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Notes on the Contributors

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- 1) Economy and marketing agricultural products (especially: citrus and wine).
- 2) Management of agricultural enterprises.
- 3) Management of golf courses.
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Maurice A. Wright is the Corporate Planner and Strategist at the Jamaica Co-operative Credit Union League Limited (the national association of Credit Unions in Jamaica). In 2002, Maurice received the World Council of Credit Union (WOCCU) Young Credit Union Professional (WYCUP) Award at the 2002 WOCCU Leadership Institute in Warsaw, Poland and subsequently attended the WOCCU Leadership Forum in Brisbane Australia in 2003 on a WYCUP scholarship.

He attended the University of the West Indies where he completed a Bachelor of Science degree in Electronics and Wayne Huizenga School of Business, Nova Southeastern University, Fort Lauderdale, Florida, USA where he completed a MBA, majoring in Finance. He is currently a doctoral Student at the Wayne Huizenga School of Business, Nova Southeastern University, Fort Lauderdale, Florida, USA. His focus of research is on the impact of service quality and customer satisfaction on behavioural intentions and ultimately customer retention. He is a member of the American Marketing Association (AMA).

Sanjay Verma is a journalist and editor with the National Co-operative Union of India. Sanjay writes and comments extensively on co-operative and related topics in India.

Advance Notice

Co-operation and the search for peace

Research conference being developed for sometime next year by Prof Ian McPhearson at the British Columbia Institute for Co-operative Studies. Readers interested in contributing or otherwise participating in this initiative should keep an eye on the Institutes website <http://web.uvic.ca/bcics/>

Advance Notice

Negev Institute for Strategies of Peace and Development

The International Centre for Co-operative Studies

University of Leicester Management Centre Unit for Membership Based Organisations.

International 9 day course in Israel Spring - Summer 2006.

Effective Co-operative Management: The Key to Co-operative Success in the Era of Globalisation.

www.nisped.org.il

Call for papers

Sixth International Conference on Catholic Social Thought

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Catholic Social Thought and Corporate Social Responsibility in Dialogue

Pontifical University of St Thomas (Angelicum)
Rome, Italy Oct. 5th-7th, 2006

www.stthomas.edu/thegoodcompany

Exploratory contacts are invited by University of Leicester for:

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Would your organisation like to promote its 2006 employment opportunities to Leicester's under and postgraduate student population?

Research Seminar

Participation from academics and practitioners

Topic: Retailing: community, convenience and co-operative values. How can the deadline in co-operative market share be revised?

Editorial

In this issue we feature papers on co-operative management and development from a range of international contributors. The theme that links them is their focus on the context in which co-operative development and co-operative management is evolving. Another is their reference to history. Political, institutional and organizational history and the history of management ideas and theories.

In the Spanish speaking world we have from Messrs Lluch, Gomis, and Jiménez the first of a two paper contribution (paper two will be next year in our April, 2006 issue) reflecting on the evolving notions of management in the co-operative context together with the changing perspectives on co-operative board/management relationships and the idea of leadership in the co-operative context. In their paper in this issue they discuss the literature from around the 1960s to the mid 1990s and give us a good overview of some of the controversies with some particularly interesting contributions for North America as well as Europe. In such an ambitious project there are perhaps inevitably some gaps, particularly the lack of reference to the German and Scandinavian literature and the lack of mention of the late Ted Stephenson who many UK readers of the journal will remember as one of the United Kingdom's most recognised contributors to co-operative management in this period.

What come across very strongly in this review by Messrs Lluch, Gomis, and Jiménez are just how negative or at least indifferent the literature is to the co-operative programme and its value base up to the mid 1990s. Treating co-operatives as just like any other business except they have a number of "handicaps" like elected boards and membership may be a slight exaggeration but only a slight exaggeration according to your editor's reading of the tenor of the literature under review in this paper. The weakness of the position of the elected lay board given the responsibility placed upon it is a very central preoccupation for many of the authors concerned with the management of co-operatives reviewed in this paper.

The paper by Lluch, Gomis and Jiménez does not try to identify in terms of the early 20th and even 19th Century literature issues of management in the movement or compare and contrast this earlier pioneering literature with the modern management discussion on co-operatives in their review. This is not

a criticism of them as it was not part of their project to undertake this. It does give me the opportunity however, to state that a contribution on the organizational literature on co-operatives going back to its beginnings up until the present day would be most welcome. Such a paper could make a valuable contribution to establishing the importance of the Co-operative Movement in the evolving history of ideas in management and organizational studies in the wider society and economy.

I hope there will always be space in this journal for good quality co-operative business histories. We have a sad surfeit of celebratory histories with some honorable exceptions such as the recently published history of the ICMIF, Rita Rhodes *Arsenal For Labour*, and Johnston Birchall's history of the ICA. One of the great critical co-operative business biographies which came out a long time back in 1974 is Phillip Backstrom's *Christian Socialism and Co-operation in Victorian England* which examined the life and impact on the British and international co-operative movements of Vansittat Neal. Readers interested in exploring the historical dimensions further could also do well to look at Derek Jones many contributions particularly those found in the back numbers of the *Annals of Public and Co-operative Economy* in the 1970s.

Going back across the Atlantic, Maurice Wright gives us a valuable perspective on marketing, focused upon the importance of segmentation, this time from the English speaking Caribbean. This work is very much in the here-and-now world of credit union management and development and the constant need not to lose sight of improving the levels of member satisfaction and retention in credit unions in the context of ever increasing competitive pressure in the financial services sector. Nevertheless Maurice does not neglect to refer to the earlier literature from the 1970s onwards in so far as it bears reference to the contemporary context. Keeping old customers is a much cheaper strategy than trying to get new ones and in markets where credit unions already have substantial market share there must be something to be said for what some may see as a defensive strategy rather than an aggressive one. In my view a satisfied customer is the best advert for attracting new customers in any event and this appears potentially at least to be far more likely in fairly close knit communities where word of mouth from one's neighbour may count.

Given the increased competitive context of deregulation and globalization, the author sees market segmentation as a recognised and effective tool for credit union managers. Maurice Wright emphasizes the importance of maximizing member business and developing member behavior in order to ensure the improved economies for the credit union. His paper represents what many readers may see as the North American business oriented perspective with its marketing-led and economic focus. I hope we can have more papers on this important theme that may focus on how segmentation may be influenced by brand differentiation in the context of credit unions or other forms of co-operative. There may be reservations in some credit union members' minds with some aspects of his approach, particularly in the Asia Pacific Region with its greater emphasis on anti-poverty strategies and the social dimension of credit co-operatives. There is no doubting the correctness or significance of Maurice Wright's point that all credit unions suffer greatly from inadequate information on their membership and in the general failure of credit unions to use effectively the data they do possess. In drawing attention to this and pointing us towards the strategies and techniques to improve our responsiveness to members' real needs and behaviors rather than second guess them Maurice Wright's paper provides credit unions with an important departure point for further discussion and importantly towards lines of action in this important area of management.

Our special guest paper is by Al Rashid from Iraq who is resident in the United States. We are delighted to be able to carry this paper with its many clear warnings of what can happen to the co-operative programme when introduced top down and viewed as an instrument of state social policy and with little regard to the availability of the right skills and incentives on the ground.

Al Rashid's paper also gives us some interesting background to the rich and complex and religious and racial mix that makes up the relatively new state of Iraq. The possibility of disintegration and the questionable legitimacy of boundaries fixed by invaders and colonialists (one thinks of the right for self determination of the Kurds on both sides of the Turkish/Iraq boarder) is a clear issue of Iraq today. The legacy of Baath Party oppression and the divisions it created is of course not simply a matter of historical speculation but a current reality from which a liberated Iraq is trying to emerge. Whatever our views on the rights and wrongs of invasion we must all hope a compromise constitution that can unite its people will emerge around which the kind of democratic

governance of the Iraqi people can be established. One in which a pluralistic civil society rooted in co-operative principles can emerge and a new Iraqi co-operative sector can emerge. Here the Bush administration and indeed the World Bank and IMF are given a timely warning in Al Rashid's paper. The author warns us that too liberal an approach with deregulation undertaken to hastily without subsidies in the Iraqi agricultural sector will only produce further economic dislocation and rural discontent amongst the landless and the small farmer.

Such an outcome derived from the short shock treatment that is being advocated by the Bush Administration could add further ammunition to those who are apposed to a democratic and pluralistic Iraq. Your editor cannot help reflecting that George Bush could have more success with the export of democracy if he also exported some of the co-operative strategies that have so improved the lot of rural America's small farmers. Not only the independent co-operative agribusinesses but also the rural electric co-operatives and the credit unions for which Americans can be justly proud. It might help avert Sunni opposition if some at least of the oil companies operating in Iraq could be co-operatively owned by *all* the citizens of Iraq thus ensuring a just social dividend to all that countries peoples.

The unique co-operative linking of economics, society and transparency of governance in a membership based business suggests how co-operatives can and do play an important role in establishing dialogue, reconciliation and the opportunity to found a sustainable peace in areas of deep conflict such as Iraq.

In addition to these three papers we have, again from Maurice Wright, an executive report on the performance and strategic context of the Jamaican credit union movement. This analysis has lessons for credit unions far beyond the shores of Jamaica were the need for merger and the upgrading of technological capacity is increasingly urgent. Of course increased size and increased use of technology will also require improved managerial competence and visionary leadership if such increased co-operation between co-operative's is to be realised. Maybe we need board members around the world who are more welded to maintaining co-operative values than to maintaining existing co-operative structures?

We are pleased to have the return of two former contributors to our journal. Prof. Isaac Bleger writing an important comparative review of stakeholder management in the co-operative and private sectors.

Bleger calls for much greater attention to be placed on the importance of stakeholders in the governance process by the business schools. Sanjay Verma provides an interesting and challenging personal comment on the importance of communications in the process of the professionalization of management in the Indian co-operative sector.

In our next issue the editorial will be in the hands of Prof Jerker Nilsson, whom we are delighted to welcome to our editorial advisory board from 2006 and as our guest editor for the December 2005 issue of the *International Journal of Co-operative Management*. The December 2005 issue is dedicated to papers on agricultural co-operatives. In the April, 2006 issue we have more on credit unions, and co-operatives in the Media. Our lead paper continues our interest in agricultural co-operation with a paper by Prof Sigismundo Bialoskorski Neto of the Department of

Business and Economics at the University of Sao Paulo on member participation and relational contracts in agribusiness co-operatives in Brazil. We also are hoping to include papers from Finland, from their forthcoming conference on urban rural relations and from Argentina on the struggle of utility co-operatives for fair competition in the context of the multinational domination of the global energy market.



*Peter Davis, Editor
August 2005*

Mission of the Journal

- *To act as a medium for the dissemination of best management practise in the co-operative movement*
- *To act as a medium for the publication and dissemination of research into the management of co-operatives*
- *To act as a platform for informed debate within the co-operative sector on issues and problems arising from the management of co-operatives*
- *To act as a vehicle for promoting the professional development and status of managers in the co-operative sector across the management profession as a whole.*
- *To act as a medium for the discussion and dissemination of the latest thinking in all areas of management that may have a relevance to the practise of management in the co-operative sector.*

The Role of the Military Governments & the Baath Regime in the Land Reforms and Co-operative Development of Iraq's Agriculture. Lessons for those attempting political and economic reform in the emerging Iraq

Al Rashid

Abstract

This article is an attempt to assess some of the dimensions of the agrarian problem in Iraq since the 1958 coup and military rule and Baathist regime that followed. Special attention is devoted to the impact of the two Land Reform Acts of 1958 and 1970 on the growth of land reform co-operatives as well as their political role in hampering the growth of Iraq's agriculture. Lessons are then drawn for the future generation of policies for agricultural reform and co-operative development in contemporary Iraq.

Key words

Agricultural Co-operation, Civil Society, Patron-Client Relationships, Land Reform, Alternative Models of Transition.

Historical and political setting

The historical significance of ancient Mesopotamia, roughly coinciding with present day Iraq, as a major granary of the world is well known. With the growth of agriculture came population expansion and the rise of the earliest cities of the world, such as Emdu, Ur, Babylon and Ninevah as early as 6000 B.C. Mesopotamia tempted invaders from different nations. The Sumerians, Akadians, Babylonians, Assyrians, Greeks, Romans, Persians, Arabs, Mongols, Turks and British followed one another in their conquest of the area and contributed in various degrees to the cultural complexity of Iraqi society (Harris, 1958). Compared to other countries in the Middle East, Iraq is a very heterogeneous society in terms of ethnic and religious origins. This plurality has been further compounded by strong in-group feelings within the different ethnic groups. The population can be divided into the following ethnic groups: Arabs, Kurds, Turkumans, Shabaks, Satliyas, Assyrians, Lurs and Armenians. The majority are Arabs while the largest minority are the Kurds, who comprise about 20 percent of the total population.

The kingdom of Iraq was established under the British mandatory power in 1921, and became an independent state in 1932. The death of King Faisal the first monarch of Iraq, in 1933 witnessed the beginning of a long power struggle among politicians and army officers. The struggle for power eased after World War II, when Nuri Al-Said dominated the political scene and was able to master the influence of the aristocracy of feudal landowners and rich urban families. An agreement was reached whereby, in exchange for the guarantee of loyalty to the government by the sheikhs tribesmen, the government assured the sheikhs that their interests would be respected.

In analyzing the political structure of mid-twentieth century Iraq, F.A. Qubain stated that:

"There is no responsible party system in Iraq. As in several Arab countries, there are, instead, political groupings, which revolve around personal leadership. As a result, generally speaking, each cabinet that came into power either materially changed or discarded the program of its predecessor and instituted its own." (Qubain, 1958)

This changing of programs was not necessarily attributable to the "grouping of the personal leadership" alone, but possibly due to the fact that each party expended more time and energy to come to power than paying adequate attention to implementing social and economic reforms. This continual change of regimes during past decades and the people's deep-rooted dissatisfaction with and inherent suspicion of the various regimes, have contributed to an even faster "turnover" of governments.

Although there was more than one organized political party in opposition to the ruling clique, these were usually not given the chance to come to power during the monarchical era. The major political parties in Iraq were: The National Democratic Party, the Independence Party, the People's Party, the Democratic

Party of Kurdistan, the Communist Party and the National Socialist Baath Party. The opposition, united in the National Front, was very active against the government during the 1950s and created a receptive environment for radical change. This development, together with the modernization of the army, the growing feeling of nationalization aroused by Jamal Abdul Nasir's regime in Egypt, and the influence of the intellectuals, paved the way for a successful military coup d'état, which overturned the monarchy and the government on 14 July 1958. Following the coup, there followed a year of peace and contentment amongst most of the parties.

Abdel-Karim Kassim, the leader of the 1958 coup, formed a popular government comprising most of the political opposition parties. However, there soon emerged two separate factions in the country, the Communists and the Nationalists of which the Baathists formed the largest and most organized group. The conflict between these two groups arose mainly because the Baathists, as Nationalists, advocated unity with the United Arab Republic (consisting of Egypt and Syria – the latter also under Baathist party control), while the Communists opposed this union.

After an attempt on his life by the Baathists, Kassim had no choice but to support the Communist line. Kassim had often claimed that he wished to serve only a national function without personally involving and indulging in ideologies. The Communists used this opportune political climate to gain a foothold in many of the country's organizations. Kassim, fully aware of this build-up, was forced to maintain a fine balance between the Communists and Baathists. The situation was so delicate that at one time there were two separate military courts—one for Baathists and one for Communists. The court established for the Baathists was set up to try those who attempted to assassinate Kassim as well as those who participated in an unsuccessful military coup in Mosul in 1959. The court established for the Communists was set up to try those who were extremely violent in their attempt to resist this coup. Hence, the country was inevitably divided into pro- and anti-government camps. This conflict eventually led to the successful coup d'état led by the Baathist National Socialists in February 1963. In November 1963, however, Abdel Salam Arif, who had been chosen as President during the February 1963 coup, overthrew the Baathists. Finally, in July 1968, the National Socialist Baath Party returned to power and remained until April 2003 when the Coalition forces removed the regime.

Thus, despite Iraq's huge oil revenues and abundant natural resources, the result of all these political upheavals was to create an atmosphere unfavorable for achieving economic development or to the evolution of a civil society based on autonomous and democratic associations of labour, trade and industry as occurred gradually in the West in the transition from feudalism to capitalism.

The need for agrarian reform in Iraq

During the mid-twentieth century, several studies stressed the need for agrarian reform in many of the less - developed countries. A U.N. report concerning the concept of agrarian reforms stated that:

“Land reform is treated more broadly as equivalent to agrarian reform or agrarian institutional reform. It clearly includes changes in land tenure...but it also includes the establishment or strengthening of essential government, co-operative, or commercial agencies or services relating to agricultural credit, supply, marketing, extension, and research. So conceived, the ideal land reform program is an integrated program of measure, designed to eliminate obstacles to economic and social development arising out of defects in the agrarian structure.” (U.N., 1962)

In Iraq, Professor A. Al-Nahi stressed that the problem of feudalism and tribalism needed a reformative land policy for the primary purpose of freeing the poor members of the rural and tribal community from the domination of the landlords. This policy implied a limit to land ownership followed by the redistribution of excess lands to the landless farmers along with some credit and educational assistance (Al-Nahi, 1955).

The shortcomings of the semi-feudal system that prevailed in Iraq before 1958 were advanced as a justification for the enactment of Land Reform Law No. 30 of 1958. According to Doreen Warriner:

“Land reform is worth doing (in Iraq), even if it is not done with administrative efficiency, simply because redistribution of land can bring immediate improvements in the living standard. Reform need not wait on better farming; the agriculture of south Iraq is so primitive that there is no risk that a decline in production could follow a division of the big estates. There is no need to aim at perfection in equipping the farmers, or in the organization of services. If Iraq has to wait for land reform until

the government can provide schools, it will wait too long. These good things can come, and will come, once ownership had been redistributed.” (Warriner, 1962).

The objectives of the agrarian reform law of 1958

The broad objectives of the agrarian reform were a more equitable distribution of the land in the interests of the landless farm people and the elimination of landlordism as a political and economic class. It was assumed that land expropriation and redistribution would result in improved agricultural production and provide the basis for the industrialization of Iraq. The objectives were to: limit the size of holdings; expropriate the land from the big landowners for redistribution among the farmers; transform all large estates into family units supported by agricultural co-operatives; expand agricultural production; improve the living standard of the rural population; and provide food for the working classes and raw materials for industry (Kubba, 1959). The government was empowered to take over land holdings that exceeded 1000 donums (one donum equals .062 acres) of irrigated land or 2000 donums of rain-fed lands. The land would be distributed in lots of 60 donums irrigated land and 120 donums rain-fed land.

An important provision set out the creation of agricultural co-operative organizations. The co-operative was charged with the efficient organization and exploitation of the land by supplying the farmers with seed, fertilizer, cattle, agricultural machinery, storage and means of transportation (Iraq, Agrarian Reform Law No. 30, 1958).

Implementation of the agrarian reform of 1958

The regime of 1958 experienced considerable difficulties in both its land expropriation and distribution efforts. Of the 10,628,273 donums of land targeted for expropriation during 1958 to 1968, only 7,073,346 were actually expropriated. Of these, only 2,781,404 donums or 39 percent were distributed (Iraq, Ministry of Agriculture & Agrarian Reform, 1968). Contributing to this slow progress was the lack of a comprehensive blueprint for guiding the implementation and a lack of information about the cultivable and non-cultivable land because of inadequate surveying, soil classification and mapping facilities.

The management and control of over 7 million donums of expropriated (but-non-distributed land and more than 20 thousand tenants fell to the Directorate General of Temporary Management and Distribution. An additional problem surfaced when inefficient and inexperienced co-operative supervisors replaced the landlords and their skilled managers (sirkals).

The co-operative movement during the period preceding the land reform of 1958

The co-operative movement is a recent development in Iraq that originated in 1944 after the implementation of the Co-operative Societies Law No. 27. Following the enactment of this law, a Department of Co-operation was created within the Ministry of Economics in order to supervise the movement. Prior to the passage of this law there had been three attempts by a few individuals to establish co-operatives. The founders had studied mostly in the west, and realizing the benefits that could accrue from co-operation, tried to put this idea into practice in Iraq.

The first co-operative society was organized early in 1937 by some of the agricultural officials of the government-owned Zafaraniyah experimental farm. This was primarily modeled on the Egyptian consumer co-operatives but was discontinued due to the political situation prevailing after the 1941 coup.

The second society was formed in 1940 by a professor and some students at the Higher Teachers' Training College in Baghdad. This initiative proposed setting up a dairy farm, extracting chemicals from indigenous plants and processing, preserving and canning agricultural products. Despite initial progress, however, it encountered insuperable difficulties in importing the requisite machinery, equipment and materials due to the Second World War.

The third such society, named "The Consumer Co-operative Society for Government Officials and Employees" established in 1943 in Baghdad, restricted its membership to civil servants and government employees. Although this venture had at its disposal initial subscriptions totaling 15,000 Iraqi Dinar (I.D.) and promoted enthusiastic expectations by its extravagant promises, it too was confronted with severe management problems and prohibitive rising costs engendered by the war, which ultimately led to its liquidation. During the period between 1944 and 1959, only 22 agricultural co-operatives were in existence, with 1,636 members and working capital of 4,601 I.D. (Iraq, Ministry of Planning, 1959). Coverage grew

steadily after the 1958 Act so that by 1975, Land Reform co-operatives represented 90 percent of all agricultural co-operatives in Iraq, with 174,791 members farming an area of 12,046,994 donums.

In addition, there existed co-operatives, which the Directorate of Agricultural Co-operation officially termed "Agricultural Co-operatives Outside the Land Reform". At the end of 1975, 135 such co-operatives existed, with a membership of 5,903.

Agricultural co-operatives after the land reform of 1958

Following the first Land Reform of 1958, several new laws were passed with the aim of superseding earlier legislative and institutional frameworks surrounding the co-operative movement. One such legislative action was the enactment of the Co-operative Societies Law no. 73 in 1959. According to official publications, this law was considered adequate to solve the problems caused by defects in the previous co-operative law of 1944 (Al-Alwan, 1961). However, the post-1958 official publications did not specify precisely which problems had arisen due to previous legislation. It is important to appreciate that the new regime was largely politically motivated in these critical assessments. Furthermore, judged in relation to the traditional principle of democratic control in co-operation, the ensuing period was characterized by pronounced government interference, whereas previously some co-operatives had enjoyed relatively democratic management.

In 1958, a Directorate of Agricultural Co-operation (D.G.A.C.) was created. It was headed by a Director-General and was made responsible for the agricultural co-operative societies. Its primary functions were to:

1. Carry out preliminary enquiries and guide the establishment of co-operative societies in the agrarian reform region.
2. Prepare their by-laws.
3. Advise and guide the societies and their members in implementing the agricultural programs prepared by the specialized departments.
4. Help the societies obtain loans for their members and to market co-operatively their products, and to carry out any other functions beneficial to members.
5. Supervise the societies' activities and audit their accounts.

6. Ensure that the functions of the societies were carried out according to the co-operative societies and the agrarian reform laws, and their by-laws.

Types of agricultural co-operatives

Planners in Iraq opted to apply the multi-purpose model of agricultural co-operatives, with unlimited liability. This is clearly specified in Article 32 of the Land Reform Law, 1958, which stipulated that the co-operative society shall:

1. Obtain agricultural credit from the public credit institutions proportionate to the holdings of its members;
2. Supply the members with the necessary seeds, fertilizer, cattle, pumps, agricultural machinery and implements, storage and transportation facilities;
3. Regulate the cultivation of the land and facilitate its efficient utilization through the selection of seeds, the use of better crop varieties, the combating of agricultural pests and diseases, and the construction of irrigation canals and drains;
4. Sell the main crops of its members on condition that installments on the price of the distributed land, agricultural credit, and other debts be deducted from the price of the marketed crops; and
5. Perform any other agricultural and social services required by its members.

Although no official justification was given for choosing multi-purpose agricultural co-operatives, their adoption may have been based on views similar to those of K.H. Campbell, who wrote that in rural Asia and Africa the lack of qualified secretaries and experienced village co-operative leaders to manage the affairs of many specialized co-operatives made the multi-purpose co-operative preferable (Campbell, 1951). Moreover, the farmer has to raise less capital for his share contribution; instead of subscribing to several societies, he has to buy only one share in a multi-purpose society.

In reviewing the inclusion of unlimited liability in the regulations of the multi-purpose co-operatives it is necessary to distinguish between its effects on farmers already thoroughly acquainted with the principles of co-operation and the resultant benefits, and those who were unfamiliar with these. In the latter case it may have sapped the enthusiasm of co-operators deterred by the high risk factor in Iraq's traditional agriculture.

The transitional period and the growth of the land reform co-operatives

Slow growth of Land Reform co-operatives occurred during the period from 1958 to 1963 (D.G.A.C., 1976). This crucial time of implementing land reform was not take-up with initial field studies to investigate preconditions for the establishment of co-operatives to supplement agrarian reform. Problems were encountered in training adequate professional staff for the co-operatives. Although a center for co-operative training was set up under the guidance of F.A.O./UN. experts at the end of 1963, and training courses were organized for the supervisors and instructors of the co-operatives (Iraq, Ministry of Agriculture & Agrarian Reform, 1976), the number of trainees was very small compared to the number required for running the seven million donums which were expropriated. Moreover, the problem of co-operative management was aggravated by such stopgap measures as the administration of temporary land titles.

Although some tenants received automatic membership in a co-operative, they lacked the incentive to actively participate in the co-operatives due to the temporary nature of their land titles. Their farms were hired from the Directorate General of Temporary Management, Ministry of Agriculture and Agrarian Reform. The number of non-participatory members was so great in some areas that several co-operatives closed down. For example, in 1968 there were 26 agricultural co-operatives in Kirkuk province, most of whose members were tenants. Only 15 co-operatives remained after the renewal of their land contracts.

In Aldura province, most of the tenants invested in the belief that they would be able to renew their contracts for many years but were then faced with the action taken by the Ministry of Agriculture and Agrarian Reform to redistribute their hired land to other farmers. Problems arose when the land area allocated to be hired by the farmers failed to correspond to the actual geographical area due to defects in the maps drawn by the surveyors. Such was the case in Al-Muzenya village (Al-Tameem province), where tenants accepted contracts to hire 50 donums, when the land was less than the specified area.

According to P.F. Phillip, writing at the time, there are three main elements required for establishing a successful co-operative:

“The general prerequisite for success is that members fully appreciate, accept and adhere to the principles of solidarity, common property,

democratic management and a equitable apportionment of proceeds commensurate with their respective input. An “environmental climate” favorable to the successful development of agricultural co-operatives presupposes national, dynamic and secular ways of thinking, an acceptance of change within the community, and a high degree of homogeneity or at least compatibility of the co-operators. To cultivate the formation of such attitudes on the part of the co-operators, it is vital that the need for agri-co-operatives not merely be an objectively existing one, but the members’ own felt need” (Phillip, 1966).

Since it would be utopian to expect such ideal circumstances to prevail in less-developed countries, introductory programs of familiarization with such fundamental aspects of co-operative organization should both precede and accompany the foundation of agricultural co-operatives and the recruitment of officials/managers and leaders who are sympathetic or at least not hostile to such principles are critical for eventual success of both the economic and social agenda of co-operatives. However, no such systematic familiarization program was promoted in Iraq due to extreme ideological conflict between the various political parties that retarded the formulation and creation of the co-operatives, particularly during the period 1958 to 1963. In addition, the agrarian reform planners regarded the Egyptian experience in co-operatives as authoritative and uncritically transplanted this model into the Iraqi framework. They neglected to appreciate the specific political and socio-economic differences involved. First, Egypt is more homogeneous society than Iraq, which provides a basis for positive participation. Second, the involvement of co-operatives in politics is relatively less in Egypt than in Iraq as it has a political and social structure that is more politically stable. This allows the Egyptian co-operatives to concentrate on economic viability and good internal governance.

Government allocation of funds in relation to the growth of the land reform co-operatives

The pace of growth was determined by the allocation of funds for setting up new co-operatives. Using the D.G.A.C.’s ability to spend these funds as the criterion for measuring the implementation process, it was observed that the funds actually spent were less than the funds allocated for this purpose, which affected the rate of implementation. Funds that had been

earmarked for establishing new co-operatives were not disbursed by the successive military regimes that ruled after the 1958 coup.

The D.G.A.C. submitted to the Ministry of Agricultural and Agrarian Reform its own plan within the framework of the Economic Plan of 1961-65 for the set-up of 200 co-operatives. The cost of implementing this policy was estimated at 2.5 million I.D. The Ministry of Planning reduced that amount to 0.5 million I.D. without any explanation. The Ministry of Finance reduced it even further, allocating only 450,000 I.D (Iraq, Ministry of Agriculture and Agrarian Reform, 1974).

This indicated the differing objectives of the Planning and Finance agencies. As H.A. Hanson stated, "Finance thinks in terms of economy, planning in terms of development" (Hanson, 1960). Despite these cuts the D.G.A.C. found it difficult to spend the allocated funds (Iraq, Ministry of Agriculture and Agrarian Reform, 1970). Furthermore, while the planners suggested that each beneficiary of the Land Reform should join the co-operatives, a considerable number of beneficiaries did not join (Iraq, Ministry of Agriculture and Agrarian Reform, 1976).

Assessment of the agrarian reform of 1958

Effectiveness of Implementation

There was little time after the 1958 revolution to conduct adequate investigations into a suitable reorganization of land tenure arrangements to achieve rapid agricultural development. Decisions made during the 1958-1959 period about the Land Reform program were not motivated primarily by considerations of economic efficiency. Due to specific conditions of the 1958 coup, the main objective was to sap the economic and political foundations of the feudal system without permitting the emergence of any democratically based civil society structures, which might challenge the newly established military regime. An inept bureaucracy, unable to deal with the difficulties of land expropriation and distribution, further hampered the program. Hence, targeted numbers in these areas were still far from met one decade after implementation.

Agricultural production

Although there is a lack of accurate statistics concerning agricultural production, what evidence there is, shows that there was a general trend downwards in the main agricultural crop production of wheat, barley, rice and cotton from 1958 to 1964. But an over-reliance on a comparison of the average main

crop production in the relatively short periods immediately preceding and after the first Land Reform may lead to inaccurate conclusions.

Iraq's system of data compilation depended greatly on estimates since there was no comprehensive statistical coverage of the entire country. Moreover, Iraqi agriculture is extremely susceptible to variations in climatic conditions and such external factors can considerably affect the averages of crop production. The two years following the first agrarian reform were marked by a drought that drastically reduced production.

Farmers' standard of living

Serious difficulties are incurred by adopting an index based on the farmers' living standards as a measure of the success of the Land Reform. There was no reliable data available on the living standards of the peasants before and after the implementation of the first agrarian reform.

The official statistics concerning the growth of the average income share of the rural family from agricultural income suggest an increase from I.D. 134-3 in 1953 to I.D. 261 in 1969 (Iraq, Ministry of Planning, 1970). These estimates cannot be taken as reliably significant because of the weakness of the arithmetic average as a representative statistical measure. Moreover, the estimates also ignore the differences in income resulting from various crops under cultivation. In addition, no clear distinction was made between those people working in the agricultural sector and those merely depending upon agriculture.

The average value of production (at constant prices) per rural family relying mainly on agriculture for its livelihood rose only slightly to 111.9 I.D. during the period 1964-1968, compared with 108 I.D. during the period 1953 to 1958. This implies that the average rate of increase over the whole period was about 1.1 percent per annum. However, this conclusion is subject to certain reservations. Besides the difficulty in measuring the benefits of government expenditure on free health and education services and subsidies reducing the price of seeds and fertilizers, the estimation of real consumption levels by the peasants presents special problems. The great majority of farmers who subsisted under semi-feudal land tenure relations prior to the agrarian reform are now thought to have increased their consumption, especially since most of the land under cultivation was devoted to crops that could be consumed directly. On average, wheat and barley constitute most of the land cultivated annually. According to a survey conducted by a group of physicians in Iraq, the health standards of the

majority of farmers had greatly improved over the period 1958-1962, reaching a higher level than that of the majority of unskilled workers (Demarchi, 1963). The literature covering the evaluation of Iraq's Land Reform of 1958 is not unanimous in its assessment. It is not inconceivable that the respective backgrounds of the authors have influenced their different assessments. D. Warriner argued that those who criticize the reform of 1958 as too revolutionary must remember that the landlord system that prevailed before the revolution of 1958 had only been established in 1932. A belief that change might have evolved gradually is unsubstantiated. Warriner then concluded:

"The reasons for the economic failure of the reform should not be oversimplified. To say that mistakes have been made, implying that those responsible took the wrong decisions, would be inept, for no one was responsible for long. The trouble lay much deeper: in conflicting political aims; technical obstacles; and the sheer magnitude of the administrative tasks, beyond the powers of an inexperienced bureaucracy...It would also be inept to believe that experts could have avoided failure; there have been plenty of experts offering contradictory and often inapplicable advice." (Warriner, 1969).

No co-operative program claiming to be founded on a market-based business system can operate efficiently or ethically when overseen by a military regime or single party system, administering resources through a patron-client style of management using the state apparatus. To Professor P.M. Raup, however, the Iraqi Land Reform of 1958 represented a positive sociological achievement:

"Iraqi land reform stands as evidence of the high cost of postponed reform and unplanned implementation. Yet admitting the seriousness of production declines, it is wrong to condemn Iraqi reform on that evidence alone. Prior to the reform semi-feudal conditions prevailed. In economic and social dimensions (its) archaic land tenure institutions were among the most backward in the world...whatever else must be said against the land reform (Iraq has) effectively ended (one) of the world's most neo-feudal oligarchies. This was no mean achievement" (Raup, 1967).

If the Land Reform of 1958 in Iraq did achieve its political objectives of eliminating the old feudal order, some might argue that the feudal patron-client system had been merely transferred to the military regime

rather than having been eliminated altogether. The economic need of increasing Iraq's agricultural productivity certainly was not realized by this reform.

The Second Agrarian Reform Law No. 117 of 1970: its justification and objectives

In 1970, a second Agrarian Reform Law was enacted. No detailed justification was advanced in the law for this significant decision, particularly concerning the new drive towards collectivization. However, the Ministry of Agriculture & Agrarian Reform literature referred to the shortcomings of the last reform of 1958 in explaining the new law. First, the former law permitted too high a ceiling on individual ownership (i.e. 2000 donums in rain-fed areas and 1000 donums in irrigated areas) regardless of type of crop, soil fertility or precipitation. Second, inequity had resulted from the right given to existing landowners to choose which land they would be permitted to retain. Because they naturally selected the most fertile and best-watered land, only marginal land was released for redistribution. Third, no Compensation provided to land owners for requisitioned land on the premise that the land originally belonged to the state (Iraq, Ministry of Agriculture and Agrarian Reform, Al-Nawfel et.al, 1972)

Thus, one of the main objectives of new law number 117 of 1970 was to reduce the ceilings for land holdings on the basis of soil fertility and water availability. The range of the ceilings was reduced to 1,000 to 2,000 donums in the rain fed zone and 40 to 600 in the irrigated zone. Second, the right of the landowners to select their allocated areas was abolished. Third, the law withdrew compensation to the landlords on the ground that all lands had been owned by the state before being taken over by individuals and tribal leaders. Finally, the law enacted provisions to promote state and collective farming systems thus ensuring the total political control by the Baath regime of the so-called "co-operative system".

The influence of the Russian experience in collectivization on the Iraqi land reform of 1970

The irony of such a move was that it could be seen as an example of Russian influence at this period of heightened Cold War tensions when both superpowers overlooked ideological and real differences of social and political systems in their mutual rivalries to gain spheres of influence. Such superpower politics ensured that repressive regimes were pandered to

rather than challenged by the one-party Soviet Union and liberal democracies alike. The Baath regime was thus able to gain access to American arms and some political support throughout the Cold War period particularly following the fall of the Shah of Iran.

Article No. 49 of 1972 issued by the Supreme Agricultural Committee described the ideological policy concerning the future land tenure system to be adopted in Iraq:

“The Baath party aims to create a socialist society in Iraq...a society based on co-operation between individuals...a society which rejects the capitalistic system with its reliance on private land ownership and other sources of production. The historical experience of the socialist countries proves that abolishing private land ownership and replacing it with collectivization is of vital importance in insuring the success of socialism.” (Iraq, Ministry of Agriculture and Agrarian Reform, 1972).

Thus by the end of 1973, some seventy-eight collective farms had been established in Iraq, with 10,543 members working on 576,392 donums; in addition six state farms covering 143,985 donums had been created.

The emphasis placed on collectivization by the Land Reform of 1970 was indicative of the continuous confusion surrounding the adoption of a feasible agrarian policy in Iraq. This emphasis may have been a way to cultivate support from communist Russia. The law did not state whether collectivization was to be compulsory or voluntary.

Article 16, Section 2 of the Agrarian Reform law stated that, “the land shall be distributed collectively or individually according to the existing situation in the area.” However, at the Eighth Conference of the Baath Party an official statement was made that all co-operatives were potential collective farms (The Eighth Conference of the Socialist Baath Party, Al-Thawra Al-Arabya, 1974). Thus any democratic association organized as a co-operative was available for effective nationalization.

Three practical economic and social aspects of the experience of communist countries are also relevant in this respect.

1. The supply of rural manpower for industrialization

The process of industrialization involves far-reaching demographic changes because manpower needs to be transferred from agriculture to industry. A significant example of this process of demographic change was

the Soviet Union. In 1929, when a systematic process of industrialization was initiated with the First Five Year Plan, the agricultural sector comprised about 80 percent of the total population. By 1966, this had decreased to less than 32 percent. However, it is difficult to assess to what extent this migration was facilitated by collectivization alone.

The agricultural sector may produce a push factor through the provision of low wages compared with those obtainable in industry. The mechanization of agriculture, coupled with more efficient farm organization also creates a surplus of farm labour. In Iraq, any migration of labour from agriculture to urban centers would have risked aggravating the existing, chronic unemployment. Such unemployment would appear to logically obviate the need for the immediate transfer of labour affected by collectivization. Moreover, continuous migration from agricultural to urban centers would have required considerable investment to integrate the influx of population into urban life.

Professor Edith Penrose, wrote of Iraq’s policy of collectivization:

“The various kinds of large-scale organization of agriculture which the Iraqi government is attempting to create -whether they be state farms, collectives, or some reasonably centralized form of co-operatives, all tend to be capital intensive. Given the growing shortages of labour as industrialization proceeds in the urban areas, and the difficulties of holding workers on the land, together with desire to establish a state-run “socialist” agriculture, it might seem at first sight to be appropriate policy for the government to encourage highly mechanized capital-intensive agriculture. But this type of agriculture requires highly skilled workers—just the type of worker who tends to migrate to the city...Iraq may therefore in the near future find herself in an even more difficult position than at present: increasing food imports; continued emphasis on industrialization; failure to keep independent farmers on the land because farmers will leave if they cannot have their own private land; and difficulties in attracting enough skilled workers against competition with industry for the capital-intensive agriculture with an unwelcome, and perhaps in some degree irreversible, deterioration in agriculture.” (Penrose, 1978).

The historical experience of the West and Japan indicates that mechanization of agriculture can proceed successfully without the creation of large-

scale farms if allowed to evolve more gradually. Thus, with the process of mechanization adjusted to the needs of small-scale farms practicing co-operation, a high degree of mechanization in agricultural production on medium and small farms can be achieved (Schiller, 1971).

2. The contribution of agriculture to capital formation

The Soviet Union represented another significant example for successful capital accumulation through the contribution of agriculture. Compulsory restrictions imposed on consumption in the collectivized sector created the required agricultural surplus. For capital formation to occur, saving is a necessary prerequisite. However, such a saving, especially in the case of most less - developed countries implies a restriction on consumption, which is already at the subsistence level. In Iraq, the availability of huge oil revenues at the time could eliminate the need for such austerity measure. Indeed it arguably made the need for raising capital from agricultural surpluses unnecessary. Even assuming that Iraq followed the pattern of limiting farmers' consumption, the projected surplus would be hopelessly inadequate for accumulating the investment fund necessary for development. The size of the agricultural surplus available for transfer to the industrial sector would be further reduced if collectivization increased the cost of agricultural production. The case for seeing collectivization as politically rather than economically motivated is therefore overwhelming.

3. The relationship of the agrarian reform co-operatives to collectivization in Iraq

Although it is not the intention of this study to criticize the collective farm system, it is not feasible to suppose that this system would have been generally effective through the whole country. The change of policy favoring collectivization may have served to exacerbate the problem of low productivity. The majority of farmers equated collectivization with confiscation at a time when they become accustomed to land ownership and its accompanying incentive to increase production.

Despite the fact that collectivized farming was relatively new to Iraq, thus making it difficult to evaluate its effectiveness, a study concerning the state farms in Iraq, undertaken by Ministry of Planning revealed that:

"The state farms failed to achieve an increase in the productivity of the main crops; it was found that the cost per donum of the cultivated crops on these farms is more than the ones cultivated on

the small family farms" (Iraq, Ministry of Planning, 1974).

A further study on the collective farms conducted by the Ministry of Agriculture and Agrarian Reform indicated continual financial losses since they were established (Iraq, Ministry of Agriculture & Agrarian Reform, 1974). The government, burdened with debts from the Iran Iraq war (1980-1990), was in no position to maintain these losses. In 1987, another shift of policy was adopted when the government declared a privatization policy and followed this up by selling or leasing state farms to the private sector.

An assessment of the second land reform of 1970

Effectiveness of implementation

By 1974 the Baathist government completed the task of expropriating all the land targeted by the Land Reform of 1958. Although this regime distributed 3,285,136 donums to the landless farmers by 1974, bringing the total to 5.8 million donums (since 1958), 4,400,000 million donums or 44 percent of the land expropriated still remained under the temporary management of the Ministry of Agriculture and Agrarian Reform. The latter was cultivated by farmers who had little incentive to invest in the land since they were bound by annual contracts only.

Agricultural production

Between 1970 and 1975, 366,000,000 I.D. were allocated with the goal of increasing agricultural productivity. According to official publications, production of the main crops increased considerably between 1970 and 1973. Because considerable confusion surrounded the method of statistical complication, these figures need to be approached with caution.

According to E. Penrose:

"If the figures given for the years 1970-71 and 1971-72 in the 1973, Abstract of Statistics for the cultivated area are checked with the figures in the 1975 Abstract, it appears that the former in fact refer to the harvested area only. The 1975 Abstract presents figures for the 'gross cultivated area' and the 'net harvested area' separately, but reported yields are based on the harvested area. Since this is often very much less than the cultivated area, it probably explains some of the increase in yields as reported in the statistics as compared with earlier years." (Penrose, 1978).

Farmers' standard of living

No statistics on this topic are available for the period since 1969 except a report published in 1976 by the Ministry of Agriculture and Agrarian Reform. According to this report, "There is no doubt that a significant increase in the farmer's income has been achieved as a result of redistribution of land ownership, eliminating intermediaries and providing new owners of the land with better credit facilities". The same report indicates that the average annual income of a rural family from agriculture for the period 1960 to 1975 ranged from 135 I.D. to 560 I.D. (Iraq, Ministry of Agrarian Reform, 1976). These estimates cannot be treated as reliable and representative for the following reasons:

1. The study does not reveal how the sample was chosen;
2. No distinction was made between the income of the farmers as a whole and those who benefited from the Agrarian Reform Law;
3. The study ignores the cost of the subsidy provided by the government and the administrative cost in replacing the intermediaries.

Iraq's experience with two Land Reforms spanning more than three decades demonstrates that achieving agricultural development requires genuine autonomy for farmers and that the redistributed land must have secure tenure if it is to be worked effectively. Clear statutes administered with impartiality and transparency is also essential, particularly in a multi-cultural and tribal society where the charge of nepotism can be easily levied.

Two decades of negative agricultural growth

During the last two decades, the Iraqi agricultural sector failed to achieve its basic objective of reaching self-sufficiency in food. Iraq's infrastructure and economy were devastated by the war with Iran, then the Gulf War and, most recently, the war of 2003. One study indicates that the agricultural sector declined during the period 1980-2000 by -1.1% (Al-Debagh, 2005). Currently, 90 percent of the population in Iraq depends on the United Nations for food, another indicator of stagnation in this sector.

Prospects for developing Iraq's agriculture and the potential role of co-operatives in the transformation process

Transformation of the Iraqi economy from its dependency on oil to self-sufficiency necessitates the

successful development of its agriculture. The transformation of Iraq's political system from patron-client to democratic requires that, in the rural areas where secularization is least developed, the opportunity for democratic economic and civil society structures are made possible. Given the levels of distrust and violence and disrupted infrastructures due to the war and the continuing insurgency, it is obvious that structures need to be established with clear principles of neutrality in politics and religion and transparent governance to ensure delivery of these principles. Co-operatives facilitated by a government committed to their development as autonomous with locally empowered associations have the best chance of success. There is a great need for the current and future Iraqi governments to adopt a clear agricultural strategy supporting the small farmer security including the encouragement of autonomous co-operative associations (see below concerning the Indian and Egyptian experiences).

Unfortunately according to the Washington Post, it appears that the Coalition Provisional Authority (CPA) believes that subsidized agriculture is the wrong policy. The CPA favors a "shock policy" as a way to push for a quick transition to a free-market economy. The CPA supposes that reducing farm subsidies will force farmers to invest more of their money in agricultural production as well as have more of a stake in the outcome of their efforts. "The government will now provide help in the form of technology and education and the market will take care of the rest" (Washington Post, 2004). Yet, this supposes that the Iraqi people are able to absorb a radically different form of economic policy imposed on an infrastructure severely weakened by war and deprivation. It might be believed that the Iraqi people have had enough shocks and the imposition of such a stringent model might further destabilize and polarize.

Several countries have realized the benefits of a free market by adopting different economic approaches demonstrating that "shock therapy" is not the only remedy. The majority of farmers in rural Iraq are extremely poor and the removal of subsidies will increase their perceived risk and thus dampen their incentive to produce. Subsidy reduction may even drive some farmers to abandon farming. Even developed countries such as the United States and those within the European Union provide farm subsidies despite agriculture's declining share of Gross Domestic Product. For example, economic studies place the average European subsidy at \$17,000 (US) per year and \$16,000 (US) for U.S. farmers (Economic expert.com, 2005).

As a point of comparison, the conditions of small farmers in Iraq are similar to those in India prior to its “green revolution”. The success of the Indian rural development model was due to its emphasis on “gradualism” rather than “shock therapy”. The fragility of Iraq’s economy at this stage calls for a measured and gradual approach away from the model of the past thirty-five years that was based on a centralized interventionist orientation. According to Joseph Stiglitz, “Countries like Hungary, Poland and Slovenia that took the gradualist approach to privatization...managed their transition far better than those that tried to leapfrog into a laissez-fair economy. Shock therapy countries saw incomes plunge and poverty soar” (Stiglitz, 2004).

If revived as a part of well-integrated agricultural plan, co-operatives can play a dual role in the transformation of the political and economic system in Iraq. Nurturing co-operatives can strengthen the roots of democracy by capitalizing on the virtues of co-operation such as a democratic membership, autonomy, equity and independence. To realize the economic benefits of successful and viable co-operatives, the Ministry of Agriculture needs to consider a comprehensive and well-funded program to assist agricultural co-operatives. It should provide for credit, marketing facilities, technology, and education. Longer term, these subsidies can be removed so that co-operatives can achieve full independence.

Special attention should be given to improving the existing ration system, at this stage, by partially monetizing it to ensure the continuous participation of the local farmers. The existing system is not conducive to stimulating farmers to increase their grain production. This is because imports of subsidized grain from different countries put local farmers at a tremendous disadvantage. The government should continue to buy agriculture products produced by small farmers and compensate them with incentive prices to stimulate increased production. This should orient production towards the market rather direct consumption by the farmers.

A subsidy can help farmers improve their meager income and stabilize the declining farm population. The removal of farm subsidies should be contingent on rebuilding the rural infrastructure and the creation of adequate private marketing channels. The Indian and Egyptian experiences in supporting prices of small farm co-operatives proved to be very successful in transforming and developing their agriculture. There is a good possibility that Iraq’s small farm co-operatives if revived and given the

required assistance will play an important role in transforming Iraq’s agriculture.

Conclusion

Many Iraqi and international studies draw attention to the land tenure system existing before the Agrarian Reform Law of 1958, as a main cause of the agrarian problem in Iraq. The new regime of 1958 conceived the idea of land reform as a solution to its political problems in subduing the countryside and reducing the power of the feudal order. This involved the expropriation of land from the large landowners and the development of family farms supplemented by co-operatives.

The bureaucracy was at the same time careful to implement the Land Reform so as to not to mobilize a rural population that might be able to challenge it; hence distribution to the landless peasants lagged far behind expropriation. For example, from the end of September 1958 to the end of December 1968, out of a total area of 10,628,273 donums, which were scheduled for expropriation, 7,073,346 donums had been expropriated. Of this number, only 2,781,404 donums were distributed.

Following this Land Reform there was a significant increase in the establishment of Land Reform Co-operative Societies, especially after 1963. Because most of these co-operatives, however, suffered from inadequate capital and a lack of experienced management personnel, they were not capable of successfully replacing the landlords and their hired managers (sirkals). The Land Reform of 1958 achieved its political objective by abolishing the economic and political base of the landlords. The economic need of increasing Iraq’s agricultural productivity, however, has not been met. The second Land Reform Law of 1970 involved a shift of emphasis from small family farms to the development of collectivized agriculture. Despite an increase in the finance the government allocated to the development of the agricultural sector, there has not been a corresponding increase in the production of the main crops. Iraq’s imports of agricultural products continue to increase, thus reducing the foreign exchange to be allocated for productive investments.

The Land Reform co-operatives encountering the same problem that surfaced following the implementation of the first Land Reform. The situation was further aggravated by the extreme shift in policy from family farms supported by co-operative system to one of collectivization during the 1970’s. During the 1980’s the trend toward collectivization ended when

the government decided to privatize and sell the collective farms.

In conclusion, government should adopt gradualism rather than “shock therapy” because of the fragile economic state of the small farmers at this time. If a viable civil society is to emerge to heal the wounds and rebuild national unity in Iraq, then co-operatives must be encouraged to play a significant role in transforming Iraq’s agriculture. The revival of co-operatives could therefore serve a dual purpose, both strengthening democracy while reaping economic benefits.

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Market Segmentation: a tool for improving member satisfaction and retention in credit unions

Maurice A. Wright

Abstract

This article looks at the use of market segmentation as a tool for improving member satisfaction in co-operatives, particularly credit unions. As credit unions seek alternative ways to improve the level of satisfaction among their members and ultimately to get a greater share of their members' financial business, market segmentation may be a useful tool.

The paper argues that in spite of the egalitarian approach that underpins the co-operative principles fundamental to the credit union philosophy, market segmentation may be used to better serve the needs of credit union members. In utilizing market segmentation, the credit unions must pay particular attention to barriers that may negatively impact the effectiveness of the market segmentation exercise. Consequently, the need to pay particular attention to issues relating to barriers to implementing market segmentation is highlighted. This paper also attempts to address management's concerns about the practicality and usefulness of segmentation.

Key words

Credit Unions, Co-operatives, Market Segmentation, Customer Satisfaction, Customer Retention

Introduction

Many institutions including co-operatives spend a considerable portion of their time, energy and resources chasing new business. Although it is important to replace lost business, grow the business and expand into new markets, one of the primary goals should be to keep existing customers and enhance customer relationships. Conventional wisdom suggests that it costs at least five times more to get a new customer than to keep an existing one (Weinstein, 2002). According to Weinstein, in many markets, share of customer, which is a customer retention measure, has supplanted market share, which is a customer attraction measure, as the relevant business performance objective. Consequently a good understanding of customers' purchasing patterns helps companies keep customers and gain a greater share of their business. This applies also to co-operatives,

particularly financial co-operatives such as credit unions.

Customer satisfaction, customer loyalty and customer retention are important intermediate goals for financial service providers on their way to superior economic success in the liberalized markets. As market growth slows or as the markets become more competitive, companies will more likely attempt to maintain their market share by focusing on retaining existing customers, rather than attempting to attract new customers. Customer retention has been advocated as an easier and more reliable source of superior performance (Fornell & Wernerfelt, 1987; Peters, 1988; Reichheld & Sasser, 1990). To improve customer retention, companies initiate a variety of activities, including programs on customer satisfaction (Anderson & Sullivan, 1993; Rust & Zahorik, 1993), complaint management (Fornell & Wernerfelt, 1987), and loyalty (Reichheld, 1996). Speed and Smith (1992) advocate the use of segmentation as a way to improve customer satisfaction, customer loyalty and customer retention.

Increasingly more firms have been focusing on the advantages of placing more emphasis on defensive strategies (designed to retain existing customers) than on offensive strategies (designed to attract new customers). The existing customers are already familiar with the company's products and services. A portion of this group is likely to be positively predisposed towards the products and services of the company. Hence the focus is therefore on "share of wallet" of individual members/customers instead of traditional market share. Most academic research into segmentation in the financial services industry has focused on alternative approaches and base variables while little attention has been paid to implementation issues, despite management's concerns about the practicality and usefulness of segmentation.

Despite the advantages which segmentation can bring, financial institutions in general and credit unions in particular, have been slower to capitalise on its potential than other industries (McKechnie and Harrison, 1995). However as the regulatory situation has changed, competitive pressures have increased and profits have been squeezed, so that many institutions are now looking for ways to direct their resources at

the most lucrative customer groups. According to Doyle (1995), the combination of economic conditions and regulatory forces, together with an increase in competitive activity, has resulted in an upsurge in interest in market segmentation.

Academic research in the financial services sector, as in other industries, has sought to identify appropriate segmentation approaches. Speed and Smith (1992), who have undertaken a review of financial services segmentation, suggest that a priori segmentation, which charges the researcher with determining the size and characteristics of segments, as outlined by Green (1977), is the most widely used approach. The use of demographic variables such as age and social class, are especially popular. Post hoc segmentation is less widely used. This entails the grouping of respondents according to their responses to particular variables. Multi-variate techniques may be applied to post hoc research, such as cluster analysis, factor analysis or multidimensional scaling.

Definition of market segmentation

Market segmentation involves the grouping of customers with similar needs and buying behaviour into segments, each of which can be reached by a distinct marketing programme. The concept attempts to reconcile differing customer needs with limited company resources, and allows product and marketing offerings to be adjusted to suit different customer groups (Wind, 1978). The theoretical grounding for market segmentation comes from economic pricing theory, which indicates that profits can be maximized when prices that discriminate segments are set (Frank, Massy and Wind, 1972).

According to Kotler (1994), companies from all industries are increasingly embracing target marketing. This has followed a natural progression from “mass marketing”, where one product is produced and sold to all buyers and “product-differentiated marketing” where more than one product, with different features, styles and characteristics are produced for offer to a variety of buyers. The essence of target marketing is that customers are heterogeneous in their buying requirements and behaviour, and therefore these companies will be in a stronger position to serve certain customer segments.

The result is that financial institutions should identify those areas of the market which are more attractive to them, and which they are most able to serve effectively. This will require a careful analysis of the structure of the industry, and the relationship between customer satisfaction and return on investment, as well as an

assessment of the organisation’s capabilities and resources (Doyle, 1995).

Service switching

Keaveney (1995) states that customers’ reasons for switching service providers were classified into eight general categories:

- Pricing
- Inconvenience
- Core service failure
- Failed service encounters
- Response to failed service
- Competition
- Ethical problems and
- Involuntary switching

The segmentation exercise is intended to minimise incidences of service failures that promote switching. The cost of switching by customers is usually significant to institutions.

Aim of market segmentation

The underlying aim of market segmentation is to group customers with similar needs and buying behaviour into segments thereby facilitating each segment being targeted by a distinct marketing programme. The concept attempts to bridge the gap between diverse customer needs and limited credit union resources, by encouraging distinct product and marketing offerings to be developed to suit the requirements of different customer/member segments (Wind, 1978).

Market segmentation is widely regarded as a panacea for a variety of marketing ailments. However research in the financial services market highlight a number of significant barriers to the implementation of segmentation programmes. The barrier may include the lack of availability of appropriate customer data and an organisational philosophy that is mindful of the differences between customers. While the marketing literature acknowledges that these difficulties exist, there has been little formal analysis to capture the characteristics of these barriers. Typically in the financial services sector, the industry competitiveness has become very high. This change has resulted in increased interest in market segmentation from financial service providers, including credit unions, who believe that it may help in pursuing new opportunities and ultimately lead to more satisfied customers/members (Speed & Smith, 1992). Certain

characteristics of the credit union sector indicate that it is a suitable area for market segmentation. Most notable among these is a diverse member base with a wide range of needs and buying behaviour.

Weinstein (2002) advocates that service providers attempt to know who the better customers are through the use of demographic, geographic, psychographic and benefit research. In doing so a profile of the “typical user” is determined. Such information then becomes very useful in the subsequent marketing effort. To retain customers and to gain a larger share of their business, service providers need to develop a better understanding of the customers’ purchasing pattern. Increasing a company’s share of customers’ business can ultimately have a dramatic impact on market share and profitability. In evaluating customers’ usage and loyalty pattern, recency, frequency and monetary value (RFM) analysis can be a useful tool. Recency refers to the last service encounter, frequency looks at how often the customer contact/company experiences occur, and monetary value assesses the amount that is spent, invested or committed by the customers for the firm’s products and services.

An alternative segmentation approach: transactional segmentation

In industries such as banking, firms deal with the issue of customer defection through the use of what is known as transactional segmentation. It uses the company’s internal data to determine changes in the individual consumer’s transaction pattern in order to develop a personal marketing strategy to market directly back to that customer (Pearson and Gessner, 1999). While the basic concept of segmentation is to market to groups of individuals who are similar in some characteristic or characteristics, transactional segmentation focuses on the individual. Transactional segmentation challenges the notion of marketing to groups and promotes the concept of marketing to individuals rather than groups. For transactional segmentation to work, the customer record must be more than just a total of the customer’s transactions. The data has to be stored by transaction in order to determine what other items were purchased during the same transaction and when the transaction took place.

Modeling expertise is necessary. Transactional segmentation is not just a process of observation. It involves the construction of an ordinary transaction pattern from individual transaction records. Where the customers deviate from the pre-determined pattern, their account is flagged by the computer system and passed to the customer service representatives who

will make contact with the customer. The customer database is a central resource that should house both current and historical information about a customer’s entire product holding with the company, which can be enhanced with geo-demographic and personal data from an external information provider (Hussein, 1998).

Bases of market segmentation

In seeking to develop the use of market segmentation, credit unions need to properly assess the bases of segmentation before commencing on such an exercise. This would involve settling on the best mix between the following:

- Demographic
- Lifestyle
- Psychographic
- Attitudinal

Types of market segmentation

Segmentation bases such as age or lifestyle may be found to be “too crude” as they give insufficient insight into member requirements and behaviour, such as which distribution channels they prefer to use. The credit unions may therefore have to attempt more sophisticated forms of segmentation, using attitudinal or psychographic data gathered from a small sample of customers. The small sample size tends to make weaknesses in the data even more apparent, with the result that it may not be possible to allocate customers to segments with a high degree of confidence.

Potential benefits of market segmentation

The marketing literature (Kotler, 1994; Wind, 1978) suggests that segmentation leads to more satisfied customers, because it offers practitioners a number of clear benefits including:

- Improved understanding of customer needs
- More appropriate resource allocation,
- Clearer identification of market opportunities and
- Better tuned and positioned marketing programmes

According to the marketing literature, with segmentation helping organisations to identify market opportunities and improving the allocation of resources, this should assist in the development of a sustainable competitive position and ultimately leads to more satisfied customers (Wind, 1978).

According to (Bankston, 2002), credit unions in the United States of America such as IBM Southeast Employee Federal Credit Union, a credit union with assets of over US\$540 million and 57,000 members, are so sold on member segmentation as the way to “deliver the right message to the right member at the right time” that they have organized their marketing department by segment managers. A key component of its sophisticated member segmentation is a relationship-pricing fee schedule. In conjunction with the member segmentation exercise, the credit union uses product profitability data to ponder the “what ifs” of product bundling and impact of marketing efforts.

Zeroing in on profitability by member households allows credit unions to identify the mix of products and services that reaps the most revenue and to promote that mix to less active members. The objective is to get the less active members to have a product profile that is similar to that of the profitable members. For example, if the most profitable households have chequeing and money market accounts and active Visa and home equity products, the job of the business development personnel is to develop strategies to convince members with two or three products to round out their relationship. Ensuring that members with Visa cards and home equity lines use those services is another key goal.

The objective of the IBM Southeast Employee Federal Credit Union is not to collect fees but to produce behavioural changes to increase the share of wallet with members who have fewer services. The credit union combined its product profitability data with available member information to create over 100 membership market segments. The credit union then built a predictive behavioural model that identifies members that are most likely to purchase highly profitable product or use their existing accounts in a way that produce more revenue and also points out which product members in certain segments are most likely to purchase next. The collective power of the profitability analysis and the market segmentation is key to anticipating members’ financial needs and serving them better.

Implementing market segmentation

In developing and introducing segmentation strategies to their customer base for the first time, financial service providers may find that they encounter barriers in a number of areas. These barriers can be seen to affect the segmentation, targeting and positioning stages in the segmentation process.

1. Segmentation barrier

The customer data necessary for segmentation may not be available. Additionally, once the gaps in the organisation’s databases have been identified, it may be difficult to find viable processes to address those gaps. Where data is available, in some cases, it is more “accounting” rather than “marketing” driven. This data shortage may force credit unions to continue with relatively simple forms of segmentation which, while they are practical, are likely to overlook important issues which could enhance the credit union’s understanding of the customer needs and profitability. The need for a comprehensive customer database in the financial services sector is key to segmentation and to the understanding of customers in general.

2. Targeting barrier

The credit union may find that it is not appropriately positioned to make best use of segmentation. Effective segmentation requires clear strategic objectives, and a willingness to embrace customer selectivity – all with strong senior management support.

3. Positioning barrier

There may not be a good fit between the chosen segmentation approach and the distribution channel that the credit union uses to reach its customers/members.

4. General barrier

The organisational context may not provide an environment in which segmentation can thrive. A strong philosophy of focusing on the customer is necessary for progress with segmentation to be made. This should be combined with supporting organisational structures, and with coherent and integrated management of the range of distribution channels with which the customer may come into contact.

Key considerations in implementing segmentation programmes

1. Segmentation approach

Whether the credit union has sought to apply a consistent approach to segmentation across products, bringing age, lifestyle and income variables together into a “base” segmentation model for all financial products.

2. Collecting and managing data

Analysis of member data to gain improved understanding of member profitability and the member behaviour that influences it. The challenge will be to link the customer behaviour that determines

profitability and other member characteristics that can be identified prior to account opening. Thought will have to be given to the process of integrating all databases into a single source of customer data, so that the best use can be made of the increasing quantities of behavioural data such as the transactional data from the current account and debit/credit card systems. The use of new analytic techniques has been accompanied by the introduction of financial advisors, trained to carry out financial review with key customers.

3. Using data in the marketing effort

Use of database information in recruiting approaches such as direct mail and press advertising. Some customers are unwilling to buy complex financial services such as pension without personal attention from a qualified member of staff while many persons will apply for a credit card in a 'remote' fashion, such as in response to press inserts. Credit unions will have to make investments in analysis and modeling to ensure that direct marketing campaigns for services such as ucards are carefully targeted. The analytical models can be used to identify potential customers who are likely to be responsive to direct mail and who are good risk.

4. Conduciveness of the business environment

Despite much discussion on segmentation and its use in assisting a customer focus in strategy and planning, a product-focused organisational structure persists at many credit unions, with marketing staff organized into product-based teams. Where appropriate, a culture change has to take place to ensure that product-focused teams adopt a customer-focused perspective. This change should be driven by the credit unions' clear brand statement, marketing strategy and positioning. Additional investments should also be made to provide for better integration of systems across distribution channels, so that full details of customers' transactions with the credit unions are made instantly available.

Targeting barrier

Co-operatives including credit unions need to avoid the "mass marketing trap" and to exploit the benefits of a carefully considered targeting strategy. Financial services providers, particularly credit unions, face great difficulties in trying to leave behind the mass marketing or product-differentiated marketing approach. This may in part be due to the "egalitarian" view that is held by some bankers and credit unionists, which argues that all customers are equally important and should receive similar quality service (White, 1992). Financial institutions that take this view to its conclusion are in

danger of rejecting segmentation by arguing that all customers can be satisfied with one set of products and one set of marketing programmes. If segmentation is accepted at all within the egalitarian framework, the objective for segmentation is likely to be seen as helping the financial institution increase its focus on the customers and enhance its understanding of customer needs. No customers would be excluded with this approach and strategies of customer selectivity would be rejected in favour of servicing all customers.

Although the egalitarian approach may appear to offer certain benefits, there are dangers in taking this viewpoint too far. The differing products and services requirements of customers may not be recognized. Management may fail to acknowledge the value of identifying and appropriately resourcing the most attractive niches for the business. Serving a particular group of segments simultaneously may not be manageable (Belcher, 1996). Decisions about whether or not to withdraw from unattractive and unprofitable segments may be overlooked, simply because the mechanism to implement these decisions do not exist within the current organisation structure. Very often financial institutions are not in the habit of linking customer attributes which determine profitability, such as propensity to buy certain products, propensity to "remain loyal" to the institution for a certain length of time, customer behaviour and customer attitudes to their finances which drives such behaviour. There may also be a poor fit between the chosen segment and the service provider's distribution strategy.

Although financial institutions are increasingly recognizing the importance of a strong customer focus, radical changes to the organisation chart have not necessarily been easy to implement. For example, some financial institutions have moved to form a matrix structure, where products and customers are given a more equal weighting, with product teams becoming champions for a particular customer groups, alongside their existing product responsibilities. Unfortunately, in some cases personnel have become unclear about their responsibilities and job priorities. The danger is that staff sees segmentation as an additional burden and are resistant to the culture change necessary to ensure successful implementation.

Conclusions and recommendations

Research findings support the notion that a range of barriers exists and the importance of these barriers varies in different organizations. Research evidence suggests that successful implementation is contingent on certain problems being overcome, and that barriers

exist which may inhibit the process. In view of the diversity of credit unions worldwide, the extent of barriers to segmentation may vary widely. Even different credit unions serving similar markets may have differing experiences of segmentation implementation.

In collecting, managing and handling data, credit unions should seek to enjoy the benefits of a comprehensive and structured database. In doing so the credit unions should be able take advantage of the buying behaviour data by developing a system that is responsive to the spending/saving patterns of customers. By monitoring the pattern of customers individually and as a group, the credit unions can learn some valuable lessons that can be used in their marketing effort.

A credit union's view of marketing planning is one indication of the degree to which it is genuinely customer-oriented. As market segmentation is also a part of the marketing planning process, reviewing this aspect of strategic direction offers some interesting insights. There is considerable diversity in how credit unions deal with segmenting their customer base. The challenge is to use its detailed understanding of the customer spending/savings habit to systematically improve its marketing effort. The ready availability of demographic details of customers ought to enable most credit unions to work relatively simple forms of segmentation, based perhaps on customer age, income or social class.

It is interesting to note that although evidence in the literature indicates that variables such as demographics are deficient when attempting to explain buyer behaviour for financial products (Brooks and White, 1996), and that lifestyle segmentation may be a more powerful predictor of customer behaviour and product requirements (Hooley and Saunders, 1993), many financial institutions, including credit unions, do not have the necessary information to apply lifestyle segmentation. This is partly because databases are usually "accounting" rather than "marketing" driven, including plenty of information on account balances, debits and credits but little evidence of lifestyle, interests or family circumstances. Some financial institutions, including credit unions are beginning to search for more sophisticated forms of segmentation based on attitudinal or psychographic data. They are seeking to fill the gaps in their database using a programme of customer interviews and questionnaires.

The development of a superior database can apparently impact on the type of segmentation

activities that are possible. For example, the nature of a product such as a charge/credit card means that the financial service provider has access to a wealth of data on the customer's spending patterns, which can reveal a great deal about the lifestyles and habits of the individual. The need for some financial service providers to consider segmentation is even more pronounced where they are endeavouring to integrate their distribution channels, in order to provide an enhanced multi-channel service and to enable the rapid sharing of data across channels.

In general, the evidence suggest that while financial institutions welcome the benefits that segmentation offers, the implementation of segmentation in practice meets with mixed success due to the barriers encountered. The consensus seems to be that success is more likely when segmentation programmes are implemented which are sympathetic to organisational characteristics, deal realistically with the current market situation, and yield easy to interpret segments (Webster, 1991).

Future research

Despite the attention that the literature has given to the application of segmentation in the wider financial services sector, the implementation aspects and problems associated with it have been identified as key areas for future research (Speed and Smith, 1992). In other areas of marketing literature, similar concerns have been expressed, especially with the apparent prevalence of implementation problems. Brown et al. (1989) identify missed opportunities resulting from unsystematic and inappropriate grouping of customers, a concern that has been echoed by other scholars. Although these concerns originate in different parts of the literature, the links with issues raised by Speed and Smith (1992) seem almost uncanny.

Concern has been expressed about the degree to which many managers understand and implement the segmentation concept. When taken as a whole, the literature seems to indicate that there may be a number of barriers that inhibit the successful implementation of the market segmentation process. For example, existing distribution systems, unsuitable organisational structure and existing relationship with suppliers and intermediaries may make modified or new segmentation approaches difficult to implement.

Further research in the credit union movement should include exploration of whether the number and size of segmentation barriers are consistent for different credit unions and to establish whether the

presence of fewer barriers translates into more widespread and sophisticated segmentation activity. The objectives of such research could include:

Identifying the barriers which may affect the implementation of market segmentation and to consider how these barriers may vary for different credit unions (in different countries)

Examining whether the presence of particular barriers impacts the sophistication of market segmentation application.

Further research is needed involving a suitably large number of participating co-operatives including credit unions to assess whether the success of implementing segmentation in financial service companies is heavily influenced by the barriers encountered.

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The stakeholder model as a leading model for excellence in governance. A comparative perspective on a co-operative opportunity

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Abstract

The paper considers the various contexts and approaches in the literature to the stakeholder theory of management. It starts by attempting to situate stakeholder theory as one of a number of competing theories of management and governance and then discusses specific attributes of stakeholder theory and the implications for the management and governance in different organizational contexts. The paper concludes that there are great synergies between the stakeholder model of management and the seven principles of co-operative management outlined by Davis and Donaldson (1998). The author argues that the clear acknowledgement of stakeholder interests by co-operatives will when applying these principles lead to real operational level advantages for the co-operative sector.

Key Words

Co-operative Management, Governance, Stakeholder Management, Comparative Organizational Contexts

Introduction

We are interested in the theory of “stakeholders” because of the direction in responsibility it suggests for management at various levels in the organization. A range of literature on this matter defines “stakeholder” as all the individuals and groups of people, enterprises, community and society at large, which have an interest in the existence and development of an enterprise. This includes consideration of the employees, suppliers, and clients, investors of capital and the community and wider society.

Stakeholders are constituents, who in our usage, have proper aspirations related to a given business, which can be identified or argued for, as opposed only to calculative interests in what a business does. More generally we use the term to refer to bodies (organized or not) of persons with a common concern relating to some business organization. This concern may be legally determined, as in the case of shareholders or employees, or derive from an identifiable interest or right in relation to an organization or business.

Examples of the latter include, for example, people whose health is affected by pollution originating from factories. In terms of the co-operative as a community of shared interests stakeholders have more grounds for co-operation and mutual interdependency (Davis and Donaldson, 1998), (Davis, 1999 and 2004). Membership (the “cardinal stakeholder” according to Parnell (1995), is a category which depends on some of its stakeholders to ensure desired service levels, and has social goals that by reaching out into the wider community embraces those mutual needs and interconnections that organizations have with the communities in which they operate (Davis, 1999, pp 57-60). Davis and Donaldson (1998) and Davis (1999) are not arguing that this formulation is particularly new - simply that the co-operative ownership structure, values and purpose make it easier to achieve. Davis (1999) in particular points to the significance of the stakeholder concept for success and failure in the applications of Total Quality Management.

There is no possible translation into Spanish from the English “stakeholder” that really corresponds to the original richness of content of this concept, which is also known as “constituencies” and “multi-stakeholders”. It does not correspond with “groups of interest” or “pressure groups”, duly characterized by sociology. The research studies of stakeholder relationships often deal with the normative or prescriptive behaviors of directors or top management. More theoretical studies involve the definition of principles that must rule such behavior. These are the twin concerns of my paper.

In her important work “The Moral Responsibility of the Enterprise. A revision of the theory of the stakeholder from the point of view of discursive ethics” Dr. Elsa González Estaban (1997) of the June I University writes:

Thinking from different points of view about the institutions that govern and rule our lives is not a novelty in the history of philosophical thinking, but it is a novelty that this phenomenon would issue as a consequence of the pressure of society over institutions. This is one of the more interesting phenomena in the study of entrepreneurial ethics: to discover the ways in

which society keeps pressing the institution into rethinking both the final aim as the means for attaining them and the rules that limit the action of individuals in their activities, forcing them to reflect and assume the positive and negative consequences of their practice. For the researcher that approaches the phenomenon of the enterprise from the perspective of philosophical thinking, with the tools provided by it, it is very interesting to discover how the reasons found after the discipline of business ethics in the U.S.A., or "etica empresarial" in Spanish are related with the search for legitimacy and credibility of the activity of managers, as well as with the attempt to create relationships of trust and co-operation within the enterprises, because they are social institutions.

And further on she adds,

In this sense it could be said that enterprise ethics was forged in the shadow of the first pages, words and images of the communications media. It is in the media that the bad practices of the enterprises are shown: contamination of the atmosphere, of the waters and acoustic contamination through an excess of ugly sounds, abusive or discriminatory publicity, just to mention only a few examples of the bad news without and within enterprises that could be seen... in the media and ..(such examples)... are not isolated phenomena. All of them, in the last analysis tend towards one and only one reaction: to tell the enterprise that it must frame its activities not only in the rules of the market and public regulations, but also in a critical moral consciousness determined by society. (Estaban, 1997)

This may be the best way to start our reflection on the stakeholder approach and senior management. Society forced enterprises to rethink their responsibilities as entrepreneurs. Now the time has come for the teachers of general administration from the national universities of Argentina and the world to accept with conviction and urgency the study and deepening of this tool for the management of enterprises and organizations from the stakeholders' point of view. This is because the theory of stakeholders is more developed than any other in the analysis of tasks and responsibilities of the groups, organizations and institutions that have some relationship with the enterprise. Be it because they participate in their activities, such as employees, providers, or because as clients they follow with interest its' development, as it is the case with the community or the state.

The idea of analyzing differing categories of stakeholder is reflected also in the analysis of the problems of a country. On behalf of the state all those that could be interested in a law, or government decree, beginning with the concept that they know in depth and from a first hand experience and are, therefore, in an excellent position to suggest adequate responses and become the subject of consultations. The United Nations has developed activities, calling to people and organizations to international conferences, on the basis of this criterion.

Research studies that are directed towards the normative or prescriptive behavior of directors or towards the explicit wording of the principles that must rule it are the micro level focus necessary to ensure stakeholder theory is implemented. There are a variety of models in which the criteria to be used in different situations are detailed. Firstly, there are the relationships between size and complexity of the organization and the structures that must be adopted in each case. In the second case the emphasis is on the principles that must rule the relationships among partners, directive employees, administrators and stakeholders, so much so as to create a realm of freedom in which solutions can be found. As an example we would quote the ones indicated by the Conference Board of Canada, namely, leadership and stewardship, empowering and responsibility, communication and transparency, service and justice, talent and measurement, continuous knowledge and growth.

Amongst the authors of important works on the management of co-operatives who have approached the concept of "stakeholders" Edgar Parnell (1995), Shann Turnbull (1997) and Peter Davis and John Donaldson (1998) take them into account in their writing. Parnell sees membership has the cardinal stakeholder implying a priority to the ownership of the co-operative broadly equivalent to that of the shareholder in a capital based business. Turnbull sees stakeholders as being critical in the process of governance and in the establishment of competitive advantage with an emphasis on institutional relationships and processes participating directly in management and policy formulation (Turnbill, 1997, pp 28-38) Davis and Donaldson see stakeholders in a very positive light with all stakeholders having an important role for the management and governing of a co-operative but in the context of a more streamlined management led culture providing the implementing/facilitating processes. Davis and Donaldson (1998), in their seminal work, advance seven principles or values for all dealings with

associates, managers and stockholders and members of organizations. Although their focus was principally on co-operatives they believed they could be applied in all kinds of business enterprises. Their seven principles are dealt with in detail later but we briefly mention them here as: pluralism, mutuality, individual autonomy, distributive justice, natural justice, people-centeredness, and the multiple role of labour. It is our persuasion that we need to incorporate these principles and their application as part of the study and teaching of those teachers and professors who are responsible for business schools in universities, as a necessary part for the study of the so called 'social Responsibility of Enterprise'.

Estaban (1997) proposes consensus as a basis for all stakeholder relationships, on the idea that these are valid interlocutors and it is a moral duty of the enterprise to get into contact with all of them. In her call for consensus as a basis for these relationships she argues it is a case of valid participants creating a moral duty on the enterprise. We do not share her point of view because from our side it is useless to fight for consensus when interests are generally contradictory in most forms of business organization. Nevertheless, in a co-operative a negotiated agreement, that takes account of mutual interests and needs, and is conducted with a recognition as to the legitimacy of the stakeholders does to some degree become a grounds for consensus of a sorts upon which the co-operative and all its' stakeholders can move forward.

Management

The study of how enterprises are managed has been a pre-occupation of many writers and the literature can be broken up into several different models of governance:

Representational Theory - a democratic model. This theory suggests that the ideas of democracy and democratic government are central to the development of culture and practices in the governance of co-operatives. This includes open elections based on one person one vote and on the separation of policy making by members from implementation of those policies by staff. This perspective suggests that representation of member interest is the key driver in the job and responsibility of a board member. In this context, any member can come forward as a candidate for the board. Expertise is not a key requirement as it may be in other models. This implies that for this model, greater emphasis and resources may be needed in the areas of director training.

Agency Theory – compliance model. This theory assumes that the owners of organizations and the management of these organizations have different interests. Governance arrangements are a means by which management (the agents) is encouraged and forced to act in the best interest of the owners. Such a framework is generally applied to explain behavior in the private and capital based business model.

Stewardship Theory - a partnership model. Contrary to agency theory, this model assumes that managers want to act as effective stewards of resources on behalf of owners. The board supports management, works with management and focuses on long term strategic interests. This model is driven by normative values of service to others and community. It has a long pedigree in terms of the management literature (Daft, 1999). Davis (1997) has argued that management can become a vocation but organizations must become clearer about what this vocational management employment profile for involves for their recruitment and selection processes.

Resource Dependency Theory - a co-option model. In this case the main role of the board is to maintain good relationships with key non-owner external stakeholders. Again this framework has clear synergies with the co-operative normative relationship between the co-operative business and the wider community and society.

Stakeholder Theory - a stakeholder model. This theory suggests that organizations should be responsible to a range of groups besides the owners. Its close applicability to the co-operative model has already been acknowledged above.

Managerial Hegemony Theory - a rubber stamp model. This theory relates to the premise that control of organizations has really passed from owners to a new professional managerial class. The board becomes little more than a rubber stamp. There are real fears that this can be applied to co-operatives as to any large-scale business where managerial power can easily take root.

We need to note in Davis (1995) and Davis and Donaldson (1998) that these writers see stakeholder theory requiring a servant leader model of management in order to guarantee the integrity of its implementation.

Mainstream management theorists such as Ronald K. Mitchell, Bradley R. Age and Donna J. Wood (1997) have seen the significance of stakeholders as those who make up groups without whose support the organization would cease to exist. According to

Donaldson and Preston (1995) stakeholders are persons or groups with legitimate interests in procedural or substantive aspects of corporate activity. Clarkson (1995, p5) sees stakeholders as carrying some form of risk as a result of having invested either capital, (human or financial), or something else of value, in a firm, and whose investments are placed at risk as a result of the firm's activities. The latter dimension of the negative aspects of risks attached to being stakeholders in the 20th and 21st centuries were graphically illustrated in the Bhopal disaster in India.

Categories of stakeholder

Below we try to categorise various definitions applied to stakeholders.

1. Claimants versus influencers

One approach to the clarification of the term stake which a stakeholder actually holds can be approached through the differentiation between groups that have a legal, moral or presumed claims on the firm and groups that have an ability to influence the firm's behavior, direction, process or outcomes. Claimants may have legitimate claims or illegitimate ones and the power to influence the firm. Influencers have power over the firm, whether or not they have valid claims or any claims at all and whether or not they wish to press their claims. Power and legitimacy are different, sometimes overlapping dimensions, but each may exist without the other. A theory of stakeholder identification must accommodate these differences.

2. Actual versus potential relationships

Another crucial question leading to how we understand the term stake is whether an entity can be a stakeholder without being in a relationship with the firm? We argue that a potential relationship can be just as relevant as an actual relationship. We suggest that a theory of stakeholder identification, if it is to be both comprehensive and useful, must extend to potential stakeholders if the risk factor and social responsibility factors in particular are to be taken into consideration. The British Co-operative Banks definition of Partners (stakeholders) and its reporting of its value added to its partners includes the category of past and future generations (The Co-operative Bank Partnership Report at www.cooperativebank.co.uk)

3. Power, dependency and reciprocity in relationships

If the firm and a stakeholder have a relationship, what is the nature of that relationship? Most answers use a power-dependence framework of some sort. Some definitions focus on the firm's dependency on

stakeholders for its survival, some focus on the stakeholders' dependency on the firm for upholding its rights, minimizing harm, or achieving its interest, and some focus on the mutuality of a power-dependence relations.

4. Shared or mutual interests

We found no mainstream literature definition that emphasized mutual power, and only two from Scandinavia that emphasized mutual dependence. Only Davis and Donaldson (1998) and Davis (1999) writing in the specific context of managing within co-operatives has sought to place the definition of stakeholder in the framework of shared interests and overarching values as underpinning mutual dependencies.

Overall, the information suggests that scholars who attempt to narrow the definition of stakeholder emphasise the claim's legitimacy based upon contract, exchange, legal title, moral right, at-risk status or moral interest in the harms and benefits generated by the company actions and that, in contrast, scholars who favor a broad definition emphasise the stakeholder power to influence the firm's behavior, whether or not there are legitimate claims. As a bridging concept, we argue that the broad concept of stakeholder management must be better defined in order to serve the narrower interests of legitimate stakeholders. Otherwise, influencing groups with power over the firm can disrupt operations so severely that legitimate claims cannot be met and the firm may not survive. Yet, at the same time, it is important to recognize the legitimacy of some claims over others. Power and legitimacy, then, are necessarily core attributes of a comprehensive stakeholder identification model. We argue that when these two attributes are evaluated in light of the compelling demands of urgency, a systematic, comprehensible and dynamic model is the result.

Power, legitimacy, urgency versus mutuality?

Power

Most current definitions of power derive, at least in part, from the early Weberian idea that power is the probability that one actor within a social relationship would be in a position to carry out his own will despite resistance. (Weber, 1947) This leads to the following question. How is power exercised? Alternatively, what are the bases of power?

Etzioni (1964) suggests a logic for the more precise categorization of power in the organizational setting,

based on the type of resource used to exercise power. Coercive power, based on the physical resources of force, violence or restraint, utilitarian power, based on material or financial resources, and normative power, based on symbolic resources. In fact most organizations do to some degree exert forms of power represented in all these categories, but what is most significant for stakeholders is the form of power used to legitimise the goals and actions of the organization and what determines the boundaries over which actions in support of goals cannot be legitimately crossed.

A party to a relationship has power; to the extent it has or can gain access to coercive, utilitarian or normative means, to impose its will in the relationship. We note, however, that this access to means is a variable, not a steady state, which is one reason why power is transitory; it can be acquired or lost. Hence in respect of normative resources based on values and social objectives management needs to be particularly vigilant as to their maintenance and continued relevance.

Legitimacy

Attempts to define the basis of stakeholder legitimacy tend to be on the basis of something at risk, or in property rights, or in moral claims. The notion of legitimacy loosely refers to socially accepted and expected structures or behaviors. It is often coupled implicitly with that of power when people attempt to evaluate the nature of relationships in society. Many scholars seeking to define a firm's stakeholder narrowly also make an implicit assumption that legitimate stakeholders are necessarily powerful. When that is not always the case (e. g. minority stockholders in a closely-held company, a firm's employees, its customers etc) the assumption is that powerful stakeholders are necessarily legitimate (e.g., corporate raiders, institutional investors).

Despite the common linkage of these two concepts, we accept Weber's (1947) proposal that legitimacy and power are distinct attributes that can combine to create authority (defined by Weber as the legitimate use of power) but that can exist independently as well. An entity may have legitimate standing in society, or it may have a legitimate claim on the firm, but unless it has either power to enforce its will in a relationship or a perception that its claim is urgent, it will not achieve relevance for the firm's managers. For this reason we argue that a comprehensive theory of stakeholder relevance requires that separate attention be paid to legitimacy as an attribute of stakeholder-manager relations. Definitions generally imply that legitimacy is

rooted in a desirable social good, that it is something larger and more shared than a mere self-perception and that it may be defined and negotiated differently at various levels of social organization.

Urgency

Viewing power and legitimacy as independent variables in stakeholder-manager relationships takes us some distance toward a theory of stakeholder identification and relevance, but it does not capture the dynamics of stakeholder-manager interactions. We propose that adding the stakeholder attribute of urgency helps to move the model from static to dynamic. By "Urgency" we mean a condition that is "calling for immediate attention" or "pressing". We believe that urgency, including the idea "compelling", "driving" and "imperative" only when two conditions are met (1) when a relationship or claim is of a time-sensitive nature and (2) when that relationship or claim is important or critical to the stakeholder. We argue that urgency is based on the following two attributes. (1) Time sensitivity – the degree to which managerial delay in attending to the claim or relationship is unacceptable to the stakeholder and (2) critically - the importance of the claim or the relationship to the stakeholder. We define urgency as the degree to which stakeholder claims call for immediate action.

Although it was virtually ignored until now in any explicit sense in the stakeholder literature, the idea of paying attention to various stakeholder relationships in a timely fashion is an issue for management. However, although time sensitivity is necessary, it is not sufficient to identify a stakeholder claim or manager relationship as urgent. In addition, the stakeholder must view the claim on the firm or its relationship with the firm as critical or highly important. Some examples of why a stakeholder may view its relationship with the firm as critical include the following:

Ownership – the stakeholder possession of firm specific assets or those assets tied to a firm that cannot be used in a different way without loss of value making it very costly for the stakeholder to exit the relationship;

Sentiment – as in the case of easily traded stock that is held by generations of owners within a family, regardless of the stock's performance;

Expectation – the stakeholder anticipation that the firm will continue providing it with something of great value (e. g. compensation and benefits in the case of employees);

Exposure – the importance the stakeholder attaches to that which is at risk in the relationship with the firm (Clarkson, 1995).

The combination of the three attributes of power, legitimacy and urgency above leads to seven types of stakeholders, that can be grouped in the following categories according to Mitchell et al's Typology. Note that for Mitchell et al all those who fall outside the three circles are excluded from being identified and stakeholders.

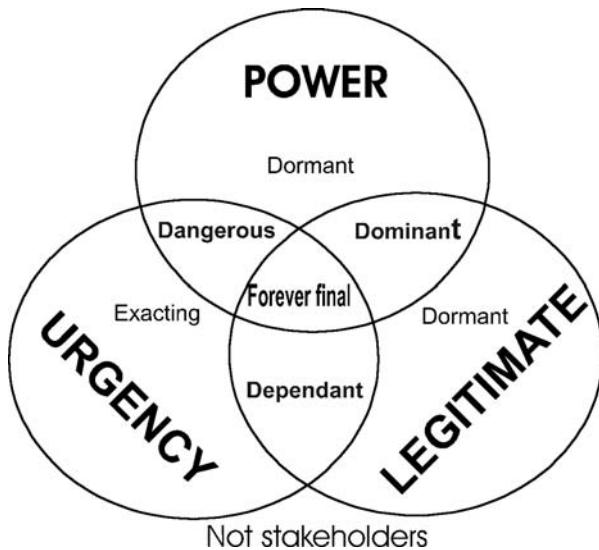


Figure 1 Mitchell et al. Typology

1. Dormant.

Power without legitimacy or urgency. The coercive power of the state and the influence of the media can be of service to those who have such resources but do not have a necessary sense of urgency. The essential for these stakeholders is the possibility of summing a second attribute (legitimacy or urgency). In the case of the state urgency can arise as a result of lobbying. The issue of legitimacy remains problematic here. Is the survival of the government a legitimate reason for confiscating co-operative property for example? For national co-operatives there is a real danger here that multinational or nationally based competitors may be able to pressure the state and media to act in ways hostile to co-operative interests, values and purpose.

2. Exigent.

Urgency with legitimacy but without power can make these stakeholders noisy and uncomfortable only where they can find additional power bases to underpin the urgency they feel.

3. Discreet.

Legitimacy, but without urgency and without power. The attention given to this category of stakeholder depends on the discretionary recognition of the organization, something that usually happens to

philanthropic support and in co-operatives may refer to volunteer activists trying to encourage the values and structures of co-operation in the their communities and the co-operatives other stakeholders.

4. Dangerous.

Urgency and power without legitimacy. There is plenty of room, if such is the case, for the use of coercion from the part of this type of stakeholder, under the form of useless acquisitions. Sabotage, strike, terrorism, and for co-operatives in particular the external political manipulation by parties and interests who want to extract resources or mobilise resources for their own ends.

5. Dominant.

These are stakeholders who have power and legitimacy and they belong to the dominant coalition. Therefore their interests and expectancies make a difference for the organization..

6. Dependent.

Urgency and legitimacy without power make this category of stakeholders to be dependent on the power of other stakeholders, inside or outside the organization in order to insure their interests be attended to and not ignored.

7. Forever Final.

These stakeholders have all three attributes and therefore take priority.

Shared interest as defining stakeholders

The shared interest co-operative approach as developed by Davis, (1999, 2004, 2005) challenges the implied conflict model underlying these seven categories of stakeholder. His argument is that a shared interest involves both financial/material standards and resources as well as normative resources and should be implemented not just as a governance process but as a management process within a Total Quality Management framework. This does not dispose of conflict altogether and the co-operative, as with other organizations, still needs a hierarchy of priorities. Into the establishment of hierarchy the rich (or toxic) mix of stakeholder power and legitimacy can challenge and generate conflict. But what the shared interest approach does claim is that the co-operative goals, culture and values reduces the impact of the idea of hierarchies of priorities both in terms of time and resource allocation. Davis (2005) stakeholders are less likely to challenge the legitimacy of the hierarchy itself. In the Co-operative context none of the stakeholders are entirely without power or advocacy either as long

as the values have been internalised or adopted by all the stakeholders with power. Stakeholder leverage can be driven by institutional power or market power or governance and even public relations. Even the dead often leave strong moral imperatives on the living, and what parent and grandparent is not concerned for the future generations to come?

Of course the tension remaining in the above approach is that the whole idea of stakeholder behavior as legitimate is problematic in the context of real time organizational behavior. This applies both on the part of managers or other stakeholders unless the shared nature of their respective interests, including values, is clearly manifest in the nature of the enterprise and is internalised by the stakeholders and manifested in stakeholder behavior (Davis and Donaldson, 98, Davis, 1999 and Davis, 2004). These authors point to the community of stakeholders supported by a shared commitment to service delivery. They argue that an overlap between stakeholder roles in the co-operative context helps to cement relationships, underline shared interests and reduces the potential for the more destructive forms of organizational and inter-organizational conflict.

For example, farmers both act as suppliers and owners in a marketing co-operative but they can also be customers where the marketing function is part of a multipurpose co-operative that procures farming inputs as well as markets farm products. Often the employees of a farmer co-operative may work directly on the farms as well at different seasons of the year deepening the network of shared interests between stakeholders. Also farmers, particularly small family farmers, are more than merely businessmen and women, they are producers who take a pride in the quality of their product not merely in its profitability. They have a grounding and love for the local community and the countryside that nurtures it. As such they have a real interest in ensuring high quality to the end consumer – even if that end consumer may reside a thousand miles or more away. This idea of employment, membership and kinship as having the potential for embedding co-operative stakeholder relationships into a wider geographic community is further developed in Davis (2004)

Clearly in the context of a co-operative membership joined to their co-operative on the expectation of services from their associational enterprise it is the expectation of delivery or the threat of the failure of delivery which will constitute an expectation of urgency for all the stakeholders. (This applies even where some in the supply chain may have financial

returns on capital employed as their key stakeholder goal). In the TQM framework the customer has already defined the supplier's outputs (in this case the co-operative social as well as financial and technical standard requirements). Here expectation is underpinned in addition by sentiment (see above) if we can stretch the term to include shared values and shared community.

As management in large scale organizations including co-operatives has the advantage in access to key levers of power (through control of procedures and information and formal communication channels), it seems important that the management culture and vocational motivation should have a close match to the goals values and ownership structure of the form of business they operate. Davis and Donaldson (1998) proposed a set of principles by which management could operationally give substance to the co-operative purpose and identity as it was developed in the ICA Statement of Co-operative Identity. Davis (1997 and 2004) calls for co-operatives to develop the vocational and professional aspects of their co-operative management using co-operative values and attitudes as an important selection criterion for candidates for positions as managers in a co-operative - just as the private sector does, only looking for very different value sets according to their organizational needs.

The suggested seven principles for the exercise of professional co-operative management have been presented for discussion by Davis and Donaldson (1998).

- (1) Pluralism. The recognition of the rights of all stakeholders and the respect for cultural diversity within the 'community'. It also represents recognition that the marketplace needs variety in terms of organizations as potential partners to promote co-operative purpose, values and culture while protecting the co-operative format and identity as being critical to ensuring a truly free marketplace.
- (2) Mutuality. The fundamental right of all to gain a mutual benefit from any association they are party to, and the right not to be bound to any association from which a permanent disadvantage arises is an essential principle for a stakeholder based business
- (3) Individual autonomy. The principle that as much authority and independence as is possible be delegated to individuals engaged in co-operative service for the sake of their dignity and the trust and solidarity that binds all in the co-operative community. The principle also implies the rights of

members to be free from dependency and/or the co-operatives themselves to be independent bodies commensurate with their responsibilities and obligations to their stakeholders and to the fulfillment of their purpose.

- (4) Distributive justice. Enabling access to the means for wealth creation and a fair sharing of the wealth created in line with both economic activity and economic need for all stakeholders. Fair trade and fair employment to all partners and stakeholders as the basis for their economic wellbeing, together with sustainable development for their community and the wider society.
- (5) Natural justice. As with the accepted standards in all public bodies for fair independent and impartial treatment by managers and within the management process.
- (6) People-centered. While co-operatives must accumulate capital this is not their end purpose but merely a means to serve the people better. Another way of putting it originates in late nineteenth century Catholic Social Doctrine that in a different format was also expressed by the UK worker co-operatives in the 1950s and 1960s. This is the doctrine that capital should serve labor and not labor that serve capital. The worker should be the subject not the object of employment. In managing resources and people it is the well being and growth of people that is the most crucial objective.
- (7) The multiple role of work and labor. This is the recognition of the importance of work for the well being of the individual and community both in terms of paid, voluntary or domestic work. Managers have a particular responsibility to ensure the quality of working life for all those whose working activities are affected by their decisions.

The values and principles proposed by Davis and Donaldson (1998) should be the guide for the entire stakeholder relationship programme within the organization. The emergence of the stakeholder approach has been a reaction to the belief that our present institutions at all levels have to change. Some use protest to put well-needed pressure on governments to deliver on their responsibility and others have worked at trying to see how to create space for different voices of the various parts of society may be heard in our complex world. Both are needed to ensure checks and balances but it is the emergence of the stakeholder space over the past decade or so that is new. By stakeholder space I mean the creative involvement of stakeholders working together with

governments and enterprises at all levels, local, provisional, national and international to make better-informed decisions and to implement agreements. The wide spread application of the concept in terms of the public policy debate is clear from the quotes below.

UN Secretary General Kofi Annan said in a speech to the World Economic Forum (1999).

The United Nations once dealt only with governments. By now we know that peace and prosperity cannot be achieved without partners involving governments, international organizations, the business community and civil society. In today's world, we depend on each other.

The Commission on Global Governance, in 1995, wrote that:

Global governance, once viewed primarily as concerned with intergovernmental relationships, now involves not only governments and intergovernmental institutions but also NGOs, citizen's movements, transnational corporations, academia, and the mass media. The emergence of a global civil society, with many movements reinforcing a sense of human security, reflects a large increase in the capacity and will of people to take control of their own lives. (Ibid. 1995: 335)

The Chair of the session was The Philippines Minister of the Environment Cielito Habito who added that:

Multi-stakeholder is the way to achieve truly sustainable development. And in a world being swept by globalization in the economic sphere... multi-stakeholder is a necessary condition for sustainability; I firmly believe that there is no other way.

Given the existing imbalances of market power and the almost monopoly of power, wealth and authority in the hands of the multinational enterprise, hegemonic states and international bodies like the World Bank and International Monetary Fund is this multi-stakeholder society likely to emerge? Given that the leadership of the most influential and powerful states like the USA and international bodies such as the International Monetary Fund and World Bank remain wedded to one model of international business - the capital based model, supported by its opposite, the small and micro-business, there seems little prospect for improvement for the world's poor.

We need markets in which effectively managed co-operatives can mobilise the previously powerless

stakeholders in the world's economy. Co-operatives are able to compete with large-scale national and multi-national, capital-based business in ways that present a real possibility to improve market efficiency in terms of its ability to produce sustainable economies, distributive justice and general welfare (Davis 2005). The stakeholder governance model when situated in organizations rooted in the International Co-operative Alliance's Identity Statement and managed by a vocational management developed using the Davis and Donaldson (1998) seven principles, gives co-operatives a real chance to be both true to their members and provide the market with that real competitive element which is essential for its effective functioning. It could be argued that co-operatives that provide stakeholder leverage in the global market would provide a greater sensitivity to all stakeholder needs by giving power to the formerly powerless stakeholder. (Davis, 2005)

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A management model for the evaluation of co-operative success with special reference to member objective setting and satisfaction

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Abstract

This paper is the first of a two part review of co-operative management with specific reference to the evaluation of co-operative management performance and special focus on the determination of members' objectives and their satisfaction. Firstly, some aspects related to co-operative management that arise from the existing differences and similarities between co-operative and non co-operative companies are analysed in the light of the literature up till 1995. The second part of the article concentrates on the literatures identification of reasons that lead to failure and it looks at those factors identified by selected authors. The factors that contribute to success (with special references to members' satisfaction) are discussed in the third part. In the second paper the authors will explore the literature since 1995 and consider how far it has yet to influence management practice in co-operatives. The second paper will reflect on the impact of the recent literature on the traditional management paradigm and its traditionally presented formulation of a division of responsibility between board and management. Is there a case on the basis of the more recent literature for suggesting a more integrated understanding of the commercial and social dimensions of the co-operative enterprise? Other aspects related to the special features of co-operatives in the theoretical models of mainstream business up to this point are introduced. Finally, the evaluation method based on the literature review previously analysed is critically assessed in the light of the proposals for a new paradigm. This method is especially focused on the measurement of members' satisfaction as a key indicator of co-operative success

Key words:

Co-operative; Success, Evaluation, Management, Members, Satisfaction, Objectives

Introduction: tensions and problems in the management of co-operatives

In the early nineties the ICA started work on a new Co-operative Identity Statement to meet head on the

challenge of loss of identity and the increasing loss of membership involvement in governance and policy making in general and what was seen by many as a growing threat of managerialism. A new Identity Statement was adopted in Manchester in 1995. In this paper we consider the management literature at the time that may have influenced the intellectual climate in which the identity statement was formulated. In our second paper we will review how this theoretical landscape concerning co-operative management has been challenged or confirmed in the writings of the last decade in the light of the reassertion of the importance of co-operatives special identity by the ICA.

The importance of management for co-operative success was recognized over many years (Sargent, 1982; Parnell, 1992; Steward, 1993; Thirkell, 1993; Ziewack, 1997; Uprety and Regmi, 1998). Howard and Klosler (1991) identified co-operatives as a different kind of organization. Co-operatives can experience different problems from other companies. Sargent (1982) said that;

“co-operatives face similar problems than those of small and medium-sized business (ignore opportunities to optimise profits and external financing sources, rarely contract consultants, and do not care about analysis techniques)”.

The need for professional management is seen as increasingly important in much of the literature at the time. When contracting personnel, the decision-making process is focused in the manager instead of members. Democracy can become a barrier to efficiency it was argued. Self-named oligarchies could subvert the co-operatives true purpose and goals and replace them with their rules. This suggested a clear danger for co-operatives to remain true to their true purpose.

Another point considered by the literature was how management systems should operate in the co-operative context? The literature up to the middle 1990s remained rather thin in this respect. Even today it is clear that co-operatives are largely ignored in the business schools (Chamard, 2004). However, it is easy to find references about co-operative philosophy

(Ballestero, 1978; Sexton, 1983; Sexton, 1984; Sexton, 1986; Ballestero 1990; Monzón and Zevi, 1994; Ernst & Young, 1995).

The International Labour Organisation (ILO) (1988) defined managing as the art of directing a group's activities towards a common objective. It is clear that without having a clear idea about managerial functions, it is impossible to decide what is expected from a manager and a group.

Cole (1990) defined six managerial functions: planning, organising, contracting, directing, leading and controlling. The manager's ability to develop these functions is more important in a co-operative (depending more on people than other organisations). Managers must recognise the special features of managing a democratically controlled organisation. In practise, the first thing to do is to define the pursued objective. The elected board of directors should do this. Managers must implement it. This division of powers and functions was seen to be very important.

The common factor to any managerial situation is the need to decide. Ansoff (1985) suggested three decision areas: strategic, operational and administrative. The first one is related to the board of directors. Once the co-operative is running, managers using the board of directors' strategic policies can assume operational and administrative decisions. However, these areas operate in a changing environment and they need permanent revision. Not revising objectives, policies and actions implies no response for adaptation by the organisation to the environment. This can lead to a lack of growth or decline. Other key management areas are communication, delegation, clear order declaration, team working, and quantification of objective fulfilment by degree and external relations.

Parnell (1995) defined management as the function that uses resources in an economical perspective in order to reach pre-fixed objectives. He separated management in four areas: planning, organising, directing and controlling.

According to the literature up to 1995 co-operative management should not be different than management for any company operating in a market economy. Objectives and management processes are similar. Differences appear in the objectives' hierarchy. The first objective, directly related to the organisation goal is to provide services to members (Parnell, 1995).

Management structures in a co-operative are built on three elements: General assembly of members, elected board of directors and the executive management team

and hierarchy. These last two elements are responsible for management. Members are the basis for democratic control. This is an essential factor if the company has as an objective responding to members' needs. However, as Parnell (1995) said, democracy should be the way to get to the end and not just the end. This author identified members' needs as individual and suggested that membership gives the opportunity to take part in the decision making process, but it is not a privilege. He also wrote that as general control stays with members, whilst management controlled the day-to-day company activities implementing policy.

The board of directors has the mission of setting company objectives and ensuring their fulfilment. Having members with appropriate levels of required capabilities to be part of the board of directors are a key factor for their success according to Parnell (1995) and many other writers have seen board member training and development as critical. But this has not always been seen as important in practise as is illustrated by a survey of members of boards of directors made by Brown and Scase (1973). Here 40% of respondents affirmed they did not need any special training and 30% recognised some lacks. These lacks can be solved with external advisers according to Parnell. Howard and Klosler (1991) also advocated the use of external directors to strengthen the board. They argued that strictly applying members' exclusive control can lead to limitation in co-operative performance. Managers must reach the objectives settled by the board of directors. So, their qualifications should be the highest the best.

Much of the literature of this period suggests that managing a co-operative is, in many aspects, more complicated than running other companies. These managers need clear leading and communication skills and a deep knowledge of the most adequate management systems, to ensure the co-operative organisations financial evolution. Sargent (1982) wrote that a company should have an experienced and forward looking management team. It should be led by somebody who can look a bit farther than the rest and be aware of the need of doing it. Oja (1986) summarised the importance of human resources in management when he wrote, "Man makes that money makes money". He pointed that human resources policies are a key factor and proposed a human resource policy structure.

Parnell (1995) formulated the basis for a co-operative management system. The management systems foundation was the primary co-operatives objectives which management would then draw up as operational objectives and ensure their execution. Parnell (1995)

also emphasised the need for appropriate capital for reaching these objectives. Primary objectives will depend on the sort of co-operative. They speak about what we sell, who are our clients and which point of the value chain we operate. Operational objectives are more universal and answer questions about profit margin, market share, etc. Financial control is a key management system. The main areas for financial control related to co-operative practise are capital, accounting, profit-measurement, commercial and pricing policies. There is little in the pre-mid 1990s literature concerning the co-operatives' needs concerning criteria for profit-sharing, distributive justice along the supply chain and any social dividend. Capital is a resource and those who provide it expect revenue according to market level. Bad management is not able to employ it productively. Accounting is a way for noting and auditing financial operations. It is a management tool that should be used to ensure the company is working correctly. It is useless if management does not employ information in an effective way as a tool for decision taking. Co-operatives cannot measure results without a previous and clear statement of objectives. This measurement cannot be done in the same way as a non co-operative. Co-operatives could measure profit when giving benefits to members related to organisation objectives, profit over working capital or labour productivity. Some writers saw co-operatives' commercial policy as hampered because every member is different and co-operatives must work with all of them. A non co-operative can choose its clients and suppliers. As Oja (1986) wrote, "co-operatives are as good as the worst of their members" giving vent to a negative attitude that somehow membership was a handicap rather than an asset. Pricing policy is one of the hardest decisions to take. It can be done through costs or through market. Having an assured product supply or demand can lead to a non-competitive service. Parnell (1992) wrote that a co-operative with minimal assured incomes has not enough pressure to get the best price for members.

It is of interest to note that all the writers on the problems of co-operative management show a negative attitude towards membership and the difficulty they have in recognising any commercial advantages arising from co-operative organisation. It is also the case that none of these authorities writing about co-operatives appear to aware of the latest developments in mainstream management thinking. For example little attention is paid to the Total Quality Management (TQM) literature, nor to the use of values as a driver for organisational culture and performance management. There is little reflection

on human capital and learning organisation and intellectual capital theories. However we shall return to these issues in our next paper and evaluate the extent to which the analysis concerning the nature of co-operative management leading up to the ICA Identity Statement is seriously challenged and in need of amendment resulting from the more recent literature both from mainstream business school sources and those writing principally for a co-operative audience.

Reasons for co-operative failures

Studying management theory from the above perspectives leads to the identification of a particular set of factors as being significant to allow an organisation to be successful and grow. But do they provide a context from which to analyse cases in which co-operatives made mistakes in the past? How may we learn useful lessons from these mistakes which stress issues of governance and incompetent management?

Pickard (1970) states

"there are few co-operative complete failures but there are many terrible successes".

This underlines two areas of difficulty related to research: few organisations would admit being unsuccessful, and, managers that do not get the results they expected will not back research and will not want to be criticised.

We summarised the main problems leading to failure as:

- Poor quality of leadership; (Parnell,1995)
- The board of directors does not develop a clear tasks it has to undertake; (Parnell 1992, Brown and Scase 1973, Howard and Klosler, 1991)
- Members are not able (or do not want) to lose independence and to accept change. (Oja,1986)
- Poor Management (Sargent,1982) brought together results of two surveys. His conclusions pointed to management problems as the main failure reasons. However, Sargent did not specify which were those problems. Wallace (1970) pointed out that managerial standards are low because members do not want to pay a high price for experience and management abilities in areas that they do not understand. Members prefer to pay a competitive wage to a production expert, because they understand it, than to a manager.
- Thirwell (1987) analysed the Welsh Quality Lamb Ltd failure. This co-operative closed in 1986 owing

significant debts to members. Thirwell identified some causes for this failure as:

- Lack of capital;
- Board of Directors members were unable to understand and use accounting information;
- The Board of Directors was too big and lost organisation control; (supporting Howard and Klosler, 1991)
- The President and the managing director dominated the rest of the Board of Directors;
- The Board of Directors members could not get financial information out of the organisation;
- There were no independent Board members.

This report studied co-operative management from the standpoint that it was the board who were responsible for the mis-management. It emphasised the President and the Managing Director's role in taking over organisation control and hiding financial information from the Board of Directors.

It concluded that development and training of Board of Directors members is essential. Co-operatives should keep operational goals aligned to organisation objectives. The Board of Directors must concentrate on members' needs, communicate with them and provide the services they ask for according to Thomas (1990) who published a handbook for board members of agricultural co-operatives.

Williamson and Steglin (1989) proposed another list of factors that could lead to co-operative failure:

- Financial and management problems (wrong planning, accounting information misuse, weak relation and communication among Board of Directors members, weak pricing policies);
- Problems among members; education, communication and turnover problems.

Howard and Klosler (1991) also cited board of directors lack of experience as a reason for failure.

Factors leading to co-operative success.

Pickard (1970) produced a list of reasons for co-operative success:

- A co-operative must grow from the bottom to the top;
- Informal contact among co-operatives is important;
- Maintaining small primary organizational units

allow members to be identified with the organisation;

- An effective and small Board of Directors is essential;
- Each Board member must be in charge of a specified area;
- Informal communication channels should be created and developed,
- Good relation between the manager and the Board of Directors;
- Employing a competent manager.

Pickard also emphasised the importance of establishing communication channels within the co-operative and its environment and its members, in order to weaken resistance to change. The co-operative provides an effective communication channel between market and producer in two directions and must be aware of members' opinions and needs. This list of success factors provides a clear vision based on structure and technical competence as the critical success factors for co-operatives. The author stressed the importance of communication but he also spoke about the existence of perceptions regarding to "them and us" between the managerial group and members.

Sargent (1982) defined successful co-operative as the one that enjoys "good relations" and competent and responsible members, suggesting that education encouraging members to full participation leads to a membership feeling in control. The author spoke about meetings, fully available information, satisfaction about results, dependence and convenience. Some of the factors that lead to success, according to Sargent (1982), are:

- Co-operatives that were developed from the base being more likely to be successful than those that were imposed from the top;
- Areas where population has a high education level are more likely to develop successful co-operatives;
- Organisational help, specially those with a political role, is important;
- Government policy can affect the welfare, structure growth and development of co-operatives.
- The need of professional managers.

Le Vay (1983) did a broad theoretical analysis of the key factors for co-operative management success. The main problems, according to this author, were capital funding and management and the definition of adequate objectives.

Howard and Klosler (1991) interviewed managers and board members of 15 marketing co-operatives in Canada identifying a list of leading success factors. They used them to develop guides that help to establish and manage marketing co-operatives. Their conclusions were:

- Members' needs have a critical importance;
- It is better financing co-operatives through bank loans than through retained profits or members' loans;
- Successful co-operatives have clearly specified responsibilities for the board of director members and managers;
- Board members must be periodically renewed (the Board should be partly renewed between complete re-elections);
- Board meetings are important but the board should not waste time on day-to-day problems;
- Successful co-operatives have clearly defined objectives and revise performances and policies;
- A clearly specified mission is not a key success factor;
- A competitive wage should be paid to a manager with the required abilities;
- It is helpful to have external consultants.

Other ideas were: running seminars for discussing and analysing topics related to management techniques; electing persons not related to the co-operative as members of the board of directors; using committees for facilitating young people implication in management tasks and areas; penalising members that use alternative marketing channels for their products.

So, key factors for success are: meeting members needs, member equal treatment and a strong board.

CEAS Consultants (1988) analysed co-operative agribusiness success in France and the Netherlands with the purpose of extracting useful conclusions for the U.K. Their report pointed to three factors as being particularly important for co-operative development:

- Hierarchical structures that allow (through managers) the delegation of members' decision making to part-time farming representatives;
- Retaining as much profits as possible for future investments;
- Open attitudes towards operating with non-members to enable buying raw materials from

cheaper sources and products that were not present in the co-operative business (key factor when processing products containing fruits or materials from other climates).

Bruynis (1997) defined success as a satisfactory end to something or a desired objective being achieved. He examined four success indicators: co-operative age, member entrepreneurial development, profitability and member satisfaction identifying 27 independent variables related to success. The survey was done among 52 marketing co-operatives in the U.S.A. settled by producers who needed a better marketing of their products. The four success indicators allow measuring it in a progressive way since survival until members' desires (objectives) satisfaction. The first indicator, age (elementary success measurement), indicates that the co-operative keeps on working five years after its foundation. Member entrepreneurial development represents the increase in co-operative business volume with its members in these five years. Profitability analysis is the third indicator. Finally, members' affirmative answer about their satisfaction with their co-operative's achievements. The report showed the independent variables that have a significant relation with one indicator. These variables were: business volume; total social capital; periodical publication of accounting and financial reports; existence of marketing contracts between members and the co-operative; previous experience of some board members; board of directors and managers continuous training in management topics; existence of professional managers; existence of previous planning and profitability analysis. The report ended with advice about the conditions for success arising from the research and literature review. Bruynis pointed to:

- Co-operatives need to handle enough business volume to be profitable and should settle a training and updating programme for managers and the board members;
- Co-operatives should employ full time professional managers if their business volume and socially owned capital allow to;
- Planning studies are key tools for determining production levels, market alternatives and financial needs;
- Financial information has to be periodically distributed among the management team.

A way to approximate the problem of satisfaction through membership participation is analysing factors that affect activity level. A higher satisfaction leads to a

higher activity. However, the inverse should be asked: can a higher activity lead to a higher satisfaction?

Fulton and Adamowicz (1993) pointed to member's needs as a key element for survival, analysing factors that influence members' needs with their organisation. They analysed the Alberta Wheat Pool case, a cereal marketing co-operative in Alberta (Canada) that represented 60% of cereal production in this area. Factors ensuring member needs are met are:

- Capability for allocating benefits from results;
- Capability for buying pest control and fertiliser products from the co-operative;
- Member total income percentage achieved through co-operative activity.

Member need satisfaction is an example of the future player problem. There is no fear if one member decides to leave. However, if a group starts to be disloyal with the co-operative, the danger is evident. These authors proposed game theory for structuring the problem using the prisoner dilemma for several periods. Staats (1983) used it for modelling member's loyalty looking at existing differences between applying the model for one period or more. The result (dominant strategy) when the game is used for one period is to leave. Everyone leaving leads to failure. Results when the game is played for several periods are more interesting because an optimal result can be obtained if players choose the co-operative option. He concluded that members who think about leaving in the near future would be less loyal than those who plan staying on. The exception will be members that could keep a (economic or psychological) benefit after leaving the organisation. Members will be more loyal the higher is the punishment for being disloyal. Other aspects of co-operative management were also modelled with co-operative game theory by Staats (1983) and Sexton (1986). Their results show how common actions are more efficient than individual ones. This comes from two previous conditions: players can communicate between each other, and can get a real compromise between each other. So, opportunities offering players a premium for staying should be defined. The objective is identifying and promoting ways of distributing these opportunities in such a way that any member would feel worse if he is not a member.

Schrader et al. (1985) measured members' perceptions about co-operatives and non-co-operatives showing that members considered non-co-operatives better (more efficient and profitable), if other aspects were analysed such as price stability, services and products supply, information, cost reductions, satisfying special needs,

promoting vertical coordination. In the marketing system, controlling power use by market agents and contributing to the general interest co-operative were considered as better.

Burt and Wirth (1990) did a survey among farmers and managers of agricultural input supply co-operatives in Oregon (USA) concluding that farmers did not perceive important differences among co-operative and non-co-operatives. Some of them thought that members were not aware enough about co-operative performance. Members would not be as loyal if they could gain higher prices elsewhere. It seemed that bigger farmers were against equality principles related to prices and credit terms.

Jensen (1990) did a survey among milk producers in Tennessee (USA) for determining factors affecting the selection of milk buyers. Farmers preferring operating with co-operatives chose as key factors a safe market and better services. Farmers preferring brokers chose better prices and lower deductions as key factors.

Wadsworth (1991) studied the features associated to co-operative preference among farmers in the USA. He looked at how features such as farm kind and size, situation and age were related to co-operative use. The highest probability of using a co-operative was in the milk and cereal sector, for big farms in some areas of the USA.

Conclusion to Part One

A key conclusion that arises from all these works is that as co-operatives have to behave as businesses; their survival depends on management and successful co-operatives are those that are managed as a "classical" company, with high dependence on management, with long term investment planning and a high level of flexibility when looking for resources.

It's worth noting that none of these articles looked at members' opinion about the importance of organisation democratic control, profit allocation or any other positive and public aspect of co-operation and co-operative values and principles. The view here is that co-operatives are to be seen as a business to be professionally managed and operated under grounds of strict economic rationality within a membership framework which was seen by some of these authors as something of a temporary handicap to fall back on when market mechanisms were not working efficiently. Management policies were a matter for the board but clearly professional management was needed to execute the policies and increasingly boards needed

greater professional expertise to assist them make effective policy decisions. Within the co-operative literature the ICA had become increasingly concerned that there had been a loss of co-operative identity and wanted to act to re-establish co-operative values as having a significant role in the conduct of co-operative enterprise.

As Seven Åke Bök (1992) put it in his report to the ICA Congress of 1992,

"... a review of values and principles cannot concern itself solely with co-operative ideals. The crucial issue today is not primarily about the ideas as such, but about the relationship between these and current co-operative practise." (Bök, 1992, p4)

Between 1992 and the publication of the draft statement in 1994 the responsibility passed to Prof Ian MacPherson (reporting to Congress in 1995) of Canada to lead the team that presented this new developed *ICA Statement of Co-operative Identity* for adoption at Manchester in 1995. We choose this date as our dividing line in our literature review because its' publication raised an immediate question of how and indeed if management of co-operatives fitted this new statement or indeed if the statement itself had addressed properly the issues of management in a co-operative context (Davis, 1995). This questioning led to the proposal for a new paradigm for co-operative management (Davis and Donaldson, 1998). In our second part of this literature review we will take up the evolution of the literature on management in co-operatives since 1995 to consider both the extent to which there can be said to be a new paradigm being presented and the extent that it is reflected in the general management literature focused on co-operatives over the following decade.

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**National
Association of
Co-operative Officials**

National Association of Co-operative Officials (NACO)

NACO is a Management Association and an Independent Trades Union, representing managerial and professional grades within the United Kingdom Co-operative Movement. NACO has sole representational rights for managerial and professional staff in all UK Consumer Co-operative Societies and within the Co-operative Insurance Society Limited.

The range of services available to members' encompasses collective bargaining on pay rates and terms and conditions of employment, professional advice, legal advice and individual representation – always delivered by a full-time professional official of the Association. The Association also provides ancillary services including discounted products, educational seminars and residential conferences.

NACO has grown and developed to be a major and respected professional body representing the vast majority of managers and professionals in consumer co-operatives. The Association seeks to work in partnership with Co-operative Societies and the excellent relationships developed help us support members individually and collectively. The Association is now looking to expand upon its traditional base, and develop relationships with members in housing co-operatives, farming co-operatives and credit unions to name but a few.

Affiliate membership opportunity

NACO also wishes to cross traditional barriers and share practices and experiences with similar minded bodies with links to the worldwide co-operative movement. In this respect, moves are in place to create an affiliate membership to allow fraternal organisations to develop links with NACO in the United Kingdom. Any parties interested in developing such a relationship should contact Lindsay Ewing, General Secretary or Neil Buist, Assistant General Secretary.

Contact details: Tel - 0161 494 8693 Fax – 0161 366 6800

E mail lwe@nacoco-op.org or ndb@nacoco-op.org

The Challenges Facing the Credit Union Movement in Jamaica

Maurice A. Wright

Abstract

This report looks at the challenges facing the Credit Union Movement in Jamaica. The business environment is changing rapidly and the credit unions have to be proactive to the changing business and social context.

The report argues that in spite of the challenges faced by the credit unions, the task at hand is not insurmountable. In that, the challenges can be overcome if managed properly. To successfully achieve this, the Jamaican movement will have to pay particular attention to issues relating to the improvement of its service capabilities. While the Jamaican Credit Union Movement continues to grow at a steady rate, it has lost market share in the key personal loans market. The dynamic nature of the business environment is also presenting challenges which will have to be addressed before Jamaican credit unions can realise their full potential.

Key words

Credit Union, Members, Shared Services, Market Share, Strategic Alliances, Co-operation

Introduction - historical perspective

The credit union movement began in Jamaica in 1941 through the instrumentality of Father Peter Sullivan, an Irish Priest working in Jamaica. The intent was to prevent persons lacking access to credit from having to

utilise the services of the users. Since then the credit unions in Jamaica have provided an invaluable service in providing an alternative for Jamaicans to save and have access to credit at reasonable rates.

While the number of credit unions has declined from a peak of 132 in 1968 to 49 at the end of 2004, the important role that they play has not diminished.

In 1996, an Inter-American Development Bank (IADB) sponsored strengthening programme was implemented with the following key objectives:

- Strengthen the institutional capacity of the credit union movement
- Development of prudential standards for the credit unions
- Re-organisation of the League
- Development of a central finance facility

In Jamaica, there are basically three types of credit unions:

- Parish/community-based credit unions
- Employee-based credit unions
- National credit unions

Performance and key PEARLS ratio

The consolidated statistics for key ratios are shown below:

Ratio	As at December 31					Standard
	2000 (%)	2001 (%)	2002 (%)	2003 (%)	2004 (%)	
Net Loans/Total Assets	53.77	51.80	55.58	55.81	60.11	60 - 80%
Total Delinquency/Gross Loan Portfolio	6.63	6.50	5.07	4.52	3.44	Max. 5%
Institutional Capital/Total Assets	6.00	7.40	8.4	8.16	8.89	Min. 8%
Operating Expenses/Average Assets	8.83	8.49	8.29	8.55	8.05	Max. 8%

Table 1: Key PEARLS Ratio

Growth performance

The growth performance of the credit union movement is shown below. It underscores the fact that in spite of the limited growth in the economy, credit unions have performed well.

Category	Credit Union Movement's Growth (%)							
	1997	1998	1999	2000	2001	2002	2003	2004
Savings	31.25%	26.75%	27.00%	20.16%	18.94%	14.73%	16.64%	17.64%
Loans	25.46%	23.21%	20.78%	17.81%	15.65%	22.21%	19.80%	28.76%
Membership	2.39%	3.64%	7.38%	4.36%	6.73%	6.28%	7.56%	17.93%
Total Assets	29.27%	27.47%	26.19%	21.83%	18.22%	15.11%	18.94%	4.66%

Table 2: Growth Statistics

The figures as at December 31, 2004 were as follows:

Category	J\$	US\$	Pound Sterling
Savings	22,448,340,678	362,070,000	200,432,000
Loans	17,136,186,104	276,390,000	153,002,000
Total Assets	28,493,665,525	459,575,000	254,408,000

Table 3: Saving, Loans & Total Assets

Market share

Since 2000, the Jamaican credit unions have gained market share in the personal savings market but has lost personal loans market share.

	Market Share (%) at December 31, 2004				
	Loans		Savings		Total Assets
	Overall	Personal	Overall	Personal	
Commercial Banks	71.14	56.74	68.05	41.53	68.32
Building Societies	18.31	27.45	17.55	36.35	15.98
Near Banks	3.56	5.34	4.11	0.82	10.04
Credit Unions	6.99	10.48	10.29	21.30	5.65

Table 4: - Market share at December 2004

The overall savings and loans market in Jamaica includes government and corporate savings and loans respectively, in addition to personal savings and loans. The personal market, on the other hand, includes only the personal savings and loans of individuals. The personal market is the relevant market for credit unions in Jamaica since only individuals can be members of credit unions under the existing law. Hence credit unions do not participate in neither government nor corporate loans and deposits.

Declining loan market share

The decline in the credit unions' loan market share from 22.7% in the personal loans market in 2000 is a manifestation of a number of problems inherent in the Movement. In some instances, the loan policies are restrictive despite meaningful revisions over the past 5 years. While the credit management capabilities have improved and continue to improve, overall the capacity in this area is underdeveloped. The business process supporting the loan analysis and disbursement is inappropriate. As a consequence the commercial banks have a more efficient loan programme. Commercial Banks now promote a loan approval target of 24 hours after application. In general, this cannot be matched by credit unions in Jamaica.

The cost of loans in credit unions while nominally lower than commercial banks, is still relatively high due to the fact that the loan amount, in some credit unions, is still tied to the amount of shares that the member has. Additionally, the saving requirement during the repayment period drives up the cost of the credit union loans due to opportunity costs.

Business environment

Macro economic environment

The Credit Union Movement in Jamaica is at a critical juncture in its development. Failure to effect adequate changes to the Credit Unions' modus operandi will significantly impact their ability to successfully operate in the emerging business environment in which speed, efficiency and convenience confer some advantages.

To successfully compete credit unions, must adjust their business model to better reflect the need for greater speed and efficiency. This will involve increasing their capacity to deliver a superior value proposition, through the use of technology, to develop a sustainable competitive advantage. The move by the Government to bring interest rates down to single digit will provide further impetus to improve efficiency in the financial sector.

Liberalisation

The financial services sector was liberalised in the early 1990's. This resulted in a significant growth in the number of indigenous financial institutions (commercial banks, building societies, merchant banks). This growth occurred at a time when the appropriate regulatory framework was not in place. Consequently by the mid 1990's many of the financial institutions were in trouble and subsequently had to be rescued or merged by the Government, through the Financial Sector Adjustment Company (FINSAC). It was during this period that the credit movement experienced the highest rate of growth in the financial services sector as a result of the perceived safety of the movement.

Subsequent to the resuscitation of the financial sector by FINSAC in the late 1990s, there were more mergers and consolidation, resulting in reductions in the number of commercial banks to five (5) and building societies to four (4).

Increased regulations

Since the late 1990's the regulatory framework has been strengthened by amendments to the Bank of Jamaica Act, the Financial Institutions Act and the Securities Act. During this time the credit unions were regulated under the Co-operative and Friendly Societies Act (1950). In keeping with the international trend of having all deposit-taking institutions, regulated by a single regulator, the Jamaican Government has developed a draft Bank of Jamaica (Credit Union) Regulations, which will result in credit unions being regulated by the Bank of Jamaica – the central bank. This proposed regulation poses several challenges to the credit union movement. These challenges include:

- Increased capital requirements which may precipitate further mergers
- Reduction in unsecured credit to members
- Increased reporting requirements

A key regulatory challenge will be getting a regulator who understands credit union business and will not regulate credit unions in the same manner in which they deal with the banks. The regulators must understand the uniqueness of the credit union movement. The credit unions being unaverse to regulations, must lobby for and insist on, the introduction of enabling legislation and regulation that will foster their development.

Lack of economic growth

The Jamaican economy has experienced only marginal growth over the past 15 years and this is negatively

impacted the credit unions' growth. The growth of the entire financial services sector has been slowed by the lack of growth in the economy. This has resulted in growth in any of the sub-sectors of the financial services sector being at the expense of another sub-sector e.g. credit unions versus Commercial Banks. The lack of growth has also affected the job market. Over the past five years there has been a series of redundancy (job cutting) exercises involving many Jamaican blue chip companies. With the national unemployment level of 12.8% at October 2003, credit unions are challenged to maintain delinquency levels below the 5% of loan portfolio standard. Also, increasing number of persons, having lost their jobs are now establishing small businesses and are self-employed and hence the basis of analysing loans has been adjusted.

Consolidations

The credit union movement, like the rest of the financial sector, has also been experiencing consolidations as a result of a number of factors.

These factors include the need to satisfy more rigorous capital requirements, increase competitive pressures, the need to gain from economies of scale and scope.

The financial sector consolidation has resulted in only five commercial banks operating in Jamaica but in each instance, these banks are much stronger and are fiercely competitive. There has been consolidation in the credit union movement but this has not been at a rate similar to the other sectors. In most cases, there has been a merger between a strong and weak credit union. The credit union movement will have to address the issue of strategic mergers, in which two or more independently strong institutions pursue a merger because such a merger is viewed as being in the best interest of the members.

Internal capabilities

Use of technology

The major commercial banks have all implemented new information technology (IT) platforms within the last two years. The new technology platform has enabled these institutions to offer service seamlessly across their branch networks (any-branch banking) and Internet banking. The credit union movement has commenced the implementation of a common IT platform as a central part of its 5-year strategic plan. This common platform, it is hoped, will reduce the overall expenditure of the movement on IT, facilitate the development of alternate delivery channels, such

as Internet banking, facilitate the development of credit union service centres or shared branches and enable on-line bill payment services. The implementation of shared branches, in which a particular location services members from any participating credit union, is a viable alternative to the proliferation of branch locations for individual credit unions.

Governance structure

To address the need for improved service delivery and to comply with the changing regulatory environment, the credit union movement will have to review its governance structures to make it more appropriate. Structures will have to be put in place to speed up the decision-making process in the individual credit unions, and the movement as a whole. The role and functions of committees will have to be revisited with a view to enhancing the value being added through the use of committees, and in some cases eliminating committees and processes that add little or no value.

Risk aversion

With increased competitive pressures, credit unions will have to reassess their level of risk aversion and their management of risks. Increasingly the other financial institutions have had to try non-traditional approaches in developing solutions for their customers. Credit unions will have to do the same for their members. Risks, when likely to be present, will have to be mitigated and priced accordingly.

Member expectations

Credit unions have had to contend with increasingly sophisticated and financially savvy members who are becoming more rate-sensitive. As the number of investment broker house offering higher rates proliferates, the average member has more options for placing their investments. Therefore the quality of service is being seen as a viable differentiator. Members are increasingly demanding more accurate and timely information as they transact their business with credit unions.

Strategic alliance and co-operation

The financial services landscape has seen a number of strategic alliances that have added to the competitive pressures being experienced. A number of independently successful insurance companies have merged. Some entities have established joint venture third party organisations to handle their back office operations. Some building societies have strategic alliances with commercial banks to offer mortgages. The Jamaica Co-operative Credit Union League Limited – the national association of Credit Unions in Jamaica,

on behalf of the Jamaican Credit Union Movement, has joined forces with the leading commercial banks and building societies to establish a joint debit card and point of sales (PoS) platform and service. Increasing such strategic alliances and co-operation are viewed as the way forward.

Share of wallet

Many companies spend a considerable portion of their time, energy and resources chasing new business. Although it is important to replace lost business, grow the business and to expand into new markets, one of the primary goals should be to keep existing customers and enhance customer relationships. In the Financial Services market, the service providers have substantial customer acquisition costs but lose more than 30 percent of their customers each year. Conventional wisdom suggest that it costs at least five times more to get a new customer than to keep an existing one (Weinstein, 2002). According to Weinstein, in many markets “share of customer”, which is a customer retention measure, has supplanted “market share”, which is a customer attraction measure, as the relevant business performance objective. Consequently a good understanding of customers’ purchasing patterns help companies keep customers and gain a greater share of their business.

In Jamaica, approximately 50% of credit union members have other financial institutions as their primary financial service provider. The task of convincing members to increase the portion of their financial business that they transact with the credit unions will become more difficult as members are faced with increased options.

Wealth accumulation Products

The Credit Union Movement in Jamaica is challenged by a phenomenon of migration of members as they become older and wealthier. Empirical research has confirmed that a large percentage of their financial business is with other institutions and this accelerates as members get older and accumulate more wealth. Therefore plans are afoot to address this problem by developing more appropriate products and services to cater to the needs of these members.

Lack of Demographic Data

While specific demographic data is not available, there is concern that the majority of credit union members are middle aged or are nearing retirement age while presence in the youth market is very limited. This lack of a significant presence in the youth market is highly likely to adversely affect the credit union in the future.

The future

Conclusions and recommendations

For the credit unions in Jamaica to continue to succeed and to remain relevant to their members, a number of strategies will have to be implemented.

One of the strategies to be employed is for the movement to embrace the greater use of technology to improve efficiency and to create alternate delivery channels, including remote access to services. This will be necessary both from the point of view of enhancing service delivery and also reducing costs and thus improve efficiency.

The movement needs to also develop and implement a more appropriate marketing strategy which will utilise tools such as market segmentation as a means of aiding member retention. The objective should be to better understand the members and to develop services and marketing programmes that cater to their needs in a more direct way. Greater emphasis will have to be placed on providing members with wealth accumulation services. The measure of success will be the percentage of members for which the credit union is their primary financial Institution, thereby having the greatest share of their financial services business. The emphasis will have to be shifted from a total focus on market share to one in which share of members financial business takes on added significance. Greater efforts will have to be made to target youth members to save with credit unions. This should be complemented by a programme to develop and promote youth members into positions of leadership.

The forty nine credit unions in Jamaica have in excess of 100 branches spread throughout the island. This expansive network, dwarfs that of any of the individual commercial banks, however, this advantage is not being leveraged in delivering services to members as each credit union still operates as an autonomous entity. Greater co-operation is needed to facilitate the credit union network realising its potential to delivery superior service to members.

The implementation of shared services in the credit union movement will be a key source of competitive advantage. Issues such as the setting up of credit union service centres or shared branching where service may be transacted for more than one credit union have to be addressed. The development of a common computer platform for the credit union movement should go a long way in enabling sharing.

The issue of strategic mergers involving two or more financially sound credit unions will have to be

examined and promoted if credit unions are to gain the critical mass necessary to compete with some of the other leading players in the financial services market. This has to be maintained while ensuring the operating business environment is conducive to the remaining smaller credit unions. It will be a challenge for the smaller credit unions to provide service at the requisite level to their members. However it is not impossible, and can be done with the use of technology and an appropriate service culture.

The implementation of the above-mentioned strategies represents crucial steps to be taken to ensure that the credit union movement in Jamaica continues to be relevant and successful in the foreseeable future.

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The role of communications in managing the media in India: an important measure of professionalism in co-operative management

Sanjay Kumar Verma

Abstract

Communications is critical to the performance of large-scale organisations in the competitive business environment that faces management today. Co-operatives need good communication even more than their commercial rivals do because they rely on the mobilisation of membership for governance, trading participation and market leverage. A high profile communications strategy confronts all management with the imperative of reaching and maintaining the highest levels of professionalism or risking a high profile public relations failure. The co-operative movement in India has a record of success, mass-membership base and significant market presence. This achievement, however, will under-perform its potential without a high profile communications strategy to optimise its effectiveness in the marketplace and in the wider society. The glare of publicity becomes a major incentive to Indian co-operative managers to raise their professional standards accordingly to ensure that their current successes are reaching full potential and a virtuous circle of success bringing further success can develop. Further research into the effective levers and barriers to improved communication strategies and improving co-operative management professionalism in the developing and implementing of such strategies needs to be undertaken.

Key Words

Communication Strategies, Competition, Management Professionalism

Introduction

Image building is part of communication process of modern organizations. Every organization wants to grow, prosper and dominate the world in this era of open competition. No doubt, management in general in today's era is aware of adopting professional norms for responding to environmental demands, constraints and opportunities in an effective manner. Professionalism demands devising strong communication strategies for communicating within the organization and also with other organizations.

Co-operatives the world over have made rapid strides in all areas of socio-economic activities. However, it is generally agreed that communications is the weakest plank of co-operative organizations. The co-operatives have not been able to communicate their strengths, achievements, and the degree to which they are different and effective as compared to other organizations, etc. in a powerful manner. Does this indicate that co-operative management is not professional in understanding the significance of communication for the success of co-operative organizations? How can strengthening professionalism of co-operative management through communications enable the co-operatives in the Asia-Pacific Region to enhance their competitive edge in the market economy as well as build up their image?

Viewed in the above perspective, this paper explores the case of communication effectiveness of co-operatives in India with a focus on media.

Professionalism and communication

The phenomenon of professionalism is a function of modernization. Professional management requires certain special skills, abilities and attitudes that enable an organization to carve its niche in the modern era of competition. Professionalism of management is essential for the success of an organization. Understanding finer nuances of communication as a tool to help achieve project and developmental objectives is an important yardstick for professionalism of any management. If the communication tools are utilised professionally by the management, effective links can be established with the target group. Communication enables an organization to advance its agenda, disseminate its messages, achieve its social and economic objectives, as well as project favourable image of the organization.

Organizational dynamics today demands that communication managers of modern organizations must be well-equipped to handle various the aspects of communication-public relations, media, journalism, advertising, marketing, Web sites. The degree of expertise shown by them in handling these various aspects not only enable them to act as an effective link

with the top management, but also enhances professional competency of the management in understanding the usefulness of communication in strategic planning.

Co-operatives and communication

The pulls and pressures of competitive economy have posed various challenges to co-operatives. However, despite this the concept of co-operation is still considered an effective method to solve the socio-economic problems of modern era. Diversification of co-operatives in new areas of socio-economic activities is a definite indicator in this regard. Co-operatives have to keep their identity intact, while combining their social and economic objectives judiciously. As they have to serve the community by not sacrificing their principles and values, they have to be modern, efficient, profitable and cost-effective. Due to their ever-expanding areas of operations and activities, the management has to adopt professional communication strategies that can highlight the ways in which co-operatives can be superior to other forms of organizations. Enhancing the professionalism of the management that can sell the concept of co-operation is the demand of the era. This can materialise only when the management is very well sensitised on the issues of communication. The management that adopts a professional attitude to communication can not only popularise the concept of co-operation among the masses, but also spread it to the non-co-operative world that is not at all aware of the strength of co-operatives.

A dispassionate analysis of communication trends in Asia-Pacific Region indicates that communication has yet to be used effectively for enhancing the professionalism of co-operative management. As a result, the profile of the co-operative sector is low.

In a comparative perspective, the management of co-operatives in USA, UK, Europe, etc. has started giving importance to communications primarily because the co-operatives have started expanding their business operations in a big way. In Asia-Pacific Region, the socio-cultural and economic milieu being different with the co-operatives being expected to play a pronounced developmental role, the inhibiting factors stunting the growth of professionalism of co-operative management through communications are:

- Excessive politicisation of co-operatives hinders management in the process of broadening its vision.
- Lack of effective communication strategies to

enable resource mobilization.

- Lack of well-trained communications personnel who can visualise and implement the communication strategies.
- Inability to conceive internal and external communications strategies for every activity of the organization with emphasis on media and public relations.
- Lack of well defined communication strategies for advocacy and business purpose.
- Lack of strategies on liaison with other national and international organizations so that fruitful collaborations may be forged.

Indian Experience

Spread and achievements of Indian co-operatives

The Indian co-operative movement is the world's largest movement. There are more than 5 co-operative societies with 230 million members. It is the movement's great achievement that the rural network of co-operatives covers 100% of India's villages. The share of co-operatives in agricultural credit is 43%. Dairy co-operatives have revolutionised the production and distribution of milk, giving tough competition, even to internationally acclaimed brands of private sector and MNCs. Amul is a world famous name in the dairy co-operative sector. Due to the hard toil of dairy co-operatives, India is the largest producer of milk in the world. Co-operatives are involved in a big way in production of handloom fabrics and cotton yarn, accounting for about 55% and 17% respectively of the total production. The co-operatives are engaged both in the production and distribution of fertilisers. Two fertiliser co-operatives viz. IFFCO and KRIBHCO together are producing about 20% of total indigenous nitrogenous and phosphate based fertilisers in the country. Co-operatives account for 30% of total fertiliser distributed in the country. At the grass-root levels, there are numerous examples of co-operatives that are working hard for improving the lives of the common masses.

Professionalism of management

Strengthening professionalism of Indian co-operative management has been a neglected field, despite the rapid strides made by the co-operatives in various fields. Where in some cases the objective has been realised, the results have been quite positive and encouraging. Probably one of the reasons behind these successes is independent and autonomous character of such co-operatives that have managed to develop their

strong organizational basis through careful human resource planning, while also devising internal and external professional communication strategies for building up the image of the organization. Otherwise the general trend is that growth of professionalism is hampered in co-operative organizations because professional managers have a limited role in the co-operative organizations that are dominated by political leaders. They are not motivated to formulate and implement communication strategies that can enhance the profile of the co-operative sector. A scientific professional system of recruitment and selection is totally absent, as the vested interests hold sway over the personnel policy, jeopardising its growth. An ad-hoc approach to the management of training programmes is visible, as there is a clear absence of professionally designed training programmes to meet defined developmental objectives.

Role of media

Media in the recent times has emerged as an effective mode of communication. It is a strong component of communication strategy of any organization. The management of all organizations has adopted a professional attitude in devising effective media strategies so that the activities and achievements are well publicised. In this respect corporate media strategies are more business oriented. However, the media strategies of the co-operative sector have to ensure that the dynamics of development is well projected by the media. Efforts have to be made to ensure that proper awareness is generated on co-operative issues through media.

Media trends in India co-operatives

If we study the media trends in Indian co-operatives, we find that the achievements of Indian co-operatives have not been projected by the media to the desired extent. This is mainly because the management of the co-operatives has not adopted a professional attitude in handling the media issues, barring a few co-operatives that can devote optimum financial resources for building up their media profile. The few such successful examples in this respect are — IFFCO, KRIBHCO, AMUL, etc. However, in the other cases we find that despite various limitations in resources, infrastructure, etc., the management has not shown an inclination to treat the subject of media in a serious manner. The negative attitude towards the co-operative sector that has developed in India has been due to an un-professional attitude in handling the media issues. This can be demonstrated by the neglect

of success stories.

As discussed above, the co-operative sector in India has numerous success stories. The National Co-operative Union of India's, Co-operative Education Projects are doing commendable work in the rural areas. Women's Self-Help Groups promoted by NCUI are not only empowering the women, but they also present an innovative form of leadership. Presently, the mainstream media in India does not give due prominence to the success stories of Indian co-operatives. Similarly, the co-operative media consisting of co-operative journals adopt an ad-hoc approach to success stories, as the stories are written in a casual manner without professional expertise. The drama, spirit and toil of the common people in neglected in the success stories, as there is much emphasis on cold statistics that does not portray the hard work behind the success story.

The co-operative management must be sensitized to adopt a professional attitude towards highlighting success story. The successful business organizations are presently not devising effective communication strategies to project their various components of success. Efforts must be made to highlight success stories in business co-operatives from various angles and show the difference in effectiveness as compared to other organizations. For example, Amul a major player in co-operative milk sector can continuously project its successful endeavours on a continuous basis by showing its distinctiveness as compared to the private players. The promotional organizations must continuously project the triumph of the co-operative sector that is lacking at present. An aggressive professional advocacy strategy through media can highlight some of the following factors:

- Co-operatives have unique structural advantages as compared to other organizations as members themselves, who are aware of their social obligations, form them.
- Co-operatives help eliminate poverty, sustain environment, provide employment, and are doing commendable work for community development.
- Co-operatives provide cost-effective solutions to problems of consumers.

The co-operative management must devise innovative strategies so that mainstream media understands the need to portray the dynamism of the co-operative sector. All assistance and facilities must be provided to the mainstream media representatives in this regard, which is presently lacking. The editorial staff of co-operative journals must be trained to write

the success stories and must be considered effective communicators for depicting the ground realities to the management thus enhancing its professional competence. The co-operative management must adopt a professional attitude for tapping the electronic media for depicting success stories. Recently, the National Co-operative Union of India sponsored a programme "Sugandh Mati Re" on Doordarshan that very well highlighted the sectoral achievements of the co-operatives. All the co-operative organizations should think to launch a Web site on success stories that a layman can easily access and locate a vast reservoir of matter related to success stories.

Media relations

Media relations can play an important role in strengthening the professionalism of co-operative management as the management of most of the organizations is actively pursuing the policy of media relations. However, the Indian co-operative sector is placed in such a situation where it has to work hard for media attention because of media's obsession with issues of politics, entertainment, glamour, celebrities, etc. Co-operation is considered a dry subject. In this respect, some of the following steps must be undertaken:

- Liaison with the media representatives must not be need-based limited, only during the occasions of conferences and seminar. Media must be flooded with multifaceted information on the sectoral co-operative issues on a regular basis. Informal links of communications must be established with the media. Strong media relations can dispel the misconception about the negative image of the co-operative sector. The Indian co-operative banking sector in the past was hit by a major scam, the notable one being of Madhavpura scam in which the media blew the incident out of proportion, thus harming the image of the co-operative sector. If the co-operative media public relations personnel would have established close liaison with the media representatives doing those stories by briefing them continuously, a negative image of the co-operative sector may not have emerged with a huge intensity. If "Meet The Press" meetings were organised after appearance of such stories, this would have provided a solid platform for highlighting various issues that may have gone in favour of the co-operative sector.
- The co-operative PR personnel must understand media psychology that is very important in building up of media relations. Increased interactions of the

PR personnel with the media will provide them more chances to learn about this art, which is not found today. Based on this, the co-operative PR personnel must make earnest attempts to make the co-operative management/leadership fully confident in handing the press. At present the co-operative management is somewhat shy in handling the media, which is not a professional approach. The PR personnel must be aware of the latest trends in the co-operative sector and must gauge the organization's possible response to these issues. If the data, facts and figures with neat analysis are presented to the co-operative management, chances become brought for strong publicity of the organization.

- The co-operative management must adopt a professional attitude in organising media conferences every year in which media representatives and co-operative sector personnel are able to share their experiences, identify areas of focal concern, etc. The National Co-operative Union in the recent years has set a trend for establishing strong media relations. A national workshop on strengthening links between media and co-operatives in the 21st century was held in 2001. It set the ball rolling as the workshop provided a good platform for media representatives to express their views on the co-operative sector, while the PR personnel too came up with their experiences in handling the media. The co-operative/leaders/management no doubt became aware that a professional approach for handling media relations is important.

Co-operatives in liberalised economy and media

In today's era the management of every sector or organization wants to utilise the media for building up a favourable public opinion in support of its policies and programmes. A general perception has developed that various sectors/organizations have to devise strong communication strategies so as to compete in the market economy. Media's understanding of the co-operative issues would have certainly resulted in maintaining a favourable public opinion towards co-operatives that is very vital for a sector like co-operatives that has a strong presence at grassroots levels. Due to lack of constructive coverage of the co-operative sector in the wake of challenges of market economy, the public opinion in India has veered towards the view that the co-operative sector would be badly affected in the wake of liberalised economy that

would damage the sector to a great extent. The co-operative sector has to do a lot of soul-searching and involve itself in solid groundwork so that the media plays a definite role in projecting a robust image of the co-operative sector in the wake of market economy.

The co-operative management must take into account the significance of the following factors that can strengthen professionalism in the coverage of the co-operative sector through media. In this respect, strong strategies must be formulated so that media can project a strong image of co-operatives:

- Mainstream media must highlight stories projecting advantage of co-operative way of life. It is facts that in the wake of several failures of the public sector and various limitations of the private sector, co-operative-based solutions are mooted immediately in various areas of socio-economic activities.
- Mainstream media must highlight stories where co-operatives are trying to professionalism themselves, whether they are adopting cost-effective methods, whether they are going for technology upgrading, value addition, etc.
- Involvement of mainstream media representatives in consultancy services or co-operative policy making bodies can be an useful exercise in sensitising them on the identity of co-operatives and the need to preserve it amidst the changing economy, while also making them aware of complexities of co-operatives.
- Co-operative management must formulate sectoral media strategies as every sector has its unique character that must be publicised in a powerful manner. The co-operative journals must cover current developments in the co-operative sector against the backdrop of changes in economy. The impact of the co-operative sector and the ways in which the co-operatives can cope with the changes must be well projected.
- Film is a powerful media, which can not only show the dynamics of the co-operative sector, but also portray the challenges before the co-operatives with simple images. Presentation of organizational profiles in a professional manner through films against the backdrop of current changes is a good image-building exercise.
- Community media is an unexplored area that the co-operative management must explore so that voice of the people involved in co-operative development is well projected. Community media

run by the people themselves has great capacity to mould the opinion in forum of co-operatives by incorporating reports on co-operative activities undertaken by the co-operatives in the local area in a positive manner.

Lack of strong HRD policy

The status of public relations in the Indian Co-operative Sector is not professional. If the co-operative PR managers are developed in a professional way with adequate training and exposure, at regular intervals, they can strengthen the communication plank of co-operatives in a big way. They can understand the intricacies of media as an important plank of communication strategy. At the entry level we do not have courses on Co-operative Journalism or PR. The training opportunities for the editorial and PR staff are very limited and irregular. Co-operative Journalism has yet to develop as a specialised discipline that can play a big role in the growth of professionalism of co-operative media. Editorial aspects of co-operative sector can be handled professionally only when there is a specific discipline of Co-operative Journalism. Training can play a big role in boosting the growth of professionalism in PR. National Co-operative Union of India in association with other co-operatives has been conducting PR/Editorial/Workshops for the co-operative PR personnel from time to time.

The co-operative leaders/CEOs/managers of co-operative organizations must have a professional orientation media/PR so that they can come up with innovative communication strategies for boosting the image of their organizations. This is a major policy shortcoming hampering the growth of professionalism in co-operative management. In this respect, it is heating that National Co-operative Union of India; the apex organization of the co-operative movement in its leadership development programmes has incorporated the vital component of media and communications. Media can play a great role in providing a new dimension to the growth of co-operative leadership in India. The co-operatives at the grassroots levels are not able to utilise the media in a powerful manner for creating a strong awareness for the co-operative sector despite the fact that co-operatives in rural areas are doing commendable work that often goes unnoticed.

Conclusion

The Indian experience clearly indicates that media can really play an important role in strengthening professionalism of co-operative management in Asia-

Pacific Region. The co-operatives in Asia-Pacific Regions must communicate effectively with the help of media so that co-operative development in the region is not neglected. The Indian co-operative movement with a remarkable degree of achievements in various fields can utilise media in a most powerful manner for raising the profile of the co-operative movement and providing useful pointers to the other countries in the Asia-Pacific Region. Although my paper suggests some of the barriers to improved communications within the Indian co-operative movement it is clear that the topic needs systematic research to establish as clearly as possible both the barriers and the levers that exist to establishing a strategic and professional approach to communications in India and the wider Asia-Pacific Region.



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Review Article

Manifestos For the Business School of Tomorrow

Jones, Campbell and O'Doherty Damian, (Editors) *Manifestos For the Business School of Tomorrow*, Dvalin, Stanford, California, 2005

This book is a compilation of essays by a number of a newer generation of authors and teachers operating within the context of critical and generally oppositional approaches within the disciplines of business and organizational studies and organizational behaviour. It represents a response to what collectively the authors see as the sterility and dishonesty of the current orthodoxy as practiced in the modern business school. The opening salvo from its editor's chapter entitled "Inducement" sets the tone and the target for the other papers.

"The university is a disgrace. Apart from one or two angels, that is. The business school has become a cancerous machine spewing out sick and irrelevant detritus, justified as 'practical' and glossed up as 'business relevant'." (p1)

The editors see the situation as one best characterized as an emergency and, in what to this reviewer at least, is an unjustified leap of logic, claim as such this justifies the shedding of the protocols of polite academic discourse. Few will deny that the Business Schools have failed to critique the status quo or even to identify the full range of possibilities within the current market economy. Only a small effort has been made to raise the consciousness amongst would-be MBA graduates to issues of business social responsibility or ethics. Both topics being firmly consigned to the position of an 'elective' (leaving aside the important question of the quality of how and what is taught under these headers). This reviewer agrees that the situation does represent an emergency. But an emergency calls for more than bluster and excited calls to "Cite, quote, add, respond, cut and paste, write over, write on, let it out, speak your mind, lead forth: agitate, educate, organize."(p9).

Rather, this emergency calls for a clear and articulate response, in particular with some vision of what the alternative business school will look like. The authors urge us not to ignore the future but in doing so we surely need to address the present and recognise the sources of strength of the business school as it is and why it will be hard to reform. Yet this tough question is mostly ignored even though there is a clear

correspondence between what strategies may be available and what ends may be achieved. Here the menu of papers preferred in many cases to turn to shock tactics. Its not that some authors attempted to shock the reader but rather that the means of shock was just overdone. The collection of essays did display some wit amongst the vitriol and some anti business and anti-work ethic daydreams that may be necessary in a business culture fixated with increased productivity and growth. But most of the truths lurking under the hyperbole are just too easy to dismiss as immature angry young man outbursts or worst of all for these writers for their text to be just safely ignored. The real shock lies in the social statistics of globalization and capitalism in the figures for mortality, unemployment, poverty, illiteracy, disease, alienation, social fragmentation, social division and pollution.

There is more than a grain of truth in the authors' attempt to analyze the business school of today through the use of metaphors such as Animality, F-cking, Masturbation, Boxing, Sadism and snorting drugs etc. But overstated cases are all the more weak for being the shriller. More importantly, however, who are such sets of metaphors really aimed at? Who do these authors expect to respond? The reason this book will be safely ignored is that it is just more academics addressing other academics who think like they do. Something that Prof. Martin Parker (a contributor) rightly complained about in his book *Against Management, Polity, 2002* – and reviewed in the previous issue of this journal. Academics are only powerful politically when they address some specific segment of society at large. Writing to please other academics even "critical" academics will not bring us a jot closer to the "Business School of Tomorrow". We need to convince the applicants for MBAs that they need something different, or possibly more realistically, we need to find an alternative constituency for recruits for the new business school. To be fair the editors do recognize this point when they admit their ranting does risk sacrificing an audience (p4). Obviously it is easier to ignore the problem than address it but the problem must be addressed if a real alternative is to be found and nurtured.

Ironically, in a book whose editorial claims the future is already here one, possibly unconscious, theme that surfaced a number of times in the collection was that of nostalgia for the past. The editors themselves write about wanting to "restore many of the lost (or stolen) values in education....."(p5) further examples of a little

wistful looking backwards may be found in David Murphy on his childhood recollections in "Boxing" and the piece entitled "Titanic" by Stephen Brown. Also in the chapter "Indifference" where Heather Hopfl looks back to the sixties with an obvious sense nostalgia. Her chapter, however, picked up effectively enough on a real sense of just how boring and controlled the Business School syllabus and process can be.

Ann Rippin in her use of the weaving metaphor also contains a whiff of sadness for the craft based culture that gave birth to the British Labour Movement. She would, I expect, want to argue that in the emphasis on individual experience and its subjective interpretation the phenomenological movement has provided its own answer to the failed "big scientific theories" such as Marxism. The problem with such an approach seems to be that whilst it may well help individuals reach some adjustment/understanding concerning their personal reality it seems to offer less sure foundations for acting in the realm of society or for actions that engage people with a sense of their commonality and unity. In both politics and organizations this emphasis on the subjective may even lead us by a different route to an acceptance of the status quo. A lack of consistent standards upon which to form judgments also appears as a weakness in the qualitative approach. I believe that the current fashion in art and social science to emphasize the individual and the subjective is a major factor preventing a real alternative programme emerging. At a time when the "Truth" is so unpalatable it is such a comfort to be able to pretend that there is no "Truth".

However Rippin's point here was to use weaving as a metaphor on which to draw up a programme for the future. Here at last is a clearer picture of what the future business school should be like. She insists that the business school of the future should offer "Samples" (a concept drawn from her reference to weaving) of methods and practises and structures. In this context I take her to mean alternative examples not just decorative variations on a dominant theme. The latter seems to be the nature of the option 'choices' in so much of the business studies and management programmes of today. There is a strong point to be made here. The failure, for example, of the business school literature to look at the co-operative system was the subject of a paper by Prof John Chamard in Volume One, Issue Two of this journal last year.

The trouble is most people have no idea as to what options for careers or working life there may be. When it comes to work, the experience of most of us (men

and women) is negative. We are in the position of the little sample maker Polly Cook quoted by Rippin from the child's sampler, 'Polly Cook did it and hated every stitch she did in it'. (p182) In the end for most people the business school is not chosen for its inherent virtue or quality but rather because of the perception that nothing else is around to beat it. You may want to be an engineer or a chemist or a geologist or a naturalist or a nurse or a doctor but to get to the top and have influence (I ignore the more emotive word power) you need an MBA because everything must be run as a business today. That is what we are told by politicians not just by the business school academics. And there is only one model of running a business because that is the dominant model. No alternatives are presented. This is assumed to be the reality and is accepted as such by most people. That is the power of the business school model.

Valerie Fournier's paper makes us confront this current reality of the power of business school model and puts some more content into Ann Rippin's Samples. Valerie asks what are the alternatives to the business school model of business and why are they so difficult to present, engage and promote within the business school? Valerie admits she finds it difficult to translate her experience in the commune into the business school context. (p198) Fournier's enticing description of the working environment in her commune and its reliance on the domestic non-money economy, its inefficiency in economic terms and its self sufficient simplicity certainly have little in common with the stuff of the dominant models of financial ratios, human resource utilization, and labour processes we see operated everywhere in the 'mainstream' economy. (p199) She goes on to argue for the inclusion in the business school menu of managing collectively whether as shared owners in a worker collective or in the kind of rural commune where she spends half her time. She goes on to show there are alternative life styles that are not only viable but, potentially at least, desirable. Work, she points out, is about much more than money and can take place at its most satisfying often when its done outside the money economy altogether.

Her focus on the issue of degrowth (p202) is potentially a clear point of differentiation between an old and new approach to business. For me this section on degrowth is alone in the whole book in striking at the real strategic weakness of the Business School's intellectual foundations. The idea that everything is sorted as long as we have economic growth with as many people engaged in the labour market as possible is a myth that if it ever did work worked only as a

minority elitist activity for those in the West who industrialized early. Now the planet's majority wants to get in on the act. No one can really blame them either as the West has keenly promoted this model and its benefits. The environmental catastrophe looms and indeed has already begun. We need to manage degrowth and provide alternatives to the economic growth model. If you are looking for an audience to address this is the issue recognised by most people even those who have never read any continental philosophy. It is as relevant as it gets in the 21st century. In posing the question of degrowth the mainstream business school agenda starts to appear as part of the problem not its solution.

Again on this critical question of addressing an audience I was disappointed to read so little content in this book concerning the business schools' failure to address business complicity with the exploitation of the poor, human rights abuses, corruption and bribed governing elites. Nor did I read anything dealing with the business schools' pricing and recruitment policy that effectively excludes the poor or those who want to manage enterprises on their behalf. Heather Hopfl did make the point about business schools' revenues covering the failure in government funding for higher education. (p61) Although this is a slightly different point it underlies the market-led issues that are facing universities as they strive to run a balanced range of discipline based programmes. Looking at who is excluded from the modern business school and why might also provide us with some evidence as to what our alternative business school might look like.

Another paper that made a start in addressing failure of the syllabus provided by the business school model was Geoff Lightfoot's paper "Undergraduate". The case he raises for a more integrated and critical understanding of the operational differences through a Matrix is interesting and challenges the current approach that emphasizes functionality in organizations. I doubt we will ever be able to go so far as to eliminate the need for functional specialist materials in the syllabus altogether because business does in fact operate on the basis of such functional divisions and their integration. Such an elimination of functional specialist materials may not be Lightfoot's intention either. We do need to be clear that in offering alternatives we do not make the mistake of eliminating those we don't like. I am not clear from the Matrix where alternative forms of business and models of ownership might go? Lightfoot is surely right to note that for the business school ethos financial motivation has never been dismissed but rather celebrated (p160). Here we meet a strategic weakness, however, in the

critical perspective on the business school of today that to some extent contradicts Lightfoot's statement that their product is useless. (p161) Figures from the careers center suggest otherwise.

Getting people into high paid jobs in a multinational enterprise is not surely the only or even the main use for studying business but it is a powerful motivation for some people to join up to the MBA and pay a lot of money in the process. We all need to participate in and benefit from sustainable wealth creation. In order to ensure participation we need alternative forms of business to enable excluded and disadvantaged people to enter the marketplace and gain leverage and empowerment. Today most of the alternatives to the business school model enterprise are starved of good quality management, development materials and have little access or hope of attracting the best people to come work for them. Leicester University at least can take some pride in offering the first distance learning based management course (in the English language at least) to focus on managing an alternative business model (co-operatives).

Despite some worthy exceptions *Manifestos For the Business School of Tomorrow* represents a missed opportunity to lay out the vision behind our aspiration at Leicester to make the Management Centre critical, different and radical but also relevant beyond the academy.

Until a financially viable alternative is proved to work the economic vice that holds HE in its grip must be addressed pragmatically not rhetorically if universities are to survive at all. We must answer the question "Where are the potential alternative constituencies?". Maybe the Management Centre needs to relate closer to working in Departments/Centers like Adult Education and Labour Market Studies to find the solution? Maybe we need to engage with institutions like trade unions and global NGOs like the ICA and the ILO. Maybe we should start backing and advertising our Co-operative Management programme and including it in the lists with all our other programmes which the University requests foreign governments to recognize.

What *Manifestos for The Business School of the Future* demonstrates is that some at least of the new critical vanguard need to move their philosophical focus across a little from the subjective to the realist end of the intellectual spectrum and find an alternative and a market.

The Editor. Dr Peter Davis is Lecturer in Management at the University of Leicester Management Center.

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