RJSMS LECTURER ON CO-OPERATIVE MANAGEMENT

CONCEPT OF CO-OPERATIVE MANAGEMENT

Cooperation means living, thinking and working together. It denotes a special method of doing business. In reality, cooperation is as old as man itself. E.g., Formation of social groups is the outcome of reflexive cooperation. Even in animal we can see that the life of ants, bees, wasps, lions etc. provides the best example of instinctive cooperation. The practice of the principle of cooperation contributed to the development of human race more than any other biological and social factor. Right from the hunting age up to the present day the progress and development of human beings, in all spheres, social, economic, religious and political is marked by a sense of thinking, working and living together. Cooperation is thus, older than the cooperative movement. The cooperative movement is only one example of human cooperation among others, e.g., joint stock companies, cartels, trusts etc. The term cooperation thus connotes several meanings and it is difficult to convey the correct meaning of cooperation, in its technical sense. Cooperation, thus, is a movement whose theory has evolved with times and experiences gained by the cooperators. There is no rigidity either in the concept or in the practice. It is
the objective, ideal or the purpose which is to be achieved. The cooperation movement existed because of its ideals and it is from the pursuits of these ideals that its principles are derived and characteristic features determined.

**DEFINITIONS:**

According to one of the school of thoughts deriving its strengths from Schulze-Delitzsch,

Hass, Raifeisen and Horrace Plunkett,

A cooperative institution is a voluntary association of independent economic units, organized, capitalized and run by, and for its members, providing and/or marketing goods and services on cost-to-cost basis to their members. The chief aim underlying the organisation of such institutions is the advancement of economic interests of members and protection and maintenance of the economic independence of small producers by making up the economic deficiency through pooling of resources and thus bringing to them the economies of large-scale production.
The second school of thought, drawing inspiration from growing socialism of the 19th century and from men like Robert Owen, Saint Simon, Charles Fourier, Louis Blanc, Carlo Guidi, Ferdinand Lassalle, etc., believes that a cooperative institution should not be merely contented with improving the economic position of the members within the existing framework but also aims at eliminating the competitive, capitalistic system and replacing it by one, which is based on mutual cooperation.

The third and last school believes that cooperative movement can be an important instrument in furthering the socialist progress. This is based on Marxist-Leninist theories that cooperatives can help the transformation from capitalism and finally to communism. Accordingly, a cooperative society has been defined as an “economic and social organisation of the working people, serving not only...
y interest of the members, but also social progress,” which promotes

safeguards and realizes the interests and aspirations of the working people”. In the words of H. Calvert, cooperation is, “a form of organisation wherein persons

voluntarily associate together as human beings on a basis of equality for the promotion of economic

interest of themselves” According to Herrick, it is “the act of poor persons voluntarily united for utilizing

reciprocally their own forces, resources or both, under their mutual management to their common

profit or loss”. In the words of Horrace Plunkett, it is nothing but “self

-help made effective by

organisation.” The International Labour Organisation has defined cooperative society as, “an association

of persons varying in number, who are grappling with the same economic difficulties and who, voluntarily associate on a basis of equal rights and obligations, endeavor to solve those difficulties, mainly by conducting at their own risk an undertaking to which they have transferred one or more of such
of their economic functions as correspond to their common needs and by utilizing this

undertaking in joint cooperation for their common material and moral benefit

UNIQUENESS OF COOPERATION

1. Co-operation is based on the principal of self-help through mutual help, abolition of profits and service above self. 2. In cooperation, individual freedom occupies a very important position.

The principles of ‘voluntary association’ and ‘democratic management’ are the guidelines for the cooperative movement.

4. Cooperation eliminates the employers and provides independence to the workers.

5. A cooperative society is a union of weak and needy individuals who have equal rights and has one vote irrespective of the number of shares held by him.

MANAGEMENT FUNCTIONS

Overall, management embodies four functions:-
1. Planning
2. Organizing
3. Directing/Motivating
4. Controlling

Planning:

Planning determines where the organization is going and how it will get there. It sets organizational objectives and goals,
forecasts the environment in which objectives must be accomplished, and determines the approach by which objectives and goals are to be accomplished. Planning is used to determine a policy and the procedures for putting it into effect. Planning usually considers several alternatives. Each should be judged on the basis of its economic or competitive effect and accompanying problems. Also, it must be consistent with cooperative principles and the association’s objectives. Planning helps a manager shape the future of the organization rather than being caught in an endless trap of reacting only to current crises or problems.

Organizing:

Organizing is concerned with determining the specific activities needed to accomplish the planned objectives and goals; grouping the activities into a logical pattern, framework, or structure; assigning the activities to specific positions and people; and providing means for coordinating the efforts of individuals and groups. Organizing is a bridge connecting the planned objectives to specific projects for accomplishing these objectives.

Directing:
Directing through motivation concerns the people side of the organization. Cooperatives are people-driven organizations, from the standpoint of both employees and members. Managers must have leadership skills and be effective communicators. The manager’s ability to influence members through leadership will help determine the extent to which both individuals and the entire organization accomplish their goals.

Controlling:

A manager spends up to 95 percent of the time communicating. Good communication is essential to coordinating the organization’s human and physical elements into an efficient and effective working unit. In controlling, management monitors the progress of planned activities. If progress is lagging, necessary adjustments are made.

Controlling is the checkup part of a manager’s job.

ROLE OF MANAGEMENT

Management combines ideas, processes, materials, facilities, and people to effectively provide needed services to member-owners. Management is
thedecision-making element of the cooperative. Broadly speaking, its role entails formulating and executing operating policies, providing good service, maintaining financial soundness, and implementing operating efficiencies to successfully meet its objects. A successful cooperative is viable in an economic or business sense and maintains or improves its cooperative character or features. A cooperative may succeed as a business, but gradually lose its cooperative character regarding member control, serving the needs of members and distributing net margins. Likewise, it may succeed for a while as a cooperative, but fail as a sound business institution. Managing a cooperative is challenging and difficult. It involves not only managing resources and business operations, as other businesses, but also dealing with problems stemming from the cooperative’s distinctive characteristics. Because the cooperative’s members are both owners and patrons, special relationships and problems arise concerning member and board of director roles and responsibilities. Seemingly conflicting answers to questions arise. What’s different in managing a cooperative from any other type of business? The answers can range from
“all the difference in the world” to “none at all.” In reality, managing a cooperative is different from other types of business as ‘

Decision-making techniques are identical, but the cooperative’s objectives are different; therefore, the manager’s conclusions will be different.

Cooperative principles and objectives present a distinctly different managerial premise. That premise is revealed in more detail through the following perspectives an executive must acquire to be a good cooperative manager:

1. **Adjusting decision-making to a business where the customers are also the owners**
   
   In a supply purchasing cooperative, the manager of an investor-owned firm (IOF)
may discover that many of the successful techniques associated with developing a saleable and satisfactory product (for the customer) and achieving maximum return on capital (for the owner) no longer apply. A cooperative manager has to adjust priorities and objectives to the realization that what is best for the customer (also the owner) really is best for the cooperative. This realization may explain why some low-or no-margin services continue to be provided and why certain related and perhaps high-margin activities are not considered in a cooperative. The manager of a marketing cooperative must understand why the cooperative often is obligated to take all of the members' products and attempt to find a market for them. The manager is not at liberty to pick and choose among such products suppliers and cut off marketing when inventories build up. And certainly to allow the member-producer to dictate the terms on which the cooperative business should receive the product would be a situation foreign to non-cooperative managers.

2.

Dealing with complex issues of equitable treatment of owner-patrons, the manager of an IOF will
discover that distributing the net earnings of a cooperative is much more complicated than declaring a dividend on capital stock. The standard cooperative practice of distributing net earnings on the basis of individual member volume, such as units marketed or quantity of supplies purchased, also will be new should he/she become a cooperative manager. For larger cooperatives that handle many products and involve value-added activities, the issue of equitable treatment of member owners can be complex. Another concept new to an IOF manager now heading a cooperative is the requirement that member-owners share equitably in financing the cooperative, and that management communicates that responsibility to them and develops financing programs they will accept.

3. Working in a service-oriented organization is a spotlighted atmosphere. The manager of a typical cooperative will find that members formed it to provide a needed marketing or purchasing service both.