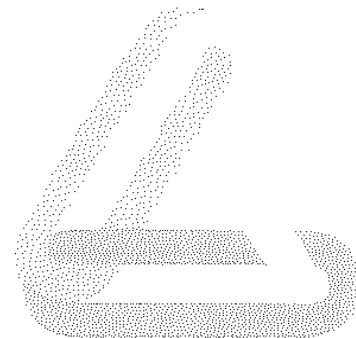


## LEADERSHIP IN THE CO-OPERATIVE CONTEXT

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### ABSTRACT

*This paper discusses leadership in co-operatives which include the board members, CEOs and the managers. Co-operative leader should ensure that the co-operative focuses its purpose. Co-operative leadership and co-operative management should not be separated to ensure mutuality and co-operation. Co-operative values and principles should be the fundamental tools of management practice in the co-operative context for these values are the unique competitive advantage in the market place. Co-operatives have to approach this issue by training CEOs and general managers on co-operative values and principles and how these values are applied in co-operative business. New management techniques such as TQM, Stakeholders Management and empowerment should be adopted by co-operatives to better equip them in facing the challenges of the market economy.*



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## INTRODUCTION

Leadership may be defined as the ability to inspire people to make a total, willing and voluntary commitment to accomplishing or exceeding organisational goals. Strolle<sup>1</sup> (1991) states that 'leadership is articulated by developing, actively promoting, and living a vision. It tells the organisation what it must become'. In the co-operative context, leadership and management are two distinctive and complementary systems of action. They are both essential but have different purposes. Management is concerned with managing complex modern organisations through planning, organising, staffing, directing and controlling while leadership is about coping with change, aligning people to work towards the vision, motivating and inspiring people to accomplish the plan.

## LEADERSHIP IN THE MANAGEMENT OF CO-OPERATIVE

### *Leadership as Board Member and Co-operative Manager*

Parnel<sup>2</sup> (1995) states that leadership in a co-operative is the task of leading the enterprise on behalf of key stakeholder group – providing a vision of where the co-operative is heading – and how it is to reach there, inspiring, guiding, and listening, both to members and the management so as to lead the co-operative towards the achievement of its purpose.

### *Role of Co-operative Leadership*

The first thing which any appointed leader should know is how to inspire confidence. Leaders should have at the very least some basic knowledge about the background of the co-operative's functions. Leaders should be able to generate support and action from members by fostering the co-operative spirit and behaviour throughout the organisation so that support and commitment from the members could be mobilised and maintained. He should clearly know what the members want from their co-operative and be able to articulate these wants into realistically attainable corporate objectives.<sup>3</sup>

Furthermore, he should develop corporate objectives which provide the practical means of achieving the co-operative purpose. Leaders also act as 'trustee' on behalf of member, ensuring that the co-operative focuses upon its purpose. Therefore, the leadership has to

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<sup>1</sup> Strolle, "Greeting a Total Quality Culture is Everyone's Business, Research and Technology Management, July - August 1992, pp.8-9

<sup>2</sup> Edgar Parnel, Reinventing the Co-operative, Chapter 4, Plunkett Foundation, Oxford, 1995

<sup>3</sup> Ibid

monitor the progress toward the achievements of the co-operative's purpose, objectives and the vision for the future.

### ***Board Members and Managers as Leaders***

In a co-operative, it is commonly accepted that leadership will be mainly elected from the members, who belong to the key stakeholder group. This member/director normally does not possess any professional qualifications that can assist him in the delivery of his leadership functions. Unlike the primary leaders in an investor company, this member/director will probably have no substantial personal wealth invested in the co-operative, and this can affect his sense of responsibility when making any decision especially regarding the co-operatives' financial investment or commitment.

In the co-operative context, leadership also means the co-operative manager or CEO is fully employed by the co-operative. Co-operative manager is a qualified professional responsible for running the affairs of the co-operative. Though co-operative manager is responsible in the running of day-to-day operation of the co-operative, the appointment of the manager does not absolve the board members from their liability and responsibility for the proper direction and conduct of the co-operative.<sup>4</sup>

It has been commonly believed that co-operative management operates separately as a technically competent civil service functioning purely in terms of specific technical, legal and commercial contexts, and the elected board is left free to concentrate on the co-operative mission, policy and strategy. Of course this is a myth. Davis<sup>5</sup> (1997) states that co-operative leadership and co-operative management should not be separated so that mutuality and co-operation are ensured and strengthened. He argues that managers are the most important and crucial channel, facilitator, controller of information and decision maker within the modern co-operative business because they are the ones who have the knowledge and skills far and beyond that of the competence of elected board members. Furthermore, co-operative values and principles should be the fundamental tools of management practice in the co-operative context because these values are the focus in our mission, our differentiation in the marketplace and unique competitive advantage in the market economy.<sup>6</sup> Therefore, in order to succeed in achieving its purpose, co-operative has to combine the efforts of both co-operative manager and the board members working with the spirit of mutuality where the manager plays a more active role leading the board and members towards achieving co-operative purpose without leaving the co-operative identity and values.

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<sup>4</sup> Malaysian Co-operative Act 1993

<sup>5</sup> Peter Davis, an extract from a fringe meeting paper given on behalf of NACO and the Co-operative Retail Services Ltd., Co-operative Congress, Cardiff, May 1997.

<sup>6</sup> Ibid

## **IMPORTANCE OF LEADERSHIP FOR ORGANISATIONAL AND MANAGEMENT DEVELOPMENT**

Co-operative management development may be defined as training and development of managers who are working in co-operatives, which results in increased experience, competence, knowledge and skills. It may also mean management training and development which are led by co-operative values and principles in forming the training and development agenda or objectives. Managers get trained in the way co-operative values and principles influence the applications and definition of the Human Resource Management (HRM) functions.

### ***Content of Co-operative Management Development***

The content of co-operative management development deals with the same concern about various abilities as other conventional management such as:-

- To analyse the business environment, threats and opportunities.
- To audit organisational strengths, weaknesses and resources.
- To formulate policies and strategies.
- To plan, implement and monitor programmes and activities.
- To adapt to changes and manage innovation.
- To exercise leadership, motivate, develop and build teams through effective communications and delegations.
- To establish and maintain the best standard of quality in the implementation, logistics and process delivery in providing customers product and services<sup>7</sup>.

The co-operative needs to solve these problems by adapting co-operative values and principles in developing the best practices in modern management.

### ***Importance of Co-operative Culture and Values in Organizational and Management Development***

The importance of co-operative culture and values in organisational and management development has increased in the past decade due to the growing pressures which are fundamental to modern commercial organisational development today. They are:

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<sup>7</sup> Peter Davis, ICA 9th Regional HRD Seminar for Asia and the Pacific, Kuala Lumpur, June 1996

- the need to effectively determine, implement and adapt to change;
- the need to ensure employee commitment to continuous improvement;
- the need to get as close to the customer as possible; and
- the need to manage supplier relationships

This requires greater integration of functional management disciplines in order to remain within a strategic programme<sup>8</sup>.

### ***Importance of Co-operative Management and Organisational Development***

The importance of co-operative management and organisational development is increasing, owing to recent development in co-operatives. A growing number of co-operatives are getting bigger and bigger so much so that they lose contact with their members resulting in the erosion of democratic control. Managers in co-operatives are often left to manage and exercise leadership in a vacuum where members do not fully understand the commercial business and the managers do not fully understand their organisation as a co-operative. This is among the reasons for the failure of big co-operatives which lost their members' support and participation. These co-operatives are managed in a similar way as big business investor-based corporation which are devoid of any co-operative values and principles. This problem arises due to the weak leadership that resulted from the co-operative movement's approach towards its own management<sup>9</sup>, which believes that co-operative management operates separately as a technically competent civil service functioning mainly in terms of specific organisational and commercial context. To be successful both socially and commercially, co-operatives need high quality professional management with commitment to co-operative values and understanding the ways to apply these values as a management tool to lead the members and develop their business in a competitive market environment.

Co-operatives have to approach this issue in a different perspective by first and foremost training CEOs and general managers on co-operative values and principles and how these values can be applied into co-operative business. New management techniques should be employed by co-operative managers to equip them to face the challenges in the market economy. Total Quality Management (TQM) should be applied in co-operative management to ensure that customers and members satisfaction are achieved at optimum level.

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<sup>8</sup> Organization and Society Module- Unit 3 – What is Management

<sup>9</sup> Peter Davis, Co-operative Identity and Co-operative Management, *Journal of Co-operative Studies*, No. 84, Sept. 1995, pp 22- 28

### ***Learning Organisation***

The philosophy of Learning Organisation<sup>10</sup> should be introduced to the co-operative organisation where everyone is engaged in identifying and solving problems, enabling the organisation to continuously experiment, improve and increase its capabilities. This continuous learning and searching for new knowledge to create organisational learning capability is the underlying principles of this philosophy – which is very much closer to our fifth principle which is education, training and information.

### ***Stakeholders Management***

Stakeholders management should also be applied. Stakeholders are those groups without whose support the organisation would cease to exist. In co-operatives context, the key stakeholders are the customers/members, suppliers and the employees. Turnbull<sup>11</sup> states that a firm will achieve the benefit of competitive advantages when it establishes co-operative relationships with its stakeholders. This idea is not new to the co-operatives which all along have been practicing the spirit of co-operation and mutuality with their members and customers. This approach helps co-operatives find new ways to understand employees, suppliers, members and customers as business assets to the co-operatives, and determine the ways to enhance their economic participation and social relevance to its staff, members, customers, suppliers and employees.

This approach of mutuality on co-operative context is very important because it creates transparency and authenticity with which mutuality can be applied and constructed upon co-operative value and principles and directed towards co-operative purpose. Mutuality and co-operation have a strong background for over 150 years of giving access to the market and providing a real leverage and resources to people.

### ***Empowerment for Co-operative Managers***

To be effective, co-operative organisations need to recognise the co-operative manager as a part of the co-operative identity and the key to the achievement of co-operative purpose. This professional manager together with a profound understanding of co-operative values should be empowered to help lead the board members to implement relevant management techniques such as Total Quality Management, Learning Organisation Theory, Stakeholder Management and Human Resource Management strategies to achieve market leadership in

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<sup>10</sup> Richard L. Daft, *Essentials of Organisation Theory and Design*, ( Ohio, 1998) pp.

<sup>11</sup> Shann Turnbull, *Journal of Co-operative Studies*, No 88, pp. 18 – 52, January 1997.

terms of cost as well as product and service quality. These are the co-operative organisational and management development that the leadership of co-operatives has to undertake whether they are CEOs or managers or board members. They have to find a way so that they can implement them in the most co-operative way. This can only be achieved if both parties agree to change the organisational culture to promote the value of mutuality and to foster unified co-operative culture that incorporates members and all levels of management.

## **LEADERSHIP IN DEREGULATION OF MARKETS**

Deregulation in the co-operative context is defined as the end of protected markets and state subsidies for co-operatives which for years were controlled and manipulated by the state as instruments of social and economic policy<sup>12</sup>. Although deregulation is most urgent and is a prerequisite towards freedom of choice to individual and free market, it can be problematic because it leads to concentrated economic power, problems of monopolistic abuse of power, lack of fair access to the market and inefficiency.

### ***Market Deregulations and Future Challenges***

Co-operatives are presently facing a challenge of market deregulation, and they must therefore be able to respond to this challenge in order to survive the threats of globalization. The challenge is how to free the market and to be responsive to consumer choice without the same market becoming manipulated by those with most resources at the expense of those with few resources. Among the threats from deregulation is the inability of small economic units operating according to conventional rules to meet the required standards in terms of quantity, quality and price.

The increased deregulation of markets calls for urgent needs for better leadership in co-operative organisation. Therefore co-operatives have a responsibility to study and analyse the impact and changes of global competition in the world market and next to be able to interpret the meaning and formulate policies and strategies in order to stay ahead of the competition.

### ***Leadership in Deregulation of Markets***

From the experience of deregulation in the labour market, it was found that without the countervailing power of association, free markets will simply cause the poor getting poorer.

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<sup>12</sup> Peter Davis, *Managing the Co-operative Difference*, ILO Geneva, 1999, pp7

Therefore co-operatives leaders have to strengthen their associations to ensure the efficient operation of free markets by providing countervailing power and open access<sup>13</sup>. One of the examples of co-operative advantages that overcome the challenges of deregulation is that the co-operatives can use techniques of networking as well as horizontal and vertical integration, giving small local units access to the know-how and resources at the regional, national and even international levels. Thus strengthening the countervailing power of association among co-operatives is critical for the revival of co-operatives in a deregulated market.

## CONCLUSIONS

Leadership in a co-operative is the task of leading the enterprise on behalf of key stakeholders group. A leader should know what members want from their co-operative and be able to articulate these wants into realistically attainable corporate objectives. Leadership in a co-operative are formed by members of the board, co-operative managers or CEOs. Therefore they should work together with the spirit of mutuality where the manager leads the board and members towards achieving the co-operative purpose.

Co-operative management development may be defined as training and development of managers working in co-operatives, which results in increased experience, competence, knowledge or skill. To be successful socially and commercially, co-operatives need high quality professional management that is committed to co-operative values and understands how to apply these values as a management tool to lead the membership and develop their business in a competitive market environment. The importance of leadership in facing challenges of the deregulation of markets is undisputable. Therefore, co-operatives have to strengthen association with other co-operatives to ensure the efficient operation of free markets by providing countervailing power and open access to know-how and resources.

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<sup>13</sup> Ibid

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