

CASE STUDY



LEADING AND MANAGING COOPERATIVES

A COMPILATION OF PRIMARY MANAGEMENT CASE STUDIES

CASE STUDY COMPILATION: REFERENCE TABLE

SECTION NO.	Themes	Management Topic	Case Study Titles
1	Finance	Credit operations with focus on fraud and loan loss provision	Seton Multi-Purpose Cooperative
2	Human Resources Management	Challenges in succession planning of general managers	Bagong Silang 2 Multi-Purpose Cooperative (B): Leading at the Professional Stage
		Model of successful succession planning of general managers	St. Martin of Tours Credit and Development Cooperative (A): Succession Planning
3	Leadership and Governance	Leadership and culture	Mother Rita Multi-Purpose Cooperative: Case on Leadership and Culture
		Leadership and governance	Oro Integrated Cooperative (B): Reinventing the Coop Organization
4	Marketing	Branding and marketing as a bank	St. Martin of Tours Credit and Development Cooperative (B): Membership Analysis
		Marketing management	Ugong Multi-Purpose Cooperative: Marketing
		Marketing management	NATCCO Kaya Payment Platform: Bringing convenience closer to customers
		Product development	Taloy Farmers Multipurpose Cooperative (B): Product Development

5	Operations Management	Agricultural operations	Taloy Farmers Multipurpose Cooperative (A): Agricultural Operations
		Operations management	Darangen Institute Multi-Purpose Cooperative: Branch Merging
6	Organizational Development	Changes in organizational structure, operations procedure: Turn around experience from being a medium-sized coop to becoming a large-sized coop	The Story Behind the Numbers: The Transformation of Gubat St. Anthony Cooperative (GSAC)
		Changes made in governance, operations improvement, and reorganization	From Co-operative to Social Enterprise: The Role of Consultants in the Transformation Process
		Liquidity management and organizational development	Oro Integrated Cooperative (A): Managing Liquidity, Investments, Risks and Responding to Members' Interests
		Leadership and management performance	Darangen Institute Multi-Purpose Cooperative: Remedial Management Department
		Turning an informal settler's area into a cooperative	Bagong Silang 2 Multi-Purpose Cooperative (A): Leading at the Community Organizing Stage
7	Project/Program Management	Establishment of E-coop Banker Plus	Barbaza Multi-Purpose Cooperative (A)
		Social impact management	Taloy Farmers Multipurpose Cooperative

			(C): Social Impact Management
8	Strategizing	Business diversification	Barbaza Multi-Purpose Cooperative (B)
		Conservative decision-making	Tayabas Community Multi-Purpose Cooperative: A Look at the VSOP Fit
		Growth of the Aflatoun Program and its success factors	The Aflatoun Program

LEADING AND MANAGING COOPERATIVES

1 FINANCE

SETON MULTI-PURPOSE COOPERATIVE

ABSTRACT AND INTRODUCTION

Thriving in its strong culture of service and family, the Seton Multi-Purpose Cooperative grew to become the largest cooperative in its more than 3,500 km² land area. The Philippines suffered from successive natural calamities in the early 1990s disrupting economic activity and displacing thousands of families and communities due to typhoons, landslides, earthquakes and volcanic eruption. While government strived to serve all those affected, the effect was simply too massive to immediately bring aid to everyone in need.

The Church answered the call to complement the efforts of the local government in helping the community. Sisters gathered, and community members gathered. Together with the evacuees, they began building a new life through the establishment of a resettlement area and Seton Multi-Purpose Cooperative (SMPC). It was named after St. Elizabeth Ann Seton, the saint of new beginnings. Her life of charity in hardships, and grace in starting anew begets an apt symbol for the new community being built by the volunteers and the victims.

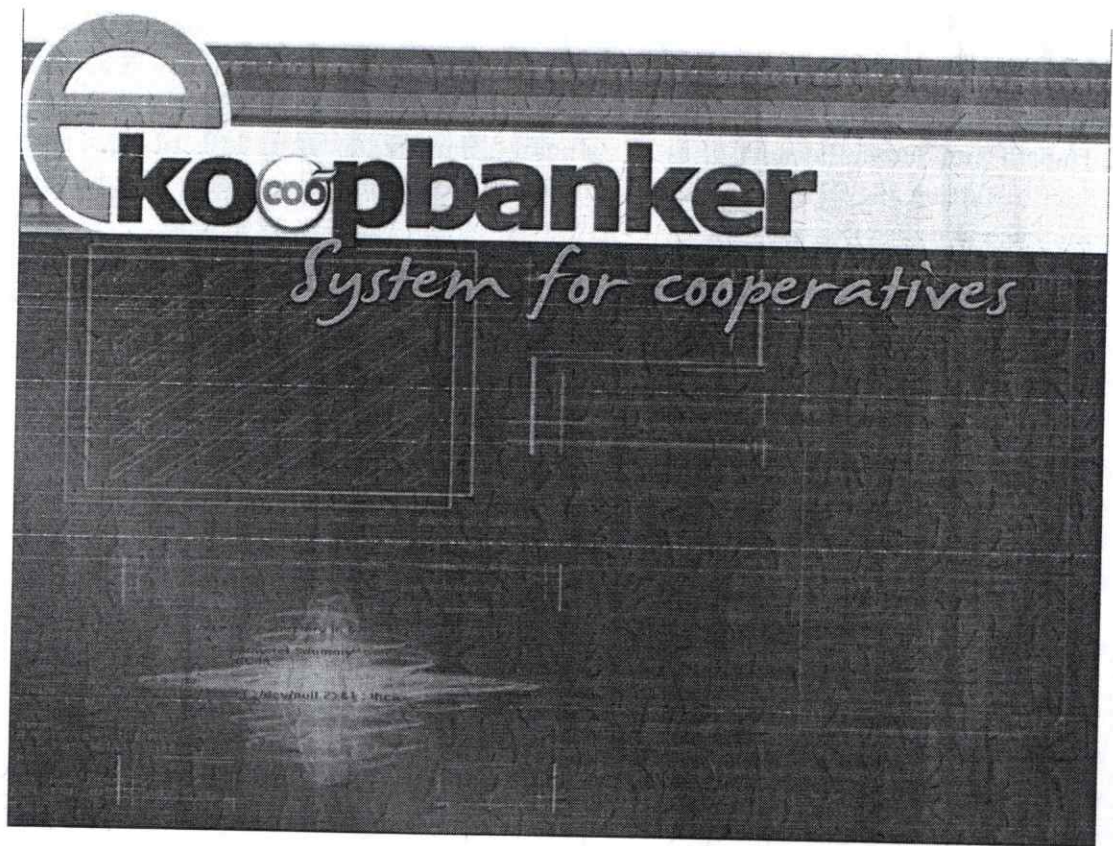
What began as a solution to the disaster, flourished to bringing products and services inclusively to all members of society. SMPC rooted itself in service to the poor and empowered itself in its ardent sense of community. As its operations grew robustly, so did its culture as a family. The management and staff harnessed a strong foundation of trust geared towards a united mission of serving the community. The leaders inspired and mentored, and the staff were enthusiastic and engaged. The fluidity allowed the team to feel like family in the cooperative, with Ms. Monica Reyes, General Manager, as mother of the cooperative.

CASE PRESENTATION

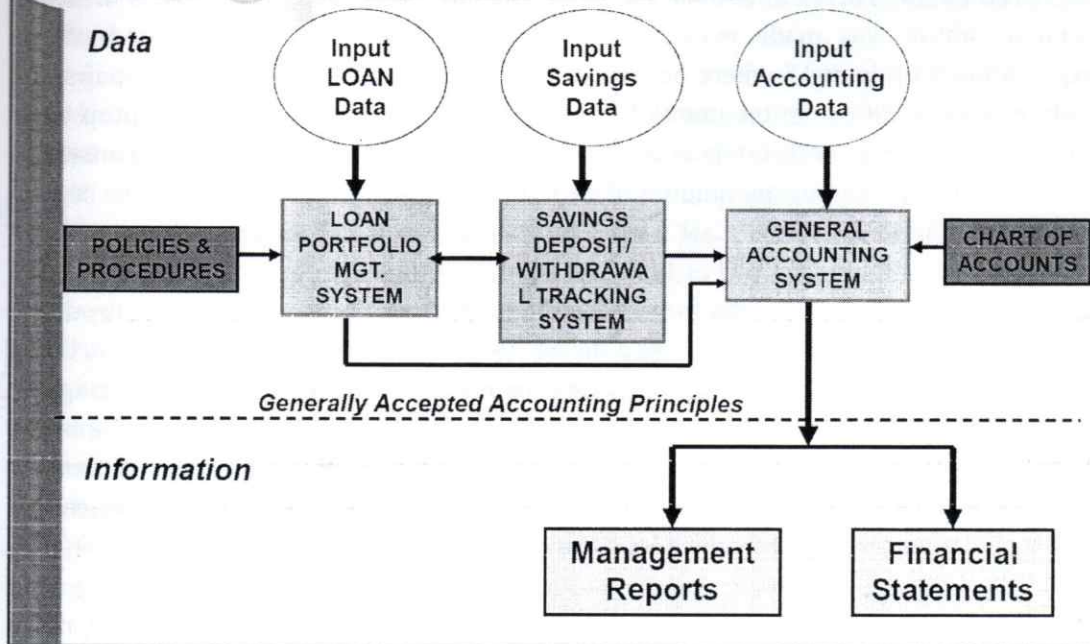
After almost 30 years of operations, SMPC now has nearly 20,000 members dominating the cooperative operations in its province. From offering basic microfinance services, it now also offers agricultural loans, providential loans, life and non-life insurance, and engages in other livelihood and economic activities. While it humbly functioned for the first two decades, it began rapidly growing in the 2000s when it developed numerous partnerships with government agencies, private companies, and other cooperative groups to serve the needs of the people. As it opened an additional branch office and five (5) satellite offices province-wide, the cooperative was able to reach further out to the fringes of society and the member-base expanded. Supported by

84 dedicated employees, it has accumulated over PHP 200 million assets with 80% of it contributing to its loan portfolio in 2017.

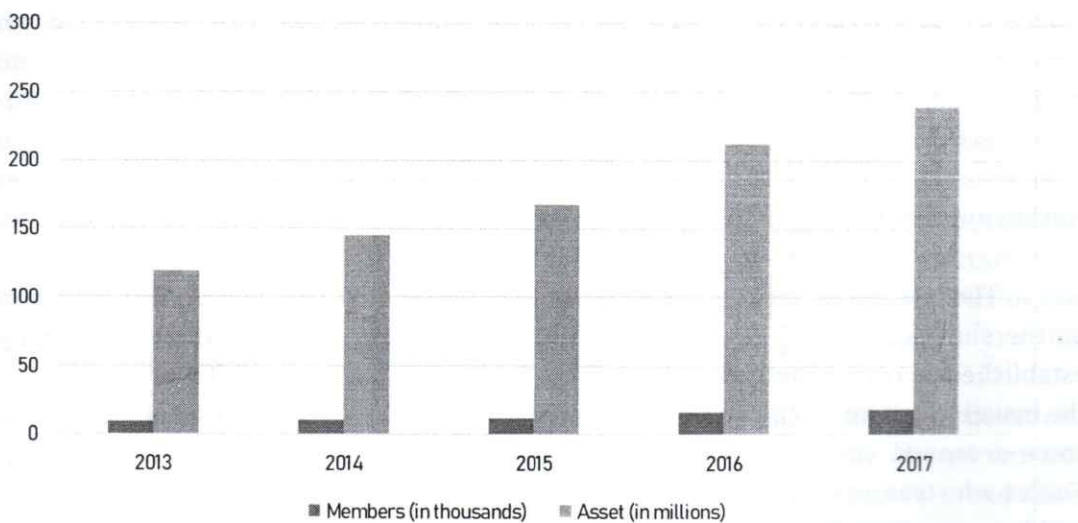
One of its key alliances was made with the National Confederation of Cooperative (NATCCO) which bore fruit when it partnered in establishing a Microfinance Innovations in Cooperatives (MICOOP) Branch. NATCCO has previously provided training and consulting services to SMPC, nevertheless, the partnership powerfully enforced the professionalization and modernization of its systems. This heavily influenced all other operations of SMPC and was made inclined to adopt new systems such as the eKoopBanker. The integrated savings and loan tracking and accounting system paved way for better operational efficiency and customer satisfaction. Other corporate policies and systems were also introduced to ensure quality service and standardization. This push for innovation was a critical factor in generating and accommodating the average 20% annual increase of members and assets from FY 2013 to 2017.



System's Framework



Member and Asset Growth FY2013-2017



Revelation of Suspicious Activities

Unfortunately, the rapid growth of its credit operations took a dim turn when the FY 2015 Audit Report flagged a concern of an unsettled account of PHP 14,000.00 cash

disbursement for the issue of a Lenovo Laptop. Upon requesting of the external auditor to provide the Sales Invoice and Official Receipt to be attached to the disbursement voucher, Mr. Nicholas Torres was unable to do so. A follow-up look was made by the Internal Audit Committee of SPMC, discovering that the request was made and approved by Mr. Torres as Branch Manager. While no supporting documents or actual Lenovo Laptop was made evident, Mr. Torres was requested to write an official explanation on July 2017 where he narrated that the amount was used for repairs and maintenance of all computer units of the branch instead of buying a new laptop to be more cost-effective. Both internal and external auditors recommended the concerned staff to return the equivalent amount of cash to the cooperative, and it was done so, and the case was settled.

On September 2017, the Internal Audit spotted a member account that rendered a negative PHP 67,585.65 value from a direct system entry last October 31, 2014. Using the eKoopBanker logs, the auditor was able to see that the entry was made using Mr. Torres' access code. No journal voucher was presented as well. These cases sparked suspicions for the Audit Committee and reported the anomalous activities to General Manager Ms. Reyes. While disbelief and concern initially swept her, she then instructed the internal auditor to quietly dig deeper and confirm the situation.

It wasn't long after that the Internal Audit was able to unravel even more irregular activities in the said branch and its nearby satellite offices under the management of Mr. Torres. Several cases of loan releases were made prior to loan application and capital build-up requirements. Numerous loan approvals were made with zero percent interest. Inconsistent member information was also traced between the Approval Data Sheet and in the transactions suggesting signs of deliberate misrepresentation. The management made the decision to suspend Branch Manager Mr. Torres in October 2017 and accepted his resignation a month after.

Background of the South Branch

The second branch of Seton Multi-Purpose Cooperative was established in partnership with NATCCO under the MICOOP Program in 2008. It was primarily established to conveniently serve members on the southern part of the province since the main branch was located up north. During this time, new employees were hired, and some seasoned employees were transferred to manage MICOOP, this included Mr. Torres who was already with SMPC for four (4) years. The MICOOP was developed in a build-operate-transfer scheme, bought out by SMPC in 2011, and was then called the South Branch. Other satellite offices were already sprouting near the North and South Branch. However, due to the geographical distance, the branches and satellite offices were managed independently, giving prime authority to the Branch Manager or Satellite Manager.

Growing in a culture of service and family, the General Manager led the cooperative by empowering them and entrusting them to serve the mission. Her confidence and gentleness relentlessly believed in their capability and faithfulness.

Discovery of Forgery, Falsification of Documents, Theft thru Dummy Loans, and Abuse of Authority

After the resignation of Mr. Torres, General Manager Ms. Reyes sent one of her trusted managers, Ms. Elizabeth Ocampo, to serve as the Officer-in-Charge. She was tasked to see any further incongruity and begin the fact-finding committee activities. Serving the cooperative for almost two (2) decades, Ms. Ocampo is familiar to all the inner workings of coop operations and has the intel to trace fraudulent transactions. She swiftly discovered that the eKoopBanker access codes were being shared in the office across levels. The requester has access to approving powers and vice versa. This violated the controls for check and balance. And OIC Ocampo immediately removed this universal use of access complying to eKoopBanker access policy. As she looked further into the branch records, she exposed several practices that defied fundamental policies. The human resource (HR) manager assisted her in enforcing office procedures and disciplinary actions, as they discovered countless HR violations covering nepotism, hiring without due process, unobjective and skewed performance ratings, and etc.

Ms. Ocampo tirelessly inspected the South Branch operations and its nearby satellite offices while she resiliently tended to her daily duties and responsibilities as OIC South Branch Manager. There was an instance where the main branch requested a database report of Aflatoun members, the school-based savings program for the youth. Upon generating the report from the system, a negative P60,000.00 standing value was shown in one of the members. Curiously, Aflatoun members are only offered savings products and never incur a balance below zero. However, when they double checked the system, the member account showed a positive balance. Looking at the eKoopBanker logs, Ms. Ocampo unearthed that they were misusing the edit and delete function of the system. While the system showed a deposit transaction, in reality, it was a withdrawal edited to reflect a deposit. This revealed to the management the vulnerabilities of the system which was being taken advantage of.

The investigations spilled over from late 2017 to early 2018, and in this duration, she was able to unravel even more irregular practices. Apart from the altered entries, several ghost transactions were made for 0% loan releases, withdrawals, and fake deposits under members' accounts. Some members began to receive loan amortization payment schedules for loans they never made. Some questioned fraudulent deposit and/or withdrawal transactions made without their authorization. Suspicions were rising, and controversy grew for the South Branches and nearby satellite offices. A wave of resignations was being filed in the heat of the investigation as fear and anxiety crept into the staff members.