

DECALOGY OF COOPERATIVES MANAGEMENT

10

**MANUAL ON
TURNAROUND MANAGEMENT
FOR COOPERATIVES**

ABSTRACT

Agricultural cooperatives play a vital role in the growth of a country's economy. As an association which enables each member to make equitable contributions and have a fair share of benefits, cooperatives largely uplift the livelihood, welfare, economic and social status of its members, especially the less-privileged by giving them a competitive advantage in terms of pricing, quality, innovation and delivery.

Unfortunately, these benefits have not been optimized in recent years by duly registered agricultural cooperatives in the country. In a study commissioned by the Food and Agricultural Organization (FAO) in 2003, institutional deficiencies within agricultural cooperatives were identified and attributed with: weak policies and capability building systems, lack of government support, and absence of centralized agricultural systems.

Turnaround management is a holistic approach to reviving an organization in an existence-threatening situation in order to return to sustainable profitability. It consists of four phases namely, (1) Assessment, (2) Preparation, (3) Execution, and (4) Review. The development and implementation of the turnaround strategy follows the framework of the balanced scorecard system, and employs the Balanced Scorecard Institute's Nine Steps to Success.

As exemplified by Lourdes Multipurpose Cooperative, effective turnaround management can address internal institutional deficiencies of agricultural cooperatives. By putting in place internal systems which allow them to monitor progress, agricultural cooperatives can live up to its fullest potential; providing significant contributions to the economy, experiencing constant expansion, and fulfilling its role of helping its members achieve their social, economic, and cultural needs.

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I. Foreword

This manual is part of the National Confederation of Cooperatives (NATCCO)'s 10-part manual on Cooperative Development and Management. Created in partnership with the Bayan Academy, the manuals are part of NATCCO's initiative in establishing the first Cooperative Academy in the country.

The Cooperative Academy is aimed at institutionalizing learning resources for cooperativism in the Philippines. In addition to the manuals, NATCCO through the Bayan Academy has also developed a Learning Materials Development and Inventory for Co-op Leadership and Management Program (LAMP) and training design, serving to transform NATCCO as the authority on cooperative management and development.

This manual was developed for agricultural cooperatives to serve as a management guide for members of its board of directors and management committee. It gives information on the turnaround framework, and the necessary steps to be taken in strengthening and reviving poorly-performing cooperatives.

Members of the cooperatives' board of directors and management committee are expected to understand the concepts and methodologies outlined in this manual, apply promptly their learnings through the exercises; and perform their duties accordingly.

II. How to use the manual

This manual is designed for cooperatives intent on recovering its operations through turnaround management. It presents a step-by-step approach in reviving a poorly performing agricultural cooperative and steering it towards economic success.

This manual describes the basic steps, processes, and considerations relevant to the efficient turnaround of an agricultural cooperative's performance, aligned with the Cooperative Development Authority's standards and in compliance with their requirements.

In using the manual and developing a cooperative's own turnaround management strategy, it is essential to stay in accordance with their respective by laws. Guide questions are also included within the manual for the user to answer in reference to his/her respective cooperative.

III. Who are the users of the manual

This manual is intended for existing and potential managers of agricultural cooperatives as well as for members involved in managerial tasks of the cooperative. Tasked with overseeing the day-to-day business operations of the cooperative, and formulating the cooperative's development plan, programs and projects, the general manager bears the responsibility of implementing and ensuring the strategic plans developed by the board of directors are met. This manual is particularly essential for managers of poor-performing agricultural cooperatives given the goal of improving its operational practices and economic performance.

Aside from the management team, the manual can serve as a useful reference to a cooperative's board of directors in performing their functions of strategic planning, direction, setting and policy formulation.

MANUAL ON TURNAROUND MANAGEMENT FOR AGRICULTURAL COOPERATIVES

Introduction

Cooperatives are instruments of social economic change in an increasingly modern world; and agricultural cooperatives serve as game changers in empowering farmers and other agricultural workers in the marketplace. As an association which enables each member to make equitable contributions and have a fair share of benefits, cooperatives largely uplift the livelihood, welfare, economic and social status of its members, especially the less-privileged.

Yet despite the many economic benefits that cooperatives bring to its members and the country as a whole, the recorded percentage of growth of cooperatives is estimated at only to 5% yearly¹. Though the number of cooperatives established per year is increasing, the growth is cancelled out by cooperatives that are closing or being dissolved.

To mitigate this decline, effective turnaround management processes must be introduced and installed to streamline the operations and ultimately improve the performance of agricultural cooperatives. Through the recovery of low-performing agricultural cooperatives, its operations may continue, moving to fulfill the cooperative's role of creating rapid, inclusive, sustained economic growth, financial inclusion, and reducing poverty.

Part 1. Imperatives in Understanding Agricultural Cooperatives

Republic Act 9520 otherwise known as *The Philippine Cooperative Code of 2008* defines a cooperative as “an autonomous and duly registered association of persons, with a common bond of interest, who have voluntarily joined together to achieve their social, economic, and cultural needs and aspirations by making equitable contributions to the capital required, patronizing their products and services and accepting a fair share of the risks and benefits of the undertaking in accordance with universally accepted cooperative principles”.

What sets agricultural cooperatives apart from other types of cooperatives is the type of activities it engages in, namely:

¹ Castillo, 2015

1. Raising, culture of plants, animals;
2. Facilitating the procurement of farm inputs/implements for the members;
3. Processing and marketing of the members' products/ produce;
4. Any other activity that may lead to the reduction of cost and/or value addition of outputs.

Agricultural cooperatives play an important role in empowering their members, comprising mostly of farmers by doing the following:

1. Improve their bargaining power in the marketplace
2. Reduce costs by pooling capital and resources through cooperative enterprises
3. Provide essential services, such as marketing, that are unavailable to individuals accessible
4. Reduce the unit costs of inputs and services
5. Link farmers to buyers and suppliers
6. Enable farmers to improve product and service quality and reduce risks
7. Assist farmers in addressing common problems, developing new market opportunities and expanding existing markets

Purpose and Principles of a Cooperative

The purpose of a cooperative is to serve as a practical vehicle for promoting self-reliance and harnessing people power towards the attainment of economic development and social justice. It operates within the universally accepted principles of cooperation which include the following:

Voluntary and open membership. Membership in a cooperative is voluntary and available to all individuals regardless of their social, political, racial or religious background or beliefs.

Democratic member control. Cooperatives are democratic organizations that are controlled by their members who actively participate in setting their policies and making decisions. In primary cooperatives, members have equal voting rights of one-member, one-vote. Cooperatives at other levels are organized in the same democratic manner.

Member economic participation. Members contribute equitably to, and democratically control, the capital of their cooperatives. At least part of *that capital is the common property of the cooperative. They shall receive limited compensation or limited interest, if any, on capital subscribed and paid as a condition of membership.*