

Revamping Co-operative Sector in Orissa

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The history of co-operative movement is more than 100 years in Orissa. In spite of such a long history, Orissa has lagged behind many states in India. The state of affairs of Co-operative Societies in the state can be better understood from the statistical table given below.

As on 31.03.2003

Total No of Co-op.	Working Stage	Moribund Stage	Under liquidation
18282	7955	2538	7789

(Source : Co-operative Movement in Orissa 2002-2003, Issued by R.C.S., Orissa)

Thus more than 50% of the Co-operative Societies are either in Moribund Stage or in liquidation stage. Also it is reported by the R.C.S., Orissa that out of 3511 nos. of credit co-operatives, 2414 nos. incurred loss during the year 2002-03. Some Co-operative cold storages, spinning mills, sugar factories, consumer stores, housing societies were either closed or under process of liquidation or sold to private persons/companies.

But why ? Despite more than 100 years of existence, the co-operative movement did not succeed in the state. Are there lacunae or loopholes in the co-operative principles or Laws? Co-operative values eliminate profit as

a driving force and emphasise on social responsibility, voluntary membership with commitments, democratic administration etc. Whatever the case may be, basically co-operatives are business organizations. Profit maximization may not be an ideal principle for co-operatives, but in the fast changing economic reforms, the co-operative sector can no longer afford to be indifferent to the cost effectiveness and commercial orientation in the new millennium. Subsidy and patronage started withering away. The economy has given a clear signal to "perform or "perish". Profit in co-operative enterprises was considered a bad word whereas the changes in economy uphold the theory of the "Firm", i.e. , maximization of profit for sustenance and growth. With the entry of multinationals in the sphere of production and distribution armed with advanced technology has questioned the very relevance of the co-operative movement. Against the aforesaid backdrop, if the co-operative sector is to equip itself to operate energetically in the face of the competitive pressures of an open, liberalized and de-regulated market, it will have to rise to the occasion to convert the challenges to opportunities. The resources are the same in all three sectors-Public, Private and Co-operative. The Principles / science of

Management are also the same for the three sectors. Then why co-operatives lagged behind ?

Human factor is the most crucial determinant of the performance of an organization. Co-operatives are no exception to this. The human resource development, staff morale and motivation have so far, by and large the most neglected areas in the co-operative sector. If the co-operatives in Orissa are to successfully pick up, it is of paramount importance for them to invigorate the latent powers of their vast work force through development of new work culture and value based professionalism

(A) Developing a New Work Culture:

Culture of the organization which includes shared values, commitment to super- ordinate goals and general ethos of the organization, is an important factor of success. It is defined as "the integral sum of values which individuals, group of individuals and the society at large conceive and practice. Organization culture consists of underlying assumptions and orientations of a group of people. It is influenced by both external and internal factors. External factors include cultural, social, economic, political, scientific and technological systems in the society, where the organization is located. Internal factors include Management structures and processes, personnel policies, working conditions, top management behaviour etc. External factors do not directly influence work culture, rather organizational variables including top management behaviour play an important role in the impact of external factors and in shaping the culture of the organization"

(i) **Culture of Commitment:** Commitment of employees to the organization denotes

relative strengths of an individual's identification with and involvement in the organization has three elements.

- * A strong belief in and acceptance of the organization's goals and values;
- * A willingness to exert considerable effort on behalf of the organization;
- * A strong desire to maintain membership in the organization.

An organization with high employee commitment experiences reduction in absenteeism, turnover and increase in the sense of belongingness and job performance. But the co-operatives in Orissa have failed to realize the full potential of manpower as has happened in Japan. Japanese people are trained to work with a spirit of co-operation and mutual complementation. This is called synergic relationship. The concept of "KAIZEN" has contributed to the success of Japan. "KAIZEN" literally means change for better. In practice it means change for better through continuous improvement involving everyone. Everyone in an organization can contribute to its development and each employee has potential for improving further irrespective of the fact how big or how small is that improvement. If we canalize all such small contributions, they can result into something significant in an organization. This is like the saying "drops make the ocean". KAIZEN is a process oriented approach i.e., if we take care of the process, the result will come as a by-product and we need not concern about the results. One has to do what is expected to be done and he/she need not concern about the results. For instance, a student should emphasise the learning aspect more as compared to the marks aspect. If he takes care of learning, marks shall come as a by-product. If he emphasizes marks, the

learning process gets affected because the student may try to get marks by any wrong means like copying, memorizing etc. which undercuts the very basic purpose of education. This is quite similar to what Bhagawat Geeta Says- "Karmanye Vadikaraste Ma Falesu Kadhachana". If we take care of the process, the result will follow. But everything depends upon commitment of employees. It is the duty and responsibility of Management to find out ways how to ensure and extract commitment from employees.

(ii) **Group work :** In most of the co-operatives, bureaucratic style of administration is carried on. This style emphasizes on control and close supervision, rather than on autonomy and commitment. It lacks ability to innovate, shows little concern for customers and employees, places procedures above results and looks upon people as substitutes for machines. The social distance between levels of organizational hierarchy discourages open communication, prevents teamwork and promotes adversary relationship. But the Japanese concept "KAIZEN" is mostly based on group work. Different people are bestowed with different capabilities. Some may be good as critiques, some may be good as evaluators and so on. If we group their strengths together we will be able to achieve a result which otherwise would not have been possible for anyone of them individually. This is to say that ordinary people can achieve extra ordinary results. This kind of working together and then achieving an event has very positive motivating effect. There will be a sense of achievement, belongingness and a sense of glory in all those who participate in such activities. The KAIZEN approach strongly advocates the employees working together at least for a part of their total time, every week on a regular basis.

(iii) **Strategic Direction:** Pursuit of wrong policies, failure of managerial leadership and many short sighted practices have contributed to poor state of affairs in many co-operatives. Now it is required to move from negative orientation and helplessness towards positive thinking by utilizing some of the latest management techniques and re-engineering of procedures, methods/systems. There is nothing seriously wrong with co-operatives. Given the right kind of environment and leadership, they are capable of matching with the best in other sectors. While a detailed action plan is needed in the specific context of individual organization, an attempt is made here to provide a few ideas in the strategic direction

(a) **Corporate philosophy and leadership-** The top Management should believe that a co-operative organization exists for the benefit of members, customers and people at large. Employees must believe that the organization shall take care of their interest, when it is in good business performance. All other interests will have to follow these priorities. Corporate culture radiates from the top management. For better or worst, a Chief Executive can influence the culture and behaviour in the entire organization. He should set high standards in maintaining honesty, integrity, loyalty, punctuality and sincerity in the organization. A good leader believes in his followers and teach followers to have trust and faith on leadership Co-operative organizations with this kind of transformational leadership can transform themselves into excellent organizations.

(b) **Long term Perspective:** It is important to develop systems, procedures and practices which give priority to long term perspective and discourage short term orientation. Each

co-operative organization should perspective and discourage short term orientation. Each co-operative organization should prepare its development plan once in four or five years and try to achieve the development/expansion/growth target or year-wise by reflecting the same in annual budgets. Section 31(2) of OCS Rules required the annual budget of a society for a co-operative year shall be prepared by the Managing Committee and approved by the General Body prior to the commencement of the co-operative year. But how many co-operatives actually practice it ? A large number of co-operatives do not prepare any annual budget. Some other co-operatives prepare annual budget after commencement of co-operative year. This budget system shall ensure continuity in systems, procedures, curtail unnecessary expenditure and give direction to the employees towards the common goals and aims of the organization.

(c) **Personnel Policies:** Personnel policy is formulated to have a formal statement on corporate thinking which will serve as a guideline for action and to establish consistency in the application of the policies over a period of time so that each one in the organization gets a fair and just treatment. Personnel policies have two types of objectives-general and specific. The statement of general objectives find place in the corporate plan and express the top Management's basic philosophy of human resources and reflect its deep underlying convictions as to the importance of people in an organization i.e., personnel administration. The statement of specific objectives refer to the various activities of personnel administration connected with recruitment and staffing, training and development, career path and promotion, wage and salary administration,

employee services and benefits, motivation and morale etc. These are mentioned in the staff service Rules or codes of the organization, Section 33-A of O.C.S. Act, 1962 requires the R.C.S. to prescribe service conditions and rules for employees of a Co-operative Society. Section 28(1) (a) (vii) of O.C.S. Act, 1962 requires the Managing Committee of a society to assess the manpower position and to have manpower planning at the beginning of each year (i.e., Co-operative year). But it is observed that most of the Co-operative Societies (barring a few only) do not have any staff service Rules and conditions approved or prescribed by the R.C.S. and in most of the Societies, staff position is not reviewed or assessed by the Managing Committee in a routine manner at the beginning of the year. Rather there are a number of examples where recruitments have been made now and then at the sweet will of the members of Managing Committee without considering the need basis. It has resulted in overstaffing and extra-expenditure. Clearly defined personnel policies help.

- * To ensure that its employees are informed of these items of policy and seek their co-operation to attain goals of the organization;
- * To develop a sincere sense of unity with the enterprise and to carry out their duties in the most willing and effective manner;
- * To eliminate discrimination, nepotism, undue favour by enforcing discipline on the basis of a humane application of rules and regulations;
- * To create self confidence in employees by providing job security and career path etc;

Thus personnel policies play a major role in developing work culture in a co-operative organization.

(d) **Clarify and communicate values:** Work culture for excellence is based on set of shared, values and beliefs. Often, organizational values are implicit and can be observed from behaviour. It is, however, important that these values are made explicit and are communicated to all employees in the organization. This will help them in evaluating in the organisation's values. Communication of these values by means of systematic and continuous training programmes helps in sustaining commitment to these values. It is important that besides focusing on skill development, employee training also emphasizes right values and behaviour.

(e) **Employee participation:** An employee is the most important resource for an organization. Genuine concern for employee welfare and opportunities for his participation in relevant communication and decision-making processes ensures that his contribution and involvement will increase. In Co-operative Societies there is a large social distance between management and employees, which needs to be integrated in the work place. For example - Common people without having professional knowledge, experience and skill get elected / nominated to the Managing Committees. It becomes difficult on their part to take right decisions at the right time. Also law does not provide and scope for participation of employees (other than the CEO) in the Managing Committee meetings. It is required to evolve methods by which employees can suggest for better accomplishment of works and their follow up. A practice can be followed to allow heads of

various departments / senior officials (apart from CEO) to attend Managing Committee meetings to place their suggestions. For example -while taking investment decisions in co-operative Banks, the Managing Committee may allow the Investment Manager to interact with them. In Japan, the KAIZEN suggestion scheme has worked well to create a better work culture and ensure employee participation in the decision making process. The message given to the employee is that he should continuously think and suggest ideas for solving existing problems or for improvement of the existing systems and procedures. The scheme is based on process criteria and emphasis here is on the employee participation. The scheme generates a large number of suggestions from employees at lower levels. The management works hard to consider these suggestions and even incorporating them into the overall improvement strategy. The method can very well be adopted in Co-operative societies in Orissa in a well-articulated and systematic manner. The Managing Committee has to give considerable amount of time for listening to presentations of suggestions/activities by individuals, small groups. The Management should be willing to recognize the employees efforts for improvements and make their concern visible whenever possible.

(f) **Sharing the gains of productivity :** The reward system in the organisation has a major influence on work culture. If rewards are not perceived to be related to organization performance and employee contribution there is little incentive to excel. It must be established that employee's growth will be consistence with organization growth and the remuneration package will reflect the real sharing of gains of productivity improvement.

(g) Timely completion of works in a adherence to prescribed rules and regulations :-

It is an important feature of good work culture. But most of the co-operative works are not completed in-time due to complacency and ignorance. All the members of the management are not fully aware of Co-operative Laws, R.B.I. (NABARD)/ R.C.S. guidelines. For examples :-

1. Rule 36(6) of the O.C.S. Rules 1965 require the President of the Managing Committee of Society to cause minutes of each meeting to be recorded at the meeting itself and also to sign the same along with all members present in the meeting. The R.C.S. has also enlightened this rule vide circular No.8987 Legal 4 dated 30.06.2000. But in many Co-operative Societies, resolutions are not recorded at the meeting and resolution recordings are signed by the President and the Secretary (Chief Executive). The R.C.S. has lamented in this letter about instances of non-recording of note of dissents of members and even recording resolution beyond the subject matters of discussion. It is not only alarming but also it destroys the very co-operative spirit/principle.

2. R.B.I. vide circular no. PCB 55 dt 11.02.1994 has prescribed code of conduct (in shape of Do's and Don'ts) for Board of Directors of Urban Co-operative Banks. The State Govt. has vide order No.6662, dt. 12.04.1994 also enforced the code of conduct prescribed by the R.B.I., R.B.I's intention is to ensure discipline in administration. Practice of the same shall definitely improve work culture, but it is to be seen how many people abide by these guidelines.

3. Co-operative Audit system is not only examination of transactions like Company

Audit. The role of Auditor is to examine whether the transactions are according to provisions of Act, Rules, By-laws. Business Rules and various instructions/guidelines of R.B.I/ NABARD/ R.C.S./ AGCS etc way back in the year 1995, the R.C.S. vide circular No.3718 dt. 02.03.1995 had issued guidelines on concurrent Audit of Urban Co-operative Banks and directed the concurrent auditors to report minor irregularities to the Branch Managers for rectification within 3 days and to report the same to head office within a week, if not rectified by the Branch Manager and also to report major serious irregularities to head office and R.C.S. office immediately. But it is seen that most of the frauds, financial/ administrative irregularities are not reported by the Auditors in time. These are reported after a considerable time gap as a result of which it becomes difficult to recover the misappropriated/ misutilised amounts. Another glaring example of bad culture in Co-operatives is that although the AGCS has, vide circulars no 11553 dt. 02.11.2001 No.3180 dt. 16.05 2002, made it obligatory on the part of Auditors to issue half margin memos/ objection memos, summons to Managing Committee members/ staff members before mentioning their names as responsible for any fraud/ misappropriation/ irregularity, but it is common habit that auditors do not follow this practice scrupulously. It has created misunderstanding between employees of Co-operatives and audit personnel of Co-operative department and prevents better work culture.

There are many more examples like these.

In this process of building a new work culture for excellence, the role of top management is the most crucial. Because they

are the most visible member of the organization and they are perceived as controlling such desired rewards as promotions, budget allocation and work assignment. In a nut shell, four dimensions of work culture can be highlighted -(i) Organizational discipline, (ii) Motivation (iii) Employees Participation, (iv) Team building. The detailed action plan for improving work culture may focus on the following aspects.

- * Improvement of formal and informal communication.
- * Reduction of absenteeism, through better planning and incentives.
- * Abolition of overtime.
- * Employee suggestion scheme.
- * Improvement in canteen and housing facilities.
- * Reduction in hierarchical levels.
- * Emphasis on human resource development at all levels and linking growth of employees with performance.
- * Strict enforcement to discipline, including technological discipline.

B) Value Based Professional Management : Co-operatives are business organization. Although the state has moved to a market economy and that we are now deregulated, it will be wrong to say that there is now no need for a Co-operative movement. This ailing sector needs a management and leadership that recognizes values of professionalism, competition and efficiency. That is why in Andhra Pradesh, the Expert Committee constituted by the State Govt. to suggest on the improvement of functioning of Co-operative Banks, has called for engaging professionals for proper management of Co-operative Banks in the state.

i) **Relationship with Others:** A leader without followers is not a successful leader. Hence an important quality of professionalism is human relationship skills. A co-operative organization has two sets of customers. External customers (member shareholders, depositors, loanees etc) and internal customers (Employees, subordinates, peers etc) The Management shall always remain vigilant about the quality and standard of products/ services offered to the external customers in comparison with that of other competitors. A vigilant and enthusiast management may introduce suggestion/feed back scheme to know the expectations and aspirations of customers. It may hold customers' meets or customers' awareness meetings as a part of relationship development programme. It is very often observed that co-operative organizations ignore the internal customers i.e. , employees and subordinates. But professional management requires that subordinates are provided opportunities for growth based on performance, the employees are given their due and takes care of the needs desires and problems. It ensures their participation in decision making and its implementation; It delegates effectively and supports it with both praise and reprimand as a feedback for workdone. Although section 28(1) (a) of the O.C.S. Act has clearly defined the powers and duties of the Managing Committee, but always it is not practically possible on the part of the Managing Committee to take decision on day to day activities on a day to day basis. Managing Committee, for the sake of quality administration should limit itself to policy decisions. It may consider to delegate / part delegate financial and administrative powers to the CEO and other senior officials with fixed rules for accountability and responsibility, so that it will set more time to

devote towards developmental and innovative activities. Decentralization and delegation of powers to the CEO and other officials shall benefit the organization in three ways-first, decision making can be quick and efficient, second, employee satisfaction can be ensured, because they will work with clarity of purpose and direction, third, professionalism can spread down the line, so that good managers can be produced to shoulder higher responsibilities and the organization in future.

ii) **Quality (Education, Experience, Skill) of the Members of Management :** The watchword of every professional management is quality. This quality philosophy should not only encompass product/ service quality, but quality as a way of life in the organization. But unfortunately, not only in Orissa but all over India, people treat co-operative organization as second category of business organization. Nobody voluntarily comes forward to purchase share-capital from co-operative organizations, same is the case of deposits of co-operative Banks. A rumour is very much in spread "co-operatives are failures or will fail in the near future". After liberalization of the economy, a time has come when the co-operative management has to ensure highest quality of work done at all steps and processes in the organization. A continuous and constant monitoring of all such practices would ensure the quality culture in the organization. The focus should be on everything from the quality furniture and stationery used right up to quality of manpower hired in the organization. But the question is how can it be done unless and until the management possesses that much quality. Cooperatives are democratic organizations and co-operative law does not prescribe any education, training / experience as a requirement to become member of the

Management. Any member (who is not debarred by Law) can contest elections to become member of the Managing Committee. Of course intention of farmers of Orissa Co-operative Societies, Act 1962 was not bad. They made the law in 1962 taking in to account the economic and social conditions of the society/ state at that time. Also it is condition of cooperative principles set by internal co-operative alliance to give equal status to all the members. But a time has come to review it. Now co-operatives are subjected to compete with more professionally managed business organizations in the public and private sectors. If the law cannot be amended, but under section 123-A the State Govt. in the greater interest of Co-operative sector, may issue directions to induct professionals to the Managing Committees. It is worth to mention here that R.B.I. has advised vide Circular No. POT 39 dt. 05.04.2002 to induct professionals like chartered accountants, retired bankers into Managing Committee of Urban Cooperative banks. Similarly other professional can be inducted to the Management of other cooperative organization depending upon the nature of function of concerned co-operative organization.

iii) **Honesty and Integrity :** This quality is a must for the management of a cooperative organization and is not compromisable. Highest levels of trust, fairness and honesty are expected while dealing with people both within and outside the organization. This includes the customers, shareholders, dealers, employees, the government and the society at a large. The Management of a co-operative organization should ensure that their organization's functioning is so clean and unbiased that it could be transparent to anyone such that ethical standards become a reality and not a myth.

iv) **Innovation and Creativity:** A professional management should possess a broad and open mind towards innovation and creativity. The Managing Committee should think beyond the obvious and encourage the employees to do the same. They have to ensure that the employees have a keenness for exploration and keep an open mind. Such a work culture is very conducive since there exists a minimal resistance to change and people look at innovations as a way of life. This ensures that the organization is always ready to look at opportunity for betterment and the search for new ideas, new practices, new products and services. This brings in a responsive culture in the organization, which is ideal as compared to a culture of resistance.

v) **Coping with changes:** It is often said "The only constant in this world is change". A professional management should have the ability and capacity to cope with change by implementing it at the work place. To implement change successfully, it is essential that employees are involved in the implementation of change. Further the positive and negative consequences of change need to be discussed and understood before implementation. Thus a professional management should have the attitude to accept change as a way of life and takes it in its stride.

vi) **Performance Management :** It is an important quality of a professional management. A management not only ensures that its performance is at peak but motivates

the entire team to do the same. This is done by ensuring a consistent quality of hard work and sincerity. Besides employees should be encouraged to undergo training updation as necessary so as to have their skills refined and develop conducive attitude at work, the management may follow an objective performance appraisal criteria by following a '7' step model.-

- * Objectives / Performance standards are set.
- * These are communicated to employees.
- * Review / Monitoring of the above.
- * Check actual performance vrs. standards set at a regular intervals of say 3 months or 4 months or 6 months.
- * Identify gaps if any.
- * Jointly decide on corrective action plan (as needed).
- * Reset objectives / Standards for next period.

If the factors discussed in this article are considered seriously, co-operative organizations in the state will be able to function successfully by developing a healthy work culture.

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