the beginning of the next season they had been charged Rs 1,500 a drum for exactly the same insecticide and they knew that at least some of the drums in question had come from last year's stock.

The Depot Manager explained that the new season's price was Rs 30 a litre for a 50 litre drum, and that everyone was paying this regardless of whether the drum they happen to buy was from last season or this season's stock.

The Secretary of the Society was not convinced and he complained to MPCS Headquarters and the General Manager had to make a decision.

- 2) As farmers began to deliver more milk to the ARCS Dairy, management started to take advantage of export market demand; this meant that they had to make their own decisions on prices, since export prices were not controlled as home market prices were.

An argument developed between the Manager of the Dairy and the Marketing Executive. An inquiry was received from the National Trade Representative in the Persian Gulf, requesting delivery of 2,000 kilograms of butter provided that this could be supplied at Rs 25 a kilo ex store.

The local market only absorbed about three quarters of the Dairy's butter production, and 2,000 kilos of butter were already packed in the cold-storage room. This stock had been built up over the last few months, and the Dairy Manager had calculated that the butter cost Rs 30 a kilo to produce. He was therefore quite satisfied with the local market price of Rs 35 a kilo ex store. When he read the price demanded from the Persian Gulf, he pointed out that the operation of the coldstorage room cost several thousand rupees a month; the stocks of butter that had been occupying valuable refrigerated space for so long might well exceed Rs 35 a kilo by now; it would involve an enormous loss to sell it for Rs 25 a kilo. It should be added that extensive investigations were unable to

identify any more favourable export market opportunities.

The Marketing Executive insisted; he wanted the export business, and argued that they should settle for the price of Rs 25. The two men could not agree, and they appealed to the General Manager for a decision.

- 3) The ARCS mill was certainly not paying its way, but the Manager could not accept that the solution was to increase costs. Farmers had responded fairly well when the mill was opened by the MPCs, but demand for rice, and capacity of the mill, always exceeded supply of paddy. Many farmers continued to prefer to sell their paddy to local traders for lower prices, because they said their paddy would lose weight if they had to bring it to the mill and in any case the journey would take too much time.

The Mill Manager asked the farmers to deliver their paddy by lorry, but they refused even to consider paying the extra 50 cents per bushel that this would involve.

The mill worked 20 days a month and the average throughput was 20,000 bushels a month. Typical costs of a day's operation were as follows:

	<u>Day A</u>
Paddy	1,000 bushels
Cost Paid to Farmers	Rs 45,000
Wages	Rs 2,000
Overheads	Rs <u>8,000</u>
Total Cost	Rs 55,000

Rice Produced 15,000 kilos

The average selling price was Rs 3.50 a kilo.

One of the Accountants suggested that the mill should pay the costs of bringing in the paddy; he argued that even if this concession brought in only a small amount of extra paddy it would be worthwhile. The Manager of the mill was not impressed; he said his job was to reduce costs and not to increase them, and he asked the Accountant to prove his point.

SESSION 6.2

THE BALANCE SHEET

Objectives: To enable participants to construct and analyse a Balance Sheet and a statement of the sources and applications of funds for a simple organisation.

Timing: Five to six hours.

Materials: "How Does ARCS Stand?" and "The New Situation" both 6.2.

Session 6.2: The Balance Sheet

SESSION GUIDE

As with the Profit and Loss Account (Using Figures in Decision Making), participants' real knowledge of the construction and use of Balance Sheets may be very varied and a lack of it may be concealed behind nodding familiarity with the terminology.

The session may be structured as follows:

- 1) Ask participants to suggest what a Balance Sheet is and what its purpose is; or list the financial information needs of managers and develop from that the structure of a Balance Sheet. Ask participants why both sides necessarily balance and ensure that all appreciate that the American, British or other methods of laying out the figures do not affect the basic rules for constructing Balance Sheets or the way in which they can be used.
- 2) Remind (or perhaps teach for the first time) participants which items are assets (uses of funds) and which are liabilities (sources of funds), by asking them to divide a jumbled list of headings to one or the other category.
- 3) Distribute "How Does ARCS Stand?" and allow participants to work out the answer on their own; if they have difficulty in doing this, it may be useful to ask them to state first without mentioning figures which items are uses (assets) and sources (liabilities). For example transaction 1 produces the following items:

<u>Liabilities</u>	<u>Assets</u>
Loan from bank	Factory (whole value)
Balance owing to seller of factory	Cash remaining

The Balance Sheet for ARCS should read as follows:

Session 6.2: Session Guide continued

<u>Liabilities</u>		<u>Assets</u>	
	Rs		Rs
Overdraft	240,000	Cash	670,000
Owing for Final Payment of Factory	500,000	Loans to Members	200,000
Owed for Purchase of Lorries	100,000		
Owed for Purchase of Shares	60,000	Motor Vehicles	100,000
Members' Deposits	100,000	Furniture	10,000
Loan from Co-operative Bank	3,000,000	Rent Paid in Advance	10,000
Capital	50,000	Factory	3,000,000
		Shares in Other Co- operative Institutions	60,000
TOTAL	Rs 4,050,000	TOTAL	Rs 4,050,000

Go through this carefully with participants ensuring that any mistakes are understood and corrected. If necessary set a further similar exercise to ensure that the principles are fully understood.

- 4) By means of very simple one or two item examples illustrate the concept of the movement of funds over a period, leading to a new Balance Sheet at the end of the period. Ensure that participants are familiar with the ways in which funds move from one item to another; this understanding is an excellent confirmation of understanding of the Balance Sheet itself.
- 5) Hand out "The New Situation" and allow participants up to thirty minutes to complete a statement which explains the changes from the Balance Sheet which they previously constructed to the one given on the new handout. Ensure that all participants have a neatly prepared and correct copy of the Balance Sheet they have just constructed and leave a copy on the chalk-board/OHP to ensure that no errors are made in this.

- 6) Stress to participants that errors in this type of work arise mainly from untidy layout and inaccurate calculations rather than basic lack of knowledge of the principles involved; managers at all levels must not make simple mathematical errors.
- 7) When participants have completed their own work go through the exercise; the statement explaining the changes in the period is as follows:

<u>Where Money Has Been Taken From</u>		<u>How The Money Has Been Used</u>	
	Rs		Rs
Reduction of Cash	520,000	Increase in Stocks	400,000
Consumption of Rent Paid in Advance	10,000	Increase in Advances to Members	200,000
Increase in Sundry Creditors	250,000	Increase in Shares in Other Institutions	40,000
Increase in Overdraft	260,000	Increase in Furniture and Fittings	40,000
Increase in Deposits from Individual Members	100,000	Increase in Buildings	300,000
Increase in Amount Owing for Vehicles	1,900,000	Increase in Value of Vehicles	2,000,000
Increase in Deposits from Non Members	100,000	New Advance Payment	2,000,000
Increase in Loan from Development Bank	2,500,000	Reduction in Amount Owed for Factory	500,000
Increase in Capital Subscriptions	100,000	Reduction in Amount Owed for Shares	60,000
		Funds Consumed by Loss on Operations	200,000
TOTAL	Rs 5,740,000	TOTAL	Rs 5,740,000

How Does ARCS Stand?

When ARCS was set up it took over a number of existing activities from primary societies and other traders, it purchased the Factory from its previous owner and it also started to implement plans for new activities that had not been carried out in the Region before.

After the MPCS had been in existence for a month, the General Manager asked for a Statement of its financial situation, so that he could see where the MPCS stood, what it owned and how it had been funded. The table had to be put together from a rather confused list of items as follows:

- 1) ARCS bought the Factory for Rs 3,000,000, with a loan from the Co-operative Bank; Rs 2,500,000 had been paid, and the balance was held by ARCS in its bank account to be paid when all final points of the sale had been finalised.
- 2) The members of the five active branches in the Region had subscribed Rs 10,000 of share capital per branch to ARCS.
- 3) ARCS had taken Rs 100,000 worth of deposits from members. It had altogether lent Rs 200,000 to members, 50% of which was estimated by the Commissioner as being uncollectable. To finance this lending, ARCS had borrowed Rs 100,000 from the People's Bank, and had a further Rs 100,000 overdraft.
- 4) ARCS had purchased five lorries from farmer members for Rs 20,000 each; these were to be paid for in kind, in the form of farm inputs at the beginning of the next season.
- 5) ARCS had borrowed Rs 40,000 from the commercial bank. Rs 10,000 of this had been paid for furniture, Rs 10,000 as advance payment for six months' rental of the offices from the end of the first month and the balance remained in the ARCS account.
- 6) ARCS had as yet paid no salaries or other operating expenses, since the first few months of operation were to be funded on a grant basis by the Commissioner's Department.

7) ARCS had purchased Rs 60,000 worth of shares in National Co-operative Organisations; payment for these was to be made after three months.

Assignment: Produce a Statement of ARCS Financial Situation which will show the Manager where its funds have come from, and how they are employed.

The New Situation

After six months of operation, ARCS's Balance Sheet was as follows:

<u>Liabilities</u>	Rs	<u>Assets</u>	Rs
Sundry Creditors	250,000	Cash	150,000
Overdraft	500,000	Stocks	400,000
Individual Deposits	200,000	Advances to Farmers	500,000
Owed to the Lorry Suppliers	2,000,000	Net of Allowance for Bad Debts	<u>100,000</u>
Deposits from Non Members	100,000		400,000
Owed to People's Bank	3,000,000	Shares in Other Organisations	100,000
Members Subscriptions	150,000	Furniture & Fittings	50,000
Owed to Development Bank	<u>2,500,000</u>	Buildings	300,000
Total	Rs 8,700,000	Vehicles	2,100,000
Less:		Plant & Machinery	3,000,000
Loss on Operations	100,000	Advance Payment for Mill Construction	<u>2,000,000</u>
Bad Debts	<u>100,000</u>		
TOTAL	Rs 8,500,000	TOTAL	Rs 8,500,000

Clearly a great deal had been achieved, but member societies were somewhat confused by all the figures; they wanted to know what had happened during the first few months; where had the money come from and how had it been used?

Assignment: Produce a Statement which explains how this Balance Sheet has evolved from the previous one, by listing where funds have been obtained from, and how they have been used.

Session 7.1 Financial Appraisal

Session 7.2 Appraisal of an MPCS's Accounts

Session 7.3 Discussion of Accounts Appraisal

SESSION 7.1

FINANCIAL APPRAISAL

Objectives: To enable participants to appraise the borrowing capacity and general financial management of a primary society from its Annual Accounts.

Timing: Three to four hours.

Materials: "The Loan Request", 7.1.

Session 7.1: Financial Appraisal

SESSION GUIDE

This session should briefly introduce participants to the fundamental management ratios and to an understanding of what can and cannot be gleaned about an organisation from its Balance Sheet; more time will be available in session 7.2 and 7.3 for more detailed examination of the Accounts of a co-operative MPCS itself.

Ratio:

A ratio is a number showing relationship between two figures or sets of figures. The most common form of expressing a ratio is the percentage.

Many people are familiar with the critical ratios and can calculate them from a Set of Accounts, but have little idea how to use the results in terms of recommending changes; the simple Set of Accounts provided in the exercise, and possibly others as well, should be used not merely as occasions to calculate ratios but also as an opportunity to draw conclusions from them.

The session may be structured as follows:

- 1) Put on the chalkboard or OHP some exaggerated and simplified examples of Accounts showing unsatisfactory situations; these may include a business which is bankrupt, has grossly excessive stocks, minimal members' equity and excessive debtors. Ask participants to identify what is wrong with the organisations and develop from the discussion of the examples a list of useful ratios of liquidity, stock turnover, debtor and creditor turnover and solvency.

The following example illustrate slow stock turnover, excessive credit, poor liquidity and inadequate members' equity. It may also be used to check participants' understanding of the relationship between the Trading Account and the Balance Sheet.

Session 7.1: Session Guide continued

Trading Account for XYZ MPCS for 1980

Sales		Rs 10,000
Opening stocks	Rs 20,000	
Purchases	Rs 10,000	
	<u>Rs 30,000</u>	
Less closing stock	Rs 22,000	
Cost of goods sold	Rs 8,000	
Gross surplus		Rs 2,000
Expenses		Rs 1,500
Net surplus		<u>Rs 500</u>

Balance Sheet for XYZ MPCS on 31 December 1980

Liabilities		Assets	
Owed to suppliers	Rs 10,000	Cash	Rs 500
Bank overdraft	20,000	Accounts receivable	8,000
Reinvested surplus	1,000	Stocks	22,000
Members' shares	2,000	Buildings	1,000
		Vehicles	1,500
	<u>Rs 33,000</u>		<u>Rs 33,000</u>

2) The following few Selected Ratios may be reproduced and discussed.

A. Capital Structure and Efficiency:

1. Proprietary Ratio = $\frac{\text{Proprietors' Funds} \times 100}{\text{Total Assets}}$

Proprietors' Funds = Share Capital + Reserves + Surplus

Total Assets = Fixed Assets and Current Assets

INDICATES:

- i) How much Assets financed by the owned funds and how much by the borrowings.
- ii) High ratio indicates strong Capital base but may mean over capitalisation.
- iii) Desirable level depends upon nature of businesses.

cont.

2. Liabilities to Proprietor's Fund

or

$$\text{Debt-Equity Ratio} = \frac{\text{Total Outside Liability X 100}}{\text{Proprietors' Funds}}$$

INDICATES:

- i) The proportion of Liabilities to owned Fund.
- ii) Usually ratio in excess of 100% should be carefully looked into.
- iii) Higher the Ratio, greater the stake of creditors and business burdened with interest charges and lack of flexibility in business.

3. Stock Turnover Ratio = $\frac{\text{Cost of Goods Sold}}{\text{Average Stock}}$

$$\text{Average Stock} = \frac{\text{Opening Stock} + \text{Closing Stock}}{2}$$

INDICATES:

- i) Number of times stock turned over (may be co-related to profit margin).
- ii) Turnover depends upon nature of business
 - Higher in Consumers' Goods
 - Lower in Luxury Items
- iii) Lower turnover indicates bad purchases, carrying excessive stock and accumulation of excessive stock.

4. Stock-Working Capital Ratio = $\frac{\text{Closing Stock}}{\text{Working Capital}}$

Working Capital = Current Assets minus Current Liabilities.

Current Assets - include Cash, Sundry Debtors, Stock and other items which are normally converted into Cash in less than one year.

Current Liabilities - Liabilities to be paid in less than 12 months time.

INDICATES:

Proportion of Stockholding in relation to Working Capital.

B. LIQUIDITY:

$$5. \text{ Current Ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}}$$

Normally the Ratio should be around 2:1.

INDICATES:

- i) Adequacy of Working Capital.
- ii) Excessively high ratio is a sign of inefficiency (due to large stock or idle cash).

$$6. \begin{array}{l} \text{Quick Ratio} \\ \text{or} \\ \text{Acid Test Ratio} \end{array} = \frac{\text{CA} - \text{Stock}}{\text{CL} - \text{Overdraft/C.C.}}$$

Normally the Ratio should be around 1:1.

INDICATES:

Net liquidity position, whether immediate liability can be met.

C. PROFITABILITY:

$$7. \text{ Gross Profit to Sales} = \frac{\text{Gross Profit}}{\text{Net Sales}} \times 100$$

INDICATES:

Profit earned.

$$8. \text{ Net Profit to Net Worth} = \frac{\text{Net Profit after Tax}}{\text{Net Worth}} \times 100$$

Net Worth = Proprietors' Funds

INDICATES:

Rate of Return on Owned Funds.

$$9. \text{ Net Profit to Net Sales} = \frac{\text{Net Profit}}{\text{Net Sales}}$$

INDICATES:

Net Margin on Sales.

It is to be noted that calculating a single or any two Ratios in isolation does not provide meaningful indications. All these Ratios

should be considered simultaneously - one in relation to the other which alone can purposefully be used as aid to management decisions.

1) Distribute "The Loan Request" and ask participants, in syndicates or individually, to assess both the capacity of the Delta Region Paddy Growers Society to borrow the Rs 100,000 on the terms described, and its financial position in general.

2) Allow up to half an hour for this; then reconvene the group and ask participants or syndicates to give their conclusions.

3) Possible suggestions may include the following:

- The Society cannot fund an annual repayment of Rs 15,000; additional sales of produce of Rs 120,000 or a 30% increase over existing figures, will be needed to produce the necessary net surplus.
- A 1.75% bonus on trade is not excessive, but can members be expected to forego even this if necessary in the interests of repaying the loan?
The stock turnover of the Society is 13.46 times a year; this seems reasonably rapid but these figures may not reveal the stock position at all times of year; Accounts are normally struck at a minimum stock period.
- The amounts of debtors when related to turn over is negligible as might be expected with a Society marketing only for cash.
The amount of money in cash and at the bank seems minimal; is it enough for day to day transaction?
- The ratio of members equity to total capital employed is 2.2 to 4.2 or 1.9 to 4.2 if members loans are treated as equity; which figure is relevant and is the relationship reasonable? What effect would the loan have on the ratio if it was granted?
- The surplus is 2½% or turnover; should the Society be making a smaller pay-out to members in order to have more protection against price or expense variations; if the allowance is too generous the bonus can always be increased and the members refunded in this way.

- 6) Ask participants what further information they might need before making a decision on the proposed loan; they may suggest more information about the quality of the manager, the loyalty of the members, the future forecasts of business, the past reliability and consistency of annual figures and the legal claim of the lender in the event of default.

The Loan Request

The Delta Region Paddy Growers Society was one of the few active societies in Alpha Region, and the Committee enthusiastically supported the work of the reorganised MPCS. After a few months, growing optimism in Delta District encouraged the Society's members to revive a project they had cherished for many years; the construction of a proper society office and store to replace the dilapidated rented property they had occupied for many years.

The Society approached the People's Bank for finance, and the Bank referred their request to the General Manager of ARCS; did he consider that the financial condition of the Delta Society justified a Rs 100,000 loan, to be repaid over ten years at Rs 15,000 per year including interest?

The General Manager studied the latest figures from the Delta Society; he wanted a general appraisal of the Society's financial management, as revealed by the accounts, together with an opinion on the proposed loan.

Balance Sheet for The Delta Paddy Growers Society

<u>Liabilities</u>	Rs	<u>Assets</u>	Rs
Creditors	2,000	Cash In The Bank	1,500
Overdraft	10,000	Cash In Hand	500
Members' Deposits	8,000	Debtors	1,000
Reserve Fund	1,000	Stocks	26,000
Share Capital	21,000	Furniture & Fittings	3,000
		Shares In Co-operatives	10,000
			<hr/>
TOTAL	Rs 42,000	TOTAL	Rs 42,000
	<hr/> <hr/>		<hr/> <hr/>

The Loan Request continued

Trading Account for Twelve Months of The
Delta District Paddy Growers Society

	Rs	Rs	Rs
Sales of Produce			400,000
Opening Stock	6,000		
Purchases from Members	<u>370,000</u>		
Total		376,000	
<u>Less</u> Closing Stock		<u>26,000</u>	
Net Cost of Goods			<u>350,000</u>
Gross Surplus			50,000
Expenses:			
Wages	20,000		
Committee Members Allowances	5,000		
Transport	10,000		
Depreciation	1,000		
Rent	<u>4,000</u>		
Total			<u>40,000</u>
Net Surplus			10,000
Plus Balance Brought Forward			<u>1,000</u>
Total Surplus to be Allocated			11,000
Bonus on Trade @ 1.75%	7,000		
Education Fund	1,500		
Stock Reserve	<u>1,500</u>		
			<u>10,000</u>
Carried Forward			Rs <u><u>1,000</u></u>

Assignment: Advise the General Manager; should he recommend that the Delta Society should receive the loan they have asked for, and what do the Accounts tell you about the financial management of the Society?

SESSION 7.2

APPRAISAL OF AN MPC'S ACCOUNTS

Objectives: To enable participants to use Accounts for management decisions.

Timing: One to two hours.

Materials: "Annual Accounts", 7.2.

Session 7.2: Appraisal of an MPC's Accounts

SESSION GUIDE

There is always a danger that those participants who have some familiarity with accounting will "carry" the remainder in syndicate discussions and in plenary sessions so that those who are ignorant of accounting can remain ignorant even after some hours of instruction.

For this reason it is probably best for half or possibly all this session to be spent by participants working on their own on the ARCS Accounts; if the knowledge of accounting appears on close analysis to be fairly evenly spread through the group, at whatever level, then it may be appropriate to allow them to consider the Accounts in syndicates.

Annual Accounts

The ARCS Accountant felt that his job was done; the Final Accounts for the first year of the MPC's operations had been completed, audited and sent to the A.C.C.D., only a few weeks after the end of the year; what more could anyone ask of an Accountant?

The General Manager sent for him and asked what the Accounts were for; the Accountant replied, after some hesitation, that they were for the A.C.C.D. The General Manager replied that he thought that the Accounts were meant to help management, not just to satisfy the A.C.C.D.'s procedural requirements; could the General Manager and management in general learn from the Accounts, to help them do a better job next year?

Annual Accounts continued

Balance Sheet For The ARCS After Twelve Months Of Operations

<u>Liabilities</u>	Rs	<u>Assets</u>	Rs	Rs
Creditors	2,750,000	Cash		20,000
Overdraft	1,500,000	Debtors		900,000
Non Member Deposits	1,850,000	Loans to Farmers	1,150,000	
Owed to People's Bank	4,500,000	Less: Allowance for Bad		
Owed to Development Bank	3,500,000	Debts	<u>100,000</u>	
Members' Deposits	400,000	Net		1,050,000
Member Shares	250,000	Monies Owed by Non Agriculture Members		1,100,000
Surplus	20,000	Stocks of Farm Inputs		3,000,000
		Stocks of Farmers' Produce		500,000
		Vehicles		1,900,000
		Furniture and Fittings		100,000
		Tea Factory Net of Depreciation		2,700,000
		Paddy Mill		2,500,000
		Buildings		900,000
		Shares in Co-operative Institutions		100,000
TOTAL	Rs <u>14,770,000</u>	TOTAL		Rs <u>14,770,000</u>

cont.

Annual Accounts continued

Trading Account For ARCS For The First Twelve Months Of Operations

	Farm Supplies	Farmers' Produce
	Rs	Rs
Sales	8,500,000	6,000,000
Opening Stocks	nil	nil
<u>Plus: Purchases</u>	<u>10,700,000</u>	<u>5,800,000</u>
	10,700,000	5,800,000
<u>Less: Closing Stocks</u>	<u>3,000,000</u>	<u>500,000</u>
Cost of Goods Sold	7,700,000	5,300,000
Gross Surplus	800,000	700,000
Total Gross Surplus		1,500,000
Interest Earned		100,000
Transport Charges		<u>50,000</u>
Total Gross Surplus		1,650,000
Expenses:		
Depreciation - Tea Factory	300,000	
- Vehicles	200,000	
Wages	400,000	
Water and Electricity	10,000	
Interest Payments	450,000	
Printing and Stationery	100,000	
Supplies and Services	150,000	
Telephone	10,000	
Provision Bad Debts	<u>10,000</u>	
Total		<u>1,630,000</u>
Surplus	Rs	<u>20,000</u>

Annual Accounts continued

Assignment:

- 1) How might the presentation of the Accounts have been changed in order to make them clearer?
- 2) What are the critical ratios which should be examined and what are their implications for mangagement?
- 3) What specific action should be taken by ARCS management in the forthcoming year to remedy problems that have been identified in the Accounts?

SESSION 7.3

DISCUSSION OF ACCOUNTS APPRAISAL

Objectives: To enable participants to share the insights of the group in relation to a given Set of Accounts, and to apply what they learn to their own situation.

Timing: One to two hours.

Materials: "Annual Accounts", 7.2, and if possible Sets of Accounts from participants' own organisations.

Session 7.3: Discussion Of Accounts Appraisal

SESSION GUIDE

Ensure that those participants who are not familiar with Accounts are able to contribute to and learn from this session as well as those with more knowledge of the subject. They may find this difficult, particularly since they may be less expert in other areas of management, but if they are allowed to monopolise the floor those who are not as fortunate as they are will learn nothing.

The session may be structured as follows:

- 1) Ask participants to describe how else the Accounts might have been presented; they may mention the British as opposed to the American layout which has been adopted, but this makes very little difference; some authorities prefer the following approach which participants may find more informative than the two column method used in the case study; it is important to stress that there is no right or wrong method and that organisations should choose that which is most useful to those for whom the Accounts are intended;

Session 7.3: Session Guide continued

LIABILITIES (SOURCES OF CAPITAL):

	Rs
<u>1. Proprietors' Funds</u>	
a) Share Capital	25,000
b) Reserves and Surplus	2,000
i. General Reserves	
ii. Special Reserves	
iii. Surplus i.e. Balance in Profit and Loss Account	
 <u>2. Medium and Long Term Liabilities</u>	
a) Long Term / Medium Term Loans	800,000
b) Deposits (according to duration)	225,000
 <u>3. Current Liabilities</u>	
a) Borrowing from Bank (O.D./C.C.)	150,000
b) Sundry Creditors	
c) Deposits (according to duration)	
d) Provisions and Other Liabilities	
 TOTAL	Rs 1,202,000

ASSETS (APPLICATIONS OF CAPITAL):

	Rs
<u>1. Fixed and Long Term Assets</u>	
a) Land	} 610,000
b) Buildings	
c) Plant and Machinery	
d) Furniture	} 200,000
e) Motor Vehicles	
f) Others	2,000
 <u>2. Investments</u>	10,000
 <u>3. Current Assets</u>	
a) Stock	350,000
b) Sundry Debtors	305,000
c) Cash / Bank	
d) Advances for Purchases	
e) Due from Employees	
f) Others	
 <u>4. Intangible / Fictitious Assets</u>	
a) Prepaid Expenses	
b) Preliminary Expenses	
c) Balance of Loss	
d) Others	
 Less: Current Liabilities Creditors	275,000
TOTAL	Rs 1,202,000

Session 7.3: Session Guide continued

- 2) Go through each item in the Accounts in some detail, both in its own right and in relation to other items where the ratio may be relevant; the following points may be elicited from participants and discussed by the group:

Cash: Is this amount too low to meet day to day requirements?

Liquidity: Which of the current assets are readily available in case of need; Rs 20,000, Rs 900,000 or what other amount; which current liabilities are in fact likely to be called at short notice; in any case the relationship of the current assets to the current liabilities is far too low and any unforeseen demand might lead to insolvency.

Allowance for Bad Debts: Is 8.7% a good performance, or too optimistic an allowance; in any case Rs 100,000 was brought forward from the old MPCSS; has any allowance been made for bad debts in the portfolio of loans made by ARCS itself?

Are the figures for debtors, advances and monies owed by non agricultural members generally clearly distinguished from each other; may potential farmers' bad debts also lead to repayment problems?

Stocks: The stock of farm supplies is only turned over 2.56 times a year; this seems far too slow and an extravagant use of scarce finance but there may be genuine reasons for high stocks such as shortages, unreliable deliveries, increase in prices or the particular season at which the stock was taken; how were the stocks valued?

Stocks of produce turn over 10.6 times a year; this seems adequate but perishable produce should not remain in the warehouse for more than a month. Are the stocks all salable?

Session 7.3: Session Guide continued

Vehicles: What does a depreciation rate of 10% per annum imply; should the vehicles be depreciated more quickly?

Shares: Should the shares in other co-operative organisations be sold for the Balance Sheet value; are these really subscriptions which should be written off?

Creditors: ARCS is on average taking more than 4 months to pay its bills to suppliers; is this effective management of sources of finance or are suppliers beginning to lose their patience?

Reserves: Are the amounts too small?

Owners Equity: The owners investment is a very small proportion of the total capital employed; lenders will hesitate to advance further funds because the owners themselves have so little to lose, and the MPCs has also to pay Rs 450,000 a year in interest. Which items really should be considered the owners' investment?

Surplus: The figures of 9.4% surplus on supplies and 11.6% on purchases from producers appear to be reasonable; it may be necessary however to increase them in order to build up reserves and the owners equity.

Balance Sheet Items: Are these sufficiently detailed or is the information given in too much detail? Should further information on stock valuation methods, remuneration of staff, numbers of staff, types of activities and so on be provided in notes to the Accounts?

- 3) Ask participants what changes they would recommend in the management of ARCS in order to improve the situation. They should suggest a campaign to increase the proportion of owners equity, both by soliciting subscriptions from existing and new members and by increasing the surplus on farm supplies and produce in order to generate reserves for re-investment. This may be a long process but must be undertaken, and

Session 7.3: Session Guide continued

members must not expect any return on their investment for a long period, if the ARCS is to become a viable and credit worthy organisation which can attract finance on its own merits.

If participants feel that this judgement is too severe, ask them whether they as private individuals or private bankers would lend money to ARCS as it presently stands. What terms would they demand and what implications would these have for ARCS?

Should an organisation such as ARCS subsist on the basis of "development" funds which are not lent on commercial criteria?

- 4) If time allows ask participants to produce Sets of Accounts for their own co-operatives and attempt to analyse these in the same way as those from ARCS have been treated.

Session 8.1 The Need for Budgets

Session 8.2 Cash Budgets

Session 8.3 Setting Budgets

Session 8.4 Deviations from Budget

SESSION 8.1

THE NEED FOR BUDGETS

Objective: To enable participants to decide how overall financial results can be achieved, and to identify the need for budgets as a device for controlling and motivating achievement.

Time: One to one and a half hours.

Material: Balance Sheet and Trading Account for ARCS from previous session.

Session Guide:

- 1) Ensure that all participants have copies of the ARCS Accounts from the previous session. Remind them if necessary of the conclusions reached at the session.

- 2) Ask participants to comment on the net surplus of Rs 20,000. What percentage of the total revenue is this? $\frac{20,000}{8,500,000 + 6,000,000} = 0,13\%$
Is this an adequate performance? Clearly it is inadequate; ask participants to suggest ways in which it might be increased. The following suggestions may be made and should be listed on chalkboard / OHP.
 - Increase sales of farm supplies, farm produce or both.
 - Reduce cost of farm supplies, farm produce or both.
 - Reduce any or all expense items.

- 3) Ask participants what would be the effect of a general direction to increase the surplus in every way possible; would all staff be likely to work towards the same goal? Participants should identify potential contradictions such as:
 - Higher transport charges might mean lower supply of produce and consequently less sale of produce.
 - Lower wage payments might mean lower turnover.
 - Higher purchase prices for members might be needed to achieve higher turnover.

Session 8.1: The Need For Budgets continued

Allow participants up to twenty minutes individually to calculate reasonable ways in which ARCS might achieve a surplus of Rs 200,000 in the following twelve months.

4) Ask participants to state their suggestions; opinions will vary but some of the possibilities are as follows:

- Increase sales of farm supplies to Rs 10,412,500, i.e. by 22.5%.
Gross surplus on farm supplies will increase to Rs 980,000 (+ 180,000).
Assuming that other costs do not increase net surplus will increase to Rs 200,000.

- Increase sales of farm produce to Rs 7,550,000. Surplus on farm produce will increase to Rs 880,000 (+ 180,000). Assuming that other costs do not increase net surplus will increase to Rs 200,000.

- Double transport charges	- Increase earning by	Rs 50,000
Reduce wages by one quarter	- Saving	100,000
Reduce stocks by Rs 1,000,000	- Saving interest charges of approximately (assumed interest 3%)	<u>30,000</u>
Total Saving		Rs 180,000

Resulting in total net surplus of Rs 200,000.

Point out that a general instruction such as "reduce costs by 10%" is not a guide to action; specific targets must be calculated which are feasible and understood by those responsible for achieving them. The above splitting out exercise has helped to define specific targets.

5) Ask participants to imagine themselves to be manual labourers who are responsible for digging a ditch. Which of the following instructions would they prefer to work to?

- "Dig a one metre deep, twenty five centimetres wide ditch as far as you can along this line."
- "Dig a one metre deep, twenty five centimetres wide ditch forty metres along this line today."

Most people prefer specific measurable objectives;

- They know what they are aiming at.
- They know when they have achieved it.

Session 8.1: The Need For Budgets continued

Relate this to the proposed improvements in ARCS performance; are co-operative managers usually instructed as follows:

- "Make as few phone calls as you can."
- "Try to reduce our use of stationery."
- "See if you can cut the wage bill a bit."

OR

- "We spent Rs 10,000 on the telephone last year; the figure must be reduced to Rs 7,500 this year. Each month's bill will be compared with the same month last year to check we are achieving the 25% reduction."
 - "We shall cut our printing and stationery costs by 30% this year. The new and less expensive paper will save Rs 20,000 if we use the same amount of paper as we did last year, and stores staff will control the use of stationery in order to achieve a further saving of Rs 10,000 by reducing the amount of stationery goods."
 - "We must save Rs 20,000 on the wage bill next year. We can save Rs 5,000 by eliminating Saturday afternoon overtime in the warehouse, and Rs 15,000 by not replacing the casual watchman and the Warehouse Trainee who propose to leave."
- 6) Ask trainees to refer to their suggestions for increased revenue or reduced costs in order to achieve a net surplus of Rs 200,000 for ARCS. How would they translate these proposals into targets which can be understood by staff responsible for them, and which can be monitored in order to measure how successfully they are being implemented?
- 7) Participants may already be familiar with systems of budgetary control; point out that the budget systems are designed to translate broad objectives into specific targets for section and individual staff.

SESSION 8.2

CASH BUDGETS

Objectives: To enable participants to identify the cash flow implications of proposals, and to reduce cash budgets which will minimise the risk of insolvency.

Time: One hour.

Material: As previous session.

Session Guide:

1) Remind participants of the ARCS problems described in the previous session. Ask them what would be their immediate reaction to the following suggestion for improvement:

- "We can reduce costs of farm supplies by 2½% if we pay cash instead of taking thirty days credit. This will save Rs 192,500 (7,700,000 X 2½%) which is more than we need to bring the surplus up to Rs 200,000."
- "We can reduce our annual wage bill by 25% or Rs 100,000 if we can install an integrated materials handling system in our produce and supplies warehouse. It will only cost Rs 500,000, and the suppliers assure us that it will last at least ten years so that the net increase in surplus, after charging Rs 50,000 depreciation, will be Rs 50,000 per year."

2) The savings might indeed be made, but ARCS does not have the cash to pay for the suggested investment. Participants may not appreciate that paying for something earlier or receiving money later represents a use of money, or an investment, just like a piece of equipment. Illustrate this point with the following example which should be written on the chalkboard / OHP.

"Two co-operative societies are proposed to be set up; each is to buy Rs 10,000 per month worth of goods from the members, for cash, and to sell the goods one month later for Rs 11,000. Society A is to sell for cash, while Society B is to be paid a month after delivering the produce

Session 8.2: Cash Budgets continued

to the customer. The societies will pay Rs 1,000 per month, in cash for all premises, wages, transport and other services and it is proposed in both cases that they should maintain a cash balance of Rs 1,000 for day to day purposes. What investment will be required to set up each society?"

Participants should attempt to produce a simple balance sheet for each society.

Society A

	<u>Cash needed</u>	<u>Cash coming in</u>	<u>Investment needed</u>
Month 1	Rs 1,000 (expenses)	---	Rs 11,000
	Rs <u>10,000</u> (produce)		
	Rs 11,000		
Month 2	Rs 1,000 (expenses)	Rs 11,000	---
	Rs <u>10,000</u> (produce)		
	Rs 11,000		
	Total investment needed		Rs 11,000

Society B

	<u>Cash needed</u>	<u>Cash coming in</u>	<u>Investment needed</u>
Month 1	Rs 1,000 (expenses)	---	Rs 11,000
	Rs <u>10,000</u> (produce)		
	Rs 11,000		
Month 2	Rs 1,000 (expenses)	---	Rs 11,000
	Rs <u>10,000</u> (produce)		
	Rs 11,000		
Month 3	Rs 1,000 (expenses)	Rs 11,000	---
	Rs <u>10,000</u> (produce)		
	Rs 11,000		
	Total investment needed		Rs 22,000

Session 8.2: Cash Budgets continued

Society B will require Rs 11,000 more investment, although the volume, surplus and expenses are identical to those of Society A; the critical factor is the timing of the movements of cash.

- 3) Distribute the exercise and allow participants up to thirty minutes on their own to complete it. Ensure by inspection that all participants understand what is required and guide those who appear "lost".
- 4) Ask participants to present their results; the answer is as follows:

Month	Cash Out	Cash In	Net For Month	Cumulative Net At End of Month
	Rs	Rs	Rs	Rs
1	210,000	250,000	+ 40,000	+ 40,000
2	10,000	-	- 10,000	+ 30,000
3	10,000	-	- 10,000	+ 20,000
4	10,000	-	- 10,000	+ 10,000
5	10,000	-	- 10,000	-
6	10,000	65,000	+ 55,000	+ 55,000
7	10,000	-	- 10,000	+ 45,000
8	10,000	-	- 10,000	+ 35,000
9	10,000	-	- 10,000	+ 25,000
10	10,000	-	- 10,000	+ 15,000
11	10,000	-	- 10,000	+ 5,000
12	10,000	65,000	+ 55,000	+ 60,000

The proposed finance would not be sufficient, since cash would be zero at the end of month 5 and the monthly operating costs of Rs 5,000 for month 6 have to be paid out during this month before members' payment of Rs 65,000 was received. The Society should therefore arrange to have overdraft facilities of at least Rs 10,000 to be drawn on as required.

Ask participants what the Society might do if an overdraft is not available; members should pay monthly or quarterly, and a bank would probably insist on this in any case.

Session 8.2: Cash Budgets continued

- 5) If necessary ask participants to repeat the exercise assuming that members paid quarterly rather than six monthly. The figures are as follows:

Month	Cash Out	Cash In	Net For Month	Cumulative Net At End of Month
	Rs	Rs	Rs	Rs
1	210,000	250,000	+ 40,000	+ 40,000
2	10,000	-	- 10,000	+ 30,000
3	10,000	32,500	+ 22,500	+ 52,500
4	10,000	-	- 10,000	+ 42,500
5	10,000	-	- 10,000	+ 32,500
6	10,000	32,500	+ 22,500	+ 55,000
7	10,000	-	- 10,000	+ 45,000
8	10,000	-	- 10,000	+ 35,000
9	10,000	32,500	+ 22,500	+ 57,500
10	10,000	-	- 10,000	+ 47,500
11	10,000	-	- 10,000	+ 37,500
12	10,000	32,500	+ 22,500	+ 60,000

Stress that the radically different position, showing a sound and viable operation as opposed to an insolvent one, is totally the result of a change in the timing of money movement. The other figures are unchanged.

- 6) Stress that the management must budget for the timing of money movements as well as for the amount; the first example shows the proposed Society to be profitable but bankrupt within six months of starting. Debtors stocks and cash and bank balances must be forecast and monitored just like expenses and income.

Cash Flow Exercise

The one hundred and thirty dairy farmers of Tau District wish to start a Milk Co-operative Society; its sole function, initially at any rate, would be to operate a vehicle which would collect members' milk every day and deliver it to the MPCS Processing Unit. To avoid complications, the prospective members propose that they should continue to be paid individually for their milk by the processing unit. The Co-operative would provide them with transport services only. The proposal was referred by the ACCD to ARCS, since Tau is in Alpha Region; the proposal appeared to be satisfactory, but the ACCD wanted to be sure that it was adequately financed from the beginning.

The prospective members proposed themselves to invest Rs 50,000 and they had asked the People's Bank for a loan of Rs 200,000 to pay for the vehicle, repayable in five years at a monthly rate of Rs 5,000, payable at the end of each month; the total operating costs including fuel, maintenance and driver's wages were estimated to be a further Rs 5,000 a month, payable in cash, while members would pay a fixed charge of Rs 1,000 a year each for the service, to be paid in two instalments, at the end of June and the end of December each year, when their surplus cattle were normally sold so that spare cash was available.

Assignment:

- 1) Calculate the monthly inflow and outflows of cash for the first twelve months of operation.
- 2) Would the proposed finance be sufficient? If not what else would be required and when?

SESSION 8.3

SETTING BUDGETS

Objective: To enable participants to set budgets in consultation with staff who are responsible for achieving them.

Time: One to one and a half hours.

Material: Role Play Briefs (to be given to two trainees who must not discuss them with one another, some time before the session) and ARCS Accounts from Session 8.2.

Session Guide:

- 1) Remind trainees of the ditch digging task discussed in Session 1. It was agreed that people prefer to have specific targets to work to, rather than working without any particular end in view. From the organisation's point of view, staff must work towards targets to avoid conflict and failure to achieve overall objectives, as was seen in the discussion of ways in which ARCS's surplus could be increased from Rs 20,000 to Rs 200,000. Ask participants how such targets are to be set.
- 2) Participants may suggest variants of the following alternatives:
 - Management should convert the basic objectives, such as increasing the surplus by Rs 180,000, into individual results which staff must be instructed to achieve.
 - Management should identify the general direction of changes required (increased sales, reduced costs, etc) and should ask responsible staff to say what they believe they can achieve. Their answers should be used as the targets or "budget".
 - Management and their subordinate supervisory staff should discuss the overall budget and how it can be achieved by individual departments and activities. Individual budgets should be agreed between managers and their subordinates, so that they are achievable and will achieve the overall objective.

Session 8.3: Setting Budgets continued

The last approach is clearly the most attractive to both sides; ask trainees what difficulties may occur.

- The gap between management's expectations and subordinates' estimates of what they can achieve may be too large, so that management must in the end impose budgets on their subordinates.
- The discussion will be a "bargaining table" where both sides make unrealistic demands because they know that they will have to compromise at a point midway between two extremes.
- Budgets will be discredited because they are imposed by higher authority and are perceived as being impossible to achieve. Staff may deliberately fail to achieve them in order to ensure that they are set lower budgets next time.

3) Ask participants whether a budget should be:

- A target which can almost certainly not be achieved, but which will always motivate staff to work towards it? (Compare the affect of possible Olympic gold medals on thousands of young athletes.)
- A conservative estimate of what can be achieved, based on present experience, which can with confidence be used as a basis for forecasting results to banks and other conservative institutions?
- An estimate which can be achieved with luck, skill and hard work, but which is beyond normal expectations?

The last type of budget is most likely to motivate achievement; how can such a figure be agreed?

4) Distribute copies of both role play briefs to all participants except those previously nominated for the two roles. Allow trainees up to ten minutes to read the briefs. Ask the nominated role players to act out the budget setting interview in front of the remaining participants; allow them up to twenty minutes for this.

Session 8.3: Setting Budgets continued

- 5) Discuss the meeting with the "actors" and other participants; ask the actors whether they are both satisfied with the outcome and ask the observers whether they felt that one side or the other had "won" or whether a mutually agreeable figure has been reached.

Discuss the process of setting budgets; stress the following points:

- People will not be motivated by what they feel are unrealistic budgets.
- Managers must try to be informed about every department and its situation.
- The General Manager should probably start such a meeting by stating the problem (the low net surplus) and asking the Supplies Manager how he feels he can contribute to a solution.
- The General Manager should offer to help his staff to achieve their objectives, by making additional facilities available and so on.
- The General Manager should be supportive and not critical; the subordinate should feel that his General Manager believes that he can achieve the desired result.
- Eventually the General Manager may have to impose a budget rather than agreeing on one, but the atmosphere of the meeting should be such that even if the subordinate still feels that it is unreasonable, he is motivated to do his very best to achieve it.

Role Play Brief: General Manager, ARCS

You are the General Manager of ARCS; you are aware that a net surplus of Rs 20,000 on turnover of Rs 14,500,000 was dangerously low; the slightest change in circumstances could turn the surplus into a loss and it is vital that the Society should earn a larger surplus in order to repay loans and build up resources.

You look to the Farm Supply Section for the necessary increase in surplus; the Members Produce Section is already buying all the farmers' produce it can handle and brief inquiries suggest that farmer members are buying at least the same amount of supplies from private traders as they are from ARCS and facilities for farm supplies are sufficient to permit a substantial increase in the activity.

You estimate that if farm supply sales could be increased by 22.5%, that is from Rs 8,500,000 to Rs 10,412,500, the gross surplus earned would increase by Rs 180,000 and the net surplus would be increased to Rs 200,000; this assumes that the gross margin percentage will remain the same and that no other expenses increase. You feel that a sales increase of 30% or more would be possible, in view of existing success, and you are about to discuss the Farm Supply Budget for the coming year with the Credit & Marketing Manager. He is an eager and ambitious young man and you are considering imposing a budget of thirty three and a third percent increase over last year, to a sales level of Rs 11,330,000. You are fairly sure that this could be achieved, but you feel that the thirty percent is possible and that the Credit & Marketing Manager will work better if he is motivated by an almost impossible target.

Role Play Brief: Credit & Marketing Manager, ARCS

You are the Credit & Marketing Manager of the ARCS; you are pleased with your achievement in the first year of operations when you have rapidly built up turnover in Farm Supplies from nothing to Rs 8,500,000 in the year. You feel that the Members Produce Section, which only sold Rs 600,000 worth of produce during the year, should contribute more to ARCS. The gross surplus from your own activity amounted to Rs 800,000, while the Members Produce Section only contributed Rs 700,000 towards operating expenses and overheads. The net surplus of Rs 20,000 is clearly far too low, and you expect that pressure will be put on the Members Produce Section to yield a better return next year.

The ARCS farm supply activity has elicited a rather strong response from private traders whose business has suffered; they have countered with price reductions, free delivery, extended credit and other concessions. Although you are delighted that your own success has led to a general improvement of this sort, which will benefit all farmers, you realize that ARCS cannot match every move by the smaller more flexible private suppliers, with lower overheads. You hope to increase sales by perhaps 10% next year, but you will be satisfied if you maintain last year's performance.

The General Manager has just asked you to come to see him to discuss the budget for next year.

SESSION 8.4

DEVIATIONS FROM BUDGET

Objective: To enable trainees to analyse the variances from budgets, to identify reasons and to deal effectively with them.

Time: One to two hours.

Session Guide:

- 1) Remind trainees of the previous session; ask them to assume that a sales budget of ten million rupees was agreed by the General Manager and the Credit & Marketing Manager. If actual sales turn out to be nine million rupees, what possible explanations might there be for the shortfall?
 - Increased prices caused sales resistance.
 - Reduced prices meant that physical volume remained the same or increased but the final sales were lower.
 - Increased competitive activity reduced sales.
 - New less expensive substitute products meant that farmers could achieve the same results by spending less money.
 - Market or climatic conditions were adverse so that farmers could not afford to buy more supplies.
 - Supplies were not available from manufacturers in spite of demand from farmers.
 - The department was badly managed.

- 2) If the result had exceeded the budgeted figures of ten million rupees, how might this have been explained?
 - Price increases concealed, maintained or reduced physical volume, but in a way that total sales were higher.
 - Competitive suppliers withdrew from the market.
 - Favourable climate or market conditions led to unexpected demand from farmers.

Session 8.4: Deviations From Budget continued

- The department failed to obtain the desired supplies, and had to purchase and sell more expensive substitutes.
 - Reduced prices led to greatly increased demand from farmers.
 - The department was well managed and thus achieved better than expected results at expected prices.
- 3) Point out that divergences from budget are not necessarily the responsibility of the manager concerned, or of staff under his control. Better than budgeted results can conceal inadequate management, and worse than budgeted results may have been achieved by excellent management. Ask trainees how top management can separate the effects of factors within and outside the control of their subordinates when appraising performance against budget.
- 4) Write the following example on the chalkboard / OHP:
- 1980 diesel fuel budget for pick-up truck Rs 100,000
 - 1980 actual diesel fuel expenditure Rs 120,000
 - Excess cost Rs 20,000

Ask trainees what additional information is needed before any judgement can be made.

- Budget / actual cost of fuel per litre.
- Budget / actual kilometres to be driven.

Allow trainees up to fifteen minutes to appraise the actual performance versus the budget, given the following data:

- Budget price Rs 5 per litre.
 - Actual price Rs 6 per litre.
 - Budget kilometres to be driven 60,000 kilometres.
 - Actual kilometres driven 63,000 kilometres.
- 5) Go carefully through the following calculations to ensure that all trainees grasp the principles involved.

Session 8.4: Deviations From Budget continued

At actual price and kilometres driven, expenditure on fuel should have been $63,000 \text{ km} \times \frac{20,000 \text{ litres}}{60,000 \text{ km}} \times \text{Rs } 6 = \text{Rs } 126,000$. Actual expenditure was Rs 120,000; this gives a favourable "variance" of Rs 6,000.

Ask trainees how this might have been achieved.

Effective maintenance, good driver supervision to reduce fuel consumption, etc.

Put the following example on chalkboard / OHP:

- Budgeted cost of fertilizer Rs 50,000.
- Actual cost of fertilizer Rs 60,000.

Ask trainees what additional information is needed.

- Expected cost of fertilizer Rs 1,000 per ton.
- Expected fertilizer usage 50 tons.
- Actual cost of fertilizer Rs 1,050 per ton.
- Actual usage 55 tons.

Ask trainees to work out the expected results and to analyse the causes of deviations from budget.

- Expected cost at actual price and usage Rs 57,750 (1,050 X 55).
- Variation because of price change Rs 50 X 50 tons = Rs 2,500.
- Variation because of usage change 5 tons X Rs 1,050 = Rs 5,250.
- Variance for other reasons Rs 2,250.
- Total variance Rs 60,000 - Rs 50,000 = Rs 10,000.

6) Ask trainees to suggest what might be the "other reasons" which accounted for Rs 2,250 of the variance.

- Fertilizer wastage.
- Excess charges for containers or transport.
- Theft or other losses.
- Poor record keeping.

Session 8.4: Deviations From Budget continued

Show how the foregoing analysis has separated out the proportion of the deviation from budget which was caused by factors strictly within the control of the manager.

Ask trainees whether and in what circumstances they would hold the manager responsible for the other deviations from the budget.

- Higher than budgeted usage might be good if the objective was to sell as much fertilizer as possible to members, or bad if the figure was calculated on optimum usage for a particular area.
- Higher than budgeted prices may be unavoidable but if prices are not controlled and part of the manager's job is to obtain supplies from the cheapest source this may indicate poor performance.

7) Write the following further example on the chalkboard / OHP:

- Annual salaries of office clerk Rs 7,500 (budget).
- Annual salaries of office clerk Rs 8,000 (actual).

Ask trainees what further information is available:

- Budgeted salary level Rs 5,000 per year per office staff member.
- Budgeted employment one full time office staff member, one half-time secretary.
- Actual salary level Rs 6,000 per year per office staff member.
- Actual employment one full time office staff member for twelve months, one office staff member for three months.

Allow trainees up to twenty minutes to analyse the information and to suggest possible reasons for the variance.

- Expected cost at actual salary and employment $\text{Rs } 6,000 \times 1\frac{1}{4} = \text{Rs } 7,500$.
- Variance because of salary change $1\frac{1}{4} \times \text{Rs } 1,000 = \text{Rs } 1,250$.
- Variance because of employment change $\frac{1}{4} \times \text{Rs } 5,000 = \text{Rs } 1,250$.
- Variance because of other causes Rs 500.
- Total variance $\text{Rs } 8,000 - \text{Rs } 7,500 = \text{Rs } 500$.

Session 8.4: Deviations From Budget continued

Possible explanations:

- Overtime payments to office staff members.
- Poor record keeping.

Ask trainees how they would appraise the performance of the manager responsible for office staff members' costs.

- Some measure of workload is essential; the number of staff served by office staff members, the number of comparative figures on the number of documents produced or activities undertaken, supplies or crops purchased.
- Higher than expected salaries might be caused by nationally imposed salary increases, appropriate attempts to hire better and more productive office staff members or failure to hold down salaries.
- Less than expected employment might be caused by more effective use of time, failure to recruit office staff members or general downturn in the Society's activity.

8) Stress that these alternatives do not show that budgets are a waste of time; setting budgets and analysing variances ensures that:

- Staff have specific tasks to work to.
- Flows of finance can be forecast.
- Deviations from plan can quickly be identified and remedied or allowed for.
- Staff strengths and weaknesses can be more easily identified and corrected.

Session 9.1 How to Start a Co-operative

Session 9.2 "Selling" Co-operation

SESSION 9.1

HOW TO START A CO-OPERATIVE

Objectives: To enable participants to recognise conditions which are and are not conducive to the establishment of a co-operative, to suggest alternative solutions for problems of rural poverty and to design a strategy for promoting a co-operative if this is an appropriate solution.

Timing: One to two hours.

Materials: "The Basket Weavers", 9.1.

Session 9.1: How To Start A Co-operative

SESSION GUIDE

This session together with that on "selling" co-operation, involves two different aspects of problems with co-operative societies, arising from their establishment and problems of disloyalty within them. Since co-operative MPCSSs are the result of farmer members' initiative, it is in theory the members that should be concerned with problems of their MPCSSs rather than the reverse; nevertheless it is often the case that MPCSSs must take action to remedy problems faced by the members and the various other sections of the community in their respective area of operation; and this case study here provides opportunity for discussing the types of action that should be taken.

The case of the basket weavers may be one where a co-operative is the obvious solution; participants should be reminded that the General Manager has been asked to suggest first how the women's problems might be solved and secondly what role ARCS might play. It may be difficult for managers brought up in the co-operative sector to contemplate any other initiative in a situation of this sort; but syndicates should be asked to follow the following procedure when discussing this problem:

- 1) What is the problem?
- 2) What has caused the problem?
- 3) What possible alternatives are there for solving the problem?
- 4) Which alternative is the best?
- 5) How should it be implemented?

This procedure is intended to prevent participants from jumping immediately to the conclusion that a weavers' co-operative is the only solution.

The Basket Weavers

After one year, the farmers of Alpha Region were already beginning to feel the benefits of the reorganised MPCS; the more progressive farmers were improving their paddy and attempting to grow better tea, and a new air of optimism was beginning to be felt. Agriculture alone, however, could not employ everybody, and the problems of the landless, or those who need more income than their land afforded them, were as yet untouched.

About 1,000 women in the Region, mainly in five villages of Gamma Area, rely on basket making for the bulk of their income. The Area is very dry, and most of the men live in the City in order to obtain work. Their remittances home are meagre and irregular, and their wives must often support their whole families for much of the year themselves.

The baskets of Gamma Area have always been famous for their strength and good design, and they command a ready sale in many parts of the country; tourists have brought samples home and foreign buyers are beginning to show some interest as well. Sustained export sales will depend however on design changes, elimination of insects from the reeds, and, above all, a reliable consistent source of supply.

As the hills above Gamma Area have progressively lost their forest cover, the Area has become drier and many streams which used to run all year now hold water only after rain. Apart from the serious affects this has on agriculture, and thus on the productivity of farms, the reeds from which the baskets are made grow along the banks of permanent streams; the recurrent droughts, and overgrazing by goats and cattle, mean that reeds that used to be easily available near every village now have to be cut and transported a great distance, from other Areas and from other people' s land.

As a result of this the women of Gamma Area are unable to collect their own materials; when this problem first occurred, a number of women in one village would sometimes collect together enough money to pay for one of their number to hire a cart and to cut the reeds for all of them, but there were disputes about how this one person's work should be re-imbursed and as it became necessary to travel even further, and to use vehicles, individual entrepreneurs gradually took over the task.

The Basket Weavers continued

The women could not afford to pay for the collection and cutting of the reeds before they used them, and a system was evolved whereby the businessmen (or women) would advance sufficient reeds for a week or so's work, free of charge, on the condition that the woman in question would sell her baskets back to the same person, who would deduct the cost of the reeds before paying for them.

Problems soon arose because dishonest women took their baskets to other traders; a number of less efficient traders went out of business and by the time ARCS was established there were only five traders supplying reeds and buying the completed baskets in the whole Gamma Area. The traders were related to each other by blood or marriage, and they maintained a similar price level and ensured that the women sold their work to the same trader who had advanced them the materials. Apart from purely local sales, all the baskets were sold through these five traders; the price difference between the cost of the reeds and the value of the completed basket was substantially reduced in real terms over the years, but the traders claimed that this was inevitable because of the greater distances they had to travel for reeds and because of competition from plastic and other modern materials. It was very difficult for women to travel outside the Area to check on prices, and those who attempted to do this found that the traders were not so willing to do business with them in the future.

The traders sold their baskets to markets throughout the country, and to the few export buyers who managed to get to Gamma Area. These buyers sometimes asked for design changes or other improvements such as advance dipping of all reeds to kill insects, but the traders said that they had enough problems with the women without asking for more.

Some of the women complained to their local MP that they were being exploited by the traders; since the ARCS was apparently having a favourable impact on the farming sector of Alpha Region, the ACCD asked the General Manager of ARCS to suggest how the women's problem might be solved, and what role the ARCS might play.

The Basket Weavers continued

Assignment:

Imagine yourself to be the General Manager of ARCS. What would you recommend?

When you discuss the problem, follow this procedure:

1. What is the problem?
2. What has caused the problem?
3. What possible alternatives are there for solving the problem?
4. Which alternative is the best?
5. How should it be implemented?

SESSION 9.2

"SELLING" CO-OPERATION

Objectives: To enable participants to recognise the validity of arguments against co-operatives and effectively to "sell" co-operation to farmers on the basis of their own self interest.

Timing: Two to three hours.

Materials: "The Independent Farmers of Zeta Area, 9.2.

Session 9.2: "Selling" Co-operation

SESSION GUIDE

This material should be used as the basis for a role play in which three or four representatives of ARCS present the case for co-operation to a similar number of independently minded farmers, who are willing to be persuaded if they feel that co-operation is in their financial interest.

The session should be structured as follows:

- 1) Using existing syndicates, or on some other basis, break the group up into sub groups of around five or six members each. Give three members of each group copies of the ARCS Staff brief and the remaining members copies of the Zeta Area Farmers brief, or alternatively select four or five members as ARCS staff and four or five members as Zeta Area Farmers, ask other members to act as observers.
- 2) If possible those who are blindly adherent to the principles of co-operation should be asked to play the farmer's role while those who are perhaps more sceptical should play the role of ARCS managers.
- 3) Do not allow either side to see the others briefs, and ask each group of two or three to decide on the strategy for the forthcoming meeting, allow fifteen minutes for this.
- 4) Allocate separate rooms, or different parts of the same large room, for the actual meetings and allow up to thirty minutes for (each) simulated meeting to take place.
- 5) Ask (each group of) ARCS staff to describe what they feel they achieved during the meeting, and ask Zeta Farmer groups to describe ways in which their beliefs were changed.
- 6) Ask the negotiating groups to come together once again and to discuss the way in which their meetings proceeded; how could the ARCS staff have improved their presentation in order to "sell" the benefits of co-operation more effectively to the independent farmers.

The Independent Farmers Of Zeta Area

ARCS Staff Brief

The success of the ARCS clearly depended to a great extent on the success and effectiveness of the branches; the converse was also true, and whenever possible the Co-operative Department attempted to involve Managers of ARCS in their attempts to strengthen and revitalize branches of the MPCs.

The people of Zeta Area were well known for their energy, initiative and independence. Many of them ran businesses in other parts of the Alpha Region, or elsewhere in the country, and some of the most successful farmers in Alpha Region were to be found in Zeta Area. The ACCD felt that if a viable branch could be developed in Zeta Area, this would be valuable in its own right and would also add as an example to the rest of the Region.

Previous attempts to enroll farmers in Zeta Area as members had never been successful, but the ACCD suggested to the General Manager of ARCS that now might be the occasion to try once more. Generalised appeals to community spirit or nation building were of less interest to these farmers than things which would earn them more money; now that the ARCS was operating a tea factory a paddy mill and a dairy and was providing farm inputs from a District Depot convenient to Zeta, the farmers might be persuaded to enroll themselves as members in order to take advantage of these new services.

The General Manager invited a delegation of prominent farmers from Zeta Area to visit the new Headquarters of ARCS. He suggested to the Managers of the Dairy, Tea Factory, Paddy Mill and Credit and Marketing Sections that they might join him in a free ranging discussion whose objective would be to persuade the farmers, who were known to be influential in Zeta Area, to support a proposed new member enrollment drive in Zeta Area.

The potential benefits which might be offered by ARCS included:

- Farm supplies were about 5% less expensive from ARCS than those available in local privately owned retail shops.
- The Paddy Mill paid about 10% more per bushel and also collected paddy free of charge if local farmers were able to assemble a minimum of 50

The Independent Farmers Of Zeta Area continued

ARCS Staff Brief continued

bushels at a convenient collection point. Their demand for paddy was steady throughout the year.

- The Dairy paid about 15% more per litre of milk than was available on the local market, and here again the milk was collected from small farmers if branches were able to assemble a minimum of 5 drums of 20 litres each at a single collection point.
- The only alternative outlet for tea was outside the Region; the ARCS factory paid market prices, and could handle whatever farmers chose to bring.
- Credit in kind was available to members through the farm supply service; debts were painlessly repaid by deduction from crop receipts.
- ARCS was planning to organise farmer training sessions for members.
- The progressive and successful farmers of Zeta Area could expect to play an important role in directing the affairs of ARCS, if they joined ARCS as members.

The Independent Farmers Of Zeta Area continued

Zeta Area Farmer's Brief continued

does not inspire confidence.

- You are a great believer in competition; your Area for instance enjoys an efficient local tractor hire service because three operators hire out tractors, and as a result their prices are competitive and service is good. You mistrust any form of monopoly.
- You have heard that it takes a long time to obtain credit from official sources, and that co-operative staff feel that if you have borrowed money they are entitled to inspect your farm to ensure that you are using it as you stated you would when you applied for the loan. You would rather borrow what you need quietly from a local moneylender, and be free to use the money as you think fit.
- Traders from outside the Region visit Zeta Area from time to time in order to buy tea and paddy. By hard bargaining it is sometimes possible to obtain higher prices than those which you suppose are given by the MPCs. They pay in cash without any complicated deductions or later payments and you prefer this method of doing business.

Assignment:

The General Manager of ARCS has asked you and a few other prominent farmers from Zeta Area to meet him and the Managers of the ARCS Tea Factory, Dairy and Credit and Marketing Sections for a general discussion; you are doubtful as to whether ARCS can do anything for you, but you are sufficiently interested to be willing to meet with them.

Session 10.1, 10.2, 10.3 and 10.4

**Action Learning: Dealing with Our Own Problems of
Staffing, Accounting, Budgeting or Co-operative
Development and Members Relations**

SESSION 10.1, 10.2, 10.3 and 10.4ACTION LEARNING: DEALING WITH OUR OWN PROBLEMS OF STAFFING,
ACCOUNTING, BUDGETING OR CO-OPERATIVE DEVELOPMENT AND MEMBERS RELATIONS

Objectives: To enable participants to apply what they have learned during the preceding days to their own problems in the areas of staffing, finance and accounts and external relations.

Timing: Complete day.

Materials: Participants' completed pre-programme questionnaires and annual reports, returns or other information brought by participants from their own MPCs.

Session 10.1, 10.2, 10.3 and 10.4: Action Learning: Dealing with our Own Problems of Staffing, Accounting, Budgeting or Co-operative Development and Members Relations

SESSION GUIDE

The purpose of this day of "action learning" is to ensure that participants relate what they are doing to their own jobs and do not consider that the success of the programme depends on their ability to successfully solve the problems of ARCS.

The day before this session, the participants are asked to write down a specific problem which they face in their work. It is very important that they describe the problem in such terms that it is possible to deal with it. The participants are not supposed to write statements like: "I can't communicate with workers" but to give an example of a specific situation where this has happened. Remind participants that they are not supposed to give examples of problems that already are solved. Participants should be reminded of the fact that they share among them an enormous wealth of knowledge on management of MPCSS, and this day should give them an opportunity to bring their combined expertise to bear on an actual problem of some of their colleagues.

Problems falling in the area of staffing, accounting, budgeting and finance or co-operative development and members relations should be used for this session; the numbers to be dealt with depend on the total number of participants and the number of problems relating to these areas, but it should be possible for each syndicate to deal during the three discussion sessions with two or even three of their colleagues' problems. The syndicates should be put together according to the following criteria: different problems, members from different regions, not the same syndicates as before, if possible.

The syndicates should structure their discussions along the following lines:

- a) A selected member of the syndicate describes his particular problem in very specific terms, and relates it to the background of his organisation with which the remainder of the group should by this time be familiar.
- b) The remainder of the group consider the problem and attempt to draw on their own experience for ideas for its solution.

Session 10.1, 10.2, 10.3 and 10.4: Session Guide continued

- c) The "owner" of the problem attempts to draw together his colleagues' advice and to suggest how he will solve the problem on his return home.
- d) The remainder of the syndicate comment on his solution and the syndicate between them arrive at a specific programme of action to which the "owner" of the problem is prepared to commit himself.

The time allocated to this process for each problem should be a minimum of one hour but it may be preferable for each syndicate to deal only with two problems during the three sessions devoted to this discussion.

During the fourth session the "owner" of each problem should make a brief presentation describing the problem and saying what he proposes to do about it; the remainder of the class who were not in his syndicate should comment on his proposal which his syndicate should by this time consider as their own. In this way every problem will be addressed in detail by each syndicate and more generally by the class as a whole. By the end of the day it should have been possible for half the whole class to have had the experience of describing a problem to their syndicate, jointly developing a solution to it and then presenting the solution to the class as a whole.

Careful note should be made of the problems and the proposed solutions since participants' success in applying these will be used as a major means of evaluating the programme.

Session 11.1 Project Appraisals: Why and How

Session 11.2 Project Appraisal Exercises

Session 11.3 Discussion of Project Appraisal Exercises

Session 11.1PROJECT APPRAISALS: WHY AND HOW?

Objectives: To enable participants to identify factors which are critical in selecting investment projects and to apply simple techniques of project appraisal with due understanding of their shortcomings.

Timing: Three to four hours.

Material: "Which Proposal", 11.1.
Discount Tables; taken from Gittinger,
Economic Analysis of Agricultural Project,
published by the John Hopkins University Press
for the World Bank in 1972.

Session 11.1: Project Appraisals: Why and How?SESSION GUIDE

Suggested structure of session:

- 1) Ask participants to give examples of personal and official decisions which have faced them, where they must choose between a number of purchases which cost the same amount of money but give different benefits how are such decisions made?
- 2) Show that information on the costs and the benefits must be available before a decision can be made. Elicit the point that an investment must "pay for itself", that is the benefits must at least equal the costs.
- 3) By the use of simple examples, lead participants to appreciate the fact that a technique is needed to take account of the timing of returns from an investment.

These stages may be summarised as follows:

- a) What is required of projects is that they should pay for themselves
- b) Compare: Project A: - 100 today + 1 per annum for 100 years.
Project B: - 100 today + 100 in year 1.

Account must be taken of the time a project takes to pay for itself.

- c) Compare: Project C: - 100 today + 10 in year 1 + 10 in year 2 + 80 in year 3.
Project D: - 100 today + 80 in year 1 + 10 in year 2 + 10 in year 3.

Account must be taken of timing of return within pay back period.

- d) Compare: Project E: - 100 today + 50 in year 1 + 50 in year 2 + 50 per annum for ever.
Project F: - 100 today + 50 in year 1 + 50 in year 2.

Account must be taken of the return after a project has "paid for itself".

Session 11.1: Session Guide continued

- 4) Show that the timing of benefits is important, by asking participants whether they would prefer Rs 100 today or Rs 100 tomorrow, or Rs ... a year from now. The preference for immediate benefits results from a desire to avoid risk, to avoid inflation and the ability to use the money, or enjoy the benefits, if you have it now.
- 5) Hold an "auction" by asking each participants to write down how much he will pay today for Rs 100 to be received in one year's time. Ask participants to state their answers and list the spread of opinions on the board. Repeat the "auction" for five years, ten years and twenty years. Stress that participants should ignore in their answers, the risk that the money will not be given and inflation; their answers should relate only to the added benefit gained by present versus future receipt of the money. Explain that their answers are actually stating the rate of interest they require on investments; compare their answers with rates actually paid by savings banks.
- 6) Each participants will now have constructed a discount table for himself; explain this and distribute the simplified discount tables. Explain these and check participants' understanding by asking them a number of simple examples.
- 7) Distribute the handouts "Which Proposal?" and ask participants to attempt to practice the net present value technique on these proposals, using a discount rate of 10%.

Participants will quickly realise that the investments and returns are the same in every respect, but that the projects are not all equally desirable nevertheless. Ask participants to identify the other factors for and against each of the four projects; these may be summarised as:

- Effect on employment.
- Effect on balance of payments (foreign exchange reserves).
- The certainty of the return.
- The multiplier effect of the benefits of members.
- The manageability of the project.

Opinions will differ as to how each of the proposals are rated according to these standards, but a table of this sort may be constructed in order to illustrate the importance of these factors.

Session 11.1: Session Guide continued

	Dairy Machinery	XYZ Insecticides	Access Road	Breeding Bull
Employment			+	
Balance of Payments	+	-	+	-
Certainty		-		-
Benefit to Members	+	-	-	+
Manageability	-	+	+	-

+ = Good

- = Bad

No Mark = Neutral

Final selection will depend on individual rating of each of these factors, but reasonable ranking would be:

- Access Road 1
- Dairy Machinery 2
- XYZ Insecticide 3
- Breeding Bull 4

- 8) Show that the discount tables can be used to calculate the "present value" of future benefits which can then be compared with the investment required to "buy" the future benefits; or to calculate the "rate of return" of an investment project by finding the discount rate which makes the future benefits equal to the investments required to "buy" them. Illustrate this by simple examples, and ensure that every participant is able to use the discount tables; show how to obtain a factor for a "stream" of benefits which starts some years from now, by subtracting the rate for the year it starts from that for the year it finishes.

Which Proposal

The General Manager of ARCS encouraged his staff to suggest additions to the services provided by the MPCs, and he was delighted at the flow of ideas and resulting improvements. Finance was however a problem; as the branches expanded in number and size, the demands on ARCS's existing services, and its working capital, increased without any additional services being provided. Nevertheless, the General Manager did not want to stifle his subordinates' initiative. He had a number of proposals on his desk, and his Accountant told him that in the forthcoming year only Rs 100,000 could be invested in any new activity. His problem was to decide which of the proposals should be selected for implementation, and to rank all of them so that others could be implemented as and when funds became available.

Assignment:

- 1) Calculate the net present value of the following proposals. Use a rate of 10%.
- 2) Identify other factors for and against each of the four projects, e.g.:
 - Effect on employment.
 - Effect on balance of payments (foreign exchange reserves).
 - The certainty of the return.
 - The multiplier effect of the benefits of members.
 - The manageability of the project.
- 3) Decide which proposals should be selected for implementation.

Which Proposal? continued

MEMO

FROM: The Manager ARCS Dairy TO: General Manager ARCS

Butter Packaging Machinery

We presently limit our production of butter to the demand from the local market, plus occasional export shipments at rather low prices; our butter is shipped in 50 kilogram drums and must either be used for industrial purposes or repackaged before being sold to consumers.

If we purchased a butter packaging machine we could establish a regular sale of ARCS branded butter; this would enable us to increase our sales and to command higher prices. I am reliably informed by the Manager of City Supermarkets in the capital that if we could offer butter packaged to international standards they would no longer import packaged butter as they do now. The total production of the proposed butter packaging machine would thus be sold in export markets or would replace imports on the home market.

I have identified a suitable Italian machine; this could be delivered by air at one month's notice, and would cost Rs 100,000 delivered and installed. The economics of the project are as follows:

Cost of Machine	Rs 100,000
Additional Sales of Butter	Rs 200,000
Cost of Additional Milk from Farmers	Rs 150,000
Cost of Labour	Rs 10,000
Cost of Imported Wrapping Material	Rs 5,000
Associated Overheads	Rs <u>10,000</u>
Total Annual Expenditure	Rs <u>25,000</u>

Which Proposal? continued

MEMO

FROM: The Manager, ARCS Farm Supply Section
TO: The General Manager, ARCS
PROPOSAL: To Stock XYZ Brand Insecticides

A number of branch managers and farmers have suggested that we should stock the XYZ Brand of insecticides in addition to our existing range; although this brand is not a fundamental component of any of the Ministry of Agriculture's approved regional input packages, the products are apparently of great use in a number of specialized situations. The local representative of the manufacturers suggests that if we put the full range of chemicals into stock now we should almost at once be selling approximately Rs 500,000 worth a year of them. Our farmers are apparently buying something less than this quantity at the moment from private traders in Alpha Region, and if we stock them we should obtain this existing business plus additional business from those farmers who only buy what we stock.

The anticipated stock turn for this range of insecticides is five times per year once the range has been properly introduced, so that our average stock holding will be Rs 100,000 worth and this is the size of the initial order suggested. This stock should apparently support the annual business as predicted, and should net ARCS approximately Rs 25,000 per year of additional surplus once the full sales level has been achieved, after deducting all extra expenses such as transport, returns, handling and so on.

I appreciate that you have declared a moratorium on all new stock items for the duration, in view of the need to finance increasing stocks of existing items, but I should be glad if you could make an exception in this case.

Which Proposal? continued

MEMO

FROM: ARCS Transport Officer

TO: General Manager, ARCS

PROPOSAL: The Construction of Improved Access Road and Turning Area at the ARCS Transport Garage.

I should like to suggest that we should as a matter of urgency construct a new access road to the garage, across the presently unoccupied land in front of the building. Severe congestion and delays are increasingly occurring because vehicles have to enter and leave by the same road, and I have no doubt that a serious accident, with damage to vehicles and possibly injury or loss of life, may occur in the near future if no improvement is made.

While it is difficult to quantify the costs to ARCS of the existing situation, I have estimated that our twenty-five vehicles waste approximately one hour each per month on traffic holdups and on necessary turning and reversing. We attempt to operate each vehicle for ten months a year, and we presently charge out vehicles at Rs 100 an hour each; it can be seen that a sizable sum is involved.

I have estimated that a force of fifty men could complete the job in two months; the material would be brought from the disused quarry across the road, and the job could be supervised and controlled by our own staff who are not fully occupied during this season.

The men would receive Rs 1,000 a month each; they would be expected to provide their own tools, wheelbarrows and so on, and to find their own accommodation if necessary. You will appreciate that during the forthcoming dry season our farmers are not fully occupied and they will be extremely glad of the extra work.

Which Proposal? continued

MEMO

FROM: The Supervisor, ARCS Cattle Breeding Station
TO: The General Manager, ARCS
PROPOSAL: To Purchase and House a New Variety of Pedigree Bull

The Director of the Veterinary Research Station of the Ministry of Agriculture has recommended that we should purchase a pedigree bull of the new heavy yielding breed, in order to enhance the quality of our local dairy herds.

In similar climatic conditions abroad this type of bull, when crossed with our type of cattle, has apparently provided very high quality progeny which are more disease resistant and yield milk of higher butter fat content than the hybrids presently in use in Alpha Region.

This would be the first time that this breed has been used in this country; the Veterinary Research Station is not able to purchase such an animal on an experimental basis on its own account but the Director feels confident that we should do so; I am personally very pleased that he has chosen ARCS Breeding Station for this purpose.

An excellent young bullock can apparently be obtained from abroad and flown here for approximately Rs 90,000; approximately Rs 10,000 will also have to be spent on an extra stall and associated equipment.

A number of farmers have expressed interest in the proposal, and I am confident that we can expect increased net revenue of Rs 25,000 per year from extra artificial insemination services and bulk sales of semen to other regions if we purchase the bull.

Discount Tables

Year	Present Value Of Rs 1 Received During The Year			Present Value Of A Stream Of Rs 1 Per Year Received Every Year		
	10%	15%	20%	10%	15%	20%
1	0.909	0.870	0.833	0.909	0.870	0.833
2	0.826	0.756	0.694	1.736	1.626	1.528
3	0.751	0.658	0.579	2.487	2.283	2.106
4	0.683	0.572	0.482	3.170	2.855	2.589
5	0.621	0.497	0.402	3.791	3.352	2.991
6	0.564	0.432	0.335	4.355	3.784	3.326
7	0.513	0.376	0.279	4.868	4.160	3.605
8	0.467	0.327	0.233	5.335	4.487	3.837
9	0.424	0.284	0.194	5.759	4.772	4.031
10	0.386	0.247	0.162	6.145	5.019	4.192
15	0.239	0.123	0.065	7.606	5.847	4.675
20	0.149	0.061	0.026	8.514	6.259	4.870
25	0.092	0.030	0.010	9.077	6.464	4.948
30	0.057	0.015	0.004	9.427	6.566	4.979
50	0.009	0.001	0.000	9.915	6.661	4.999

SECTION 11.2

PROJECT APPRAISAL EXERCISES

Objectives: To enable participants to apply techniques for appraising projects, and to rate projects according to quantitative and qualitative factors.

Timing: Three to four hours.

Materials: "Which Project", 11.2.

Session 11.2: Project Appraisal Exercises

SESSION GUIDE

These simple exercises in project appraisal require a great deal of simple but accurate arithmetic; participants should if possible have calculators, even one for each group will be adequate, in order to enable them to complete the work more quickly.

Participants should be asked to complete the exercises on their own, in order to ensure that all are familiar with the necessary techniques, and individual guidance should be given to participants who have not yet grasped the necessary principles. However, if time does not permit these exercises may be attempted in small groups.

Which Project?

The Sigma Swamps Land Reclamation Project was a great success; the people of the District, and indeed of the whole of Alpha Region, felt that at last Central Government was paying some attention to the poorest people in the most backward areas of the country, and much of the credit for the initiative went to ARCS.

Up until this time most of ARCS's credit had been advanced to farmers through their branches for their normal seasonal crops and other activities; farmers now realised that credit was available for totally new projects, which might not repay the money invested in them for some time, and which might radically alter and improve the wellbeing of individual farmers or whole communities; as a result, a large number of proposals began to reach the Credit Department of ARCS from individuals requesting finance, or advice, about all kinds of different activities.

Some of these projects arose from suggestions by salesmen or contractors who hoped to gain from the project, some from individual farmers and some as a result of suggestions by extension officers of the Ministry of Agriculture. The projects were presented in a variety of different forms, with different types of information, and it was clearly necessary to develop some means of appraising them, of advising farmers and their societies whether or not they were potentially beneficial, and of deciding whether or not to channel the Rural Bank's scarce funds to support them.

Which Project? continued

MEMO

FROM: Alpha Regional Office, Ministry of Agriculture
TO: Credit Department, ARCS
SUBJECT: Small Holder Rubber Production

You are I am sure aware that in the neighbouring Region the Government is actively promoting rubber production in order to meet the demand of the raw material for the tyre factory.

There is a reasonable quantity of presently underused land in the part of Alpha Region which is adjacent to the rubber growing area, and communications between this Area and the nearest rubber factory in the neighbouring Region are adequate for the transport of latex.

This area is presently rather thinly populated, by farmers who practice shifting cultivation and who live from this and hunting wild animals; I feel that their welfare, and the national interest, would be served if ARCS was to set up a number of these people as small holder rubber growers. The Ministry recommends two acre plots as the minimum viable scale of a small holder rubber growing unit, and adequate supplies of seedlings, together with technical advice, would be made available to any project to encourage farmers to undertake rubber production.

It would be necessary for the people to set aside a portion of their land and to devote it to rubber trees for seven years before any income would result; there is at present no shortage of suitable land in the area, and the tenure arrangements are such that the allocation of two acre plots to individual farmers would cause no problems; the farmers would however require payment to cover the cost of their labour during the seven year investment period before their plots started to earn any revenue.

Which Project? continued

The following table summarises the financial position for one acre;

Activity	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7
Felling & Clearing Labour	Rs 320						
Cost of Plants at 200 per acre	Rs 1,080						
Lining, Pegging & Terracing	Rs 1,200						
Digging & Planting	Rs 1,080						
Shade Plants	Rs 640						
Pruning, Thinning, Weeding & Mulching	Rs 1,440	Rs 1,440	Rs 1,440	Rs 1,200	Rs 900	Rs 620	Rs 620
Fertilising	Rs 400	Rs 720	Rs 920	Rs 720	Rs 560	Rs 560	Rs 560
Spraying	Rs 200	Rs 400	Rs 560	Rs 680	Rs 680	Rs 680	Rs 680
Cover Crops	Rs 280	Rs 100					
Drainage, Fencing & Other Costs	Rs 420	Rs 260	Rs 260	Rs 260	Rs 260	Rs 260	Rs 260

Income: Year 8 = Rs 6,000 Year 9 = Rs 7,800 Year 10 to Year 25 = Rs 9,600

Note: The economics of such a small holding are understated insofar as:

- 1) Income from the tree is only given for a twenty-five year period; in fact most rubber trees live until at least thirty years old, although their productivity may decline.
- 2) When a rubber tree has finished its useful life, the timber has some value; this has not been taken into account.
- 3) It may be possible to plant cover crops which perform the shade and nitrogen fixing function and also have value in themselves; no account has been taken of this possible source of income.

Which Project? continued

NATIONAL SOAP & VEGETABLE OIL CORPORATION

Capital City

Alpha Region

The General Manager,
ARCS,
Alpha Region.

Dear Sir,

Cocomut Plantations

It has been brought to our notice that your Co-operative is actively involved in introducing agricultural innovations into Alpha Region, and we must congratulate you on your success.

You will be aware that our Corporation is anxious to increase the local supply of copra and we are actively encouraging small holder cocomut plantations to this end.

There are substantial portions of Alpha Region where the land is presently under-used and is extremely suitable for cultivating cocomuts; this can be an extremely profitable small holder crop and our Corporation is willing to work with co-operatives such as yourselves, or with branches, to assist with seedlings, advice and eventual collection of the dried copra. We can also assist growers to market other by-products.

On the type of land which we believe to be presently available in Alpha Region, the total cost of clearing, drainage and planting should be approximately Rs 16,000 per acre. A few hours per month are required thereafter for the ten years which it takes the cocomut trees to reach maturity, for simple weeding, mulching and protection.

After the tenth year the small holder can expect a net income of Rs 8,000 per acre from the trees, which should last for a total of forty years productive life.

It is clear therefore that the farmer's investment is repaid by two years of production and that this is thus an extremely profitable activity; we hope that you will be able to respond favourably to requests for credit and assistance from your member societies whose members wish to undertake the production of cocomuts.

Yours faithfully,



Which Project? continued

MEMO

FROM: Superintendent, Chicken Processing Factory
TO: General Manager, ARCS

The success of our export drive has exceeded all our expectations as you know, and we are now seriously embarrassed, particularly by a shortage of eggs. Middle Eastern markets appear to have an insatiable demand for fresh eggs that we produce, and if we cannot increase our throughput I am sure that other suppliers will step in.

Our problems are complicated by the fact that during the period immediately following the takeover of the unit by ARCS a number of independent farmers gave up chicken farming; we must therefore not only replace their production but also add new volume.

I should therefore be grateful if you would through the Rural Bank actively promote and encourage small farmers to invest in chicken rearing units. This is an extremely suitable activity for small farmers who are short of land but who have surplus family labour at their disposal.

The approximate economics of a one hundred bird unit, which we estimate to be the minimum viable unit for a small farmer, are as follows;

A : Initial Expenditure

- Brooder House for 110 day old chicks Rs 700
- Laying House for 100 birds (assuming 10% loss) Rs 1.400
- Feeding and watering equipment Rs 300

/continued

Which Project? continued

Memo continued:

B : Annual Operating Statement For 100 Chicken Unit

<u>Expenditure</u>	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3 On</u>
Cost of 110 day old chicks Rs 7,5	Rs 750	Rs 825	Rs 825
Cost of feed for 110 chicks	Rs 1.400	Rs 1.400	Rs 1.400
Cost of feed for 100 layers	Rs 2.200	Rs 4.400	Rs 4.400
Cost of veterinary attention, water, sawdust, electricity, etc:			
- Chicks	Rs 250	Rs 200	Rs 200
- Laying Birds	Rs 200	Rs 400	Rs 400

Income

Sale of eggs at the rate of 220 eggs per bird per year at a price of Rs 32.50 per hundred	Rs 3.575	Rs 7.150	Rs 7.150
Sale of manure	Rs 150	Rs 300	Rs 300
Sale of empty feed bags	Rs 50	Rs 100	Rs 100
Sale of birds past peak laying	-	Rs 700	Rs 700

Note: The equipment and housing should last at least ten years with reasonable care and longer than that with adequate routine maintenance.

Which Project? continued

MEMO

FROM: The Secretary, Zeta Area Farmers Co-operative
TO: The General Manager, ARCS
SUBJECT: Sheep Rearing

In spite of initial problems the Zeta Society appears to have overcome farmers' initial suspicion and since a number of the members are now profiting substantially from their membership I feel that the society can be considered to be firmly established.

Nevertheless it is important that we continue to come up with ideas for improving welfare in the Area and for this reason I am suggesting that we should promote sheep rearing, particularly in the highland parts of the Area, where the climate and grazing are suitable and where there are few alternative activities.

I have obtained from the Veterinary Department of the Ministry of Agriculture some figures relating to the economy of an economic herd of the type of sheep which are said to be suitable for this part of the country.

Wool and skins can be sold without difficulty in the local markets, although at varying prices, and the local private Abattoir is anxious to increase its production of mutton and lamb for which there are ready export markets.

/continued

Which Project? continued

MEMO CONTINUED

A flock of sheep can also substantially improve the fertility of a pasture. This benefit has not been included in the following summary of the economics of a small farm herd of sheep.

Initial Expenditure:

- 60 Ewes at Rs 250 each
- 2 Rams at Rs 500 each

Recurring Expenditure:

	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4</u>	<u>Year 5</u>
One full time labourer	Rs 2.200	Rs 2.200	Rs 2.200	Rs 2.200	Rs 2.200
Grazing & feed supplement	Rs 1.400	Rs 1.600	Rs 1.700	Rs 1.700	Rs 1.700
Veterinary & Miscellaneous charges	Rs 700	Rs 800	Rs 900	Rs 900	Rs 900

Receipts From Sale Of Wool Clip & Animals For Slaughter:

	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4</u>	<u>Year 5</u>
	Rs 8.700	Rs 9.000	Rs 11.000	Rs 11.000	Rs 12.000

I think you will agree that this makes an extremely attractive proposition for any of our farmers and I hope that you can put forward a package to encourage our farmers to invest in this activity.

Which Project? continued

MEMO

FROM: The Chairman, Theta Area Farmers Co-operative Society
TO: The General Manager, ARCS

Lamda Irrigation Project

Following on the success of the Sigma Swamps Scheme, many of my members have been anxiously pressing for similar investments in this Area.

I appreciate that the situation in our Area does not justify a scheme on the scale of the Sigma Swamps Scheme, but I should like to propose that ARCS should consider recommending to the People's Bank a loan of Rs 500,000 to extend the irrigated area presently served by the Lamda Canal by a further 625 acres; approximately 100 farmers would be expected to benefit by such an extension. The improved fertility will greatly increase the production of cotton and other subsistence crops, and we have estimated that each of the 100 farmers expected to benefit from the extension of the irrigated area will increase his income by approximately Rs 2,000 per annum. This improvement could be expected to be fully realised during the fourth year after the commencement of the irrigation work and to continue thereafter.

The Rs 500,000 investment will be spent evenly over the first three years, and thereafter the annual maintenance costs of the area are expected to amount to Rs 20,000 per year.

I hope that you can see your way to facilitating what will be a very important improvement to our Area and will also, we hope, be a prototype for similar projects in other parts of the Region.

Which Project? continued

MEMO

FROM: The Secretary, Delta Area Farmers Society

TO: The General Manager, ARCS

Proposed Community Well Project

A large part of Delta Area is as you know very arid and no surface water is available for irrigation projects.

The farmers in this area have traditionally relied on wells, which are generally shared between five and six families; these wells are generally of great antiquity, were hand dug, and the water is drawn to the surface by the farmers' own efforts.

The farmers in this area have proposed to re-dig seventy of these wells and to equip them with electric pumps now that electricity has been brought to this part of the country.

I am confident in the group spirit and enthusiasm of the people of this area so that if finance can be obtained the wells will be effectively used to irrigate the area and substantially increase their production of vegetables and subsistence crop.

The improvement to the wells and the installation of pumps should be completed by the end of the second year from the start of the project, and this should cost a total of Rs 1,800,000. Based on experience with similar wells and pumps elsewhere in the country, we may estimate that it will be necessary to spend a further Rs 400,000 every ten years to replace pumps and repair the wells.

Each of the 400 farmers to benefit from the wells should increase his family income by Rs 1,000 per year once all the wells have been completed.

I am sure that you will agree that this is a substantial improvement to the well-being of the people at relatively low cost and I hope that it may be possible to initiate this project in the near future.

Which Project? continued

Assignment:

- 1) Using the simplified discount tables supplied, find out into which of the following rate of return bands each of the six projects falls;

0% - 10%

10% - 15%

15% - 20%

over 20%

- 2) Rank the projects in terms of their rate of return as thus discovered.
- 3) Rank the projects according to other qualitative factors as identified in the previous session (11.1).
- 4) Combine the rankings and produce an overall list of which project deserves the most support and which the least.

DISCUSSION OF PROJECT APPRAISAL EXERCISES

Objectives: To enable participants to check their calculations and to share their experiences as to the reality of project appraisal on the job.

Timing: One to two hours.

Materials: "Which Project", 11.2 and participants' own calculations.

Session 11.3: Discussion of Project Appraisal Exercises

SESSION GUIDE

1) Ask participants to give their solutions as to the rate of return of each project; if errors are discovered, as they almost certainly will be, work through each example ensuring that all participants understand what is being done. The rates of return are;

- Rubber Plantation: between 15% and 20%
- Coconuts: between 10% and 15%
- Chickens: between 15% and 20%
- Sheep: over 20%
- Landa Irrigation: over 20%
- Delta Wells: between 15% and 20%

2) Ask participants to rate the projects according to their effects on employment and other factors identified the previous day. A possible set of conclusions is as follows;

	Rubber	Coconuts	Chickens	Sheep	Irrigation	Wells
Employment	+		+	+		
Import/ Export	+	+	+	+		
Certainty			-	-		
Benefit to Members					+	+
Manageability			-	-		-

+ = Good - = Bad No Mark = Neutral

Session 11.3: Session Guide continued

3) Discuss a final rating, which might be:

1 = Irrigation

2 = Rubber

3 = Wells

4 = Chickens

5 = Sheep

6 = Coconuts

4) Discuss the practical implications of this type of appraisal; ask participants how often they actually have projects presented to them in this form, and whether they ever actually have to rank them because they have more good projects than they have money to finance them with. Stress that differences of 5%, 10% or more in rates of return are far less important than the chances of success of a project, which depend on climate or disease and above all, the difficulties of individual farm or overall project management. Point out that participants may be faced with apparently conclusive analyses based on calculations of this type; they may be a basis for decision making but they are certainly no substitute for good judgement.

The calculations of rate of return bands for each of the projects are as follows.

Session 11.3: Session Guide continued

Rubber

Year	Rs Out	Rs In	10% Rate		15% Rate		20% Rate	
			Rs Out	Rs In	Rs Out	Rs In	Rs Out	Rs In
1	7,060		6,420		6,140		5,880	
2	2,920		2,410		2,210		2,030	
3	3,180		2,390		2,090		1,840	
4	2,860		1,950		1,640		1,380	
5	2,400		1,490		1,190		960	
6	2,120		1,200		920		710	
7	2,120		1,090		800		590	
8		6,000		2,800		1,960		1,400
9		7,800		3,310		2,220		1,510
10 - 25		9,600		28,150		13,870		7,260
Totals			16,950	34,260	14,990	18,050	13,390	10,170
			Net + Rs 17,310		Net + Rs 1,060		Net + Rs 3,220	
<p>Conclusion: The rate of return lies between 15% and 20%</p>								

Coconuts

Year	Rs Out	Rs In	10% Rate		15% Rate		20% Rate	
			Rs Out	Rs In	Rs Out	Rs In	Rs Out	Rs In
1	16,000		14,540		13,920		13,330	
10 - 50		2,000		30,160		13,140		6,460
			Net + Rs 15,620		Net - Rs 780		Net - Rs 6,870	
<p>Conclusion: The rate of return lies between 10% and 15%</p>								

Session 11.3: Session Guide continued

Chickens

Year	Rs Out	Rs In	10% Rate		15% Rate		20% Rate	
			Rs Out	Rs In	Rs Out	Rs In	Rs Out	Rs In
0	2,400		2,400		2,400		2,400	
1	1,025		930		890		850	
2 - 10		1,025		4,520		3,480		2,730
Net Total			+ Rs 1,190		+ Rs 190		- Rs 520	

Conclusion: The rate of return lies between 15% and 20%

Sheep

Year	Rs Out	Rs In	10% Rate		15% Rate		20% Rate	
			Rs Out	Rs In	Rs Out	Rs In	Rs Out	Rs In
0	16,000		16,000		16,000		16,000	
1		4,400		4,000		3,830		3,670
2		4,400		3,630		3,330		3,050
3		6,200		4,660		4,080		3,590
4		6,200		4,230		3,550		2,990
5		7,200		4,470		3,580		2,890
Net Total			+ Rs 4,990		+ Rs 2,370		+ Rs 190	

Conclusion: The rate of return is marginally over 20%

Session 11.3: Session Guide continued

Irrigation Project

Year	Rs Out	Rs In	10% Rate		15% Rate		20% Rate	
			Rs Out	Rs In	Rs Out	Rs In	Rs Out	Rs In
1	170,000		154,530		147,900		141,610	
2	170,000		140,420		128,520		117,980	
3	160,000		120,160		105,280		92,640	
4 onwards		180,000		1,214,100		685,000		433,800
Net Total			+ Rs 798,990		+ Rs 303,300		+ Rs 81,570	

Conclusion: The rate of return is over 20%

Delta Wells

Year	Rs '000 Out	Rs'000 In	10% Rate		15% Rate		20% Rate	
			Rs '000		Rs '000		Rs '000	
			Out	In	Out	In	Out	In
1	900		820		780		750	
2	900		740		680		620	
3 - 50		400		2,970		1,750		1,160
10	400		150		100		60	
20	400		60		20		10	
30	400		20		0		0	
Net Total			+ Rs 1,180		+ Rs 170		- Rs 280	

Conclusion: The rate of return is between 15% and 20%

Session 11.3: Session Guide continued

Stress, and if time allows show by example, that the selection of discount rates, and the use of this or other techniques for project appraisal, is far less important than the affects of poor management.

If sheep prices are 33 1/3% less than expected, or if the chickens lay only 60% of the eggs forecast, for instance, the chicken and sheep projects will lose money at any discount rate.

Ask participants to suggest other possible deviations from forecasts, and to estimate their affects on project viability; stress that initial investments, although often underestimated, are far easier to forecast than future earnings, but none the less have to be estimated.

Session 12.1 The Marketing Concept and the Marketing Mix

Session 12.2 Channel Selection and the Promotional Mix

Session 12.3 Presentation and Discussion of a Marketing Proposal

SESSION 12.1

THE MARKETING CONCEPT AND THE MARKETING MIX

Objectives: To enable participants to apply the principles of marketing to every aspect of an MPCS's dealings with outside individuals and organisations.

Timing: Two hours.

Materials: Tape dialogue.

Session 12.1: The Marketing Concept And The Marketing Mix

SESSION GUIDE

This session should be structured as follows;

- 1) Start the session, if necessary keeping the background of the participants, by giving a brief introduction of marketing concept and marketing mix.
- 2) Play the series of tape dialogues all through and ask participants briefly to consider what was missing in each case. Enact, if tape recorder is not available and distribute handout of dialogues.
- 3) Play the tape again, stopping at the end of each dialogue, and ask participants to identify the particular reasons why the "product" did not sell. Point out that credit, dairy processing services or even education and training have to be marketed just as much as products like soap or cigarettes.
- 4) If further demonstration is necessary, play the second tape; ask participants to identify the various functions, in addition to transport, which have to be carried out between the farmer and the consumer. Stress that these functions have been determined by the demands of the market, and that changes in the ownership of the organisation performing marketing functions does not necessarily reduce their cost.
- 5) Stress that marketing involves looking at products or services through the eyes of the customer; all his needs must be satisfied and not only his need for the physical product itself.
- 6) From the preceding discussion, list the ingredients of the marketing mix and show that the marketing of any product or service depends on the design of an appropriate mix in relation to the need of the customer. While explaining the appropriate mix, stress the following:
 - product
 - promotion
 - physical distribution channels
 - price
 - packing including size
 - provision of credit, especially in the marketing of agricultural inputs
 - people, e.g. sales force

Session 12.1: Session Guide continued

- 7) Illustrate the concept of the marketing mix by asking participants to identify the degree to which each ingredient is present in the way familiar products such as fertilizer, sprayer, pumps or other well marketed products are sold.

- 8) Ask participants to list the products and services supplied by their own co-operatives to members and customers; ask them to appraise the quality of each product or service; they should look at the "bundle of benefits" as a whole, and appraise the product itself and the values of place, time, information, convenience, price and service which are associated with it.

Tape Dialogue - One

Narrator: I have met a number of disappointed people recently; they all seem to have had trouble selling things. First I talked to a fertilizer manufacturer:
"Things don't seem to be going too well, your warehouse is packed high with fertilizer."

Manufacturer: Yes, I can't understand it; I've got all these sacks of the finest fertilizer available anywhere; it's cheaper than anything else on the market too and yet farmers round here don't seem to want it.

Narrator: It certainly looks all right and there doesn't seem to be anything wrong with the sacks it's packed in.

Manufacturer: No, nothing at all; it's in the same 50 kilogram bags that it arrived in; I suppose these small-scale farmers around here are just too stupid to buy a good thing when they see it.

Narrator: Then I met an agricultural banker:
"How are you today? You look rather depressed."

Banker: Yes, my small farm lending scheme isn't going at all well.

Narrator: Maybe your interest rates are too high.

Banker: Far from it; they are lower than the rates offered by any other bank in the country and we have the funds available; people just don't seem to want to borrow the money.

Narrator: How can the farmers get the loans?

Banker: All they have to do is to come here to our office in the City, fill out the necessary forms in triplicate and have them notarised by a lawyer, and then they get the loan; it only seems a reasonable set of precautions to me.

Narrator: Then I met the manager of a dairy:
"Hello; why isn't your dairy operating today?"

Manager: The farmers round here won't deliver their milk here; we offer the highest prices in the Area and our quality standards are far from demanding. Yet I've barely received half the amount of milk I need today.

Narrator: That's a shame; how do the farmers get their milk here?

Manager: All we ask them to do is to deliver it here in tankers or one hundred litre cans; we keep their account and pay them regularly at the end of each month, what more can anyone ask?

Narrator: Then I met a coconut miller:
"Hello; is business bad?"

Miller: It certainly is, here I have the highest quality poonac available in the country, and at the lowest price but nobody seems to want to buy it.

Narrator: Who have you tried to sell it to?

Miller: To our shop keepers I suppose, they are always complaining about shortages. Here it is in 50 kilogram gunny bags, waiting in our warehouse for them to bring the money and take away the poonac; but nobody's been today so far at all.

Narrator: Then I met a tractor salesman:
"How are your new imported tractors going?"

Salesman: Not at all well I'm afraid; I can't understand it, I suppose our product is just too advanced for farmers here.

Narrator: They are certainly very good tractors I believe.

Salesman: They certainly are, some of the best in the world, and extremely robust as well.

Narrator: How about the price?

Salesman: We reckon that our tractors are a third less expensive than any similar machine anywhere, but people still don't seem to want to buy them.

Narrator: Will they stand up to our conditions really?

Salesman: Of course they will, and we can have spare parts flown out from Poland in two or three days if anybody needs them; they just have to write to our office and we can order them right away.

Narrator: Finally I met a research botanist from the Government Agricultural Research Station:
"You don't look too cheerful and yet I thought you told me that you had developed a new miracle high yielding variety of maize."

Researcher: Indeed I have and our tests here at the Research Station prove that it can improve yields by up to 20%, with a minimum amount of extra fertiliser or other inputs.

Narrator: What's the trouble then?

Researcher: Well nobody seems interested in growing the new variety; I have several bags of seed here from our testing programme, but nobody is showing any interest and I think I shall have to move on to another project.

Tape Dialogue - Two

- Narrator:** A tourist from Europe was walking through a farming district and noticed a small pineapple plantation with its owner working in it.
- Tourist:** Good afternoon; those are fine pineapples.
- Farmer:** Thank you very much; would you like to eat one?
- Tourist:** Why, I should love to but you must not pull one up just for me; they are worth a lot of money.
- Farmer:** I wish they were, I sometimes wonder whether it's worth growing them at all.
(Sound of farmer cutting the pineapple and of the tourist eating it)
- Tourist:** Mmm this is delicious; it's fresher and even sweeter than they are when they get to my home in Europe, and we have to pay at least \$ 2 for one pineapple.
- Farmer:** What! \$ 2? That is thirty-two rupees. What do you think I get paid for them?
- Tourist:** Well I suppose they have to be air freighted and that costs quite a lot; in fact mmm let me see at today's air freight rates that would cost about 50 cents to ship; yes I suppose you get \$ 1.50.
- Farmer:** I wish I did; if I get two rupees I'm very lucky.
- Tourist:** But that's terrible; I'm paying \$ 2 and it's too much, you are getting two rupees and that's too little; surely somebody is making a fortune out of both of us.

Farmer: Yes, it's the old story of the middle man. The farmer suffers on the one hand, and the consumer suffers on the other; the middle man sits in the middle and gets fat for doing nothing.

Tourist: Well at least we can cut out the middle man in our case now that we have met; whenever I want a pineapple I'll just let you know.

Farmer: Yes just you do that and I'll get it to you somehow.

SESSION 12.2

CHANNEL SELECTION AND THE PROMOTIONAL MIX

Objectives: To enable participants to devise an appropriate mix of products, price, information and distribution in order to satisfy the needs of members, customers or any other group.

Timing: Three to four hours.

Materials: "The Cattle Spray", 12.2.
Profile of Alpha Region

Session 12.2: Channel Selection And The Promotional Mix

SESSION GUIDE

Participants, in syndicates, should be asked to study the problem in some detail and to make specific proposals.

By this stage in the programme participants should be familiar with the need to make a professional and detailed presentation; this problem gives an opportunity for definite, quantified proposals for action and participants should be discouraged from general statements of intent and approach which are not backed by specific suggestions as to what is to be done.

Suggested structure for the session

The case study is complex and many factors have to be taken into consideration at the same time before a decision can be made. It may therefore be useful to discuss with the participants before they break up in syndicates, a working method which will facilitate the decision making required in questions 2 and 3. Such a working method could be:

Step I: Extract for each question the relevant data given in the case study. Different members in each syndicate can concentrate on different questions in order to save time.

Step II: Group, order and systematise the extracted data as much as possible according to the information they give with regard to:

- the PRODUCTS and their PRICE (Question 2)
- their DISTRIBUTION (Question 2)
- their PROMOTION, in this case information and publicity (Question 3)

EXAMPLE

PRODUCT	PRICE	MIN. QUANT.	DELIVERY	GUARANTEE	PACKAGING
Sprayers					
- Type 1
- Type 2
Chemicals					
- Drums
- Sachet

POSSIBLE DISTRIBUTION CHANNELS PRODUCT	ARCS FARM SUPPLIES DEPOT	CO-OP BRANCHES	PRIVATE TRADE	....etc.
Sprayers	X	X		
Type 1	.....	.....	.....	.....
...etc.				

POSSIBLE PROMOTION CHANNELS PRODUCT	LINKED WITH DISTRIBUTION CHANNELS			NOT LINKED WITH DISTRIBUTION CHANNELS	
	ARCS	....etc.		Extens. Officer	....etc.
Sprayers	X			X	
Type 1	.....	.....	.....	.....	.....
...etc.					

Step III: Decision making.

The Cattle Spray

The ARCS Dairy has encouraged large numbers of farmers to purchase improved cattle for dairy production. There had been little previous experience with cattle of this type in Alpha Region; the first farmers to have the improved cattle farmed in the higher parts of the Region, and their experience suggested that hybrids of the type introduced would be resistant to insect borne diseases, without frequent spraying, dipping or other treatment. As the improved breeds were adopted by farmers in lower areas, however, and as the number of such cattle increased, reports began to come in of unexplained fatalities.

The Ministry of Agriculture staff was overstretched because so many farmers in Alpha Region were interested in new techniques, but they concluded after some investigation that the farmers' earlier optimism was unjustified; every improved cow would have to be dipped or sprayed twice a week, throughout the year, in order to avoid tick borne diseases.

A few larger farmers, and one or two branches whose members were concentrated in a small area, constructed cattle dips; the vast majority of farmers had too few cattle, or lived too far from one another, to justify either their own or a communal dip. They were therefore forced to rely on spraying.

This was in many ways more difficult; the spray had to be mixed in exactly the right proportions, with clean water; if it was too weak, it would not function and if it was too strong it would be too expensive and would also irritate the animals' skins causing them to lose condition. It was also vital to spray regularly twice a week and to pay particular attention to critically vulnerable parts of the animal's body.

Many farmers in the Region who had improved cattle were still unaware of the danger of disease; others had lost animals, or had heard of other farmers' losses, but had no idea of the cause or possible remedies, while a substantial minority were aware of the need for dipping or spraying and were anxious to make use of whatever remedy they could.

cont.

The Cattle Spray continued

Between two and three thousand farmers were believed to have started raising improved cattle and each farmer had something between two and three cattle each. The exact figures were not known because many had acted independently of co-operatives, buying cattle either from their neighbours or from independent dealers.

The Agricultural Extension Staff were doing their best to inform farmers of the need for spraying, and to introduce them to proper methods of doing it, but two officers had to cover the whole of the major cattle raising area and they could only each contact about five farmers a day.

The Manager of the Farms Supply Depot of ARCS thus found himself in the position of having to deal with the problem; since farmers had adopted the new breeds of cattle in response to ARCS's initiative, the Ministry and others felt that ARCS should undertake the task of providing farmers with a remedy for the diseases which affected the cattle.

The Farms Supply Section already sold chemicals for the few dips in the Region, but no sprayers or chemical suitable for spraying were stocked. The Manager of the Section was told by the General Manager to draw up a plan as soon as possible; this should include not only the purchase of the necessary equipment and chemicals, but also a programme for ensuring that every farmer in the Region who had improved cattle was informed of the danger and of how to avoid it.

An immediate advance of Rs 525,000 was to be made available by the People's Bank to finance the necessary purchases; this was intended as a working capital advance rather than as funds to be on lent in kind to farmers, since the authorities believed that spraying equipment and materials did not qualify for credit in the same way as seasonal inputs or larger and more expensive equipment.

The General Manager asked the Farms Supplies Manager to suggest how this money should be spent, what quantities of what products should be bought, what prices should be charged and what means should be used to inform and persuade farmers to spray their cattle. He was also asked to indicate, if necessary, what further sums might be necessary later in the year, and for

The Cattle Spray continued

The Farms Supply Section Manager had already asked for quotations for supplies of the necessary equipment and chemicals; he studied the material he had received.

- 1) Solid brass sprayers, from a company whose products had long been sold in the Region, and for which spare parts were fully available. Packed in individual cartons with clear instructions for use. Immediate delivery, guaranteed for twelve months and sold and serviced by a firm of importers with effective field representation in Alpha Region. Cost Rs 600 each, delivered in minimum quantities of 20 sprayers.
- 2) Plated steel sprayers, imported in bulk, packed in cases of 20 and individually wrapped in cardboard. Tested and declared satisfactory by the Ministry of Agriculture. Immediate delivery, guaranteed for six months, each case to include a selection of washers and other generally needed spares. No local representation. Cost Rs 300 each, delivered free in minimum drops of 40 sprayers.
- 3) Chemical for spraying, in 20 litre drums, to be dissolved in 20 times its own volume of water, sufficient for approximately four hundred animals for one spraying, or four animals for a year at twice a week. Immediate delivery, instructions written on each drum, cost Rs 750 per drum delivered to the central warehouse in minimum lots of ten drums. Discount of 10% for orders of 20 drums or more.
- 4) Chemical for spraying, in individual sachets of 0.1 litre, to be dissolved in 2 litres of water, suitable for one spraying for two animals. Clear written and graphically illustrated instructions printed on each sachet; posters, display cards and booklets provided with each carton of one hundred sachets. Local representative willing to spend a week to introduce the chemical to depots and societies on the basis of an initial order for one hundred cartons of one hundred sachets each, and on the understanding that no other brand would be bought for one season at least. Immediate delivery. Price per carton of one hundred sachets Rs 750, delivered free in minimum drops of ten cartons.

cont.

The Cattle Spray continued

Every manufacturer offered immediate delivery, but they were hard pressed by demands from other regions as well as Alpha. They had therefore requested that any initial order should be accompanied by a letter of intent covering demand for the forthcoming twelve months.

There were at this time ten active branches in the MPCS, and it was estimated that about 50% of the farmers who raised cattle were members of one branch or another. The other farmers sometimes bought supplies from their neighbouring branches, or from farmers who were members, but they usually relied on private traders. Active society members also bought a proportion of their requirements through non co-operative outlets.

A few traders stocked the sachet brand of chemical, but because of the success of the ARCS Farm Supply Section these traders were generally losing interest in agricultural products and concentrating on clothing, food, household goods, medicine and hardware. They, like ARCS, were free to set whatever retail price they chose for their goods; since these traders bought most of their goods in small quantities from wholesalers, who paid similar prices to those offered to ARCS, goods sold through such retailers often cost nearly double the price paid by the wholesaler. ARCS attempted to minimise its margins, and usually marked up goods of this sort by 10% at wholesale level and would often add up another 20% or more for their own retailing function.

The branches of ARCS normally relied on Ministry of Agriculture staff to contact farmers on their farms and to inform them about new farming practices; they used demonstration plots to promote seed varieties, and they also used the Regional Farm Training Centre for short two to three day seminars to introduce major innovations to the leading farmers of the Region. Leaflets and other written material could be distributed through the ten branches, but only the most active members called at the offices, or had any contact with branch managers, more than two or three times a year.

Posters could be displayed at branches' premises and on vehicles, at some expense, but little information could be conveyed in this way, and only a small proportion of the Region's farmers would see, or could read, posters of this sort.

The Cattle Spray continued

Clearly the physical product decision had to be made in conjunction with the choice of diffusion strategy; what method should be used to promote and distribute what products to whom?

Assignment:

- 1) What should be the objective of the ARCS Farm Supply Section in their situation?
- 2) What products should be bought, in what quantities and when, and for what prices should they be sold, and through what channels?
- 3) What means should be used to inform prospective purchasers about the products that were offered to them?
- 4) How will ARCS be able to evaluate the success of the campaign so suggested?

SESSION 12.3

PRESENTATION AND DISCUSSION OF A MARKETING PROPOSAL

Objectives: To enable participants to present and defend marketing proposals and to put over relatively complex and specific proposals briefly and clearly.

Timing: Two to three hours.

Materials: "The Cattle Spray", 12.2 and such presentation material as participants may require.

Session 12.3: Presentation and Discussion of a Marketing Proposal

SESSION GUIDE

Suggested Structure Of The Session

- 1) Ask each syndicate to present its conclusions briefly and concisely; allow up to ten minutes for each syndicate to do this, and allow a further five minutes for specific questions and objections.

- 2) After all syndicates have made their presentations, and have dealt with immediate questions and objections, invite general discussion on the respective merits of the various proposals, whether on the basis of their internal consistency or their overall approach. As with all marketing problems, there are no right or wrong answers to this; one possible set of proposals might be as follows;

Objective - Short Term:

To distribute at least one thousand sprayers, complete with minimum supplies of chemical, to members, and to have sold at least one hundred further sprayers as a nucleus of group spraying activities within 30 days.

Objective - Medium to Long Term:

To ensure that every farmer in Alpha Region who raises improved cattle either has access to a dip, owns and uses a sprayer or is a member of a small group which shares the use of a sprayer by the end of the year.

Proposal

Product:

ARCS should purchase;	Rs
1,000 Sprayers @ Rs 300	300,000
200 Cartons each of 100 Chemical Sachets	150,000
100 Sprayers @ Rs 600	60,000
20 Fifty Litre Drums of Chemical net	15,000
Total	Rs 525,000

Session 12.3: Session Guide continued

ARCS should offer a "package" of one Rs 300 sprayer together with ten sachets of chemical and should also promote the more expensive sprayer, together with chemical in sachets, as a basis for small groups of five or ten farmers who have very small numbers of cattle each.

Distribution:

ARCS should ensure that all branches in cattle rearing areas take stocks of the sprayer/chemical packages and that they bring them to the attention of their members through every possible means. ARCS should also encourage the private traders to stock sachets of chemical. The manufacturer of this chemical should be encouraged to promote his product through the private sector even if this appears to be in competition with ARCS.

Promotion:

Some promotion can be obtained through private traders and for this reason their co-operation should be invited in every way, and the ARCS price for the sachets (see below) should not under cut that available from the private traders. The manufacturer of the chemical should be encouraged to provide promotional material and to ensure that it was used by all private traders in the Region.

Member branches should also promote the sprayer packages through any mailings to members, posters, notices on vehicles and personal information at every possible contact.

Pricing:

The low cost package: Sprayer Rs 300 cost. Chemical Rs 75 cost. ARCS should forego its margin on these and with the normal primary society margin the final price should be Rs 450.

The higher cost set: ARCS should again forego its margin so that the final price should be Rs 825.

Sachet chemical: In order not to under cut private traders ARCS should add a 60% margin, selling the chemical for Rs 12; branches will then sell it for Rs 15 which is the same.

Session 12.3: Session Guide continued

price as that likely to be charged by private traders.

Bulk chemical: This should be sold at the normal margins.

It may be possible to deduct the cost of sprayer kits from farmers' receipts at the Dairy or Abattoir; this possibility should be investigated.

Future Developments:

ARCS should investigate local packing of bulk chemical and should stock spares and provide service for the lower cost sprayers. ARCS should give a letter of intent for two hundred more Rs 600 sprayers, two thousand more cheap sprayers and one hundred more cartons of sachets.

Evaluation:

After one month, one thousand sprayer and chemical packages should have been sold; stocks at branch level, and if possible also stocks of chemical in the private shops, should be assessed in order to ensure that they are moving into the hands of farmers and are being used.

- 3) Points to be stressed during discussion and exemplified in this possible solution;
 - a) It is important that detailed calculations of prices, coverage, usage and so on should be correctly and carefully carried out as a basis for planning; this does not require sophisticated mathematics, but merely care and accuracy.
 - b) For some purposes the higher priced product may be the better product even if physically it is identical to a cheaper one; convenient packaging, information and promotion are something which people are willing to pay for and may be in their interest.
 - c) Co-operative organisations should co-ordinate their activities, to the extent possible, with the private sector, and in particular with retail traders whose coverage in terms of numbers of outlets, opening hours and local knowledge and flexibility may be superior.

Session 12.3: Session Guide continued

- d) Customers should be segmented not only according to their product need but according to the degree of their knowledge about it, their income and the degree to which they are likely to make an effort in order to obtain the product.

Session 13.1 . The Pricing Game

Session 13.2 Recovery of Overdues

SESSION 13.1

THE PRICING GAME

- Objectives:
- 1) To enable participants to calculate costs and set prices for a situation where there are both fixed and variable costs.

 - 2) To enable participants to respond to the realities of a competitive marketing situation.

Timing: Three to four hours.

Materials: "The Coconut Competition"
Carbon paper
Inquiry letters (50 copies)
Quotation letters (50 copies)
Blank envelopes
Blank papers

Session 13.1: The Pricing Game

SESSION GUIDE

Suggested Structure For The Session

- 1) Issue all participants with a copy of the background brief and explain the structure and objectives of the session.
- 2) Appoint four individual participants as coconut millers (the buyers); give them names or labels and ensure that the whole class is aware of these.
- 3) Divide the remaining participants into three groups, each of which is to represent one MPCs. These should be named and labelled.
- 4) Issue each MPCs group with a copy of the MPCs brief.
- 5) While the three MPCs are studying their briefs, privately, each coconut miller should be issued with a copy of the miller's brief.
- 6) Ensure that the buyers, and the sellers, are located in separate rooms or at least at distant corners of the same room so that they cannot overhear each others deliberations.
- 7) The coconut millers should start the game by issuing requests for quotations to all or any of the sellers. These and all subsequent messages should be conveyed by the facilitator and there should be no movement between the groups or communication by word of mouth.
- 8) Circulate among the millers and MPCs, conveying messages as required. Ensure by checking these that gross mistakes are not being made, that no miller purchases more than 250 bags and that no MPCs sells more than 400 bags. Stress to all concerned that the transactions are not complete until the order has been placed and accepted.
- 9) Allow the flow of communication and transactions to continue until all the coconut mills have satisfied their requirements.

cont.

Session 13.1: Session Guide continued

- 10) Instruct each MPCs to calculate its profit or loss statement as soon as it has sold all its production or the game comes to a close.
- 11) Reconvene the complete class and write the three MPCs' profitability statements on the blackboard, as well as the coconut mills' performance. Point out that the demand for 1,000 bags was less than the possible supply of 1,200 bags and ask each group in turn to describe their strategy and to attempt to explain their success or failure.
- 12) Summarise the experience and bring out any of the important points which did not come up in the discussion of results.

Major Issues To Be Covered

- 1) Rapid, accurate and clear communications are a simple but essential element of successful marketing.
- 2) Group decision making may lead to slow and erroneous decisions; clear allocation of responsibilities among the group can facilitate rapid and effective decision making.
- 3) Excessively high prices may lead to underused capacity; excessively low prices will lead to rapid but unprofitable business. The correct policy lies in a well judged compromise.
- 4) Millers must be familiar with their costs in order to be able to react rapidly to requests for prices.
- 5) Business which covers variable costs and even a small element of fixed cost is better than no business at all; the objective should be to maximise the contribution in excess of fixed costs, and not necessarily to sell products at some notional level of "full cost" which depends on an assumption of volume to be used.

Session 13.1: Session Guide continued

- 6) Price depends on cost which depends on volume which depends on price; this is the vicious circle of marketing and the dilemma cannot be solved purely by calculations or application of rules; it requires judgement.

The Coconut Competition : Background Brief

The Coconut and Copra Marketing Board had temporarily broken down. As a result the three MPCSS which marketed coconut and the four coconut crushing oil mills which use it, are faced with a competitive buying and selling situation; each MPCS must compete for the available business with the others, and the mills must all attempt to obtain the supplies they need at the lowest possible cost. The MPCS and the oil mills are prohibited from trading in coconut outside the Region.

There are thus no alternative customers for the MPCS and no other suppliers for the mills. Coconut copra is dealt with in 50 kilogram bags and the suppliers are responsible for costs of delivery to the customers.

The Coconut Competition : MPCS Brief

You are responsible for marketing copra produced by your copra crushing mill. In the new competitive situation all you know is that the likely price level per bag will lie somewhere between Rs 250 and Rs 450 and that your maximum capacity for the period of the game is 400 bags. Your production, selling and distribution costs are as follows:

Production Costs

- Fixed cost of crushing unit, machinery and administration and labour = Rs 20,000.
- Variable cost of coconuts purchased from farmers = Rs 150 per bag.

Selling Costs

- Fixed cost of Sales Office = Rs 4,000
- Variable cost of commission to buyers = Rs 40 per unit.

Delivery Costs (determined by size of each order)

Quantity	Total Cost	Delivery Cost Per Unit
50 Bags	Rs 5,000	Rs 100
100 "	Rs 9,000	Rs 90
150 "	Rs 12,000	Rs 80
200 "	Rs 14,000	Rs 70
250 "	Rs 15,000	Rs 60
300 "	Rs 16,000	Rs 55
350 "	Rs 17,500	Rs 50
400 "	Rs 18,500	Rs 46,25

The Coconut Competition : MPCS Brief continued

You must quote in response to inquiries received from the mills on the basis of your costs including delivery to the mill. The cost of delivery is the same for each mill and the MPCS which makes the biggest surplus wins the competition.

You may only communicate with the four buyers in writing and every communication must state clearly:

- The name of your MPCS
- The name of the Mill to which it is addressed.
- Complete information as to the offer you are making.

It is important that you should keep complete records of all communications you send as well as those you receive in order to avoid confusion.

The sequence of operations is as follows:

- 1) Mills send inquiries to MPCS.
- 2) MPCS quote (or refuse).
- 3) Mill's order.
- 4) MPCS accept orders (or refuse them).

No order is complete until this sequence has been followed through, and the sequence is repeated until either all the buyers are satisfied or all the MPCSs are sold out of their capacity.

The Coconut Competition : Oil Mills Brief

Your job is to buy 250 bags of copra at the best possible price. You may not be able to get all the supplies you want from one MPCs only and you can communicate with the three MPCs at any time to invite inquiries, place orders, expedite inquiries or negotiate prices. You must do this in writing and all your communications must indicate:

- 1) Your own name.
- 2) The name of the MPCs to which it is addressed.
- 3) Complete details of what you wish to communicate.

It is important to retain copies of all communications you send out as well as those you receive.

The sequence of the game is as follows:

- 1) Buyers send inquiries.
- 2) MPCs quote (or refuse).
- 3) Buyers place orders.
- 4) MPCs accept these (or refuse).

No order is complete until this sequence has been completed and the sequence is repeated until either all buyers are satisfied or all MPCs are sold out.

All quotations will be made on the basis of including the cost of delivery to your mill.

SESSION 13.2

RECOVERY OF OVERDUES

Objectives: To enable participants to deal more effectively with recovery of overdue credit.

Timing: Two to three hours.

Materials: "Will They Repay?", 13.2.

Session 13.2: Recovery of Overdues

SESSION GUIDE

The session should be structured as follows;

- 1) Distribute the handout to participants in syndicates and ask them to carry out the following tasks:
 - a) Rank the five farmers A, B, C, D and E in order of the likelihood of their repaying their loans in full.
 - b) Explain why they have ranked the farmers in this way.
 - c) Identify the mistakes that were made when the loan was originally granted.
 - d) Decide what should be done now with those loans where some action is required.

- 2) Allow up to forty minutes to one hour for this; reconvene the group and ask syndicate representatives to present their conclusions; a probable ranking would be "B A D E C"; the last three are perhaps equally unlikely to repay. Reasons for this ranking are as follows;
 - A : This farmer's extra income was worth twice the value of his loan and providing that the society's recovery system is well organised, and preferably tied to deliveries of produce, the sum should be repaid.
 - B : The amount of the loan repayment is very small in relation to the scale of the business and there seems no reason why it should not be repaid; a farmer of this sort is anxious to preserve his credit worthiness.
 - C : This farmer has no experience of commercial farming; he borrowed the money in cash to pay for labour which he could not find; he appears to have borrowed the money on a general promise of producing a surplus rather than related to a specific project and an alternative use for the cash has arisen; he is unlikely to repay. While the death of his relative could not have been foreseen the loan should have been made available in kind and based on a specific estimate of increased production and sale of surplus.

Session 13.2: Session Guide continued

- D : This farmer was unable to farm five acres effectively; it is therefore reasonably certain that he will be even less able to farm fifteen acres. His management ability should have been appraised and if possible improved before any loan was granted.
- E : This farmer may feel that he need not repay because of his political importance and influence; it is difficult to resist the request from a farmer of this sort but every possible pressure should be applied.

- 3) Ask participants to assess the rate of default in agricultural credit extended through their organisations; note the figures and ask participants to calculate the effect of this default rate over a five year period on a sum of Rs 10,000 available for lending; even using a rate of 10%, which is lower than the default rate experience in almost any country, less than Rs 6,000 is available after five years; the effects of higher rates are even more disastrous.
- 4) Ask participants to categorise overdues in terms of their causes; they should be guided to the basic distinction between farmers who are willing but unable and those who are unwilling to repay, and may produce further sub categories within each of these.
- 5) Ask participants how overdues in each of the previously identified categories should be dealt with; the basic alternatives are write off, rescheduling or using all social and where necessary legal pressure to recover; participants should consider not only the effect of loss or recovery of the particular sum of money, but the credit worthiness of this particular borrower in future years and the credibility of the society as a viable lending institution in the eyes of other farmers. Ask any participants with experience of a massive inherited backlog of arrears to explain the effect of this on present repayment performance; how can a lending organisation recover its credibility after several years of default by borrowers?

Will They Repay?

The Credit Manager of ARCS is seriously concerned at the early signs of over-dues which are appearing in the credit portfolio. He studies brief summaries of five recent loans and wonders what chances there are of them being repaid.

- Mr A farms 7.5 acres with one acre in mixed vegetables and the balance in rice. He has never used fertiliser before this year, but was persuaded by the local agricultural officer to apply for a loan through the newly revived branch of ARCS. This was approved. As a result of using the fertiliser his production increased from 2,000 to 3,000 kilograms of rice, enabling him for the first time to sell rice. He received Rs 4,000 for the 1,000 kilos which he sold; and the total cost of the fertiliser including its transport and the extra labour involved was Rs 2,000 which was the amount he borrowed.

- Mr B farms 25 acres using a tractor which he bought two years ago. Almost the whole of his farm is devoted to red onions which do fairly well in the rather dry conditions of the area. He has a plough but since he is short of labour for weeding he applied for a loan of Rs 10,000 to purchase a tractor mounted cultivator. Repayment for this was scheduled over three years.

- Mr C has always farmed at a subsistence level, but was encouraged by the reorganisation of MPCSC to apply for a loan of Rs 1,000 in order to produce a sizable surplus for sale. He received the loan which was primarily advanced to enable him to pay labourers to cultivate his vegetables. He has a certain amount of difficulty in finding suitable workers and at this point one of his close relatives died and Mr C was responsible for meeting the funeral expenses.

- Mr D used to farm 5 acres of land; he had farmed this for many years and his yields per acre were generally lower than most of his neighbours'. Even when he tried modern techniques such as fertiliser or improved seeds his results were disappointing, and his family often had to go without things which their neighbours were able to afford.

Will They Repay continued

Because of a change in family circumstances he suddenly found himself with an additional 15 acres of land adjoining his original plot. He immediately decided that he should now farm in a modern and successful way. He applied through his local branch for a loan to hire machinery and to purchase fertiliser and modern improved seeds. He was sure that he could meet the repayments and make a profit to improve the welfare of his family.

- Mr E is a prominent politician in his community and also played an important role in encouraging local farmers to join the reorganised co-operative society. He spends much of his time in political activities and in persuading farmers to follow the suggestions of Government in the interest of national development. He is well connected with important people in the capital city and many people expect that his political energy will shortly be repaid by a senior appointment. He has borrowed Rs 5,000 through his local branch of which he is also a committee member, in order "generally to improve his farm"; his farm is moderately well cultivated at the moment but he has already missed one repayment on the loan.

Assignment:

- 1) Rank the five farmers A, B, C, D and E in order of the likelihood of their repaying their overdue loans in full.
- 2) Explain why you have ranked the farmers in this way.
- 3) Identify the mistakes that were made when the loan was originally granted.
- 4) Decide what should be done now with those loans where some action is required.

Session 14.1 Training: Needs, Objectives and Methods

Session 14.2 Training for Staff Development

Session 14.3 Staff Training

SESSION 14.1

TRAINING: NEEDS, OBJECTIVES AND METHODS

Objectives: To enable participants to identify the training needs of their staff, to state training objectives for any training which they should undertake and to select appropriate forms of training for them.

Timing: Two to three hours.

Materials: "Can Training Help?", 14.1.

Session 14.1: Training: Needs, Objectives And Methods

SESSION GUIDE

Suggested Structure For The Session

- 1) Generate discussion on the usefulness of classroom training and bring out doubts, if any, among the participants about the role of class-room training in staff development. Lead discussion to relate training in class-room as well as on-the-job to improvements in performance and productivity of staff. Refer to earlier discussion on job description and performance appraisal and lead discussion to identify the advantages in training, such as its low cost, speed, structure and the benefits of mutual support and shared experience.
- 2) Show by examples that training to be effective however must be based on critical assessment of performance deficiencies, leading to definition of training needs and above all a clear statement of training objectives; this must lead to selection of content and appropriate method of training by the trainer.
- 3) By reference to participants' experience on this programme, outline the respective merits and demerits of various methods of training, such as discussion, case-method, syndicate etc. which are all referred to as participative teaching techniques.
- 4) Distribute "Can Training Help?" and ask participants, in syndicates or individually, to answer the questions for each of the four staff who are described.
- 5) Ask participants to state their answers to the above questions; possible answers are as follows:

A : Delta Farm Supply Depot Manager

- Find out whether he is ignorant of the procedures or whether he knows them but does not bother to apply them.
- If he is ignorant provide him with study material or send him on a structured course of lectures and exercises.

Session 14.1: Session Guide continued

- If he does know the procedures he requires a course which by case studies and simulations shows the need for regular procedures.

B : The Desiccated Coconut Mill Manager

- Assess his personality and ensure that he is the right person for what is essentially a man management job.
- Given that he is the right person, he should be sent on a training programme on human relations which is highly participative and experiential and should enable him to improve his ability to deal with other people.

C : Dairy Manager

- Find out whether the Manager knows the technical details of the equipment; if he does he is clearly not applying his knowledge and he must be instructed or motivated to do so.
- If as is likely his technical knowledge is insufficient he should be sent on a technical training programme, probably including practical content such as attachment to an enterprise using the same type of machinery.

D : Transport Officer

- It is impossible to train people to be honest; the fault lies either in the man's basic character or in the formal and informal structure within which he has to work.
- If the latter, investigate whether changes in motivation and other aspects of his working environment might improve his commitment to the institution which employs him.
- At the same time, it is necessary to give a fresh look to the salary structure, so that honest people are not pushed to become dishonest.
- If there appears to be no possible improvements of this sort, and/or if his behaviour has been blatantly dishonest, he should clearly be warned and if found necessary asked to quit. It does not appear that training can play any role.

Session 14.1: Session Guide continued

- 6) Refer to Handout 14.1. The Manager of ARCS felt that some staff should be nominated for training during the coming year. How is staff training planned in participants' own societies?
- Are nominees found for courses when they are requested, or when funds become available?
 - Are a certain number of people, or is a certain amount of money, spent on training every year as part of a regular allotment?
 - Are people sent for training when they reveal particular weaknesses as in the case study?
 - Are staff sent on particular training programmes at particular stages of their career, as a matter of routine?
 - Are long term plans made for the development of individual's ability, with training scheduled as appropriate along with changes in responsibility?

Clearly the first two are common, and most training is wasted as a result. Some combination of the last three is appropriate, but clearly this depends on staff turnover and the availability of funds and suitable training opportunities.

- 7) Ask participants to summarise the main co-operative training that is available for their staff. Prepare a comprehensive list in advance, and ensure that all participants are familiar with the various opportunities.

Refer back to the four staff ~~des~~ described in the previous exercise; do suitable training programmes exist for the needs identified for A, B and C? If not, are they common needs? If so, who should take the initiative to introduce suitable training and what role can participants themselves play?

Can Training Help?

The General Manager of ARCS reflected that if training was the answer to his problems, they would all have been solved long ago.

The School of Cooperation and the National Cooperative Council ran programmes for all levels of staff, from general managers to junior clerks and store keepers; their programmes covered a wide range of subjects so that there was virtually no activity, and no staff member, whose needs were not covered in at least one programme at the School or regional training centres of NCC or the University or one of the other institutions which provided training for the co-operative sector.

A number of ARCS's staff had attended training programmes at one time or another during their careers, but since the reorganisation of ARCS it had not been possible to release people for training; the General Manager felt that the time had come to take stock and to nominate at least a proportion of the staff for training during the forthcoming year; he had noted brief details about certain staff whose deficiencies were particularly important; the problem was to decide what role, if any, training could play in their improvement.

- Manager of Delta Farm Supply Depot: Reports, returns and records are always late, inaccurate and incorrectly prepared by the Delta Farm Supply Depot. The Depot's staff relations are good, and the branches served by it have few complaints about the service they receive, apart from frequent paperwork errors which the Manager always corrects quite cheerfully. The poor paperwork causes considerable problems in producing results at Head Office and while the Manager always promises to improve matters the situation remains unchanged.

- Manager of Desiccated Coconut Mill: The Mill has the highest labour turnover of any unit in ARCS. Time keeping is unreliable, and the staff make frequent complaints about their working conditions, their wages and all kinds of minor issues direct to Head Office. The Manager of the unit is technically highly qualified and has successfully dealt with many problems which might have been expected to require expert attention. Members complained about the discourtesy of staff receiving their nuts, but there are few complaints about the actual functioning of the Manager, weighing and

Can Training Help? continued

and grading of the nuts and so on.

- Dairy Manager: The Dairy employed a number of machines, and its success depended on their continued operation. The Manager had been able when first appointed to ensure that the simple items of equipment then used were correctly operated; as new machines were installed, however, breakdowns occurred more frequently and production was sometimes stopped altogether, with resulting losses of milk, when specialist advice had to be sought for apparently simple problems from the agency in the capital city or even from abroad.

- Transport Officer: The Transport Officer had built up an efficient operation with nearly ten vehicles in less than two years; many of the private operators previously serving the area had moved elsewhere, and the farmer members whose vehicles had been taken over by the MPCs were very satisfied with the change. The Officer had asked for a salary increase fairly recently, but since he was already at the top of the appropriate salary scale, nothing could be done. The Manager of a private local coconut oil mill, and a vehicle supplier, both of whose products had not been purchased by the Society had recently implied to the General Manager that the only way to be awarded contracts from the Transport Section was to bribe the Transport Officer, and similar rumours of corruption came from elsewhere. The General Manager had attempted to discuss these allegations with the Transport Officer, but had been met with angry and apparently genuine denials.

Assignment:

- a) What is the specific deficiency in this person's performance?
- b) What should be the specific objective of any improvement programme, and can training play any part in this?
- c) If training can help, what type of training should be undertaken?

SESSION 14.2

TRAINING FOR STAFF DEVELOPMENT

Objective: To enable participants to plan the development of their staff using training as an instrument in such a way that they are able to perform the tasks allocated to them.

Timing: One to two hours.

Material: "Course Resource Survey" and/or description of local training courses.

Session 14.2: Training for Staff Development

SESSION GUIDE

Participants should complete the exercise in syndicates and should prepare an outline of training programme for the development of Field Credit Officers; this programme should answer all the questions in the case study, and should also be feasible in terms of the cost of time to be committed by ARCS. Participants should be encouraged to refer to their experience during this course as a source of ideas of what can and cannot be taught in the classroom and in what way.

The outline of training programme may include the following:

- Objectives of training
- Type of training - on the job/off the job etc
- Topics to be covered
- Duration of training
- Techniques and methods to be used

The Field Credit Officers' Programme

During the first year of operation the Manager of the Credit Section of ARCS had succeeded in recruiting two Credit Officers, both of whom had had some field experience with banks or other co-operative organisations. Towards the end of the year he recruited a further three Credit Officers who had all obtained G.C.E. Advanced Level certificate and had some training in agriculture. Two of these had before joining ARCS been clerical assistants with the Agricultural Department while the others had come from a one year post secondary school agricultural diploma course.

The field credit force thus consisted of five men, the two relatively experienced officers and the three new recruits. The Manager of the Credit Section believed that it would from now on be necessary to recruit a further officer every year or so, but the nucleus of five was sufficient to provide the basic service which was needed. He had prepared a job description to guide himself and his colleagues in their selection of the officers, and for the officers' guidance once employed (see Appendix I). It was clear that few if any of the five officers could satisfactorily perform all the tasks required of them, but the Manager hoped that they would develop with experience and appropriate training.

In the first month after ARCS's reorganisation it had not been possible to think about staff training and development; the day to day tasks of revitalizing previously dormant activities, hiring new people and setting up new systems had been so complex and time consuming that longer term issues could not be considered. The Manager had, however, recently been forcedly reminded on two occasions that short term and immediate problems could arise from neglect of apparently long term issues. Credit Officer A, one of the more experienced officers, was hard working, loyal and apparently honest, and all his reports and forms were always in order. A few days before, however, a group of small farmers from the area served by ARCS had called on the Manager. They had come to complain about Officer A; they pointed out that none of their loan applications had been approved and showed the Manager that they had reasonable claims for consideration. They said that Officer A was rude and patronising when he visited them on their farms, and he kept them waiting for hours when they came to ARCS's office.

The Field Credit Officers' Programme continued

The Manager studied the files after the farmers left and found that Officer A had indeed seriously neglected small farm lending. The volume of his loans was above average, and the number of individual loans was only slightly lower than average; they were all to the larger scale farming members, and several farmers had, quite legitimately, received more than one loan.

A few days later the Accountant asked to see the Manager urgently; he showed him an application which he said was typical if slightly more extreme of those which he had received through Officer C. The form was barely legible and Officer C had made several simple mathematical mistakes; worst of all he had transcribed the balance sheet figure of Rs 1,000 for land value as Rs 10,000 in the schedule of securities; the Accountant pointed out that it was only good fortune that the mistake had been noticed; otherwise a loan would have been granted on the basis of nonexistent security.

The Manager realised that these were extreme cases but none of his Credit Officers were perfect. He decided to list the deficiencies of the group and came to the conclusion that they all shared a number of the following weaknesses, to differing degrees:

- Inability to carry out simple calculations correctly.
- Inability to present application forms and other data neatly and clearly.
- Inability to organise their day's routine of visits.
- Inability to measure land correctly.
- Inability to prepare useful farm plans.
- Inability to distinguish between circumstances within and beyond members' control.
- Inability to collect overdue loan from members.
- Inability to deal constructively with visiting members in the office.
- Inability to communicate with farmers.
- Inability to appraise securities offered by members.
- Inability to identify occasions when members were attempting to deceive them.
- Inability to co-operate with other organisations.
- Inability to work hard.
- Inability to organise secretarial work.
- Inability to make decisions on recommendations for loans and rescheduling.

The Field Credit Officers' Programme continued

This was a depressing list, but the Manager realised that all the officers had many positive points as well. They were in fact typical of the people recruited by other co-operative organisations for field credit work and by the People's Bank. The problem was to help them to improve their ability and performance.

Early in November, the Manager decided that he should draw up a staff training and development plan for his Credit Officers for the coming year, including some guidance for future periods. He decided in the first instance to draw up a general programme for training of Credit Officers which would give a framework for all officers; this could possibly be modified later for a particular officer's weaknesses. As a first step he obtained copies of information sheets about training programmes which were available (see Appendix II). He realised that training courses alone were not sufficient; they should, he felt, be regarded as ancillary aids to on-the-job training during a man's career.

Assignment:

- 1) Draw up a broad outline of training programme for Credit Officers, covering the following aspects:
 - Objective of the training programme
 - Type of training - on or off the job etc
 - Topics to be covered
 - Duration of training
 - Techniques and methods preferred
- Participants should also include a statement of how credit officers should be trained on-the-job.

- 2) Explain your choice of training courses, if any, and list the information you would ideally want to have about a training course before sending anyone on it.

Field Credit Officer - Job Description

Title: Field Credit Officer, attached to ARCS's Credit Section.

Working Hours: Normal ARCS working hours, plus whatever extra time is necessary to contact co-operative societies' staff and farmers.

Objective of Job: To convey information between the Credit Section of ARCS and loan applicants and potential applicants, in both directions, by contact in the office and particularly the field, in order to ensure that ARCS's credit services are widely known and effectively used.

Tasks Involved:

- To visit individual farms and co-operatives and to meet with farmers and co-operative managers in the field, in co-operative societies' offices and in ARCS offices.
- To appraise the loan applications from individual farmers and from societies and to recommend improvements or changes to proposals as they are initially presented.
- To assist potential borrowers to prepare loan applications.
- To appraise loan applications and to write and present reports for submission to the Loan Committee.
- To follow up loans in order to supervise disbursements, and, in co-operation with other staff of ARCS and of the Department of Agriculture, to ensure that loans are correctly used and that ARCS's interests are protected.

The Field Credit Officers' Programme : Appendix I continued

Necessary Knowledge, Skills and Attitudes:

- Knowledge
- All procedures relating to loan applications, approvals, disbursements and recovery.
 - Agricultural conditions in Alpha District.
 - Supply situation for farm inputs and market situation for farm produce in Alpha District.
- Skills
- Ability to obtain the confidence of farmers and co-operative staff on first meeting.
 - Ability to appraise agricultural and managerial needs of any farm situation and to assess the capacity of farmers and their farms.
 - Ability to make simple and rapid calculations of project viability in relation to repayment requirements.
 - Ability to write simple and comprehensive reports.
 - Ability to supervise loan disbursement, use and repayment tactfully and effectively.
 - Ability to co-ordinate credit with other Sections of ARCS and with other agencies.

The Field Credit Officers' Programme : Appendix I continued

- Attitudes
- Willingness to work hard, and long hours, in often uncomfortable conditions.
 - Conviction that agriculture and small farmers are vital to national prosperity.
 - Respect for rural people whatever their economic and educational level.
 - Willingness to work closely with and to co-ordinate their activities with other departments of ARCS and with other organisations even when this appears to complicate the job unnecessarily.

Authority and Discretion Permitted:

- Permitted to use an ARCS owned motorcycle as is necessary for the job.
- Permitted to make use of part-time services of a secretarial and clerical assistant for presentation of reports and submission of proposals.
- Responsible to the Manager of ~~the~~ Credit Section of ARCS..
- Required to liaise regularly and to submit to audit inspections by the staff of the People's Bank.
- Permitted on own discretion to delay or bring forward disbursement or recovery dates by up to one month either way in case of need.

The Field Credit Officers' Programme : Appendix II

THE UNIVERSITY OF RURALIA
Diploma in Agricultural Economics

A ten month programme from September to July for staff in public agencies involved in agricultural extension, agricultural marketing, agricultural credit and for staff from the private sector from agro business firms.

The basic content includes general and development economics, basic statistics, an introduction to international economics and trade theory and the relationship of economic principles to agriculture.

Nominations are invited from employers for suitable staff with a minimum of G.C.E. Advanced Level Certificate.

The aim is to provide selected staff with the sound theoretical basis they need to advance to more senior positions in their chosen career.

Lectures and tutorials will be conducted by staff of the University's Faculties of Agriculture, Economics and Sociology.

Fee: Rs 500 plus accommodation charges. Residence will be provided on campus in the Capital City University Complex.

The Field Credit Officers' Programme : Appendix II continued

CO-OPERATIVE COLLEGE OF RURALIA

Four Week Modular Course on Co-operative Credit

Objective: To prepare participants for positions in co-operative credit by enabling them to generate, appraise, supervise and collect agricultural loans.

Date: Four separate weeks in January, February, March and April, with projects to be completed in the field in the intervening periods.

A further programme will be held in July, August, September and October if demand requires it.

Content: The role of agriculture, co-operative credit institutions and procedures, loan appraisals, supervision and collection.

Methods: The course will be conducted by staff of The Co-operative College, assisted by senior executives from Banks and The Co-operative Societies. Extensive use will be made of case studies and field projects.

Fee: Rs 100 per week including accommodation at The Co-operative College but not including transport.

The Field Credit Officers' Programme : Appendix II continued

THE X INSTITUTE - A PRIVATE NOT
FOR PROFIT EDUCATIONAL FOUNDATION
One Week Crash Course in Agricultural Credit

This course is designed for staff of commercial banks, development banks, Government institutions, co-operatives and the private sector suppliers or processors who are in any way involved in providing credit, in cash or in kind, to agriculturalists.

The course aims to familiarise participants with the basic principles of project appraisal; at the end of the course, participants should be able to appraise any likely investment proposal in agriculture.

The course will be run in March, June, September and December. It will be conducted by Mr X, the well known consultant to banks and other institutions, with visiting speakers from banks and other organisations.

Nominations are invited from all suitable organisations; demand is expected to be heavy so early application is recommended.

Fee: Rs 200; participants should arrange their own accommodation in the Capital City, and advice on suitable hotels can be given by The X Institute.

The Field Credit Officers' Programme : Appendix II continued

INDUSTRIAN AID TO RURALIA
TRAINING OPPORTUNITY ANNOUNCEMENT
International Programme in Agricultural Credit

The Industrian Ministry of Overseas Co-operation is pleased to announce that it is offering four scholarships for suitable Ruralian nominees to attend the above programme, run by The Industrian National University in Urbania, the capital city of Industria.

The programme lasts for twelve weeks from September 1st to November 20th, and is intended to enable participants to play a full role in the development of agricultural credit in their countries, through a mutual exchange of ideas and experience with participants from many other parts of the world.

The value of the scholarships is Rs 8,000 each; this includes all course fees, accommodation, travel and pocket money to cover incidental expenses. Neither sponsoring organisations nor individual candidates will bear any expense, since the scholarships are part of the five year bilateral aid programme between Industria and Ruralia.

Applications should be sent as soon as possible to The Secretary for Aid, Industrian Embassy, Capital City, Ruralia.

SESSION 14.3

STAFF TRAINING

Objective: To enable participants to present and discuss staff training programmes.

Time: One to two hours.

Material: Appendices from Session 14.2.

Handout: Co-operative College Modular Credit Course Details.

Session Guide:

- 1) Ask representatives of each syndicate to describe the programme they have designed; lay the alternatives out on chalkboard/OHP so that differences in timing, topic selection and on-the-job training are clearly demonstrated.
- 2) Ask the participants to explain their programmes and discuss the differences between them. Their programmes should integrate training with structured on-the-job experience which gives the officers the opportunity to improve their ability at the same time as they are carrying out their tasks.

The programmes may include the following features:

- Opportunities for officers to work in pairs to learn from one another.
- Frequent training meetings of all officers to discuss outstanding problems and to work through case studies and examples with the Manager.
- Trial attendance by one or more officers on training programmes to assess their value.
- Opportunity for reassessment and remedial training at frequent intervals.

cont.

Session 14.3: Staff Training continued

- 3) Stress that training programmes can only be assessed in relation to the needs of a particular group of trainees; ask participants to suggest features they would wish for in a course for the ARCS Credit Officers:
- Brief absence from the field.
 - Content closely related to their jobs.
 - Opportunities to exchange ideas with people in similar jobs.
 - Inexpensive.
 - Instructors in close contact with real life.
 - Location of programme not too remote from reality.

Discuss the four possible courses in the light of this specification.

A : University of Ruralia

- Long continuous period away from the job.
- Theoretical content.
- Instructors remote from agricultural reality.
- Course given in urban surroundings.
- Only possible for one officer to attend, so training will be delayed.
- Very diverse group of trainees.

B : Co-operative College

- Continuous opportunity to relate content to reality.
- All trainees share a similar background but are from different organisations.
- Instructors are familiar with co-operative procedures.
- The content is related to actual tasks.
- All officers can attend in one or two years without too many being absent at the same time.

C : The X Institution

- Brief and intensive.
- Overdiverse trainee group.
- Expensive.
- Relies on one instructor who may not be familiar with co-operative procedures.
- Held in the City away from the farming environment.

Session 14.3: Staff Training continued

- The commercial approach indicates that the organisation is anxious to "sell" the course; this may imply an inferior product but may also lead to determination to offer good results in order to achieve repeat business.

D : The Industrian Aid Financed International Programme

- Only possible for one member from ARCS to attend.
- A long period away from the field.
- Attendance may be motivated by desire for foreign travel or for a generous stipend rather than the need to learn.
- An overdiverse trainee group for credit officer level.
- The environment is unrelated to the farms with which officers must deal.

-

4) Ask participants to suggest what information they would seek about a training programme before sending an officer on it: elicit the following items:

- The time, duration, cost and location.
- The objectives, what will it enable trainees to do?
- The identity and background of the instructors.
- The learning methods to be used.
- The subjects to be covered.
- The method of evaluation.
- The entry qualification.
- The number of trainees in one group.
- The background of the expected participants.

5) Distribute the Handout giving details of the Co-operative College Course; compare this with the information participants normally receive about courses and with whatever information their employers had before deciding to send them on this course. How can they obtain similarly detailed information when considering which courses to send their staff on?

CO-OPERATIVE COLLEGE OF RURALIA

Four Week Modular Course on Co-operative Credit

Target Participants: Junior to middle level staff in co-operative organisations whose primary job is concerned with agricultural credit.

Overall Objective: To enable participants to carry out co-operative credit functions more effectively, and in particular to carry out the necessary procedures, to identify the salient features of potentially good and bad loan applications from individual farmers and from societies, to identify important constraints, to assist applicants with filling in applications, to supervise disbursement and use of loans and to assist in the collection of repayments.

Dates: The course will be run on a modular basis with four separate residential weeks; these will be the weeks beginning January 8th, February 5th, March 5th and April 2nd, 1980. The intervening periods will be spent on the job with structured projects for completion. A further programme will be held in July, August, September and October if demand requires it.

Week One: The role of agriculture in the economy and (January) the role of co-operatives and credit. The organisation and function of co-operative credit and the relationships with other organisations; basic survey procedures to obtain information about farm potential.

Handout continued

Method: Lectures, readings, assignments and communication role play exercises.

Instructors: Agricultural economists, senior co-operative staff, representatives from the Ministry of Agriculture and other institutions working with the co-operative sector.

Project for completion during subsequent field period:
To obtain data on sample farms and societies within the trainees' region and to identify their role in the community and their potential for use of credit.

Week Two: The procedures for reporting, assisting (February) applicants to complete application forms, reporting forms, the information role of credit officers and their relationship to other parts of their own organisations and to other institutions outside the co-operative sector.

Method: Lectures, exercises, case studies and programmed learning material on co-operative credit procedures.

Instructors: Co-operative training specialists and senior co-operative credit executives from unions and banks.

Project for completion during subsequent field period:
To identify and follow individual cases in the field and in the files from the original application to the final repayment and to appraise the systems and

Handout continued

procedures used within their own organisations and thence to recommend improvements.

Week Three: The appraisal of loan applications, the (March) disbursement of loans, supervision and collection.

Method: Lectures, case studies and role play exercises.

Instructors: Senior executives from banks and co-operatives and co-operative college training staff.

Project for completion during subsequent field period:
To prepare a work plan for the forthcoming twelve months in order to implement the previously identified suggestions from improvement in their own organisations.

Week Four: Integration of previous material, revision (April) and improvement of work plans and commitment to their completion.

Method: Case studies, discussion and "action learning" syndicates commenting in detail on each other's work plans, identifying potential problems and focusing in particular on strategies for overcoming resistance within the organisation.

Instructors: Co-operative College staff and executives from the co-operative sector who have successfully introduced change in their own organisations. Staff from participants' own organisations will be invited to

Handout continued

participate in some sessions.

Evaluation: No formal examination will be held, but the College staff will personally follow up trainees' success in implementing their action plans and their results will be used to evaluate their own performance, and, more importantly, the value of the training itself.

Training Material: Case studies, exercises and material brought by participants themselves as a result of the intervening field work periods.

Administrative Details: The residential weeks will be held at the Co-operative College and there will be opportunities for examination of demonstration plots and other activities on the College Farm. The cost will be Rs 100 per residential week, or Rs 400 in all, not including travel to and from participants' own organisations but including all accommodation and food during the residential weeks. Applications should be sent as soon as possible to the Co-operative College.

Session 15.1, 15.2 and 15.3

Action Learning: Dealing with Our Own Problems in
Marketing, Project Appraisal or Training

Session 15.4 Programme Evaluation and Conclusion

SESSION 15.1, 15.2 and 15.3

ACTION LEARNING: DEALING WITH OUR OWN PROBLEMS IN MARKETING,
PROJECT APPRAISAL OR TRAINING

Objectives: To enable participants to apply what they have learned in the areas of marketing, project appraisal, training and recovery of loans from members to their own problems.

Timing: Three sessions or up to six hours.

Materials: Participants' completed pre-programme questionnaires and annual reports and any other information brought by participants from their own MPCSS.

Session 15.1, 15.2 and 15.3: Action Learning: Dealing with our Own Problems
in Marketing, Project Appraisal, Training or
Recovery of Loan

SESSION GUIDE

These three sessions should be used in exactly the same way as that described for day 10, except that the problems should if possible be concentrated in the areas dealt with since that day and the "owners" of the problems should be those who did not have the opportunity to present their problems to individual syndicates and to the group as a whole during day 10. If at all possible by the end of session 3 on day 15 every participant should have had the opportunity to present his problem in this way, and it may have been possible for some participants to present more than one problem. This is a vitally important part of the programme and time should be taken from other sessions in order to enable every participant to present and discuss at least one of his real problems to his syndicate and to the class as a whole.

It may be that those participants who presented their problems during day 10 have in the succeeding days identified other problems which they now realise to be more important, or have come to different conclusions about the ways in which they would solve the problems they presented on day 10. They should be given an opportunity during the third session of day 15 to describe how they would change their proposed solution and every participant should by the end of session 3 of day 15 have committed himself to carrying out a specific plan of action; note should have been taken in writing of;

- a) The particular problem which it is intended to solve.
- b) The proposed solution.
- c) The way in which co-operation from other staff or institutions will be obtained if this is necessary to carrying out the proposed solution.
- d) A specific date, within six months time, by which a specific measurable stage should have been reached in implementing the solution.

SESSION 15.4

PROGRAMME EVALUATION AND CONCLUSION

Objectives: To enable participants to comment on the programme in order to improve it on future occasions, and to reaffirm their commitment to carrying out their action plans and to applying what they have learned on the job.

Timing: One to one and a half hours.

Materials: Complete programme timetable, participants' filled in Evaluation Sheets and detailed notes of participants' action plans.

Session 15.4: Programme Evaluation and Conclusion

SESSION GUIDE

It is important that this session should be seen not as the end of a training programme but as the beginning of a sustained programme of individual improvement to be carried out by each participant on his return home. It is valuable to obtain participants' reaction to individual parts of the programme for future information, but it is far more important for participants themselves to realise that their own success, and that of the programme, will depend not on what they say now but what they do in the forthcoming months.

It is very easy for a terminal evaluation session of this sort to become an occasion for mutual self congratulation or for comments on relatively unimportant features of house keeping and administration. The session should therefore be fairly short and the specific tasks to be achieved may be summarised as follows.

- 1) Participants may be asked to rank each of the sessions of the programme. Clearly case study preparation and discussion sessions may be bracketed together for this purpose and participants should be invited to give a fairly subjective and rapid appraisal rather than to attempt to go into too much detail. The completed ratings, which should not be identified by name, should be collected and summarised for appraisal of individual instructors and sessions.
- 2) Participants, particularly those who made their presentations during day 10, should be reminded of their individual action commitments and of the fact that their success in completing these will be the measure of the success of the programme; it may be possible for the whole class, or smaller groups within it, to meet together after a few months in order to discuss their success or otherwise in completing their action plans and arrangements for such "reunions" should be made now. The instructor should at any rate undertake to visit as many of the participants as possible in order to check and assist them in the implementation of their plans and application of what they have learned, and should ensure that all participants are at the very least followed up in writing.

Session 15.4: Session Guide continued

Participants should be asked if they wish the organisers of the programme to attempt to encourage their superiors to support them in their plans by writing to them or personal visits; it should be made clear that such support will only be given if participants request it and that the organisers will under no circumstances make any reports to their superiors about participants' performance on the programme.

It may be necessary for an important dignitary to close the programme; if so, such closure should be as brief as possible and the guest should be invited to relate the programme to the future performance of participants and to stress once again that its success will depend not on what has happened but on what is going to happen; at this stage the results of the programme are wholly negative. Money has been spent and time has been devoted to the programme which might otherwise have been spent in work on the job. It is the responsibility of participants to ensure that this very substantial investment is more than repaid by their improved performance in the field.