

Good Governance and Business Growth

**DESIGN ISSUES IN  
PRODUCERS' ORGANIZATIONS**

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# 97<sup>th</sup> Amendment to Constitution

## Article 19 (C) - Cooperative Societies

- part of fundamental rights
- several state laws contain contradictions

The State shall endeavor to promote

Voluntary Formation -

Autonomous Functioning

Democratic (Member) Control

Member Economic Participation

Professional Management of Cooperative Societies

What should we do to make these a reality? and How?

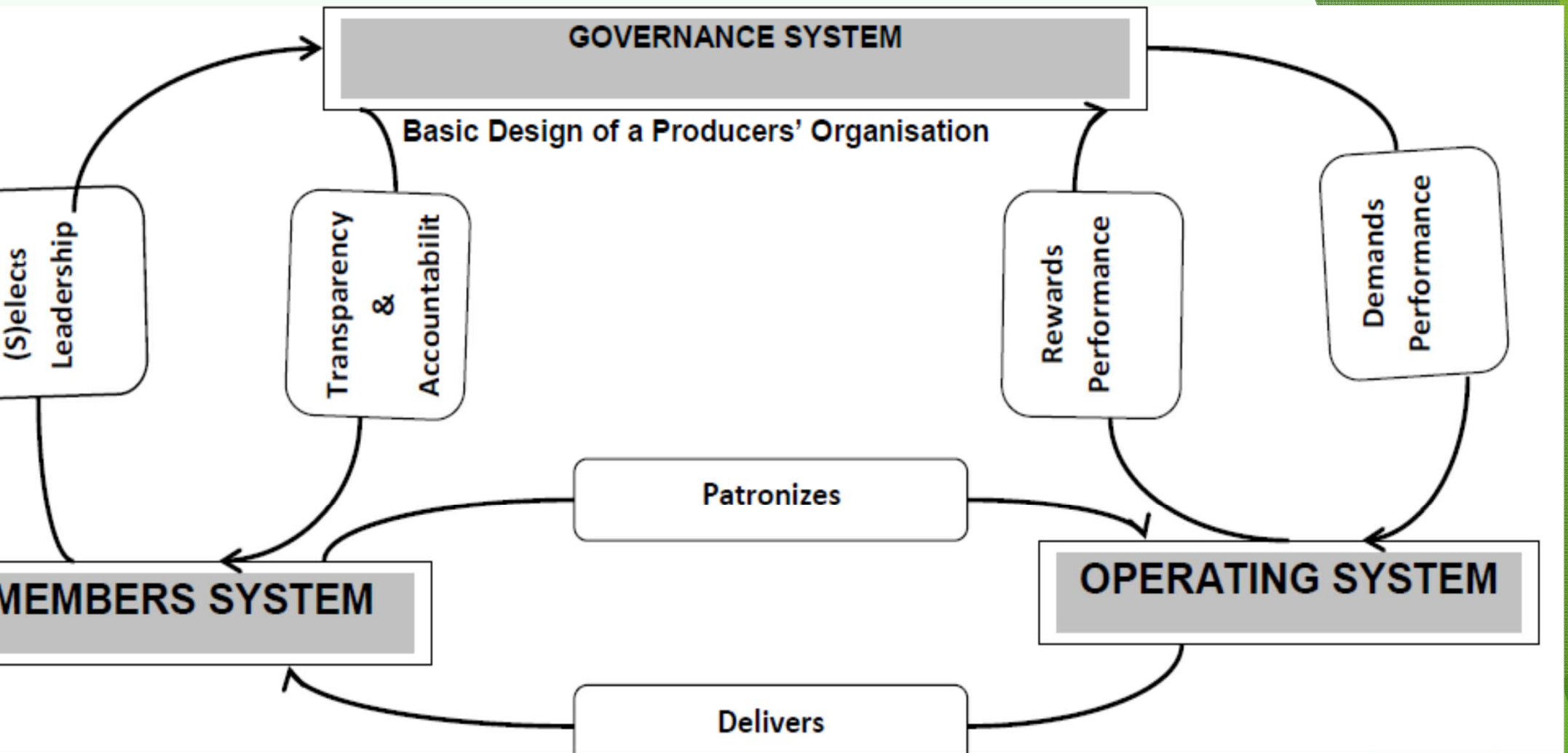
# SCHEME OF PRESENTATION

- ▶ Increasing Importance of Producers' Organizations - Agrarian Crisis
- ▶ Need for revisiting basic 'Design' of Producers' Organizations
- ▶ **Governance Concerns**
  - ▶ Rapidly Vanishing Good Governance Practices
  - ▶ **Divisive Politics -Lead Capture - State Capture- Vote Bank Partisan Politics**
  - ▶ Some Governance Options
  - ▶ Policy Governance Model
- ▶ **Leadership Orientation**
- ▶ **Business Growth Concerns**
  - ▶ Myopic Horizons
  - ▶ Increasing Inequitable Distribution
  - ▶ Critical Centralities



# INCREASING IMPORTANCE OF PRODUCERS' ORGANIZATIONS

- ▶ **Market Imperfections and Failures**
  - ▶ Input Markets - Services Markets - Output Markets
- ▶ **State Imperfections and Failures**
  - ▶ Infrastructure Deficiencies
  - ▶ Regulatory Imperfections and Failures
- ▶ **Inequitable (unfair) Distribution of Value, Costs and Risks**
- ▶ **Inequalities and Information Asymmetries**
- ▶ **Collectivization as Countervailing Power**
  - ▶ Gaining Control of Value Chain through Integration
  - ▶ Demand and Supply Aggregation for improved Bargaining Power
  - ▶ Claiming Entitlements and Protection of Rights



- **WHO ARE PRODUCERS?**

Increasing Feminization of Agriculture and allied sectors - Time to rethink dominance of male membership - Promote either exclusive Women Members or Campaign for joint membership  
 Build on Women SHG movement to promote producers organizations with SHGs as building block  
 Create space for Women in Membership, Governance and Operating Systems

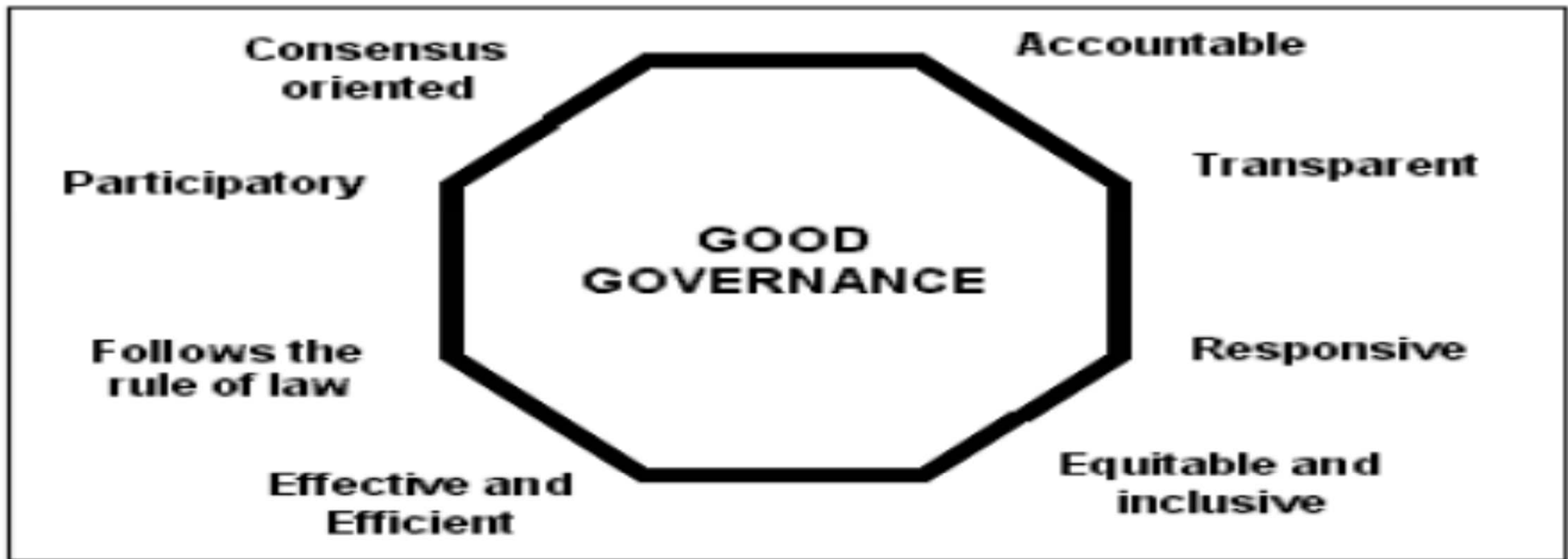


Figure 2: Characteristics of good governance

**decision making criterion** – individual and collective well being of members  
**mindful of spatial-temporal consequences** – individually and collectively  
**nurturing harmonious relations** internally as well as externally  
**striving for inclusion and equitable distribution** - distributive justice



# REPRESENTATIVE DEMOCRATIC GOVERNANCE

## Characteristics

Bases of Organization - **Membership and Patronage** - ~~Ownership and Equity Capital~~

A political system for choosing and replacing the representatives by participation of the active members through free and fair elections.

**Transactional integrity** - fair and transparency in all transactions

**Direct proportion** applies to all transactions and cross subsidization is avoided

## Eligibility Criteria

**Patronage basis for Membership** (Entry, Continuity and Exit)

**Capital Stakes and Surplus Sharing in proportion to Patronage**

Majority Support for Right to represent **active members** and continue

## Staggered Terms Ensure

possibility of continuity and **avoid - governance vacuum** -

**representative General Body** - with delegates from small constituencies

# POLICY GOVERNANCE MODEL (JOHN CARVER)

Policy Governance Model vis-à-vis Executive (Managing) Committee

Policy Governance separates organizational purpose (ENDS) from all other issues (MEANS), placing primary importance on those Ends.

The Board's main role in this model is to create policy to guide management in its operational work, and to guide the Board in its governance work.

The Carver model has 2 fundamental concerns:

(a) Boards focus on defining the "ends" of the organization - i.e. what the organization strives to achieve or in some cases what it must do in order to put itself out of business; and

(b) Creating the policies by which the Board and Management must abide in its pursuit of the ends.



# POLICY GOVERNANCE MODEL -

the Carver Model the board is responsible for:

**Link to ownership:** board acts in trusteeship for "ownership" by active members

**Explicit governing policies:** values and perspectives of whole organization

**Assurance of executive performance:** accountability for performance

categories of policy the board will have are:

**Ends:** What human needs are to be met, for whom (outside organisation), and what cost or relative worth.

**Executive limitations:** principles of prudence and ethics that limit the choices of staff means (practices, activities, circumstances, methods).

**Board-Executive relationship:** manner in which power is passed to the executive machinery and ways in which the use of that power is assessed.

**Board process:** manner in which the board represents the "ownership" and provides strategic leadership to the organization.

# Leadership Orientation: Transactions → Transformation

- Leadership Drive - to better and create institutional structures mechanisms to secure better net value realization to members

## Leadership and Management orientation

- Entrepreneurial – opportunities centric and not problem centric

- Leveraging collective strength to transform ‘terms of exchange’ in favor
- Improving access on favorable terms to capital, remunerative markets, appropriate technology and risk mitigation

## Members’ Participation for Business Growth

- Business growth fueled by increasing dependence on members – patron capital - ensures internal locus of control
- visualizes people as actors- as active subjects and not as passive recipients
- advocates working with, working for and work within limits and limitations

- Ownership (Self interest) – Membership (mutual benefit) – Trusteeship



## BUSINESS GROWTH- CRITICAL CENTRALITIES

**Member centrality** - critical for impacting on and enhancing Livelihood

> % of HH Income linked to PO Performance -local simple value addition

Weak member centrality affects participation adversely

Coupled with low capital stakes generates low demand for transparency and accountability; tolerates corrupt behavior and permit inefficiency

Low Capital stakes of members promotes external dependence; shifts focus of control outside and alters dynamics between members - leadership

**Patronage Centrality** - Critical to alter terms of exchange in favor of

> % of Market Share garnered by PO by built-in sustainable advantages by design to harness economies, by technology, market integration

**Domain Centrality** - Critical for affecting Political Economy

> GDP of Local Economy \*



▶ THANKS -

▶ Comments from Prof Tushaar Shah

# BUSINESS GROWTH - KORTEN'S LEARNING PROCESS APPROACH

## Learning to be Effective - Exploration

Identify and Focus Efforts, Resources First on Vital Few

Dynamic Prioritization and Goal Programming

## Learning to be Efficient - Standardization

Improving Input/ Output Ratios

Mechanization, automation

## Learning to Expand - Scaling Up through

Federating & Networking - Bottom Up - Trickle Down -  
Subsidiarity Principle

Without loss of effectiveness and efficiency

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Trivial Many
Routine
Vital Few

# DIAGNOSTIC FRAMEWORK: DAVID KORTEN'S FIT REQUIREMENTS

