

- MANAGEMENT OF LARGER AGRICULTURAL CO-OPERATIVES
material for management training in agricultural co-operatives

TRAINER'S MANUAL

international labour office, geneva

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by Malcolm Harper



MATCOM
Material and techniques for cooperatives management
training

The MATCOM Project was launched in 1978 by the International Labour Office, with the financial support of Sweden. In its third phase (1984-1986) MATCOM is financed by Denmark, Finland and Norway.

In collaboration with cooperative organizations and training institutes in all regions of the world, MATCOM designs and produces material for the training of managers of cooperatives and assists in the preparation of adapted versions for use in various countries. MATCOM also provides support for improving the methodology of cooperative training and for the training of trainers.

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Preface

This training package is one of a number of training packages designed by the ILO - MATCOM Project to assist people who plan or carry out training for the managerial staff of agricultural co-operatives in developing countries.

The training provided under this training package, as well as under the other packages in this series, is based on a thorough analysis of:

- (i) the tasks and functions to be performed in agricultural co-operative societies in developing countries.
- (ii) the common problems and constraints facing the effective performance of these tasks and functions.

The result of this analysis is reflected in the MATCOM "Curriculum Guide for Agricultural Co-operative Management Training". The Guide contains syllabuses for 24 management subjects and MATCOM has produced training packages, similar to this manual, for the following subjects:

- Collecting and Receiving Agricultural Produce
- Transport Management
- Storage Management
- Marketing of Agricultural Produce
- Supply Management
- Rural Savings and Credit Schemes
- Staff Management
- Book-keeping and Accounting
- Financial Management
- Cost Accounting
- Risk Management
- Project Preparation and Appraisal
- Work Planning
- Export Marketing
- Management of Larger Agricultural Co-operatives

For more information on the above training material, please write to:

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 CH 1211 Geneva 22
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THE TRAINING PROGRAMME1. Target Group

Target groups for this in-service training programme for managers of larger agricultural co-operatives are:

- (i) managers and assistant managers of secondary agricultural co-operative societies (co-operative unions);
- (ii) managers and assistant managers of larger primary agricultural co-operatives which operate through a number of "buying and selling points" or "branches" and employ several staff;
- (iii) co-operative officers or extension staff supporting the above target groups.

2. Aim

The aim of the programme is to enable trainees to manage a co-operative union or a large primary society with branches effectively.

In particular, the course should improve the trainees' ability:

- to define the role and describe the functions of an agricultural co-operative union or large primary society with branches;
- to plan the activities of such societies giving due regard to possible constraints;
- to organise such societies;
- to select the right people for the right jobs, as well as to motivate them in their jobs;
- to use accounts, budgets and other financial figures as an aid in decision-making;
- to promote co-operatives;

- to effectively work with the society's Board or Committee and to co-ordinate activities with other organisations including Government;
- to apply for funds, to decide on a credit policy which benefits the small farmer and to deal with overdue loans;
- to design and implement an effective marketing plan for the society's products;
- to appraise ideas for investments ("projects");
- to plan effective staff training.

3. Use

The programme as described in this manual can be used for a specialised in-service course. The complete programme, or individual sessions or parts of sessions, can also be incorporated in the curriculum for a more comprehensive management training programme.

4. Duration

The complete programme, as described in this manual, consists of 57 learning sessions. Session times vary from 1 to 4 hours. The total programme will take approximately 140 hours, or around 4 weeks, depending on the qualifications and experience of the trainees and the hours worked each day. The time may well be exceeded, and each instructor must decide on the likely duration in view of local conditions. A timetable should be prepared accordingly.

5. Training Approach and Methods

The programme is based on the assumptions that training is expensive and that money for co-operative management training is scarce. Therefore, it looks upon training as an investment, and unless the training yields results, the return on the money invested in it will be nil.

On their return home from the training programme, the trainees should be able to show concrete results of improved management. In order to prepare and equip the trainee to achieve this, the programme has adopted a highly active learning approach through the use of "participative" learning methods and a built-in action commitment.

Trainees will not learn about management in a general and passive way. Their day-to-day management problems have, as much as possible, been translated into realistic case studies, role plays and other problem-solving exercises. Trainees (working in groups and on their own) will learn by solving these problems as in real life, with the necessary assistance and guidance from the trainer, who will act more as a "facilitator" of learning than as a lecturer.

Every trainee, even if he or she has never actually managed a co-operative society, has some ideas and suggestions from which the others can learn; if any or all of the trainees have management experience they can contribute a great deal to the learning of the others. This material is intended to allow and encourage every trainee to contribute as much as possible from his own insights and experience, so that all will go away with the accumulated knowledge that each brought to the programme.

This sort of shared learning is in fact always more important than the knowledge that you, the instructor, or the material in itself, can contribute. If you do no more than allow every individual to put in what he knows, and to learn from what the others know, you will have achieved a great deal.

Remember that knowledge is like fire, you can share it with other people without losing anything yourself. You should treat each trainee as a source of ideas and suggestions which are at least as valuable as your own, and the material is designed to help you to draw out, or "elicit", these contributions.

The built-in action commitment will give each trainee the opportunity of using the knowledge and expertise of his colleagues in the training programme to find a concrete and acceptable solution

to a specific management problem he is faced with - a solution to which the trainee will commit himself for implementation.

6. Structure

The programme is divided into eleven TOPICS and each topic is covered by a number of SESSIONS (see table of contents on pages XI-XII). The following material is provided for each session:

- a session guide for the trainer (yellow pages), giving the objective of the session, an estimate of the time needed and a comprehensive "plan" for the session, including instructions on how to conduct the session;
- handouts (white pages) of all case studies, role play briefs, etc., to be reproduced for distribution to the trainees.

7. Adapting the Material

Before "using" the programme in a real training situation, it will probably be necessary to adapt it. This can be done as follows:

Read through the material and decide whether:

- the programme can be run as it is;
- only certain topics or sessions should be used;
- new topics and sessions should be added.

Your decision will depend on the training needs of your trainees and the means you have at your disposal.

Carefully read through the sessions you have decided to use. Check the subject matter in both the session guides and the handouts. Modify them to include local currencies, names, crops and so on. Such adaptation will help trainees identify themselves more easily with the people and the situations described in the handouts and will increase impact and effectiveness of the training programme.

Do not feel that this manual is like a book which contains the only answers. It is merely a collection of suggestions and ideas, which you must adapt, modify, use or reject as you think fit. The best users of MATCOM material are those who can change it the most, and the best evidence that you are using it properly will be the amount of changes, additions and amendments you have yourself written into this copy.

8. Preparing the Training Material

Handouts constitute an important part of the training material used in the programme. They can be reproduced from the original handouts supplied in the ringbinder, after the necessary adaptation has been made. Reproduction may be done using whatever method is available: stencil, offset printing, photocopy, or other.

The only item of training equipment which is absolutely essential is the chalkboard.

Some suggestions for visual aids are given in the session guides. If flipcharts or overhead projectors are available, you should prepare these aids in advance. If they are not available you can still use the chalkboard.

The Pre-Course questionnaire should be sent to the trainees in advance. Trainees should be asked to complete it and hand it in at the beginning of the training programme.

Trainees should also be informed in advance to bring examples of the following documentation from their society:

- organisation structure and sample job descriptions (see sessions 1.9 to 1.11);
- sets of accounts (see session 3.5).

9. Preparing Yourself

Some trainers may feel that material of this sort means that they need only spend a few minutes preparing for each session. This is

not the case. You should go through the following steps before conducting any course which is based wholly or in part on this material:

1. Read session guides and handouts carefully; be sure you understand the content, and that you envisage what is intended to happen in the classroom.
2. Work through all the calculations; be sure that you understand them completely and try to predict the errors that trainees are likely to make, and the different answers which may not be wrong, but which will be worth following up.
3. Work through the case studies yourself, and try to predict all the possible analyses and answers which trainees may come up with.
4. Look up and write down on the material itself, as many local examples as you can to illustrate the points that are raised.
5. plan the whole session very carefully; try to predict approximately how many minutes each section of the session is likely to take, and make the appropriate modifications to fit into the time that you have available. Do not take the suggested time at the beginning of the session too seriously.

10. Conducting the Programme

While using the material, you, should try to observe the following guidelines:

1. Arrange the seating so that every trainee can see the faces of as many as possible of the others; do not put them in rows so that the only face they can see is your own.
2. Be sure that the session is clearly structured in the trainees' minds; outline the structure at the beginning, follow it or say that you are diverging from it, and summarise what has happened at the end.
3. Bear all the learning points in mind, and do not forget the job-oriented objectives of the session.

4. Be flexible, do not follow the material slavishly and be prepared to change the approach, depending on what trainees, themselves, suggest.
5. Avoid, whenever possible, telling the trainees anything; in a successful session all the points will have been elicited from them by skillful questioning.
6. If you fail to elicit a particular answer from the trainees, it is your fault and not theirs. Persist, by asking the same question in different ways by hinting and so on, and only make the point yourself if all else has failed.
7. Use silence as a weapon; if nobody answers a question, be prepared to wait for 20 or 30 seconds in order to embarrass somebody into making an attempt.
8. Avoid talking yourself. Trainees' discussion and suggestions should occupy around three quarters of the total time; ask, listen and guide rather than talk. (The more you yourself talk, the more you are revealing your own insecurity and ignorance of the subject, in that you are not willing to risk questions or comments with which you cannot deal.)
9. Never ridicule a trainee's answer or suggestion; there is bound to be some merit in it somewhere, and the very fact that he or she has put forward a suggestion is commendable.
10. If you cannot answer a trainee's question, or comment on a suggestion, (or even if you can) ask another trainee to answer or make a comment. You are the facilitator, not the source of knowledge.
11. Write trainees' own words on the chalkboard whenever possible; do not follow the words in the material, even if they are more precise.
12. Be prepared to act as "Devil's Advocate"; there are usually no right or wrong answers to management questions, and trainees must see and understand both sides of every issue.
13. If trainees appear to be following a quite different track from that suggested in the material, do not dismiss this out of hand; it may be as useful or more so.
14. Call on the silent and, if necessary, silence those who talk too much.

15. Be sure that everybody understands what is going on; do not allow the discussion to be taken over by the few who understand.
16. Be dynamic, lively and active. Move around, walk up and down the classroom, and generally keep everyone alert to your physical activity.

11. Evaluation

A model topic evaluation form is included under Session 11.2. Preferably ask trainees to evaluate each topic immediately after dealing with it.

12. Follow-up

It is recommended that you or other resource persons arrange to contact the trainees after six months, to see how well they are doing with implementing their "action commitments". The course - not the trainees - should be evaluated by the success trainees have had in the implementation of their commitments.

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Seminar for
Managers of Larger Agricultural
Co-operatives

Pre-course Questionnaire

Name:

Position and Employer:

.....

What part of your work do you enjoy the most?

.....

.....

What part of your work do you dislike the most?

.....

.....

Describe, very briefly, one or more problems which are facing you at work at this time:

.....

.....

.....

.....

.....

Complete this sentence. "As a result of attending this training programme, I hope that I shall be able to

.....

.....

Please bring with you copies of annual reports or any other documentation which will help you to explain your job, and your problems, to the other members of the group. More in particular we would like you to bring, if available from your society:

- organisation chart and sample job descriptions;
- sets of accounts (balance sheets, trading or profit and loss accounts, budgets).

who should do what and when?

Pre-course Questionnaire

Session 1.1: Official Opening and Introduction to the Programme

**Session 1.2: Introduction, Identification of Group Problems
Expertise and Expectations**

**Session 1.3: Identifications of Tasks and Objectives in the Rural
Community**

**Session 1.4: Discussion of Tasks and Objectives: The Problem of
Allocation**

**Session 1.5: Allocation of Tasks to Private Farmers, Businesses,
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Constraints**

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Sequence**

Session 1.9: The Problem of Organization

Session 1.10: Organizing the Union and a Department of it

Session 1.11: Discussion of Alternative Ways of Organizing the Union

SESSION 1.1

OFFICIAL OPENING AND INTRODUCTION TO THE PROGRAMME

- Objective:
- 1) To demonstrate the critical importance of effective co-operative union management* and of this training programme, and thus to ensure maximum commitment by participants.
 - 2) To ensure that all administrative matters are dealt with, so that no personal uncertainties remain to distract trainees from the programme.
 - 3) To ensure that all trainees are aware of the objectives of the programme and of their responsibilities.

Time: 1 to 2 hours.

Material: Participants should have completed the pre-programme questionnaire before this session. It should be returned to the instructor during the session. Time tables, lists of participants and contributors and other documentation should be distributed at this time.

* The terms "co-operative union" and "member societies" are used throughout the material. In case the programme is run for "larger primary societies" with "branches" or "outlets", terminology should be changed accordingly.

Session Guide :

Opening Speech

If a prominent guest is to open the programme, this can be a valuable demonstration of its importance. The formal opening should be brief and to the point. The speaker may welcome guidance as to the content of his speech, and should be asked to stress and, if possible, to quantify the importance of co-operative unions in the economy, and to point out that they must be well managed like any other institution. They must serve their "customers" as well as possible, that is the people who buy the products they handle, their member societies and their members, and society as a whole.

Objectives

It is vital from the outset to stress that the programme is intended to enable participants actually to do a better job on their return home. "Improved attitudes" or "a broader view" may indeed result, but these are only means to the end of practical improvement.

If time allows, go through the timetable, stressing the positive action implications of each topic. Remind participants that they will be expected before the end of the programme to have decided on at least one major improvement they are going to implement on their return home, and that they will be expected to commit themselves personally to this. Their success in implementing it will be ascertained at a later date, and this will form the major input to the evaluation of the programme.

Learning Methods

Point out that the participants as a group have an enormous wealth of experience of co-operative union management and practical ideas for its improvement. The purpose of the programme is to enable them to share these experiences with one another, so that each can go away with something approaching the total of the whole group's insights and abilities. They must expect the answers from the instructors. They know far more about managing a co-operative union than any instructor, because they are doing it. The instructors' role is to guide and struc-

ture the discussion and to draw out from each participant the maximum contribution to shared learning for the whole group.

Point out that the timetable covers only the formal parts of the programme. Many hours will have to be spent on individual reading and preparation, and all will suffer if anyone fails to do this. The programme as described in the timetable is provisional. It must be modified according to participants' wishes.

Administration

Ensure that all participants are fully briefed on administrative details such as the time and places of sessions, eating and financial arrangements, facilities for private study, medical facilities, mail, laundry and so on.

Stress that the programme is for participants' benefit. They should feel free to comment on or suggest changes to any aspect of the content, learning methods or administrative arrangements.

SESSION 1.2

INTRODUCTIONS, IDENTIFICATIONS OF GROUP PROBLEMS,
EXPERTISE AND EXPECTATIONS

Objective: To identify the interests, problems and experience of the participants, so that all may have a clear view of what they are trying to achieve and what resources are available within the group.

Time: 1 to 2 hours.

Material: Completed pre-programme questionnaires should if possible have been collected well before this session and carefully analysed as to the problem areas and expertise. These should be used to stimulate discussion and to encourage participants during the session.

Session Guide:

Each participant should be given about five minutes to introduce himself. The introduction should include:

- 1) The name by which he prefers to be addressed informally.
- 2) His organisation and title.
- 3) A brief statement of what he actually does.
- 4) The type of problems which give him the most trouble.
- 5) The achievements of which he is most proud.

Advance analysis of the pre-programme questionnaire should have identified the major emphases in terms of perceived training needs and particular strengths.

As participants go through their brief presentation, they should be prompted to include anything relevant which appeared in the form. Their problems and strengths should be summarised on the chalkboard, following, if possible, the structure of the timetable.

Ensure that even the less experienced participants are recognised and that each is seen as bringing some particular expertise to the programme.

Go through the timetable relating the needs to the topics covered, and discuss possible changes which may appear to be suggested by the analysis of needs.

Reaffirm that the group's accumulated expertise is an unrivalled source of experience, practical lessons and successes. The aim is to draw this together and make it available to all.

Explain the group and plenary method of working, and divide the participants into groups, which should give each group of four or five members a fair mix of the specialised expertise already identified.

SESSION 1.3

IDENTIFICATION OF TASKS AND OBJECTIVES

IN THE RURAL COMMUNITY

Objective: To enable participants in groups to identify the critical activities which have to be performed in an agricultural economy, and to define objectives, without reference to any preconceived institutional framework.

Time: 1 to 2 hours.

Material: Profile of Alpha Region.

Session Guide:

- 1) Distribute the Alpha District Profiles to participants in groups and ask them in their groups to identify all the possible economic activities which might conceivably be undertaken by the co-operative sector, either at the primary or secondary level. They should not restrict themselves to those economic activities which are so undertaken in their own or any other countries.
- 2) Ask the groups to attempt to state by each economic activity the kind of objective which should be aimed at by whatever organisation performs it, in order to maximise rural welfare.
- 3) As the groups are working on their assignment, ensure that they are including as many economic activities as possible and not just those which are normally in their experience undertaken by the co-operative sector.

The Activities that must be Performed

The attached information provides a profile of "Alpha Region" summarising the major activities and outlining some of the problems presently being experienced. The information does NOT say who owns and controls the various activities, nor does it list these activities in terms of what must actually be done.

You are required to produce a list of all the economic activities which might conceivably be carried out by the co-operative sector. You should not limit your list to those economic activities which actually are carried out by co-operatives in your country, nor to those which you think should be carried out by co-operatives, but you should list every economic activity which you can imagine might ever be carried out by a co-operative of some sort.

The objective of this stage of the exercise is not to decide what the co-operative sector should do; that will follow in later sessions.

Profile of Alpha Region

Total population: 300,000 of which rural population is 250,000

Age Range: 49% 0-14 years old
48% 15-64 years old
3% 65 years old and over

Rural Households: 40,000

Landless: 5,000 households

Less than 0.5 hectares: 4,500 households

0.5 to 1.5 hectares: 6,500 households

1.5 to 2.5 hectares: 11,000 households

2.5 to 3.5 hectares: 8,000 households

3.5 to 4.5 hectares: 4,000 households

Over 4.5 hectares: 1,000 households

Total 40,000 households

Note: 30 farms of over 200 hectares each are owned by aliens who are gradually leaving the country; this land will then have to be farmed by local farmers.

Literacy: 20% of adults

Communities: 400 villages
10 small towns, average population 2,000 each.
1 district headquarters town, population 30,000.

Population Growth: Annual increase 2.5% (Urban increase 7.5%
Rural Areas 2%)

Total Area: 10,000 square kilometres

Agricultural Credit: 30% of farms over 2.5 hectares are in receipt of institutional credit.
5% of farms under 2.5 hectares are in receipt of institutional credit.

Non-Farm Activities: Region Headquarters Town:

- Wholesale and retail trade
- Iron founding
- Metal works
- Wood works
- Railway repair yard
- Printing works
- Plastic moulding
- Garment manufacture
- Textile spinning
- Road transport
- All normal small-scale services
- Government offices

Small Town Centres:

- Retail trades
- Carpenters
- Blacksmiths
- Metal workers
- Repair shops
- Tailors
- Road transport
- Government offices

Village Centres:

- Retail trade
- Tailors
- Occasional carpenters or blacksmiths

Rural Areas:

- Traditional hand weaving and blankets manufacture

Major Crops and Animals

Crop/Animals	No. of Farmers Involved	Average Area/No. Per Farmer	Major Inputs Required	Labour Requirement
Irrigated rice	15,000	0.5 ha.	Seeds, seedlings, fertilizer, water, insecticides.	April and September planting, August and March harvest, cultivation throughout.
Dry rice	25,000	1.5 ha.	Seeds, fertilizer, insecticides.	April planting, September harvest.
Cotton	4,000	3 ha.	Seeds, insecticides, fertilizer.	March planting, February harvest, frequent spraying.
Vegetables	35,000	0.1 ha.	Seeds, insecticides.	September planting, March harvest.
Oil seeds	3,000	2 ha.	Seeds, fertilizer.	March planting, February harvest.
Cows	12,000	2	Breeding stock, A.I., feed, veterinary services.	Steady.
Goats	23,000	6	nil	Mainly children, steady.
Chickens	25,000	10	Chicks, feed, veterinary services.	Mainly women, steady.

Major Crops and Animals

Crop/Animals	Annual Production	Annual Marketed Production	Processing Required	Markets
Irrigated rice	15,000-25,000 tons	5,000-15,000 tons	Milling.	Local, some export.
Dry rice	20,000-35,000 tons	0-10,000 tons	Milling.	Local, some export.
Cotton	25,000 tons	25,000 tons	Ginning, baling plus some spinning and weaving.	Export of raw cotton, some local textiles.
Vegetables	35,000 tons	4,000 tons	Washing, grading, some packing.	Local.
Oil seeds	3,500 tons	3,500 tons	Crushing, packing.	Export.
Cows	9,600 tons milk 1,000 tons meat	2,000-4,000 tons milk 500 tons meat	Pasteurisation, separation, bottling. Slaughtering, freezing	Local, small butter exports. Local, some exports.
Goats	1,000 tons meat	100 tons meat	Slaughtering.	Local.
Chickens	Eggs Meat	1-2 million 200 tons	Grading, packing. Dressing, freezing.	Local. Local and export.

Major Crops and Animals

Crop/Animals	Major Problems	Possible Innovations
Irrigated rice	Pump breakdowns, water shortages.	Higher yielding varieties, tractor ploughing and harvesting.
Dry rice	Erratic rainfall.	Higher yielding varieties, tractor ploughing and harvesting, irrigation.
Cotton	Diseases.	Improved spraying, irrigation.
Vegetables	Poor quality.	Better varieties, fertilizer, irrigation.
Oil seeds	Erratic prices	Spraying.
Cows	Diseases, erratic milk supply, hides unmarketable	Improved breeds, regular dipping, better feed, enclosures, feed lots.
Goats	Low yield, over grazing.	Improved breeds.
Chickens	Disease, low yields, low demand for eggs and meat	Improved breeds, better feeding, intensive enclosed rearing.

SESSION 1.4DISCUSSION OF TASKS AND OBJECTIVES :THE PROBLEM OF ALLOCATION

Objective : To enable trainees:

- (i) to identify the broad spectrum of economic activities which might conceivably be performed by the co-operative sector and the type of objectives appropriate to them and
- (ii) to evolve a generally agreed list of such economic activities.

Time : 1 to 2 hours.

Session Guide :

- 1) Invite a spokesman from each group to go through the list of economic activities which they have identified. Write a consolidated list on the chalkboard as each group gives its list.
- 2) Elicit by suitable questions any economic activities which have been omitted by all the group. The list given in the guide for Session 1.6 may be used as a checklist.
- 3) List and discuss the type of organisations that could carry out the listed economic activities. List and discuss positive and negative features of each type of organisation.
- 4) Ensure that each group, preferably each member, has a copy of the list of economic activities which has been produced as a result of each group's contributions.

SESSION 1.5ALLOCATION OF TASKS TO PRIVATE FARMERS, BUSINESSES,
GOVERNMENT AND THE CO-OPERATIVE SECTOR

Objective: To enable trainees to allocate economic activities to appropriate institutions on the basis of the nature of the activities and likely strengths and weaknesses of the institutions.

Time: 2 to 3 hours.

Material: Profile of Alpha Region and list of economic activities produced in Session 1.4.

Session Guide:

Divide the participants into the same groups as those used for Session 1.3 and ask them to allocate the economic activities of which they should now have a common list to one of the following types of organisation:

- Individual farmers
- Private business
- Government
- Primary co-operative societies
- A co-operative union

Stress that the allocation should be made not so much on the basis of what happens to be done in their own countries, nor on the basis of any particular ideology, but as a result of an objective assessment of the types of activities for which each type of organisation is the most appropriate.

Ensure that each group produces a table allocating every economic activity to one of the five types of organisation. Clearly a number of alternatives are possible in every case, but groups must attempt to produce a first choice institution for each activity, although they may

indicate other possibilities in their table. They can indicate their first choice with an "X". Alternative choice(s) with an "X".

It should be mentioned to the groups that they have to report the general criteria they applied when determining which organisations should carry out which functions.

SESSION 1.6DISCUSSION OF ALLOCATION AND AGREEMENT ON UNION FUNCTIONS

Objective : To enable participants to agree on a list of economic activities which might reasonably be performed by a co-operative union, and to recognise those arguments for inclusion or exclusion of activities within the co-operative sector which arise more as a result of political philosophy than of practical considerations.

Time : 2 to 3 hours.

Material : Alpha Region Profile and groups' tables allocating the economic activities which were prepared during Session 1.5.

Session Guide :

If possible a blank table should have been prepared on the chalkboard or OHP to be filled in with the various groups' suggestions during this session. While it is necessary for the purposes of subsequent sessions to be agreed on a predetermined list of activities, it should be stressed that there are no right or wrong answers to this problem. The particular list of economic activities which will be used to form the basis of the hypothetical co-operative union which is used during the remainder of the programme should not be taken as the one and only correct list.

Ask each group to go through their recommendations. Trainees should have evolved in their groups a table as shown on the following pages.

Identify the criteria by which the decision as to the allocation of responsibility should be made. Points mentioned should include:

- The scale of operation, both in terms of the equipment and the expertise required.
- The need for speed and short distances because of perishable supplies.

- The need for close contact either with the farmer or with the market.
- The need for economic viability or profitability.
- The felt need by the initiator of the activity.

The basic point is that this decision should be based on pragmatic assessment of the situation.

While reporting, it may be monotonous merely to report what was ticked off by the various groups to indicate what should be done, and by which organisation. Therefore, ask one group to go through their recommendations and ask the others to state when they arrived at different conclusions. Discussions could focus on those economic activities which have been allocated to different organisations by some of the groups, i.e. discuss what criteria have been applied and why the opinions of the groups differ. It could also be interesting to discuss why, in some cases, it could be an advantage to allocate an economic activity to more than one organisation.

	Individual Farmers	Private Business	Government Parastatal	Primary Co-operative Societies	Co-operative Unions
Land ownership	<input checked="" type="checkbox"/>				
Cultivation	<input checked="" type="checkbox"/>			x	
Inputs supply				x	<input checked="" type="checkbox"/>
Harvesting	<input checked="" type="checkbox"/>				
Irrigation				<input checked="" type="checkbox"/>	
Processing:					
- Ginning		x			<input checked="" type="checkbox"/>
- Spinning etc.		<input checked="" type="checkbox"/>			
- Oil crushing	x	x		<input checked="" type="checkbox"/>	
- Rice milling	x	x		<input checked="" type="checkbox"/>	
- Creameries		x			<input checked="" type="checkbox"/>
- Slaughtering and packing					<input checked="" type="checkbox"/>
- Egg packing				<input checked="" type="checkbox"/>	
Marketing:					
- Rice			<input checked="" type="checkbox"/>		
- Cotton		x			<input checked="" type="checkbox"/>
- Oil		x		<input checked="" type="checkbox"/>	
- Milk		x			<input checked="" type="checkbox"/>
- Meat		x			<input checked="" type="checkbox"/>
- Eggs				<input checked="" type="checkbox"/>	
Savings		<input checked="" type="checkbox"/>		x	
Credit					<input checked="" type="checkbox"/>
Transport to the processing				x	<input checked="" type="checkbox"/>
Transport from the processing to the customer		<input checked="" type="checkbox"/>			
Personal transport		<input checked="" type="checkbox"/>			

	Individual Farmers	Private Business	Government Parastatal	Primary Co-operative Societies	Co-operative Unions
Storage before processing				(x)	
Storage after processing					(x)
Consumer goods wholesaling		(x)			
Consumer goods retailing		(x)		x	
Petrol retailing		(x)			
Farm equipment manufacture		(x)			
Farm equipment rental		(x)		x	
Farm equipment supply		(x)		x	
Veterinary services			x	(x)	
AI			x	(x)	
Dipping	(x)			x	
Farm record keeping	(x)				
Stock breeding					(x)
Crops spraying	(x)			x	
Training			(x)		
Adult literacy education			(x)	x	
Farm advisory services			(x)	x	
Vehicle and equipment repair maintenance		(x)			
Handicraft input supplies		(x)			
Handicraft marketing		x		(x)	
Farm purchases	x			(x)	

It may be possible to "steer" the group towards a set of economic activities which is similar to those given in the foregoing table which are the basis of the hypothetical co-operative union used in the remainder of the programme. It is more important however to attempt to identify the particular strengths which each type of institution has and to relate these to the needs of the activities to be performed.

It may be difficult for union managers to accept that private business people, for instance, may be able to perform some activities better than they can themselves. It is important however that any organisation should have a realistic view of its own capacity.

SESSION 1.7

SETTING PRIORITIES, INITIAL PLANS AND IDENTIFICATION
OF CONSTRAINTS

Objective: To enable participants to recognise the importance of formulating an overall aim for an organisation, of setting priorities, of making initial plans and of identifying critical constraints before becoming involved in the administrative details.

Time: 3 to 4 hours.

Material: Handout "Priorities and Planning"; profile on Alpha Region and lists of economic activities produced in earlier sessions.

Session Guide:

Unless serious interpersonal problems have emerged, the groups should be kept as for previous sessions and should work on the problem described in the handout "Priorities and Planning". The tasks to be completed by the groups are clearly outlined in the handout (sheet 5). It may at the beginning of this session be appropriate to point out to participants that for the remainder of the programme they will be dealing with this hypothetical co-operative union known as "ARCU". They should be reminded that the objective is not to solve the problems of ARCU but to improve their ability to solve their own problems. ARCU should nevertheless be a useful vehicle for introducing and solving problems of various sorts, but participants should continually relate the problems described back to their own organisations and ensure that they appreciate their relevance to their own home situation.

The tasks outlined in the handout are very specific. The handout should be distributed well in advance to allow careful reading. The groups should be instructed to present their ideas on flipcharts themselves. Time will never be sufficient but this is typical of the real life management situation. Groups must appreciate that they should come to a conclusion, and record it in writing, even if they feel that

they would have needed far more time to complete the task as they would have preferred.

Before the group work starts it may be necessary to discuss the meaning of overall aims and specific task objectives as suggested below:

- 1) Participants will probably have different ideas about the meaning of words such as aim, objective, goal, target and so on. Stress at the outset that the overall aim of an organisation is to express the "raison d'etre" (reason for existence) of the organisation. The overall aim is therefore the same as the general purpose of an organisation.
- 2) Ask trainees to suggest how each of the following people might describe the purpose of the co-operative union in their area:
 - the secretary/manager of a primary society (to support my society and to carry out for it such tasks as the society on its own cannot perform);
 - a farmer (to provide me with credit, farm inputs and markets);
 - an employee of the union (to provide me with a job);
 - a politician (to act as a source of political influence and patronage within my constituency).
- 3) These may all be perfectly valid from the point of view of the individual. Ask participants to write down the purpose of a co-operative union in a way that is valid from every point of view, and not only in relation to the interests of one person or a group of persons.
- 4) Participants' suggestions will probably include statements of many different sorts, such as:
 - "To improve the welfare of the people".
 - "To promote effective co-operative activities in the region".
 - "To carry out certain specific processing, marketing, credit or supply activities".

Ask participants to distinguish between those purposes which relate to ends, and those which describe the means by which these ends may be achieved. For example:

Means: which may not always be necessary:

- To operate a processing factory.
- To market a particular crop.
- To supply particular inputs.

Ends: which are always valid:

- To increase farmers' incomes.
- To foster co-operative enterprises.
- To contribute to national well-being.

- 5) Participants may feel that statements of ultimate ends, or overall aims, are too general to be of any use in managing a co-operative union. Show by example that a statement such as

"The aim of the union is to improve the welfare of farmers in the region by encouraging and assisting primary co-operative societies and by itself carrying out such functions as can most effectively and economically be carried out at the secondary level."

can be used as a standard by which day-to-day decisions and activities can be judged. Decisions and activities may, for instance:

- advance the interests of the union itself, but not those of member societies or farmers;
- advance the interests of particular departments or individuals within the union, but not those of the union as a whole or its members.

Ask participants for examples of such occasions. Point out that they can be avoided if staff at all levels are aware of and sensitive to the statement of overall aims.

6) Task-related objectives must also be stated and should contribute towards the achievement of the overall aim. It is important to appreciate that task-related objectives may change while overall aims are likely to remain unchanged. Ask trainees for examples of co-operative or other institutions which continue to exist and to perform a function for which the need no longer exists. Task related objectives must be specific, measurable and related to particular people within the organisation. Ask participants to compare the following:

- "The objective of this department is to start a slaughterhouse."
- "The objective of this department is to start a slaughterhouse which by June 30, next year will process 500 or more head of cattle per day, which will allow the Union to pay members for their cattle at prices which are at least as high as those available today and which will also cover its costs, including those of the capital employed, and earn a surplus for redistribution and strengthening reserves."

Ask participants to suggest similarly specific and measurable objectives for:

- a crop marketing department;
- a training department;
- a farm supply system.

7) Remind participants once again of the need to state:

- overall aims (goals, purposes, ends);
- specific task objectives (targets, tasks, functions).

The terminology is unimportant. What matters is that everyone in a co-operative union should know what the objective of his or her job is, and how this contributes to the overall aim of the organisation.

Priorities and Planning

The farmers of Alpha Region are not well served in many respects; research, inquiries and discussion with politicians, individual farmers and staff and committee members of the few primary societies which are inactive, has identified the following functions which, it was felt, should be undertaken by a new secondary level co-operative body, to be known as the Alpha Region Co-operative Union (ARCU).

Functions to be undertaken by ARCU

	Processing	Marketing	Supply
1. Cotton	Ginnery	Cotton, lint	Seeds
2. Milk	Dairy plant	Bottled milk, butter and cheese	
3. Meat	Slaughterhouse	Meat	-
4. Farm Inputs	-	-	Fertilizers, seeds animal feed, insecticides etc.
5. Semen	Cattle breeding station		Semen
6. Transport	-	-	Bulk transport
7. Savings and credit	-	-	Savings and credit services

There are two or three reasonably active primary societies in each of the four districts, engaged in various activities. There were originally ten such societies in each district, and the moribund societies are to be revived at the same time as the new Union is established. The primary societies will subscribe nominal amounts for shares in the new Union, and will be nominally entitled to control its management, but it is envisaged that for the first year or so at least real control will be vested in the manager and his committee.

Finance is to be made available from the co-operative bank, from the commercial bank or foreign sources, or from internally generated savings and surplus as is later determined by the Union management. Providing that any proposed investment can be shown to be viable and to

contribute to increased prosperity of the people of Alpha Region, it is not envisaged that finance will cause any problem.

The Union has been legally established, with nominal capital, and the Act of Establishment permits the Union to declare a monopoly of the supply, or marketing, of any agricultural product or service when and if this is thought fit, subject to reasonable notice and to consultation with local and central Government authorities. This right does not of course preclude the Union from undertaking any activity in competition with other suppliers if management so prefer.

The various functions which have been allocated to the Union are at present being performed inadequately, or not at all, by a number of different institutions. In broad outline, the situation is as follows.

Cotton Ginning and Marketing

There is one ginnery in the region, owned by a foreigner whose family has been in the area for some generations. The ginnery is old and suffers from frequent breakdowns, and even when operating at full capacity it can only absorb about 75% of the regional cotton crop; the balance of the cotton has to be sold outside the region; at some expense and inconvenience to its growers. It is felt that a new ginnery should be established at the other end of the region: if the existing ginnery is properly overhauled the two ginneries should be able to cope with foreseeable production from the region. The owner of the ginnery advances seed and occasional cash to some of the larger growers. Some co-operative societies requested and were granted the same facility, but in many cases they failed to deliver cotton as required and their members delivered direct to the ginnery or sold their cotton elsewhere. The ginnery owner therefore now refuses to do business with co-operative societies.

The ginnery sells cotton, lint and seeds to private traders in the capital city, and direct to some importers in the country from which his own family originally came.

Local farmers feel that they receive too low a price for their cotton, because the ginnery is the only buyer whom they can reach without incurring excessive transport costs. In any case, the nearest alternative ginnery is owned by the same family, and its prices are similar.

The owner of the ginnery is dissatisfied with the cotton supply situation, and is unwilling to invest in major improvements without some assurance of supplies. He would be happy to sell the ginnery as a going concern, for around \$300,000. This price would be about one half the cost of building a similar size ginnery at present prices.

Dairy Processing

The existing creamery was established by a dairy farmers' co-operative society some ten years ago. The society ran into difficulties and was wound up, the creamery being sold to a local businessman. The creamery is poorly managed, and its products are of doubtful quality, but those farmers who wish to market their milk outside their own communities are reasonably satisfied with the prices they receive.

A few farmers who live near the creamery deliver their own milk. The majority work through co-operative societies or informal associations to collect and transport their milk to the creamery.

The creamery produces pasteurised bottled milk, butter and some cheese. The bulk of the production is marketed in the Alpha Region Headquarters Town, but a certain proportion is sold to more distant centres, via local creameries which cannot obtain enough milk from their own farmers.

All payments for milk are made monthly in arrears. Farmers complain of delays and "errors", but the price level is sufficiently much higher than the local village market price to satisfy them. Officials of the Ministry of Agriculture believe that farms or farmers would raise quality cattle and market their surplus milk if two creameries were available at each end of the region.

Meat

There are currently no modern meat processing facilities in Alpha Region. Local butchers slaughter and sell meat for local consumption, often in unhygienic conditions, while some farmers organise an annual stock drive for some hundreds of kilometres to another region, where their cattle are bought by feed lot operators who fatten and resell them to slaughterhouses.

Alpha Region is more or less self-sufficient for meat, although the few modern butcheries in the Regional Headquarters Town prefer to buy frozen graded meat from the modern slaughterhouses outside the region. Alpha Region has high potential for beef cattle raising, and it is felt that if modern processing facilities were available farmers would receive higher prices and would be encouraged to produce more beef for home sales and for the expanding export markets.

Stock Breeding

There is at present little demand for quality beef or dairy cattle in Alpha Region. The staff of the Ministry of Agriculture believe that there would be such a demand if the creamery and meat processing facilities were improved, and the new Union has therefore been allocated the task of starting and operating a cattle breeding station to raise dairy and beef stock and to produce semen for an eventual artificial insemination service.

Savings and Credit

There are three commercial bank branches in the Alpha Regional Headquarters Town, and one in each of the other towns. They offer normal banking services, and most of their customers are traders, large farmers and Government officers and employees. Some small farmers have savings accounts. One of the banks initiated a small farm credit scheme some years ago in conjunction with the co-operative societies, but the results were very unsatisfactory and since then only a very few small farmers have borrowed money from the bank.

A Central Government Agricultural Financing Scheme provides funds for equipment purchase and land improvement, but only the larger farmers are able to visit the capital city and complete the necessary formalities to obtain such loans.

About 70% to 80% of small farm credit is obtained from local money-lenders. They charge high rates of interest, but they are friendly, convenient and available. Money-lenders rarely foreclose on defaulting farmers but they roll over the debts to subsequent seasons and although the repayment burden is substantial the money-lenders tend only to demand what they know a farmer can pay without reducing his family to total starvation.

Transport

Four of the ten active primary societies operate transport vehicles. These are used to take members' produce to be processed, and to collect inputs. The lorries are generally old, poorly maintained and are often misused for individual members' benefits. Most transport in Alpha Region is carried out by a large number of individual operators, owning one or two lorries each. These are fiercely competitive with each other, and are unreliable, and many farmers use vehicles belonging to friends or relatives rather than trying to find the cheapest for a particular job.

Farm Inputs

Apart from the few cotton inputs provided by the ginnery, farm supplies are generally not linked to marketing outlets. Farmers obtain their supplies through local retail traders. Many of these are also money-lenders, but much of the business is for cash. The retailers in the town buy their supplies such as fertilizers, insecticides, seeds and animal feed either direct from the manufacturers or importers, or from one of the five privately owned wholesale traders in the Alpha Regional Headquarters Town. Those farmers who belong to the active co-operative societies buy their supplies from their societies, which in turn buy them from the wholesalers or from the manufacturers. Co-operatives in Alpha Region have not been very successful, and even the better-managed societies must therefore pay cash for their supplies.

The manager and his committee now have to work out guidelines as a basis for the subsequent organisation and staffing of the new Union. The committee has been asked:

- 1) To formulate an overall aim for the new Union.
- 2) To identify the activities that should be carried out by the Union with due regard to their relative importance, to the inter-relationship between them and to the limited capacity of the Union and the societies.
- 3) To draw up an approximate timetable for the first five years of the Union's life, indicating when activities should start and what targets should be achieved. The following simple outline of a time plan can be used:

Year → Activity	I	II	III	IV	V

Assignment :

Imagine yourself to be a member of the committee and complete the three tasks which are listed above.

SESSION 1.8DISCUSSION OF PRIORITIES AND PLANS: AGREEMENT ON A SEQUENCE

Objective : To enable participants to identify the critical stages in the planning process and to apply these to their own situation.

Time : 2 to 3 hours.

Material : Results of groups' discussions during Session 1.7.

Session Guide :

Groups should be asked briefly to present the results of their deliberations during the previous session. Since the number of alternatives is infinite it is important not to spend too much time on discussing the detailed reason for selecting one order of priority rather than another, but to concentrate on the basic methodology of planning and on the importance of clearly stated objectives.

The structure of the session will vary according to the nature of groups' conclusions, but the following guide may be followed:

- 1) Ask each group to read out the overall aim for the new Union on which they have agreed.
- 2) Discuss and briefly compare these aims and evaluate them by reference to the following questions:
 - Is the aim feasible or is it merely a statement of an unattainable ideal?
 - Does the aim relate specifically to tasks which a co-operative Union can achieve, or does it merely describe a state of affairs which a number of organisations must work together to achieve?
 - Is the aim measurable; will it be possible at a given future time for somebody to state clearly whether or not it has been achieved?

Groups' suggestions will probably include statements which do and do not conform to these standards; if not, it may be necessary to

make up extreme examples in order to illustrate the point, such as "TO HELP THE PEOPLE" or "TO IMPROVE WELFARE".

Aims must be related not to means but to ends. The aim is not to operate a particular processing facility or to extend credit but to increase incomes of certain people by a certain amount, to increase production of certain crops and so on.

- 3) Ask the group what additional information is needed to convert aims into feasible plans. Stress the need to identify the critical constraints and opportunities in the environment which will affect priorities, and ask participants to suggest factors in the Alpha Regional Profile which will affect the choice of priorities.
- 4) Ask groups briefly to outline the order or priority and approximate timetables which they have agreed on in the previous session. Refer if necessary to the content of the handout for Session 1.10 "Organising the Union and a Department of it" for possible suggestions.

Discuss participants' reasons for choosing the particular priorities and timetables they have suggested. Elicit or outline the following planning procedure which may usefully be followed:

- Selection of priorities, based on urgency and feasibility. Feasibility must relate not only to physical constraints but to people's willingness to change. The small and perhaps not particularly important project may have high priority for its demonstration effect in that it will convince people that the larger more important thing can and will be done.
 - Identify possible alternatives, not rejecting at this stage those which may appear at first sight to be less attractive.
 - Evaluate the alternatives in terms of their feasibility and thus their contribution to the organisation's aims and as a result of this evaluation choose a preferred alternative plan of action.
- 5) Decide actually how this plan should be carried out.

If time allows, discuss how far ahead co-operative unions should plan and how flexible their plans should be.

SESSION 1.9THE PROBLEM OF ORGANISATION

Objective: To enable participants to recognise and design organisation structures which will contribute to the achievement of the aims of a co-operative union.

Time: 2 to 3 hours.

Session Guide

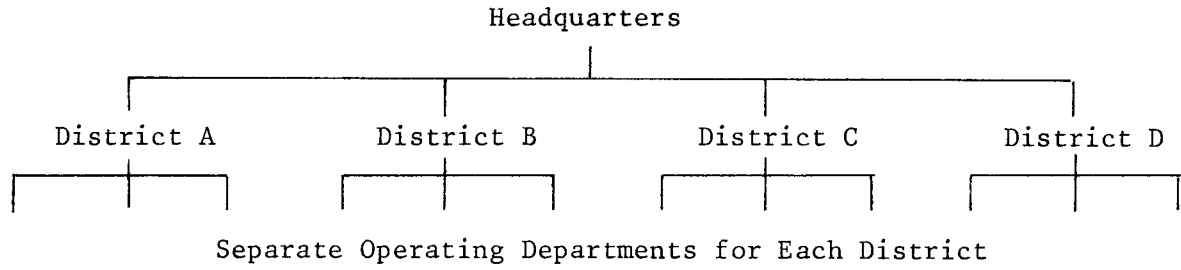
This session may be structured as follows:

- 1) Describe, or preferably elicit from participants, situations of ineffective management arising from lack of formal organisation and ill-defined responsibilities. Examples might include situations where various inputs, marketing services or credit were not co-ordinated with one another, situations where instructions of one member of staff were countermanded by another or where staff were confused by not knowing to whom they were responsible.
- 2) Ask participants to suggest what anybody in an organisation must know in order to do an effective job. They should mention objectives, responsibility, authority and resources available to him/her. It is also vital that the totality of such allocations of objectives, responsibilities and so on should be co-ordinated so that the organisation as a whole works effectively towards a common objective. Stress that formal organisations alone cannot guarantee effective management, but that they do identify roles and define relationships.
- 3) Stress that formal organisation structures do not necessarily imply tight and over-rigid formality with no communication other than through "official channels". The fact that some organisations are too rigid or do not function effectively does not mean that it is unnecessary or inappropriate to attempt to define an organisation structure.

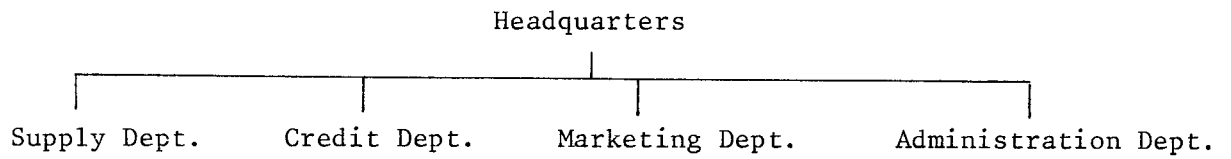
- 4) Introduce participants to the use of organisation diagrams. Describe the technique and ask participants to draw outline organograms for their own organisations. Stress that an organogram only illustrates formal relationships between functions in the organisation. It does not describe the type of people who should or do fill the various positions nor does it reveal any of the wealth or informal contacts within an organisation that actually permit it to function. Ensure by tactful questioning that all participants understand what an organisation chart contains.
- 5) Discuss the question of levels of authority versus the number of people who should report to any one manager. If possible illustrate the extremes of "broad" and "deep" organisations from the examples already given by participants. Describe the advantages and disadvantages of each extreme.
- 6) Again by reference to organisations known to participants, introduce the various types of organisations. These should include territorial organisations, functional organisations and product based organisations. Discuss the advantages and disadvantages of each type of organisation and suggest the type of situation for which each might be appropriate.
- 7) Introduce the concept of line and staff functions. Ask participants to describe various ways in which functions such as personnel management, marketing or member relations may be placed within the organisation. Attempt to summarise guidelines as to when a particular person should have executive or advisory responsibilities.
- 8) Introduce the distinction between centralised and decentralised organisations, by reference to examples known to participants. Stress the importance of effective delegation and identify the types of situation where each may be appropriate.

Examples of various types of organisation should wherever possible be drawn from participants' own experience. The following diagrams should only be used as a guide. They should preferably be reproduced and handed out to trainees before the group work in the next session starts.

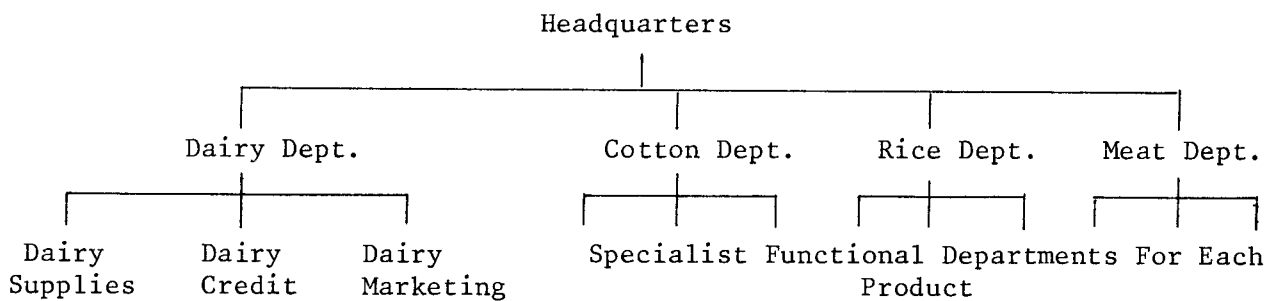
Territorial Organisation



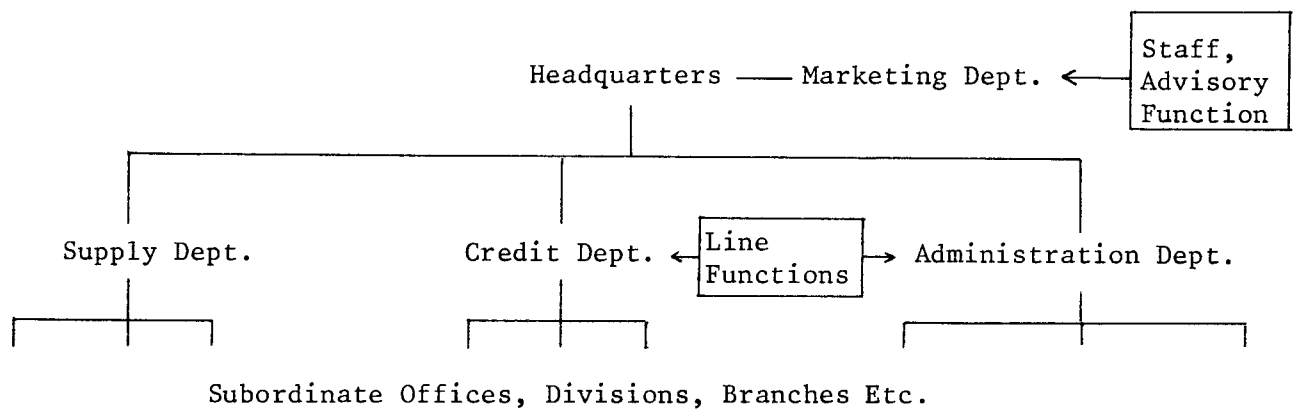
Functional Organisation



Product-Based Organisation



Line vs. Staff Functions



SESSION 1.10

ORGANISING THE UNION AND A DEPARTMENT OF IT

Objective: To enable participants actually to design an organisation structure for a co-operative union.

Time: 2 to 3 hours.

Material: Papers discussed in previous sessions and Case Study "Organising ARCU".

Session Guide:

Retaining the same groups as for previous sessions, distribute the material and ask groups to produce organisation charts as outlined on the back of sheet 2.

Ensure that participants are using the organogram correctly during their discussions and make flipcharts or overhead transparencies available for them to present their conclusions.

Organising the Union and a Department of it.

The Planning Committee of the Alpha Regional Co-operative Union (ARCU) made the following recommendations as to when and how the various functions should be undertaken:

Cotton Ginnery

- Immediate - Purchase existing ginnery.
- Operate and market lint and seed.
 - Start construction of new ginnery.
 - Continue and expand input credit system, through new co-operatives using union credit funds.
- One Year - Commence operation of new ginnery.
- Two Years - Take over all cotton marketing.

Creamery

- Immediate - Contract for construction of new creamery.
- One Year - Open and operate new creamery, develop local and export markets.
- Two Years - Take over all dairy marketing by agreement, or failing agreement by purchase of existing creamery.

Meat

- Immediate - Start to build up breeding station
- Contract for new slaughterhouse.
- One Year - Open and operate new slaughterhouse and develop local and export markets.

Credit

- Immediate - Start seasonal lending programme in co-ordination with ginnery and input supplies, concentrating on small farmers.
- One Year - Take over Agricultural Finance Scheme medium and long term loans, have approximately 20 field credit officers in the field plus the necessary support.

Transport

- Immediate - Take over the four primary society lorries.
- Purchase 35 new lorries and start transport operations to serve existing and new co-operatives, all processing and marketing activities and input supplies.

Input Supply

- Immediate - Start construction of four district depots to serve co-operative societies.
- Six Months - Open and operate depots, each staffed with about six people.

The general manager has asked the committee to advise him how the new Union should be organised. In particular he has requested:

- 1) Proposed outlines of a territorial, a functional and a product-based organisation chart for the new Union. One structure should be chosen and criteria given for the choice. A more detailed organogram should be worked out accordingly, indicating departmental allocation of duties and the relationship between them.
- 2) A detailed organisation chart of the transport operation, since this is to be started up at once.

Assignment:

Imagine yourself to be a member of the committee. Decide an organisation structure for ARCU and for its transport department, and illustrate it with organisation diagrams.

SESSION 1.11

DISCUSSION OF ALTERNATIVE WAYS OF ORGANISING THE UNION

Objective : To enable participants to identify the numerous different ways in which a co-operative union can be organised, to relate these to their own situation and to select the most appropriate form of organisation for their own environment.

Time : 2 to 3 hours.

Material : Groups' recommendations from previous session together with earlier material.

Session Guide :

- 1) Ask each group to make a formal presentation of their two organograms, and briefly to describe the rationale behind them and to defend them to their colleagues.
- 2) If possible leaving all the solutions on the chalkboard and/or OHP, discuss the various alternatives that are possible.
- 3) For ARCU as a whole these might include:
 - Territorial structure, with centralised processing and other functions in a service relationship to the main executive structure working from the region down to each individual district and with district services located at the district whenever possible.
 - A product structure with specialised cotton, meat, dairy and possibly other departments controlling the marketing, processing and even credit and input supply aspects of each crop.
 - A functional division, with different departments responsible for processing, credit, marketing and administration.
- 4) The transport department might also be organised in a number of different ways. These might include:

- A regional organisation with district offices each allocated a number of vehicles and with its own service facilities and scheduling responsibilities.
 - No central transport department at all, but vehicles allocated to crop, functional or regional departments as outlined above.
 - A specialised central transport department, self accounting and servicing at economic rates the various other departments of the union.
- 5) Stress that here again there is no right or wrong answer but point out that the subsequent material in the programme assumes that the union has been organised on a functional basis, with specialist departments for credit, processing, marketing and so on.
- 6) Ask participants to relate their discussion of ARCU to their own organisations:
- Are they organised in the most effective way? (Stress that a "badly organised" co-operative or other enterprise may be well organised but badly managed; explain the difference.)
 - If not, what changes are necessary?
 - How could these changes be implemented?

the right people for the right job

Session 2.1: Introduction to Job Descriptions and Job Specifications

Session 2.2: Writing a Job Description

Session 2.3: Writing Your Own Job Description

Session 2.4: Shortlisting Candidates for a Job

Session 2.5: Interviewing Job Candidates

Session 2.6: Discussion of Shortlists and Interview Conclusions

Session 2.7: Knowing Yourself

Session 2.8: Motivation

Session 2.9: Dealing with Discipline and Motivation Problems

SESSION 2.1

INTRODUCTION TO JOB DESCRIPTIONS AND JOB SPECIFICATIONS

Objective: To enable participants to identify the reasons for carefully prepared descriptions and specifications of jobs, and to write such descriptions and specifications for jobs within their own organisations.

Time: 1 to 2 hours.

Session Guide:

- 1) Refer back to Session 1.8 and the need for organisational objectives. Ask participants whether it is enough to know the overall aim of a co-operative union to determine in what way each staff member should contribute to realising this aim. Introduce the notion of "job objective" and discuss by reference to ARCU or participants' own experience the need for a "hierarchy" of objectives, breaking down the overall organisational objective into sub-objectives corresponding to the organisation structure.
- 2) Give examples of good and bad objectives and discuss in this context the importance of "realistic" and "measurable" job objectives. Ask the participants to suggest a job objective for the transport manager discussed in the previous session.
- 3) Discuss with participants what else is necessary to be able to ensure an efficient functioning of each staff member in an organisation:
 - the name of the job under which one is working i.e. the job title;
 - the objectives of the job;
 - the tasks involved in the job, i.e. the tasks that actually have to be done. Stress the importance of using "do language" when listing and describing tasks;

- the necessary knowledge, skills and attitudes required to enable the job holder to perform the tasks, i.e. what the job holder should know, be able to do and how he/she should be. Illustrate by using the example of driving a car: driver needs to know the law (knowledge), should be able to drive the car (skill) and can behave in different ways in traffic: aggressive, patient, polite, etc. (attitude). Discuss how shortcomings in knowledge can be overcome by education, how training can improve skills. Ask participants if attitudes can be changed and how?
- the authority and discretion permitted to the job holder, i.e. over which matters and persons the job holder has or has not authority or to what extent the job holder is for example required to keep information in connection with his job secret.

4) Summarise the above:

- go over each item again and check with participants whether the information it contains helps to determine the efficient functioning of each staff member in an organisation;
- tell participants that all information together constitutes a "Job Description".

5) Face participants with recruitment problem. Ask them which candidate they want for a job: the best one, the ideal one. Question: can the information in the job description help us to describe the ideal candidate? Under which headings could this be done? Headings should include: physical requirements, education and qualifications, experience, personal attributes and disposition and aspects of candidates' personal situation. Each of these should preferably be divided into necessary and desirable features.

SESSION 2.2

WRITING A JOB DESCRIPTION

Objective : To enable participants actually to write a job description for a manager in a co-operative union.

Time : 2 to 3 hours.

Material : Case Study "Job Description Exercise".

Session Guide :

It may be appropriate at this stage to change the groups since a new section of the programme starts.

Distribute the session paper and ensure that each group appreciates that it is responsible for producing a neatly worded and complete job description and not merely rough notes as to how such a thing might be put together.

Reconvene the group and ask each group to state the requirements listed under each of the five headings. Discuss any differences of opinion, and attempt to reach agreement on a job description. This should be typed and reproduced for use in Session 2.4.

If time allows, participants can also be asked to prepare a newspaper advertisement for a transport manager, based on the job description and the candidate's specifications.

Job Description Exercise

One of the first appointments to be made in the new ARCU is the manager of the transport operation. Transport has always been a weak feature of co-operative management, and the general manager is determined to spare no effort to ensure that the correct manager is selected for the job.

The fleet of ten lorries will be used to carry farm inputs from suppliers to the district depots and then to primary society premises, and to take produce from farmers and primary societies to storage, processing and eventual customers.

The manager's salary will be about 10% below similar jobs in the private sector, and the general manager feels that the additional security and status, and the generous fringe benefits and pension plans, will outweigh this small differential.

Before advertising for candidates the general manager wants to have a clear idea of what the job will involve and what sort of person he should look for. He has therefore asked his advisory committee to prepare a detailed job description for the new position, leading to a specification of the type of person required.

The job description should be given under the following headings:

- 1) The job title, its location and the hours of work.
- 2) The objectives, in clear, specific and measurable terms.
- 3) A description of the actual tasks involved in the job, answering the question "What will the job holder actually do"?
- 4) A list of the knowledge, skills and attitudes necessary for the job.

Following from this the committee should provide a specification for the potential job holder, under the following headings:

- 1) Physical requirements. (Age, health)

- 2) Education and qualifications.
- 3) Experience.
- 4) Personal attitudes and disposition.
- 5) Personal situation.

Requirements under each of these headings should be classified into two categories: "Required", indicating that they are a necessary condition for consideration and "Desirable", indicating that they are not absolutely required but would be welcome.

SESSION 2.3

WRITING YOUR OWN JOB DESCRIPTION

Objective: To enable participants to analyse the content of their own job and to write a detailed job description for it.

Time: 2 to 3 hours.

Session Guide:

It is important that participants do not become so involved in the affairs of the hypothetical ARCU that they forget that the programme is intended to improve the performance of their own co-operative unions. For this reason this session as well as the "Action Learning" session later on, are devoted to participants' own situations.

This session requires a major "change of gear" in that participants are asked to be highly introspective and to draft a description of their own job together with an objective specification of the type of person who should fill it. Depending on the types of personal relationships that have developed thus far it may be appropriate for participants to carry out this work in pairs or individually.

It may be that some participants already have job descriptions and specifications which have been adequately prepared for their own positions. In this case it may be appropriate for such participants to be allocated to those who are less fortunate in order to assist them to draw up such documents for themselves. Alternatively they may work on job descriptions for other positions in their own organisations.

Participants should be encouraged to attempt to forget their own personal strengths and weaknesses, which will be dealt with in subsequent sessions, and to look objectively at their own job and at the types of knowledge, skills and attitudes required to perform it effectively. This is not an easy task, and those participants who are most forthcoming in general discussion may be the least willing to devote themselves seriously to it.

The group may express some bewilderment at this assignment but one or more individuals can usually be found who welcome the idea with enthusiasm and this should encourage everyone to make an attempt.

SESSION 2.4

SHORTLISTING CANDIDATES FOR A JOB

Objective : To enable participants to relate details of job applicants to the specifications required of the job, and to rank applicants according to their suitability.

Time : 2 to 3 hours.

Material : Case Study "Shortlisting".

Session Guide :

Participants are now required to evaluate six applicants for the transport manager's position for which they have in Session 2.2 produced a job specification. The information given about each applicant is of necessity extremely brief, but it includes most of the items normally available prior to the interviewing stage. If time and reproducing facilities permit, it may be possible to produce letters of application from each candidate which reflect the way in which the people described would be most likely to present their application.

Groups should be reminded that they must produce an order of preference, regardless of any genuine differences of opinion that may exist within the group. This in itself is a valuable co-operative management exercise, since committees representing different interests must often produce a common front which may involve compromise in various directions.

Shortlisting

The position of manager of the ARCU transport department has been widely advertised, and large numbers of applicants have been received. Most of these were frivolous or unrealistic but six serious candidates have been identified.

The general manager's advisory committee has been asked to consider these six applications and to rank them in order of preference since it may not be possible to interview all of them and the general manager wants in any case a second opinion to his own. The candidates' claims for consideration have been summarised on a standard format.

Assignment

Rank the six applicants in order of suitability for the job of transport manager, based on the information available.

Mr. A

Age: 35, married with two children.

Educational qualification: Primary School Leaving Certificate (1st Class).

Experience: Age 14 to 25 - Mechanic in a number of vehicle maintenance workshops.

Age 25 to 34 - Lorry driver, for National Transport Company and for a food manufacturer.

Age 34 to 35 - Senior lorry driver for food manufacturer,

(Present) in charge of driving duties of 15 drivers.

Reason for wishing to change: Feels that 21 years' experience in maintenance and driving aspects of road haulage qualifies him for a senior road transport management position.

References: Good from the National Transport Company.

Mr. B

Age: 27, single.

Educational qualifications: - High School Leaving Certificate.

- BSc Economics and Sociology.

- MSc Agricultural Economics.

- Attended UN sponsored course on transport management in U.K., USAID co-operative transport management course in Alpha and several management courses.

Experience: - Age 25 to 27 - lecturer in management at the Polytechnic.

(Present)

Reason for wishing to change: Feels that his extensive general management and specialised training qualifies him for a position where he can apply all that he has learned.

References: Good from instructors at the university and overseas.

Mr. C

Age: 38, married with two children.

Educational qualifications:

- Ordinary Level Secondary School Leaving Certificate.
- Diploma in Co-operative Management from the Co-operative College.
- Attended the Co-operative Management Course for 12 weeks in USSR.

Experience:

Age 17 to 20 - clerk in the department of co-operatives.

Age 21 to 28 - senior co-operative assistant extension officer in the department of co-operatives.

Age 29 to 32 - assistant to the secretary of a large multi-purpose co-operative in Beta Region.

Age 32 to 38 - secretary of a small but reasonably successful co-operative cotton growers' society in Alpha Region.

Reason for wishing to change: Better prospects, pay and security in a co-operative union than in a primary society.

References: Good from the registrar's department.

Mr. D

Age: 27, single.

Educational qualifications: BA in Sociology.

Experience: Age 22 to 27 - clerical assistant in the registrar's (Present) department.

Reason for wishing to change: Wants responsibilities and challenge.

(Note: This application was forwarded by the registrar personally; "who asked that his nephew's application should receive normal consideration".)

Mr. E

Age: 41, married with four children.

Educational qualifications: Primary School Leaving Certificate.

Experience: Age 15 to 20 - stores assistant with vehicle spares dealer.

Age 20 to 32 - warehouseman with large private sector food manufacturer.

Age 32 to 41 (Present) - warehouse manager, controlling 20 staff at two locations.

Reason for wishing to change: Wi'shes to return to Alpha Region and to widen his interests and responsibilities.

Mrs. F

Age: 35, married (separated) with three children.

Educational qualifications: Higher Level School Leaving Certificate.

Experience: Age 18 to 22 - clerk.

Age 22 to 30 - housewife and mother.

Age 30 to 35 - de facto manager of private transport firm owned by her husband, operating 15 lorries over local and long distance routes.

Reason for wishing to change: Her husband has taken another wife and has expelled Mrs. F. from the business; she is therefore in need of employment.

SESSION 2.5

INTERVIEWING JOB CANDIDATES

Objective : To enable participants to practice the skills of interviewing candidates for jobs, and to appreciate the point of view of the candidate in such a position.

Time: 2 to 3 hours.

Material : Briefs from Session 2.2 and 2.4 groups' agreed job specifications and orders of preference for the six candidates.

Session Guide

This session gives participants the opportunity to interview the candidates whose respective merits they have ranked in the previous session, and to evaluate the success of an interview from the point of view of the job applicant.

Six participants should be selected to play the roles of the applicants for the transport manager's position and six to play the roles of the members of the interviewing committee. The remaining participants should be observers.

Arrange the "scene" with chairs and tables so that the observers can see and hear the actors. Instruct the observers to take notes of how the interviews are proceeding.

Indicate which participants should play the role of which job applicant, and allow participants at least 20 minutes to "think themselves" into their roles. Remind them that they can embellish and add to the basic information given in the six role briefs as they think fit.

Let the interviews take place.

After the interviews have been completed, allow 20 minutes for meetings:

- The interviewing panel meets separately to decide which applicant they will appoint and why. They should indicate a second and third choice candidate and also justify these choices.
- The observers meet separately and summarise their notes on the performance of the interviewing panel. How effective was the interviewing panel?
- The applicants themselves should work individually on evaluating the interviewing panel: How successful was the panel in finding out what type of people they really are? Was the panel able to assess their strengths and weaknesses (even the ones they wanted to hide)? Was the panel able to put them at their ease so that they could be seen as they are in real life?

SESSION 2.6

DISCUSSION OF SHORTLISTS AND INTERVIEW CONCLUSIONS

Objective: To enable participants to compare the results of the foregoing simulations and in future to improve their ability to select the right staff for which they are responsible.

Time: 2 to 3 hours.

Session Guide:

This session should deal with the shortlisting exercise and the interview simulations fairly discretely, since the former is concerned mainly with criteria for staff selection whereas the latter is concerned with particular techniques used in the process of such selection.

Discussion of the shortlisting exercise may proceed as follows:

- 1) Ask the interviewing panel to give the ranking they selected and to state the criteria which they used and reasons for the selected order. Discuss in this context different interpretations of the basic data, different criteria or different weighting of the advantages and disadvantages of each group.
- 2) Discuss the following issues if these have not already been brought up:
 - Which is more important: experience or paper qualifications?
 - Other things being equal, is it better to have a candidate with much experience and no qualifications or the reverse?
 - Is it particularly important for a candidate to have experience of management in the co-operative sector?
 - In the particular case of transport management is the management of vehicles more or less relevant than the management of physical distribution including warehousing and inventory policy?

- Why are women so rarely employed in co-operative management positions? Is this situation changing?
- Is experience in the private sector or in the Government service more likely to qualify a candidate for a management position in the co-operative sector?
- How can the claims of nepotism and favouritism be resisted?

Discussion on the interview simulation session may proceed as follows:

- 1) Ask each candidate to evaluate the interviewing group in terms of its success in giving the candidate the opportunity to present himself as he really is.
- 2) Ask the interviewing panel to discuss their performance in terms of their achievement of their own objectives:
- 3) Compare opinions of interviewers and interviewees with those of the (non-involved) observers and attempt to identify the areas where the objectives of interviewers and interviewees coincide or differ.
- 4) Ask interviewees to comment in more detail on the "atmosphere" of the interviews: did the interviewers ask open-ended questions or did they ask questions to which yes or no were sufficient answers, thus preventing further discussion? Did the candidates feel that they would like to work in the organisation as it was represented by the interviewers? Did the candidates find out all that they wanted to know about the job which was being offered and the organisation in which they were considering working?
- 5) Remind all participants that an interview is a two-way process: the right candidate is likely to be in demand and the employing organisation should be trying to "sell" itself as effectively to such a candidate as the candidate will be trying to "sell" himself to the employer.

SESSION 2.7

KNOWING YOURSELF

Objective : To enable participants to examine their own personalities and the implications for the performance of their jobs.

Time : 2 to 3 hours.

Material : McClelland TAT pictures, aptitude tests and explanatory handouts, tennis ball, measuring tape and large waste-paper bin.

Personality test material; Thematic Apperception Test Pictures, aptitude tests and explanatory handouts.

N.B. The Thematic Apperception Test and instructions are adapted from Motivation Workshops by McClelland and Steel, General Learning Press, New York, 1972.

The material used in this session is merely indicative of the nature of these tests.

Session Guide :

People who affect a sceptical attitude towards personality tests often conceal in this way serious insecurity and if they are encouraged to take the results too seriously they may become depressed and even more insecure. Participants should therefore be encouraged to take a fairly light-hearted view of their own results in the tests. The objective is not so much for them to examine their own personalities in depth as to appreciate that it is possible to examine one's own, or anyone else's, personality and that people differ significantly from one another in their motivation so that they have to be treated as individuals and the appropriate way of dealing with one person is not necessarily correct for another.

The following tests are merely examples from the wide range of psychological testing instruments that are available. They have been chosen

because they are simple to administer and have been widely used throughout the world not only for clinical purposes but for management appraisal and selection. It may not be possible to use all tests, but, if time allows, the session can be structured as follows:

A : Participative Game

- 1) Upon entering the room, place the waste-paper bin at one side of the room, and lay the measuring tape on the floor in such a way that it measures the distance from the bin. Place a bottle of beer, or a similarly attractive but low value prize, in a prominent place and explain to the group that they are to play a game, and that the prize for the winner is the bottle of beer.
- 2) Explain that the objective of the game is to throw the ball into the bin, but that beyond that the rules are the responsibility of the group. Offer yourself as scorer, to record the distance from which individuals succeed in throwing the ball into the bin, or any other information requested by the group.
- 3) If necessary, offer the ball to a participant to start the game, and stand back and allow it to proceed. Each participant may mark the place he throws from by placing a piece of paper with his name under the tape at the point where he stood.
- 4) Participants will soon begin to ask for rules but refuse to suggest any: depending on the nature of the group, they may continue to take turns without deciding who is the winner, one member may stand out and take the prize himself without discussion, or they may have lengthy and perhaps angry discussions as to whether the first, the furthest, the most daring or some other deserves the prize.
- 5) If participants themselves do not conclude the game after 45 minutes or so, it may be appropriate to drink the beer yourself in order to draw the proceedings to a close. In any case, depending on the time available, some 20 to 30 minutes should be available for discussion, after the game is over.
- 6) Ask participants to suggest what they have learned about themselves as individuals, and as a group, from the experience. Tell

them that a group of middle-aged bank managers all threw from a minimum distance, and begged the instructor for rules to determine the winner, while inveterate gamblers threw from as far away as possible and agreed that the furthest successful shot was the winner. Entrepreneurs threw from the furthest point at which they felt they had a good chance of succeeding, and came to blows over the rules.

- 7) The distance selected by an individual is an indicator of his attitude to RISK, and the desire for rules imposed by the instructor indicates people's preference for working in a structured hierarchical organisation versus being "their own boss".
- 8) Ask participants to suggest the ideal attitude to risk, and to externally imposed rules, for an effective co-operative union manager. How did their own performance differ from the ideal? What are the implications for their own performance, and the way in which they should be managed by their superiors? How would their subordinates react to this game? What are the implications for their own management style?

B : Self-Administered Tests

- 1) Distribute the TAT pictures and ask participants to write brief, maximum one-half page, accounts of what they think is going on in the picture. Allow them a maximum of 15 minutes for this.
- 2) Collect together participants' stories, ensuring that each is marked with its author's name.
- 3) Distribute the aptitude test, and ask participants to complete it; collect the completed questionnaires.
- 4) Distribute and where necessary explain the summary of the grading system for TAT pictures and the aptitude test grading instructions.
- 5) Ask participants to write down what they think would be an ideal motivation pattern for the perfect manager.
- 6) Redistribute participants' own results for the aptitude tests and ask them to mark them and compare them with their own results.

- 7) If possible during the foregoing period, briefly mark the participants' TAT pictures for *N* Achievement, *N* Affiliation and *N* Power.
- 8) Redistribute the pictures with participants' marks written on them and ask them to identify differences between their own marks and those of their ideal manager.
- 9) Ask participants to consider the implications of their TAT and aptitude test results in terms of their ability to do their jobs and the ways in which their employers motivate them to perform. Ask them to write down three ways in which they feel they might attempt to change their behaviour, and three ways in which the environment might be changed in order to enable them to perform more effectively as they are.
- 10) Discuss with participants the implications of personality differences for the ways in which employees should be treated. The following questions may be considered:
 - What sort of working environment is most likely to bring the best out of someone with high need for achievement, affiliation or power?
 - How can a manager assess the personality traits of his employees? Is it necessary to use tests of the type just experienced or does common sense allow a manager to "type" his subordinates.
 - Can tests of this sort be used as part of employee selection procedures, or how else can their personalities be assessed?
 - How often do managers assume that people will behave differently if they are told to do so? Can staff deficiencies be divided into those which arise because the person did not know he was doing wrong, and merely requires to be told, those where the person had not the necessary skill and merely requires to be trained, and those which arise from personality or attitude attributes such as can be indicated by the use of tests of this sort but which are not easy to change? How can attitudes and personality be changed, and should managers attempt to change them or should they try to construct a working environment which makes the best of existing personalities?



Look at this picture for ten or fifteen seconds. Now write a brief but imaginative story suggested by the picture and by the following questions:

1. What is happening? Who is the man?
2. What has led up to this situation? That is, what has happened in the past?
3. What is the man thinking? What is wanted? By whom?
4. What will happen? What will be done?

Aptitude Test

Yes No

- | | Yes | No |
|---|--------------------------|--------------------------|
| 1) When you read a detective story, do you often guess who the criminal is before it is revealed in the book? | <input type="checkbox"/> | <input type="checkbox"/> |
| 2) Would you rather attend a concert of classical music than a jazz programme? | <input type="checkbox"/> | <input type="checkbox"/> |
| 3) Have you always found it easy to spell words correctly? | <input type="checkbox"/> | <input type="checkbox"/> |
| 4) If you notice that a picture is hanging crookedly do you want to straighten it? | <input type="checkbox"/> | <input type="checkbox"/> |
| 5) Do you prefer to read non-fiction books rather than novels? | <input type="checkbox"/> | <input type="checkbox"/> |
| 6) Do you usually remember facts that you have read in books or heard people say? | <input type="checkbox"/> | <input type="checkbox"/> |
| 7) Do you think that you tend to do one thing very well rather than a larger number of things fairly well? | <input type="checkbox"/> | <input type="checkbox"/> |
| 8) Do you enjoy playing cards or chess? | <input type="checkbox"/> | <input type="checkbox"/> |
| 9) Do you regularly maintain an account of your household expenditure? | <input type="checkbox"/> | <input type="checkbox"/> |
| 10) Do you like to find out why mechanical things like clocks and switches work? | <input type="checkbox"/> | <input type="checkbox"/> |
| 11) Do you consider yourself flexible and do you enjoy changes in routine? | <input type="checkbox"/> | <input type="checkbox"/> |

Yes No

- 12) Would you prefer to participate in a sport rather than read a book?
- 13) Would you find mathematics difficult?
- 14) Do you enjoy the company of people who are younger than yourself?
- 15) Can you name five people whom you think of as your friends?
- 16) Do you like going to parties?
- 17) Do you dislike small detailed work?
- 18) Do you read quickly?
- 19) Do you agree that it is unwise to put all your eggs in one basket?
- 20) Do you like meeting new people, going to new places and finding out about new things?

Achievement, Affiliation and Power

It has been hypothesised by McClelland and others that there are three basic types of motivation which lead people to behave as they do. It is further hypothesised that the strength of each of these three types in an individual can be very approximately measured by analysing the content of stories or fantasies written or recounted in response to a picture or other neutral stimulus.

The Achievement Motive

The achievement motive may be said to be powerful in an individual whose story suggests that the person in the picture is doing one or more of the following things:

- Doing better than somebody else (e.g. winning a prize or being promoted).
- Achieving or passing a self-imposed standard (e.g. completing a crossword puzzle or successfully reading a book of a type not previously enjoyed).
- Doing something that nobody has ever done before (e.g. growing the best crop ever known in a region or achieving the lowest reject rate for factory production).
- Being involved in doing a task well over a long term (e.g. working over a long period in order to pass an examination).

The Affiliation Motive

The affiliation motive is said to be present when the person in the story is doing one or more of the following things:

- Wishing to have a warm and friendly relationship with somebody else (e.g. wishing to restore a broken marriage).
- Being distressed because of absence from somebody else and desiring to restore the close relationship (e.g. sadness at being away from home and looking forward to a reunion).
- Wanting to be part of friendly social activities (e.g. wishing to attend a party).

The Power Motive

The power motive is said to be present when an individual in the story is doing one or more of these things:

- Performing a powerful action that affects other people, by aggression, assistance, control, influence or impressing them (e.g. hitting, rescuing or commanding other people).
- Having or causing others to have powerful emotions as a result of other people's actions (e.g. weeping, leaving the room in a hurry or being suddenly elated).
- Expressing concern for somebody else's situation (e.g. being worried about a relative's position).

A detailed scoring system exists which enables a trained evaluator to measure the degree to which each of these three motives appears in any story and thus to produce a motive profile for the writer. Preponderance of certain motives is closely associated with success in certain professions: entrepreneurs are high in achievement, nurses are high in affiliation, and politicians in power. What combination of motives is likely to be conducive to managerial success?

Aptitude Test - Grading Instructions

Grade your answers as follows:

- 1) Count the number of "Yes" answers to questions 1 to 10.
- 2) Count the number of "Yes" answers to questions 11 to 20.
- 3) Compare the two totals. If you have far more "Yes" answers to questions 1 to 10 than to questions 11 to 20, you are "intensive". You will prefer jobs requiring a great deal of patience and care, such as being a lawyer, a scientist, an accountant, a research analyst, an engineer or an editor.

If you have far more "Yes" answers for questions 11 to 20 than for questions 1 to 10, you are "extensive"; you are most likely to perform well in a job dealing with people, such as a consultant, a negotiator, a salesman, a priest or a personnel manager.

If you have approximately equal numbers of "Yes" answers for both groups of questions, you are most likely to perform well in a job which requires precision and effective human relationships. Such jobs include a teacher, a lecturer, an entrepreneur, a politician or a secretary.

SESSION 2.8

MOTIVATION

Objective : To enable participants to foster a working environment in which all staff are motivated to perform at the highest possible level.

Time : 1 to 2 hours.

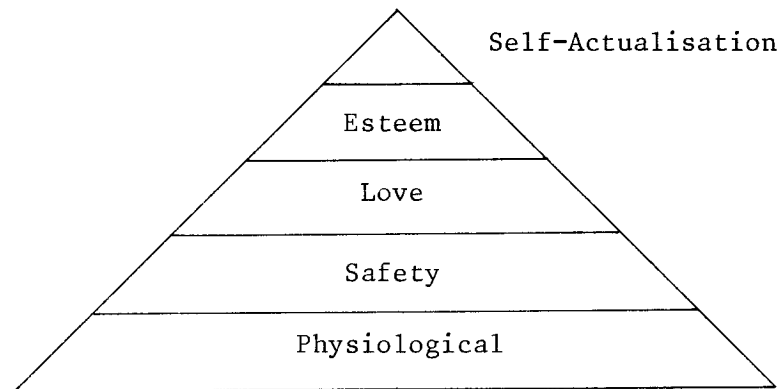
Session Guide :

This session should relate Sessions 2.4, 2.5 and 2.6 to the individual and introspective exercises preceding this session. Participants should be encouraged to look critically upon their own ability to create a working environment which makes the best possible use of the human resources at their disposal.

The session may be structured as follows:

- 1) Referring to the previous sessions devoted to the appointment of the ARCU transport manager, ask participants to suggest ways in which the general manager of ARCU can ensure that the transport manager will when appointed perform as well as possible. Will his or her performance be determined solely by the qualities he/she brings to the job?
- 2) Describe, or ask participants to suggest, examples of organisations where even apparently excellent staff seem to fail to achieve anything, and others where mediocre staff achieve good results. What are the implications of this for the importance of the working environment? What constitutes the environment, quite apart from the traditional physical elements of it?
- 3) Elicit from participants a list of the types of things that encourage staff to perform effectively. It should be summarised more or less in the form of Maslow's hierarchy of needs. It may be possible to elicit from participants not only the individual motivators but also the concept that to some extent at least the satisfaction of one level of need may precede satisfaction of another.

The Hierarchy of Needs



- 4) Ask participants to consider their own organisation and personal situation. To what extent do they find that each of the needs now identified by the group is satisfied in their work? What changes could they or their superiors make to improve this situation? How are their subordinates' needs satisfied? Can any improvements be made by participants to this situation?
- 5) Ask participants to suggest what type of person is likely to create the type of working environment or atmosphere which satisfies the various needs they have identified. Is this likely to be an autocratic or a benevolent, sympathetic and team-oriented manager? Ask participants to relate the type of environment in which they work to their own superiors: does their personality have a bearing on the nature of the working environment?
- 6) Return to the ARCU situation. Ask participants to agree on a set of policies which is likely to lead the transport manager to perform effectively.

SESSION 2.9

DEALING WITH DISCIPLINE/MOTIVATION PROBLEMS

Objective: To enable participants to deal with staff problems with due sensitivity towards the reasons why people are likely to behave as they do.

Time: 2 to 3 hours.

Material: Role Briefs "Staff Problems".

Session Guide:

The material for this session consists of five pairs of role briefs, each describing a situation where a manager in ARCU is faced with what appears to be an obvious infringement of the regulations, but where the guilty party has in his eyes at any rate very good reasons for his behaviour which are not necessarily inconsistent with the objectives of the organisation as a whole.

The use of the material will depend on the numbers in the group and the time available. One possible structure for the session is as follows:

- 1) Allocate roles to individuals well in advance and instruct them. Arrange the "scene".
- 2) Allow each pair 15 minutes to complete the role play.
- 3) Instruct the non-involved participants to observe what is going on in the plays and to take notes.
- 4) Reconvene the group and distribute copies of all briefs to each of them: deal with each of the role plays by allowing the group to read the papers, and then asking the respective pair to describe their experience.
- 5) Participants will most likely relate this session to Session 2.8 and to their own experience and will be able to diagnose the situ-

ations quite adequately. The following guidelines may however be useful:

Situation One: The newly appointed transport manager does not seem to be managing the department very effectively. The net effect of the driver's activities is probably beneficial for ARCU as a whole, but management should look to the operation of the department rather than to the behaviour of individual members of it as a means to improving its performance. The driver should be warned of the legal dangers of undertaking private business but the manager should also discuss with him improvements to the department.

Situation Two: The checkweighman was acting in what he thought were the interests of the organisation, and no one seems to have taken the trouble to explain to him the implications of its changed ownership. He should be given an opportunity to "pour out his troubles", and while the deduction from real weight should be stopped forthwith the checkweighman should be used informally as a source of information and guidance in monitoring the quality of farmers' deliveries. This feeling of involvement may in itself compensate for his belief that his earnings have suffered.

Situation Three: Staff with responsibility should come to work because they want to work and not because they have to check in at a certain time; if it is genuinely impossible for field credit officers to spend the time they should in the field, their work should be reorganised so that there is a genuine task for them in the office. It is most likely that there are jobs to be done in the field, and that by the use of public transport, bicycles or their own feet credit officers can, if they are encouraged, improve the credit situation by working in the field. They should be encouraged to do this and this particular problem should be dealt with by a discussion of the day's work and a mutually agreed timetable of each day's activities.

Situation Four: The receiving officer is protecting the interests of ARCU, and of the owners of any stolen cattle, but is also benefitting personally and is not exercising his discretion with any tact. It may be necessary to devise a system whereby proof of

ownership is automatically provided but closer consultation between the abattoir manager and the cattle receiving officer, and discussion of potentially dishonest farmers or areas, will probably solve the problem in that the officer will feel that his opinions are being respected and that he is a valuable member of the team. He obviously now feels that he alone is paying any attention to the problem of stolen cattle.

Situation Five: People do not keep records unless they can see that there is a use for them; in this situation there either was no regular use for this particular record, or no use was being made of it although it should have been. Staff who are responsible for keeping routine records should be involved in the design of the systems and senior staff should carefully explain to them the use to which the information is put. A full discussion of the recording system in the creamery should take place between the manager and the quality control supervisor, and if the supervisor in future feels that he has played a part in devising the system he will operate it faithfully and enthusiastically.

Staff ProblemsBrief 1.A

You are the manager of the Union's transport department. A primary society committee member has reported that one of the Union lorry drivers is conveying goods for private traders in the Union's lorry, on Union time and pocketing the proceeds for himself. You are particularly concerned not only because of the obvious dishonesty involved but because the Union's vehicles are only insured for co-operative business. You are about to interview the driver in question.

Cut Here

Brief 1.B

You are a lorry driver for the co-operative union; your vehicle is poorly maintained by the Union mechanics, and simple spares like light bulbs or spark plugs take weeks to arrive. The vehicle is licenced only for co-operative business, and in any case no attempt seems to be made by management to schedule trips so that loads can be carried in both directions. A distant relative who trades privately in farm produce asked if he could transport some of his merchandise in your lorry when it was returning empty, and you agreed. He insisted on "tipping" you for the service, and you have been carrying his goods regularly for some months. The work has not cost the Union any money, since the lorry would have been travelling empty over the same route in any case, and you have spent about \$70 of the \$100 you have received in "tips", on spares which the Union mechanics could not provide. You have expected that you would be found out, and the transport manager has just sent for you.

Brief 2.A

You are the manager of the Union's cotton ginnery. The secretary of the most active cotton growers' society has complained that the checkweighman at the Union ginnery is understating the weight of cotton delivered; the society is thus being defrauded. The secretary discovered the error by borrowing a scale and weighing consignments before they were delivered to the ginnery. The checkweighman in question has worked for the ginnery under its previous ownership and for the Union for over 20 years, and is well respected. You have asked him to come and see you.

Cut Here

Brief 2.B

You are the checkweighman at the Union ginnery, responsible for weighing deliveries of cotton and passing the figures to the accounts department for credit to farmer or society accounts. You worked for about 20 years for the previous ginnery owner; farmers and others often put stones with their cotton or tried in other ways to cheat the ginnery by overweighing it; and as a result you started to deduct around 5% from the weight of the larger deliveries, in order to allow for this cheating; this also increased the ginnery's earnings. It was easy to adjust the scales so that they showed less, or more, than the true weight, and most farmers had not way of checking whether their cotton was correctly weighed. Since the ginnery has been taken over by the ARCU you have continued the practice, and you have also started to overstate some of the smaller amounts brought in by poorer individual farmers. Your wages are very low, and your old boss used to give you a generous present at Christmas, with implication that this was partly to reward you for your "flexibility" with the weighing scales. The Union has allowed one Christmas to pass without any such recognition, and you are tempted to start asking for "tips" in return for overstating farmers' deliveries. You have always supposed that the new management were aware of what you were doing, and you wonder why the manager has asked you to come and see him.

Brief 3.A

You are the manager of the Union credit department. One of your field credit officers is persistently late for work, and this sets a bad example to clerical staff and others. The officer in question has just come in 15 minutes late and you have asked him to come and see you.

Cut Here

Brief 3.B

You are a Union field credit officer responsible for visiting co-operative societies and their members in order to check on loan applications and to ensure that credit is being effectively used. You are very frustrated in your work because the only vehicle in the department is reserved for the use of the manager, and you can only use it on one or two days a month. The rest of the time you spend in the office, checking files, completing reports or just chatting to the other officers. Very little money is available to be lent at this time, and not many farmers come to the office since many are in arrears and wish to avoid the credit officers. Because there is little real work at the office, you are very careless about time keeping, and tend to arrive 10 to 20 minutes after the official time. You know that many senior officials arrive half an hour or more after their official time for starting and you have just arrived 15 minutes late. The manager, in apparent annoyance, has asked you to come and see him.

Brief 4.A

You are the manager of the ARCU slaughterhouse, and an irate headman from a distant part of Alpha Region has just complained to you that the cattle receiving officer has for the third time in two months asked a farmer from his area to provide evidence of ownership before accepting his cattle, and that farmers from other places bribe the receiving officer to admit their cattle without question. The formality of proving ownership takes time and money, since farmers have to put their cattle temporarily in a holding lot while they carry out the necessary procedures with their local headman and obtain a certificate. He feels that his village is being discriminated against. You are particularly annoyed because farmers have only recently started to improve their cattle and to bring them to the new Union slaughterhouse instead of selling them to the local butchers, and you have asked the receiving officer to come and see you.

Brief 4.B

You are the cattle receiving officer at the Union slaughterhouse. It is your job to count and mark the cattle delivered by farmers and societies to the abattoir; you pass the information on to the grader and pricer who values the carcasses and issues payment vouchers to the farmers. You have already, in the few months during which the abattoir has been operating, had some trouble with stolen cattle. The police have warned you to demand proof of ownership whenever you have any reason to suspect that cattle do not belong to the farmer who delivers them, since it is virtually impossible to do anything once the cattle have been slaughtered. Farmers can obtain proof of ownership, but the procedure is complicated and village headmen are unwilling to carry out the necessary investigations unless they have to. You always admit cattle from certain reliable farmers who are known to you, and from well established societies, without any question, and some of these people "tip" you fairly generously because they realise how much trouble you could cause them; you are more suspicious about cattle from other regions, particularly if the farmers have not bothered to cultivate your acquaintance, and you regularly reject cattle from one particular village whose people have always been known to be dishonest. This means that they have to leave their cattle in a holding lot and to go and obtain proof of ownership, and on one occasion a farmer from this region came and took his cattle away without attempting to admit them again. You recently refused another farmer immediate entry, and he threatened to report you to his local headman, and you are wondering whether the abattoir manager has sent for you because of this complaint.

Brief 5.A

You are the manager of the Union creamery, and you have been very embarrassed on the occasion of an unexpected check by the Ministry of Health. The ministry officials were reasonably satisfied with the cleanliness and physical conditions, but when they asked to see the record sheets from the machine which records the temperature of the milk awaiting collection, you found that nobody had bothered to replace the sheets for many weeks so that the sheet had been covered with several sets of records and was quite illegible. The ministry officials said they would have to mention this in their report, and left the creamery. You have asked the quality control supervisor, who is responsible for records and quality maintenance, to come and see you to explain his failure.

Cut Here

Brief 5.B

You are the quality control supervisor for the ARCU creamery; the creamery has just had an unexpected visit from the Ministry of Health's officials, who appeared satisfied with what they saw but were obviously disappointed that you were not able to show them a clean set of records from the storage tank temperature recording machine. The paper in the machine had been in their for some months and was so covered with records as to be totally illegible. You are aware that you are meant to change the sheet every week, but nobody has ever asked to see a completed sheet before, and until a few weeks ago there were no spare printed sheets available. You had to cut sheets of drawing paper and copy the calibration from a previously used sheet on to them. You are able to read the temperature of the tank at any time without looking at the recording sheet, and you had thought that it was really rather unnecessary to change the sheets on a weekly basis. You are nevertheless not surprised that the creamery manager has asked you to come and see him.

how figures can help

Session 3.1: Using Figures in Decision Making

Session 3.2: The Balance Sheet

Session 3.3: Financial Appraisal

Session 3.4: Appraisal of a Union's Accounts

Session 3.5: Discussion of Accounts Appraisal

Session 3.6: The Need for Budgets

Session 3.7: Cash Budgets

Session 3.8: Setting Budgets

Session 3.9: Deviations from Budget

Session 3.10: Identification and Layout of Financial Reports

Session 3.11: Reports and Control Systems

SESSION 3.1USING FIGURES IN DECISION-MAKING

Objective : To enable participants to use simple accounting and other figures as an aid to decision-making.

Time : 3 to 4 hours.

Material : Case Study "Who is Right?"

Session Guide :

The structure of this session, and the use of the material, will depend on the degree to which participants are already familiar with accounting procedures. Ensure that participants really do understand how accounts are constructed and used. It is not enough merely to be able to define the terminology.

A possible structure for the session can be as follows:

- 1) Using very simple figures, find out how familiar participants are with the construction of a Profit and Loss Account. Ensure that they are all aware of how to deal with stock movements when calculating costs of goods produced or sold, of the distinction between fixed and variable costs and of the various methods of valuing inventory.

The following examples may be useful:

Ask participants to state whether the following enterprise is making a profit or a loss.

Sales	\$ 1,000
Purchases	\$ 1,000
Other Expenses	\$ 100

Most will say that it is losing money. Ask participants to suggest other information which is necessary before this question can

be answered. They should suggest stock movements during the period. The following figures illustrate this:

	<u>Case 1</u>	<u>Case 2</u>
Opening stocks	\$ 3,000	\$ 3,000
Purchases	<u>1,000</u>	<u>1,000</u>
Total	4,000	4,000
Less closing stocks	<u>2,800</u>	<u>3,200</u>
Cost of goods sold	1,200	800
Sales	<u>1,000</u>	<u>1,000</u>
Gross surplus	(200) Loss	200
Other expenses	<u>100</u>	<u>100</u>
Net surplus	300) Loss	100

A factory performs as follows in month 1:

Units produced	\$ 1,000
Total costs	\$ 2,000
Cost per unit	\$ 2

If it produces 1,500 units in month 2, what will be the total costs and the cost per unit?

Participants may say \$3,000 and 2; elicit or introduce the distinction between fixed and variable costs, mentioning extreme cases such as hotels and market vendors. Ask participants to calculate the answer for month 2 under conditions as follows:

	<u>Case 1</u>	<u>Case 2</u>
Fixed costs	500	1,500
Variable costs per unit	1.50	0.50
Total costs at 1,500 units	2,750	2,250
Cost per unit at 1,500 units	1.85	1.50

- 2) After checking this, distribute the handout and ask each participant, individually, to work through the first problem.

- 3) Ask participants to say whether the farmers or the farm supply depot was right; should the price have been \$100 or \$150 a drum? Discuss the use of LIFO and FIFO inventory evaluation, and stress that accounting procedures in themselves are merely tools. On an issue of this sort a decision has to be made by a manager using his own judgement. Ask participants to suggest factors which may influence this decision.

Case Study 1

Alternative One: The old drums are sold at \$3/litre

Advantages:

- Purchase price determines selling price: no complaints from members on "stock-profits" by the society.

Disadvantages:

- Detailed stock records: it must be made sure that only old stock is sold at old prices.
- Who will get the old cheap stock: likelihood of getting involved and being blamed for "favouritism".

Alternative Two: The old drums are sold at \$5/litre

Advantages:

- Everybody pays the same price, no favouritism and no danger of selling off insecticide below cost price.

Disadvantages:

- Stock-profit (however, can be redistributed later on as a patronage refund).

- 4) Ask participants to work through the second example: here, as with the first, opinions will no doubt differ. Discuss the concept of fixed and variable costs, and point out that many costs do not lie neatly in one or the other category. Ask participants to place particular costs in the fixed or the variable category in order to make this point more strongly.

Case Study 2

One alternative would be to sell the butter at \$2.50 to the Persian Gulf. The dairy incurs a loss of at least \$1,000 i.e. the difference between the production cost (\$3.00/kg) and the selling price (\$2.50/kg) times 2,000 kg.

Some trainees will argue that the dairy is making more than \$1,000 loss in view of the costs of having cold-stored the 2,000 kg excess butter for several months.

Ask them whether the cold storage costs are fixed or variable costs: some will say they are fixed costs. Whether the dairy sells or buys the 2,000 kg, the cold storage belongs to the dairy and will have to be functioning for cold-storing the milk, cheese and other butter from the dairy. Keeping the 2,000 kg in stock doesn't therefore cost anything extra to the dairy. It would justify a decision whereby the butter is not sold and kept in stock in view of a possible, however remote, chance of selling the butter in the local market in the future. Selling to the Persian Gulf would mean a \$1,000 certain loss. If however, the dairy had to rent extra cold storage space for the 2,000 kg of butter, the cold storage costs (several hundred dollars per month) would become variable. They should be included in the total cost figures for the 2,000 kg. It is evident that with a very remote chance to sell the butter in the local market, the purchase offer from the Persian Gulf should be accepted. Losses would be more than \$1,000 but would continue to increase if the butter was kept on.

Ask participants to work through the third example. Illustrate the nature of the decision by the following example:

A factory has fixed costs of \$1,000 per month and variable costs of \$1 per unit. Capacity is 6,000 units per month. Research suggests that customers will buy as follows, according to the price set:

<u>Unit price</u>	<u>Demand per month</u>
\$2.00	3,000
\$1.80	4,000
\$1.50	5,000

What price should be set?

Ensure that participants can work out the actual "break-even point" for the new system, that is the minimum number of extra cattle which would have to be brought to the abattoir at \$5 per beast, in order to make the new system worthwhile.

Case Study 3

Profit and Loss analysis/day

Situation 1: as is now, i.e. 100 cattle/day and no extra transport cost.

Fixed costs	\$ 5,000
Variable costs	<u>15,000</u>
	20,000
Income:	<u>18,000</u>
Loss	\$ 2,000

Situation 2: society pays \$5/beast extra for transport, but does not get any extra cattle, i.e. supply remains at 100 cattle/day.

Fixed costs	\$ 5,000
Variable costs	15,500 (\$5/beast extra transport cost)
	20,500
Income	<u>18,000</u>
Loss	2,500

Situation 3: same as 2 but supply of cattle increases by 50% to 150 cattle/day.

Fixed costs	\$ 5,000
Variable costs	23,250 (\$22,500 paid to farmers and \$750 transport costs)
	28,250
Income: 150 cattle x 180 kg x \$1	<u>27,000</u>
Loss	750

Situation 4: same as situation 2 but supply of cattle increases to 200 beasts per day.

Fixed costs	\$ 5,000	
Variable costs	31,000	(\$30,000 paid to farmers and \$1,000 transport costs)
	36,000	
Income: 200 cattle x 180 kg x \$1	<u>36,000</u>	
		0 (no profit or loss)

Elicit the following reasoning:

- each beast brings in \$180 when it is slaughtered and sold;
- of the \$180, \$150 are used to pay the farmer and \$5 for the transport;
- the \$25 which remain are used to cover the fixed costs; in other words each extra beast contributes \$25 to paying for the fixed costs.

The fixed costs are \$5,000. How many cattle per day are consequently necessary to pay for the fixed costs?

$$\frac{\$ 5,000}{\$ 25} = 200 \text{ cattle/day}$$

In such a situation all costs will have been paid for, but no cent will be left. We are in no profit, no loss situation or at the "break-even point". The formula to calculate the break-even point is therefore:

$$\frac{\text{Fixed Costs}}{\text{Income/Unit} - \text{Variable Costs}}$$

Ask participants to assume a situation where the abattoir pays \$5/beast for transport. At how many cattle/day will the abattoir make the same loss of \$2,000 as it is making now?

Apply the above formula:

$$\frac{\$5,000 - \$2,000}{180 - 155} = 120 \text{ cattle/day}$$

Though the figures are not taking the decision for the manager, they make the decision making much easier:

- if the manager can pretty safely assume that as a result of paying \$5/beast transport costs, the supply of cattle will increase from no cattle to 120 cattle per day, he should definitely follow the advice of the accountant and pay the transport cost. Any extra cattle above 120 will bring the loss under \$2,000 (i.e. the present loss) and should therefore be preferred.

Who is Right?

- 1) The members of the Delta District Cotton Growers Society in Alpha Region were annoyed and disappointed with their new co-operative union. They knew that the farm supply depot had several 50 litre drums of insecticide left over from the previous season, when they had paid \$100 a drum. Now at the beginning of the next season they had been charged \$150 a drum for exactly the same insecticide and they knew that some at least of the drums in question had come from last year's stock.

The depot manager explained that the new season's price was \$3 a litre for a 50 litre drum, and that everyone was paying this regardless of whether the drum they happened to buy was from last season or this season's stock.

The secretary of the society was not convinced and he complained to Union headquarters and the general manager had to make a decision.

- 2) As farmers began to deliver more milk to the ARCU dairy, management started to take advantage of export market demand. This meant that they had to make their own decisions on prices, since export prices were not controlled as home market prices were.

An argument developed between the manager of the creamery and the marketing executive. An inquiry was received from the national trade representative in the Persian Gulf, requesting delivery of 2,000 kilograms of butter providing that this could be supplied at \$2.50 a kilo ex store.

The local market only absorbed about three quarters of the creamery's butter production, and 2,000 kilos of butter were already packed in the creamery's cold storage room. This stock had been built up over the last few months, and the creamery manager had calculated that the butter cost \$3 a kilo to produce. He was therefore quite satisfied with the local market price of \$3.50 a kilo ex store.

When he read the price demanded from the Persian Gulf he pointed out that the operation of the cold storage room cost several hundred dollars a month. The stocks of butter that had been occupying valuable refrigerated space for so long might well exceed \$3.50 a kilo by now. It would involve an enormous loss to sell it for \$2.50 a kilo. It should be added that extensive investigations were unable to identify any more favourable export market opportunities.

The marketing executive insisted. He wanted the export business, and argued that they should settle for the price of \$2.50. The two men could not agree, and they appealed to the general manager for a decision.

- 3) The ARCU abattoir was certainly not paying its way, but the manager could not accept that the solution was to increase costs. Farmers had responded fairly well when the abattoir was opened by the Union, but demand for meat, and capacity of the abattoir, always exceeded supply of cattle. Many farmers continued to prefer to sell their cattle to local butcheries, albeit for lower prices, because they said that their cattle would lose weight if they had to drive them to the abattoir and in any case the journey would take too much time.

The abattoir manager asked the farmers to deliver their cattle by lorry, but they refused even to consider paying the extra \$5 a head that this would involve.

The abattoir worked 20 days a month and the average throughout was 2,000 cattle a month. Typical costs of a day's operation were as follows:

Cattle processed	100 head
Cost paid to farmers	\$ 15,000
Wages)	\$ 2,000
Overheads) Fixed Costs	\$ <u>3,000</u>
Total cost	\$ 20,000
Meat Produced	18,000 kilos

The average selling price was \$1 a kilo.

One of the accountants suggested that the abattoir should pay the costs of bringing in the cattle. He argued that even if this concession brought in only a small number of extra cattle it would be worthwhile. The manager of the abattoir was not impressed. He said his job was to reduce costs and not to increase them, and he asked the accountant to prove his point.

SESSION 3.2THE BALANCE SHEET

Objective : To enable participants to construct and analyse a Balance Sheet and a statement of the sources and applications of funds for a simple organisation.

Time : 3 to 4 hours.

Material : "How Does ARCU Stand?" and "The New Situation".

Session Guide:

As with the Profit and Loss Account (using figures in decision-making), participants' real knowledge of the construction and use of Balance Sheets may be varied and a lack of it may be concealed behind nodding familiarity with the terminology.

The session may be structured as follows:

- 1) Ask participants to suggest what a Balance Sheet is and what its purpose is; or list the financial information needs of managers and develop from that the structure of a Balance Sheet. Ask participants why both sides necessarily balance and ensure that all appreciate that the American, British or other methods of laying out the figures do not affect the basic rules for constructing Balance Sheets or the way in which they can be used.
- 2) Remind (or perhaps teach for the first time) participants which items are assets (uses of funds) and which are liabilities (sources of funds), by asking them to divide a jumbled list of headings to one or the other category.
- 3) Distribute "How Does ARCU Stand?" and allow participants to work out the answer on their own; if they have difficulty in doing this, it may be useful to ask them to state first without mentioning figures which items are uses (assets) and sources (liabilities). For example transaction 1 produces the following items:

AssetsLiabilities

Ginnery (whole value)

Loan from Bank

Cash remaining

Balance owing to seller of
ginnery

The Balance Sheet for ARCU, laid out in the North American fashion, should read as follows:

<u>Assets</u>	\$	<u>Liabilities</u>	\$
Cash	67,000	Overdraft	24,000
Loans to Members	20,000	Owing for Final Payment on Ginnery	50,000
Motor Vehicles	10,000	Owed for Purchase of Lorries	10,000
Furniture	1,000	Owed for Purchase of Shares	6,000
Rent Paid in Advance	1,000	Members' Deposits	10,000
Ginnery	300,000	Loan from Co-operative Bank	300,000
Shares In Other Co-operative Institutions	<u>6,000</u>	Capital	5,000
	405,000		405,000
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Go through this carefully with participants ensuring that any mistakes are understood and corrected. If necessary set a further similar exercise to ensure that the principles are fully understood.

- 4) By means of very simple one or two item examples illustrate the concept of the movement of funds over a period, leading to a new Balance Sheet at the end of the period. Ensure that participants are familiar with the ways in which funds move from one item to another. This understanding is an excellent confirmation of understanding of the Balance Sheet itself.
- 5) Hand out "The New Situation" and allow participants up to 30 minutes to complete a statement which explains the changes from the

Balance Sheet which they previously constructed to the one given on the new handout. Ensure that all participants have a neatly prepared and correct copy of the Balance Sheet they have just constructed and leave a copy on the chalkboard/OHP to ensure that no errors are made in this.

- 6) Stress to participants that errors in this type of work arise mainly from untidy layout and inaccurate calculations rather than basic lack of knowledge of the principles involved. Managers at all levels must not make simple mathematical errors.
- 7) When participants have completed their own work go through the exercise. The statement explaining the changes in the period is as follows:

<u>How the money has been used</u>		<u>Where money has been taken from</u>	
	\$		\$
Increase in stocks	40,000	Reduction of cash	52,000
Increase in advances to members	20,000	Consumption of rent paid in advance	1,000
Increase in shares in other institutions	4,000	Increase in sundry creditors	25,000
Increase in furniture and fittings	4,000	Increase in overdraft	26,000
Increase in buildings	30,000	Increase in deposits from individual members	10,000
Increase in value of vehicles	200,000	Increase in amount owing for vehicles	190,000
New advance payment	200,000	Increase in deposit from member societies	10,000
Reduction in amount owed for ginnery	50,000	Increase in loan from development bank	250,000
Reduction in amount owed for shares	6,000	Increase in capital subscriptions	10,000
Funds consumed by loss on operations	<u>20,000</u>		
TOTAL	<u>574,000</u>	TOTAL	<u>574,000</u>

How Does ARCU Stand?

When ARCU was set up it took over a number of existing activities from primary societies and other traders, it purchased the ginnery from its previous owner and it also started to implement plans for new activities that had not been carried out in the region before.

After the union had been in existence for a month the general manager asked for a statement of its financial situation, so that he could see where the union stood, what it owned and how it had been funded. The table had to put together from a rather confused list of items as follows

- 1) ARCU bought the ginnery for \$300,000, with a loan from the co-operative bank; \$250,000 had been paid, and the balance was held by ARCU in its bank account to be paid when all final points of the sale had been finalised.
- 2) The five active co-operative societies in the region had each subscribed \$1,000 of share capital to ARCU.
- 3) ARCU had taken \$10,000 worth of deposits from members. It had borrowed a further \$20,000 from the co-operative bank for lending to members and had altogether lent \$20,000 to members, 50% of which was estimated by the registrar as being uncollectable.
- 4) ARCU had purchased five lorries from the primary societies for \$2,000 each; these were to be paid for in kind, in the form of farm inputs at the beginning of the next season.
- 5) ARCU had borrowed \$4,000 from the commercial bank. \$1,000 of this had been paid for furniture, \$1,000 as advance payment for six months' rental of the offices from the end of the first month and the balance remained in the union's account.
- 6) ARCU had as yet paid no salaries or other operating expenses, since the first few months of operation were to be funded on a grant basis by the registrar's department.

7) ARCU had purchased \$6,000 worth of shares in National Co-operative Organisations; payment for these was to be made after three months.

Assignment :

Produce a statement of ARCU's financial situation which will show the manager where its funds have come from, and how they are employed.

The New Situation

After six months of operation, ARCU's Balance Sheet was as follows:

<u>Assets</u>	\$	<u>Liabilities</u>	\$
Cash	15,000	Sundry Creditors	25,000
Stocks	40,000	Overdraft	50,000
Advances to Farmers	50,000	Individual Deposits	20,000
Net of Allowance for Bad Debts	<u>10,000</u> 40,000	Owed to the Lorry Suppliers	200,000
Shares in other Organisations	10,000	Deposits from Societies	10,000
Furniture & Fittings	5,000	Owed to Co-operative Bank	300,000
Buildings	30,000	Member Societies Sub- scriptions	15,000
Vehicles	210,000	Owed to Development Bank	<u>250,000</u>
Plant and Machinery	300,000	Total	870,000
Advance Payment for Abattoir Construction	200,000	Less:	
		Loss on Operations	10,000
		Bad Debts	<u>10,000</u>
	<hr/> <u>850,000</u>		<u>850,000</u>

Clearly a great deal had been achieved, but member societies were somewhat confused by all the figures; they wanted to know what had happened during the first few months; where had the money come from and how had it been used?

Assignment :

Produce a statement which explains how this Balance Sheet has evolved from the previous one, by listing where funds have been obtained from, and how they have been used.

SESSION 3.3

FINANCIAL APPRAISAL

Objective: To enable participants to appraise the borrowing capacity and general financial management of a primary society from its annual accounts.

Time: 3 to 4 hours.

Material: Case Study "The Loan Request".

Session Guide

This session should briefly introduce participants to the fundamental management ratios and to an understanding of what can and cannot be gleaned about an organisation from its Balance Sheet. More time will be available in Session 3.4 and 3.5 for more detailed examination of the accounts of a co-operative union itself.

Many people are familiar with the critical ratios and can calculate them from a set of accounts, but have little idea how to use the results in terms of recommending changes. The simple set of accounts provided in the exercise, and possibly others as well, should be used not merely as occasions to calculate ratios but also as an opportunity to draw conclusions from them.

The session may be structured as follows:

- 1) Put on the chalkboard or OHP some exaggerated and simplified examples of accounts showing unsatisfactory situations. These may include a business which is bankrupt, has grossly excessive stocks, minimal members' equity and excessive debtors. Ask participants to identify what is wrong with the organisations and develop from discussion of the examples a list of useful ratios of liquidity, stock turnover, debtor and creditor turnover and solvency.

In case trainees are not yet familiar with ratios and ratio-analysis, the following introduction could be given.

In processing loan requests a bank takes care of three aspects:

- i) Safety of the investment (will we get the money back?).
- ii) Liquidity of the lending (will the borrower be able to pay loan installments and interest when they are due?).
- iii) Profitability of the lending (how much interest can we charge?).

To ascertain these aspects, financiers call for previous accounts of an enterprise and analyse them. Such analysis and interpretation of accounts give a revealing insight into the client's financial position and help in taking a decision. Financiers have two tools at their disposal:

- i) Funds flow analysis (discussed and dealt in 3.2).
- ii) Ratio analysis.

These can and are in fact applied by managers of enterprises themselves to identify the areas demanding actions and the nature of actions to be taken.

Ratio: A ratio is a number showing a relationship between two figures or sets of figures. The most common form of expressing a ratio is the percentage.

A. Ratios relating to capital structure and efficiency

$$1. \quad \underline{\text{Proprietary Ratio}} = \frac{\underline{\text{Own Capital}} \times 100}{\text{Total Assets}}$$

$$\text{Own Capital} = \text{Share Capital} + \text{Reserves} + \text{Surplus}$$

$$\text{Total Assets} = \text{Fixed Assets} + \text{Current Assets}$$

Indicates

- i) How much assets are financed by own funds and how much by borrowings.
 - ii) High ratio indicates strong capital base but may mean over-capitalisation.
2. Debt Equity Ratio = $\frac{\underline{\text{Total Outside Liabilities}} \times 100}{\text{Own Capital}}$

Own Capital

Indicates

- i) The proportion of liabilities to owned funds.
- ii) Usually ratio in excess of 100% should be carefully looked into.
- iii) The higher the ratio, the greater the stake of creditors, the heavier the interest charges and the greater the lack of flexibility in business.

$$3. \quad \underline{\text{Stock Turnover Ratio}} = \frac{\underline{\text{Cost of Goods Sold}}}{\text{Average Stock}}$$

$$\text{Average Stock} = \frac{\underline{\text{Opening Stock \& Closing Stock}}}{2}$$

Indicates

- i) Number of times of stock turned over.
- ii) Turnover depends upon nature of business
 - Higher in consumers' goods
 - Lower in luxury items
- iii) - Lower turnover indicates bad purchases, carrying and accumulating excessive stock.

$$4. \quad \underline{\text{Stock-Working Capital Ratio}} = \frac{\underline{\text{Closing Stock}}}{\text{Working Capital}}$$

$$\text{Working Capital} = \text{Current Assets minus Current Liabilities}$$

Current Assets - include cash, sundry debtors, stock and other items which are normally converted into cash in less than one year.

Current Liabilities - Liabilities to be paid in less than 12 months' time.

Indicates

Proportion of stockholding in relation to working capital.

5. Debtors' Velocity

Can be measured by two ratios. The first one giving the average credit sales per day:

Total Credit Sales in a Year

360

The second one indicating the average number of days credit was given; the formula to be applied here is a bit less obvious but the following extreme example should clarify it.

The formula is:

$$\frac{\text{Outstanding Debtors at the end of a Period}}{\text{Total Credit Sales in that Period}} \times \text{number of days in the period}$$

Example: Assume following credit sales in the months January to March.

January : 1,000/2 months credit given/payment due March
February : 1,000/2 months credit given/payment due April
March : 1,000/2 months credit given/payment due May

On 31 March we want to know the average number of days we have given credit during the first trimester of the year.

$$\text{Applying the above formula: } \frac{2000}{3,000} \times 90 = 60 \text{ days or two months}$$

6. Creditors' Velocity

The same thinking applies as for "Debtors Velocity." Average daily credit purchases are given by following formula:

Total Credit Purchases in a Year

360

The average number of days credit received is given by following formula:

$$\frac{\text{Outstanding Creditors at the end of a Period}}{\text{Total Credit Purchases during that Period}} \times \text{number of days in the period}$$

B. Liquidity Ratios

1. Current Ratio = $\frac{\text{Current Assets}}{\text{Current Liabilities}}$

A healthy ratio would show 2.1 relationship.

Indicates :

- i) Adequacy of working capital.
 - ii) Excessively high ratio is a sign of too large stock or idle cash.
2. Quick Ratio =
$$\frac{\text{Current Assets} - \text{Stock}}{\text{Current Liabilities} - \text{Overdraft}}$$
 or

Acid Test Ratio

Normally the ratio should be around 1.1.

Indicates

Net liquidity position, i.e. whether immediate liability can be met.

C. Profitability Ratios

1. Gross Profit to Sales =
$$\frac{\text{Gross Profit}}{\text{Sales}} \times 100$$

Indicates

Profit earned.

2. Net Profit to Own Capital =
$$\frac{\text{Net Profit after Tax} \times 100}{\text{Own Capital}}$$

Indicates :

Rate of return on owned funds.

3. Net Profit to net Sales =
$$\frac{\text{Net Profit}}{\text{Sales}}$$

Indicates :

Net margin on sales.

Calculating ratios in isolation does not provide meaningful indications. Ratios should be considered simultaneously - one in relation to the other. Only then will they prove an effective aid to management decisions.

The following example illustrates slow stock turnover, excessive credit, poor liquidity and inadequate members' equity. It may also be used to check participants' understanding of the relationship between the Trading Account and the Balance Sheet.

Trading Account for XYZ Co-operative Store for 1980

	\$	\$
Sales		10,000
Opening stocks	20,000	
Purchases	<u>10,000</u>	
	30,000	
Less closing stock	<u>22,000</u>	
Cost of goods sold	8,000	
Gross surplus		2,000
Expenses		<u>1,500</u>
Net surplus		<u>500</u>

Balance Sheet for XYZ Co-operative Store
on 31 December 1980

\$	<u>Assets</u>	<u>Liabilities</u>
	Cash	Owed to suppliers
	500	10,000
	Accounts receivable	Bank overdraft
	8,000	20,000
	Stocks	Reinvested surplus
	22,000	1,000
	Buildings	Members' shares
	1,000	2,000
	Vehicles	
	<u>1,500</u>	
	33,000	33,000
	-----	-----

- 2) Distribute "The Loan Request" and ask participants, in groups or individually, to assess both the capacity of the Delta Cotton Growers Society to borrow the \$10,000 on the terms described, and its financial position in general.

- 3) Allow up to half an hour for this; then reconvene the group and ask participants or groups to give their conclusions.

- 4) Possible suggestions may include the following:
- The society cannot fund an annual repayment of \$1,500; additional sales of produce of \$4,000 or a 20% increase over existing figures, will be needed to produce the necessary net surplus.
 - A 1.75% bonus on trade is not excessive, but can members be expected to forego even this if necessary in the interests of repaying the loan?
 - The stock turnover of the society is 21.87 times a year; this seems reasonably rapid but these figures may not reveal the stock position at all times of year. Accounts are normally struck at a minimum stock period.
 - The amount of debtors when related to turnover is negligible as might be expected with a society marketing only for cash.
 - The amount of money in cash and at the bank seems minimal. Is it enough for day-to-day transactions?
 - The ratio of members equity to total capital employed is 52% (2.2 to 4.2) or 71% (3.0 to 4.2) if members loans are treated as equity. Which figure is relevant and is the relationship reasonable? What effect would the loan have on the ratio if it was granted? (The ratio would drop to 21% only if members loans are treated as equity and to 6.5% if not.)
 - The surplus is 22% on turnover. Should the society be making a smaller payout to members in order to have more protection against price or expense variations? If the allowance is too generous the bonus can always be increased and the members re-funded in this way.
- 5) Ask participants what further information they might need before making a decision on the proposed loan. They may suggest more information about the quality of the manager, the loyalty of the members, the future forecasts of business, the past reliability and consistency of annual figures and the legal claim of the lender in the event of default.

The Loan Request

The Delta District Cotton Growers Society was one of the few active societies in Alpha Region, and the committee enthusiastically supported the work of the new Union. After a few months, growing optimism in Delta District encouraged the society's members to revive a project they had cherished for many years: the construction of a proper society office and store to replace the dilapidated rented property they had occupied for many years.

The society approached the co-operative bank for finance, and the bank referred their request to the general manager of ARCU. Did he consider that the financial condition of the Delta Society justified a \$10,000 loan, to be repaid over ten years at \$1,500 per year including interest?

Balance Sheet for the Delta Cotton Growers Society

<u>Assets</u>	\$	<u>Liabilities</u>	\$
Cash in the Bank	150	Creditors	200
Cash in Hand	50	Overdraft	1,000
Debtors	100	Members' Deposits	800
Stocks	2,600	Reserve Fund	100
Furniture and Fittings	300	Share Capital	2,100
Shares in Co-operative Union (ARCU)	<u>1,000</u>		
TOTAL	<u>4,200</u>	TOTAL	<u>4,200</u>

Trading Account for Twelve Months of the
Delta District Cotton Growers Society

	\$	\$	\$
Sales of Produce			40,000
Opening Stock	600		
Purchases from Members	<u>37,000</u>		
Total		37,600	
<u>Less</u> Closing Stock		<u>2,600</u>	
Net Cost of Goods			<u>35,000</u>
Gross Surplus			5,000
Expenses:			
Wages	2,000		
Committee Members Allowance	500		
Transport	1,000		
Depreciation	100		
Rent	<u>400</u>		
Total			<u>4,000</u>
Net Surplus			1,000
Plus Balance Brought Forward			<u>100</u>
Total Surplus to be Allocated			1,100
Bonus on Trade @ 1.75%	700		
Education Fund	150		
Stock Reserve	<u>150</u>		
			<u>1,000</u>
Carried Forward			<u>100</u>

Assignment

Advise the general manager: should he recommend that the Delta Society should receive the loan they have asked for, and what do the accounts tell you about the financial management of the society?

SESSION 3.4

APPRAISAL OF A UNION'S ACCOUNTS

Objective : To enable participants to use accounts for management decisions.

Time : 1 to two hours.

Material : Case Study "Annual Accounts".

Session Guide :

There is always a danger that those participants who have some familiarity with accounting will "carry" the remainder in group discussions and in plenary sessions so that those who are ignorant of accounting can remain ignorant even after some hours of instruction.

For this reason it is probably best for half or possibly all this session to be spent by participants working on their own on the ARCU accounts. If the knowledge of accounting appears on close analysis to be fairly evenly spread through the group, at whatever level, then it may be appropriate to allow them to consider the accounts in groups.

Annual Accounts

The ARCU accountant felt that his job was done. The final accounts for the first year of the Union's operations had been completed, audited and sent to the registrar, only a few weeks after the end of the year: what more could anyone ask of an accountant?

The general manager sent for him and asked what the accounts were for. The accountant replied, after some hesitation, that they were for the registrar. The general manager replied that he thought that the accounts were meant to help management, not just to satisfy the registrar's procedural requirements. Could the general manager and management in general learn from the accounts, to help them to do a better job next year?

Balance Sheet for the ARCU after Twelve Months of Operations

<u>Assets</u>	\$	<u>Liabilities</u>	\$
Cash	2,000	Creditors	275,000
Debtors	90,000	Overdraft	150,000
Loans to Farmers	115,000	Society Deposits	185,000
Less: Allowance for Bad Debts	<u>10,000</u>	Owed to Co-operative Bank	450,000
Net	105,000	Owed to Development Bank	350,000
Monies Owed By Societies	110,000	Members' Deposits	40,000
Stocks of Farm Inputs	300,000	Members' Societies' Shares	25,000
Stocks of Farmers' Produce	50,000	Surplus	2,000
Vehicles	190,000		
Furniture and Fittings	10,000		
Ginnery Net of Depreciation	270,000		
Abattoir	250,000		
Buildings	90,000		
Shares in Co-operative Institutions	<u>10,000</u>		
TOTAL	<u>1,477,000</u>	TOTAL	<u>1,477,000</u>

Trading Account for ARCU for the first Twelve Months of Operation

	<u>Farm Supplies</u>	<u>Farmers' Produce</u>
	\$	\$
Sales	850,000	600,000
Opening Stocks	nil	nil
<u>Plus Purchases</u>	<u>1,070,000</u>	<u>580,000</u>
	1,070,000	580,000
Less: Closing Stocks	<u>300,000</u>	<u>50,000</u>
Cost of Goods Sold	770,000	530,000
Gross Surplus	80,000	70,000
	↙	↘
Total Gross Surplus		150,000
Interest Earned		10,000
Transport Charges		<u>5,000</u>
Total Gross Surplus		165,000
Expenses:		
Depreciation - Ginnery	30,000	
- Vehicles	20,000	
Wages	40,000	
Water and Electricity	1,000	
Interest Payments	45,000	
Printing and Stationery	10,000	
Supplies and Services	15,000	
Telephone	1,000	
Provision Bad Debts	<u>1,000</u>	
Total		<u>163,000</u>
Surplus		<u>2,000</u>

Assignment :

- 1) How might the presentation of the accounts have been changed in order to make them clearer?
- 2) What are the critical ratios which should be examined and what are their implications for management?
- 3) What specific action should be taken by ARCU management in the forthcoming year to remedy problems that have been identified in the accounts?

SESSION 3.5

DISCUSSION OF ACCOUNTS APPRAISAL

Objective: To enable participants to share the insights of the group in relation to a given set of accounts, and to apply what they learn to their own situation.

Time: 1 to 2 hours.

Material: "Annual Accounts", and if possible sets of accounts from participants' own organisations.

Session Guide:

Ensure that those participants who are not familiar with accounts are able to contribute to and learn from this session as well as those with more knowledge of the subject. They may find this difficult, particularly since they may be less expert in other areas of management, but if they are allowed to monopolise the floor those who are not as fortunate as they are will learn nothing.

The session may be structured as follows:

- 1) Ask participants to describe how else the accounts might have been presented: they may mention the British as opposed to the American layout which has been adopted, but this makes very little difference. Some authorities prefer the following approach which participants may find more informative than the two column method used in the case study. It is important to stress that there is no right or wrong method and that organisations should choose that which is most useful to those for whom the accounts are intended.

<u>Sources of Capital</u>	(Liabilities)	\$
Shares		25,000
Reserves		2,000
Long Term Loans		800,000
Deposits		225,000
Overdrafts		<u>150,000</u>
TOTAL		<u>1,202,000</u>

<u>Employment of Capital</u>	(Assets)	\$	\$
Fixed Assets		610,000	
Vehicles, Furniture and Fittings		200,000	
Investments in other Societies		<u>10,000</u>	
Total			820,000
Current Assets		2,000	
Stocks		350,000	
Debtors		<u>305,000</u>	
Total		657,000	
Less: Current Liabilities			
Creditors		<u>275,000</u>	
Net Current Assets			<u>382,000</u>
TOTAL			<u>1,202,000</u>

- 2) Go through each item in the accounts in some detail, both in its own right and in relation to other items where the ratio may be relevant. The following points may be elicited from participants and discussed by the group:

Cash Is this amount too low to meet day-to-day requirements?

Liquidity: Which of the current assets are readily available in case of need: \$2,000, \$90,000 or what other amount? Which current liabilities are in fact likely to be called at short notice? In any case the relationship of the current assets to the

current liabilities is far too low and any unforeseen demand might lead to insolvency.

Allowance for

Bad Debts:

Is 8.7% a good performance, or too optimistic an allowance? In any case \$10,000 was brought forward from the previous organisations when the loan accounts were taken over. Has any allowance been made for bad debts in the portfolio of loans made by ARCU itself?

Are the figures for debtors, advances and monies owed by societies generally clearly distinguished from each other? May potential farmers' bad debts also lead to repayment problems by the societies of which they are members?

Stocks:

Taking the closing stocks as an average stock-level, the stock of farm supplies is only turned over 2.56 times a year. This seems far too slow and an extravagant use of scarce finance but there may be genuine reasons for high stocks such as shortages, unreliable deliveries, increase in prices or the particular season at which the stock was taken. How were the stocks valued?

Stocks of produce turn over 10.6 times a year. This seems adequate but perishable produce should not remain in the warehouse for more than a month. Are the stocks all saleable?

Vehicles:

What does a depreciation rate of 10% per annum imply? Should the vehicles be depreciated more quickly?

Shares:

Should the shares in other co-operative organisations be sold for the Balance Sheet value? Are these really subscriptions which should be written off?

Creditors:

ARCU is on average taking more than three months to pay its bills to suppliers.

$$\frac{275,000}{1,070,000} \times 360 \text{ days} = 93 \text{ days or 3 months.}$$

Is this effective management of sources of finance or are suppliers beginning to lose their patience?

Reserves : Are the amounts too small?

Owners' Equity : The owners' investment is a very small proportion of the total capital employed. Lenders will hesitate to advance further funds because the owners themselves have so little to lose, and the Union has also to pay \$45,000 a year in interest. Which items really should be considered the owners' investments?

Surplus : The figures of 9.4% surplus on supplies and 11.6% on purchases from societies appear to be reasonable. It may be necessary however to increase them in order to build up reserves and the owners' equity.

Balance Sheet

Items : Are these sufficiently detailed or is the information given in too much detail? Should further information on stock valuation methods, remuneration of staff, numbers of staff, types of activities and so be provided in notes to the accounts?

- 3) Ask participants what changes they would recommend in the management of ARCU in order to improve the situation. They should suggest a campaign to increase the proportion of owners' equity, both by soliciting subscriptions from existing and new member societies and by increasing the surplus on farm supplies and produce in order to generate reserves for re-investment. This may be a long process but must be undertaken, and members must not expect any return on their investment for a long period, if the ARCU is to become a viable and credit worthy organisation which can attract finance on its own merits.

If participants feel that this judgement is too severe, ask them whether they as private individuals or private bankers would lend money to ARCU as it presently stands. What terms would they demand and what implications would these have for ARCU?

Should an organisation such as ARCU subsist on the basis of "development" funds which are not lent on commercial criteria?

- 4) If time allows ask participants to produce sets of accounts for their own co-operative unions and attempt to analyse these in the same way as those from ARCU have been treated.

SESSION 3.6THE NEED FOR BUDGETS

Objective : To enable participants to decide how overall financial results can be achieved, and to identify the need for budgets as a device for controlling and motivating achievement.

Time : 1 to 1/2 hours.

Material : Balance Sheet and Trading Account for ARCU from previous session.

Session Guide :

- 1) Ensure that all participants have copies of the ARCU accounts from the previous session. Remind them if necessary of the conclusions reached at that session.
- 2) Ask participants to comment on the net surplus of \$2,000. What percentage of the total is this? (0.13%) or $\frac{2,000}{850,000 + 600,000}$
Is this an adequate performance? Clearly it is inadequate. Ask participants to suggest ways in which it might be increased. The following suggestions may be made and should be listed on chalkboard/OHP:
 - Increase sales of farm supplies, farm produce or both.
 - Reduce cost of farm supplies, farm produce or both.
 - Reduce any or all expense items.
- 3) Ask participants what would be the effect of a general direction to increase the surplus in every way possible? Would all staff be likely to work towards the same goal? Participants should identify potential contradictions such as:
 - Increased transport charges might mean lower supply of produce and consequently less sales of produce.

- Lower wage payments might mean lower turnover.
- Higher purchase prices for members might be needed to achieve higher turnover.

Allow participants up to 20 minutes individually to calculate reasonable ways in which ARCU might achieve a surplus of \$20,000 in the following 12 months.

- 4) Ask participants to state their suggestions. Opinions will vary but some of the possibilities are as follows:

- Increase sales of farm supplies to \$1,041,250, i.e. by 22.5%. Gross surplus on farm supplies will increase to \$98,000 (+ \$18,000). Assuming that other costs do not increase net surplus will increase to \$20,000.
 - Increase sales of farm produce to \$755,000. Surplus on farm produce will increase to \$88,000 (+ \$18,000). Assuming that other costs do not increase, net surplus will increase to \$20,000.
 - Double transport charges which will increase earnings by \$ 5,000
 - Reduce wages by one quarter which will save: \$10,000
 - Reduce stocks by \$100,000 which will save interest charges of approximately \$ 3,000
(assumed interest 3%) _____
 - Total saving \$18,000
- Resulting in total net surplus of \$20,000.

Point out that a general instruction such as "reduce costs by 10%" is not a guide to action. Specific targets must be calculated which are feasible and understood by those responsible for achieving them. The above "splitting out" exercise has helped to define specific targets.

- 5) Ask participants to imagine themselves to be manual labourers who are responsible for digging a ditch. Which of the following instructions would they prefer to work to?

- "Dig a one metre deep, twenty five centimetres wide ditch as far as you can along this line."
- "Dig a one metre deep, twenty five centimetres wide ditch forty metres along this line today."

Most people prefer specific measurable objectives because:

- They know what they are aiming at.
- They know when they have achieved it.

Relate this to the proposed improvements in ARCU performance. Are co-operative managers usually instructed as follows:

- "Make as few phone calls as you can."
- "Try to reduce our use of stationery."
- "See if you can cut the wage bill a bit."

OR

- "We spent \$1,000 on the telephone last year. The figure must be reduced to \$750 this year. Each month's bill will be compared with the same month last year to check we are achieving the 25% reduction."
- "We shall cut our printing and stationery costs by 30% or \$3,000 this year. The new and less expensive paper will save \$2,000 if we use the same amount of paper as we did last year, and stores staff will control the use of stationery in order to achieve a further saving of \$1,000 by reducing the amount used."
- "We must save \$2,000 on the wage bill next year. We can save \$500 by eliminating Saturday afternoon overtime in the warehouse, and \$1,500 by not replacing the turnboy and the warehouse trainee who propose to leave."

- 6) Ask trainees to refer to their suggestions for increased revenue or reduced costs in order to achieve a net surplus of \$20,000 for ARCU. How would they translate these proposals into targets which

can be understood by staff responsible for them, and which can be monitored in order to measure how successfully they are being implemented?

- 7) Participants may already be familiar with systems of budgetary control. Point out that the budget systems are designed to translate broad objectives into specific targets for individual sections and staff.

SESSION 3.7CASH BUDGETS

Objective: To enable participants to identify the cash flow implications of proposals, and to produce cash budgets which will minimise the risk of insolvency.

Time 1 hour.

Material: As previous session.

Session Guide:

- 1) Remind participants of the ARCU problems described in the previous session. Ask them what would be their immediate reaction to the following suggestion for improvement:
 - "We can reduce costs of farm supplies by 2 1/2% if we pay cash instead of taking 30 days credit. This will save \$19,250 (\$770,000 x 2.5%) which is more than we need to bring the surplus up to \$20,000."
 - "We can reduce our annual wage bill by 25% or \$10,000 if we can install an integrated materials handling system in our produce and supplies warehouse. It will only cost \$50,000, and the suppliers assure us that it will last at least ten years so that the net increase in surplus, after charging \$5,000 depreciation, will be \$5,000 per year."
- 2) The savings might indeed be made, but ARCU does not have the cash to pay for the suggested investment. Participants may not appreciate that paying for something earlier, or receiving money later, represents a use of money, or an investment, just like a piece of equipment. Illustrate this point with the following example which should be written on the chalkboard/OHP.

"Two co-operative societies are proposed to be set up. Each is to buy \$10,000 per month worth of goods from the members, for cash, and to sell the goods one month later for \$11,000. Society A is

to sell for cash, while Society B is to be paid a month after delivering the produce to the customer. The societies will pay \$1,000 per month, in cash for all premises, wages, transport and other services and it is proposed in both cases that they should maintain a cash balance of \$1,000 for day-to-day purposes. What investment will be required to make each society function?"

Society A

	<u>Cash Going Out</u>	<u>Cash Coming In</u>	<u>Cash Needed</u>
	\$	\$	\$
Month 1	1,000 (cash)	-	11,000
	<u>10,000</u> (stocks)		
	11,000		
Month 2	1,000 (cash)	11,000	-
	<u>10,000</u> (stocks)		
	11,000		

The same continues in the following months. Hence the total amount needed to make Society A operational is \$11,000.

Society B

	<u>Cash Going Out</u>	<u>Cash Coming In</u>	<u>Cash Needed</u>
	\$	\$	\$
Month 1	1,000 (cash)	-	11,000
	<u>10,000</u> (stocks)		
	11,000		
Month 2	1,000 (cash)	-	11,000
	<u>10,000</u> (stocks)		
	11,000		
Month 3	1,000 (cash)	11,000	-
	<u>10,000</u> (stocks)		
	11,000		

The same continues in the following months. Hence the total amount of money needed in this case is \$22,000.

Society B will require \$11,000 more investment, although the volume, surplus and expenses are identical to those of Society A. The critical factor is the timing of the movements of cash.

- 3) Distribute the exercise and allow participants up to 30 minutes on their own to complete it. Ensure by inspection that all participants understand what is required and guide those who appear "lost".
- 4) Ask participants to present their results. The answer is as follows:

Month	Cash out	Cash in	Net for month	Cumulative net at end of month
	\$	\$	\$	\$
1	21,000	25,000	+ 4,000	+ 4,000
2	1,000	-	- 1,000	+ 3,000
3	1,000	-	- 1,000	+ 2,000
4	1,000	-	- 1,000	+ 1,000
5	1,000	-	- 1,000	-
6	1,000	6,500	+ 5,500	+ 5,500
7	1,000	-	- 1,000	+ 4,500
8	1,000	-	- 1,000	+ 3,500
9	1,000	-	- 1,000	+ 2,500
10	1,000	-	- 1,000	+ 1,500
11	1,000	-	- 1,000	+ 500
12	1,000	6,500	+ 5,500	+ 6,000

The proposed finance would not be sufficient, since cash would be zero at the end of month 5 and the monthly operating costs of \$500 for month 6 would have to be paid out during this month before members' payment of \$6,500 was received. The society should therefore arrange to have overdraft facilities of at least \$1,000 to be drawn on as required.

Ask participants what the society might do if an overdraft is not available. Members should pay monthly or quarterly, and a bank would probably insist on this in any case.

- 5) If necessary ask participants to repeat the exercise assuming that members paid quarterly rather than six monthly. The figures are as follows:

Month	Cash out	Cash in	Net for month	Cumulative net at end of month
	\$	\$	\$	\$
1	21,000	25,000	+ 4,000	+ 4,000
2	1,000	-	- 1,000	+ 3,000
3	1,000	3,250	+ 2,250	+ 5,250
4	1,000	-	- 1,000	+ 4,250
5	1,000	-	- 1,000	+ 3,250
6	1,000	3,250	+ 2,250	+ 5,500
7	1,000	-	- 1,000	+ 4,500
8	1,000	-	- 1,000	+ 3,500
9	1,000	3,250	+ 2,250	+ 5,750
10	1,000	-	- 1,000	+ 4,750
11	1,000	-	- 1,000	+ 3,750
12	1,000	3,250	+ 2,250	+ 6,000

Stress that the radically different position, showing a sound and viable operation as opposed to an insolvent one, is totally the result of a change in the timing of money movement. The other figures are unchanged.

- 6) Stress that management must budget for the timing of money movements as well as for the amount. The first example shows the proposed society to be profitable but bankrupt within six months of starting. Debtors, stocks and cash and bank balances must be forecast and monitored just like expenses and income.

Cash Flow Exercise

The 130 dairy farmers of Tau District wish to start a marketing society. Its sole function, initially at any rate, would be to operate a vehicle which would collect members' milk every day and deliver it to the Co-operative Union Creamery. To avoid complications, the prospective members propose that they should continue to be paid individually for their milk by the creamery. The co-operative would provide them with transport services only. The proposal was referred by the registrar to ARCU, since Tau is in Alpha Region. The proposal appeared to be satisfactory, but the registrar wanted to be sure that it was adequately financed from the beginning.

The prospective members proposed themselves to invest \$5,000 and they had asked the co-operative bank for a loan of \$20,000 to pay for the vehicle, repayable in 5 years at a monthly rate of \$500 payable at the end of each month. The total operating costs including fuel, maintenance and driver's wages were estimated to be a further \$500 a month, payable in cash, while members would pay a fixed charge of \$100 a year each for the service, to be paid in 2 installments, at the end of June and the end of December each year, when their surplus cattle were normally sold for meat so that spare cash was available.

Assignment

- 1) Calculate the monthly inflow and outflows of cash for the first 12 months of operation.
- 2) Would the proposed finance be sufficient? If not, what else would be required and when?
- 3) How should the proposed society ensure that the cash requirements did not exceed what was estimated?

SESSION 3.8

SETTING BUDGETS

Objective : To enable participants to set budgets in consultation with staff who are responsible for achieving them.

Time : 1 to 12 hours.

Material : Role Play Briefs (to be given to two trainees some time before the session). Trainees not to discuss their briefs with one another. ARCU accounts from Session 3.4.

Session Guide :

- 1) Remind trainees of the ditch digging task discussed in Session 3.6. It was agreed that people prefer to have specific targets to work to, rather than working without any particular end in view. From the organisation's point of view, staff must work towards targets to avoid conflict and failure to achieve overall objectives, as was seen in the discussion of ways in which ARCU's surplus could be increased from \$2,000 to \$20,000. Ask participants how such targets are to be set.

- 2) Participants may suggest variants of the following alternatives:
 - Management should convert the basic objectives, such as increasing the surplus by \$18,000, into individual results which staff must be instructed to achieve.
 - Management should identify the general direction of changes required (increased sales, reduced costs, etc.) and should ask responsible staff to say what they believe they can achieve. Their answers should be used as the targets or "budget".
 - Management and their subordinate supervisory staff should discuss the overall budget and how it can be achieved by individual departments and activities. Individual budgets should be agreed between managers and their subordinates, so that they are achievable and will achieve the overall objective.

The last approach is clearly the most attractive to both sides. Ask trainees what difficulties may occur when setting budgets.

- The gap between management's expectations and subordinates' estimates of what they can achieve may be too large, so that management must in the end impose budgets on their subordinates.
- When applying the last "democratic" approach, the discussion will be a "bargaining table" where both sides make unrealistic demands because they know that they will have to compromise at a point midway between two extremes.
- The first and second approach may lead to budgets being discredited, because they are imposed by higher authority and are perceived as being impossible to achieve. Staff may deliberately fail to achieve them in order to ensure that they are set lower budgets next time.

3) Ask participants whether a budget should be:

- A target which can almost certainly not be achieved, but which will always motivate staff to work towards it? (Compare the effect of possible Olympic gold medals on thousands of young athletes).
- A conservative estimate of what can be achieved, based on present experience, which can with confidence be used as a basis for forecasting results to banks and other conservative institutions?
- An estimate which can be achieved with luck, skill and hard work, but which is beyond normal expectations?

The last type of budget is most likely to motivate achievement. How can such a figure be agreed?

4) Distribute copies of both role play briefs to all participants except those previously nominated for the two roles. Allow trainees up to ten minutes to read the briefs. Ask the nominated role players to act out the budget setting interview in front of the remaining participants. Allow them up to 20 minutes for this.

- 5) Discuss the meeting with the "actors" and other participants. Ask the actors whether they are both satisfied with the outcome and ask the observers whether they felt that one side or the other had "won" or whether a mutually agreeable figure has been reached.

Discuss the process of setting budgets. Stress the following points:

- People will not be motivated by what they feel are unrealistic budgets.
- Managers must try to be informed about every department and its situation.
- The general manager should probably start such a meeting by stating the problem (the low net surplus) and asking the supplies manager how he feels he can contribute to a solution.
- The general manager should offer to help his staff to achieve their objectives, by making additional facilities available and so on.
- The general manager should be supportive and not critical. The subordinate should feel that his general manager believes that he can achieve the desired result.
- Eventually the general manager may have to impose a budget, rather than agreeing on one, but the atmosphere of the meeting should be such that even if the subordinate still feels that it is unreasonable, he is motivated to do his very best to achieve it.

Role Play Brief : General Manager, ARCU

You are the general manager of ARCU. You are aware that a net surplus of \$2,000 on turnover of \$1,450,000 was dangerously low. The slightest change in circumstances could turn the surplus into a loss and it is vital that the society should earn a larger surplus in order to repay loans and build up resources.

You look to the farm supply department for the necessary increase in surplus. The members produce department is already buying all the farmers' produce it can handle and brief inquiries suggest that farmer members are buying at least the same amount of supplies from private traders as they are from ARCU and facilities for farm supplies are sufficient to permit a substantial increase in the activity.

You estimate that if farm supply sales could be increased by 22.5%, that is from \$850,000 to \$1,041,250, the gross surplus earned would increase by \$18,000 and the net surplus would be increased to \$20,000. This assumes that the gross margin percentage will remain the same and that no other expenses increase. You feel that a sales increase of 30% or more would be possible, in view of existing success, and you are about to discuss the farm supply budget for the coming year with the manager of the farm supply department. He is an eager and ambitious young man and you are considering imposing a budget of $33 \frac{1}{3} \%$ increase over last year, to sales level of \$1,133,000. You are fairly sure that this could not be achieved, but you feel that the 30% is possible and that the manager will work better if he is motivated by an almost impossible target.

Role Play Brief : Manager, ARCU Farm Supplies

You are the manager of the ARCU farm supplies department. You are pleased with your achievement in the first year of operations when you have rapidly built up turnover from nothing to \$850,000 in the year. You feel that the members produce department, which only sold \$600,000 worth of produce during the year, should contribute more to ARCU. The gross surplus from your own activity amounted to \$80,000, while the members produce department only contributed \$70,000 towards operating expenses and overheads. The net surplus of \$2,000 is clearly far too low, and you expect that pressure will be put on the members produce department to yield a better return next year.

The ARCU farm supply activity has elicited a rather strong response from private traders whose business has suffered. They have countered with price reductions, free delivery, extended credit and other concessions. Although you are delighted that your own success has led to a general improvement of this sort, which will benefit all farmers, you realise that ARCU cannot match every move by the smaller more flexible private suppliers, with lower overheads. You hope to increase sales by perhaps 10% next year, but you will be satisfied if you maintain last year's performance.

The general manager has just asked you to come to see him to discuss the budget for next year.

SESSION 3.9

DEVIATIONS FROM BUDGET

Objective : To enable participants to analyse the variances from budgets, to identify reasons and to deal effectively with them.

Time : 1 to 2 hours.

Session Guide :

1) Remind trainees of the previous session. Ask them to assume that a sales budget of one million dollars was agreed by the general manager and farm supplies manager. If actual sales turn out to be nine hundred thousand dollars, what possible explanations might there be for the shortfall?

- Increased prices caused sales resistance.
- Reduced prices meant that physical volume remained the same or increased but the final sales were lower.
- Increased competitive activity reduced sales.
- New less expensive substitute products meant that farmers could achieve the same results by spending less money.
- Market or climatic conditions were adverse so that farmers could not afford to buy more supplies.
- Supplies were not available from manufacturers in spite of demand from farmers.
- The department was badly managed.

2) If the result had exceeded the budgeted figures of one million dollars, how might this have been explained?

- Increased sales income from higher prices, not higher volume.
- Competitive suppliers withdrew from the market.
- Favourable climate or market conditions led to unexpected demand from farmers.

- The department failed to obtain the desired supplies, and had to purchase and sell more expensive substitutes.
 - Reduced prices led to greatly increased demand from farmers.
 - The department was well managed and thus achieved better than expected results at expected prices.
- 3) Point out that divergences from budget are not necessarily the responsibility of the manager concerned, or of staff under his control. Better than budgeted results can conceal inadequate management, and worse than budgeted results may have been achieved by excellent management. Ask trainees how top management can separate the effects of factors within and outside the control of their subordinates when appraising performance against budget.
- 4) Write the following example on the chalkboard/OHP:
- 1980 diesel fuel budget for pick-up truck \$10,000.
 - 1980 actual diesel fuel expenditure \$12,000.
 - Excess cost \$2,000.

Ask trainees what additional information is needed before any judgement can be made.

- Budget/actual cost of fuel/litre.
- Budget/actual kilometres to be driven.

Allow trainees up to 15 minutes to appraise the actual performance versus the budget, given the following data:

- Budget price 50 cents per litre.
 - Actual price 60 cents per litre.
 - Budget kilometres to be driven 60,000 kilometres.
 - Actual kilometres driven 63,000 kilometres.
- 5) Go carefully through the following calculations to ensure that all trainees grasp the principles involved.

At actual price and kilometres driven, expenditure on fuel should have been 21,000 litres x 60 cents = \$12,600. Actual expenditure was \$12,000, this gives a favourable "variance" of \$600.

Ask trainees how this might have been achieved.

Effective maintenance, good driver supervision to reduce fuel consumption, etc.

Put the following example on chalkboard/OHP:

- Budgeted cost of fertilizer \$5,000.
- Actual cost of fertilizer \$6,000.

Ask trainees what additional information is needed.

- Expected cost of fertilizer \$100 per ton.
- Expected fertilizer usage 50 tons.
- Actual cost of fertilizer \$105 per ton.
- Actual usage 55 tons.

Ask trainees to work out the expected results and to analyse the causes of deviations from budget.

- Expected cost at actual price and usage \$5,775.
- Variation because of price change \$5 x 50 tons = \$250.
- Variation because of usage change 5 tons x \$55 = \$525.
- Variance for other reasons \$225.
- Total variance (\$6,000 - \$5,000) = \$1,000.

6) Ask trainees to suggest what might be the "other reasons" which accounted for \$225 of the variance:

- Fertilizer wastage.
- Excess charges for containers or transport.
- Theft or other losses.
- Poor record keeping.

Show how the foregoing analysis has separated out the proportion of the deviation from budget which was caused by factors strictly within the control of the manager.

Ask trainees whether and in what circumstances they would hold the manager responsible for the other deviations from the budget.

- Higher than budgeted usage might be good if the objective was to sell as much fertilizer as possible to members, or bad if the figure was calculated on optimum usage for a particular area.
- Higher than budgeted prices may be unavoidable but if prices are not controlled and part of the manager's job is to obtain supplies from the cheapest source this may indicate poor performance.

7) Write the following further examples on the chalkboard/OHP:

- Annual secretarial salaries budget \$7,500.
- Annual secretarial salaries actual cost is \$8,000.

Ask trainees what further information is available:

- Budgeted salary level \$5,000 per year per secretary.
- Budgeted employment one full-time secretary, one half-time secretary.
- Actual salary level \$6,000 per year per secretary.
- Actual employment one full-time secretary for 12 months, one secretary for three months.

Allow trainees up to 20 minutes to analyse the information and to suggest possible reasons for the variance.

- Expected cost at actual salary and employment
 $\$6,000 \times 14 = \$7,500$.
- Variance because of salary change $14 \times \$1,000 = \$1,250$.
- Variance because of employment change $4 \times \$5,000 = (\$1,250)$.

- Variance because of other causes \$500.
- Total variance (\$8,000 - \$7,500) = \$500.

Possible explanations:

- Overtime payments to secretaries.
- Poor record keeping.

Ask trainees how they would appraise the performance of the manager responsible for secretarial costs.

- Some measure of workload is essential: the number of staff served by secretaries, the number of comparative figures on the number of documents produced or activities undertaken, supplies or crops purchased.
- Higher than expected salaries might be caused by nationally imposed salary increases, appropriate attempts to hire better and more productive secretaries or failure to hold down salaries.
- Less than expected employment might be caused by more effective use of time, failure to recruit secretaries or general downturn in the society's activity.

8) Stress that these alternatives do not show that budgets are a waste of time. Setting budgets and analysing variances ensures that

- Staff have specific tasks to work to.
- Flows of finance can be forecast.
- Deviations from plan can quickly be identified and remedied or allowed for.
- Staff strengths and weaknesses can be more easily identified and corrected.

SESSION 3.10IDENTIFICATION AND LAYOUT OF FINANCIAL REPORTS

Objective : To enable participants to evaluate reporting procedures based on the genuine information needs of the recipient.

Time : 1 to 2 hours.

Material : Case Study "Reports and Returns".

Session Guide :

Participants should work through this problem in groups. Participants may feel that they need further details about the organisation of ARCU, and the position of the farm supplies department in this, before working out the details. They should be encouraged to make any assumptions which they think fit, so long as these are clearly stated during their presentation in the subsequent session.

Participants should be encouraged, particularly if they appear unable to grasp what they are required to do, to follow this procedure:

- 1) What are the genuine information needs of the manager of the farm supply department?
- 2) What necessary information is he not now receiving? What unnecessary information is he now receiving?
- 3) How can the necessary information be obtained most economically in terms of those who produce it, the farm supply department manager himself and the overall information system of ARCU of which these reports are to form a part?

Reports and Returns

The manager of the ARCU farmers supply department did his best to keep up with the flow of paper that crossed his desk, but he found that his "in-tray" was always overflowing and that he never had time to study even a small proportion of the reports which he was given, far from being able to take action on them.

The manager asked his secretary to prepare a list of the routine reports which he received, together with a note of the frequency and origin. This is what she found:

Report	Frequency	Origin
The sales of each district depot	Monthly	Depot managers
Operating costs of each district depot	Monthly	Depot managers and central accounts department
Accounts receivable for each district depot	Monthly	Depot accounts clerks
Transport ton/kilometres for each district depot	Weekly	Transport department
Vehicle availability statement	Weekly	Transport department
Numbers employed in each district depot	Weekly	Depot managers
Complaints received at each district depot	Quarterly	Depot managers
Items out of stock at each district depot	As occurring, summarised quarterly	Depot managers
Price changes of supplies purchased	As occurring, summarised monthly	Depot managers
Index of supplier reliability (time, quantity, quality)	Quarterly	Depot managers
Crops delivered to processing facilities	Quarterly	Process management

The manager had to submit a monthly report on his total supply operation, much of the content of which he endeavoured to gather from these

various reports which he himself received. He found the number and variety of the reports, together with the often inconsistent ways in which they were presented, to be confusing rather than informative. He was aware that his own subordinates, like he himself, found that the preparation and distribution of reports occupied what seemed to be a disproportionate amount of their time, and he wondered what would be the minimum number of reports which he would need, and how these might most economically and effectively be produced.

Assignment

- 1) What information does the farm supply department manager really need in order to do his job properly?
- 2) What information is he now receiving that he does not need, and what necessary information is lacking?
- 3) What changes should be made to the content, frequency and origin of the reports received by the manager in order to satisfy his real information needs effectively and economically?

SESSION 3.11

REPORTS AND CONTROL SYSTEMS

Objective : To enable participants to evaluate and where necessary modify reporting systems so that they and their subordinates can effectively monitor the performance of the organisations for which they are responsible.

Time : 1 to 1/2 hours.

Material : "Reports and Returns" 3.10, together with participants' suggestions for revised layouts.

Session Guide :

Participants should be encouraged during this session to move from the consideration of one individual and his information requirements, to the overall information system of ARCU, and hence to the information systems of their own organisations.

The session may be structured as follows:

- 1) Ask each group to suggest what are the genuine information needs of the manager of the farm supply department. Produce an agreed list of needs and ensure that this is as short rather than as long as possible. When in doubt ask participants what the manager will do as a result of variations in the information they suggest he should have. If they cannot answer, he probably does not need the information.

- 2) Ask participants to go through the existing list of returns and reports and to identify gaps, duplications and items of information for which the manager has no real need.

Ensure that participants appreciate that the list includes non-comparative data, and there is no mention of budgets. Ask participants how a manager can be expected to react to a figure on its own, without any standard by which to compare it.

- 3) Ask participants to consider how the items of information now identified can most economically be provided. Which can be combined with which others, how can the same report be made useful for two or more managers, can frequencies be changed in order to reduce the work load, might the likely cost of obtaining and presenting the information exceed the value which will arise from its dissemination?
- 4) Ensure that participants are aware of the concept of "management by exception". Reports should only show things which need attention and the normal satisfactory performance need not be the subject of any paperwork at all. Refer back to session 3.7: stress that managerial reports should highlight variances from budgets which arise from circumstances within the control of managers.
- 5) Draw an organogram of the farm supply department and show how the reporting system fits into this; add the organogram for the remainder of ARCU and relate the reporting requirements now identified for the farm supply department to the requirements of the whole organisation. Should any changes be made in the interests of economy or effectiveness?
- 6) Ask participants to state which information should be presented in the form of variances from budget. The following should definitely be budgeted and so presented:

- Distribution depot sales.
- Distribution depot operating costs.

Depending on the detail of the annual budgeting procedure, and the variability due to climate or other changes, the following might be budgeted:

- Accounts receivable for each depot.
- Transport ton/kilometres.
- Numbers employed.
- Crops delivered.

The remaining items on Handout 3.10 would not be the subject of budgets. Items such as vehicle availability, complaints, items out of stock and price changes need only be mentioned if they are obviously seriously at fault.

- 7) Ask participants what may be the effect of over-rigid budgets. Have they experienced the effects of these in terms of having to "juggle" funds from one account to another, or have they felt the necessity to spend money in order to justify receiving a similar budget in a succeeding year?

Clearly budgets which motivate managers to behave in this way are actually damaging the society. How can this sort of problem be avoided?

- Top managers must be aware of the quality of service and other functions. They should recognise and reward staff who achieve a good level of service for less than the sums originally budgeted.
- Budgets must be carefully set to prevent managers giving themselves easy targets.
- All managers should be aware of the need to avoid wasting money and should work together to achieve genuine good results rather than aiming for individual paper achievements. This is very much a matter of the climate of the organisation.

- 8) Ask participants to identify aspects of a co-operative union which cannot be understood clearly by receiving reports. What can an alert, experienced and sensitive manager learn from a walk through the office or processing facility than he cannot learn from pages of reports?

The farm supply manager should be supplied with the following information:

- Monthly statement of sales and costs including transport for each depot, compared with the budget and highlighting and explaining any significant variances.

- A list of all significant accounts which are overdue in the month.
- A list of important price changes and over- or out-of-stock positions.
- Any significant complaints should be referred to the manager when they are made.

He should be in close and continuous contact with depots and thus be familiar with employee changes and gross supply failures or overstocked positions without having to receive routine information about it.

promoting co-operatives

Session 4.1: How to Start a Co-operative

Session 4.2: "Selling" Co-operation

Session 4.3: How to Revive a Co-operative

SESSION 4.1

HOW TO START A CO-OPERATIVE

Objective: To enable participants to recognise conditions which are and are not conducive to the establishment of a co-operative, to suggest alternative solutions for problems of rural poverty and to design a strategy for promoting a co-operative if this is an appropriate solution.

Time: 1 to 1/2 hours.

Material: Case Study "The Basket Weavers".

Session Guide:

This session together with those on "Selling Co-operation", and "How To Revive a Co-operative" involve different aspects of problems with co-operative societies, arising from their establishment, their revival and problems of disloyalty within them. Since co-operative unions are nominally the result of primary society initiative, it is in theory the primary societies that should be concerned with problems of their Unions rather than the reverse. Nevertheless it is often the case that Unions must take action to remedy problems within their constituent primary societies, and these case studies provide opportunity for discussing the types of action that should be taken.

The case of the basket weavers may be one where a co-operative is the obvious solution. Participants should be reminded that the general manager has been asked to suggest first how the women's problems might be solved and secondly what role ARCU might play. It may be difficult for managers brought up in the co-operative sector to contemplate any other initiative in a situation of this sort. But groups should be asked to follow the following procedures when discussing this problem:

- A) What is the problem?
- B) What has caused the problem?
- C) What possible alternatives are there for solving the problem?

- D) Which alternative is the best?
- E) How should it be implemented?

This procedure is intended to prevent participants from jumping immediately to the conclusion that a weavers' co-operative is the only solution.

- 1) Ask group representatives to state briefly what they believed to be the problem in the weavers' situation, why it had occurred and what alternative solutions there were.

It is important to distinguish between reasons for the problem, such as a lack of co-operation, exploitation by the traders or the shortage of reeds, and the problem itself which is the poverty of the rural people and in particular the difficulties of the women weavers.

The possible alternatives might include:

- The establishment of a Government handicrafts corporation to buy and market the baskets.
 - The encouragement of outside traders to enter the area and compete with the monopolistic group at present in control.
 - The encouragement and financing of one or more of the basket weavers to establish a business for the supply of material and marketing the baskets.
 - Promoting a co-operative society to perform these functions.
 - Promoting a co-operative society to perform the material supply function but to leave marketing in the hands of the traders at least for the time being.
- 2) Ask groups to suggest which solution they preferred and how it should be implemented. Participants must realise that the traders are performing two valuable functions, of supplying raw materials and marketing the products. Any alternative must perform these functions, and it is more likely to do this effectively if it is competing with the existing traders rather than supplanting them because they have been driven from the region or are legally prevented from continuing.

The encouragement of alternative private sector organisations might be a preferable solution but if a co-operative is to be established the following guidelines should be followed:

- The initiative for co-operative action must come from the weavers themselves, albeit with tactful suggestions from outside.
- It is necessary to identify opinion leaders, who may not be among the weavers themselves, but who have the necessary status to propose and assist in the implementation of a co-operative enterprise.
- It may be possible to work with one or more of the traders rather than to incur their enmity and risk that they will frustrate the newly established co-operative.
- The weapon of money should be used very sparingly if at all. The weavers must be encouraged to mobilise their own resources, however meagre they are, in order to finance the collection of materials and to market their products. It may be possible to persuade some buyers to pay in advance for baskets in order to finance raw material collection.

When a co-operative is to be established, how should prospective members be persuaded to join? Co-operatives may be seen as instruments of nation building, redistribution of income or community development. In the eyes of individual farmers a co-operative must be seen as a device to increase personal income.

The Basket Weavers

After one year, the farmers of Alpha Region were already beginning to feel the benefits of the new co-operative union. The more progressive farmers were improving their cattle and attempting to grow better cotton, and a new air of optimism was beginning to be felt. Agriculture alone, however, could not employ everybody, and the problems of the landless, or those who needed more income than their land afforded them, were as yet untouched.

About 1,000 women in the region, mainly in five villages of Gamma District, rely on basket making for the bulk of their income. The district is very dry, and most of the men live in the city in order to obtain work. Their remittances home are meagre and irregular, and their wives must often support their whole families for much of the year themselves.

The baskets of Gamma District have always been famous for their strength and good design, and they command a ready sale in many parts of the country. Tourists have brought samples home and foreign buyers are beginning to show some interest as well. Sustained export sales will depend however on design changes, elimination of insects from the reeds, and, above all, a reliably consistent source of supply.

As the hills above Gamma District have progressively lost their forest cover, the district has become drier and many streams which used to run all year now hold water only after rain. Apart from the serious effects this has on agriculture, and thus on the productivity of farms, the reeds from which the baskets are made grow along the banks of permanent streams; the recurrent droughts, and overgrazing by goats and cattle, mean that reeds that used to be easily available near every village now have to be cut and transported a great distance, from other districts and from other people's land.

As a result of this the women of Gamma District are unable to collect their own materials. When this problem first occurred a number of women in one village would sometimes collect together enough money to pay for one of their number to hire a donkey and to cut the reeds for all of them, but there were disputes about how this one person's work

should be reimbursed and as it became necessary to travel even further, and to use vehicles, individual entrepreneurs gradually took over the task.

The women could not afford to pay for the collection and cutting of the reeds before they used them, and a system was evolved whereby the businessmen (or women) would advance sufficient reeds for approximately a week's work, free of charge, on the condition that the woman in question would sell her baskets back to the same person, who would deduct the cost of the reeds before paying for them.

Problems soon arose because dishonest women took their baskets to other traders. A number of less efficient traders went out of business, and by the time ARCU was established there were only five traders supplying reeds and buying the completed baskets in the whole of Gamma District. The traders were related to each other by blood or marriage, and they maintained a similar price level and ensured that the women sold their work to the same trader who had advanced them the materials. Apart from purely local sales, all the baskets were sold through these five traders. The price difference between the cost of the reeds and the value of the completed basket was substantially reduced in real terms over the years, but the traders claimed that this was inevitable because of competition from plastic and other modern materials. It was very difficult for women to travel outside the district to check on prices, and those who attempted to do this found that the traders were not so willing to do business with them in the future.

The traders sold their baskets to markets throughout the country, and to the few export buyers who managed to get to Gamma Region. These buyers sometimes asked for design changes or other improvements such as advance dipping of all reeds to kill insects, but the traders said that they had enough problems with the women without asking for more.

Some of the women complained to their local MP that they were being exploited by the traders. Since the ARCU was apparently having favourable impact on the farming sector of Alpha Region, the registrar of cooperative societies asked the general manager of ARCU to suggest how the women's problem might be solved, and what role the ARCU might play?

Assignment

Imagine yourself to be the general manager of ARCU. What would you recommend?

When you discuss the problem, follow this procedure:

1. What is the problem?
2. What has caused the problem?
3. What possible alternatives are there for solving the problem?
4. Which alternative is the best?
5. How should it be implemented?

SESSION 4.2

"SELLING" CO-OPERATION

Objective : To enable participants to recognise the validity of arguments against co-operatives and effectively to "sell" co-operation to farmers on the basis of their own self-interest.

Time : 1 to 2 hours.

Material : Case Study "The Independent Farmers of Zeta District".

Session Guide :

This material should be used as the basis for a role play in which two or three representatives of ARCU present the case for co-operation to a similar number of independently minded farmers, who are willing to be persuaded if they feel that co-operation is in their financial interest.

The session should be structured as follows:

- 1) Using existing groups, or on some other basis, break the group up into sub-groups of about five or six members each.
- 2) Give three members of each group copies of the ARCU Staff Brief and the remaining members copies of the Zeta District Farmer's Brief. If possible those who are blindly adherent to the principles of co-operation should be asked to play the farmer's role while those who are perhaps more sceptical should play the role of ARCU managers.
- 3) Do not allow either side to see the other's briefs, and ask each group of two or three to decide on the strategy for the forthcoming meeting: allow five or ten minutes for this.
- 4) Allocate separate rooms, or different parts of the same large room, for the actual meetings and allow up to 30 minutes for each simulated meeting to take place.

- 5) Ask each group of ARCU staff to decide what they feel they achieved during the meeting, and ask Zeta farmer groups to note down ways in which their beliefs were changed.

- 6) Ask the negotiating groups to come together once again and to discuss the way in which their meetings proceeded. How could the ARCU staff have improved their presentation in order to "sell" the principle of co-operation more effectively to the independent farmers?

- 7) Representatives of groups should be asked to describe the meetings and to outline the strategy adopted by the ARCU staff members. An appropriate plan for such a meeting might be as follows:
 - a) Attempt to find out what problems are of concern to the Zeta farmers.
 - b) Ask the farmers themselves to suggest how they believe they could overcome these problems.
 - c) Welcome whatever suggestions they make and show how these could more effectively be implemented through a formal association.
 - d) Show farmers the likely financial effect of the benefits which can be received by working through a co-operative society.
 - e) Ask farmers themselves to suggest what should be done next.

The key is that the initiative must come from the members themselves. They know what needs to be done and if they have suggested it, they will ensure that it is done.

The Independent Farmers Of Zeta DistrictARCU Staff Brief

The success of the ARCU clearly depended to a great extent on the success of the primary societies in Alpha Region. The converse was also true, and whenever possible the registrar's department attempted to involve staff of ARCU in their attempts to generate or revive co-operative societies in the region.

The people of Zeta District were well-known for their energy, initiative and independence. Many of them ran businesses in other parts of the region, or elsewhere in the country, and some of the most successful farmers in Alpha Region were to be found in Zeta District. The registrar felt that if a viable co-operative society could be developed in Zeta District, this would be valuable in its own right and would also add as an example to the rest of the region.

Previous attempt to start a farmers society in Zeta District had never been successful, but the registrar suggested to the general manager of ARCU that now might be the occasion to try once more. Generalised appeals to community spirit or nation building were of less interest to these farmers than things which would earn them more money. Now the ARCU was operating a cotton ginnery, an abattoir and a creamery, and was providing farm inputs from a district depot convenient to Zeta, the farmers might be persuaded to set up a co-operative in order to take advantage of these new services.

The general manager invited a delegation of prominent farmers from Zeta District to visit the new headquarters of ARCU. He suggested to the manager for the farm supply department, the creamery, the ginnery and the credit department that they might join him in a free-ranging discussion whose objective would be to persuade the farmers, who were known to be influential in Zeta District, to support a proposed new farmers society.

The potential benefits which might be offered by ARCU included:

- Farm supplies were about 5% less expensive from ARCU than those available in local privately owned retail shops.

- The abattoir paid about 10% more per beast, and also collected cattle free of charge if local farmers were able to assemble a minimum of 50 cattle at a convenient collection point. Their demand for cattle was steady throughout the year, unlike the local butcheries whose needs were very sporadic.
- The creamery paid about 15% more per litre of milk than was available on the local market, and here again the milk was collected from small farmers if societies were able to assemble a minimum of five churns at a single collection point.
- The only alternative outlet for cotton was outside the region. The ARCU ginnery paid market prices, and could handle whatever farmers chose to bring.
- Credit in kind was available to members of a bona fide societies through the farm supply service. Debts were painlessly repaid by deduction from crop or cattle receipts.
- ARCU was planning to organise farmer training sessions for society members.
- The progressive and successful farmers of Zeta District could expect to play an important role in directing the affairs of ARCU, if they formed a society which held capital in the Union.

The Independent Farmers of Zeta DistrictZeta District Farmer's Brief

You have always been proud of your origin from the Zeta District of Alpha Region. Farmers from this district are energetic and independent, and they believe that they can solve their own problems and take care of their own future without help from anyone else.

Attempts have been made in the past to establish co-operatives in the district, but these have never succeeded. You believe that people should take care of themselves, and that farm services, like farmers, should stand or fall on the qualities of their management, not because of any form of official protection or monopoly.

You have heard a great deal about ARCU, the new Co-operative Union established in the region a year ago, and you have been rather impressed at the speed and apparent efficiency with which the Union has started to operate a farm supply service, a creamery, a ginny and an abattoir. You presently buy all your farm supplies, and sell your produce, to private traders in the district or occasionally outside. While you are intrigued by the new ARCU, and would like to know more about its activities, you feel very strongly that your present way of buying supplies and selling your produce is the best. Your reasons for this belief include the following among others:

- Previous attempts to operate co-operative societies in the region have never really succeeded, and many farmers have lost large sums of money in the process; you see no reason why the new venture should succeed when so many others have failed.
- You and the other farmers of Zeta District, are generally more successful than others in the region. You feel you are capable of making your own independent decisions on when and how to buy and sell your produce, and you are unwilling to commit yourself to any one organisation, particularly one whose services may be geared to less efficient farmers than yourself.
- You have heard stories about delayed payments, dishonest receiving clerks and over-stringent quality standards adopted by the new Union when receiving farm produce or animals.

- You are generally sceptical of enterprises which you believe to be sponsored by the Government. You believe that much of the finance, and management, of the new Union has come from the Government, and this does not inspire confidence.
- You are a great believer in competition. Your district for instance enjoys an efficient local tractor hire service because three operators hire out tractors, and as a result their prices are competitive and service is good. You mistrust any form of monopoly.
- You have heard that it takes a long time to obtain credit from official sources, and that co-operative officers feel that if you have borrowed money they are entitled to inspect your farm to ensure that you are using it as you stated you would when you applied for the loan. You would rather borrow what you need quietly from a local money-lender, and be free to use the money as you think fit.
- Traders from outside the region visit Zeta District from time to time in order to buy cotton and cattle. By hard bargaining it is sometimes possible to obtain higher prices than those which you suppose are given by the Union. They pay in cash without any complicated deductions or later payments and you prefer this method of doing business.

Assignment :

The general manager of ARCU has asked you and a few other prominent farmers from Zeta District to meet him and the managers of the ARCU ginnery, creamery and farm supply and credit departments for a general discussion. You are doubtful as to whether ARCU can do anything for you, but you are sufficiently interested to be willing to meet with them.

SESSION 4.3HOW TO REVIVE A CO-OPERATIVE

Objective: To enable participants to recognise problems arising from apathy and to design strategies for reviving moribund societies.

Time: 1 to 2 hours.

Material: Case Study "The Theta Society".

Session Guide:

- 1) This account of a society which totally failed to achieve its objectives and is presently serving the interests only of a small number of the wealthier farmers, may be exaggerated but is quite common. It is easy to criticise the errors made by those who promote the formation of the society in the first place, but less easy to decide what should be done about it.

Participants should be asked in their groups to approach the problem along the following lines:

- A) What is actually going on in the society: is anyone benefiting and is anyone actually worse off than before?
- B) When the society was originally promoted what mistakes were made which have contributed towards the present difficulties and how might the society have been more effectively promoted in the first place?
- C) What alternatives are now available for solving the problem as it stands?
- D) Which of these alternatives is the best and why?
- E) How should this solution actually be implemented?

This case study has important legal implications. Regulations covering the recovery of debts and Government's power to take over or control co-operative societies will affect participants' conclusions. The instructor should ensure that he is familiar with and able to advise groups on these aspects.

2) The problem of apathy and exploitation in the Theta Society may be discussed as follows:

- Ask participants to diagnose the existing situation. The society is operating, and probably could be viable. The problem is that only a few people are benefitting and they are in the process exploiting both the source of funds and the poorer farmers of the district.
- The original promoters relied too heavily on the larger farmers at the beginning. A greater attempt should have been made to involve the majority and if they appeared unlikely to join, it might have been better to wait rather than to promote a society which resulted in the present situation.

3) Possible alternative solutions to be implemented now include the following:

- Do nothing and allow the society to dwindle away before trying to start a replacement.
- Press for repayment, taking legal sanctions where necessary, and once recovery of whatever can be recovered is complete attempt to reinstate the society on the basis of disqualification for members who have defaulted.
- Attempt to promote a totally new society, under a different name, to involve the poorer farmers and to compete with the existing society. (This may not be legal in some countries.)
- Through tactful consultation and persuasion, encourage a larger number of farmers to come to an annual general meeting. Attempt to replace at least some of the committee and to guide the reorientation of the society.

It is difficult to select one or other of these, but in the interests of justice and the commercial reputation of ARCU it is probably advisable to use every legal means to obtain payment from the farmers who have had loans, if necessary to force the society into liquidation and then to re-establish it using the initiative of poorer farmers whose position has not been prejudiced by failure to repay loans.

The Theta Society

The Theta District was one of the poorest parts of Alpha Region. The farmers there had for many years been exploited by local and alien traders, so that they received even less return from their meagre holdings of generally unfertile land than if they had been able to buy supplies and market their crops more profitably.

In the circumstances the registrar's department had concluded that Theta District deserved high priority for co-operative development. Some three years before ARCU was started, the regional co-operative officer managed to persuade three of the local leaders in Theta District, who also had bigger land holdings than the majority, to help in the organisation of the Theta District Farmers Co-operative Society (TDFCS). At first, everything had gone well. A committee was formed, consisting of the three leaders and two other larger farmers, and they appointed as manager a young man from the district who had worked for the co-operative department in the city for some years and had received extensive training in co-operative management. The society reported that it had reached 100 members, and submitted a list of their names, and a loan was negotiated for building a local rice mill. A few members borrowed fairly large sums of money from the co-operative bank, through the society, both for seasonal purposes and for machinery and land improvement, and the society seemed well set for a successful future.

After eighteen months had gone by, however, the situation had seriously deteriorated; very little of the outstanding debt had been repaid, and the society had failed to submit any accounts since its inception. When the co-operative officer visited the society he found that the mill was operating satisfactorily; the manager was rarely to be found, and only promised that he would have completed the accounts "next month".

Finally the co-operative officer attempted to find out what was really happening by himself visiting some of the farmers who were said to have borrowed money. One or two, who farmed larger than average holdings, referred the officer to the manager and claimed that drought or other natural causes prevented them from repaying their loans.

Their farms appeared to be operating normally, and to be more prosperous than before. Other farmers denied that they had ever received a loan, and complained that they were still waiting for payment for paddy which they had delivered to the society's mill three months before. One man said that he was now forced to sell paddy, at very low prices, to one of the committee members, since only in this way could he obtain cash to meet his family's needs.

The situation continued more or less without change, but when ARCU was started it was obviously important to revive the Theta Society; the problem was how was this to be done? The Union took over the society's debts, on the understanding that when they were collected the society's subscription to the Union would be paid for, but the ARCU representative had no better success than the co-operative officer when he tried to establish contact with the manager. Committee members professed enthusiasm for ARCU, and in particular for the credit scheme whereby they could obtain credit in kind from the farm supply depot, but it still proved impossible to obtain up-to-date accounts or any list of members other than the original list of 100 farmers, many of whom had died, left the district, or if they could be contacted, seemed to be totally disillusioned with the whole idea of co-operation.

If ARCU was to be able to serve the farmers of Theta District, it would have to work through a viable local society. Should they attempt to revive the TDFCS, or to start again, and in either case how should it be done?

Assignment :

Discuss the problems along the following lines:

- 1) What is actually going on in the society? Is anyone benefitting, and is anyone actually worse off than before?
- 2) When the society was originally promoted what mistakes were made which have contributed towards the present difficulties and how might the society have been more effectively promoted in the first place?
- 3) What alternatives are now available for solving the problem as it stands?
- 4) Which of these alternatives is the best and why?
- 5) How should this solution actually be implemented?

dealing with "others"

Session 5.1: The Manager and His Committee

Session 5.2: Committee Pressure

Session 5.3: "Selling" to the Committee

Session 5.4: Co-ordination with Other Organizations

Session 5.5: Co-ordination Problems

Session 5.6: The Role of Government

Session 5.7: Drafting of a Job Description for the Government and the Co-operative Sector

SESSION 5.1THE MANAGER AND HIS COMMITTEE

Objective : To enable participants to distinguish clearly between the responsibilities and authority of the committee and the manager of a co-operative union.

Time : 1 to 2 hours.

Material : Micro Cases: these brief descriptions should if possible be written on OHP or flipcharts. If this is not possible the handouts should be cut into pieces so that trainees only have one part at a time. Co-operative regulations differ from one country to another. It is important to discuss the situations described in the micro cases with someone who knows the law and local procedures, so that the correct local rulings can be obtained.

Session Guide :

- 1) Distribute the first micro case and allow trainees up to five minutes to decide on their answer.
 - Normally the proceedings of each item of the agenda of an AGM are written, approved and signed by the chairman of the meeting before proceeding to the next item. In this case, however, this procedure was not followed and hence the problem.
 - Neither the committee nor the manager can alter the proceedings of an AGM. The AGM alone enjoys the right to do so. This would clearly be an expensive, time-consuming and irritating procedure. In this situation the manager may suggest to refer the issue to the chairman of the AGM for his opinion, which may then be accepted.
 - To avoid occurrence of a similar situation in the future, the manager must ensure that proceedings of meetings of all important organs /committees of the society are taken by somebody who

appreciates the need for precision and who is not afraid to ask for clarification during the meeting itself, if he is not sure. Briefing of the chairman and insistence on immediate seconding of proceedings will help the manager a great deal.

2) Distribute the second micro case, and allow five minutes for trainees to study it.

- The reinstatement of the labourer by the committee is well within the right of the committee. But by doing so and not asking the manager to review his decision in the light of the information they may have come to the knowledge of the committee, the committee has no doubt gravely undermined the position of the manager.
- To avoid occurrence of similar situations in the future, the manager must try to secure an agreement, preferably through a formal resolution, on the demarcation of function, duties and powers between the committee and the manager.
- Since cases involving major decision making (like the dismissal of an employee) tend to have wider repercussions, some of the committee members expect to be taken into confidence beforehand. The manager should keep the chairman and other active members informally informed. This is particularly important till the manager enjoys full confidence of the committee and can depend on the committee's unstinted support.

3) Distribute the third micro case, and allow five minutes for trainees to study it.

- Such situations generally arise when functions and authority of the manager are undefined or when there is a lack of confidence or trust in the ability of the manager within the committee.
- To avoid occurrence of such situations, the manager must try to persuade the committee to delegate adequate authority in him to make purchases in critical situations.
- The manager must also try to persuade the committee to only lay down broad policies and leave their implementation to himself. Rigidity in framing resolutions or their interpretation need to

be avoided. The manager should realise that rigid rules or resolutions framed by the committee would be bound to cause trouble and should therefore ensure that his own freedom to manage is not compromised.

4) Distribute the fourth micro case.

The situation here too is almost similar to the case faced in micro-case 3.

- The manager must explain to the committee that he had taken the best decision in the then prevailing circumstances and on the basis of information available to him at that time. Any change in his decision at this stage will result in loss of credibility of the manager and the society, including the committee. In the long run it will cause more damage than the small gain which the society stands to make by reversing his decision. The manager must, however, ensure that he presents his viewpoints without hurting the feelings of the committee member, who brought the offer from another merchant.

5) Distribute the fifth micro case.

- In a co-operative society, the manager must act cautiously in areas touching members' welfare, members' economy and members' services. He should realise that the committee is a democratically elected body and its actions and decisions in these areas are not always based on purely economic considerations.
- The manager should not have taken the decision to deny members of the benefit of a service which they had been enjoying without detailed explanation to the committee and without securing its prior approval, even when the justification of his decision was obvious and its effect in the co-operative positive. Committees in such situations tend to be swayed by "political" considerations.
- In such situations the manager must prepare and present a detailed case to the committee before proceeding.

- 6) Ask trainees to suggest what basic problems underlie all these disagreements.

Stress that ignorance of procedures and regulations is only one aspect and not necessarily the most important one.

- The committees and the managers were not working together, for common objectives. The problems arose because the committee was not fully informed about or in agreement with the manager's policies.

Ask trainees whether they have such problems with their committees. How can they be overcome?

- Trainees may refer to steps which compel the committee to work with the manager, such as:
 - appeal to the terms and conditions of the manager's appointment;
 - appeal to the Government or the registrar's department.

- 7) Stress that appeals of this sort are a symptom of failure. Ask whose failure.

- A co-operative manager should consider that working with his committee is an important part of his job. If they do not support him he should consider it his own fault and not theirs.
- A co-operative manager is appointed and controlled by the committee and must carry out their wishes.
- A co-operative manager must also be able to influence his committee's opinions, not by threats or appeals to outsiders but by other means.

- 8) Ask trainees how they can influence their committees to support policies which they as managers know to be in the interest of members.

- By involving the committee in every stage of decision making and implementation.

- By communicating with the committee in writing and at meetings, in a way that is appropriate for their level of education and the time they have to devote to the co-operative's affairs.
 - By tactfully encouraging and promoting training for committee members, if possible jointly with managers such as himself.
 - By "selling" their recommendations to their committees in such a way that the committee members believe that the ideas were originally their own.
- 9) Remind trainees that if this training course fails to help them to improve their performance, it will be the instructor's and the organisers' fault, not the trainees' fault.

Similarly they themselves must look to their own management methods when they feel frustrated or thwarted by an obstructive committee. It is far easier and more comfortable to blame other people's behaviour, but far less likely to result in change and improvement.

The Manager and his Committee - Micro Cases

For each of the following situations, decide who was right and how the disagreement might have been avoided.

- 1) The draft minutes of the Annual General Meeting of a co-operative society were not clear. The committee argued that the meeting had agreed that the society should spend \$10,000 on member education including foreign tours of the members of the managing committee, while the manager said they had agreed to borrow up to \$10,000. After some argument, the committee overruled the manager and re-wrote the minutes accordingly. The manager complained and argued that since he had made the original record he should decide what the minutes should say.
- 2) The manager of a co-operative society had warned all the warehouse staff about the danger of smoking in the warehouse, and had said that if anyone was caught he would be dismissed. Sometime later he discovered a warehouse labourer smoking in a corner of the warehouse. This man had worked loyally for the society for many years but the manager felt that no exception could be made and after necessary enquiry and following the legal procedure dismissed the man. The labourer appealed to the committee, who overruled the manager and reinstated the labourer. The manager complained that by doing so they had gravely undermined his position.
- 3) The committee of a co-operative society decided that in the interests of co-operative solidarity they should only buy seed from a co-operative supplier. Some months later there was a sudden unexpected demand for a particular type of seed. The approved co-operative supplier could only offer a limited quantity and the manager decided to purchase from a private source in order to satisfy members' needs. He was severely reprimanded by the committee, but complained that he was only trying to satisfy the members.
- 4) The manager of a co-operative society agreed verbally to sell ten tons of produce to a particular merchant. The following day there was a committee meeting and one of the members produced a written offer from another merchant offering a better price. The committee

declared that the previous agreement was void, and told the manager to sell the produce for the better price. He accepted but was very disappointed because the committee did not respect his commitments and put him in a very embarrassing situation.

- 5) The manager of a co-operative society decided in the interests of economy that members should bring their produce to the tarmac road for loading on to the society's lorry. Members complained to the committee and they overruled the manager's instructions. They told him to instruct the lorry driver to go to members' farms to pick up the produce. The manager complained that the committee should not interfere but they insisted.

SESSION 5.2COMMITTEE PRESSURE

Objective: To enable participants to deal with non-co-operative pressures from their committees.

Time: 1 1/2 to 2 hours.

Material: Role Play Briefs 1A, 1B and 1C. These should be given to suitable trainees well before the session. One trainee should have 1A, one should have 1C and four should have 1B. The selected trainees must not discuss the contents of their briefs with the others and it is particularly important that 1C should be given to an articulate, confident and experienced trainee who will respond positively to criticism of his own performance. If available, a tape recorder.

Session Guide:

- 1) Ask trainees to state why people are willing to serve on co-operative committees. A "proper" answer might be:

"To help the community, and thus themselves, by using their skill and reputation to promote and manage community enterprise."

Point out that it is perfectly legitimate and desirable that committee members should themselves gain by their membership of the committee:

- All members gain if a society is well managed.
- The more enterprising and successful the members are, the more likely it is that they will serve on the committee and the more likely it is that they will gain more than most other members.

- 2) Ask trainees to suggest other motives which may lead people to serve on a co-operative committee:

- They wish to organise the co-operative in such a way that a small group benefits at the expense of the majority of members.
 - They wish to gain political influence by rewarding people who will vote for them.
 - They wish to manipulate the co-operative's purchasing arrangements so that firms with which they are associated obtain more business.
 - They wish to get jobs in the society for their relatives.
 - They wish to earn money from attendance fees.
- 3) Arrange the table and chairs at the front of the room to represent a co-operative committee room. Ask trainees allocated roles 1A, 1B and 1C to take their places at the table, and distribute all three briefs to the rest of the group. While the "actors" are taking their places, ask the others to read through the briefs, and ask each one to consider how he would deal with the situation if he were the manager.
- 4) Ask the chairman to start the meeting. Stress to him and all the actors that they should do their very best to reach a decision at the meeting. Allow up to 30 minutes for discussion and ensure that the observers do not interrupt and that they take notes on the progress of the meeting, observing particularly when critical moves are made by the manager, and with what effect. If a tape recorder is available, it may be useful to record the proceedings so that parts may be played back afterwards.
- 5) Ask the manager to comment on his own performance. What was his plan, when did he feel he went right or wrong, and how satisfied was he with the outcome?

Ask the chairman to comment on the way the manager attempted to steer the committee towards his viewpoint. If the manager was successful, how was his success achieved, and if not, how else might he have approached the problem?

Ask the committee members to comment. Did the manager show them how they could benefit from Peter's appointment, and did they feel

involved in the decision, or did they feel that they were merely observers who were being pressured by either side?

- 6) Ask the observers to add their comments on the manager's performance. Ensure that they back up criticism with statements of how they themselves would have handled the situation, but nevertheless encourage positive and frank criticism.

The manager could attempt to work by confrontation, threatening to resign or using similar tactics. He should preferably use a selection of the following approaches:

- Appeal to members' pride in a well-managed co-operative. Refer to the present delays in submitting accounts and stress the damage that this does to the society and the community as a whole.
- Show how improved accounts systems would benefit members, and could enhance the committee's reputation and authority.
- Refer to previous difficulties arising from poor records. Ask the members to suggest how these could be avoided in future.
- Avoid "running down" John, but remind participants of the short term nature of political appointments, and of the difficulty of correcting mistaken appointments.
- Give examples of how the committee, and the chairman, could work with the manager to organise the society better if they had more useful information.
- Avoid the appearance of setting the other members against the chairman, but flatter them by inviting their comments on the present situation, and their views on what would happen to the records of the society if John, or Peter, were to be employed.
- Ensure that the whole committee is included in the discussion, and ask members to respond to questions which the chairman puts to the manager.
- The manager should rather attempt to make the committee members understand the difficulty of managing people without being able to select them.

- 7) Ask trainees to relate this problem to their own experience. How have they fared on similar occasions, what suggestions have they for others and what have they learned from this simulation?

Role Play Brief IA : The Chairman

You are the chairman of the Zeta Co-operative Society and you are about to preside at a meeting of the committee which is to discuss the appointment of the new accounts assistant. He is to replace a man who recently retired on reaching sixty.

The local MP is assistant minister for co-operatives, and he can undoubtedly influence the co-operative bank and other agencies in favour of your society in allocating loans, granting monopolies and so on. This MP's nephew John has applied for the accounts assistant's job. He has been unemployed since he left Form 4 two years ago, with very poor marks in his exams, but he seems fairly intelligent, if not particularly highly motivated or enthusiastic.

The MP mentioned to you a few weeks ago that his nephew was going to apply for the job. He did not ask you outright to try to ensure that he was appointed, but implied that he would be grateful if you would support his application.

Only one other serious candidate, Peter has applied. He is the son of a landless labourer who completed Form 4 three years ago and has been working in the city as an accounts clerk for a wholesaler since then. His father recently died and Peter wishes to find a job in the village so that he can help his mother and his younger brothers and sisters.

You recently interviewed the two candidates together with the manager; John was not very keen but seemed quite familiar with the affairs of the Ministry and Government in the capital. It was clear that he would fit in easily to the accounts department and would perform routine tasks adequately enough with some supervision.

Peter was very different. He was almost aggressively eager for the position, and some of his answers suggested that he might try to introduce changes in the society's procedures, which he clearly had no right to do.

You prefer John's type, but in any case, there is no question in your mind that the MP would be very disappointed if not annoyed if his nephew is not appointed, and that the society will suffer as a result.

You propose to recommend that John should be appointed; you are confident that the committee will support you. You are not sure what the manager will do since you had no opportunity to talk to him after the interview. It is clear to you that this is a matter of great importance and that the committee has to have the last word.

The accounts of the society are already even further behind than usual, and the registrar's office has made it clear that the accounts assistant's position must be filled as a result of this meeting. A decision must therefore be reached.

Role Play Brief 1B : Zeta Society Committee Member

You are a committee member of the Zeta Co-operative Society. You are about to attend a meeting at which you believe the main subject will be the appointment of a new accounts assistant. You are not sure who has applied for the vacancy, but you suppose that the chairman will have a favoured candidate. You usually agree with the chairman, because he is a powerful man in the village and has often been proved right in the past.

You mistrust book learning, and believe that whom you know is more important than what you know.

You respect the society's manager for his intelligence and ability, but you think he is rather young and naive. He has made some major improvements to the society in the 18 months since he was appointed and some of these were originally resisted by the chairman.

The manager often disagrees with the chairman, and if you are forced openly to support one or the other you feel that you owe more loyalty to the chairman. On some previous occasions, however, the manager has successfully persuaded you to support his point of view by making you feel that his ideas were originally yours. In retrospect, you realise that he manipulated you, but you also realise that he was right and so you agree with what he did.

Role Play Brief 1C : The Manager

You are the manager of the Zeta Co-operative Society and you are about to attend a meeting to discuss the appointment of a new accounts assistant.

It has always been your understanding that in staff decisions your views would be respected. This is the most important appointment to be made since your own, eighteen months ago, and you presume that the chairman has decided to discuss the matter in a committee meeting in order to formalise the appointment.

The local MP is assistant minister for co-operatives, and he can undoubtedly influence the co-operative bank and other agencies in favour of your society in allocating loans and so on. This man's nephew John has applied for the accounts assistant's position. He has been unemployed since he left school at Form 4 two years ago with very poor exam results, but he seems fairly intelligent if not particularly highly motivated or enthusiastic.

Only one other serious candidate, Peter has applied. He is the son of a landless labourer who completed Form 4 some three years ago and has since been working in the city as an accounts clerk for a large wholesale firm. Peter's father recently died and he wished to find a job in the village so that he can help his mother and his younger brothers and sisters.

You recently interviewed the two candidates together with the chairman; John was not very keen but seemed at least superficially very familiar with what was going on in the capital city. It was clear that he would fit in perhaps all too easily to the existing accounts routine and would perform the normal tasks fairly well so long as he was supervised. Peter was very different. He was extremely eager for the position and he implied that he might attempt to introduce some new methods which in your opinion are very badly needed.

You are very anxious that Peter should be appointed. You are ultimately responsible for the accounts but in the 18 months you have been with the society you have been unable to obtain any useful figures because the previous clerk was totally incompetent.

You knew that he was due to leave this year and you have waited for this opportunity to make a real improvement to the society's accounts, and its whole management, by putting all the record keeping and accounting systems right.

You have made many improvements to the society since you joined, based on common sense and observations. You are sure that with the benefit of good management accounts you would be able to double the society's surplus within two years and also to obtain loans through the co-operative bank which have hitherto been refused because of inadequate information.

You feel that John would be content to allow the present chaotic conditions to continue, and would also probably resist any attempts you made to improve matters by bringing pressure to bear on the committee through his uncle. Peter will undoubtedly respond to your leadership and you look forward to working with him. You are not sure what the chairman feels, since you were unable to talk to him after the interviews. You suspect that he will be impressed by Peter's eagerness but also by John's high-level connections, but you hope to show him, and the rest of the committee, the benefits that all will gain from improved accounting.

The accounts of the society are already even further behind than usual and the registrar's office has made it clear that the accounts assistant's position must be filled as a result of this meeting. A decision must therefore be made.

SESSION 5.3

"SELLING" TO THE COMMITTEE

Objective : To enable participants effectively to present proposals to their committees.

Time : 1 1/2 to 2 hours.

Material : Managers' and Committee Members' Briefs. The Managers' Briefs must be given to three or four carefully selected trainees well in advance of the session to allow them time to prepare an effective presentation. Flipcharts, blank OHP transparencies or other aids should be made available to them as appropriate.

Session Guide :

- 1) Ask trainees to recount examples of their own failures to persuade their committees to approve their proposals. Ask them to suggest reasons for this failure. In spite of Session 5.1 trainees will probably refer to faults of their committees, such as:
 - Inability to understand financial data.
 - Short-sighted view of the future.
 - Self-interest overweighs the needs of membership or society at large.
 - Excessive caution and lack of confidence in the manager's ability.
 - Illegitimate influence from outside sources.

- 2) Remind trainees that even if all their criticisms of their committees are true, they must nevertheless work with them and this is a fundamental part of their job.
 - Some farmers blame their land, disease or drought for their failure to obtain good yields.

- Other farmers work hard to overcome natural difficulties and achieve good yields in spite of difficult conditions.

In the same way a good co-operative manager is one who can achieve good results in spite of difficulties of working with and through a typical committee.

3) Ask trainees what motives of the committee members they should consider when presenting proposals to their committees:

- Their need to be appreciated by the community as good leaders.
- Their need to earn more money themselves through better services from the society.
- Their fear of exposing their own ignorance and possible lack of education.
- Their desire to save time since most are likely to have many other interests.
- Their fear of making mistakes which will discredit them more than inaction will.

How can proposals be presented in order to satisfy these needs?

- The proposal must be simply presented, in layman's language.
- The proposal must be brief and cover only those items of interest to the committee.
- The proposal should demonstrate clearly its benefit to members, so that the committee can see it will benefit them personally.

The following are typical mistakes which may be made by the manager and his deputy and should be brought to the attention of trainees:

- The use of jargon such as "rate of return", "sensitivity" or "probability".
- Lengthy description of technical features with no direct bearing on the decision.
- No clear introduction or final summary.

- Failure to state exactly what decision is required at this stage.
- Too much time is spent on presentation with little opportunity for questions.
- Uncertainty or errors in calculations.
- Failure to bring out the key points which may be submerged in a mass of other data.
- Refusal to listen to or to admit the reasonableness of contrary opinions.
- A patronising tone implying that members are really too ignorant to make the decision on their own.

Good points to recall might be as follows:

- A clear brief initial introduction and final summary.
 - Clear separation and presentation of the amount to be invested and the anticipated net return to be earned as a result.
 - A brief description of what will happen if alternatives are adopted such as doing nothing.
 - A clear sequence so that members know exactly what stage of the proposal is being presented at all times.
 - Frank identification of uncertain items and estimates of the effect of worse than expected results.
 - Clear, simple, legible presentation.
 - The proposal should show how the committee, rather than just the manager's reputation, will gain if it is implemented.
 - The proposal must show what the worst likely outcome is.
- 4) Select two trainees who will act as manager and deputy manager of ARCU and give them both the manager's role play brief (preferably the evening before the session takes place). Inform them that they should prepare AV aids for their presentation. They should decide how to divide the presentation among themselves. Distribute the Committee Members' Brief to the remaining trainees. Allow them 15 minutes to read the brief.

Select five trainees from this group to act as the committee. The rest of the group will be observers. Both observers and committee should decide how they will evaluate the forthcoming presentation. Let the role play take place.

- 5) After the presentation has been made, discuss with references to the guidelines suggested in "3)" above. Point out that a formal presentation is a very useful way of initiating discussion and covering the necessary ground, even to a group of two or three people.
- 6) Confirm the guidelines already given, by referring to the strong and weak points in the presentation just made.
- 7) Stress the importance of effective and constructive answers to objections and questions.

Compare the following answers to possible questions or objections:

Question: "But what is it actually going to cost?"

Answer A: "Can't you see, it is just working capital requirement, since the initial purchase price will be funded by the bank and we shall be repaying the loan plus interest payments on the declining balance."

Answer B: "We shall borrow a total of \$60,000 from the co-operative bank to pay for the station. We shall repay this at a rate of \$15,000 a year for five years. This is \$5,000 a year less than the additional income I expect we shall earn. The garage should therefore pay for itself."

Question: "Will it all actually work out the way you say it will?"

Answer A: "Of course it will, it should be clear enough."

Answer B: "I am confident that it will. Just what parts of the proposal do you think might not work as I have said?"

Question: "What's in it for members, that's what I want to know?"

Answer A: "Surely it's obvious. If the society grows, everyone benefits."

Answer B: "The average member should benefit by about \$10 a year, either by patronage refund on his own fuel purchases or lower prices for tractor hire or transport as a result of the refund paid for co-operative fuel purchases. Some larger scale farming members will benefit by \$100 or more in a year and after five years all the debt will be paid off and members will benefit to the extent of the total surplus which is four times the amounts I've just mentioned."

Question: "That's all very well, but what if things go wrong?"

Answer A: "They won't, I've taken advice from all the experts, and I know it'll work out just the way I say it will."

Answer B: "Nothing is certain, but even if it costs 20% more to run the station than it does at the moment and members use 10% less fuel than they do now, we shall still be able to repay the loan and be no worse off."

Question: "Aren't there better things we can do with the money?"

Answer A: "There are no other projects with a higher rate of return which might be undertaken by the society at this time."

Answer B: "We shall be borrowing money on the security of the petrol station. We do not have \$60,000 or anything like it at the moment, but the surplus we earn from it will enable us to borrow more money to pay for other improvements to our services to members which we cannot carry out now because we have no security for a loan."

Manager's Role Play Brief : The Petrol Station Proposal

You are the manager of ARCU. Mr. Ahmed, the owner of the local petrol station, where the society and many of the members as well as other local people buy fuel for their vehicles and get them repaired, is leaving the country and has offered his station to ARCU.

The station is the only one in the area, and although it gives good service the prices are rather high. Mr. Ahmed has shown you the figures for the last two years and these are as follows:

<u>Item</u>	<u>Last Year</u> ____	<u>Previous Year</u>
Sale of Petrol	50,000	35,000
Cost of Petrol	<u>45,000</u>	<u>31,000</u>
	5,000	4,000
Sale of Diesel	80,000	58,000
Cost of Diesel	<u>73,000</u>	<u>52,000</u>
	7,000	6,000
Sale of Lubricating Oil, Tyres, Spares etc.	20,000	15,000
Cost of Sundries	<u>12,000</u>	<u>9,000</u>
	8,000	6,000
Revenue from Repairs	<u>10,000</u>	<u>9,000</u>
Total Revenue	30,000	25,000
 <u>Costs</u>		
Wages	5,000	4,000
Sundry Expenses	15,000	12,000
Power and Water	2,000	1,500
Owner's Salary	<u>6,000</u>	<u>5,000</u>
	<u>28,000</u>	<u>22,500</u>
Net Profit Before Taxes	2,000	2,500
Taxes	<u>800</u>	<u>1,000</u>
Net Profit	<u>1,200</u>	<u>1,500</u>

Balance Sheet at End of Last Year

<u>Assets</u>	\$		\$
Cash and Bank Balance	1,000	Creditors	5,000
Debtors	20,000	Overdraft	10,000
Stocks	15,000	Reserves	60,000
Equipment	15,000	Capital	6,000
Land and Buildings	<u>30,000</u>		
	<u>81,000</u>		<u>81,000</u>

Mr. Ahmed admitted in confidence that he had kept his profits and his own salary, both of which were taxable, as low as possible by charging a number of his personal expenses to "Sundry Expenses". He estimated that last year he had hidden about \$10,000 worth of profits in this way. It would be possible to appoint a competent manager at a salary of \$2,000 a year so that a further \$4,000 could be expected to be saved from the owner's salary. This would give \$16,000 profit based on last year's figures. Fuel and other price increases already notified will add at least 20% to prices, and there is no reason to suppose the gross margins will not be maintained, so you feel confident that a profit figure of \$20,000 can be achieved next year under ARCU ownership. A co-operative such as ARCU is not subject to tax.

You have discussed these figures with the local representative of the National Oil Company. He is eager to ensure that the petrol station remains in good hands and in fact suggested to Mr. Ahmed that he should offer the station to ARCU.

Mr. Ahmed has after some negotiation agreed to offer the stock and the fixed assets at valuation, together with good will, for a total cash payment of \$60,000. He will himself take over the debtors and cash, and will be responsible for the liabilities.

The co-operative bank has informally agreed to fund the acquisition by a loan of \$60,000, secured on the deeds of the garage and repayable over five years at \$15,000 per annum, including interest.

You are not sure how the society will use the anticipated annual surplus of \$5,000 over and above the loan repayment, and \$20,000 per year after the loan has been repaid. It could be paid out in patronage refund, added to reserves or used for other purposes.

The bank is very enthusiastic about the proposition, as is the registrar's department. They have pointed out that once the debt has been paid back and the property is unencumbered it will be a valuable security for further loans which may be necessary to develop improved services to member societies.

You believe that this represents a major opportunity for ARCU. The price being asked is very low, because Mr. Ahmed has to leave the country. There are no other suitable private prospective purchasers, and if ARCU do not accept the offer it is probable that the National Oil Company will take over the station as a company-operated outlet.

You are about to present the proposal to your committee. You have asked your deputy manager, Mr. Ronald, to join you. Mr. Ronald, with whom you have discussed the proposal at large, is as much in favour of the proposal as you are. You feel that his presence and assistance during the presentation may be an asset in convincing the committee members. Together you have carefully prepared the presentation and you are prepared for some discussion and argument, because the committee members are generally very conservative and worried about any initiatives which are not similar to what ARCU is already doing. Most of the committee members farm on a larger scale than average and should therefore benefit substantially from the acquisition, since they purchase a large volume of fuel.

A number of agricultural societies and unions elsewhere in the country have invested in hotels, petrol stations, mechanical workshops and other non-agricultural activities, usually with some success. You are sure that ARCU should be similarly enterprising, and you are determined to put the proposal to the committee in such a way that they accept it and authorise you to purchase the garage at once.

Committee Members' Role Play Brief : The Petrol Station Proposal

You are a committee member of ARCU. The chairman has called a special meeting at the request of the manager in order to discuss a proposal that ARCU should buy the local petrol station and garage, which is presently owned and operated by a Mr. Ahmed.

You are very surprised and rather worried by the idea. Mr. Ahmed is a prosperous businessman and you are sure that he will ask a very high price, far beyond the \$1,000 or so which you believe is the most that ARCU has in cash and at the bank. You also know that previous applications for loans from the co-operative bank have been refused because of the lack of security.

In any case you believe that ARCU is an agricultural organisation and should not divert its resources to non-agricultural activities. There is certainly a need for better service to members. They need better advisory services, they need a greater selection of farm supplies, and any money that is available should, you believe, be spent on improvements which directly benefit members.

You are yourself a rather larger farmer than average. You own a tractor, a pick-up lorry and a car and you naturally buy all your fuel from Ahmed's garage since there is no other outlet in the area. You are reasonably satisfied with the service you get, although the prices are rather high. Mr. Ahmed and his staff are always very obliging and respectful to you, and you wonder how this would change if the co-operative owned the petrol station.

You want ARCU to prosper since your own farming activities will benefit, and you will gain status as a committee member. You admire the manager for his energy and initiative, but you feel that many of his ideas are rather rash. This seems typical and you are very sceptical about the whole proposal.

SESSION 5.4

CO-ORDINATION WITH OTHER ORGANISATIONS

Objective: To enable participants to co-ordinate the activities of their own organisations with those of other departments, companies or institutions with whom they have to deal.

Time: 1 to 2 hours.

Session Guide:

This session should be structured as follows:

- 1) Ask participants, on a brain-storming basis, to briefly identify the types of organisations with which a co-operative union such as ARCU must from time to time co-operate. This should include ministries involved, banks, private sector companies, primary societies, local government, etc.
- 2) List the objectives of a co-operative union and identify possible sources of conflict between these and other institutions' objectives.
- 3) Ask participants to describe examples of conflict or lack of co-ordination between co-operative unions and other organisations. Attempt to elicit from these, using the list now on the chalk board/OHP, a list of the aims and objectives of some of the more important institutions with which a co-operative union must work.
- 4) Pose various possible solutions to the problem of conflict or lack of co-ordination. These may include:
 - The establishment of high-level ministerial committees at the central Government level.
 - The maintenance of strict formal communication channels between Government bodies so that communications have to pass up to the appropriate level before coming down again to the field staff in question. (Illustrate this by reference to an organogram.)

- The establishment of district development committees or other locally based negotiating bodies which meet regularly and where possible conflicts can be brought up.
 - The encouragement of informal communication and co-ordination on the job across institutional boundaries whenever possible.
 - Organising training seminars which include staff from a number of different organisations and may involve staff from one organisation undertaking projects in another.
- 5) Ask participants to describe examples of such of these strategies that are known to them. Do they work, what are the problems, and what "mix" of solutions appears most effective?
- 6) Remind participants, by simple examples, of the vital importance of appreciating the objectives and motivation of other organisations and of individuals. People and their organisations are concerned first with their own survival and prosperity. These objectives often prevent effective co-operation and co-ordination between institutions. It is often possible to satisfy apparently conflicting objectives, providing both sides are willing to admit to themselves and to each other what their objectives are and to make minor compromises towards their satisfaction.
- 7) If time allows, distribute "Can You Follow Instructions?" face down. When every participant has a copy, ask them to turn over their papers and complete the exercise. Make the point that people do not follow instructions. Effective co-ordination cannot be achieved by written communication.

Can You Follow Instructions?This is a time testYou have three minutes only

- 1) Read everything carefully before doing anything.
- 2) Put your name in the upper right-hand corner of this paper.
- 3) Circle the word NAME in sentence number 2.
- 4) Draw five small squares in the upper left-hand corner.
- 5) Put an X in each square.
- 6) Put a circle around each square.
- 7) Sign your name under the title of this test.
- 8) After the title write - yes, yes, yes.
- 9) Put a circle completely around the title.
- 10) Put an X in the lower left-hand corner of this paper.
- 11) Draw a triangle around the X you just put down.
- 12) On the back of this paper multiply 703 by 66.
- 13) Draw a rectangle around the word "corner" in sentence number 4.
- 14) Loudly call out your first name when you get this far.
- 15) If you have followed the directions carefully to this point, call out "I have".
- 16) On the reverse side of this paper, add 8950 and 9805.
- 17) Put a circle around your answer, and put a square around the circle.
- 18) In your normal speaking voice, count from ten to one backwards.
- 19) Punch three small holes in the top of this paper with your pencil point.
- 20) If you are the first person to reach this point, loudly call out; "I am the first person to reach this point, and I am the leader in following directors".
- 21) Underline all even numbers on the left side of this paper.
- 22) Loudly call out, "I am nearly finished. I have followed directions".
- 23) Now that you have finished reading everything carefully, do only sentences one and two.

THEN KEEP QUIET! OTHER PEOPLE MAY STILL BE WORKING!

SESSION 5.5

CO-ORDINATION PROBLEMS

Objective: To enable participants to work with other organisations, appreciating their particular interests, towards the solution of common problems.

Time: 2 to 3 hours.

Material: Case Study "The Railway Wagon Problem".

Session Guide:

The simulation on the "Railway Wagon Problem" should be conducted as follows:

- 1) The meeting about the fertilizer delivery problem involves eight, nine or ten people. An additional participant may be asked to act as secretary and to prepare minutes. Suitable participants should be allocated appropriate roles, and the remainder should act as observers.
- 2) Allow the actors up to 15 minutes to read their briefs carefully and decide on the way they will play their role in the forthcoming meeting.
- 3) Allow the meeting to take place, ensuring that the furniture is suitably arranged so that the observers can see and hear what happens. Allow up to 30 minutes for the meeting and ask the participant playing the role of general manager, ARCU to chair the meeting.
- 4) Ask the secretary to summarise what was actually achieved and ask each participant to note at the same time what he believes was agreed, and how well his own objectives were attained.
- 5) Ask the participant playing the role of general manager, ARCU to describe how he felt the meeting progressed. Ask other partici-

pants to give their views and try to identify which participants changed their positions the most and discuss the reasons for this.

- 6) Ask the observers to comment on the conduct and results of the meeting, and the approach adopted by each participant.

Points to be discussed in subsequent discussion may include:

- Even though a number of organisations may have the same overall objective, their short term goals and interests will differ. Agreement is more likely to be reached if all are aware of each other's interests.
- Serious problems of this sort are far more effectively dealt with if there has been a continuing good relationship between staff of the various organisations, at all levels, and not just hastily agreed meetings as a result of a crisis.

The actual agreement reached, if any, is less important than the process of negotiation, compromise and co-ordination which led to it. The following points may have been agreed on by the meeting:

- ARCU to accept deliveries of fertilizer in any quantity, and at any time, rather than only at the specified pre-season delivery date.
- The transport department, in co-ordination with the railway and the fertilizer supplier, to try to hire lorries from any source to bring the fertilizer to ARCU whenever possible.
- Some attempt to be made to rate the claims of different districts to fertilizer. Factors to be taken into account should include the importance of fertilizer in farm unit viability, how recently fertilizer was first adopted by the farmers, the wealth, reserves and resources of farmers which may enable them to go without fertilizer for one season or to obtain fertilizer from other sources if given warning of the necessity to do so.
- A timetable to be drawn up stating in particular when various parties should be informed of the actual amount of fertilizer they will be likely to get in order both to avoid panic but also to allow farmers to adopt different crops or take other steps if necessary.

- ARCU to be willing to consider taking fertilizer to bulk rather than bagged and for it to be delivered direct to district depots or even to farmers in this form if necessary.
- Some agreement must be reached as to the financial responsibility for any extra charges involved in moving fertilizer by road. The railways may be unwilling to contribute, but the fertilizer supplier should be willing to make some contribution if the load is shared by ARCU and its member societies and farmers.

Care should be taken to explain to all participants the individual interests and objectives of each person at the meeting. It may be necessary to distribute copies of the individual briefs to all participants for this purpose.

The Railway Wagon ProblemA: Background Brief for all Participants

The ARCU farm supplies department was very successful in the first full year of operation in taking over a large share of the existing market for fertilizer from private traders within the region and outside. In addition, and perhaps more satisfactory still, a large number of farmers who had previously not used fertilizer were encouraged by its ready availability, and by the credit package associated with it, to start using fertilizer and thus to increase their yields of crops.

Half way through the second year of the Union's operation, however, a serious problem arose which threatened to undo all the good work which had been done, and seriously to reduce the credibility of the Union and the farmers societies which had begun to play an important part in agricultural life in the regions.

For a number of reasons the national railways were critically short of freight wagons. Some were sitting unloaded at the docks because of congested warehouses and inefficient loading and unloading facilities. Others were said to be delayed in neighbouring countries which were served by the same railways system, while others were out of order and were unable to be repaired because of a shortage of spare parts and the necessary skilled labour. In any case the wagon shortage, combined with handling problems at the docks, meant that there would be a critical shortage of fertilizer during the coming season and that ARCU would be likely to receive only about 1,000 tons, which was 300 tons less than was used the previous season. Farmers' enthusiasm last year suggested that this season's demand was likely to go up to almost 2,000 tons.

Clearly this was a problem of some magnitude and the general manager convened a meeting to be attended by representatives of all organisations which might be involved, and by the respective departmental heads within the ARCU. Those invited to attend were as follows:

- The general manager of ARCU, convening and presiding over the meeting.

- The director of the Alpha Regional Farm Extension Service, responsible for the 20 farm extension agents who cover the region and are in close touch with farmers.
- The managers of three of the primary societies which were thought to be representative of societies in the region and were particularly important users of fertilizer.
- The regional manager for the co-operative bank who was vitally interested in fertilizer supplies since this provided the means by which credit could reach the smaller farmers.
- The regional representative of the fertilizer manufacturer and distributor who was obviously concerned at the failure to deliver his company's products.
- The freight traffic manager of the national railways system who had been sent by the management of the railway to attempt to explain the position and to see what could be done.
- The manager of the farm supply department of ARCU.
- The manager, transport department, ARCU.

The Railway Wagon Problem : Individual BriefsGeneral Manager, ARCU

You have convened the meeting in an attempt to solve the problem in the best interests of ARCU, and of the farming community the Union is intended to serve. You are aware that the Union is regarded as somewhat of an experiment by Government officials and that successful fertilizer distribution has played an important part in the Union's fortunes to date. You are anxious to ensure that blame does not fall on the Union in any way, but your main interest is to deal with the problem as it stands in the most effective way you can.

Cut Here

Regional Director of the Farm Extension Service

In response to pressure from the general manager of ARCU you have instructed your extension agents to encourage farmers throughout the region to make increased use of fertilizers. The results so far have been very satisfactory not only in terms of fertilizer use but also in terms of increased crops and thus increased credibility for your extension agents. You are familiar with all the various farming areas of the region, and their differing problems and potential, and you are anxious to ensure that the projected shortage of fertilizer has minimal effect on the reputation of your extension agents.

Primary Society Managers (up to three)

At considerable risk to your own status and reputation in your community you have fully committed yourself to the new or revived farmers co-operative society of which you are the manager. You have been ably supported by ARCU, and although there have been problems with the processing facilities, and to a lesser extent with credit, the farmers supply service has been an unqualified success. Farmers in your society are making increased use of fertilizer. Many of them were very sceptical about the society at the beginning and they are thus all the more grateful to you for having persuaded them to join. You fear that your own reputation in the area, and all future hope for co-operative development, could well be lost if your particular society has to suffer a drop in fertilizer deliveries such as has been threatened.

Cut Here

Regional Manager of the Co-operative Bank

You are particularly concerned at the forthcoming fertilizer shortage because a number of farmers owe money on short or medium term loans and some of them may only be able to repay these loans if they can obtain the kind of yields which are possible with fertilizer. In many more cases, you fear that farmers will use the lack of fertilizer as an excuse for not paying even if they are actually able to afford the repayments. In addition, of course, you are extremely concerned that shortage of fertilizer may lead to a curtailment of the small-farm seasonal credit scheme which has begun so well in conjunction with the ARCU. You wish to ensure that any shortfall in fertilizer deliveries is so distributed as to minimise the effect of outstanding borrowers and also on the small-farm seasonal credit scheme.

Regional Representative, The Fertilizer Distributor and Manufacturers

You are concerned at the projected shortfall in deliveries of fertilizer to Alpha Region, since it appears that only about half the likely demand is going to be delivered. You are most disappointed at this loss of business in an area to which you have devoted a great deal of marketing effort. You wish to minimise the incidental costs associated with small deliveries, credit schemes and so on in order to maximise the profit which will be obtained on the reduced business.

Cut Here

Freight Traffic Manager, The National Railways

You have been told by the railway management to come to Alpha Region in order to explain the shortage of freight cars and to help in any way possible to reduce the effects of the inevitable shortfall in fertilizer deliveries. There is no doubt that the freight car situation will mean that you will be able to deliver at most only three quarters of last season's deliveries to the region. You have based your allocation of freight car resources on the demand of last season, and the 25% reduction has been applied in all parts of the country. You are anxious to ensure that the meeting realises that the shortage of freight cars is not the railways' or your personal fault, and you are also anxious to reduce the effects of the shortage whenever it is economically possible.

Manager, Transport Department, ARCU

When you were originally appointed you suggested to the general manager that the ARCU should purchase sufficient lorries, or to make arrangements with outside contractors, to bring fertilizer from the docks over the 300 kilometers of bad roads to Alpha Region. As a road transport specialist you have always mistrusted the railways and you feel that the existing situation only proves your point. As it is, the existing ARCU lorry fleet is barely able to cope with deliveries of farmers' produce from the farms to processing facilities and warehouses, and with collections and deliveries of other materials. Fertilizer is delivered to a central point within the region by the railways and the lorries were only just able to carry last season's deliveries from this point to the district depots of the farm supply department. Because of the success of your department many of the independent transport contractors in the region have gone out of business and there are thus very few spare vehicles which could be hired as an alternative to rail support.

Cut Here

Manager, Farm Supply Department, ARCU

Your department has been the success story of ARCU and you are furious that because of the inefficiency, as you see it, of other organisations your own department is likely to be in difficulties this season. The credibility of your department depends on its ability to deliver to primary societies and farmers, and you fear that any failure will be blamed on your department regardless of where the true fault lies. You have conferred briefly with your district depot managers, each of whom has put forward arguments as to why his particular depot should receive all it wants and the shortfall should be allocated to another depot. You appreciate that this is not possible and you are not sure whether it would be better to deprive all farmers of an equal proportion of their requirements, or fully to satisfy some and to leave others completely without fertilizer. You are aware that insufficient fertilizer can sometimes be less economic than no fertilizer at all.

SESSION 5.6THE ROLE OF GOVERNMENT

Objective : To enable participants to identify the various roles which Government can play in the co-operative sector, to describe the situation in their own country and to work effectively in that context.

Time : 1 1/2 to 2 hours.

Material : Case Study "Some Quotations about Co-operatives".

Session Guide :

Most people usually have strong views on the role of Government in the co-operative sector, and this session is therefore concerned not with the hypothetical affairs of ARCU but with the realities of Government's roles in participants' own countries. If participants are all from one country, it is possible that they will be reluctant to comment frankly on or to criticise Government's activities and in this situation the objective should be to show them different approaches and to identify both the advantages and disadvantages of their own country's situation and its implications for co-operative management.

If participants are drawn from a number of different countries this provides an ideal opportunity for comparison of the effects of different Government roles on the development of the co-operative sector and on day-to-day management within it.

The session may be structured as follows:

- 1) Briefly outline the possible roles of Government, from a position of no special support or encouragement to direct participation and control over the formation and operation of co-operative organisations.
- 2) Using a diagrammatic representation of the possible range of Government activity, ask participants to place their own country

at some point between the two extremes. Discussion and disagreement may show that Government policy differs for various activities or regions of a country.

In particular initial Government support and participation may progressively be withdrawn as a given co-operative becomes able to exist on its own. Many countries will thus provide examples of both extremes.

3) Describe with examples drawn if possible from participants' own experiences, four typical Government policies:

- a) A situation where there are no special laws or regulations governing co-operatives and yet the co-operative sector is extremely successful.
- b) Countries where co-operatives receive some special support such as favourable rates of taxation, training or direct Government participation in isolated instances where this is felt to be a useful way of implementing Government policies.
- c) Countries where the Government takes an active role with a special Department or Ministry concerned with co-operatives and laws and auditing systems to protect members from the ill effects of misuse or mismanagement of co-operative organisations. These powers may be extended to include taking over and operating co-operatives whose management has been found wanting.
- d) Countries where the co-operative movement is an official vehicle for the exercise of Government policy, may be closely controlled and benefit from official monopolies, and is used for the dissemination of political ideas from the top as well as for purely economic organisation.

4) Ask participants to describe the types of economy for which each of the four types of Government policy would appear appropriate:

- "a)" works effectively in a free market economy with highly developed institutions and a vigorous if relatively small agricultural sector which is well capable of taking care of its own interests.

- "b)" is frequently adopted in countries with a well developed economy, often of the social democratic type, where co-operatives can on occasion be used as a means to industrial restructuring which is felt to be necessary.
 - "c)" is appropriate for most mixed economy developing countries where small-scale farmers in particular are in need of assistance and protection but where market forces are whenever possible allowed to operate in the interests of competition and efficiency.
 - "d)" is appropriate for centrally planned economies where most institutions and activities come under the direct control of Central Government.
- 5) Ask participants to suggest what might be the advantages and disadvantages of policies at one or the other end of the spectrum of Government involvement, as far as the effective operation and management of co-operatives is concerned.

Non Intervention - Advantages

- Co-operatives develop where they are needed, and where people are capable of running them, rather than where Government decides they should develop.
- Co-operatives can respond to the needs of their members and the market rather than to Government directives.
- Co-operation is based on local initiative and self-help; this is not consistent with a strong Central Government role.

Non Intervention - Disadvantages

- Co-operatives may be used by unscrupulous or incompetent people to the disadvantage of their members and of the economy.
- Co-operatives may develop only slowly or not at all when in fact they could play a valuable role.
- Co-operatives as small, usually rural, institutions may not get even the same degree of Government support and assistance as more centrally located, powerful, private or public sector organisations.

Government Involvement - Advantages

- If the co-operative sector is to play a major part, particularly in agricultural development, it must be treated as an instrument of development policy.
- The problems of rural people in many countries are desperate: they cannot afford to wait for co-operatives to evolve naturally on their own.
- Rural areas have often been drained of capital, leadership and ability. Government intervention through co-operatives is essential to redress the balance.
- With newly independent countries with poor communications there is a desperate need for any form of institution which can provide two-way communication to and from the centre. The co-operative movement is an ideal vehicle for this purpose.

Government Involvement - Disadvantages

- Government involvement often leads to bureaucracy and regulations which stifle development.
 - If co-operatives are seen as an arm of Government they may be exploited as a source of money and assistance from above rather than as a means of mobilising local resources.
 - The essence of a co-operative is that it is controlled by its members. Any form of Government control inevitably dilutes this and members may never learn to take responsibility for a co-operative's affairs.
 - Government may burden co-operatives with tasks which are beyond the capacity of their management.
 - A too rapidly developed co-operative sector may never be a genuinely viable one.
- 6) Ask participants to describe situations where co-operatives, and thus their members, have suffered through an excess of Government intervention or through too little. Discuss how these situations might have been avoided and attempt to evolve some general principles which can be applied to Government's role. These might include:

- Governments should support and encourage local initiative but should not replace it.
- Co-operatives should whenever possible be subject to competition from other institutions.
- Government should attempt to audit and supervise co-operative activity rather than actually to control it.
- Governments should protect people from misuse of co-operatives and should have special law and registration regulations pertaining to co-operative activities.

7) Distribute the quotations and discuss them.

Questions which could be raised and discussed in connection with the quotations:

- Are co-operative enterprises necessarily more virtuous in conforming to national goals than any other type of enterprise?
- Can co-operatives be as moral as limited companies, partnerships or sole proprietorships and is conformity to the co-operative principles enough of a guarantee for morality?
- How can Governments use (and possibly misuse) co-operatives?

Some Quotations About Co-operatives

- 1) "The aim of this co-operative society is to enable members to own farms without working on them themselves."
- 2) "Co-operatives assist in institutionalising the power of the already economically privileged."
- 3) "Out of every hundred households in our country, at least twenty own no cows at all; thirty own only one cow each . . . The rich peasants however, own three, four or more cows each . . . Who then gains from co-operative cheese dairies?"
- 4) "Co-operatives are not for beggars."
- 5) ". . . The idea of uniting the whole population of a given locality in a single co-operative society . . . which is the only socialist principle."
- 6) "Co-operatives have been recognised as appropriate agencies of national policy as their operations are expected to be informed with a social purpose. . . . If, they fail in this Government may have to intervene."

SESSION 5.7DRAFTING A JOB DESCRIPTION FOR GOVERNMENT AND FOR THE
CO-OPERATIVE SECTOR

Objective : To enable participants to define the relationship between Government and a Co-operative Union.

Time : 1 to 2 hours.

Material : Memorandum, "The Role of Government".

Session Guide :

Participants, in the same groups as before, should be given the memorandum from the registrar and asked to draft a reply, They should refer back to previous material for some indications as to the way in which Government is presently involved in the co-operative sector of which ARCU forms a part, and may make assumptions when information is not available.

It is possible that some participants will support an interventionist Government role while others will prefer a more distant supervisory policy. Groups should attempt to evolve a common approach even if they contain participants with such differing views.

Allow groups up to one hour to draft their replies to the memorandum; then reconvene the group and ask group spokesmen to present and explain their replies.

Groups suggestions will relate to the previous session and participants' political preconceptions will inevitably colour their conclusions. It is important however that any attempt to define Government's role should include the following components:

- 1) A clear statement of national objectives for the sector in which co-operatives might be expected to play a role, but with no specific mention of co-operatives as such at this stage.

- 2) A definition of the contribution which co-operatives may be expected to make towards the achievement of this objective.
- 3) Identification of problems which may be expected to affect co-operatives if Government plays a wholly passive role.
- 4) Clear definition and delineation of ways in which Government can prevent these problems.

Groups conclusions should be judged more for the logic of their presentation than for the particular views which are expressed. Problems may more often arise because of lack of clarity as to responsibilities than because responsibility has been incorrectly allocated.

MEMORANDUM

FROM: The Registrar of Co-operatives

TO: General Manager, Alpha Region Co-operative Union

The Role of Government

As general manager of a recently established co-operative union, you are no doubt familiar with the role which Government plays in the co-operative movement of our country. As you know, the Government regards co-operatives as the most effective means of mobilising the rural population for agricultural development, and for providing them with the inputs, processing facilities and marketing services which they need.

It may be appropriate to summarise the ways in which Government assists co-operatives to fulfill their objectives:

- 1) The department of co-operatives, headed by the registrar, is the most important division of the Ministry of Co-operatives and Social Development. The registrar is empowered to remove and replace managers of co-operative societies, to amalgamate societies which are not viable and generally to protect the people from misuse of the co-operative system. The department provides assistance with training and management, and with its field force of co-operative officers and auditors, it both controls and assists the movement in its work.
- 2) The Government, through the co-operative bank or through the department of co-operatives, provides substantial financial resources for investment purposes, for the maintenance of services and for lending for agricultural purposes.
- 3) The Government has started and maintains the co-operative college for the education of management, committee members and others within the movement.
- 4) The Government, when appropriate, allocates to co-operative societies exclusive rights to distribute certain agricultural inputs

or to process and market its outputs. This power means that farmers who wish to make use of these inputs or grow these products must belong to co-operative societies.

- 5) The Government actively encourages and assists new co-operative organisations such as your own.
- 6) The Government requests and controls external assistance from bilateral and multilateral agencies to the co-operative sector.

The Government is critically reappraising this role. In the interests of national unity and economic progress there is a greater need for the population at all levels to be aware of and to support national policy. The co-operative movement provides an effective means of communication with the masses and the Government is considering making greater use of the movement in the interests of national unity.

I should appreciate your frank and critical comments both on Government's existing role and on the extension of that role which I have briefly indicated. Your views will be an important input to Government's deliberations.

Assignment :

Draft a reply to the registrar.

SESSION 6.1ACTION LEARNING

Objective: To enable participants to apply what they have learned during the preceding days to their own problems in the areas of planning, organising, staffing, finance and accounts, promotion of co-operatives and external relations.

Time: Complete day.

Material: Participants' completed pre-programme questionnaires and annual reports, returns or other information brought by participants from their own unions.

Session Guide:

The purpose of this day of "action learning" is to ensure that participants relate what they are doing to their own jobs and do not consider that the success of the programme depends on their ability to successfully solve the problems of ARCU.

The day before this session, the participants are asked to write down a specific problem which they face in their work. It is very important that they describe the problem in such terms that it is possible to deal with it. The participants are not supposed to write statements like: "I can't communicate with workers" but to give an example of a specific situation where this has happened. Remind participants that they are not supposed to give examples of problems that already are solved. Participants should be reminded of the fact that they share among them an enormous wealth of knowledge on management of co-operative unions, and this day should give them an opportunity to bring their combined expertise to bear on an actual problem of some of their colleagues.

Problems falling in the area of planning, organising, staffing, accounting and finance, promotion of co-operatives or external relations should be used for this session. It should be possible for each group to deal during the three discussion sessions with two or even three of

their colleagues' problems. The groups should be put together according to the following criteria: different problems, members from different areas, not the same groups as before, if possible.

The groups should structure their discussions as follows:

- a) A selected member of the group describes his particular problem in very specific terms, and relates it to the background of his organisation with which the remainder of the group should by this time be familiar.
- b) The remainder of the group consider the problem and attempt to draw on their own experience for ideas for its solution.
- c) The "owner" of the problem attempts to draw together his colleagues' advice and to suggest how he will solve the problem on his return home.
- d) The colleagues comment on his solution, and the group between them arrive at a specific programme of action to which the "owner" of the problem is prepared to commit himself.

The time allocated to this process for each problem should be a minimum of one hour but it may be preferable for each group to deal only with two problems during the three sessions devoted to this discussion.

During the fourth session the "owner" of each problem should make a brief presentation describing the problem and saying what he proposes to do about it. The remainder of the group who were not in his group should comment on his proposal which his group should by this time consider as their own. In this way every problem will be addressed in detail by each group and more generally by the group as a whole.

By the end of the day it should have been possible for half the whole group to have had the experience of describing a problem to their group, jointly developing a solution to it and then presenting the solution to the group as a whole.

Careful note should be made of the problems and the proposed solutions, since participants' success in applying these will be used as the major means of evaluating the programme.

SESSION 7.1

THE SOLICITATION OF FUNDS

Objective : To enable participants to present requests for funding to national or international bodies.

Time : 3 to 4 hours.

Material : Handouts - "Funds Solicitation", ARCU and Co-operative Bankers' Briefs.

Session Guide :

Participants may not often be in the position of making presentations in support of fund applications which are explicitly competitive with similar requests from other organisations. The material has been set up in this rather artificial situation in order to crystallise the presentation task since any co-operative organisation must be aware that it is actually in competition with other institutions for staff, resources and funds of any sort.

The session should be structured as follows:

- 1) A group of around six participants should be given the ARCU Brief, if possible well in advance of the session, and asked to prepare a presentation lasting up to thirty minutes to be given to a group of co-operative bankers who are responsible for funds allocation. This group should be given facilities for preparing overhead transparencies, flipcharts or any other-audio-visual aids which they feel to be necessary. They should if necessary be reminded that the presentation should be brief, ordered, and easily comprehensible, and might reasonably include the following:
 - A statement of the rationale of the project, together with the objective which it is hoped will be achieved.
 - Some indication of the number of beneficiaries and the degree to which they will benefit.

- A clear but non-technical description of the project itself.
- A clear and simplified statement of the cash flow showing in particular how the necessary repayments are covered by earnings.
- Some attempt to show to what extent the repayment capacity can tolerate lower yields or prices without falling into arrears.
- A statement of the method of evaluation which the sponsors can use to ensure that in addition to supporting regular repayments, the project is actually benefitting the people whom it was intended to help.

- 2) The remaining participants should be given the Co-operative Bankers' Brief and asked to produce as a group, a list of questions which they will expect the ARCU representatives to cover in their presentation, and to which they will request answers if they have not been covered.

If there are more than 25 participants altogether, it may be preferable to appoint 6 participants to represent the bankers, and to ask the remainder to observe the meeting between the two groups.

- 3) Allow the ARCU representatives to make their presentation to the co-operative bankers. They should observe the time limit of 30 minutes, and a further 15 to 30 minutes should be allowed afterwards for questions.
- 4) Reconvene the group and discuss what has occurred. The co-operative bankers should be asked first of all to say what were their conclusions and the degree to which they were satisfied by the presentation and subsequent answers. Both sides should be encouraged to evolve a list of bankers' objectives which may not be consistent with the objectives of a co-operative union but must nevertheless be satisfied if the bank is to lend its money. These will include factors such as:

- Security in the event of non-repayment.
- The project to earn substantially more than the funds necessary to repay the loan.

- Means must be available whereby earnings from the project can be extracted from beneficiaries by deduction from crop receipts or some other device.
 - Assurance that other needed inputs such as short term credit, materials or expertise, marketing outlets, are available for the project as well as the actual operating aspects of the project itself.
- 5) If time allows ask participants who have been involved in soliciting funds from various types of financial institutions to recount their experience: how do the objectives of commercial banks, cooperative banks, development banks, bilateral or multilateral international agencies or other sources differ one from another? How must the presentation be changed in order to satisfy their criteria?

Funds SolicitationARCU Brief

In spite of their poverty, and the difficulties which they face, the people of Sigma Swamps are genuine co-operators. The Sigma Rice Growers' Society has been active in a small way for many years its members have jointly alleviated some of the worst aspects of the life they are forced to lead. Now they have recognised that ARCU may be able to help them to make a radical improvement to the area, by providing access to capital and skills quite beyond the reach of one small and unimportant society. In other parts of the country, similar saline swamps have been reclaimed and turned into fertile rice land which produces better yields than the upland dry rice. Certain varieties of rice are resistant to the residual salinity and can yield more even than irrigated rice in some cases. The members of the Sigma Society have asked ARCU to help them to benefit in the same way.

In conjunction with the Ministry of Agriculture ARCU has developed a project to reclaim 2,000 hectares of the Sigma Swamps, and to settle 1,000 families on the new land. The people are presently living miserably on the edge of the swamp land, growing a little rice and other crops by shifting cultivation in the forest. Apart from the inadequate yields, this is causing serious problems of deforestation and erosion. The rates of infant mortality and morbidity among these people are the highest in the whole country, and attempts to bring education and other services to them have generally failed because the people must spend every minute of the day struggling to survive.

The co-operative bank has obtained from abroad a long term loan of one million dollars on very generous terms. This is to be lent on similar "soft" terms to a single deserving project of maximum benefit to the people. The director of the bank has decided that the money shall if possible be lent to one project, rather than be spread over several.

Three other organisations within the co-operative movement are submitting proposals, and the bank's directors have to decide which to support.

The competing proposals are believed to include the following:

- Capital City Housing Co-operative: one million dollars for the construction of one thousand low-cost housing units for occupation by families presently living in slum settlements around the city.
- Co-operative College: one million dollars for the construction of new classrooms and dormitories at the college to allow for a further twenty full-time student places and also for the construction of four regional co-operative training centres for committee and member education throughout the country.
- Omicron Regional Farmers Co-operative Union: one million dollars for the purchase of one hundred heavy tractors to be provided to villages as a basis for tractor-hiring societies.

The ARCU management decided to submit their proposal individually, rather than as part of the normal budget, because it has important welfare implications and although they are confident that the loan will ultimately be repaid, the terms must inevitably be somewhat more generous than those demanded for money to be lent to farmers for ordinary seasonal or medium-term investments.

The basic proposal is as follows:

Sum to be borrowed: One million dollars.

Repayment: Three year grace period, subsequent twenty year repayment, interest at 5% per year.

The Project: Clear, reclaim and enclose 2,000 hectares of the Sigma Swamps, plus necessary access roads and site and service facilities for five communities of 200 families each; construct a rice mill to serve the whole area.

Institutional Arrangements: One thousand poor families presently living in the area to be resettled in the new communities. The Sigma Rice Growers Society will provide them with seasonal credit from ARCU and will own and operate the mill. This society will recover and repay both seasonal credit advanced by ARCU in

the normal way and the long term debt for land reclamation at a rate of \$2,250 per family spread over 20 years at \$112.50 per year.

Expected Schedule: Year One: Reclamation and construction of roads.

Year Two: Land fallow for desalination, village centres constructed and occupied.

Year Three and thereafter:

Rice under cultivation, yield 2,250 kilos per hectare.

Farm Economy:	Cost of seed and fertilizer	=	\$ 150.00
	Rice produced	=	4,500 kilos
	Rice consumed on the farm	=	1,500 kilos
	Surplus for sale	=	3,000 kilos
	Value at 20 cents a kilo	=	\$ 600.00
	Less cost of inputs -		<u>\$ 150.00</u>
			\$ 450.00
	Less annual debt repayment -		<u>\$ 112.50</u>
	Net Surplus		<u>\$ 337.50</u>

Other Services: Full co-operation has been promised from the department of co-operatives and the Ministry of Agriculture in extension, training and advisory work. The spread between the borrowing cost of 5% and the lending rate of 10% is expected to cover any extra costs incurred by ARCU. Normal seasonal loan funds will be used for the seasonal credit component in the rice cultivation.

The ARCU has already made a complete written submission to the co-operative bank including a set of up-to-date accounts for the Union. Because there are many claims for the funds and time is short, a senior bank committee has been set up to make the final decision. The committee members may have been advised by their staff in detail. They may not however have had time to read the complete report, and their

decision will depend basically on what they see and hear during the 30 minutes verbal presentation which the ARCU has been invited to make.

The presentation should be supported by visual aids and should preferably include a description of how the project will benefit the region, and a statement of the surplus to be gained by the individual farmers and the Union. No doubt the committee members will also want to see that the necessary repayments can be met, and have some indication of the "safety margin" in terms of the maximum reductions in yield or price. Also, what about delay in the implementation of the project - how much delay can we have and still allow income from the project to cover annual payments?

Funds Solicitation
Co-operative Bankers Brief

An international agency has offered the co-operative bank a one million dollar line of credit, with a three year grace period and subsequent 20-year period of repayment at 2% per year, for on-lending to any project sponsored by an organisation within the co-operative movement which contributes significantly to national well-being.

The board of directors of the bank has decided that the sum should be allocated to one single project, and applications have been received from four organisations.

These may briefly be summarised as follows:

- 1) The Capital City Housing Co-operative: one million dollars for construction of one thousand low-cost housing units for occupation by families presently living in slum settlements outside the city. The land is to be made available at a long-term nominal rent by the City Council. The bank to have the first call on rent receipts after repairs and direct expenses, and to retain title to the houses as security.
- 2) The Co-operative College: one million dollars for the construction of new classrooms and dormitories at the college to allow for 20 more full-time students, and for the construction of four regional co-operative training centres for committee and member education throughout the country. This loan is to be guaranteed by the Central Government.
- 3) The Omicron Regional Farmers Co-operative Union: one million dollars for the purchase of one hundred large tractors to be provided to villages within the Union's region as the basis of tractor hire societies. It is hoped that these societies will evolve into multi-purpose societies in a region where co-operation has so far been unsuccessful. The bank is to have first call on the lease payments, after repairs, and to retain a lien on the tractors until the loan has been repaid.

- 4) Alpha Regional Co-operative Union (ARCU): one million dollars for the clearing and reclamation of two thousand hectares of swamp for rice growing, and establishing a settlement of one thousand presently poor families. The loan is to be repaid by deduction from crop receipts administered by the Sigma Rice Growers' Society, which has requested this project for the benefit of its members, and the individual farm surplus available for repayment of the loan is estimated at three times the annual liability, after deduction of the cost of inputs.

All the project appear capable of generating the fund necessary for their repayment, and to be of national benefit. The interest rate is in each case calculated at 5%. Each institution has allowed a margin between its own cost of money and the charge to users in order to cover extra administrative expenses.

Because of the difficulty of the decision, the board of directors of the co-operative bank has set up a special high level committee to make a recommendation as to which project should be funded. Detailed written submissions have been made in each case, and representatives of each agency have been invited to make a 30 minute presentation of their project. The first three have made their presentations and all appeared equally deserving. The committee must now decide what questions they should ask the ARCU, and after their presentation must decide which project to support.

SESSION 7.2LARGE-SCALE OR SMALL-SCALE ?

Objective : To enable participants to identify why it is important to provide credit to small farmers.

Time : 1 to 2 hours.

Material : Tape Dialogue "Large or Small?"

Session Guide :

The session should be structured as follows:

- 1) Ask participants to attempt to assess the average size of farm holdings in their country, and to compare it with what they believe to be average size of co-operative member holdings; is the co-operative sector generally catering for the farmer with a larger than average holding? (Attempt before the session to obtain data.) For comparison purposes average farm sizes in these countries are as follows:

- United States of America	=	150 hectares
- United Kingdom	=	63 hectares
- Holland	=	12 hectares
- India	=	3 hectares
- Tanzania	=	2 hectares
- Indonesia	=	1 hectare

Attempt to show, as is usually the case, that co-operatives are in fact favouring larger farmers, in spite of their stated intention to help those most in need.

- 2) Play the tape dialogue and ask participants to indicate by a show of hands whether they would favour the position of the Zeta Secretary or the Omega Secretary. Point out if appropriate that the membership of co-operatives with which they are involved does or does not appear to be consistent with their opinion.

- 3) Participants may wish the dialogue to be played again. In any case ask them to identify the respective advantages of large versus small farmers from a general social and economic point of view and from the point of view of a co-operative providing them with credit. They may mention the following factors:

If, as is likely to be the case, most or all participants support the Omega policy, remind them of their own membership profile. Be prepared to act as "The devil's advocate" in the discussion which follows, arguing in support of the larger farmer in order to ensure a balanced debate.

Large Farmers - General Advantages

- Economy of scale allows use of modern machinery.
- Smaller numbers of more educated people can be more effectively reached by training and extension.
- Consistent standards can be more easily attained, particularly for export markets.
- The transport both of inputs and of produce is more economical.
- Less land is taken for housing and domestic purposes.
- Industrialised countries with the most efficient agriculture have generally larger units.
- More susceptible to Government direction.
- Able to practise crop rotation.
- Better able to take risks with new varieties and farming methods.

Large Farmers - Credit Advantages

- Less administration required for a given amount of money.
- Greater possibility of funding discrete and controllable assets such as machinery.
- Have collateral which can be seized and sold in case of default.
- Easier to control and monitor the disbursement, use and repayment of credit.

- Generally better farmers and thus more likely to repay.
- Have access to other institutional credit, and the risk can thus be spread.

Small Farmers - General Advantages

- Provide more employment.
- Use less capital.
- Are more productive in their use of land.
- Are more productive in their use of inputs.
- Preserve traditional community bonds.
- Ensure that as many people as possible have a stake in the land and thus the stability of the country.
- Are more equitable.

Small Farmers - Credit Advantages

- Require less credit per hectare and thus allow limited funds to help more people.
- A greater spread of risks.
- Less possibility of important individuals influencing loans through illegitimate pressure.
- Have no access to other source of institutional credit and are in need of alternatives to exploitative money lenders.

4) Discuss the arguments for and against each side. Participants should conclude that small farms are to be preferred for both social and economic reasons. There may however be exceptions, and the administrative implications are difficult.

5) Ask participants to suggest certain exceptional situations where larger farms may be preferred:

- Export markets, canneries or other customers may require standard and carefully timed crop deliveries which cannot easily be achieved by a multitude of small-scale independent farmers.
- Quality of seed, pedigree breeding stock or other farm inputs can best be maintained on a large unit.

- Very arid range farms may require that animals are moved from one part of a large farm to another; this cannot be managed with small units.
 - Limited numbers of potential small farmers may mean that land has to remain in the hands of large farmers at least for the medium term.
- 6) Ask participants to suggest how co-operatives and other agricultural support institutions can attempt to overcome the difficulties necessarily involved with attempting to service large numbers of small units. There are no easy answers to this but it is obviously important for a co-operative union to foster and encourage primary societies which have the potential to be effective channels for the appraisal, delivery and collection of credit. If primary societies are inefficient or chronically in arrears, it may be necessary to develop alternative channels such as informal credit associations or selected farmers acting as agents for the disbursement and collection of credit.
- 7) Stress that small farm lending can only be successful if it is well managed.

Large or Small?

(Dialogue to be Taped)

Introducer: The ARCU needed a credit policy. Several districts now had viable farmers' societies, and their members were beginning to make use of the Union credit service. Opinions differed, however, about what sort of farmers should be receiving preference for the loans. Zeta and Omega societies represented the two extremes, and the manager of the credit department of ARCU asked their respective secretaries to meet him and discuss their differing views. The three men met in the ARCU credit office, and the credit manager started by trying to summarise their opposing points of view as he saw them.

Credit Manager: We all agree that our job is to promote agricultural development in Alpha Region, and that one of the tools we have at our disposal is credit. At the moment I am approving loans more or less as the societies send in applications, but the general manager feels that there should be some guidelines. What do you and your members in Zeta District feel?

Zeta Secretary: My approach, and I know that I speak for my committee, is that money should be lent to those who are able to make the best use of it.

Credit Manager: That seems fair enough as far as it goes. Who do you think they are in Omega District?

Omega Secretary: Well, I think I disagree right from the start. It is only a small change, but I think loans should go to farmers who will benefit most from them.

Credit Manager: That is not necessarily different. Won't the people who will make the best use of a loan most likely be the same people who would benefit most from having one?

Omega Secretary: It all depends what you mean by making the best use of it. Maybe you could describe a typical example, as you see it in Zeta District.

Zeta Secretary: Certainly! We have several of them, and many of them have already borrowed money through the society. They generally have five to ten hectares of land, they are already using many of the latest seeds and techniques, and in fact you could call them the agricultural elite of the district.

Omega Secretary: That sounds like a perfect recipe for inequitable distribution of wealth, concentration of land ownership, increased landless poverty for the majority, in fact the rich get richer and the poor get poorer, the very opposite of balanced national development.

Credit Manager: All right, maybe you have a point, but who would you lend the money to?

Omega Secretary: The average man, who needs help, he has one or two hectares of land and can barely support his family. These farmers have hardly anything to sell, and can never accumulate their own capital to improve their farms. A small loan can really help a man like that, and most of our farmers, not only in my district but throughout the region and the country in fact are like that. Your elite are the minority, surely you admit that?

Zeta Secretary: Of course I do, but I want our country's scarce resources to go where they can do the most good, and where I can make sure they are being used properly. What do you think, here at the credit office? Would you rather appraise, sanction, disburse and eventually collect 100 loans of \$100 each or 10 loans of \$1,000 each?

Credit Manager: Well, if you put it like that, I must admit that it takes about as long to deal with a large loan as it

does with a small one. From an administrative point of view, and to reduce my departmental costs, I should have to go for the smaller number of larger loans.

Omega Secretary: Yes, if costs and apparent financial efficiency are everything. Surely though our job is to promote development, not just to make money or minimise costs, and we should try to reach as many people as possible, even if it does cost more money.

Zeta Secretary: I agree, but the way to reach them is by helping the few really good farmers. They will grow more food, employ more people, create a bigger market for non farm products and thus in the end create more jobs for the majority who just cannot make it on the land. In the long term, lending money to the majority is just prolonging the agony, and wasting money at the same time.

Credit Manager: I'm no economist, but I must say you make a good case for the bigger, better farmer. What do you think in Omega District?

Omega Secretary: If you want a few rich men and a mass of landless unemployed, fair enough. I want our money to create jobs, to preserve our national social structure and sense of independence, and to bring the benefits of progress to everyone and not just to the new elite. You are just creating a new class of local colonialists.

Zeta Secretary: Not at all, I am trying to bring our country into the twentieth century. Where are the most productive farms in the world? North America. What proportion of the population works on the land there? Less than 10%. Co-operatives are not refuges for the unemployable, they are engines of economic progress.

Credit Manager: We are not a charity, I'll admit that, but will your farmers eventually buy out smaller holdings, and end up as large mechanised farmers, employing only a small proportion of the people who used to work the same land?

Zeta Secretary: You cannot prevent progress, and much of the latest technology cannot be used as fragmented small holdings. We must go for the best, and create wealth and release labour for the industrialisation which is the key to a balanced modern economy.

Omega Secretary: You may be right in the very long term, and I hope you are, but at the moment we must face facts! Small farmers, properly trained, advised and supervised, can produce as much, or more crops from the same acreage as large ones, and will certainly use more labour, which we have plenty of, and less capital, which is scarce. Big farms today for the few, will bring starvation tomorrow for the many, not jobs in industry at all.

Zeta Secretary: Even if you are right, how can anyone supervise the use of credit on thousands of tiny farms, and how can the Ministry of Agriculture train and advise all of them? I think it would be pointless to try, but even if it was worth doing, it is just not possible.

Omega Secretary: It's difficult, but it's essential. I think our job is to devise systems and loan packages, training and extension methods and so on in order to try to do it. It's the only way.

Credit Manager: Well I'm not sure who is right, but I know that we must not make loans that we cannot properly appraise and supervise. Right now that means not many loans, so that if we agree with the Omega District policy, we have a lot of work to do.

SESSION 7.3

REPAYMENTS BEHIND SCHEDULE - BAD DEBTS

Objective: To enable participants to deal more effectively with repayments behind schedule or bad debts.

Time: 1 to 2 hours.

Material: Case Study "Will They Repay?"

Session Guide:

The session should be structured as follows:

- 1) Distribution is required. te the handout to participants in groups and ask them to carry out the following tasks:
 - a) Rank the five farmers A, B, C, D and E in order of the likelihood of their repaying their loans in full.
 - b) Explain why they have ranked the farmers in this way.
 - c) Identify the mistakes that were made when the loan was originally granted.
 - d) Decide what should be done now with those loans where some

- 2) Allow up to 45 minutes for this. Reconvene the group and ask group representatives to present their conclusions; a probably ranking would be "B A D E C". The last three are perhaps equally unlikely to repay. Reasons for this ranking are as follows:
 - A : This farmer's extra income was worth twice the value of his loan and providing that the society's recovery system is well organised, and preferably tied to deliveries of produce, the sum should be repaid.
 - B : The amount of the loan repayment is very small in relation to the scale of the business and there seems no reason why it should not be repaid. A farmer of this sort is anxious to preserve his credit rating.

- C : This farmer has no experience of commercial farming. He borrowed the money in cash to pay for labour which he could not find. He appears to have borrowed the money on the general promise that he would produce a surplus, rather than on the promise that he would carry out a specific project, and an alternative use for the cash has arisen. He is unlikely to repay. While the death of his relative could not have been foreseen, the loan should have been made available in kind and based on a specific estimate of increased production and sale of surplus.
 - D : This farmer was unable to farm two hectares effectively. It is therefore reasonably certain that he will be even less able to farm five hectares. His management ability should have been appraised and if possible improved before any loan was granted.
 - E : This farmer may feel that he need not repay because of his political importance and influence. It is difficult to resist the request from a farmer of this sort but every possible pressure should be applied.
- 3) Ask participants to assess the rate of default in agricultural credit extended through their organisations. Note the figures and ask participants to calculate the effect of this default rate over a five year period on a sum of \$1,000 available for lending. Even using a rate of 10% which is lower than the default rate experience in almost any country, less than \$600 is available after five years. The effects of higher rates are even more disastrous.
 - 4) Ask participants to categorise arrears in terms of their causes. They should be guided to the basic distinction between farmers who are willing but unable and those who are unwilling to repay; the participants may produce further sub-categories within each of these.
 - 5) Ask participants how arrears in each of the previously identified categories, should be dealt with. The basic alternatives are writing off; rescheduling, or using all social and where necessary legal pressure to recover, Participants should consider not only

the effect of loss or recovery of the particular sum of money, but the credit rating of this particular borrower in future years and the credibility of the society as a viable lending institution in the eyes of other farmers. Ask any participants with experience of a massive inherited backlog of arrears to explain the effect of this on present repayment performance. How can a lending organisation recover its credibility after several years of default by borrowers?

Will They Repay?

The credit department manager of ARCU is seriously concerned at the early signs of arrears which are appearing in the credit portfolio. He studies brief summaries of five recent loans and wonders what chances there are of their being repaid.

- Mr. A farms three hectares, with 0.4 hectares in mixed vegetables and the balance in rice. He has never used fertilizer before this year, but was persuaded by the local agricultural officer to apply for a loan through the newly revived farmers society. This was approved. As a result of using the fertilizer his production increased from 2,000 to 3,000 kilograms of rice, enabling him for the first time to sell rice. He received \$120 for the 1,000 kilos which he sold. The total cost of the fertilizer including its transport and the extra labour involved was \$60, which was the amount he borrowed.
- Mr. B farms twenty hectares, using a tractor which he bought two years ago. Almost the whole of his farm is devoted to cotton which does fairly well in the rather dry conditions of the area. He has a plough, but since he is short of labour for weeding he applied for a loan of \$300 to purchase a tractor-mounted cultivator. Repayment for this was scheduled over three years.
- Mr. C has always farmed at a subsistence level, but was encouraged by the formation of a farmers society to apply for a loan of \$100 in order to produce a sizeable surplus for sale. He received the loan which was primarily advanced to enable him to pay labourers to cultivate his vegetables. He has a certain amount of difficulty in finding suitable workers and at this point one of his close relatives died and Mr. C was responsible for meeting the funeral expenses.
- Mr. D used to farm two hectares of land. He had farmed this for many years and his yields per hectare were generally lower than most of his neighbours. Even when he tried modern techniques such as fertilizer or improved seeds his results were disappointing, and his family often had to go without things which their neighbours were able to afford.

- Because of a change in family circumstances he suddenly found himself with an additional three hectares of land adjoining his original plot. He immediately decided that he should now farm in a modern and successful way. He applied through his local society for a loan to hire machinery and to purchase fertilizer and modern improved seeds. He was sure that he could meet the repayments and make a good profit to improve the welfare of his family.

- Mr. E is a prominent politician in his community and also played an important role in encouraging local farmers to join the new cooperative society. He spends much of his time in political activities and in persuading farmers to follow the suggestions of Government in the interests of national development. He is well-connected with important people in the capital city and many people expect that his political energy will shortly be repaid by a senior appointment. He has borrowed \$200 through his local society, of which he is also a committee member, in order "generally to improve his farm". His farm is moderately well-cultivated at the moment but he has already missed one repayment on the loan.

Assignment :

- 1) Rank the five farmers A, B, C, D and E in order of the likelihood of their repaying their loans in full.
- 2) Explain why you have ranked the farmers in this way.
- 3) Identify the mistakes that were made when the loan was originally granted.
- 4) Decide what should be done now with those loans where some action is required.

marketing

Session 8.1: The Marketing Concept and the Marketing Mix

Session 8.2: Channel Selection and the Promotional Mix

Session 8.3: Presentation and Discussion of a Marketing Proposal

Session 8.4: The Pricing Game

Session 8.5: Export Marketing

Session 8.6: Presentation and Discussion of an Export Marketing Proposal

SESSION 8.1

THE MARKETING CONCEPT AND THE MARKETING MIX

Objective : To enable participants to apply the principles of marketing to every aspect of a co-operative union's dealings with outside individuals and organisations.

Time : 1 to 12 hours.

Material : Tape Dialogue.

Session Guide :

This session should be structured as follows:

- 1) Play the series of tape dialogues all through and ask participants briefly to consider what was missing in each case.
- 2) Play the tape again, stopping at the end of each dialogue, and ask participants to identify the particular reasons why the "product" did not sell. Point out that credit, dairy processing services or even education and training have to be marketed just as much as products like soap or cigarettes.
- 3) If further demonstration is necessary, play the second tape. Ask participants to identify the various functions, in addition to transport, which have to be carried out between the farmer and the consumer. Stress that these functions have been determined by the demands of the market, and that changes in the ownership of the organisation performing marketing functions does not necessarily reduce their cost.
- 4) Stress that marketing involves looking at products or services through the eyes of the customer. All his needs must be satisfied and not only his need for the physical product itself.
- 5) From the preceding discussion, list the ingredients of the marketing mix and show that the marketing of any product or service de-

depends on the design of an appropriate mix in relation to the need of the customer.

- 6) Illustrate the concept of the marketing mix by asking participants to identify the degree to which each ingredient is present in the way familiar products such as toothpaste, cigarettes, cars or other well-marketed products are sold.

- 7) Ask participants to list the products and services supplied by their own co-operative unions to members and customers. Ask them to appraise the quality of each product or service. They should look at the "bundle of benefits" as a whole, and appraise the product itself and the values of place, time, information, convenience, price and service which are associated with it.

Tape Dialogue - One

Narrator: I have met a number of disappointed people recently. They all seem to have had trouble selling things. First I talked to a fertilizer manufacturer:

"Things don't seem to be going too well, your warehouse is packed high with fertilizer."

Manufacturer: Yes, I can't understand it. I've got all these sacks of the finest fertilizer available anywhere. It's cheaper than anything else on the market too, and yet farmers round here don't seem to want it.

Narrator: It certainly looks all right and there doesn't seem to be anything wrong with the sacks it's packed in.

Manufacturer: No, nothing at all. It's in the same 50 kilogram bags that it arrived in. I suppose these small-scale farmers around here are just too stupid to buy a good thing when they see it.

Narrator: Then I met an agricultural banker:

"How are you today? You look rather depressed."

Banker: Yes, my small-farm lending scheme isn't going at all well.

Narrator: Maybe your interest rates are too high.

Banker: Far from it. They are lower than the rates offered by any other bank in the country and we have the funds available. People just don't seem to want to borrow the money.

Narrator: How can the farmers get the loans?

Banker: All they have to do is to come here to our office in the city, fill out the necessary forms in triplicate

and have them notarised by a lawyer, and then they get the loan. It only seems a reasonable set of precautions to me.

Narrator: Then I met the manager of a dairy:

"Hello, why isn't your dairy operating today?"

Manager: The farmers round here won't deliver their milk here. We offer the highest prices in the district and our quality standards are far from demanding. Yet I've barely received half the amount of milk I need today.

Narrator: That's a shame. How do the farmers get their milk here?

Manager: All we ask them to do is to deliver it here in tankers or one hundred litre churns. We keep their account and pay them regularly at the end of each month, what more can anyone ask?

Narrator: Then I met a maize miller:

"Hello, is business bad?"

Miller: It certainly is, here I have the highest quality corn meal available in the country, and at the lowest price but nobody seems to want to buy it.

Narrator: Who have you tried to sell it to?

Miller: To our shopkeepers I suppose, they are always complaining about shortages. Here it is in 50 kilograms gunny bags, waiting in our warehouse for them to bring the money and take away the meal. But nobody's been today so far at all.

Narrator: Then I met a tractor salesman:

"How are your new imported tractors going?"

Salesman: Not at all well I'm afraid. I can't understand it, I suppose our product is just too advanced for farmers here.

Narrator: They are certainly very good tractors, I believe.

Salesman: They certainly are, some of the best in the world, and extremely durable as well.

Narrator: How about the price?

Salesman: We reckon that our tractors are a third less expensive than any similar machine anywhere, but people still don't seem to want to buy them.

Narrator: Will they stand up to our conditions really?

Salesman: Of course they will, and we can have spare parts flown out from Poland in two or three days if anybody needs them. They just have to write to our office and we can order them right away.

Narrator: Finally I met a research botanist from the Government Agricultural Research Station:

"You don't look too cheerful and yet I thought you told me that you had developed a new miracle high-yielding variety of maize."

Researcher: Indeed I have, and our tests here at the research station prove that it can improve yields by up to 20%, with a minimum amount of extra fertilizer or other inputs.

Narrator: What's the trouble then?

Researcher: Well, nobody seems interested in growing the new variety. I have several bags of seed here from our testing programme, but nobody is showing any interest and I think I shall have to move on to another project.

Tape Dialogue - Two

Narrator: A tourist from Europe was walking through a farming district of a tropical country and noticed a small pineapple plantation with its owner working in it.

Tourist: Good afternoon, those are fine pineapples.

Farmer: Thank you very much. Would you like to eat one?

Tourist: Why, I should love to, but you must not pull one up just for me. They are worth a lot of money.

Farmer: I wish they were, I sometimes wonder whether it's worth growing them at all.

(Sound of farmer cutting the pineapple and of the tourist chewing it.)

Tourist: Mmm, this is delicious. It's fresher and even sweeter than they are when they get to my home in Europe, and we have to pay at least \$2 for one pineapple.

Farmer: What! \$2? What do you think I get paid for them?

Tourist: Well, I suppose they have to be airfreighted and that costs quite a lot. In fact, mmm, let me see at today's airfreight rates that would cost about 50 cents to ship. Yes, I suppose you get \$1.50.

Farmer: I wish I did! If I get 15 cents I'm very lucky.

Tourist: But that's terrible. I'm paying \$2 and it's too much; you're getting 15 cents and that's too little. Surely somebody is making a fortune out of both of us.

Farmer: Yes, it's the old story of the middleman. The farmer suffers on the one hand, and the consumer suffers on the other. The middleman sits in the middle and gets fat for doing nothing.

Tourist: Well, at least we can cut out the middleman in our case now that we have met. Whenever I want a pineapple I'll just let you know.

Farmer: Yes, you just do that and I'll get it to you somehow.

SESSION 8.2

CHANNEL SELECTION AND THE PROMOTIONAL MIX

Objective : To enable participants to devise an appropriate mix of products, price, information and distribution in order to satisfy the needs of members, customers or any other group.

Time : 3 to 4 hours.

Material : Case Study "The Cattle Spray".

Session Guide :

Participants, in groups, should be asked to study the problem in some detail and to make specific proposals.

By this stage in the programme participants should be familiar with the need to make a professional and detailed presentation. This problem gives an opportunity for definite, quantified proposals for action, and participants should be discouraged from general statements of intent and approach which are not backed by specific suggestions as to what is to be done.

Suggested structure for the session

The case study is complex and many factors have to be taken into consideration at the same time before a decision can be made. It may therefore be useful to discuss with the participants, before they break up in groups, a working method which will facilitate the decision-making required in questions 2 and 3. Such a working method could be:

Step I: Extract for each question the relevant data given in the case study. Different members in each group can concentrate on different questions in order to save time.

Step II: Group, order and systematise the extracted data as much as possible according to the information they give with regard to:

- the PRODUCTS and their PRICE (Question 2)
- their DISTRIBUTION (Question 2)
- their PROMOTION, in this case information and publicity (Question 3)

EXAMPLE

PRODUCT	PRICE	MIN. QUANT.	DELIVERY	GUARANTEE	PACKAGING
Sprayers					
- Type 1
- Type 2
Chemicals					
- Drums
- Sachet

POSSIBLE DISTRIBUTION CHANNELS PRODUCT	ARCU FARM SUPPLIES DEPOT	CO-OP SOCIETIES	PRIVATE TRADE	.... etc.
Sprayers	X	X		
Type 1	.....	.....	.....	.....
.... etc.				

POSSIBLE PROMOTION CHANNELS PRODUCT	LINKED WITH DISTRIBUTION CHANNELS			NOT LINKED WITH DISTRIBUTION CHANNELS	
	ARCU	... etc.		Extension Officer	.... etc.
Sprayers	X			X	
Type 1	.....	.....	.....	.....	.....
.... etc.					

Step III: Decision-making.

The Cattle Spray

The ARCU creamery and meat processing projects have encouraged large numbers of farmers to purchase improved cattle for meat and dairy production. There had been little previous experience with cattle of this type in Alpha Region. The first farmers to have the improved cattle farmed in the higher parts of the region, and their experience suggested that hybrids of the type introduced would be resistant to insect-borne diseases, without frequent spraying, dipping or other treatment. As the improved breeds were adopted by farmers in lower areas, however, and as the number of such cattle increased, reports began to come in of unexplained fatalities.

The Ministry of Agriculture staff were overworked because so many farmers in Alpha Region were interested in new techniques, but they concluded after some investigation that the farmers' earlier optimism was unjustified. Every improved cow would have to be dipped or sprayed twice a week, throughout the year, in order to avoid tick-borne diseases.

A few larger farmers, and one or two farmers societies whose members were concentrated in a small area, constructed cattle dips. The vast majority of farmers had too few cattle, or lived too far from one another, to justify either their own or a communal dip. They were therefore forced to rely on spraying.

This was in many ways more difficult. The spray had to be mixed in exactly the right proportions, with clean water. If it was too weak, it would not function and if it was too strong it would be too expensive, and would also irritate the animals' skins causing them to lose condition. It was vital to spray regularly twice a week and to pay particular attention to critically vulnerable parts of the animal's body.

Many farmers in the region who had improved cattle were still unaware of the danger of disease. Others had lost animals, or had heard of other farmers' losses, but had no idea of the cause or possible remedies, while a substantial minority were aware of the need for dipping or spraying and were anxious to make use of whatever remedy they could.

Between five and ten thousand farmers were believed to have started raising improved cattle and each of these farmers had two or three cattle. The exact figures were not known because many had acted independently of co-operative societies, buying cattle either from their neighbours or from independent dealers.

The agricultural extension staff were doing their best to inform farmers of the need for spraying, and to introduce them to proper methods of doing it, but two officers had to cover the whole of the major cattle raising area, and each of them could contact only about five farmers a day.

The manager of the farms supply depot of ARCU thus found himself in the position of having to deal with the problem. Since farmers had adopted the new breeds of cattle in response to ARCU's initiative, the Ministry and others felt that ARCU should undertake the task of providing farmers with a remedy for the diseases which affected the cattle.

The farmers supply department already sold chemicals for the few dips in the region, but no sprayers or chemical suitable for spraying were stocked. The manager of the department was told by the general manager to draw up a plan as soon as possible. This was to include not only the purchase of the necessary equipment and chemicals, but also a programme for ensuring that every farmer in the region who had improved cattle was informed of the danger and of how to avoid it.

An immediate advance of \$35,000 was to be made available by the co-operative bank to finance the necessary purchases. This was intended as a working capital advance rather than as funds to be on lent in kind to farmers, since the authorities believed that spraying equipment and materials did not qualify for credit in the same way as seasonal inputs or larger and more expensive equipment.

The general manager asked the farms supplies manager to suggest how this money should be spent, what quantities of what products should be bought, what prices should be charged and what means should be used to inform and persuade farmers to spray their cattle. He was also asked to indicate, if necessary, what further sums might be necessary later in the year, and for what purpose.

The farms supply department manager had already asked for quotations for supplies of the necessary equipment and chemicals. He studied the material he had received.

- 1) Solid brass sprayers, from a company whose products had long been sold in the region, and for which spare parts were fully available. Packed in individual cartons with clear instructions for use. Immediate delivery, guaranteed for 12 months and sold and serviced by a firm of importers with effective field representation in Alpha Region. Cost \$40 each, delivered in minimum quantities of 20 sprayers.
- 2) Plated steel sprayers, imported in bulk, packed in cases of 20 and individually wrapped in cardboard. Tested and declared satisfactory by the Ministry of Agriculture. Immediate delivery, guaranteed for six months, each case to include a selection of washers and other generally needed spares. No local representation. Cost \$20 each, delivered free in minimum drops of 40 sprayers.
- 3) Chemical for spraying, in 20 litre drums to be dissolved in 20 times its own volume of water, sufficient for approximately four hundred animals for one spraying, or four animals for a year at twice a week. Immediate delivery, instructions written on each drum, cost \$50 per drum delivered to the central warehouse in minimum lots of ten drums. Discount of 10% for orders of 20 drums or more.
- 4) Chemical for spraying, in individual sachets of 0.1 litre, to be dissolved in 2 litres of water, suitable for one spraying for two animals. Clear written and graphically illustrated instructions printed on each sachet; posters, display cards and booklets provided with each carton of one hundred sachets. Local representative willing to spend a week to introduce the chemical to depots and societies on the basis of an initial order for one hundred cartons of one hundred sachets each, and on the understanding that no other brand would be bought for one season at least. Immediate delivery. Price per carton of one hundred sachets \$50, delivered free in minimum drops of ten cartons.

Every manufacturer offered immediate delivery, but they were hard pressed by demands from other regions as well as Alpha. They had therefore requested that any initial order should be accompanied by a letter of intent covering demand for the forthcoming 12 months.

There were at this time ten active societies in the Union, and it was estimated that about 50% of the farmers who raised cattle were members of one society or another. The other farmers sometimes bought supplies from their neighbouring societies, or from farmers who were members, but they usually relied on private traders. Active society members also bought a proportion of their requirements through non-co-operative outlets.

A few traders stocked the sachet brand of chemical, but because of the success of the ARCU farm supply department these traders were generally losing interest in agricultural products and concentrating on clothing, food, household goods, medicine and hardware. They, like ARCU, were free to set whatever retail price they chose for their goods. Since these traders bought most of their goods in small quantities from wholesalers, who paid similar prices to those offered to ARCU, goods sold through such retailers often cost nearly double the price paid by the wholesaler. ARCU attempted to minimise its margins, and usually marked up goods of this sort by 10%. The societies would often add up to 20% more for their own retailing function.

The societies, and ARCU, normally relied on Ministry staff to contact farmers on their farms and to inform them about new farming practices. They used demonstration plots to promote seed varieties, and they also used the regional farm training centre for short two or three day seminars to introduce major innovations to the leading farmers of the region. Leaflets and other written material could be distributed through the ten societies, but only the most active members called at the offices, or had any contact with societies' officers, more than two or three times a year.

Posters could be displayed at societies' premises and on vehicles, at some expense, but little information could be conveyed in this way, and only a small proportion of the region's farmers would see, or could read, posters of this sort.

Clearly the physical product decision had to be made in conjunction with the choice of diffusion strategy. What method should be used to promote and distribute what products to whom?

Assignment :

- 1) What should be the objective of the ARCU farm supply department in their situation?
- 2) What products should be bought, in what quantities and when, and for what prices should they be sold, and through what channels?
- 3) What means should be used to inform prospective purchasers about the products that were offered to them?
- 4) How will ARCU be able to evaluate the success of the campaign so suggested?

SESSION 8.3

PRESENTATION AND DISCUSSION OF A MARKETING PROPOSAL

Objective: To enable participants to present and defend marketing proposals and to put over relatively complex and specific proposals briefly and clearly.

Time: 2 to 3 hours.

Material: "The Cattle Spray", 8.2 and such presentation material as participants may require.

Session Guide:

Suggested Structure of the Session

- 1) Ask each group to present its conclusions briefly and concisely. Allow up to ten minutes for each group to do this, and allow a further five minutes for specific questions and objectives.

- 2) After all groups have made their presentations, and have dealt with immediate questions and objectives, invite general discussion on the respective merits of the various proposals, whether on the basis of their internal consistency or their overall approach. As with all marketing problems, there are no right or wrong answers to this. One possible set of proposals. might be as follows:

Objective - Short Term

To distribute at least one thousand sprayers, complete with minimum supplies of chemical, to society members, and to have sold at least one hundred further sprayers as a nucleus of group spraying activities.

Objective - Medium to Long Term:

To ensure that every farmer in Alpha Region who raises improved cattle either has access to a dip, owns and uses a sprayer or is a member of a small group which shares the use of a sprayer.

Proposal

Product

ARCU should purchase:

1,000 sprayers @ \$20	20,000
200 cartons each of 100 chemical sachets	10,000
100 sprayers @ \$40	4,000
20 fifty litre drums of chemical net	<u>900</u>
Total	<u>34,900</u>

ARCU should offer a "package" of one \$20 sprayer together with ten sachets of chemical and should also promote the more expensive sprayer, together with chemical in sachets, as a basis for small groups of five or ten farmers who have very small numbers of cattle.

Distribution:

ARCU should ensure that all member societies in cattle rearing districts take stocks of the sprayer /chemical packages and that they bring them to the attention of their members through every possible means. ARCU should also vigorously encourage the private traders to stock sachets of chemical. The manufacturer of this chemical should be encouraged to promote his product through the private sector even if this appears to be in competition with ARCU.

Promotion:

The most widespread promotion can be obtained through private traders, and for this reason their co-operation should be invited in every way, and the ARCU price for the sachets (see below) should not undercut that available from the private traders. The manufacturer of the chemical should be encouraged to provide promotional material and to ensure that it was used by all private traders in the region.

Member societies should also promote the sprayer packages through any mailings to members, posters, notices on vehicles and personal information at every possible contact.

Pricing:

The low cost package: Sprayer \$20 cost. Chemical \$5 cost. ARCU should forego its margin on these and with the normal primary society margin the final price should be \$30.

The higher cost set: ARCU should again forego its margin so that the final price should be \$55.

Sachet chemical: In order not to undercut private traders ARCU should add a 60% margin, selling the chemical for 80 cents. Member societies will then sell it for \$1 which is the same price as that likely to be charged by private traders.

Bulk chemical: This should be sold at the normal margins.

It may be possible to deduct the cost of sprayer kits from farmers' receipts at the dairy or abattoir. This possibility should be investigated.

Future Developments:

ARCU should investigate local packing of bulk chemical and should stock spares and provide service for the lower cost sprayers. ARCU should give a letter of intent for two hundred more \$40 sprayers, two thousand more cheap sprayers and one hundred more cartons of sachets.

Evaluation:

After one month, one thousand sprayer and chemical packages should have been sold. Stocks at primary society level, and if possible also stocks of chemical in the private shops, should be assessed in order to ensure that they are moving into the hands of farmers and are being used.

- 3) Points to be stressed during discussion and exemplified in this possible solution:

- a) It is important that detailed calculations of prices, coverage, usage and so should be correctly and carefully carried out as a basis for planning. This does not require sophisticated mathematics, but merely care and accuracy.

- b) For some purposes the higher priced product may be the better product even if physically it is identical to a cheaper one. Convenient packaging,, information and promotion are something which people are willing to pay for and may be their interest.

- c) Co-operative organisations should co-ordinate their activities with the private sector, and in particular with retail traders whose coverage in terms of numbers of outlets, opening hours and local knowledge and flexibility are bound to be superior to anything that can be achieved by co-operatives alone.

- d) Customers should be segmented not only according to their product need but according to the degree of their knowledge about it, their income and the degree to which they are likely to make an effort in order to obtain the product.

SESSION 8.4

THE PRICING GAME

- Objective:
- 1) To enable participants to calculate costs and set prices for a situation where there are both fixed and variable costs.
 - 2) To enable participants to respond to the realities of a competitive marketing situation.

Time: 2 to 3 hours.

Material: "The Cotton Competition", Carbon Paper.

Session Guide:

- 1) Issue all participants with a copy of the background brief and explain the structure and objectives of the session.
- 2) Appoint four individual participants as textile millers (the buyers); give them names or labels and ensure that the whole group is aware of these.
- 3) Divide the remaining participants into three groups, each of which is to represent one co-operative union ginnery. These should be named and labelled.
- 4) Issue each co-operative union group with a copy of the union brief.
- 5) While the 'three unions are studying their briefs, privately, each textile miller should be issued with a copy of the miller's brief.
- 6) Ensure that the buyers, and the sellers, are located in separate rooms or at least at distant corners of the same room so that they cannot overhear each other's deliberations.
- 7) The textile millers should start the game by issuing requests for quotations to all or any of the sellers. These and all subse

quent messages should be conveyed by the instructor and there should be no movement between the groups or communication by word of mouth.

- 8) Circulate among the millers and unions, conveying messages as required. Ensure by checking these that gross mistakes are not being made, that no miller purchases more than 250 bales and that no union sells more than 400 bales. Stress to all concerned that the transactions are not complete until the order has been placed and accepted.
- 9) Allow the flow communication and transactions to continue until all the textile mills have satisfied their requirements.
- 10) Instruct each union to calculate its profit or loss statement as soon as it has sold all its production or the game comes to a close.
- 11) Reconvene the complete group and write the three union profitability statements on the blackboard, as well as the textile mills' performance. Point out that the demand for 1,000 bales was less than the possible supply of 1,250 bales and ask each group in turn to describe their strategy and to attempt to explain their success or failure.
- 12) Summarise the experience and bring out any of the important points which did not come up in the discussion of results.

Major Issues to be Covered:

- 1) Rapid, accurate and clear communications are a simple but essential element of successful marketing.
- 2) Group decision making may lead to slow and erroneous decisions. Clear allocation of responsibilities among the group can facilitate rapid and effective decision-making.
- 3) Excessively high prices may lead to unused capacity. Excessively low prices will lead to rapid but unprofitable business. The correct policy lies in a well-judged compromise.

- 4) Processors must be familiar with their costs in order to be able to react rapidly to requests for prices.

- 5) Business which covers variable costs and even a small element of fixed cost is better than no business at all. The objective should be to maximise the contribution in excess of fixed costs, and not necessarily to sell products at some notional level of "full cost" which depends on an assumption of volume to be used.

- 6) Price depends on cost which depends on volume which depends on price. This is the vicious circle of marketing and the dilemma cannot be solved purely by calculations or application of rules. It requires judgement.

The Cotton Competition : Background Brief

The cotton and lint marketing board had broken down through a combination of mismanagement, misjudgement and corruption. As a result the three co-operative unions which marketed cotton, and the four textile mills which use it, are faced with a competitive buying and selling situation. Each union must compete for the available business with the others, and the mills must all attempt to obtain the supplies they need at the lowest possible cost. The co-operative unions and the textile mills are prohibited from exporting or importing cotton, since the international quota has been taken up by older established growers. There are thus no alternative customers for the unions, and no other supplier for the mills. Cotton is dealt with in 50 kilogram bales, and the suppliers are responsible for costs of delivery to the customers.

The Cotton Competition : Union Brief

You are responsible for marketing cotton produced by your union gin-
nery. In the new competitive situation all you know is that the likely
price level per bale will lie somewhere between \$25 and \$45, and that
your maximum capacity for the period of the game is 400 bales. Your
production, selling and distribution costs are as follows:

Production Costs

- Fixed cost of ginnery, machinery and administration and labour = \$2,000.
- Variable cost of cotton purchased from farmers = \$15 per bale.

Selling Costs

- Fixed cost of sales office = \$400.
- Variable cost of commission to buyers = \$4 per unit.

Delivery Costs (determined by size of each order)

<u>Quantity</u>	<u>Total Cost</u>	<u>Delivery Cost Per Unit</u>
50 bales	\$ 500	\$ 10
100 bales	\$ 900	\$ 9
150 bales	\$ 1,200	\$ 8
200 bales	\$ 1,400	\$ 7
250 bales	\$ 1,500	\$ 6
300 bales	\$ 1,650	\$ 5.50
350 bales	\$ 1,750	\$ 5
400 bales	\$ 1,850	\$ 4.62

You must quote in response to inquiries received from the mills on the
basis of your costs including delivery to the mill. The cost of de-
livery is the same for each mill and the Union which makes the biggest
surplus wins the competition.

You may only communicate with the four buyers in writing and every com-
munication must state clearly:

- The name of your Union.
- The name of the mill to which it is addressed.
- Complete information as to the offer your are making.

It is important that you should keep complete records of all communications you send as well as those you receive in order to avoid confusion.

The sequence of operations is as follows:

- 1) Mills send inquiries to Unions.
- 2) Unions quote (or refuse).
- 3) Mills order.
- 4) Unions accept order (or refuse them).

No order is complete until this sequence has been followed through, and the sequence is repeated until either all the buyers are satisfied or all the Unions are sold out of their capacity.

The Cotton Competition :`Textile Mill Brief

Your job is to buy 250 bales of cotton at the best possible price. You may not be able to get all the supplies you want from one union only, and you can communicate with the four unions at any time to invite inquiries, place orders, expedite inquiries or negotiate prices. You must do this in writing and all your communications must indicate:

- 1) Your own name.
- 2) The name of the Union to which it is addressed.
- 3) Complete details of what you wish to communicate.

It is important to retain copies of all communications you send out as well as those you receive.

The sequence of the game is as follows:

- 1) Buyers send inquiries.
- 2) Unions quote (or refuse).
- 3) Buyers place orders.
- 4) Unions accept these (or refuse).

No order is complete until this sequence has been completed and the sequence is repeated until either all buyers are satisfied or all unions are sold out.

All quotations will be made on the basis of including the cost of delivery to your mill.

SESSION 8.5

EXPORT MARKETING

Objective : To enable participants to appraise export marketing opportunities, to relate foreign market demands to producer needs and capacity and to identify the particular problems and requirements of foreign markets.

Time : 3 to 4 hours.

Material : Case Study "The Frozen Chickens".

Session Guide :

This problem is similar to that of the cattle spray, but involves marketing the products of society members to foreign consumers.

Although most co-operative unions market their member societies' products abroad, and at home, through marketing boards, agents or other intermediaries, it is important that they should be familiar with the need to take account of the market's requirements, and in particular with the nature of export marketing problems.

Participants should be asked to consider the problem of the frozen chickens in groups, just as they considered the problem of the cattle spray on the previous day.

The Frozen Chickens

One of the few successful agro-industries in Alpha Region before the establishment of ARCU was a medium-sized chicken processing factory. This has been owned and operated by the local subsidiary of a multi-national company. Some of the chickens were grown in a company-owned pilot plant, but the majority were provided by about 20 independent farmers who had been assisted by the processing company in their initial stages.

The complete operation worked very smoothly and efficiently. About two hundred tons of frozen chickens were produced every year. About 50 tons of these were sold to local supermarkets in the capital city, while the balance was sold to export markets through affiliates of the multi-national company.

This company also owned other plantation and manufacturing enterprises in the country, and during the second year of ARCU's existence the Government found it necessary, for a variety of reasons unconnected with the chicken processing plant, to expropriate this company's properties. Discussions proceeded as to the appropriate level of compensation, but the Government meanwhile took possession of the company's assets and integrated the bulk of them with other state-owned enterprises.

The chicken unit did not fit into any existing government-controlled activities, however, and the department of co-operatives was asked to promote the formation of a chicken growers society which could take over the unit. This task was naturally handed to ARCU. Not only had a new form of ownership to be established, but in addition the unit had to be managed and its production to be marketed.

Fortunately the management of the operation itself presented no problem, since the manager who had previously been employed by the foreign company was willing to remain, and ARCU temporarily took over financial responsibility for the unit, pending transfer of the ownership to a co-operative.

The most immediate problem, however, was to establish a market for the frozen chickens produced by the unit. The multi-national company would soon obtain its chickens from elsewhere, and it was estimated that within 12 months all export sales, that is about 75% of total sales,

would have ceased unless new markets could be obtained. The 50 tons sold to the local market were unlikely to be increased, since very few shops had the necessary freezer cabinets and very few consumers had the money or interest to buy frozen chickens. Chickens were sold live at local markets, and only foreigners and a very few local people were willing to pay more for what to most people appeared an inferior product.

The local buyers paid \$2.00 per kilo for their supplies, which they collected themselves from the processing unit. The previous owner had priced all exports at \$1.60 per kilo f.o.b. but this was believed to be an artificially low transfer price to avoid taxation. The marginal cost of operation which was mainly the cost of the chickens, was \$1.20 per kilo. Anything over this price contributed to fixed overheads, and at the 200 ton annual throughput these amounted to a total of \$20,000.

The farmers who raised the chickens were already beginning to lose confidence. They were becoming doubtful about the future to their own chicken farms since the variety of bird they raised was of no interest to the local market. They were thus unwilling to invest in a co-operative to take over the processing unit, and it was vital to find alternative export markets quickly both to ensure the continued viability of the unit and to prevent the farmers from losing interest and thus depriving the unit both of its source of supply and its future owners.

The general manager of ARCU asked the marketing manager to deal with this as a matter of urgency. He was to take the necessary steps to replace the lost annual demand of 150 tons.

The marketing manager contacted the export promotion secretariat of the Ministry of Trade, and after some weeks he received a complete dossier of information relating to overall demand, channels of distribution, prices and so on. This had been obtained through the national trade representatives located in foreign markets, and the critical information was summarised in a paper, which is appended to this report.

The marketing manager had to decide what should be his eventual objectives, which markets he should choose and what immediate steps he should take.

Market Survey on Behalf of ARCU for Frozen ChickensObjective

To identify potential future markets for the product of the ARCU chicken freezing unit.

Present Demand

The following countries are the only significant markets for frozen chickens where there are no insuperable quota or quality restrictions and where suitable economic transport facilities are available.

Country	Population	GNP Per Head	Value Of Total Imports Of Frozen Chickens				1978 Tonnage
			1975	1976	1977	1978	
A	10 m.	\$ 1,800	\$ 32 m.	\$ 35 m.	\$ 38 m.	\$ 40 m.	20,000
B	5 m.	\$ 5,000	Nil	\$ 0.5 m.	\$ 1 m.	\$ 1.25 m.	500
C	25 m.	\$ 800	\$ 15 m.	\$ 13 m.	\$ 13 m.	\$ 11.25 m.	5,000

The marketing situation in the three countries can be summarised as follows:

Country	1978 Imports	1978 Local Production	Total
A	20,000 tons	10,000 tons	30,000 tons
B	500 tons	Nil	500 tons
C	5,000 tons	20,000 tons	25,000 tons

Country	Major Users	Marketing Channels	Promotional Media
A	Food packers, hotels, domestic users.	Direct contracts, grocery chains and independent wholesalers and retailers.	Radio, television, press and trade exhibitions.
B	Hotels and small domestic trade	Direct contracts.	Press.
C	Hotels and domestic users	Independent distributors and retailers.	Radio and some press.

In addition to this general information our representatives in the three countries identified the following specific opportunities:

Country A

A large well established food packing firm is willing to contract for 120 tons, to be delivered in monthly consignments of 10 tons each, throughout 1980, depending on favourable analysis of samples. The price to be \$1.30 per kilo, ex cold store in Alpha District. A supermarket chain is willing to place a trial order for 5 tons, for delivery as soon as possible, price to be \$1.60 per kilo free on board our port. If consumer reception is satisfactory, monthly offtake of 5 tons can be expected thereafter.

Country B

A hotel group is willing to order one ton for immediate delivery, price \$2.50 per kilo delivered to their premises by air, regular orders of this size may be expected quarterly thereafter if the initial experience is satisfactory.

Country C

Consultants suggest that imports to this market will expand rapidly in 1980 because of growing local labour costs and the increased profits available on other farm enterprises in the country. A price level equivalent to \$2.50 per kilo free on board our port could be obtained by an exporter who successfully developed appropriate marketing channels and a favourable consumer image for the product. Demand could be expected to reach 15 to 20 tons per month within one to two years. This consultant would be willing to undertake further research into the market and to assist with the initial marketing process, for a fee of \$20,000.

Transport

Transport costs and times in suitable freezer containers for all three markets are similar, the approximate levels being as follows:

<u>Method</u>	<u>Cost</u>	<u>Transit Time</u>
Sea	25 cents a kilo	1 month
Air	50 cents a kilo	24 hours

These figures include 10 c kg for refrigerated transport from Alpha Region to our port.

Assignment :

- 1) What should be the objective of the ARCU frozen chicken unit in the short and the long term?
- 2) To which of the foreign markets about which they have information should ARCU devote its particular attention?
- 3) What steps should the ARCU take to market the products of the frozen chicken unit, and when should ARCU take them?

SESSION 8.6

PRESENTATION AND DISCUSSION OF AN EXPORT MARKETING' PROPOSAL

Objective: To enable participants to analyse export marketing problems, to identify possible alternatives and to appraise them and make, present and defend appropriate solutions.

Time: 3 to 4 hours.

Material: "The Frozen Chickens", 8.5 and participants' recommendations.

Session Guide:

The session should be structured in a similar way to 8.3 and it is important that participants should appreciate the need for a similar approach to marketing, both to members through their societies and to customers through appropriate marketing channels. Similarly the need to "market" ideas, techniques and innovations to members should not be neglected. In this particular case, success depends not only on foreign demand but also on persuading members to continue and possibly to increase their production of live chickens.

The session may be structured as follows:

- 1) Invite groups to present and defend their proposals.
- 2) When all the proposals have been presented and briefly discussed, lead general discussion on this problem and on the problems and opportunities of marketing abroad, together with their implications for producer organisations.

Points to be emphasised include the following:

- Union managers should have some understanding of terms of shipment, f.o.b., c.i.f. and soon, and possibly also of the implications of export trade payment terms.

- Union management should be aware of the various ways of communicating with export markets, and in particular of the services offered.-by-their country's export promotion organisation and trade representatives abroad.

The vast majority of export marketing problems arise not from a lack of demand' but' from poor quality, unreliable delivery or other inadequacies of the supplier. Therefore the producer, and not the agent or other marketing intermediary, has the major responsibility for successful export marketing.

- It is important to be highly selective when dealing with export markets. The effective demand from any one is likely to be more than enough for a given group of producers, and it is vital to identify a small number of markets and to promote and market to these effectively rather than to spread what must by its nature be a very thin marketing effort over a vast number of markets.

- 3) As with the cattle spray, there is no right answer but the following proposal may be a useful example:

Objective - Short Term:

To maintain two hundred tons per annum throughput at a price which will cover the cost of the processing unit.

Objective - Longer Term:

To increase demand at the same time as developing more substantial supplies and if possible, to increase the surplus earned by the unit.

Proposals:

- Accept supermarket order from country A for 5 tons at \$1.50 per kilo ex store.
- Send samples to, and vigorously follow up 120 ton contract from food packipg firm in: country A at \$1.30 per kilo ex; store:
- Accept one ton order from hotel group in country B at \$2.00 per kilo ex store.

- Make further investigations into potential in market C, and into bona fides of proposed consultant, particularly because demand in this market appears to be declining and unlikely to build to the level suggested, particularly at the very high price levels which are mentioned.

Promotion

The 4 ton order from the hotel group in country B has resulted in a \$2,800 "windfall profit". It may be reasonable to spend this on a visit to countries A and B and possibly C, and/or on a limited promotional campaign to accompany or follow such a visit, with the guidance of national trade representatives in the respective countries.

Future Prospects:

Every attempt should be made to develop a number of preferably fairly small customers in countries A and B and C possibly, in order to avoid reliance on one or two large ones who may stop purchasing for a small price advantage elsewhere. ARCU should probably not attempt to establish a brand in any particular market since this is expensive, and although it might ultimately result in higher profits the objective is not so much to make money for the processing unit as to guarantee throughput for farmers. Every attempt should be made to develop future suppliers, and if this results in surplus production of chickens these should be sold off at low prices, preferably in markets other than A and B which have been chosen for prime concentration.

appraisal of projects

Session 9.1: Project Appraisals: Why and How?

Session 9.2: Project Appraisal Exercises

Session 9.3: Discussion of Project Appraisal Exercises

SESSION 9.1PROJECT APPRAISALS: WHY AND HOW?

Objective: To enable participants to identify factors which are critical in selecting investment projects and to apply simple techniques of project appraisal with due understanding of their shortcomings.

Time: 3 to 4 hours.

Material: "Which Proposal?", 9.1. Discount Tables; taken from Gittinger, Economic Analysis of Agricultural Projects, published by the John Hopkins University Press for the World Bank in 1972.

Session Guide

Suggested structure of session:

- 1) Ask participants to give examples of personal and official decisions which have faced them, where they must choose between a number of purchases which cost the same amount of money but give different benefits; how are such decisions made?
- 2) Show that information on the costs and the benefits must be available before a decision can be made. Elicit the point that an investment must "pay for itself", that is the benefits must at least equal the costs.
- 3) By the use of simple examples, lead participants to appreciate the fact that a technique is needed to take account of the timing of returns from an investment.

These stages may be summarised as follows:

- a) What is required of projects is that they should pay for themselves.

- b) Compare: Project A: - 100 today + 1 per annum for 100 years.
Project B: - 100 today + 100 in year 1.

Account must be taken of the time a project takes to pay for itself.

- c) Compare: Project C: - 100 today + 10 in year 1 + 10 in year 2
+ 80 in year 3.

Project D: - 100 today + 80 in year 1 + 10 in year 2
+ 10 in year 3.

Account must be taken of timing of return within pay back period.

- d) Compare: Project E: - 100 today + 50 in year 1 + 50 in year 2
+ 50 per annum for ever.

Project F: - 100 today + 50 in year 1 + 50 in year 2.

Account must be taken of the return after a project has "paid for itself".

- 4) Show that the timing of benefits is important, by asking participants whether they would prefer \$1 today or \$1 tomorrow, or \$.... a year from now. The preference for immediate benefits results from a desire to avoid risk, to avoid inflation and the ability to use the money, or enjoy the benefits, if you have it now.
- 5) Hold an "auction" by asking each participant to write down how much he will pay today for \$100 to be received in one year's time. Ask participants to state their answers and list the spread of opinions on the board. Repeat the "auction" for five years, ten years and twenty years. Stress that participants should ignore in their answers, the risk that the money will not be given and inflation. Their answers should relate only to the added benefit gained by present versus future receipt of the money. Explain that their answers are actually stating the rate of interest they require on investments. Compare their answers with rates actually paid by savings banks.
- 6) Each participant will now have constructed a discount, table for himself. Explain this and distribute the simplified discount tables. Explain these and check participants' understanding by asking them a number of simple examples.

- 7) Distribute the handouts "Which Proposal?" and ask participants to attempt to practice the net present value technique on these proposals, using a discount rate of 10%.

Participants will quickly realise that the investments and returns are the same in every respect, but the projects are not all equally desirable nevertheless. Ask participants to identify the other factors for and against each of the four projects. These may be summarised as:

- Effect on employment.
- Effect on balance of payments.
- The certainty of the return.
- The multiplier effect of the benefits of members.
- The manageability of the project.

Opinions will differ as to how each of the proposals is rated according to these standards, but a table of this sort may be constructed in order to illustrate the importance of these factors.

	Dairy Machinery	XYZ Insecticides	Access Road	Breeding Bull
Employment			+	
Balance of payments	+	-	+	-
Certainty		-		-
Benefit to members	+	-	-	+
Manageability	-	+	+	-

+ = Good

- = Bad

No Mark = Neutral

Final selection will depend on individual rating of each of these factors, but reasonable ranking would be:

Access Road	1
Dairy Machinery	2
XYZ Insecticide	3
Breeding Bull	4

- 8) Show that the discount tables can be used to calculate the "present value" of future benefits which can then be compared with the investment required to "buy" the future benefits. Or to calculate the "rate of return" of an investment project by finding the discount rate which makes the future benefits equal to the investments required to "buy" them. Illustrate this by simple examples, and ensure that every participant is able to use the discount tables. Show how to obtain a factor for a "stream" of benefits which starts some years from now, by subtracting the rate for the year it starts from that for the year it finishes.

Which Proposal?

The general manager of ARCU encouraged his staff to suggest additions to the services provided by the Union, and he was delighted at the flow of ideas and resulting improvements. Finance was however a problem. As the member societies expanded in number and size, the demands on ARCU's existing services, and its working capital, increased without any additional services being provided. Nevertheless, the general manager did not want to stifle his subordinates' initiative. He had a number of proposals on his desk, and his accountant told him that in the forthcoming year only \$10,000 could be invested in any new activity. His problem was to decide which of the proposals should be selected for implementation, and to rank all of them so that others could be implemented as and when funds became available.

Assignment

- 1) Calculate the net present value of the following proposals. Use a rate of 10%.
- 2) Identify other factors for and against each of the four projects, e.g.
 - Effect on employment.
 - Effect on balance of payments.
 - The certainty of the return.
 - The multiplier effect of the benefits of members.
 - The manageability of the project.
- 3) Decide which proposals should be selected for implementation.

MEMO

FROM: The Manager ARCU Creamery

TO: General Manager ARCU

Butter Packaging Machinery

We presently limit our production of butter to the demand from the local market, plus occasional export shipments at rather low prices; our butter is shipped in 50 kilogram drums and must either be used for industrial purposes or repackaged before being sold to consumers.

If we purchased a butter packaging machine we could establish a regular sale of ARCU branded butter; this would enable us to increase our sales and to command higher prices. I am reliably informed by the Manager of City Supermarkets in the capital that if we could offer butter packaged to international standards they would no longer import packaged butter as they do now. The total production of the proposed butter packaging machine would thus be sold in export markets or would replace imports on the home market.

I have identified a suitable Italian machine; this could be delivered by air at one month's notice, and would cost \$20,000 delivered and installed. The economics of the project are as follows:

Cost of Machine	-	\$20,000
Additional Sales of Butter	-	\$20,000
Cost of Additional Milk from Farmers	-	\$15,000
Cost of Labour	-	\$ 1,000
Cost of Imported Wrapping Material	-	\$ 500
Associated Overheads	-	<u>\$ 1,000</u>
Total Annual Expenditure		<u>\$ 2,500</u>

MEMO

FROM: The Manager, ARCU Farm Supply Department.
TO: The General Manager, ARCU.
PROPOSAL: To Stock XYZ Brand Insecticides.

A number of societies, and farmers, have suggested that we should stock the XYZ Brand of insecticides in addition to our existing range; although this brand is not a fundamental component of any of the Ministry of Agriculture's approved regional input packages, the products are apparently of great use in a number of specialised situations. The local representative of the manufacturers suggests that if we put the full range of chemicals into stock now we should almost at once be selling approximately \$50,000 worth a year of them. Our farmers are apparently buying something less than this quantity at the moment from private traders in Alpha Region, and if we stock them we should obtain this existing business plus additional business from those farmers who buy only what we stock.

The anticipated stock turn for this range of insecticides is five times per year once the range has been properly introduced, so that our average stock holding will be \$10,000 worth and this is the size of the initial order suggested. This stock should apparently support the annual business as predicted, and should net ARCU approximately \$2,500 per year of additional surplus once the full sales level has been achieved, after deducting all extra expenses such as transport, returns, handling and so on.

I appreciate that you have declared a moratorium on all new stock items for the duration, in view of the need to finance increasing stocks of existing items, but I should be glad if you could make an exception in this case.

MEMO

FROM: The Supervisor, ARCU Cattle Breeding Station.
TO: The General Manager, ARCU.
PROPOSAL: To Purchase and House a New Variety of Pedigree Bull.

The Director of the Veterinary Research Station of the Ministry of Agriculture has recommended that we should purchase a pedigree bull of the new heavy yielding breed, in order to enhance the quality of our local dairy herds.

In similar climatic conditions abroad this type of bull, when crossed with our type of cattle, has apparently provided very high quality progeny which are more disease resistant and yield milk of higher butter fat content than the hybrids presently in use in Alpha Region.

This would be the first time that this breed has been used in this country; the Veterinary Research Station is not able to purchase such an animal on an experimental basis on its own account but the Director feels confident that we should do so; I am personally very pleased that he has chosen ARCU Breeding Station for this purpose.

An excellent young bullock can apparently be obtained from abroad and flown here for approximately \$9,000; approximately \$1,000 will also have to be spent on an extra stall and associated equipment.

A number of farmers have expressed interest in the proposal, and I am confident that we can expect increased net revenue of \$2,500 per year from extra artificial insemination services and bulk sales of semen to other regions if we purchase the bull.

Discount Tables

Year	Present Value of \$ 1 Received During The Year			Present Value of A Stream Of \$ 1 Per Year Received Every Year		
	10%	15%	20%	10%	15%	20%
1	0.909	0.870	0.833	0.909	0.870	0.833
2	0.826	0.756	0.694	1.736	1.626	1.528
3	0.751	0.658	0.579	2.487	2.283	2.106
4	0.683	0.572	0.482	3.170	2.855	2.589
5	0.621	0.497	0.402	3.791	3.352	2.991
6	0.564	0.432	0.335	4.355	3.784	3.326
7	0.513	0.376	0.279	4.868	4.160	3.605
8	0.467	0.327	0.233	5.335	4.487	3.837
9	0.424	0.284	0.194	5.759	4.772	4.031
10	0.386	0.247	0.162	6.145	5.019	4.192
15	0.239	0.123	0.065	7.606	5.847	4.675
20	0.149	0.061	0.026	8.514	6.259	4.870
25	0.092	0.030	0.010	9.077	6.464	4.948
30	0.057	0.015	0.004	9.427	6.566	4.979
50	0.009	0.001	0.000	9.915	6.661	4.999

* taken from Gittinger, Economic Analysis of Agricultural Projects, published by the John Hopkins University Press for the World Bank in 1972.

SESSION 9.2

PROJECT APPRAISAL EXERCISES

Objective: To enable participants to apply techniques for appraising projects, and to rate projects according to quantitative and qualitative factors.

Time: 3 to 4 hours.

Material: Case Study "Which Project."

Session Guide:

These simple exercises in project appraisal require a great deal of simple but accurate arithmetic. Participants should if possible have calculators in order to enable them to complete the work quickly.

Participants should be asked to complete the exercises on their own, in order to ensure that all are familiar with the necessary techniques, and individual guidance should be given to participants who have not yet grasped the necessary principles.

Which Project ?

The Sigma Swamps Land Reclamation Project was a success. The people of the district, and indeed of the whole of Alpha Region, felt that at last Central Government was paying some attention to the poorest people in the most backward areas of the country, and much of the credit for the initiative went to ARCU.

Up until this time most of ARCU's credit had been advanced to farmers through their societies for their normal seasonal crops and other activities. Farmers now realised that credit was available for totally new projects, which might not repay the money invested in them for some time, and which might radically alter and improve the well-being of individual farmers or whole communities. As a result, a large number of proposals began to reach the credit department of ARCU from individuals and societies, requesting finance or advice, about all kinds of different activities.

Some of these projects arose from suggestions by salesmen or contractors who hoped to gain from the project, some from individual farmers, some from co-operatives and some as a result of suggestions by extension officers of the Ministry of Agriculture. The projects were presented in a variety of different forms, with different types of information, and it was clearly necessary to develop some means of appraising them, of advising farmers and their societies whether or not they were potentially beneficial, and of deciding whether or not to channel the co-operative bank's scarce funds to support them.

MEMO

FROM: Alpha Regional Office, Ministry of Agriculture.
TO: Credit Department, ARCU.
SUBJECT: Small-Holder Rubber Production.

You are I am sure aware that in the neighbouring Region the Government is actively promoting rubber production in order to replace the raw material for the new tyre factory, all of which presently has to be imported.

There is a reasonable quantity of presently unused land in the part of Alpha Region which is adjacent to the rubber growing area, and communications between this District and the nearest rubber factory in the neighbouring Region are adequate for the transport of latex.

This area is presently rather thinly populated, by farmers who practice shifting cultivation and who live from this and hunting wild animals; I feel that their welfare, and the national interest, would be served if ARCU were to set up a number of these people as small-holder rubber growers. The Ministry recommends two hectare plots as the minimum viable scale of small-holder rubber growing unit, and adequate supplies of seedlings, together with technical advice, would be made available to any project to encourage farmers to undertake rubber production.

It would be necessary for the people to set aside a portion of their land and to devote it to rubber trees for seven years before any income would result; there is at present no shortage of suitable land in the area, and the tenure arrangements are such that the allocation of two hectare plots to individual farmers would cause no problems; the farmers would however require payment to cover the cost of their labour during the seven year investment period before their plots started to earn any revenue.

The following table summarises the financial position for one hectare;

Activity	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7
Felling & Clearing Labour	\$ 32						
Cost of Plants at 200 per hectare	\$108						
Lining, Pegging & Terracing	\$120						
Digging & Planting	\$108						
Shade Plants	\$ 64						
Pruning, Thinning, Weeding & Mulching	\$144	\$144	\$144	\$120	\$ 90	\$ 62	\$ 62
Fertilising	\$ 40	\$ 72	\$ 92	\$ 72	\$ 56	\$ 56	\$ 56
Spraying	\$ 20	\$ 40	\$ 56	\$ 68	\$ 68	\$ 68	\$ 68
Cover Crops	\$ 28	\$ 10					
Drainage, Fencing & Other Costs	\$ 42	\$ 26	\$ 26	\$ 26	\$ 26	\$ 26	\$ 26

Income: Year 8 = \$600 Year 9 = \$780 Year 10
to Year 25 = \$960

Note: The economics of such a small holding are understated insofar as:

- 1) Income from the tree is only given for a twenty-five year period; in fact most rubber trees live until at least thirty years, although their productivity may decline.
- 2) When a rubber tree has finished its useful life, the timber has some value; this has not been taken into account.
- 3) It may be possible to plant cover crops which perform the shade- and nitrogen-fixing function and also have value in themselves; no account has been taken of this possible source of income.

NATIONAL SOAP & VEGETABLE OIL CORPORATION

Capital City

Alpha Region.

The General Manager,
ARCU
Alpha Region.

Dear Sir,

Coconut Plantations

It has been brought to our notice that your Union is actively involved in introducing agricultural innovations into Alpha Region, and we must congratulate you on your success.

You will be aware that our Corporation is anxious to increase the local supply of copra and we are actively encouraging small-holder coconut plantations to this end.

There are substantial portions of Alpha Region where the land is presently unused and is extremely suitable for cultivating coconuts; this can be an extremely profitable small-holder crop and our Corporation is willing to work with co-operative unions such as yourselves, or with individual primary societies, to assist with seedlings, advice and eventual collection of the dried copra. We can also assist growers to market other by-products.

On the type of land which we believe to be presently available in Alpha Region, the total cost of clearing, drainage and planting should be approximately \$1,600 per hectare. A few hours per month are required thereafter for the ten years which it takes the coconut trees to reach maturity, for simple weeding, mulching and protection.

After the tenth year the small-holder can expect a net income of \$800 per hectare from the trees, which should last for a total of forty years productive life.

It is clear therefore that the farmer's investment is repaid by two years of production and that this is thus an extremely profitable activity; we hope that you will be able to respond favourably to requests for credit and assistance from your member societies whose members wish to undertake the production of coconuts.

Yours faithfully,



MEMO

FROM: Superintendent, Chicken Processing Factory.
TO: General Manager, ARCU.

The success of our export drive has exceeded all our expectations as you know, and we are now seriously embarrassed, particularly by a shortage of eggs. Middle Eastern markets appear to have an insatiable demand for fresh eggs that we produce, and if we cannot increase our throughput I am sure that other suppliers will step in.

Our problems are complicated by the fact that during the period immediately following the takeover of the unit by ARCU a number of independent farmers gave up chicken farming; we must therefore not only replace their production but also add new volume.

I should therefore be grateful if you would through the Credit Department actively promote and encourage small farmers to invest in chicken rearing units. This is an extremely suitable activity for small farmers who are short of land but who have surplus family labour at their disposal.

The approximate economics of a one hundred bird unit, which we estimate to be the minimum viable unit for a small farmer, are as follows:

A : Initial Expenditure

- Brooder House for 110 day-old chicks \$70.
- Laying House for 100 birds (assuming 10% loss) \$140.
- Feeding and watering equipment \$30.

B : Annual Operating Statement For 100-Chicken Unit

<u>Expenditure</u>	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3 On</u>
Cost of 110 day-old chicks @ 75 cents	\$ 75.00	\$ 82.50	\$ 82.50
Cost of feed for 110 chicks	\$140.00	\$140.00	\$140.00
Cost of feed for 100 layers	\$220.00	\$440.00	\$440.00
Cost of veterinary attention, water, sawdust, electricity, etc.			
- Chicks	\$ 25.00	\$ 20.00	\$ 20.00
- Laying Birds	\$ 20.00	\$ 40.00	\$ 40.00
 <u>Income</u>			
Sale of eggs at the rate of 220 eggs per bird per year at a price of \$3.25 per hundred	\$357.50	\$715.00	\$715.00
Sale of manure	\$ 15.00	\$ 30.00	\$ 30.00
Sale of empty feed bags	\$ 5.00	\$ 10.00	\$ 10.00
Sale of birds past peak-laying	-	\$ 70.00	\$ 70.00

Note: The equipment and housing should last at least ten years with reasonable care and longer than that with adequate routine maintenance.

MEMO

FROM: THE SECRETARY, ZETA DISTRICT FARMERS
CO-OPERATIVE.

TO: THE GENERAL MANAGER, ARCU.

SUBJECT: SHEEP REARING.

IN SPITE OF INITIAL PROBLEMS THE ZETA SOCIETY APPEARS TO HAVE OVERCOME FARMERS' INITIAL SUSPICION AND SINCE A NUMBER OF THE MEMBERS ARE NOW PROFITING SUBSTANTIALLY FROM THEIR MEMBERSHIP I FEEL THAT THE SOCIETY CAN BE CONSIDERED TO BE FIRMLY ESTABLISHED.

NEVERTHELESS IT IS IMPORTANT THAT WE CONTINUE TO COME UP WITH IDEAS FOR IMPROVING WELFARE IN THE DISTRICT AND FOR THIS REASON I AM SUGGESTING THAT WE SHOULD PROMOTE SHEEP REARING, PARTICULARLY IN THE HIGHLAND PARTS OF THE DISTRICT, WHERE THE CLIMATE AND GRAZING ARE SUITABLE AND WHERE THERE ARE FEW ALTERNATIVE ACTIVITIES.

I HAVE OBTAINED FROM THE VETERINARY DEPARTMENT OF THE MINISTRY OF AGRICULTURE SOME FIGURES RELATING TO THE ECONOMY OF AN ECONOMIC HERD OF THE TYPE OF SHEEP WHICH IS SAID TO BE SUITABLE FOR THIS PART OF THE COUNTRY.

WOOL AND SKINS CAN BE SOLD WITHOUT DIFFICULTY IN THE LOCAL MARKETS, ALTHOUGH AT VARYING PRICES, AND THE ARCU ABATTOIR IS ANXIOUS TO INCREASE ITS PRODUCTION OF MUTTON AND LAMB FOR WHICH THERE ARE READY EXPORT MARKETS.

A FLOCK OF SHEEP CAN ALSO SUBSTANTIALLY IMPROVE THE FERTILITY OF A PASTURE. THIS BENEFIT HAS NOT BEEN INCLUDED IN THE FOLLOWING SUMMARY OF THE ECONOMICS OF A SMALL-FARM HERD OF SHEEP.

INITIAL EXPENDITURE :

- 60 EWES AT \$25 EACH
- 2 RAMS AT \$50 EACH

RECURRING EXPENDITURE :

	<u>YEAR 1</u>	<u>YEAR 2</u>	<u>YEAR 3</u>	<u>YEAR 4</u>	<u>YEAR 5</u>
ONE FULL - TIME LABOURER	\$ 220	\$ 220	\$ 220	\$ 220	\$ 220
GRAZING AND FEED SUPPLEMENT	\$ 1 40	\$ 160	\$ 170	\$ 1 70	\$ 1 70
VETERINARY AND MISCELLANEOUS CHARGES	\$ 70	\$ 80	\$ 90	\$ 90	\$ 90

RECEIPTS FROM SALE OF WOOL CLIP AND ANIMALS FOR SLAUGHTER :

	<u>YEAR 1</u>	<u>YEAR 2</u>	<u>YEAR 3</u>	<u>YEAR 4</u>	<u>YEAR 5</u>
	\$ 870	\$ 900	\$1100	\$1100	\$1200

I THINK YOU WILL AGREE THAT THIS MAKES AN EXTREMELY ATTRACTIVE PROPOSITION FOR ANY OF OUR FARMERS AND I HOPE THAT YOU CAN PUT FORWARD A PACKAGE TO ENCOURAGE OUR FARMERS TO INVEST IN THIS ACTIVITY.

MEMO

FROM: The Chairman, Theta District Farmers Co-operative Society.
TO: The General Manager, ARCU.

Lamda Irrigation Project

Following on the success of the Sigma Swamps Scheme, many of my members have been anxiously pressing for similar investments in this District.

I appreciate that the situation in our District does not justify a scheme on the scale of the Sigma Swamps Scheme, but I should like to propose that ARCU should consider recommending to the Co-operative Bank a loan of \$50,000 to extend the irrigated area presently served by the Lamda Canal by a further 250 hectares; approximately 100 farmers would be expected to benefit by such an extension. The improved fertility will greatly increase the production of cotton and other subsistence crops, and we have estimated that each of the 100 farmers expected to benefit from the extension of the irrigated area will increase his income by approximately \$200 per annum. This improvement could be expected to be fully realised during the fourth year after the commencement of the irrigation work and to continue thereafter.

The \$50,000 investment will be spent evenly over the first three years, and thereafter the annual maintenance costs of the area are expected to amount to \$2,000 per year.

I hope that you can see your way to facilitating what will be a very important improvement to our District and will also, we hope, be a prototype for similar projects in other parts of the Region.

MEMO

FROM: The Secretary, Delta District Farmers Society.

TO: The General Manager, ARCU.

Proposed Community Well Project

A large area of Delta District is as you know very arid and no surface water is available for irrigation projects.

The farmers in this area have traditionally relied on wells, which are generally shared between five and six families; these wells are generally of great antiquity, were hand dug, and the water is drawn to the surface either by the farmers' own efforts or by the use of oxen.

The farmers in this area have proposed to re-dig seventy of these wells and to equip them with electric pumps now that electricity has been brought to this part of the country.

I am confident of the group spirit and enthusiasm of the people of this area so that if finance can be obtained the wells will be effectively used to irrigate the area and substantially increase their production of cotton and subsistence crop.

The improvement to the wells and the installation of pumps should be completed by the end of the second year from the start of the project, and this should cost a total of \$180,000. Based on experience with similar wells and pumps elsewhere in the country, we may estimate that it will be necessary to spend a further \$40,000 every ten years to replace pumps and repair the wells.

Each of the 400 farmers to benefit from the wells should increase his family income by \$100 per year once all the wells have been completed.

I am sure that you will agree that this is a substantial improvement to the well-being of the people at relatively low cost and I hope that it may be possible to initiate this project in the near future.

Assignment:

- 1) Using the simplified discount tables supplied, find out into which of the following rate of return bands each of the six projects falls:

0% - 10%

10% - 15%

15% - 20%

over 20%

- 2) Rank the projects in terms of their rate of return as thus discovered.
- 3) Rank the projects according to other qualitative factors as identified in the previous session.
- 4) Combine the rankings and produce an overall list of which project deserves the most support and which the least.

SESSION 9.3

DISCUSSION OF PROJECT APPRAISAL EXERCISES

Objective: To enable participants to check their calculations and to share their experiences as to the reality of project appraisal.

Time: 1 to 2 hours.

Material: "Which Project", 9.2 and participants' own calculations.

Session Guide:

- 1) Ask participants to give their solutions as to the rate of return of each project. If errors are discovered, as they almost certainly will be, work through each example ensuring that all participants understand what is being done. The rates of return are:
 - Rubber Plantation: between 15% and 20%
 - Coconuts: between 10% and 15%
 - Chickens: over 20%
 - Sheep: over 20%
 - Lamda Irrigation: over 20%
 - Delta Wells: between 15% and 20%

- 2) Ask participants to rate the projects according to their effects on employment and other factors identified the previous day. A possible set of conclusions is as follows:

	Rubber	Coconuts	Chickens	Sheep	Irrigation	Wells
Employment	+		+	+		
Import/export	+	+	+	+		
Certainty			-	-		
Benefit to members					+	+
Manageability			-	-		-

+ = Good

- = Bad

No Mark = Neutral

3) Discuss a final rating, which might be:

1 = Irrigation

2 = Rubber

3 = Wells

4 = Chickens

5 = Sheep

6 = Coconuts

4) Discuss the practical implications of this type of appraisal. Ask participants how often they actually have projects presented to them in this form, and whether they ever actually have to rank them because they have more good projects than they- ' have' money to finance them with. Stress that differences of 5%, 10% or more in rates of return are far less important than the chances of success of a project,,which depend on climate or disease; and above all on the difficulties, of, individual farm or overall project ,manage-; ment. Point out that participants may be faced with apparently ;; conclusive analyses based on calculations of this type. They may be a basis for decision-making but they are certainly no substi- tute for good judgement.

The calculations of rate of return bands for each of the projects are as follows:

Rubber

Year	\$ Out	\$ In	10% Rate		15% Rate		20% Rate	
			\$ Out	\$ In	\$ Out	\$ In	\$ Out	\$ In
1	706		642		614		588	
2	292		241		221		203	
3	318		239		209		184	
4	286		195		164		138	
5	240		149		119		96	
6	212		120		92		71	
7	212		109		80		59	
8		600		280		196		140
9		780		331		222		151
10 - 25		960		3,185		1,624		880
Totals			1,695	3,796	1,499	2,042	1,339	1,171
			Net + \$2,101		Net + \$543		Net - \$168	
Conclusion: The rate of return lies between 15% and 20%.								

Coconuts

Year	\$ Out	\$ In	10% Rate		15% Rate		20% Rate	
			\$ Out	\$ In	\$ Out	\$ In	\$ Out	\$ In
1	1,600		1,454		1,392		1,333	
10 - 50		800		3,016		1,314		646
			Net + \$1,562		Net - \$78		Net - \$687	
Conclusion: The rate of return lies between 10% and 15%								

Chickens

Year	\$ Out	\$ In	10% Rate		15% Rate		20% Rate	
			\$ Out	\$ In	\$ Out	\$ In	\$ Out	\$ In
0	240		240		240		240	
1	102.50		93		89		85	
2 - 10		102.50		537		425		344
Net Total			+ \$204		+ \$96		+ \$19	
Conclusion: The rate of return is marginally over 20%.								

Sheep

Year	\$ Out	\$ In	10% Rate		15% Rate		20% Rate	
			\$ Out	\$ In	\$ Out	\$ In	\$ Out	\$ In
0	1,600		1,600		1,600		1,600	
1		440		400		383		367
2		440		363		333		305
3		620		466		408		359
4		620		423		355		299
5		720		447		358		289
Net Total			+ \$499		+ \$237		+ \$19	
Conclusion: The rate of return is marginally over 20%.								

Irrigation Project

Year	\$ Out	\$ In	10% Rate		15% Rate		20% Rate	
			\$ Out	\$ In	\$ Out	\$ In	\$ Out	\$ In
1	17,000		15,453		14,790		14,161	
2	17,000		14,042		12,852		11,798	
3	16,000		12,016		10,528		9,264	
4 onwards		18,000		133,704		78,804		52,074
Net Total			+ \$92,193		+ \$40,634		+ \$16,851	
Conclusion: The rate of return is over 20%.								

Delta Wells

Year	\$ '000 Out	\$ '000 In	10% Rate \$ '000		15% Rate \$ '000		20% Rate \$ '000	
			\$ Out	\$ In	\$ Out	\$ In	\$ Out	\$ In
1	90		82		78		75	
2	90		74		68		62	
3 - 50		40		327		201		139
10	40		15		10		6	
20	40		6		2		1	
30	40		2		1		0	
Net Total			+ \$148		+ \$42		- \$5	
Conclusion: The rate of return is between 15% and 20%.								

Stress, and if time allows show by example, that the selection of discount rates, and the use of this or other techniques for project appraisal, is far less important than the effects of poor management.

If sheep prices are $33\frac{1}{3}\%$ less than expected, or if the chickens lay only 60% of the eggs forecast, for instance, the chicken and sheep projects will lose money at any discount rate.

Ask participants to suggest other possible deviations from forecasts, and to estimate their effects on project viability. Stress that initial investments, although often underestimated, are far easier to forecast than future earnings.

topic

10

training

Session 10.1: Training: Needs, Objectives and Methods

SESSION 10.1

TRAINING: NEEDS, OBJECTIVES AND METHODS

Objective : To enable participants to identify the training needs of their staff, to state training objectives for any training which they should undertake and to select appropriate forms of training for them.

Time : 2 to 3 hours.

Material : Case Study "Can Training Help?"

Session Guide :

- 1) Generate a brief and sceptical debate about the ability of classroom training to make any real difference to staff performance in the field. Refer to the critical difference between knowing and doing something, the lack of objective facts in management, the distinction between what ought to be and what really is and the permanence of change. Ask participants how classroom training can help a person to perform better in the real world. Lead the discussion to identify the advantages of training, such as its low cost, speed, structure and the benefits of mutual support and shared experience.
- 2) Show by examples that training to be effective must be based on critical assessment of performance deficiencies leading to definition of training needs and above all a clear statement of training objectives. This must lead to selection of content and appropriate method of training.
- 3) By reference to participants' experience on this programme, outline the respective merits and demerits of various methods of training.
- 4) Distribute "Can Training Help?" and ask participants, in groups or individually, to answer the questions for each of the four staff who are described.

- 5) Ask participants to state their answers to the above questions; possible answers are as follows:

A : Delta Farm Supply Depot Manager

- Find out whether he is ignorant of the procedures or whether he knows them but does not bother to apply them.
- If he is ignorant provide him with programmed learning material or send him on a structured course of lectures and exercises.
- If he does know the procedures he requires a course which by case studies and simulations shows the need for regular procedures.

B : The Abattoir Manager

- Assess his personality and ensure that he is the right person for what is essentially a man-management job.
- Given that he is the right person, he should be sent on a training programme on human relations which is highly participative and experiential and should enable him to improve his ability to deal with other people.

C : Creamery Manager

- Find out whether the manager knows the technical details of the equipment. If he does, he is clearly not applying his knowledge and he must be instructed or motivated to do so.
- If as is likely his technical knowledge is insufficient he should be sent on a technical training programme, probably including practical content such 'as attachment to an enterprise using the same type of machinery.

D : Transport Manager

- It is impossible;to train people to be honest. The fault lies either in the man's basic character or in the formal and informal structure within which he has to work.
- If the latter.' investigate whether changes in motivation, information and other aspects of his' working environment might improve his commitment to the institution which employs him.

- If there appear to be no possible improvements of this sort, and/or if his behaviour has been blatantly dishonest, he should clearly be dismissed. It does not appear that training can play any role.

6) Refer to Handout 10.1. The manager of ARCU felt that some staff should be nominated for training during the coming year. How is staff training planned in participant's union or societies?

- Are nominees found for courses when they are requested, or when funds become available?
- Are a certain number of people, or is a certain amount of money, spent on training every year as part of a regular allotment?
- Are people sent for training when they reveal particular weaknesses as in the case study?
- Are long-term plans made for the development of individual's ability, with training scheduled as appropriate along with changes in responsibility?

Clearly the first two are common, and most training is wasted as a result. Some combination of the last three is appropriate, but clearly this depends on staff turnover and the availability of funds and suitable training opportunities.

7) Ask participants to summarise the main co-operative training that is available in their own countries. Prepare a comprehensive list in advance, and ensure that all participants are familiar with the various opportunities.

Refer back to the four staff described in the previous exercise. Do suitable training programmes exist for the needs identified for A, B and C? If not, are they common needs? If so, who should take the initiative to introduce suitable training and what role can participants themselves play?

Can Training Help?

The general manager of ARCU reflected that if training was the answer to his problem, they would all have been solved long ago.

The co-operative college ran programmes for all levels of staff, from general managers to junior clerical assistants and storekeepers. Their programmes covered a wide range of subjects so that there was virtually no activity, and no staff member, whose needs were not covered in at least one programme at the college or its regional training centres or the university or one of the other institutions which provided training for the co-operative sector.

A number of ARCU's staff had attended training programmes at one time or another during their careers, but since the establishment of ARCU it had not been possible to release people for training. The general manager felt that the time had come to take stock and to nominate at least a proportion of the staff for training during the forthcoming year. He had noted brief details about certain staff whose deficiencies were particularly important. The problem was to decide what role, if any, training could play in their improvement.

- Manager of Delta District Farm Supply Depot: Reports, returns and records are always late, inaccurate and incorrectly prepared by the Delta District Farm Supply Depot. The depot's labour relations are good, and the societies served by it have few complaints about the service they receive, apart from frequent paperwork errors which the manager always corrects quite cheerfully. The poor paperwork causes considerable problems in producing results at head office, and while the manager always promises to improve matters the situation remains unchanged.

- Abattoir manager: The abattoir has the highest labour turnover of any unit in ARCU. Time keeping is unreliable, and the staff make frequent complaints about their working conditions, their wages and all kinds of minor issues directly to head office.

The manager of the unit is technically highly qualified and has successfully dealt with many problems which might have been expected to

require expert attention. Societies complained about the discourtesy of staff receiving their animals, but there are few complaints about the actual functioning of the abattoir, weighing and grading of the carcasses and so on.

- Creamery Manager: The creamery employed a number of sophisticated machines, and its success depended on their correct operation. The manager had been able when first appointed to ensure that the simple items of equipment then used were correctly operated. As new machines were installed, however, breakdowns occurred more frequently and production was sometimes stopped altogether, with resulting losses of milk, when specialist advice had to be sought for apparently simple problems from the agency in the capital city or even from abroad.

- Transport Manager: The transport manager had built up an efficient operation with nearly thirty vehicles in less than two years. Many of the private operators previously serving the region had moved elsewhere, and the four societies whose vehicles had been taken over by the Union were very satisfied with the change. The manager had asked for a salary increase fairly recently, but since he was already at the top of the appropriate Union scale, nothing could be done. The local manager of the oil company, and a vehicle supplier, both of whose products had not been purchased by the Union, had recently implied to the general manager that the only way to be awarded contracts from the transport department was to bribe its manager, and similar rumours of corruption came from elsewhere. The general manager had attempted to discuss these allegations with the transport manager, but had been met with angry and apparently genuine denials.

Assignment :

- a) What is the specific deficiency in this person's performance?
- b) What should be the specific objective of any improvement programme, and can training play any part in this?
- c) If training can help, what type of training should be undertaken?

action learning and evaluation

Session 11.1: Action Learning

Session 11.2: Programme Evaluation and Conclusion

SESSION 11.1

ACTION LEARNING

Objective : To enable participants to apply what they have learned in the areas of credit, marketing, project appraisal and training to their own problems.

Time : Three sessions or up to six hours.

Material : Participants' completed pre-programme questionnaires and annual reports and any other information brought by participants from their own unions.

Session Guide :

The session should be run in exactly the same way as in Topic 6, except that the problems should if possible be concentrated in the areas dealt with since that day, and the "owners" of the problems should be those who did not have the opportunity to present their problems to individual groups and to the group as a whole during the first action commitment session. If at all possible by the end of this day every participant should have had the opportunity to present his problem in this way, and it may have been possible for some participants to present more than one problem. This is a vitally important part of the programme, and time should be taken from other sessions in order to enable every participant to present and discuss at least one of his real problems to his group and to the group as a whole.

It may be that those participants who presented their problems during the first action commitment sessions have in the succeeding days identified other problems which they now realise to be more important, or have come to different conclusions about the ways in which they would solve the problems they presented during these first sessions. They should be given an opportunity during this day to describe how they would change their proposed solution, and every participant should by the end of today have committed himself to carrying out a specific plan of action; note should have been taken in writing of:

- a) The particular problem which it is intended to solve.
- b) The proposed solution.
- c) The way in which co-operation from other staff or institutions will be obtained if this is necessary to carrying out the proposed solution.
- d) A specific date, within six months' time, by which a specific measurable stage should have been reached in implementing the solution.

SESSION 11.2PROGRAMME EVALUATION AND CONCLUSION

Objective: To enable participants to comment on the programme in order to improve it on future occasions, and to reaffirm their commitment to carrying out their action plans and to applying what they have learned on the job.

Time: 1 to 12 hours.

Material: Complete programme timetable and detailed notes on participants' action plans.

Session Guide:

It is important that this session should be seen not as the end of a training programme but as the beginning of a sustained programme of individual improvement to be carried out by each participant on his return home. It is valuable to obtain participants' reactions to individual parts of the programme for future information, but it is far more important for participants themselves to realise that their own success, and that of the programme, will depend not on what they say now but on what they do in the forthcoming months.

It is very easy for a terminal evaluation session of this sort to become an occasion for mutual self-congratulation or for comments on relatively unimportant features of housekeeping and administration. The session should therefore be fairly short and should be based on the following:

- 1) Ideally participants should, at the end of each topic during the programme, have been asked to rank the sessions covering each topic on the scale from 1 = excellent to 4 = poor. A model form is enclosed as a handout to this session. Participants are expected to give a fairly subjective and rapid appraisal rather than to attempt to go into too much detail. In case such ranking did not take place during the programme, it could be done during this session.

The completed ratings, which should not be identified by name, should be collected and summarised for appraisal of individual instructors and sessions.

- 2) Participants should be reminded of their individual action commitments and of the fact that their success in completing these will be the measure of the success of the programme. It may be possible for the whole group, or smaller groups within it, to meet together after a few months in order to discuss their success or otherwise in completing their action plans, and arrangements for such "reunions" should be made now. The instructor should at any rate undertake to visit as many of the participants as possible in order to check and assist them in the implementation of their plans and application of what they have learned, and should ensure that all participants are at the very least followed up in writing.

Participants should be asked if they wish the organisers of the programme to attempt to encourage their superiors to support them in their plans by writing to them or making personal visits. It should be made clear that such support will only be given if participants request it and that the organisers will under no circumstances make any reports to their superiors about participants' performance on the programme.

It may be necessary for an important dignitary to close the programme. If so, such closure should be as brief as possible, and the guest should be invited to relate the programme to the future performance of participants and to stress once again that its success will depend not on what has happened but on what is going to happen. At this stage the results of the programme are wholly negative. Money has been spent and time has been devoted to the programme which might otherwise have been spent in work on the job. It is the responsibility of participants to ensure that this very substantial investment is more than repaid by their improved performance in the field.

EVALUATION: Please fill in this form on completion of each topic.

Evaluate all topics in the four columns to the right, applying a rating scale from a minimum of 1 to a maximum of 4.

Your comments and suggestions for improvement of the programme will be very much appreciated.

	worthwhile	relevance to your work	achieved learning objectives	presentation
<p>TOPIC:</p> <p>Your comments:</p>				
<p>TOPIC:</p> <p>Your comments:</p>				
<p>TOPIC:</p> <p>Your comments:</p>				
<p>TOPIC:</p> <p>Your comments:</p>				
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