



**Institute for Co-op  
EXCELLENCE, Inc.**



**NATCCO  
NATIONAL CONFEDERATION OF COOPERATIVES**

Our future, today.

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## **INSTITUTIONAL DEVELOPMENT SERVICES**

*"helping the coop manage change and improve performance"*

**Volume 1: Facilitator's Manual**

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## ~ Introduction ~

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### **Conceptualizing the IDS**

The Co-operative Institute for Excellence implements a program called Institutional Development Services or IDS in conjunction with its professional development program. These two programs comprise the Institute's major approaches to help build successful co-operative enterprises.

The IDS was initially conceived as a support service to the Institute's formal learning courses, which were and are still being provided through tie-ups with higher learning educational institutions. The IDS was intended to be the essential link from the classroom to the workplace. Its aim was to help ensure that co-op staff who went through the formal courses would then return to an environment that was open and supportive of their learnings. But because co-ops that collaborated in the piloting of the IDS were not exactly those that had staff enrolled in the formal courses, the target clientele was expanded to cover any co-op that was interested to go through the IDS experience. Thus, any co-op that seeks to improve its operation and make itself more effective as an organization is now a potential client of the program.

### **What is the IDS?**

The IDS is an organizational diagnostic methodology and process by which a co-op is assisted to scrutinize and analyze what goes on within its systems and to make decisions and take action based on the results or findings. It seeks to establish a widely shared understanding of the system and from this understanding, help the co-op determine whether change is desirable. The process is facilitated by Institute facilitators but which the co-op can own, as it involves its major stakeholders, including its board, management, staff and members.

The IDS process is participative. It brings together in session the co-op's board, management and staff to identify problems and opportunities and correspondingly determine solutions and strategic options. Surveys conducted among the members and the staff provide feedback and inputs to problem definition and the decision making process.

The IDS combines both people and situation and is a form of action research. It may also be called "action learning." Each individual and group brings to the process their own perception of how the organization is and how it should be, defining problems,

opportunities, and strategic options from their particular points of reference in the co-op's structure and their own personal realities. The board, for example, may have the perception that management is not doing enough. The manager, on the other hand, may feel that he and his team could do more if only the policies and plans within which they work were clearer and more flexible. The IDS tries to address the systematic relationship between these different views.

The IDS is envisioned to serve as a benchmarking tool as it enables the Institute to gather information and data by which, through a careful analysis, standards on co-op internal operations can be established. Once established, a co-op manager can then see how his or her co-op's processes, practices, and methods for each function of the co-op compare with those of other co-ops in the movement.

Lastly, the IDS provides scope for practical collaboration and interaction across co-ops. Participating co-ops are expected to be active actors in an ever widening network of supporting relationships - sharing information, linking executives together, helping each other with new ideas and solutions to common problems, and collaborating in many other useful ways. The formation of this network will be facilitated if some co-op managers who have gone through the IDS experience take the initiative to form sub-networks within their respective areas or regions. Such a network, when set up, redounds not only to the benefit of individual co-ops but to the development of a stronger, more cohesive co-op sector in the country.

### **What is the Purpose of the IDS?**

The purpose of the IDS is made clearer when considered in the context of the Co-op Institute's mission and core beliefs. The Institute's mission is to "help build successful co-operative enterprises" and the ultimate measurement of this success is the satisfaction of the members. For the Institute, member satisfaction is the bottomline.

The Institute also believes that it is co-operative identity that gives co-operatives their unique advantage in the marketplace. Co-operatives become successful by being more, not by becoming less. The Institute likewise affirms its belief in the learning organization. Improvement or success of the co-operative is premised on its being able to own the process of change and development.

The IDS is designed to help develop customer-focused co-op organizations that are effectively positioned in the marketplace. Today's business environment requires a different approach. It is no longer the objective of maximizing profit and price that is the objective of present day businesses but rather being able to satisfy customer needs and expectations, to ensure growth and survival. Now, profit is a result of satisfying the customer.

The idea of developing a learning organization pervades the IDS process. Peter Senge (1994) defines a learning organization as one "where people continually expand their capacity to create the results they truly desire, where new and expansive patterns of thinking are nurtured, where collective aspiration is set free, and where people are continually learning to see the whole." The use of "action learning" starts the co-op on a learning process.

Specifically, the IDS strategy seeks to help the co-op:

1. identify problems and opportunities
2. determine strategic options
3. improve or enhance operational systems
4. identify competency needs
5. foster co-operation with other co-operatives.

### **Who are the Participants of the IDS?**

The IDS is premised on the open-systems thinking of organizational development. This view holds that organizations are complex, open systems. In such systems, all the parts or subsystems work together to achieve the purpose of the whole organization. As such, the IDS seeks to work with the entire co-op system and is focused on "getting the whole system into the room." Different stakeholders in the co-op are mobilized to look at and think out loud together about the organization and its future. As a result, it is hoped that the group will then be energized enough to take action toward a common preferred future.

The board of directors represent the co-op's leadership. They are concerned with the broad strokes of the co-op including its policies and direction. Their commitment and support to any performance improvement effort is crucial. Bringing the board in face-to-face contact with other parts of the system enlarges their perspective and enables them to make more informed and better decisions.

The General Manager, together with the board, provides leadership in the co-op. The main responsibility of the manager is to operate and maintain the organization efficiently, ensuring that it provides useful services to the members at the lowest possible cost. The manager is close to the day-to-day operations of the co-op and the membership. The manager is therefore an important participant in any change effort in the co-op, providing inputs, analysis and management expertise to the effort from start to finish.

As many of the staff as can participate are involved in the IDS process. The importance of staff involvement was underscored by Marvin Weisbord (1987) when he said "there are no good alternatives for employee involvement in reorganizing organizations." The staff include middle managers, supervisors, as well as those at the bottom of the hierarchy. More often than not, it is the people at the bottom who have a deeper appreciation of the range and origin of problems affecting the organization. The staff have their own valuable inputs to the process.

The members are certainly of prime significance to the co-op. They are the co-op's raison d'etre and it is to service their needs that the co-op exists. Although the members are not directly involved in the IDS process, their input is obtained through a survey, to complete the picture of the co-op. Through the survey, the "voice" of the members is established.

Institute facilitators act as outside consultants who guide the participants through the process and, at the same time, provide input based on their own diagnostic and documentation work.

Presently, the Institute works with a very lean staff of facilitators, but their number is expected to increase as the Institute takes in co-op managers who have gone through the IDS experience and are willing to be part of its pool of facilitators. This manual has been especially prepared for them. The manual provides a comprehensive reference material on the IDS as it sets forth the concepts, rationale, and methodologies particular to the process.

## ~ Addressing the Challenges of Change ~

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### **The New Environment**

It has often been said that the only constant in today's environment is change. Change is everywhere and it impacts each of us and our organizations.

Business is at the center of our existence. People live through the economy and the effect of change on our workplaces has become a critical concern. Organizations have to face up to an environment fraught with uncertainty and instability. Fast changing technology, the development of a global economy and competition in worldwide markets, deregulation and liberalization of trade, new government policies on conducting business, and other macroeconomic and political factors contribute to destabilize or impact our organizations. In addition, organizations face challenges as a result of their own success: greater size, scope and complexity bring problems in their stead and necessitate change.

Alvin Toffler (1980, in Marvin Weisbord, 1987) was succinct in describing the effects of accelerating change on organizations - "shorter product life cycles, more leasing and renting, more frequent buying and selling, more ephemeral consumption patterns, more fads, more training time for workers (who must continually adjust to new procedures), more frequent changes in contracts, more negotiations and legal work, more pricing changes, more job turnover, more dependence on data, more ad hoc organization." Toffler called this wave of change "the third wave" to differentiate it from the agricultural and industrial revolutions of the earlier eras.

Faced with a sea tide of change, organizations are called to respond to their environment and be adaptive enterprises. Management and quality experts Deming and Juran, Peter Drucker, Alvin Toffler and Tom Peters have all said that continued change in organization and management is needed in order to survive (Cartin, 1999). Organizational change is a choice that organizations have to make and the sooner they make it the better.

### **Co-op Challenges Today**

The challenges of co-operatives in the country are as much a result of their own growth as it is of forces in the environment. Over time, an increasing number of co-ops have become multi-millionaire co-ops. A few are billionaire co-ops. But growth and becoming more complex have their own demands. They require new and better ways of working



and doing things. Isn't the number of co-ops that have started to computerize their operations increasing? Some of them are even thinking of further automating their processes. These co-ops have come to realize that a growing business requires more efficient systems and procedures. These co-ops have come to realize that there is no way but to adapt to changing technology to survive.

Peter Davis (1987) pointed out that "successful management responds to its environment and is quick to recognize changes to that environment." Management and leadership should be able to confront present realities and at the same time, clarify their values, develop new strategies and learn new ways of operating. Villamin (2006) defined the realities of the present co-operative context as:

1. There is a noticeable ideological drift among a growing number of co-ops that, succumbing to the pressures of competition, have adapted to and are adopting the ways of competition. This way of doing business undermines the co-operative difference and has implications for the future of the co-operative sector in the country as well. Co-operative response to changes in the environment must be selective, chosen with reference to the values and direction on which the organization is founded and to which it is directed.
2. The face of co-op management and leadership is changing. The old guard is being replaced by young, educated people, who possess a more expansive and modern world view than their predecessors. They see their role as attending to the business at hand and view themselves as "professionals," contributing time and effort that need to be compensated. This development could be seen as a natural consequence as well as part of the challenges of change and growth. But while it may be true that co-operatives are increasingly becoming "professionalized," managerial and leader commitment to co-operative values and principles must be ensured at all times.
3. The co-operative sector is in a state of diffusion. Co-operatives in the country are isolated, localized and individualized units. They proclaim affinity to the same sector but they look and behave differently, grow unevenly, have no common standards to speak of. This state of diffusion partly accounts for the continued weakness of co-operatives in the country.
4. New regulations signal a new regulatory environment among savings and credit co-ops in the country. The new Manual of Rules and Regulations (MoRR) define the standards by which savings and credit co-ops should operate and are expected to comply with. A period of adjustment is expected for most co-operatives and it will be trying times for many. However, the MoRR could well be the means by which a strong co-operative sector that is capable of contributing significantly to the national economy can be realized.

5. Co-ops need to be market-oriented. For so long, co-ops have treated their members solely as owners who are obligated to capitalize and patronize the business of the co-op. Failure to perform these obligations was seen as a lack of understanding of the true meaning of co-operation and the preferred solution to this was more and more education. This tendency to overemphasize ownership can only indicate that members are hardly seen as customers whose satisfaction is key to the success of the business. The problem was rarely seen as a marketing issue. Co-op members, however, are owners who are integrated into the wider society in the context of the marketplace. Members are customers too and as such, they exercise judgements and choices based on the strength of whether they enjoy doing business with the co-op or not.

It has been noted that co-operatives generally lack an entrepreneurial spirit, leading to missed opportunities and very little innovation. They are wary of taking risks and product and service innovation has not caught up with changing technologies and demands of the market. Davis (1989) explains this trend in three ways: 1) development specialists, preoccupied mostly with preserving democratic process and member participation in the co-op, have failed to recognize the urgent technical and commercial realities that sustain co-operatives in the marketplace, 2) co-operatives outside the credit union sector have never gone far toward the spreading of risks or investing in developing new technologies and products based on new technologies, and 3) co-op members are rarely entrepreneurs. People tend to resist change and usually see technological innovation at work as a threat rather than an opportunity. Co-operatives led by such people will hardly be innovative in technological terms although they may be in other ways.

For so long, co-ops in the country have operated as if they were islands unto themselves, seemingly insulated from the market and making business decisions regardless of what is happening outside of the organization. With increasing competition and competitors who are prepared to do more for their customers, co-ops are realizing they can no longer afford to take this stance. Davis (1989) captures the need of present-day co-operatives to change when he said "co-operatives in general need to re-structure, re-invest, and innovate in terms of their traditional services, products and cultures to more clearly match their identity statement and the free market environment that they are increasingly forced to operate within." He adds that the new environment cries out for co-operative solutions and a management that would reach out to members to reaffirm co-operative purpose and implement co-operative solutions. Co-op management must be able to rise up to the challenges of the present environment to take advantage of the opportunities that the new environment brings.

### **Managing Change**

A critical issue for organizations operating in dynamic and uncertain environments is the management of change. Organizations have responded to the challenges in different