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A FRAMEWORK

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# ORGANIZATION BUILDING IN COOPERATIVES - A FRAMEWORK \*

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## Introduction

In most of the developing countries the importance of cooperatives as an instrument for social change is well recognized. The national development plans make explicit mention about the roles assigned to the cooperatives. For instance in India, the cooperative sector has been assigned a significant role in all the Five Year Plans. The recent Indian Textile Policy also states clearly that handlooms should be developed in the cooperative sector.

Despite the policy (financial and personnel) support, the pace of cooperative development in the past has not been very encouraging. It appears that there are many missing links in the process of developing appropriate cooperative structures. The major hurdle seems to be the problem of building a suitable organizational framework which is viable and dependable in the face of competitive environment. To a large extent this problem stems from the very nature of the cooperative organization.

Cooperative is a business organization with a social purpose. As a business organization it should attain operational efficiency like any other private enterprise. At the same time, it is an organization designed to function for the economic and social

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emancipation of its members. The management has to blend business skill with social orientation and work towards the objective of member development. From the organizational development process, the social and cultural backgrounds of the members very often become the limiting factors. The managing committee, to have the competence to run the organization as an economically viable business unit, should understand the economies of scale of operation so that the opportunities in the environment could be exploited for the development of the members. At the same time the committee has to keep constant interface between the members and the organization. They should have closer interaction and greater awareness of organisational goals and individual goals which are mutually supporting. To inculcate these important ingredients in the cooperative organization is a serious challenge.

A number of study teams have gone into the working of the cooperatives and have come out with solutions to strengthen them. Measures to implement these recommendations have also been tried at different places. But the results do not seem to be very encouraging. Even after several years of experience, the search for a suitable strategy to develop the right type of cooperative organizational framework continues to be an elusive factor.

This paper makes an attempt to give an overview of the approaches evolved in the past in building up cooperative organizations in India and the recent attempt which has yielded some measure of success.

### Approaches

Three approaches have been followed in organization building in India: evolutionary model, bureaucratic model, and the project approach.

### Evolutionary Model

The evolutionary model originated in the struggles of the people to find ways and means to achieve certain economic and social goals. The conscious attempts of the people result in coming together, pooling their resources in the competitive environment and achieving thereby the economies of scale. This creates in them a sense of achievement and elicits cooperative behaviour. Success of one primary spreads in the neighbourhood and more cooperatives spring up in the region. When the organization faces greater challenge from the market environment, newer structures are built-up to meet the emerging needs. This is generally known as bottom-up structure with the primaries at the base level and higher tiers in the secondary as well as apex levels built-up in stages in order to meet competition from the market environment. The synthesis of the individual's goal with the organizational goal is the fundamental strength of the evolutionary model.

In the process of building the higher tiers, the functional roles of different tiers get delineated at different levels. The primaries, the recipient in the system start putting pressures on the higher tiers to perform. The dynamics of this model is one of conscious and continuous supervision by members and evolution of performance oriented relationship between members and the

cooperatives. The merits of the evolutionary model are listed below:

- i) It creates the value system inherent in a cooperative.
- ii) It promotes harmonious relationship among members.
- iii) It develops a lot of resilience in the organization, to face the market forces.

All these are achieved by the proper mix of business culture and democratic values. Even at the individual level it creates a greater self reliance and competitive spirit. The demerit of the evolutionary model is its slow process. The growth is closely linked to the presence of motivated leaders with business acumen.

#### Bureaucratic Model

The bureaucratic model came into being as a part of the cooperative development policy of the state. In this pattern, cooperatives are started on a predetermined scale to achieve certain desired goals. Share capital participation, cheap credit, privileges on the distribution, or use of scarce commodities, managerial subsidy, etc. are used as levers to form cooperatives. Generally the bureaucrats use cooperatives as agencies to implement governmental policies. The major merit in this model is speedy development of cooperatives, uniform working norms, flow of capital from state agency, and protection from the state to tide over certain crisis situations. In this model, the superstructures are also created with certain goals. Very often, these superstructures tend to exist for themselves. This model creates numerical illusion of growth of cooperative, however, the spirit in most of them remain only on paper.

Their operations help only a few members who take the advantages of the benefits that accrue from these organizations. Most of the members seldom participate in the democratic decision process. As instrument in the planning process, cooperatives become tools in the hands of the government. For instance, in case of conflict between the members and government goals, the latter get an upperhand.

The major demerit of this model is the absence of efforts to build leadership from within the organization. These organizations enjoy governmental patronage which could be explained as dependence trap (Figure 1). These cooperatives instead of gaining momentum and spreading its spirit in the region often lead to public's suspicion towards cooperatives and become burden to the national exchequer.

#### Project Approach

The project approach envisages comprehensive master plan built-up around a commodity system. This approach takes into consideration human, material, financial, technical resources, and also the environmental factors that hinder cooperative development. The project approach ensures better coordination between the tiers and works in an integrated fashion. It also takes care of all the essential elements in the sub-systems like production, transportation, processing, storage, marketing, etc. In this pattern, the organizational design and the operational tasks of various sub-systems are clearly defined. Developing appropriate super-structures at different levels and establishing closer forward and backward linkages among them are brought into the system design. The major thrust in this approach is three-fold. Firstly its impact is directed on the target

group who are brought under the fold of cooperative organization. Secondly, to support the production system at appropriate levels where the scale of operations are viable, the organizational design envisages different operations. Thirdly, it fully exploits the possibility of vertical integration through processing and by-product utilization so that the value added could be utilized to augment the income of the members. All these steps help to create stability in the production system. The approach provides the necessary exposure for the members to the total organizational interfaces, so that the pressures on the higher tiers to perform are ensured. The risk and uncertainty in the competitive environment are anticipated and the necessary defensive measures are built into the project design. Generally the project team consists of professionals from different fields who form the nucleus to provide the necessary stimuli and guidance for the realization of the objectives envisaged in the project. This being a planned model, there are built-in provisions to monitor, control, and evaluate the performance of the various sub-systems of the project.

There are several merits in the project approach. It creates an enlightened grassroot level cooperative membership. The capabilities of the membership to resolve the management problems are developed through conscious exposure by training and extension programme. In other words, being a planned and systematic approach, it stimulates the right type of impulse to stem from below. There is also a conscious effort to ensure that the sub-systems develop into self-reliant units of the organization. This does not mean that



there is no need for external support. The role of the government in the project approach is visualized as one of the primary promoter and not one creating dependency.

A major limitation of the project approach could be the superimposition of a structural model without consideration of the social and cultural setting of the target group. Another limitation of this approach relates to timing of action in different sub-systems. In the project approach, the sub-systems have to be developed simultaneously so that the total system gains strength. It is quite possible that the physical targets are achieved as per schedule but the human resource development is left behind. The temptation to hasten the process of people's participation could turn it into a bureaucratic model. This would have disastrous consequences on the success or failure of the project. The project then should provide for a time-lag for the mobilization of the people.

#### Evaluation of the Approaches

Having examined the merits and demerits of the three approaches it could be concluded that the project approach appears to be the most appropriate answer since it includes an elaborate and systematic pattern of cooperative organisational development. Essentially it takes care of certain internal as well as external factors that determine the success or failure of the cooperatives. The essential elements involved in this process are shown in Figure-2. It could be seen from the figure that there are factors internal to the organization like leadership, membership, social setting, internal capital base, professionalization and status of vertical integration. These

factors are within the control of the members. In the project approach, conscious attempts are made to make them the blocks for building the organization. Furthermore, the project approach takes care of the externalities in the environment like infrastructure, political climate, governmental policies, market competition, technological changes, and socio-cultural factors. It creates strength in the organization to interact successfully with the environment.

It is true that the evolutionary model also builds internal strength, but the process extends over a long period of time. In the case of bureaucratic model, though the intensions are well conceived, the process of implementation defeats the purpose. In this framework, the government decides the destiny. The project approach combines in the good elements of both the evolutionary as well as the bureaucratic models.

#### Sponsoring Agency

The sponsoring and implementation of the project need an appropriate institutional agency. In this context, three alternatives are possible. There could be a cell in the department of co-operation, or agriculture or planning which could formulate the project plans. As a variation, the department could have a special agency for implementation (e.g. Small Farmers Development Agencies in India). The major limitation in this process is domination of the bureaucratic culture in the project team. This would defeat the very purpose of building cooperative organizations where the interest of member users should get prime attention.

Another agency to sponsor projects could be the apex federation of cooperatives, or commodity federations, or unions. They have necessary experience regarding the problems involved in developing appropriate cooperative structures in different regions. Such experiences become basic inputs in designing and operationalizing specific projects in a given setting. These activities could be entrusted to a separate wing of the federation. As a matter of fact, the federation seems to be the ideal agency to sponsor such projects since promotional activities are part of its corporate objectives. The major constraints of the federation stem from lack of resources in terms of finance and manpower to undertake these specialized tasks. In most of the developing countries, the federal organizations are still weak. They are preoccupied in stabilizing their day-to-day business functions.

The third alternative to promote the projects could be creation of an autonomous institution which would bring under its fold cooperatives, government, and other related organizations as members. The strengths of this institution are many. It could mobilize capital, manpower, and build an organizational culture which could stimulate the growth of cooperatives. Since the corporate objectives are clearly defined, (i.e., cooperativization through project approach) implementation becomes easy. The specific experience in this regard is discussed.

#### The Project Approach-Implementation Process

In India, the project approach is being increasingly adopted. The Operation Flood Programme \* is embedded on cooperative infrastructure. Within a short span of its implementation about 5000

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\* Its aim was to create a 'Food of rurally produced milk in India' and it became popularly known as 'operation flood'.

viable village dairy cooperatives have been organized. The Phase II of the project is expected to strengthen the district level organizations and create a self sustaining dairy cooperative movement in the country by 1985.

The project approach pursued by the National Dairy Development Board (NDDB)\*\* follows the "Anand Pattern" of cooperative (Exhibit 1). The term "Anand Pattern" refers to a system of work evolved over about 25 years in the Meira District of Gujarat in India.

Through project approach the time period involved in the implementation of "Anand Pattern" has been drastically reduced. The programme is implemented by trained specialists called a spearhead team. The tasks undertaken by the spearhead teams is given in Exhibit 2.

In general, each spearhead team consists of 5 to 6 officers of related fields like dairy technology, dairy husbandry, veterinary science, agriculture, management, etc., and about 4 to 5 cooperative extension workers. The team assists and guides the state government workers in building Anand pattern organization in the project area. This results in quicker and more effective implementation.

In most cases, a local "shadow team" from the project area - consisting of officers as well as extension workers - is given training for two to three months at the NDDB headquarters in organizing the cooperatives. This is generally done before the spearhead team is actually sent but often the spearhead team interacts with the shadow team in the initial years.

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\*\* A national body promoted by the Government of India to promote the dairy sector.

The role of spearhead team falls into four categories: 1) entrepreneurial, 2) rural communication, 3) managerial, and 4) training. The spearhead team primarily plays an entrepreneurial role of starting a series of new cooperative business organizations in a large number of different villages. In each of them, the team has to convince farmers, bring the human and physical resources together, and initiate a new organization. Closely linked to this aspect is the function of effective communication with the farmers on the benefits of Anand pattern of cooperatives. Once the message is spread, the team initially undertakes the complete management of the milk business. Dairy plants may also have to be managed. The team imparts training to all staff as well as the managing committee members. Its ultimate objective is to make the local organizations self dependent in a short time and then withdraw.

Thus the project approach provides an effective model to usher in a cooperative movement which is run by the people.

Exhibit 1: The Anand Pattern

The Anand Pattern is an integrated production oriented cooperative. The major thrust of this model depends on vertical and horizontal integration of production, processing, and marketing of milk (Figure 3). The Anand Pattern of cooperative has a three tier structure. It consists of i) village milk producers' cooperative, each of which are members of their ii) district milk producers union and finally iii) a cooperative milk marketing federation which undertakes joint marketing programmes. The federation enables member unions to coordinate production planning and to conduct joint marketing programmes. The operations between the federation and unions are accounted in the conventional commercial accounting basis. Profits made by the federation accrue to its member unions and thence to member - village cooperatives. "Since the village cooperatives distribute their profits to milk producers (and/or use them to improve village amenities), the financial structure can be described as being primarily producer oriented".<sup>1</sup> The policy making structure of the Anand Pattern is designed to draw leadership from the roots of the organization i.e. the village. It propels the most effective leaders to the top of the structure.<sup>2</sup>

The Anand Milk Union Limited (AMUL) is constituted by about 900 village dairy cooperative societies. In this setting, collective bargaining and effective supervision of societies by members are built-in the organizational plans. It is by the strength and the

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<sup>1</sup> Michael Halse, "Increasing the Income of Landless Labourers and Small-holders, Part I: The Experience of India's Dairy Cooperative". Agricultural Administration, Vol.7, No.4, (November, 1980), pp.261-262

<sup>2</sup> Ibid.

effective functioning of these village units that the whole organization derives its existence and character. The survival and growth of the primaries largely depend on marketing effectiveness and the economic efficiency of the union.

The Anand Pattern reinforces two elements which are essential for the evolution of a successful movement. First, the people for whom the system works should have sufficient faith and patience in the organization to allow for trial and error. Second, there should be people in the organization who can carefully observe and evaluate the trial and error experience, make appropriate conclusions, and design effective alternatives.<sup>3</sup> In Kaira district of Gujarat where the Anand pattern blossomed, both these success ingredients were present.

The institutional structures (typified originally as the Anand pattern) is spreading to other commodities in India (e.g. cooperatives are already being started to handle the production, processing, and marketing of cotton and oilseeds).

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<sup>3</sup> Vasant P. Gandhi, Essential Elements of Anand Pattern, (Ahmedabad: Lalbhai Group Rural Development Fund, 1981).

Exhibit 2: The Tasks of a Spearhead Team

1. Setting up office in the project headquarters.
2. Surveying the project area especially from the point of locating potential areas for milk procurement, observing road conditions and distances, and assessing competition.
3. Surveying individual villages for assessing milk potential, leadership, power structures, village institutions, competition and interest in starting dairy cooperative.
4. Effecting necessary local policy changes for smooth and sustained operation.
5. Planning and spearheading operation.
6. Convincing villagers about starting dairy cooperative on Anand Pattern.
7. Helping the villagers with collection of share capital and all other organizational formalities of starting a dairy cooperative.
8. Guiding in selection of right people for managing committee members, chairman, secretary, and staff of the society so as to ensure proper local management and setting of good precedents.
9. Training villagers in correct procedures of milk collection, milk testing, recording, account keeping and management of the society according to Anand Pattern.
10. Generating a spirit of participation and ownership of the society and fostering cooperation as well as vigilance. Fostering a feeling of proper leadership.
11. Obtaining from the implementing agency all the resources agreed upon.
12. Convincing the various concerned government and administrative authorities regarding the ideas of the project, changing their attitudes where necessary, and getting their cooperation.
13. Controlling the procurement and training the input wing staff.
14. Insuring that the society is economically viable. Supervision of societies. Mediating in disputes which might threaten the society.
15. Persuading the villagers to supply maximum milk to the society.



16. Planning of milk procurement routes. Management of the milk system.
17. Hiring transport contractors and ensuring that they function according to stipulated conditions.
18. Organization of different technical input services like veterinary route, artificial insemination, cattle feed marketing, fodder development, etc. and promoting these technical input services.
19. Establishing contact with the designated implementing agency which may be a state dairy development corporation of the government dairy development department or local milk union.
20. Establishing contact with the Registrar of Cooperatives and his local authorities.
21. Formation of the district milk union and guiding its sound management.
22. Making arrangements for the Reception and processing of milk.
23. Making arrangements for the sale of milk - marketing of milk if necessary.
24. Obtaining sanctions from NDDB/IDC\* (Indian Dairy Corporation) headquarters, purchasing required materials and seeing that the resources are properly and efficiently utilized.
25. Keeping NDDB/IDC headquarters informed about the progress of work. Obtaining their help and intervention, whenever necessary.
26. From time to time, taking up different responsibilities and tasks which are critical and not being done properly - especially those which may threaten the well being of the organization.
27. Looking into issues, on behalf of the farmers, requiring attention with the government and other authorities.

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\* A national level dairy financing authority.

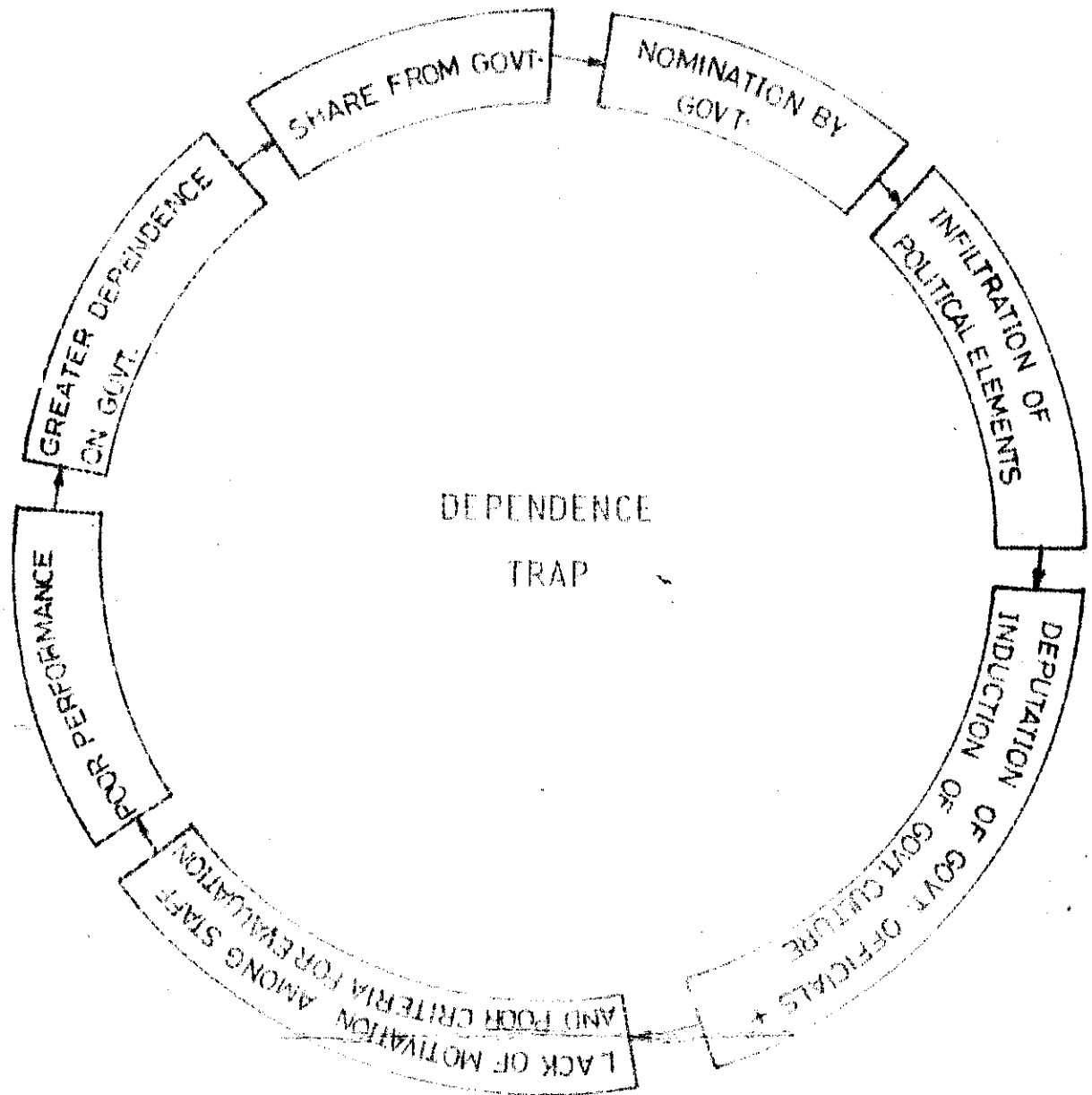


FIG 1: CAUSES AND CONSEQUENCES OF COOPERATIVE DEPENDENCE ON GOVERNMENT

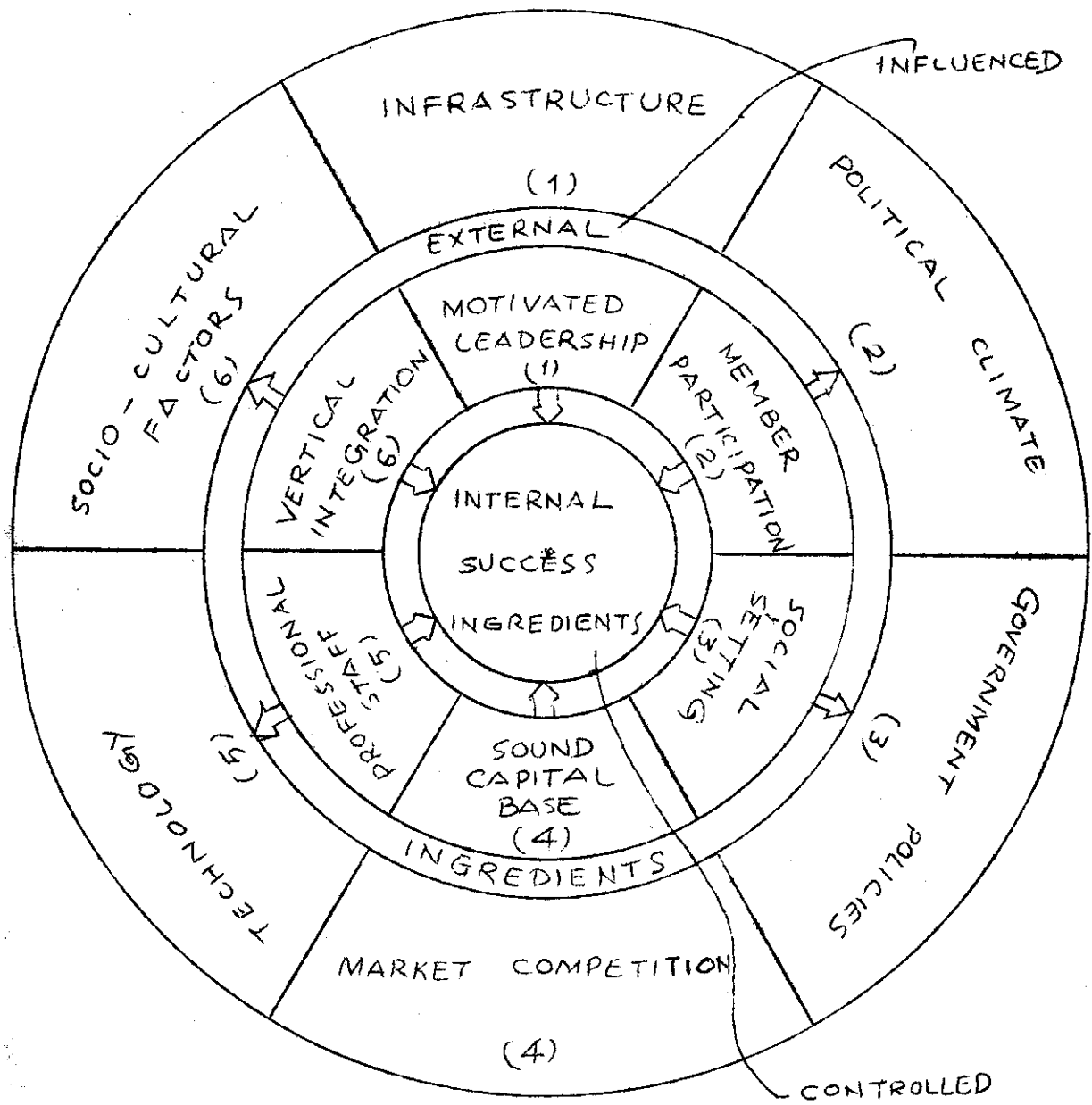


Fig. 2 : INTERNAL AND EXTERNAL INGREDIENTS OF A COOPERATIVE ORGANIZATION.

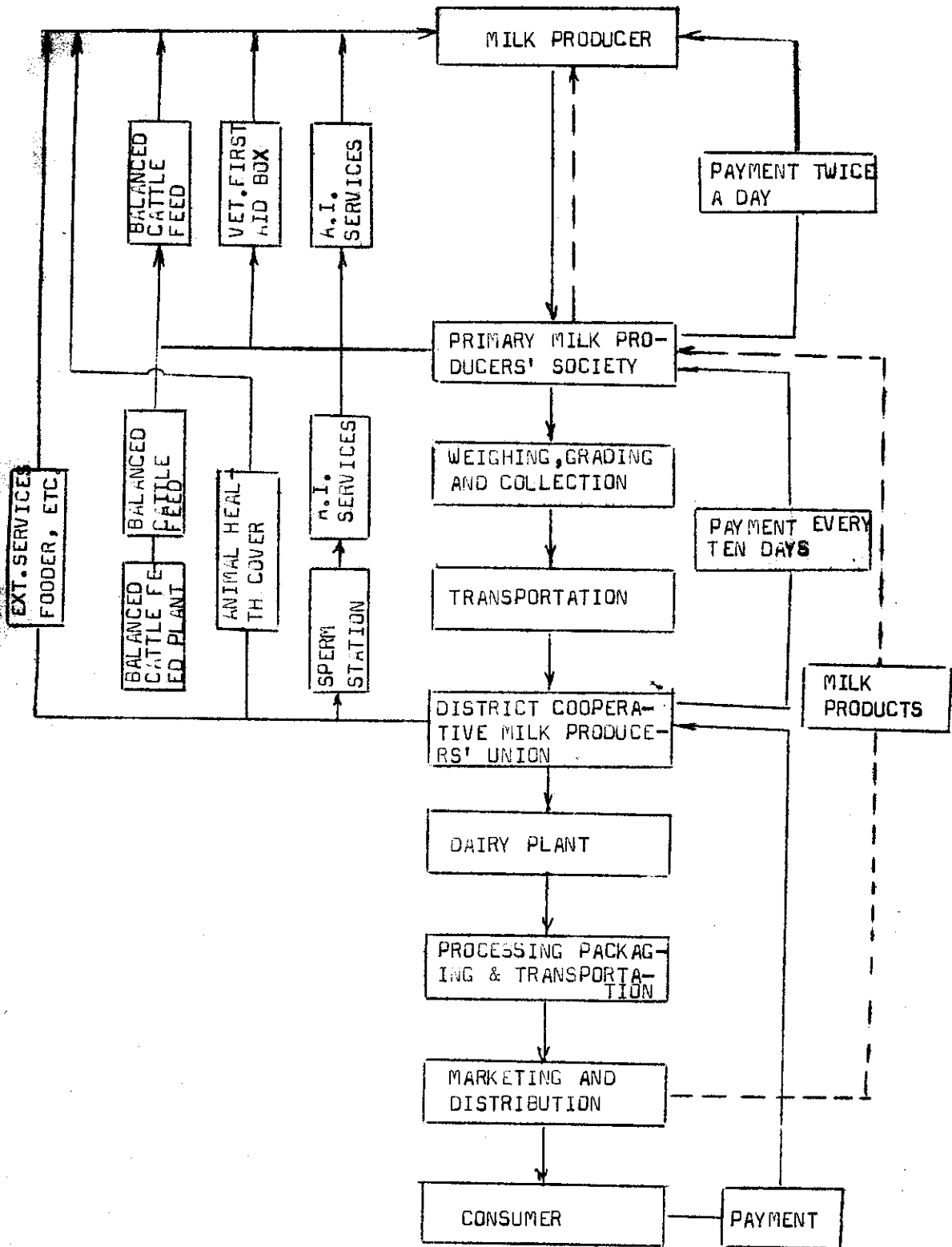


FIG .3 : CO-OPERATIVE MILK PRODUCERS' ORGANIZATION ON ANAND PATTERN