

# Presentation to

## **SOCIAL JUSTICE DECENT LIFE DEMOCRATIC ECONOMY**

**PERSPECTIVES FOR COOPERATIVES IN SOUTHERN AFRICA  
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## Topic of Discussion: Perspectives of Cooperative Management in Zambia

1.0 Definition of Management:

### What is Management?

**Management is the process of *planning, organizing, directing and controlling* specified activities to achieve a given objective efficiently and effectively with and through other people.**

Management combines ideas, processes, materials, facilities, and people to effectively provide needed services to member-owners. Management is the decision making element of the cooperative. Broadly speaking, its role entails formulating and executing operating policies, providing good service, maintaining financial soundness, and implementing operating efficiencies to successfully meet its objectives.

Practice of management in cooperatives is classified on the basis of functions of management such as planning, organizing, staffing, directing and controlling. The features of each function are discussed as follows:-

#### **1.1 Planning:**

Planning involves the advance determination of things to be done. The future course of action is decided at present. Planning consists of formulation of objectives, policies, programmes, procedures and other means of achieving these objectives.

#### **1.2 Organizing:**

The organizing function means the determination and enumeration of the necessary component activities which are required to achieve the enterprise objectives. It means the grouping of these activities,

and assigning of these activities to groups, departments, and so on. Accordingly activities are divided and each worker is assigned the job. Necessary authority is delegated. Coordination is also ensured by the manager for the smooth functioning of works.

### **1.3 Staffing :**

Staffing connotes the recruitment of right and competent personnel to man the organization at all levels. Staffing includes section, training, promotion, appraisal, compensation, etc. The success of an organization depends mainly on this function of management.

### **1.4 Directing :**

In directing the activities of the organization guidance is given to the subordinates. Directing warrants efficient leadership qualities. Directing function includes decision-making guiding, supervising, motivation, communication etc.

**1.5 Controlling** is to ensure that the activities are proceeding as per the original plan. Deviations are located and corrected. Controlling includes performance appraisal, corrective actions, etc. Control is undertaken through instruments like budget, costing, monitoring and evaluation (M&E) etc.

The boards of co-operatives are accountable to members for the management they appoint. Boards have to recruit a manager who has the competencies required to manage the co-operative but also to reflect and reinforce co-operative values and principles.

## **2.0 Management in cooperatives**

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

- (a). Adjusting decision-making to a business where the customers are also the owners. In a supply purchasing cooperative, the manager of an investor-owned may discover that many of the successful techniques associated with developing a salable and satisfactory product (for the customer) and achieving maximum return on capital (for the owner) no longer apply.

A cooperative manager has to adjust priorities and objectives to the realization that what's best for the customer (also the owner) really is best

for the cooperative. This realization may explain why some low- or no-margin services continue to be provided and why certain unrelated and perhaps high-margin activities are not considered in a cooperative.

The manager of a marketing cooperative must understand why the cooperative often is obligated to take all of the members' products and attempt to find a market for them. The manager is not at liberty to pick and choose among such product suppliers and cut off marketing when inventories build up. And certainly to allow the member-producer to dictate the terms on which the cooperative business should receive the product would be a situation foreign to non-cooperative managers.

- (b) Dealing with complex issues of equitable treatment of owner-patrons, the manager of a non coop enterprise will discover that distributing the net earnings of a cooperative is much more complicated than declaring a dividend on capital stock. The standard cooperative practice of distributing net earning on the basis of individual member volume, such as units marketed or quantity of supplies purchased, also will be new should he/she become a cooperative manager.

For larger cooperatives that handle many products and involve value-added activities, the issue of equitable treatment of owners can be complex.

Another concept new to a non coop manager now heading a cooperative is the requirement that member-owners share equitably in financing the cooperative, and that management communicates that responsibility to them and develops financing programs they'll accept.

- (c) Working in a service-oriented organization is a spotlighted atmosphere. The manager of a typical cooperative will find that members formed it to provide a needed marketing or purchasing service or both. Hence, every time they use the cooperative they evaluate the service performed by its employees. Often, members may wish to express their views directly to the manager or to get management advice about supplies to use or when to market their products.

Therefore, a cooperative manager may feel that he/she is operating in an enclosed environment, compared with the manager of a non cooperative entity whose only interface with most stockholders occurs at annual meetings when they want an accounting of why there were

changes in the market value of their stock or in the dividends declared on it.

Even in the day-to-day routine of a large cooperative, the new cooperative manager may encounter a different working environment. A senior manager of a cooperative once observed, "A major change I had to face was what I call working under a spotlight.

(d) A cooperative manager has to adjust priorities and objectives to the realization that what's best for the customer (also the owner) really is best for the cooperative. This realization may explain why some low- or no-margin services continue to be provided and why certain unrelated and perhaps high-margin activities are not considered in a cooperative.

There are general competencies required of all managers and these include:

- Understanding and setting goals and targets.
- Staff management.
- Time management.
- Financial management.
- Making effective and efficient decisions.
- Distinguishing between data and information.
- Understanding the differences between causes and consequences.
- Using technology effectively and efficiently.
- Selecting and using advisers.
- The management of conflict.

In addition, there are the specific competencies required for a co-operative that depend on the nature of the business, its developmental stage, its size and its technological complexity.

In the Zambian context recruitment of experienced and qualified personnel has not been easy due to lack of capacity to pay by most cooperatives. The backlog of emoluments existing in most cooperatives currently impinges on the employment prospects which may be available to prospective new employees.

In cooperatives managers are over-exposed to customers and members alike to the extent which sometimes tends to disrupt the normal flow of work. Outside of scheduled board meetings very few directors ever get concerned to know what is happening in their cooperative's businesses. Some cooperatives have failed because of inept operating management and this poor monitoring by the board.

Specific examples of ineptitude include overextension of credit and unsound collection practices, poor technique in grain marketing and handling, inadequate attention to record keeping and maintenance of products and equipment in good condition, **under financing**, over advances to growers in pooling operations, dominance of the hired manager, lack of awareness about the division of responsibilities between management and boards and sometimes the resulting board interference in management of operations.

Both surviving and new cooperatives are learning important lessons from these past experiences even though cross fertilization of ideas and exchange of experiences is still not being fully exercised for various reasons.

### 3.0 Challenges in cooperative management

Managing a cooperative is challenging and difficult. It involves not only managing resources and business operations, as in other businesses, but also dealing with problems stemming from the cooperative's distinctive characteristics. Because the cooperative's members are both owners and patrons, special relationships and problems arise concerning member and board of director roles and responsibilities.

Seemingly conflicting answers to questions arise. What is different in managing a cooperative from any other type of business? The answers can range from "all the difference in the world" to "none at all." A former cooperative chief executive officer once offered this answer: "Decision-making techniques are identical, but the cooperative's objectives are different; therefore, the manager's conclusions will be different." Vested interests have to be taken into account in the case of the cooperative scenario.

### 4.0 Management structure in Cooperatives

The current structure of the Zambian cooperative Movement is four tier, starting with the Primary Cooperative Societies at the lowest rang and the District Cooperative Union at the next, the Provincial Cooperative Union and finally the Zambia Cooperative Federation Ltd at the apex. At every stage of the structure the annual general meeting which comes due every year is the highest policy making organ. Each level subscribes

shares into the next higher level but all the levels and their individual members are shareholders in the Cooperative Bank.

## 5.0 Observations

Best practices in cooperative management aims at:- fostering free circulation of information within the company, establishing, supporting and rewarding behaviors which are based on trust and mutual help and ensure that the company's best interest is also the best interest of its employees in order to induce them into effective participation. They also endeavor to mobilize human skills, processes, as well as financial and technological resources so that the company's goals can be reached to the satisfaction of shareholders and or investors.

A board must have a capacity to judge the required competencies of a manager for the co-operative- including how and when a co-operative manager reflects and reinforces co-operative values and principles.

A successful cooperative is viable in an economic or business sense and maintains or improves its cooperative character or features. A cooperative may succeed as a business, but gradually lose its cooperative character regarding member control, serving the needs of members, and distributing net margins. Likewise, it may succeed for a while as a cooperative, but fail as a sound business institution.

## Conclusion

Cooperatives once used to be the second largest employer to Government. The coop movement in Zambia is in dire need of capacity building and empowerment in order for it to exploit the immense potential which it has to alleviate poverty, generate employment and ensure food security. This capacity building will however be best utilized when education and training needs are met for both staff and board members at all levels of the structure.

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