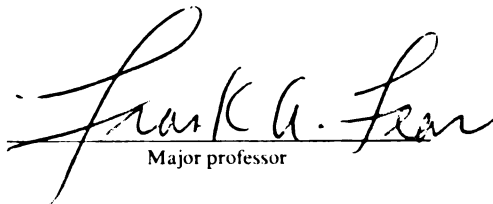


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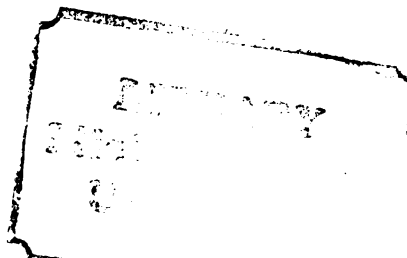
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FACTORS ASSOCIATED WITH THE EFFECTIVENESS
OF COOPERATIVES IN THE THIRD WORLD:
A CONCEPTUAL MODEL FOR
THE PHILIPPINES

By

Alfredo B. De Torres

A DISSERTATION

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ABSTRACT

FACTORS ASSOCIATED WITH THE EFFECTIVENESS OF COOPERATIVES IN THE THIRD WORLD: A CONCEPTUAL MODEL FOR THE PHILIPPINES

By

Alfredo B. De Torres

Three basic questions loom large in using cooperatives as a development policy tool in the developing world, particularly in the Philippines: 1) Why is it that cooperatives are easy to organize and hard to sustain?; 2) How can successful cooperatives be developed?; and 3) How can cooperative growth be accelerated and economic efficiency be improved? These questions are addressed in this dissertation. The objectives of the study were to: 1) Review the cooperative approaches conducted in the Philippines with emphasis on causes of failure as a background cooperative agenda; 2) Review the development trends and prospects of Area Marketing Cooperatives in order to discern or identify problems or operational weaknesses and strengths of the organization; 3) Identify the factors associated with the effectiveness of an organization and categorize them for a more systematic analysis; 4) Identify major research gaps and direction as future action-agenda for cooperative evaluation and research; and 5) Design a research study for measuring cooperative effectiveness.

Government-sponsored cooperatives in the Philippines have followed Euro-American models. It has been a "top-to-bottom"

policy generally implemented nation-wide without pilot-testing. More often than not, cooperatives have become a "state welfare enterprise" with inadequate local action resource commitments, or participation of the clientele-system.

The review of literature presented in this study suggests that the cooperative "failure factors" of the past include:

- 1) mistakes in personnel management and member-public relations;
- 2) mistakes in organization and mistakes in business operation;
- 3) inadequate linkages; and 4) limited decision-making participation by the clientele system.

Two frameworks were identified in this study as being useful for analyzing cooperative performance: 1) organization theory, which provides a framework for understanding, explaining, and predicting organizational effectiveness; and 2) community resource economics theory, which involves the study of the situation, structure, conduct and performance of an institution.

The major cooperative "research gaps" pinpointed in this study revolve around implementation analysis (change-agency and clientele-system) and specification assessment of the cooperative organization. Because cooperatives demand considerable local action and participatory commitment, emphasis should be placed on a bottom-up approach and on conducting multi-disciplinary action-research to monitor and improve cooperative effectiveness. Guidelines for conducting an action-research program are discussed.

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CHAPTER I

INTRODUCTION

The Relevance of the Agricultural Sector in the Third World

The interrelated issues of poverty, unemployment, population growth, rural stagnation, and international dependence are key problems experienced by the so-called "developing countries." These problems can be classified according to the following criteria:

1. income criteria (e.g. low levels of living);
2. structural criteria (e.g. low levels of productivity in an agrarian dominated economy);
3. demographic criteria (e.g. high rate of population growth and dependency burden); and
4. social and political criteria (e.g. negligible middle class; political instability and dominance-vulnerability in international relations).

Among the developing nations, these characteristics are more pronounced in rural areas. Thus, program intervention efforts have been commonly waged in the countryside to alleviate these problems (Nichols, 1964; Mellor, 1966; Todaro, 1981). Furthermore, this view is inherent

in the statement that "it is in the agricultural sector that the battle for long-term economic development will be won or lost" (Myrdal, as cited in Todaro, 1981).

The significance of the agricultural sector is reflected in its special characteristics and its role in the process of economic growth.¹ Typically, 40 to 60 percent of the national income is produced in agriculture and from 50 to 80 percent of the labor force is engaged in agricultural production (Johnston-Mellor, 1961). The role of the agricultural sector can be described as providing surpluses for, and interrelationships with, the industrial-urban sector. These surpluses consist of: food (wage good) surplus, labor surplus, income (increased purchasing power) surplus, savings/capital formation and foreign exchange earnings.

A comprehensive, yet concise, analysis of the function of agriculture is offered by Heuberger (1974).

Agriculture:

1. contributes to the nourishment of the population which can be determined by the demand and food supply;
2. is a source of manpower requirements which are related to the labor transfer and problems of rural employment;

¹For a discussion of agricultural development theories, see Stevens and Thompson (1982, forthcoming agricultural development textbook).

3. contributes to overall economic capital formation, which refers to the extent of savings and capital formation through investments, capital transfer or imports; and
4. is part of the intersectoral exchange of production output [for instance, in its role as a supplier of raw materials and as purchasers of industrial products and services, (Emphasis added)].

The inference that agricultural development should precede, or take priority over, industrial expansion is inherent from these functions. It primarily underscores the importance of developing agriculture in such a way as to: 1) minimize its demand upon resources most needed for industrial development; and 2) maximize its net contribution to the capital required for general economic growth (Johnston-Mellor, 1961).

Cooperatives as a Strategy for Agricultural Development

Various strategies to alleviate rural poverty have been conceived. For instance, integrative vs. non-integrative (Sukahar-Lukito, 1982); Agricultural, Rural and Agricultural-Rural Component Strategies (Stevens, 1977); and Community Development, Rural Cooperatives, Green Revolution, and Integrated Area Development (Kori, 1982); Basic Human Needs (BHN) and Agricultural Development Strategy (ADS) and Appropriate Development Strategy.

Cooperatives have been viewed as a particularly useful medium for development--especially for rural and/or agricultural development. It has been realized that, unless small farmers are organized together into a well-knit group, it would be difficult to affect significant improvement in their material condition (Rahman, 1970). It is believed that, by pooling farmers' resources, the cooperative and bargaining effect is achieved (DeTorres, 1979). Thus, through cooperation, farmers can share benefits among themselves. These advantages include: 1) obtaining information on financial assistance; 2) procuring farm supplies, machineries and equipment on a timely basis; 3) developing a more coherent strategy for marketing produce; 4) promoting local leadership; and 5) learning to practice and carry out modern farm practices.

Elements of Cooperatives

The definition and principles governing the cooperative society have always been, and still are, the subject of heated debate. Thus, a consensus definition is impossible. However, as a means to a certain goal, and as it is capable of operating under various economic systems, cooperatives can be classified into three main schools of thought (Helm, 1968; Kori, 1982):

1. The Cooperative Enterprise School. This perceives the cooperative society as a voluntary

association of independent economic units.

The cooperatives serve as a means of

"checking the evils" of the capitalistic system and correcting these defects within the system;

2. The Cooperative Commonwealth School. This aims to replace the competitive, capitalistic system with that based on mutual cooperation; and
3. The Socialist Cooperative School. This promotes cooperatives with socialism as the chief goal.

With these thoughts as a background, Helm (1968) defines cooperatives as:

. . . a voluntary organization of economic units, based on equality, carrying out an allocated or self-given economic objective.

And, as cooperatives pertain to the agricultural sector, the focal point is that:

cooperatives begin with the member, exist for the member, and is an off-farm extension of the members business activity in acquiring inputs, services and marketing his products forward in the market place (Torgerson, 1978:261).

The theoretical framework inherent in cooperatives is in its collective impact and bargaining power.³ Cooperatives can result in superior market position, increased market adaptability, investment capability, economical use of facilities, technical specialization, transfer of risks,

³For a review of the "Cooperative Theory" see Vitaliano (1978: 21-42).

and enhanced influence on the individual members (Helm, 1968).

The bargaining power reflects the greatest contribution of cooperatives. The rural poor, when acting individually, are powerless and generally are recognized as price-takers. But, through organized activity, they can develop market influence. It serves as a device for achieving economies of large-scale operations in the handling of farm products. Thus, a real market (bargaining) power is achievable through a high degree of horizontal integration, product differentiation, and a form of restricted entry.

Constraints of Cooperatives

Against this background of cooperative effects and bargaining power, cooperatives have to contend with the following deficiencies (Marion, 1978: 322). Cooperatives:

1. Are a loose association of individuals that are saturated with a tendency for disassociation through internal disruptive forces;
2. Rarely include all the producers of the products (free-riders are a common problem);
3. Cannot control the production of members (with respect to both quality and quantity);
4. Have less than absolute control over the decision to sell;
5. Are limited by virtue of their member-related

business constraints; and

6. Are facing increasingly important financing constraints.

Helm (1968) has indicated that limitations exist both with respect to the persons unsuitability for cooperative action and the nature of functions unsuitable to be delegated to the cooperatives. This is related to what Chinchankar and Namjoshi (1977) have referred to as "internal and external" barriers to the introduction of the cooperative system. Internal barriers are inherent in the very nature of the rural environment; external barriers emerge from outside the rural environment.

However, despite their inherent weaknesses/limitations, cooperatives have been expected to serve a broad set of socio-economic and political objectives--ranging from self-help and grass-roots participation to welfare and distribution (including exploitation of economies-of-scale and social control over resource allocation and mobilization (Uma Lele 1981). In addition, the economic importance of agricultural cooperatives rests in two main areas: 1) production and/or productivity; and 2) distribution or equity.

Importance/Relevance of Cooperatives

The relevance of the cooperative strategy to many developing countries can be described as follows:

1. Cooperatives have a universal appeal to many developing countries in its political (stability), social (equity) and economic (productivity) objectives. For example, in the agricultural development context, an agricultural innovation requires social interaction (collective action) for three major reasons:
 - a. the economies of scale (such as in marketing);
 - b. the free-rider problem (i.e. how to ensure that everyone contributes his share to building or maintaining collective goods and/or services); and
 - c. the external diseconomy problem (e.g. rational actions of one person do not harm others).
2. Cooperatives reinforce the argument for general, rather than selective, development. It can broaden the national consumer base through increased purchasing power. Thus, it fits particularly well with other development policies that direct growth efforts at labor-intensive, mass participation projects.
3. Cooperatives link production with distributive or equity objectives.

Rural Development Perspectives and
The Cooperatives Strategy: The
Philippine Case

The Philippines is an interesting case study for developing a more effective cooperatives strategy for two

major reasons. First, the economy is exhibiting both economic growth and rising inequality, overtime (Mangahas, 1976). Secondly, a concern for "redistribution with growth policies" is being offered under two types of rural development programs: the social-equity improvement programs (SIP) and the scientific-technical development programs (STDP).

In addition, the Philippine Development Plan states that: "cooperatives are important because they promote the objectives of more equitable income distribution and economic growth, based on the philosophy of enlarging small economic units" (NEDA, 1977).

With this as a background, an increasing effort towards SIP's, particularly the cooperative development program, is predictable. The massive organization of Samahang Nayon (a village precooperative) and Kilusang Beyan (a cooperative) is just one of these indications. However, looking at the Philippine experience from a historical point of view, it can be observed that many types of cooperatives have been organized only later to falter (Velasco, 1975). Apparently, cooperatives success can be viewed as an "exception rather than the rule." However, despite these failures, the Philippine government has renewed its interest in the so called "New Cooperatives Development Program."

It should be emphasized that the focal point of this treatise is the governmental attempt to promote, organize,

and supervise agricultural cooperatives. The author believes that there are cooperatives organized and supervised by private agencies and institutions that may have been more successful vis-a-vis government-sponsored programs. However, the focus of this study will be on governmental attempts in cooperative planning and development.

Research Focus

From the discussion of the cooperative ideals/promises, and focusing on cooperative development as a program or project, a research question worth asking is: why is it that cooperatives are easy to establish, yet hard to sustain? This is a question of organizational survival. Thus, a significant issue may well be not whether cooperatives should be promoted, but how their growth can be accelerated and their economic efficiency be improved. And, with the current cooperatives development program, perhaps the most important issue is not whether the cooperatives program can succeed, but whether the Philippines can afford another cooperative failure.

The main area of concern, which is hypothetically advanced in this study, is that several factors affect the success or failure of cooperatives (i.e. influence organizational effectiveness). These factors may include 1) the locational (spatial) pattern (including the agro-climatic conditions of the area); 2) the organizational and/or operational context; 3) the managerial (behavioral)

context; 4) the development policy(ies) pursued both by the government and the cooperatives organization; and 5) the socio-economic and cultural profile of farmer-members (including their attitudes and commitment).

Study Objectives

In general, this study is being conducted in an effort to provide a basis for understanding a coherent research and evaluation of the government sponsored agricultural cooperatives in the Philippines. More specifically, the study aims to:

1. Review the governmental models and/or approaches conducted in the Philippines. This will include the analysis of causes of past failure.
2. Review the development trends and prospects of Area Marketing Cooperatives in order to discern operational strengths and weaknesses;
3. Identify major conceptual frameworks to determine a set of factors that influence the effectiveness of cooperatives and categorize them for more systematic analysis;
4. Identify major research gaps and propose a future action-agenda for reformulating the cooperative development program;
5. Design a research study for measuring cooperative effectiveness.

Rationale for Studying the Area Marketing Cooperatives (AMC's)

The reasons for studying the AMC in the Philippines involve the following:

1. AMCs are the second-level structure in the new cooperative development program. The members are composed of the precooperative village association which was organized as its basic foundation. AMCs viability as a business entity will induce the further development of the village association.
2. AMCs typify a traditional marketing association more or less similar to the functions of producer (supply) and marketing cooperatives. It is comparable to the first major attempt in Philippine agricultural cooperation: the Farmers Cooperative Marketing Association (FaCoMa).
3. It is made more interesting when after the setbacks of the past FaCoMa, it seems apparent that same problems are recurring. It may well be that we have not learned from the past. This may refute the contention that experience reduces the cooperative "mortality" rate.

Organization of the Study

The rest of the study contains four chapters. Chapter Two deals with the evolution of the Philippine

cooperative programs through the enabling legislation of cooperation. The problems, causes of failure and the recent development and prospects are presented. The next chapter identifies conceptual frameworks for organizational effectiveness, its measurement criteria, research gaps and the needed research agenda for organizational renovation. Chapter Four presents a discussion of action-research concepts and a study design for control mechanisms considered as one approach in determining organizational effectiveness. The last chapter includes the summary, conclusion and implications of the study.

CHAPTER II

THE PHILIPPINES COOPERATIVE PROGRAM

This chapter will review the cooperatives program attempted in the Philippines. Three major aspects are included: 1) the major events in the Philippines cooperative history; 2) the causes of failure with those past attempts; and 3) the most recent developments. These are the elements that will serve as the background for our research and evaluation agenda.

Basically, the information generated in this chapter comes from benchmark surveys conducted by the Agricultural Credit and Cooperatives Institute (ACCI), University of the Philippines at Los Banos, and the Cooperatives Foundation Philippines Incorporated (CFPI). Other secondary sources are materials documents or reports of the Bureau of Cooperatives Development (BCOD) (now under the Ministry of Agriculture) and educational materials of ACCI.

Background on Cooperatives in the Philippines

Cooperativism in the form of "Bayanihan" (mutual assistance) has long been practiced in the Philippines culture. However, the cooperative, as an economic institution was introduced during the American regime in the

1900's. The idea of consumer cooperatives was believed to be imported from England, while the credit cooperative of the Raiffeisen-type was imitated from Germany. These European models were believed to be brought by the Americans to the Philippines in light of felt needs resulting from the process of social change, legal adjustments, and decantation of utopian ideals.

It should be noted that the cooperative movement in the Philippines did not emerge from the rural masses. Cooperatives were generally imposed from above (i.e. the so called "top-to-bottom" planning). Laws were made before having practical experience. Concepts were widely implemented without having been pilot-tested. As Ofreneo (1980) has contended, the program so far has been only good "in the planning board" --not in implementation. Although the program planners are reminded that cooperatives should be built from the bottom up, needed attitudinal changes from below (through the learning process) have not been experienced.

There are many reasons why past attempts in cooperation have been launched in the Philippines. Many of these reasons were inherently politically motivated: 1) the need to pacify an "aroused peasantry"; 2) the desire to counteract the adverse effects of depression brought about by World War II; and 3) the need to promote or promise a new life in depressed areas. Thus, for these reasons, cooperatives have been promoted in periods of

economic crisis, violence or threats of rural violence. More recently, it has been promoted as a complementary mechanism to agricultural-related programs, the most popular among which is the agrarian reform program.

Philippine Cooperative History

The Philippine cooperative system may be classified into three periods: the economic (including administrative) crisis (1900-1950); in the post-war period (1951-1971) and during the Martial Law Rule period (September 21, 1972 to date). Table II-1 shows the breakdown of cooperative "main events" in terms of date or year the cooperative legislation occurred, the title, and its purpose(s).

The Economic-Administrative Crisis Stage (1900-1950)

Under the Rural Credit Law (Act. No. 2508; February 5, 1915) the organization of rural credit associations was started. By 1939, there were 571 agricultural credit cooperatives organized. A good number of these cooperatives did not continue to operate, while others remained dormant, as practically all capital was accordingly loaned out. It was indicated that, by 1935, only 10 percent remained operating (ACCI, mimeo undated).

The second attempt at cooperatives was the enactment of cooperative marketing law (Act. No. 3425; December 9, 1927). By 1939, only 20 percent of the registered societies were still active; only 33 associations reported their sales of agricultural products.

TABLE II-1

MAIN EVENTS IN THE COOPERATIVE HISTORY OF THE PHILIPPINES

Date/Year	Main Events/ Legislative Act	Title	Purpose
<u>A. Economic/Administrative Crisis Stage</u>			
1. 1915	Act. No. 2508	Rural Credit Act	To help farmers in their credit needs by organizing rural credit coops.
2. 1927	Act. No. 3425	Cooperative Marketing Law	To organize farmers into coops to help them market their produce.
3. 1940	Commonwealth Act 565	General Law on Cooperatives	To promote organization of coops by giving them tax exemptions.
<u>B. The Post-War Social Upheaval Stage</u>			
4. 1944-45	Organization of Manila Consumer Association Commonwealth Act 713: Creation of Economic Cooperative Administration		To create supervising agency for cooperatives.
5. 1946	Organized National Cooperative Administration		To distribute relief goods.
6. 1947-50	Creation of National Cooperative and Small Business Corporation (NCSBC). The Cooperative Administration Office replaced NSCBC.		
7. 1952	Republic Act (R.A.) 821	Creation of the Agricultural Credit and Cooperative Financing Administration (ACCFA)	ACCFA extends credit financing to small farmers without collateral, to free them from usury and middle-men domination; to finance essential facilities for production, storage, processing and marketing of members produce through the FaCoMa's.

TABLE II-1--Continued

Date/Year	Main Events Legislative Act	Title	Purpose
8. 1957	R.A. 2023	Non-agricultural Cooperative Act	To provide the general basic cooperative law and to consolidate all laws in non-agricul- tural cooperatives.
9. 1963	R.A. 3844	Land Reform Code	Renamed ACCFA into Agricultural Credit Administration (ACA) to promote and super- vise the organization of farmers marketing cooperatives.
10. 1971	R. A. 6389	Code of Agrarian Reform	Reaffirmed and strengthened ACA's credit function to small farmers--particularly the landless tenants in view of the agrarian reform program; also supervises other farmers's associations.
11. 1973 (14 April)	Presidential Decree 175	Strengthening the Cooperative Movement	To create full authority to the Bureau of Cooperative Development regarding rules and regulations to govern the promotion, organ- ization, registration, regulation, and supervision of all types of cooperatives.
C. <u>Martial Rule to Date</u>			
12. 1973 (9 July)	Letter of Implementation No. 23	Rules and Regu- lations to imple- ment No. 175	To implement P.D. No. 175 governing the organization, administration and supervision of Samahang Nayon (village associations) and Kilusang Bayan (cooperatives).

SOURCE: As compiled from ACCI mimeo. notes: undated.

The third attempt at cooperatives was triggered by the Bureau of Commerce. The Consumer Cooperative League of the Philippines was organized on October 18, 1938. By 1940, Act. No. 565 was enacted to give tax exemption privileges to cooperative organizations. The National Cooperative Administration was established to supervise cooperative projects. Following the outbreak and duration of the war (about 1941-1944), cooperatives were utilized as a means of helping the masses and for distributing relief goods.

The Post-War and Social Upheaval Stage (1951-1971)

The fourth attempt was the creation of Agricultural Credit and Cooperative Financing Administration (ACCFA on August, 1952; Republic Act 821). The Farmers Cooperative Marketing Associations (FaCoMa) were created under this law to tender loans to the farmer-members. By fiscal year 1963-64, the Agricultural Credit Administration (ACA) reported that, of 539 registered FaCoMas with a recorded membership of 311,000 farmers, only 30 percent were fully stable and were practically on their own; 43 percent were in a very weak financial condition; 27 percent were under a revitalization program (ACA, Annual Report, 1963-64).

The fifth attempt consolidated the non-agricultural cooperatives through R.A. 2023 (or the Non-agricultural Cooperative Act). Based on the data for the years 1967-70 (available through the now defunct Cooperatives

Administration Office) only about 36 to 45 percent of all types of registered cooperatives are operating and the bulk of these (62-77 percent of the total credit unions) was accounted for by credit unions (Velasco, 1975).

The sixth attempt assigned a new role to cooperatives via land reform. The Land Reform Code (R. A. 3844, 1963) renamed ACCFA into Agricultural Credit Administration (ACA) which primarily extends non-collateral credit to cooperatives (FaCoMa) and members and supervises farmer cooperatives. It also renamed the Bureau of Agricultural Extension to Agricultural Productivity Commission (APC) which has as one of its functions the promotion and organization of farmers cooperatives.

The seventh attempt was in 1971 with the enactment of R.A. No. 6389, known as the Code of Agrarian Reform in the Philippines amending R.A. 3844. The law vested in the ACA the power to register, finance and supervise, not only agricultural cooperatives, but also farm associations or organizations like the "compact farms."

Prior to the launching of the new cooperatives program in 1973, only 368 of the 968 registered agricultural cooperatives in the country were considered active; a majority of the inactive were inoperative. Of the 700 FaCoMas registered with ACA, only 17 percent were operating. In the non-agricultural sector, of the 4,673 registered cooperatives, only 13 percent reported their business activities to the Cooperatives Administration

Office (CAO) of the National government.

For June, 1972, the Economic Development Foundation, Inc. (EDFI) reported that a total of 726 cooperatives and 5568 of non-agricultural cooperatives (45 percent and 55 percent of the total, respectively), were operating.⁴

Martial Rule Stage (1972...)

The proclamation of Martial Law (September 21, 1972) paved the way for the overall integration and supervision of all cooperative development activities under the created Bureau of Cooperatives Development, then under the Department of Local Government and Community Development (DLGCD). On April 13, 1973, Presidential Decree (P.D.) 175 entitled "Strengthening the Cooperative Movement" was issued by the President as a parallel measure to the emancipation of tenant farmers from feudal bondage (P.D. 27 dated 21 September, 1972). On July 9, 1973, the letter of implementation No. 23, implementing P.D. No. 175 governing the organization, administration and supervision of Samahang Nayon (village associations) and Kilusang Bayan (cooperatives), was issued by the President.

The Failure of Cooperatives in the Past

A typical assessment of the Phillippine cooperatives experience is that the results have been far more modest than the promise. Failure, rather than success,

⁴For more information, see EDF (1973).

is the by-word in the cooperative movement. Several of the reasons advanced for cooperative failures are:

Creation for the wrong reasons/approaches. We can deduce that many of the cooperatives were established due to the existence of government incentives. For instance: 1) FaCoMas were organized to enable members to obtain credit and as an economic weapon to counter the "communist movement" (i.e. an explicit redirection of the original intentions); and 2) the consumers cooperatives were frequently established as government instruments to distribute relief goods and other "welfare goods and services." As expected, both types of cooperatives closed the moment these loan incentives and the "welfare goods" were exhausted.

Failures attribute to government, cooperative institutional operations, and to membership, etc.

1. On membership:
 - a. lack of proper understanding of the principles, practices, true aims and purposes of cooperative associations;
 - b. dominance of an individualistic attitude;
 - c. improper use of credit (misapplied loans for "unproductive" purposes); and
 - d. absence of substantial loyal membership support;
2. On cooperative institutions and operations:
 - a. lack of economic justification;
 - b. inability to secure adequate capital;

- c. incompetent management and lack of compensation for officers;
 - d. competition and opposition of established business and vested interests;
 - e. related to (d) is their dependence on alien (competitors) suppliers and distributors;
3. On government promotion and supervision:
- a. ineffectiveness of the government machineries to supervise cooperatives;
 - b. lack of adequate safeguards against unscrupulous officers who take advantage of their position for personal advance;
 - c. uncommitted and inadequate long range goals for the cooperative sector; and
4. Political interference particularly in the collection of overdue accounts.

In summary, three major reasons loom large as to why cooperatives have failed:

- 1. inadequate membership participation and lack of resource commitment; lack of solid local action and involvement; lack of membership education, understanding, commitment and, consequentially, poor membership participation and resource commitment.
- 2. inadequate management/leadership competence -- lack of competent leadership for cooperative business desirable direction; ineffective two-way information flow between the cooperatives and its members.
- 3. inadequate economic enterprise -- low volume

of business or those requirements for "big-business" or being an independent economic enterprise.

The New Cooperative System

This section will serve as an introduction to the development of Area Marketing Cooperatives. The evolution of the new cooperative system can be divided, for our purposes, into 1) the "brainstorming" scheme; 2) the "blue-print" scheme; and 3) the "implementation" scheme, i.e. the most recent development and prospects.

Brainstorming Scheme

Based on past experiences with cooperatives, three major principles/concepts were conceived as the basis for developing a new and, hopefully more effective, strategy in Philippine cooperative development:

1. the organization of the village-based associations which would facilitate coordination, communication and supervision;
2. the institutional differentiation of credit from the marketing function; and
3. the establishment of institutions at an area level to encourage economies of scale in operation.

Therefore, the original cooperatives program envisioned three distinct, but interdependent, entities or structure: 1) the village-level production unit (VLPU);

2) the area-level marketing unit (ALMU); and 3) the area-level financing unit (ALFU).

The VLPUs, or production associations, form the backbone of the program to carry the following functions:

- 1) Production -- as an avenue for agricultural extension or cooperative production activities;
- 2) Lending -- to screen and recommend approval of loans;
- 3) Savings -- to encourage a proportional amount (e.g. to his value of seeds, loan amount or size of farm) of continuous savings;
- 4) Farm supply distribution -- to sell farm supplies; and
- 4) Marketing -- to act as an assembly point for delivery to area marketing cooperatives.

The ALMU will be engaged in the following business activities for the VLPUs and their members: 1) supply of farm input; 2) trucking services; 3) assembly, storage, and processing of produce; 4) technical assistance in production, organization, and management; 5) cooperative education; and 6) marketing of VLPUs' produce.

The ALFU, or the Farmers Bank, will mobilize the farmers own capital through the VLPUs and, thus, create a banking structure with a private equity base.

The national linkages institutions, at that time, were also thought of, although not properly delineated. Among them are the role of the Central Bank, Department of Savings and Loan Association (CB-DSLA), the Agricultural Credit Administration (ACA), the Grain Marketing Cooperatives and the Management Training Pool.

The Blue-Print Scheme

The cooperative experts of the Philippines have developed an "implementable" program. On paper, this national scheme, called the new cooperative system, looks fine. In practice, however, the formation of the full-fledged cooperatives is slow and halting.

The system is divided into four stages:

Stage 1: The organization and development of Somahang Nayon (SN), a village precooperative association. SN is a village-based association composed of some 25 to 200 farmers.

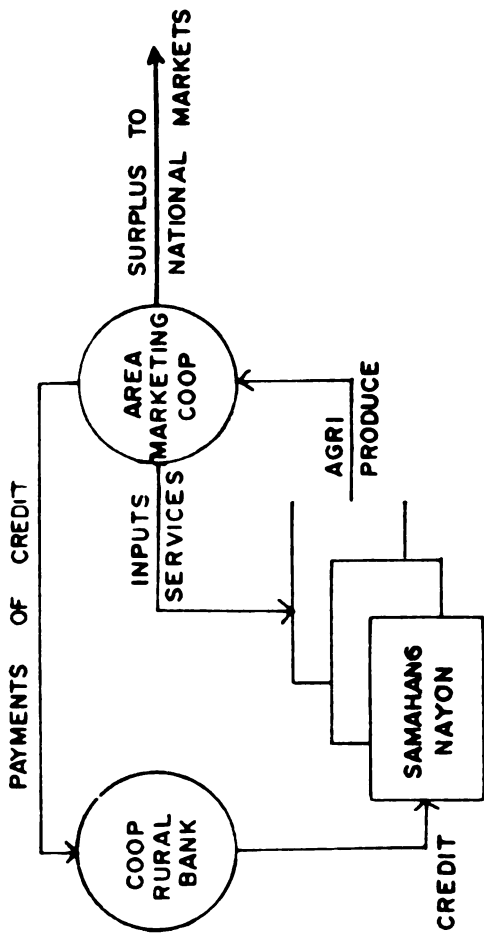
Stage 2: The organization and development of full-fledged cooperatives, such as SN, into AMCs and cooperative rural banks (CRBs).

Stage 3: The establishment of consumer cooperative markets in key urban centers of the country for the purpose of linking cooperative producers to the consumers on a more steady and regular basis.

Stage 4: The integration of cooperatives into a whole system with the National Cooperative Union as the apex organization. This consists of federating cooperatives at the national level and establishing continuing linkages among different types of cooperatives. Figures II-1 and II-2 show the different stages of the program and the organizational institutions by level, respectively.

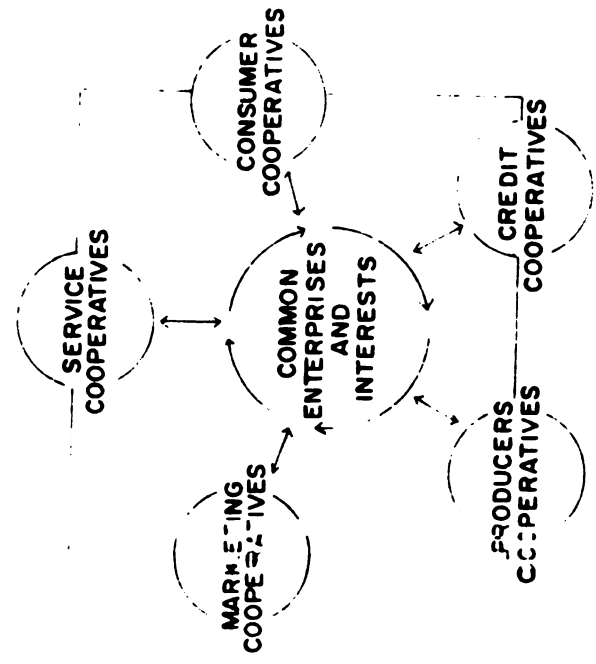
Stages 1 and 2 relate well to our study and will further be described below:

1. The Samahang Nayon Development Program (SNDP).
 SNs are "body corporate" composed primarily of small farmers residing and/or farming within the geographical limits of a barangay (village) for the purpose of improving the

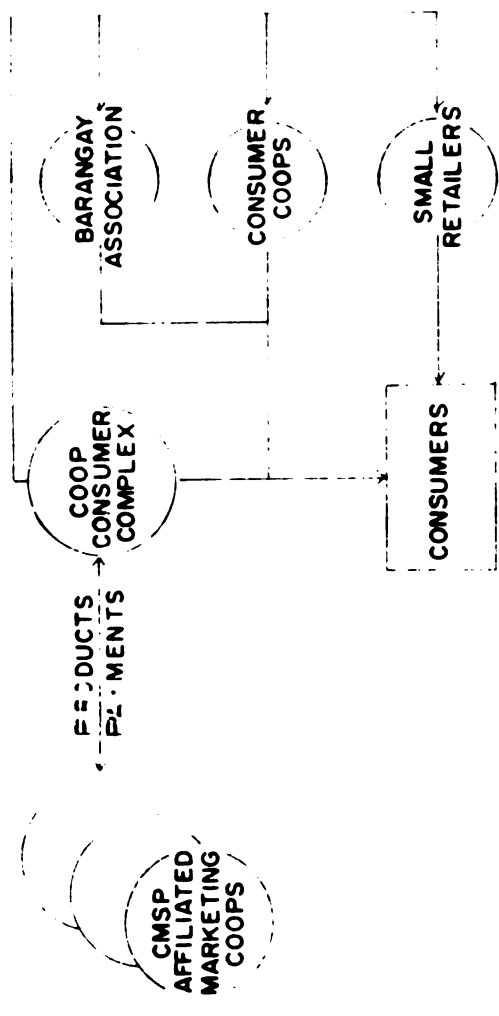


STAGE II - Organization and Development of full-pledged cooperatives such as Samahang Nayan into Area Marketing Cooperatives

STAGE I - Organization and Development of the Samahang Nayan



STAGE IV - Integration of Cooperatives into a System



STAGE III - Establishment of Consumer Cooperative Markets in Key Urban Centers

FIGURE III-1. Stages of the Cooperative Development Program.

SOURCE: NEDA (1977).

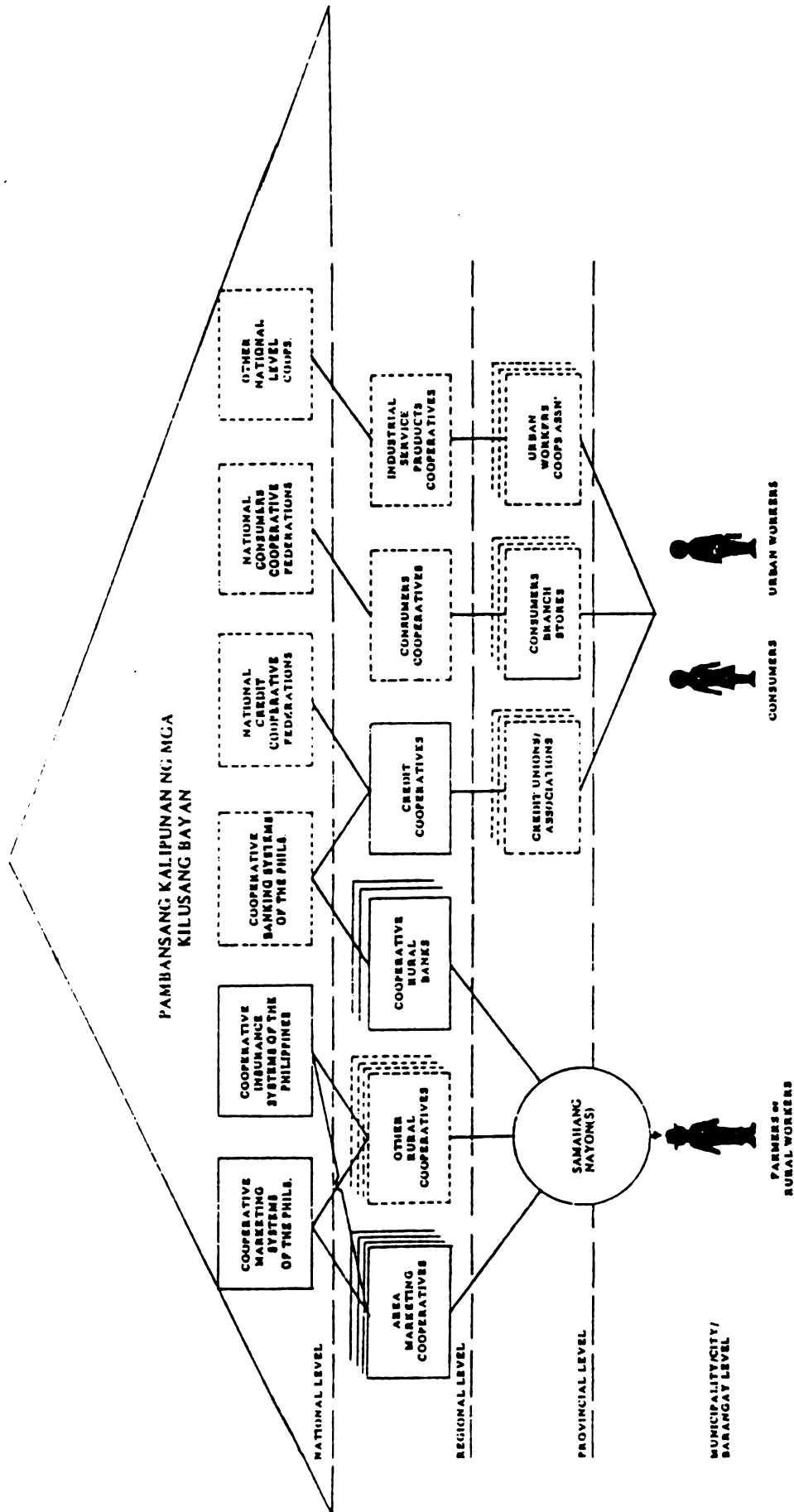


FIGURE II-2. Organizational Institutions of the Philippine Cooperative System.

SOURCE: BCOD (1978).

quality of life of the people (L.O.I. No. 23, Regulation No. 2). It was massively launched in 1973 and "completed" in 1982 for two simultaneous purposes: 1) as a direct support to the agrarian reform program; and 2) as the rural foundation of the whole cooperative development program. To date, twenty thousand SNs with a membership of more or less one million farmers have been organized. Each SN has a minimum of 25 and a maximum of 200 members. It has a business relationship with established area cooperatives that provide the product marketing, farm supply and financial credit services functions to them.

The SNs: 1) facilitate land transfer under the agrarian reform program; 2) provide experience in formal organization, self-government and encourage participation in community life; and 3) implement capital formation schemes through savings program for specific purposes (e.g., guaranteeing payments for land amortization and buying shares of stock in area cooperatives).

Operationally, the SN organizations have been confronted with the following major problems (in the order of their gravity): 1) non-payment of their savings/capital formation contribution; 2) low income of members; 3) generally declining interest of SN officers/lack of dedicated officers; 4) waning interest of SN officers and members;

and 5) undisciplined/uncooperative members/disciplinary action was taken for granted (ACCI, 1980: 49).

2. The Area Marketing Cooperatives (AMC): "Kilusang bayan" or cooperatives shall mean only organizations composed primarily of small producers and consumers who voluntarily join together to form business enterprises which they own, control and patronize (P.D. 175, Section 2). Their objectives as stated in LOI No. 23, Regulation 16; are to:

1. Encourage scientific production and marketing among the members;
2. Provide goods, services and other requirements to the members;
3. Encourage thrift among the members;
4. Create funds and extend credit to the members for productive and provident purposes;
5. Build houses or to acquire lands for the members;
6. Insure against losses of the members;
7. Promote and advance the economic, social and educational conditions of the members;
8. Undertake such other activities calculated to help the members solve their problems on a cooperative basis;
9. Coordinate and facilitate the activities of the Kilusang Bayan; and
10. Establish, own, or operate rural banks,

cooperative banks, development banks, co-operative insurance, and cooperative wholesale and retail complexes.

More operationally, the AMC's specific objectives revolve around the first four objectives mentioned above. The specific objectives have been used by CDFI in their assessment of AMC's performance. These are to:

1. Purchase and/or market the SN/cooperative members products at reasonable prices;
2. Purchase and sell to members the following: production inputs, agricultural machineries, equipment and other implements; prime commodities and household requirements needed by SNs/cooperative members;
3. Provide extension services to enable SN members to learn, acquire and employ skills and use modern methods of marketing;
4. Provide common facilities for marketing, storage, processing, grading and standardization, packaging, transportation and other facilities;
5. Provide advances on deliveries made by Samahang Nayan/cooperative members;
6. Borrow funds or secure credit needed to carry on the business of the AMC; and
7. Provide bookkeeping, accounting, auditing and other services to member SNs.

Trends and Prospects of Area Marketing
Cooperatives (AMC)

Our research and evaluation agenda requires problem identification and analysis. This section describes the trends and prospects of AMCs in the Philippines. By so doing, the problem issues can be identified, thus facilitating the relevant specification of research gaps in the cooperative system.

As described in the preceding sections, the AMC was launched as the marketing arm of the SN. It is envisioned to undertake activities related to the supply of inputs and the marketing of outputs, as well as providing extension services and encouraging active participation in their cooperatives.

Thus, by the year 1975, the AMCs had mushroomed throughout the country. Figure II-3 shows the location of the AMCs. Appendix Table II-1 shows the list of organized area marketing cooperatives as of December 31, 1978.

Since then, a series of reports have indicated that a very unhealthy picture of the status of the AMC is unfolding. Therefore, a question that comes to mind with reference to the Philippine cooperative experience is: "Will the history of failure repeat itself?" Ofreneo (1980: 70) observes:

The present cooperative program is still far from being successful. There are signs that it may even end up like the various governmental attempts to promote cooperation in the past, which started with a great deal of fanfare but ended in failure.

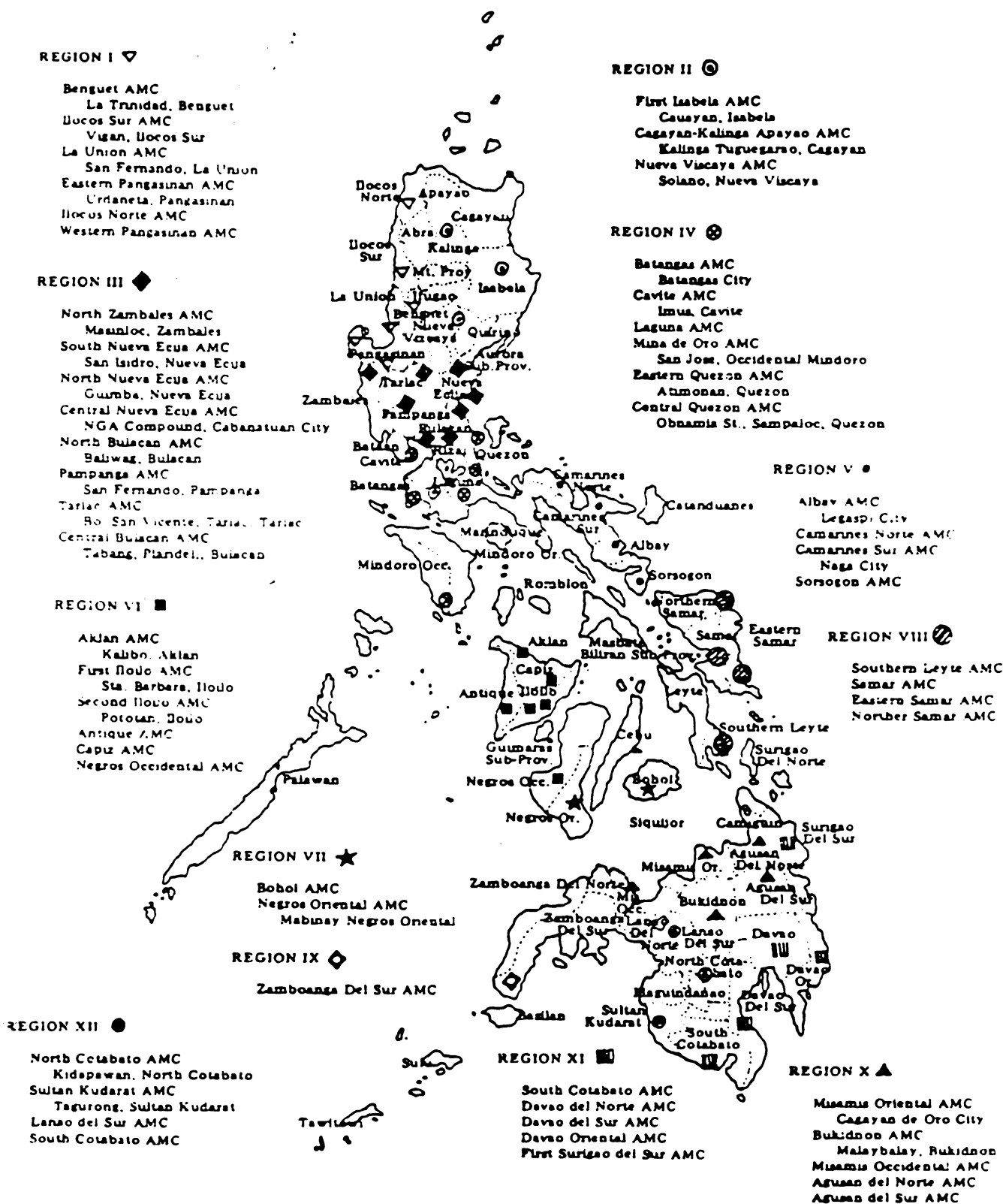


FIGURE II-3. Operation/Location of Area Marketing Cooperative

SOURCE: Perilla (1980).

The serious drawback attributed to the program has been the planning and programming imposed from the top. Considering this critique, evidence exists that failure factors may be repeated because of restrictions under which the program are forced to operate.

An initial evaluation of the ACCI-UP (1979) has indicated that:

As a whole, the 15 AMCs under study did not present a very encouraging performance both in terms of financial stability and management efficiency. These AMCs were found to have a very weak financial structure and a generally inefficient management operation (ACCI-UP, 1979).

On May 22, 1980, the function of the cooperative development was transferred to the Ministry of Agriculture from the Ministry of Local Government and Community Development. Soon after, an evaluation of all area cooperatives and SNs in the country was ordered by Agriculture Minister Arturo R. Tanco, Jr. It was found that:

Of the 42 registered and operational AMCs all over the country, eighteen (18) were nominees for Cooperative Marketing Project (CMP) financing at which five (5) were classified under profitable operations, i.e. with positive net worth, nine (9) fell under previous losses -- current operations profitable category and four (4) new AMCs. Eleven (11) were categorized under losing operations -- net worth not totally impaired and thirteen (13) were strong candidates for rehabilitation or liquidation (CFPI 1982).

The CFPI (1982) study also quoted the Institute of Social Order's report that this state of affairs would be traced to: 1) faulty organization; 2) disloyal members; and 3) insufficient volume of business or lack of

cooperative orientation. One will note that these basic reasons are not far from the ones cited earlier as causes of failure in the past cooperative programs.

The Economic Development Foundation in another recent report entitled, "The CMP - An Evaluation," has indicated that the CMP loan requirements appear to be unrealistic. Appealing to the concept of "limited resource institution" and/or the "infant industry" argument, the Foundation contends that:

By and large, the AMCs are not bankable by conventional standards, if they were, there would be no need for a special type of financing. Cooperatives should not be coddled too much or too long by easy and handout kind of loans, they would never graduate into mature, self-reliant and competitive business enterprise thus the issue need some recasting.

Policy recastings can be viewed with respect to the following three major areas of concern: 1) public policy context; 2) organizational context and 3) operational and/or financial context.

The Policy Context

The public environment of cooperatives consists of physical, social, economic and political dimensions. Not much can be analyzed in the political framework except the usual enabling legislation and the government executive participation. The former specifies the conditions relative to objectives, structure, method of operation, and financing (see Presidential Decree No. 175, Appendix II-2). Sometimes, and more often than not, the

specified conditions are so difficult to meet that the growth of cooperatives is suppressed or retarded. Perhaps, the universal (country-wide), mechanistic and systematic (gradual) application of the cooperative programs has stultified the growth of the already eager and somewhat enthusiastic established institutions, like the SNs. The lack of program flexibility in the organization, and operation of precooperatives and existing cooperatives may have contributed to the loss of enthusiasm among the participants: a case of institutional obsolescence (Shaffer, 1969).

The government participation, in developing a limited resource community, must develop a long-range plan for the membership to gain experience and understanding. Local action must be stressed to shift the control from the government to the people. Larson (1969) had stated that "if government organizes, finances, and in fact controls the life and death of cooperatives, one might legitimately question whether these organizations are cooperatives or mere appendages of the government." This brings to light more difficult question of: What, why and how is the best way to start a cooperatives with the government at the front line of developmental activities?

In fact, it is inevitable for the government not to be concerned and determined in the cooperative development program. This major concern has some bearing with a

recent "Delphi" survey of 100 Pilipino experts who expect that "the income distribution will probably get worse before it gets better (by 1995-2000), that absolute real incomes for most everybody will increase while differences in relative incomes will persist such that the magnitude of social disenchantment will rise (Mangahas, 1976; emphasis added). However, looking back at the series of development plans, one will note that not much emphasis has been accorded to cooperatives (except through the linkage to the agrarian reform program). Except for this, and the provisions of P.D. 175, the government is relatively silent on the issue of cooperativism as an independent rural development tool. If development policy has to be devised to attack rural poverty (and glaring inequality), cooperatives have to be institutionalized.

The Organizational Context

An organization is a social system that shares like perceptions concerning its goals, roles and norms. It consists of five basic parts: strategic apex, middle line, operating core, technostructure and support staff (see Figure II-4 and II-5). These organizations, to be effective, require two principal objectives: goal achievement and environmental adaptation.

The organizational set-up of the AMC is simply composed of the General Assembly, members of the Board of Directors and the manager and his/her employees/staff.

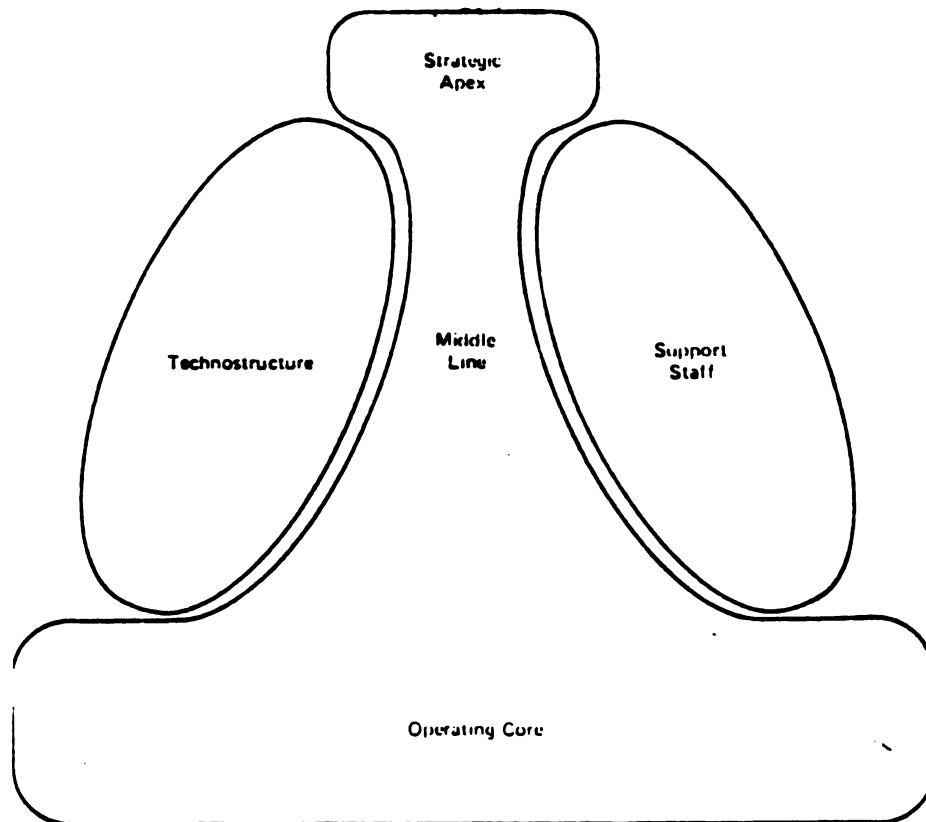


Figure II-4. The Five Basic Parts of Organization

SOURCE: Perraut (1982).

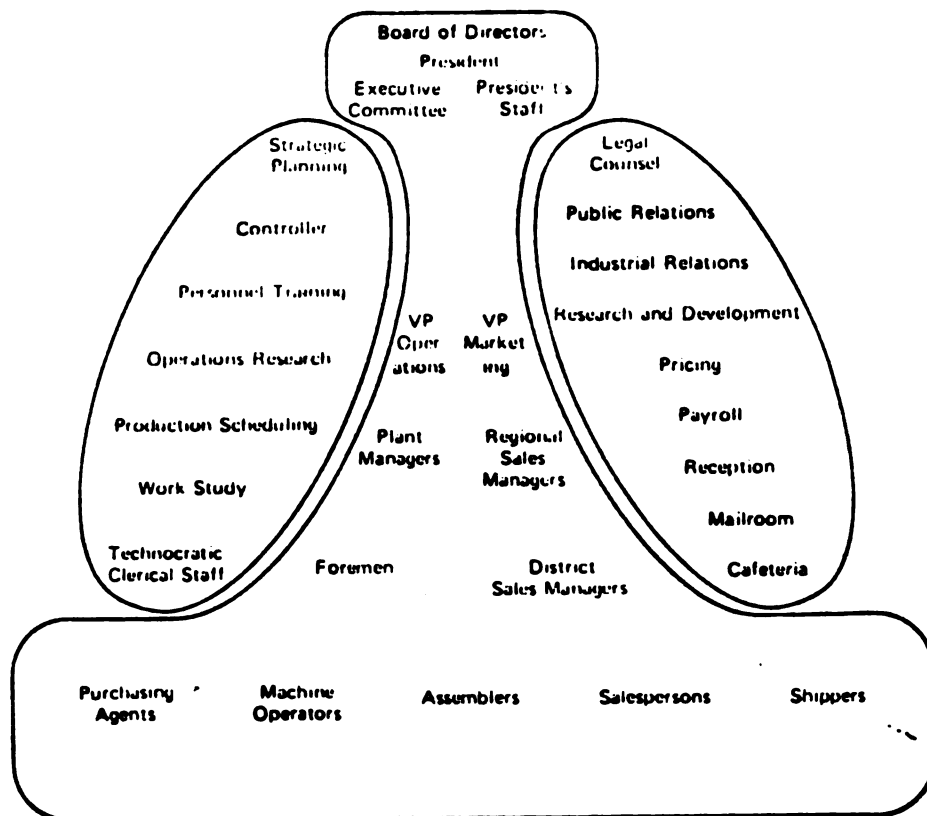


FIGURE II-5. An Illustration of Members and Units of the Parts of a Manufacturing Firm.

SOURCE: Perraut (1982).

An example of the organizational chart is shown in Figure II-6 (Perilla, 1981).

The General Assembly. These are the investors representatives to the AMC, mostly coming from the SN. They conduct their regular meeting, usually a month after the end of the fiscal year. From experience, the common agenda includes a discussion of the financial position of AMC, management problems, amendments, election or replacement of board members, plans and new business ventures.

The AMC Board of Directors. The board responsibilities include: policy formulation, decision-making, consultancy, campaign for increased subscription, collection of receivables, and audit of financial records. The board is composed of 5-15 members. Leadership, experience with cooperatives, educational attainment and socio-economic status are the factors that influence the selection of the board. A CFPI Study (1982) has indicated that ages range from 30-73 years or an average of 53 years (CFPI, 1982).

The officers of the board consist of Chairman, Vice-chairman, Secretary-Treasurer and Auditor. Their ages range from 23-73 years with an average of 54. About sixty-five percent are more than 50 years old. Thirty seven percent are college graduates, 29 percent college undergraduates. Twenty-six percent have finished their secondary courses; the rest are elementary and vocational graduates. The majority (71 percent) depend on farming as their major source of livelihood.

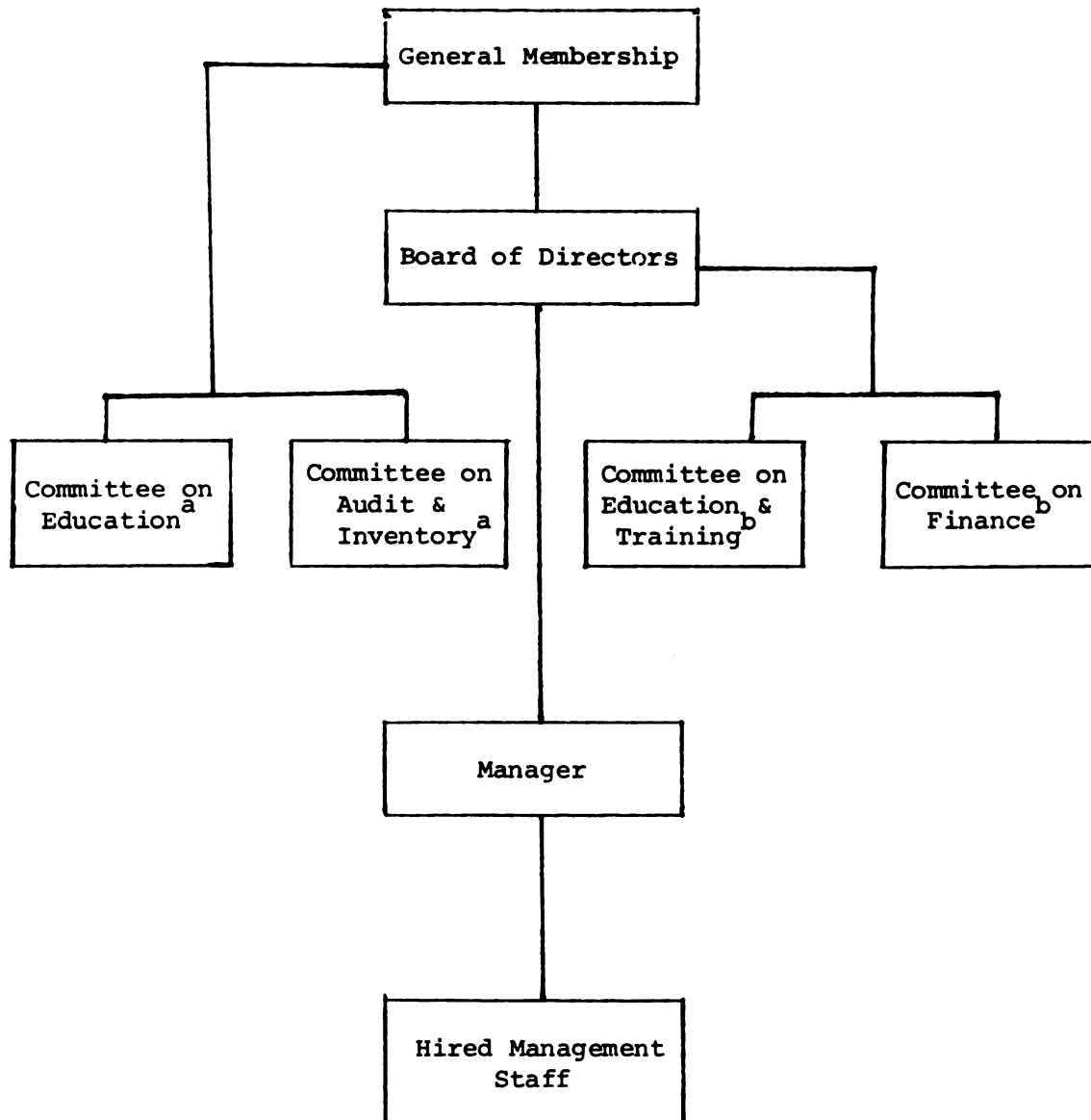


Figure II-6. General Organization Structure of a Grain Area Marketing Cooperative

SOURCES: BCOD (1978); Perilla (1980)

^a elected committee

^b appointed committee

Non-farmers are retired public school teachers, government and private employee and small scale businessmen or proprietors.

Considering these qualifications and/or characteristics, a continuing adult education or functional leadership training is urgently needed. This will serve as a forum for the improvement of their attitudes, managerial and other skills.

The Manager. The manager is responsible for the day-to-day operations of the AMC. A typical AMC manager is 45, male, married and with a length of service ranging from a few months to four years (CFPI, 1982).

AMC management support staff is relatively young. The age range is 19 to 55 years with an average age of 33. Employees, who are college graduates and undergraduates, occupy positions in the administrative division. High school graduates are employed in processing, warehousing, storage and trucking services. About 87 percent of the total workforce are regular/permanent employees (CFPI, 1982).

The Operational and Financial Context

More specifically, the business operations of the AMC consist of: 1) trading farm inputs, i.e., purchase and sales of farm supplies and purchase and sales of farm commodities; and 2) warehousing, storage, processing (milling and drying of rice and/or corn) and trucking.

The extension services of the AMC consist of: 1) Education and training; and 2) technical assistance (mostly on credit and SN management assistance) and campaign for savings program. The financial aspects consist of measures of financial viability: liquidity, activity, solvency, and profitability ratios. Both the ACCI (1979) and CFPI (1982) studies reported a declining performance with respect to operational and financial aspects. The most pressing problems that seriously impair the AMC operations are receivables accumulation, heavy reliance on outside financing, and declining membership support.

Statement of Financial Condition and Operations

The financial composition of AMCs are briefly described in Table II-2, which shows the findings of the two studies. The more recent study (1982) indicated that of the total assets, 61 percent are current of which the bulk are trade accounts receivables (46%), inventories (29%) and unliquidated cash advances (5%). The fixed assets (32% of the total assets) are made up largely of buildings (39%), machinery and equipment (32%) and transportation equipment (12%). The liabilities are composed of long term payables (32%) and short-term marketing loans. Interest payables are noticeably high owing to heavy creditor financing (CFPI, 1982).

Gross margin on sales accounted for 57 percent of gross operating saving with other savings from operations (milling, warehousing, trucking and other related

TABLE II-2

BALANCE SHEET FOR AREA MARKETING
COOPERATIVES, 1978 AND 1982

Balance Sheet Entries	ACCI Study ¹		CFPI Study ²	
	000 Pesos	Per- cent	000 Pesos	Per- cent
Current Assets	1,250	83	443	61
Fixed Assets	211	14	233	32
Sundry or Other Assets	40	3	49	17
Total Assets	<u>1,501</u>	<u>100</u>	725	<u>100</u>
Current Liabilities	812	54	341	47
Long Term Liabilities	374	25	160	22
Total Liabilities	<u>1,186</u>	<u>79</u>	<u>501</u>	<u>69</u>
Members Equity	315	21	224	31
Total Liabilities and Members Equity	<u>1,501</u>	<u>100</u>	<u>725</u>	<u>100</u>

SOURCES: ¹ A Benchmark Evaluation of 15 CMP covered AMCs conducted in 1978, ACCI - University of Philippines at Los Baños.

² A Benchmark Evaluation of 9 CMP covered AMCs conducted in 1982 by Coop Foundation of Phil. Inc. Quezon City. . . . recalculated and organized by the author.

services) accounting for 43 percent. Trading margin was roughly 8.5 percent of net sales. Expenditures, particularly operating expenses, were astronomically high, exceeding gross operating savings plus other savings by 26 percent. This contributed to the net loss of AMCs.

Measures of Financial Viability

Table II-3 shows four indicators (financial stability, growth potential, efficiency ratio and profitability ratio) that reflect the precarious position of the AMCs. This condition can easily be gleaned by comparing the suggested value for each indicator to the value calculated for the AMC.

Financial Stability/Liquidity. This indicator reflects the ability of the AMCs to meet short-term obligations and to remain solvent in the event of adversities. The current ratio, with a suggested standard of 2:1, is the most frequently used under this indicator. The average current ratio of 1.30 indicates that the AMC have thirty centavos more to cover one peso of current obligations. The "acid test" ratio with an ideal standard of 1:1, is 0.92, which means that only ninety-two centavos are immediately available to cover a peso of current obligations. Solvency ratio (fixed liabilities to member equity) exceeds the standard while member equity to total assets is less than the standard. This reflects dependence on outside financing.

Growth Potential/Solvency. This indicator reflects the cooperatives reliance on creditor-financed operations. About 70 percent of total assets are creditor-financed with the other 30 percent made up of members' equity and reserves (appropriated retained earnings). Debt-to-equity ratio is 2.24 which implies that debts are more than

TABLE II-3

RATIO ANALYSIS OF AREA MARKETING COOPERATIVES

June - December, 1981

Ratio	Suggested Value	Value
<u>Liquidity or Financial Stability Ratio</u>		
o Current ratio	2.0 or greater	1.30
o Acid test ratio	1.0 or greater	0.92
o Solvency ratio	.50 to .60 or less	0.72
o Member Equity to total assets	.55 or greater	0.31
<u>Growth Potential/Solvency (Long Term Liquidity)</u>		
o Debt to equity ratio	0.90 or less	2.24
o Fixed assets to long term liabilities	1.5 or greater	1.45
o Fixed assets to members equity	--	1.04
o Members equity to total assets	.55 or greater	0.31
<u>Efficiency or Activity Ratio</u>		
o Asset turnover rate	--	1.32
o Plant turnover rate	--	4.11
o Inventory turnover rate	--	7 times/yr
o Inventory period	--	49 days or 1.5 mos.
o Receivables turnover rate	--	5 times/yr
o Collection period of receivables	--	77 days or 2.5 mos.
<u>Profitability/Returns or Benefit to Members</u>		
o Return on year-end total investment (assets)	.10 or greater	.05
o Return on owners equity	.20 or greater	.18
o Cost of sales/net sales	--	.92
o Gross margin/net sales	--	.09
o Operating expenses/net sales	--	.16
o Net savings/net sales	--	.04

SOURCE: Cooperative Foundation of the Philippines, Inc. (CFPI), August, 1982.
Recalculated and organized by this author.

double the funds put up by investors. Fixed assets to long-term debt to facilities and equipment owned by the cooperatives. The value 1.45 is close to ideal such that, for every peso of long-term liabilities of the cooperative, it owns 1.45 worth of depreciated fixed assets. Fixed assets to members equity and members equity to total assets are extremely low at 1.04 and 0.31, respectively.

Efficiency/Activity Ratio. This indicates the liquidity of receivables and inventories. An average inventory turnover rate (7 times per year) vs. average receivable turnover rate (5 times per year) shows that inventories are faster-moving than accounts receivables. It takes 49 days, or about 1½ months, to move out stocks, whereas average receivable collection is 77 days or 2½ months, which indicates that trade receivables reduce the availability of funds for reinvestment/replacement of inventory.

Profitability. This reflects the amount of returns generated on investment and operations. Average return on year-end total investment provides the measure of the earning power of capital funds poured in by both creditors and investors. Return on owner's equity shows the earnings rate on resources provided by SN investors. The rest of the indicators reflect the frustratingly low (negative) values on average return on members' equity and total investment.

Problem Identification

The CFPI (1982) study has delineated several major problems and related issues which, if analyzed, have some bearing on the past failure factors and the inherent problems or weaknesses of the cooperative enterprise. These interdependent issues can be classified into: membership, managerial, area of operation and financial aspects.

Membership Issues

Again, the misorientation (or lack of understanding) of the farmer-investors about the economic and service orientation of the cooperative enterprise has surfaced. At this time, it is appropriate to call the members attention to "what they can do for their cooperatives and not what the cooperatives can do for them." This issue is inherent from the existing predicament; the AMC should be viewed as an economic enterprise in the country and not as a welfare institution.

Managerial Issues

This basically refers to the management inprofi-ciency due to management conflicts and losing business propositions. The inability to revive the ailing cooper-atives only reflects the kind of business management capability of the AMC board and the manager and the "taken-for-granted-attitude" of the general assembly.

Area of Operation

This problem is inherent with the relatively low paid-up capital and broad geographical operational service-base that spawned apathy and flagging interest among those who do not have access to AMC services.

Operational and/or Financial Issues

This is interdependent with the first three problem areas and can be classified into: 1) inefficient business operations; 2) weak management and membership control systems; 3) financial problems brought about by working capital shortages, heavy loan exposure, slow capital build-up rate and excessive operating expenses.

All of these issues have contributed to the Area Marketing Cooperatives unsatisfactory state of affairs. But these are not new problems. Sacay (1974) recounting the FaCoMa days reported that only one out of ten in the co-operatives organized had survived as an ongoing business and even half of these survivors operate on the red. Why? Most of the reasons, we have just stated above. He further added that no matter how beautiful the cooperative philosophy, the term cooperative in this country has acquired the connotation of a venture doomed to failure (although failure in cooperatives was not a monopoly of the Philippines).

Cooperatives as a development tool had been a weak proposition because a) members of coop don't know what it is all about; or even if they know they don't practice what

is known; b) cooperatives are organized by the low-income society with very meager capital resources--a society dependent on agribusiness with high level of uncertainty and where farmers are gainfully employed for six months (4 month's on farm and 2 month's off-farm) and another six months idle; and c) managers of cooperative cannot be paid much and temptation for graft and corruption have surfaced.

With this background, Sacay prior to his appointment as Undersecretary for Cooperatives, never believed that cooperative would ever work in this country. He sets his "cooperative theory" against the loopholes of the past and has been determined to do the best to change performance. The question for problem analysis now is whether (with his theory) the situation has been changed.

Perhaps the glaring picture of the recent reports of the decline of AMCs should remind us of his own statement 10 years ago:

Those of us who at one time or another tried to help farmers have felt that they failed us. Perhaps it is more accurate to say that we have failed them. Often we organized them not for their purposes, but for our own (Sacay, 1974: 12).

Furthermore, it is appropriate to add what W. A. Lewis and T. W. Schultz had been saying in the 1950's and 1960's which is still very relevant today:

What now has become part of the conventional wisdom is that successful development is likely to depend more heavily on the quality of human resources available than the simple accumulation of the more traditional physical inputs (Ranis, 1979).

CHAPTER III

TOWARDS A FRAMEWORK FOR ANALYZING FACTORS ASSOCIATED WITH COOPERATIVE EFFECTIVENESS

Following the rise and decline of the cooperative programs, it has been fashionable to decry the continuing problems that plague the "movement" and seek new and/or alternative approaches. This perceived need for change and development of organization (institutional innovation) is brought about by the decline in performance, change in members definition of acceptable performance, and the belief that performance can be improved.

This chapter will review a potential framework for analyzing organizational (cooperative) effectiveness. More specifically, we shall review: 1) the concept of cooperatives (its relevant definitions, cooperative schools of thought, and its basic differences with ordinary corporations); 2) describe an analytic framework with respect to organizational theory and community resource economics theory; and 3) suggest implications/directions for research.

The Concept of Cooperatives

A simplified definition of cooperatives is that "it is a member-owned firm (MOF) mainly engaged in supplying

or marketing products and services for farm businesses" (Van Ravensaay, 1982: 2). Here, the typical member of a cooperative is a farm-firm business and the cooperative organization is an extension of this business. (Torgerson, 1978: 261).

Ways of Viewing Cooperatives

Looking more deeply into the literature on cooperatives, one notes that there can be three ways to conceive the idea of cooperatives (Vitaliano, 1978).

1. A group of investigators treat cooperatives as loose associations of individual economic entities engaged in a common activity to further their own individual ends. These researchers concentrate on the member's behavior, the interrelations between the members in a cooperative, and the manner in which individual members could receive maximum benefits from participating in the common activity;
2. A second group treat the cooperative as a non-profit business firm, and through modifications of the theory of the firm, investigated the market performance and welfare impacts of cooperatives in the larger setting;
3. A third group, representing recent work, has attempted to construct more general theoretical

analogues of the cooperative. They increasingly base their work on economic concepts other than the marginalist theory of the firm.

The above three conceptions are inherently economic in nature. In this context, we should take note that:

A cooperative consists of two essential elements, a democratic association of persons and an economic enterprise. In separating these elements for purposes of analysis the essential is lost, since it is the manner in which the two are coordinated that forms the basic problem of cooperative . . . George Fauquet, 1935 (as cited in Vitaliano, 1978:21).

Considering the aspect of "democratic association of persons" also requires the role of participation and socialization as control mechanisms vs. that of a real free market (economic concept) system. In essence, co-operatives have been popularized as a non-profit or saving enterprise, unlike enterprise firms that are assumed to maximize net gains or net income.

These bi-polar issues of economic vs. non-economic orientation of cooperatives (including profit vs. saving goal) lead to the fact that cooperation is not an end in itself, but a means to a goal. To this it should be added that cooperatives must be treated as a "going-concern goal," rather than as a problem-solving "stop gap" enterprise (i.e. in response to crises, problems or difficulties).

Three Schools of Cooperative Thought

As a going concern, three schools of thought have evolved (Roy, 1964; Helm, 1968): 1) the Cooperative

Enterprise School; 2) the Cooperative Commonwealth School; and 3) the Socialist Cooperative School.

The Cooperative Enterprise School. This school perceives cooperatives as a means of "checking the evils of the capitalistic system and correcting these defects within the system . . . cooperatives do not constitute an economic system of their own" (Helm, 1968: 3-6).

This school of thought, also called Pace-makers or Cooperative Yardstick School, contends that cooperatives are independent economic units voluntarily organized, capitalized and managed by, of, and for its member-patrons. The purpose is to furnish and/or market, at cost, goods and/or services to patrons. This type of cooperation is the legal practical means by which a group of "self-selected, selfish capitalists" seek to improve their individual economic position in a competitive society.

The Cooperative Commonwealth School. This school goes beyond the aim of the cooperative enterprise school, i.e., improve the member's economic position. The long-term objective here is an economic system based on mutual cooperation. Cooperatives are the dominant type of business organization and profit-type corporations only serve secondary functions. This principle lingers in many consumer societies and in the emerging socialism of developing countries.

The Socialist Cooperative School. Cooperatives are seen as a transitory medium to a Marxist-Leninist type of

state socialism, that "promotes, safeguards and realizes the interests and aspirations of the working people (Clayre, 1980). The revolutionary or historical development is the transformation from capitalism to socialism and, eventually, to communism. This view is rejected in capitalistic societies, but predominates in socialistic and communistic economies (Roy, 1964).

Helm (1968: 5) seeks a common denominator to define cooperatives amidst these wide and diverging scope of opinions. He indicated that in the widest sense:

Cooperatives are voluntary organizations of economic units, based on equality, carrying out an "allocated or self-given" economic objective. It is a neutral means of organization which can serve various aims and economic systems (emphasis added).

Speaking of cooperation and social systems, Chinchankar and Namjoshi (1977: 414-418) have noted that cooperation has now acquired a global status in the conditions of underdevelopment as well as development. It is capable of application under a variety of social conditions and systems and operates well in mixed economies. The objectives and coverage of cooperatives in mixed economies go far beyond the limits set in the capitalist system and in the communistic system. Cooperatives in the former are confined to limited sectors as a means to insulate against competitive conditions or as a countervailing power to fight economic injustice. Cooperatives in communist system are mostly used to promote collective action

or decentralized development. A case of a mixed system is Israel, where the "cooperative movement" is not engaged in transforming the existing economy, but in creating a new economy and society (Namjoshi and Chankar, 1977).

Cooperative Principles

The basic principles of cooperation laid down by Rochdale Reformers in England in 1844 are still followed by many cooperatives today. These are: 1) ownership is held by member-users; 2) control (democratic) is based on volume of transactions provided or on the basis of one vote per member; 3) operations have an "at cost" non-profit objective; 4) interest on capital is limited and distribution of savings based on patronization of business is encouraged; and 5) education is necessary for understanding and support.

These principles constitute a simple model of ownership and membership control. The details and mechanism of control are constrained by the original principles, but ultimately must be left to the cooperators discretion. As discussed earlier, the form of cooperation will vary according to the goals and systems where the cooperative business has to operate in addition to the needs and requirements of the cooperators. This view is illustrated by the statement:

Indeed, grain farmers who need a large grain elevator do not form cooperations which take

over farms and make farmers into employees; instead they form a cooperative to own and operate the elevator (Perraut, 1982: 4).

Cooperatives and Corporations: Comparative Nature of Organizations

An analysis of cooperatives requires an understanding of the differences between cooperative and profit-seeking corporations. Table III-1 shows the differences in: 1) motivation; 2) performance criteria; 3) capital base and capital access; 4) owner involvement; 5) responsiveness to changing needs and opportunities; and 6) selectivity of activities (Torgersen, 1978).

The Torgersen classification basically represents an economic enterprise cooperation. A broader and more detailed set of differences is provided by Schaars (1971) in Table III-2. The differences are primarily in the relationship between the owners and their organization and in the way net savings are distributed. More specifically, the differences are based on: 1) purpose; 2) organization; 3) control; 4) sources of capital; 5) distribution of net profits; 6) stock dividends; 7) operating practices; 8) transactions; and 9) tax treatment.

With these basic differences, the key is that for true cooperatives to exist the basic requirements are the three principles and the two major cooperative practices. These principles are service at costs, democratic control and limited return on capital. The two major practices

TABLE III-1
DIFFERENCES BETWEEN COOPERATIVES AND CORPORATIONS
(Economic Indicators)

Discriminating Variables	Differences Between:	
	Cooperatives	Corporations
Motivation:		
. Ownership	. Vested in same people	. Stockholders
. Control		. Majority stockholders
. Patronage		. People other than owners
Objectives/Emphasis	. Provide services at cost; competitive environments	. To earn profit for stockholders
Measures of Performance	. Extent members economic interest are best served	. Profits and economic benefits to stockholders
Financial Base and Capital Access		
. Equity capital	. Supplied by user-patrons in proportion to use of services	. Supplied by investors interested in return on investment
. Capital access/borrowed capital	. Mainly banks for co-operatives and other financial organizations; has limited advantage on investment credits.	. Mainly from banks and insurance companies; useful with significant advantage with investment credits.
Owner-Involvement	. Owner-patron: same persons separate hired management that operates day-to-day business activities. Therefore, a separate policy and implementation.	. Owner different from customers voting controlled by managers and directors. Therefore, policy-making and implementation held by same people.
Responsiveness to Changing Needs	. Guided and controlled by the need of members legal constraints on outside members activities	. Can shift easier from one activity to another where returns on investment are greatest.
Selectivity in Activities	. User-related in marketing, purchasing and related services.	. Can engage in all activities where more attractive returns are available.
	. The story starts with members <u>felt-need</u> and cooperatives serve them	. The story starts with <u>attractive return</u> on invested capital.

SOURCE: From Torgerson (1978).

TABLE III-2
DIFFERENCES BETWEEN COOPERATIVES AND
NONCOOPERATIVE CORPORATIONS

Difference	Standard Corporations	Cooperatives
Purpose	To earn profits for investors; increase value of shares; provide employment for owners of small corporations	To maximize net and real income or member/users; provide goods and services at cost to member/users
	To serve the public generally	To serve its members primarily
Organization	Incorporated under state general incorporation law; no federal charter	Organized under state cooperative law; some, such as federal credit unions, under federal charter also
	Except where stockholders agree otherwise, anyone may own stock	Ownership generally limited to its member/users
	Organized and owned by investors	Organized and owned by member/users
	Stock is freely transferable and may have its own market	Memberships are not freely transferable
Control	By investors, the stockholders	By member patrons
	Policy determined by stockholders and directors; voting usually on basis of ownership, according to number of shares held	Policy made by member/users and directors; voting usually in local associations on a one-man-one-vote basis, or patronage basis, in federations, locals vote either on number of members represented or volume of business done with the central organization
	Proxy voting permitted; control frequently exercised by inside cliques	Generally, no proxy voting permitted; internal cliques can seldom get control
Sources of Capital	From investing public	Primarily from member users

TABLE III-2--Continued

Difference	Standard Corporations	Cooperatives
Sources of Capital	From investing public	Primarily from member/users
	From successful business operations; all or part of the profits reinvested	From net earnings on successful operations, with reinvestment of all or part of retained profits
Distribution of Net Profits	To stockholders in proportion to member of shares of stock held	To patrons on a patronage basis, after modest dividend on stock has been paid; reserves and, in some cases, an educational fund or bonus for employees, are set aside
Stock Dividends	No limits; depends on amount of profits and distribution policy	Limited to nominal amount; generally does not exceed 8 percent
Operating Practices	Use of conventional methods of financing: sale of stock, issuance of bonds, bank loans, reinvestment of all or part of profits	Use revolving capital plan or financing, based on the amount of business transacted with patrons; also use conventional financing
	Usually purchase products on a cash basis	Usually pool sales receipts and pay average prices for product received
	Business done with public generally; clientele not restricted except in exceptional cases	Business done primarily with (and in some cases, exclusively with) member/users
	Charge competitive prices based on "what the traffic will bear"	Charge competitive or "breakeven" prices
Transactions	Purchase or sale from or to public does not normally give rise to subsequent rebate	Purchase or sale from or to a member is a conditional transaction subject to a refund or additional payment at the end of the accounting period, if there are net earnings or savings
Tax Treatment	Subject to many taxes, including state and federal corporate income taxes	Subject to many taxes; however...can...be exempt from federal corporate income taxes; net earnings are taxable to recipients

Adapted from a chart in Marvin A. Schaars, Cooperatives, Principles, and Practices, revised edition (Madison: University of Wisconsin Extension, 1971), pp. 54-56.

SOURCE: French et al. (1980).

are political and religious neutrality and the promotion of cooperative education (see also Anschel et al., 1969; Helm, 1968).

These practices emanate from the characteristic of open membership and the need for informing both members and the community-at-large of cooperative benefits. However, open membership in cooperatives should be qualified in this manner: 1) the voluntary character of cooperation allows free change of membership, as no person should be forced to join or to remain in a cooperative society. (In developing countries, compulsory cooperation can be allowed on a transitory basis and should be acceptable in the interest of accelerated development); and 2) open character of cooperation must be maintained (a society should accept all qualified persons for membership and restrict expulsions to those cases where these qualifications are no longer valid or where members act against the interest of the society [Helm, 1968]).

Effective cooperative management (i.e., combined responsibilities of members, board of directors and hired management) depends heavily upon an enlightened and well-informed membership: the owner-patrons of their own enterprise. In contrast, corporate effectiveness depends heavily on the business acumen of the top management staff.

A Conceptual/Analytical Framework for Organizational Effectiveness

Organizational effectiveness is a complex topic because of wide-ranging dimensions or interpretation performance. Thus, more and better concepts have been advocated due to the absence of clear-cut tools for analyzing the environment. The need is inherent in the failures of most social programs to produce the results intended by the program planners. Two major views regarding why programs have failed can be attributed to the principal actors in the developmental change process: 1) in the conduct (implementation) of the agencies responsible for carrying out the programs; and 2) in the predictions and assumptions about behavior of the public involved in the programs (Schmid, et al., 1982; emphasis added).

An alternative pragmatic view is that the program was not adequately designed or structured because of limited knowledge about the specification variables and the necessary incentives to achieve the desired performance. In reality, choice and trade off games are complex. Analytic frameworks are needed to provide information on alternative ways of doing things.

The analytical framework presented here will include the following elements:

1. The applicable concepts that can be categorized into two major areas will be described. They are the "traditional

organization theory" and the "emerging theory of community economics." The analytical concepts suggested by both have been referred to as, "organizational effectiveness" and "performance," respectively;

2. The organizational goals and indices of organizational effectiveness that have been viewed in different perspectives will be presented. The most frequently mentioned evaluation criteria of organizational effectiveness and the ultimate criterion will be described; and finally
3. The research implications suggestive of the trends and/or directions we have to undertake in the course of organizational change and development will be presented.

Organization Theory⁵

Organization theory provides a framework for understanding, explaining, and predicting organizational effectiveness. In any organization, two basic aspects are assumed: the structure, and how compliance is ensured--both being influenced by the context of the organization. The three contextual factors that influence organizational compliance are environment, technology, and size. Other

⁵A major reference for this section is Dessler (1980).

factors that influence effectiveness are: leadership, work groups, intergroup conflict, and organization change and development (Dessler, 1980).

Figure III-1 shows one of the hypothesized frameworks for analyzing organizational effectiveness. In terms of this framework structure, compliance and social influences (including leadership, groups, conflict and organizational change and development) interact in determining organizational effectiveness.

Theory of Community Resource Economics⁶

Community (Resource) Economics is the study of the relationships of the situation, structure, conduct and performance of political economic systems. The situation (s_i) refers to the varying characteristics of resources, goods, and services; structure (s_t) refers to all of the predetermined social characteristics of the community system and its members which influence the members choices; conduct (c) refers to all of the choices, decisions or strategies that the members adopt within the opportunity set established by the structure; and performance (p) refers to all of the consequences of the members choices.

What has been labelled as the " s_i - s_t - c - p " framework is meant to be a vehicle to help identify important features of community problems and policies. Part of

⁶Two major references for this section are Schmid, et al. (1982) and Shaffer and Schmid (1982).

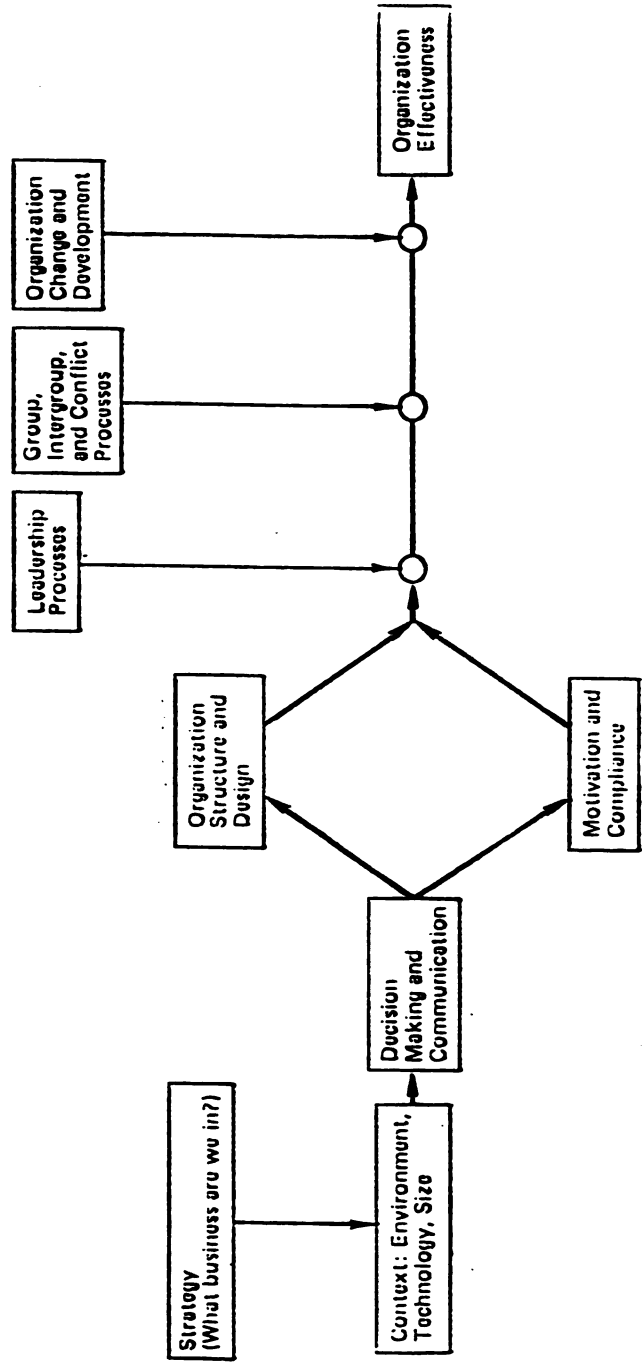


FIGURE III-1. Framework for Analyzing Organizations

SOURCE: Dessler (1980).

this analysis is learning what aspects of "s_is_t c p" need to be taken into account. Another name for this general approach is "Environment-Behavior-Performance" sequence (EBP). The sequence implies classification of the characteristics of environment and the participants of the behavioral modes. The classification of outcome and the development of meaningful hypotheses about their relationships is also considered. Figure III-2 shows the inter-relationships of situation, structure and conduct towards performance.

Applying the framework to cooperative business, one will note that the different characteristics of goods and services handled by the cooperative enterprise affects performance outcomes. The key point is that knowing whether the cooperatives, with the goods and services they handle, have real economies-of-scale (the situational variable) which helps in hypothesizing and predicting outcomes of alternative policies. Another concept that describes this is "institutional access situations." The problems of access situations could also affect performance in the following manner (Harvey et al. 1979):

1. The access procedures (for goods and services handled) are off-putting;
2. The problem of eligibility;
3. The timing and waiting period go wrong; and
4. What is distributed is not necessarily what, in fact, is wanted.

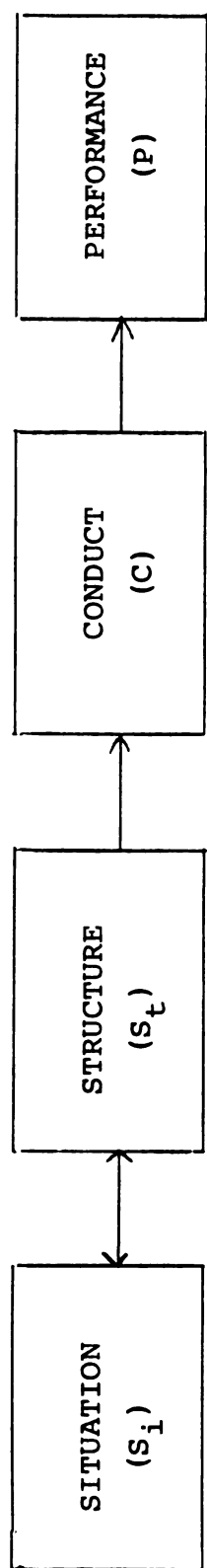


FIGURE III-2. Interrelationships of Structure, Situation, Conduct and Performance

SOURCE: Schmid, et al. (1982).

Other factors that affect institutional access are: 1) the multiplicity and uncoordinated programs for farmers; and the 2) failure of penetration (access situation) chosen.

The structure, as indicated by the arrow in Figure III-2, is very much interdependent with the situation to produce particular outcomes. The structural conceptualization refers to the property rights/rules alternatives: the rights and obligations established by law, custom and covenant which define the relationships among members of a community with respect to their control over the resources of the community. The concept of property rights and rules refers to the recognition of the opportunity to participate in decisions; a claim to a set of benefits and a set of obligations with respect to the use of property.

Another relevant concept in the context of structure refers to transactions between individuals that can be seen as one of status, administration, or exchange. In a traditional status system, transactions are prescribed by roles/customs associated with social position. In threat or administrative system, transactions are governed primarily by authority or decisions made by people in power. In a market or bargained exchange system, transactions are governed by market processes. These general labels tell us little about the details of structure, more so when each transaction has bearing on cooperative

practices, which makes prediction of performance relatively ambiguous. For example, as applied to cooperative organizations, the legislative provisions and executive machineries can be analyzed in terms of how supportive and stimulative they are in developing a cooperatives program.

The conduct is the linkage between specific aspects of structure and performance and depends upon the conduct of the participants. Failure to understand the conduct will lead to very poor public policy, planning and programming. Both the conduct and/or behavior of the government personnel, and the public involved in the program, must be considered in the analysis. Following this line of thinking, some questions applicable to cooperative organizations are:

1. What assumptions in the cooperative theory (e.g. cooperative effect and bargaining power) are held in some cases, but not in others?
2. Has there been an inadequately designed structure or has there been dishonesty and/or incompetency of some of the participants?

Performance is defined as the flow of consequences from a particular situation and structure, given the conduct of the participants in a system. The consequences may be viewed analytically as a set of benefits and costs. Here, the economic rationale is to maximize the benefits (objectives) and/or to minimize the costs (inputs).

However, there are other discussions of performance relevant to the objectives and preferences of the community involved. More often than not, the dimensions we referred to are the objectives and impacts that decision-makers consider as relevant in making community economics decisions. There are two major questions in the documentation of performance: 1) to establish the categories and to relate policy and program alternatives to the categories; and 2) to aggregate the performance categories into indices which can express change over time. The succeeding sections will explore more details on this aspect.

Indices of Organizational Effectiveness

We have shown in the preceding sections that organizational effectiveness can be defined and measured as an end-product of both economic and organization theory. In fact, the literature is inconclusive not only because of the differences in disciplinary views⁷ but also due to criteria and measurement problems. This section will add to our understanding of the concept of organizational effectiveness through a discussion of organizational goals and a review of the purported single and multiple criteria measures of organizational effectiveness (Dessler, 1980; Steers, 1975).

⁷Three disciplines that have focused attention on organizational effectiveness are: 1) organizational psychology; 2) social psychology; and 3) economics.

Organizational goals. An organization is a social system which is effective to the degree that its members share like perceptions concerning its goals, roles, and norms, and apply these perceptions in the daily life of that organization. An organizational goal is defined by Etzioni (1960: 257) as "a desired state of affairs which the organization attempts to realize."

Talcott Parsons (1956) an organizational sociologist has been considered the major proponent of the goal approach to organizational effectiveness. Organizational effectiveness is defined as "the extent to which an organization (as a social system), given certain resources, and means, fulfills its means and resources without placing undue strain upon its members" (Sweeney, 1971). In organizational analysis, this "goal effectiveness" approach has often been used as a general theoretical framework (e.g. Georgopolous and Tannenbaum, 1957). However, one comment against this "goal model" seems appropriate:

. . . it may not supply the best possible frame of reference for effectiveness . . . it compares the ideal from real therefore a quite low level of performance or that the organization fails considerably short of goals

It should be noted that organizations, as social units, are multifunctional. Therefore, other than devoting all their means to goal activities, some have to be devoted to other functions; e.g., creation of further means to the goal and maintenance of units performing goal activities

and service activities (Etzioni, 1957: 259). Therefore, the goal approach to organizational effectiveness ordinarily yields only limited insights about an organization. This is largely because of the model's failure to take note of the essentially open, multifunctional nature of organizations (Ghorpade, 1970: 34).

Social Systems Criteria of Organizational Effectiveness. The social systems approach assumes an organization must consider Parson's "four functional requirements," simply labelled as Adaptation, Goal attainment, Integration, and Latency. The AGIL model can be described as (Parsons, 1956).

1. Adaptation. This involves the problem of securing from the environment sufficient facilities and then distributing these facilities throughout the system. It deals with the problem of procuring all the human and material resources which are necessary for the achievement of organizational goals. It includes the processes of financing, personnel recruitment, and procurement, and acquisition of the entrepreneurial skills.
2. Goal Attainment. This refers to the problem of establishing priorities among system goals and mobilizing system resources for their attainment. It involves decision-making and other processes concerned with the problem of

fitting means to ends.

3. Integration. These denote the problem of coordinating and maintaining (solidarity and cohesion) interrelationships among system units.
4. Latency. This involves processes concerned with harmonizing participant's multiple roles (e.g. organizational role, family head, church members, etc.) and developing individual commitment to organizational objectives. This concept embraces the two related problems of pattern maintenance and tension management. Pattern maintenance pertains to the problem of how to insure that actors in the social system display the appropriate characteristics or norms; tension management concerns the problem of dealing with the internal tensions and strains of actors in the social system.

The following criteria of organizational effectiveness have been used by several writers. For example:

1. Georgopoulos and Tannenbaum (1957). Their study was based on Parson's functional imperatives if the following correspondence can be made: adaptation as flexibility; goal achievement as productivity; absence of conflict between organizational subgroups as integration, and absence of strain as tension management (pattern maintenance).

2. Hage (1965) adapted his four organizational ends from the functional imperatives. Adaptive-ness is equivalent to adaption; production is equivalent to goal achievement; efficiency to integration and job satisfaction to tension management.
3. Warren and associates' (1975) analysis of farmer co-operatives closely correspond to Hage's organizational ends: Hage's adaptiveness (flexibility) is called flexibility; job satisfaction (morale) is called satisfaction; efficiency (cost treatment) remains efficiency; and production (effectiveness) as productivity.

Warren and associates (1975) provided a summary of goal transitions from Parsons to Hage and finally to systems goal (see Table III-3). They offered the following definitions for the four matched categories:

1. Efficiency - the ability to obtain the greatest possible return from the resources at hand;
2. Satisfaction - a situation where the employees as a group are happy with their jobs and working conditions such that the product and services satisfy patron demands and needs.
3. Flexibility - the ability to quickly and easily make changes within the cooperatives as needed to meet the changing demands of patrons.
4. Productivity - the ability to obtain a high volume of business.

TABLE III-3

A SUMMARY OF GOAL TRANSITIONS: AGIL MODEL,
ORGANIZATIONAL ENDS, SYSTEM GOALS

Parsons	Hage	Warren et. al.
Adaptation	Adaptiveness	Flexibility
Goal-achievement (goal attainment)	Production	Productivity
Integration	Efficiency	Efficiency
Tension Management (pattern main- tenance)	Job Satisfaction	Satisfaction

Source: Warren et al. (1975).

Measures of Effectiveness

As stated earlier, organizational effectiveness may mean different things to different evaluators or analysts. For our purpose, we shall describe the classifications adapted by Dessler (1980): the single-criterion measures (earlier models) and the multiple criterion measures (current models).

Single-Criterion Measures. Various single-criterion measures of organizational effectiveness, (such as productivity, flexibility and stability) are still widely used.

Profit maximization is the most popular and convenient economic proposition as a single criterion measure of performance. It is the desired maximum difference between total revenue and total costs. On the other hand, there are managers who want their firms to be as large as possible and, therefore, seek to maximize not only their profits but their sales revenue. Nonetheless, the assumption of profit maximization has been associated with organizational viability; it provides a general theory of firms, markets and resource allocation that is successful in both explaining and predicting business behavior.

Satisficing. Organization theorists have proposed this criterion which, in many ways, is closely related to profit maximization. Perhaps the only difference is that to "satisfice" means a minimum level of acceptable profits is set and managers (firms) must not exceed this level. If ever the profits exceed the target, the option is to return the "excess" to the customers to better enhance "public relations." In this case, the initial requirement to satisfy the "satisficing function" of the managers (firms) is still how to earn profit at a preset level.

Other single-criterion measures. Many other single-criterion measures have been proposed (Table III-4). Of the 19 different variables, the four most widely used are:

1. Overall performance as measured by employee or supervisory rating;
2. Productivity as measured typically with output data;

TABLE III-4

A PARTIAL LISTING OF SINGLE-CRITERION MEASURES OF
ORGANIZATIONAL EFFECTIVENESS

1. Overall Effectiveness	The degree to which the organization is accomplishing all its major tasks or achieving all its objectives. A general evaluation that takes in as many single criteria as possible and results in a general judgment about the effectiveness of the organization.
2. Quality	The quality of the primary service or product provided by the organization. This may take many operational forms primarily determined by the kind of product or services provided by the organization.
3. Productivity	The quality or volume of the major product or service that the organization provides. Can be measured at three levels: individual, group, and total organization. This is not a measure of efficiency; no cost output ratio is computed.
4. Readiness	An overall judgment concerning the probability that the organization could successfully perform some specified task if asked to do so.
5. Efficiency	A ratio that reflects a comparison of some aspect of unit performance to the cost incurred for that performance. Examples: dollars per single unit of production, amount of down time, degree to which schedules, standards of performance, or other milestones are met. On occasion, just the total amount of costs (money, material, etc.) a unit has incurred over some period can be used.
6. Profit or Return	The return on the investment used in running the organization from the owners' point of view. The amount of resources left after all costs and obligations are met sometimes expressed as a percentage.
7. Growth	An increase in such things as manpower, plant facilities, assets, sales, profits, market share, and innovations. A comparison of an organization's present state with its own past state.
8. Utilization of Environment	The extent to which the organization successfully interacts with its environment, acquiring scarce, valued resources necessary to its effective operation. This is viewed in a long term, optimizing framework and

TABLE III-4--Continued

	not in a short-term, maximizing framework. For example: the degree to which it acquires a steady supply of manpower and financial resources.
9. Stability	The maintenance of structure, function, and resources through time and more particularly through periods of stress.
10. Turnover or Retention	Frequency or amount of voluntary terminations.
11. Absenteeism	The frequency of occasions of personnel being absent from the job.
12. Accidents	Frequency of on-the-job accidents resulting in down time or recovery time.
13. Morale	A predisposition in organization members to put forth extra effort in achieving organizational goals and objectives. Includes feelings of commitment. Morale is a group phenomenon involving extra effort, goals communality, and feelings of belonging. Groups have some degree of morale while individuals have some degree of motivation and satisfaction. By implication, morale is inferred from group phenomena.
14. Motivation	The strength of the predisposition of an individual to engage in a goal-directed action or activity on the job. This is not a feeling of relative contentment with various job outcomes as a satisfaction, but more akin to a feeling of readiness or willingness to work at accomplishing the job's goals.
15. Satisfaction	The degree of feeling of contentment felt by a person toward his organizational role or job. The degree to which individuals perceive they are equitably rewarded by various aspects of their job situation and the organization to which they belong.
16. Internalization of Organizational Goals	The acceptance of organizational goals by individuals and units within the organization. Their belief that the organization's goals are right and proper.
17. Conflict-Cohesion	A bipolar dimension defined at the cohesion end by an organization in which the members like one another, work well together, communicate fully and openly, and coordinate their work efforts. At the other end lies the

TABLE III-4--Continued

	organization with verbal and physical clashes, poor coordination, and ineffective communication.
18. Flexibility- Adaptation	The ability of an organization to change its standard operating procedures in response to environmental changes, to resist becoming rigid in response to environmental stimuli.
19. Evaluations by External Entities	Evaluations of the organization or organizational unit by those individuals and organizations in its environment with which it interacts. Loyalty to, confidence in, and support given the organization by such groups as suppliers, customers, stockholders, enforcement agencies, and the general public.

SOURCE: Dessler (1980).

3. Employee satisfaction as measured by self-report questionnaires; and
4. Profit or rate of return based on accounting data. (Dessler, 1980).

Multiple Criterion Measures. From the above mentioned measures, one will note that profit or rate of return (either expressed as absolute value, percentages or ratios) continuously reappear. Related organizational concepts are organizational productivity, efficiency, growth, stability and turnover or retention. Thus, this lends to a multiple criteria model that defines effectiveness in terms of several interdependent factors (Table III-5). Illustrative examples of these criteria are:

1. The bargaining position: the successful acquisition of scarce and valued resources and the control of its environment.
2. The organization's worth to members and to the society in general: the degree to which it is productive, profitable, self-maintaining; the degree to which it is of psychological and sociological value to its members; and
3. Survival and adaptability in increasingly uncertain and turbulent environment with access to an open spirit of inquiry.

Table III-6 shows that the latter illustration, labelled adaptability-flexibility, is the most frequently mentioned evaluation criteria along with productivity, satisfaction, profitability and resource acquisition of

TABLE III-5
EVALUATION CRITERIA IN MULTIVARIATE MODELS OF ORGANIZATIONAL EFFECTIVENESS

Study and Primary Evaluation Criteria	Type of Measure*	Generaliz- ability of Criteria**	Derivation of Criteria***
<u>Georgopoulos and Tannenbaum (1957)</u> Productivity, Flexibility, Absence of organizational strain	N	A	Ded.; followed by questionnaire study
<u>Bennis (1962)</u> Adaptability, Sense of identity, Capacity to test reality	N	A	Ded.; no study
<u>Blake and Mouton (1964)</u> Simultaneous achievement of high production-centered and high people-centered enterprise	N	B	Ded.; no study
<u>Caplow (1964)</u> Stability, Integration, Voluntarism, Achievement	N	A	Ded.; no study
<u>Katz and Kahn (1966)</u> Growth, Storage, Survival, Control over environment	N	A	Ind.; based on review of empirical studies
<u>Lawrence and Lorsch (1967)</u> Optimal balance of integration and differentiation	D	B	Ind.; based on study of 6 firms
<u>Yuchtman and Seashore (1967)</u> Successful acquisition of scarce and valued resources, Control over environment	N	A	Ind.; based on study of insurance agencies
<u>Friedlander and Pickle (1968)</u> Profitability, Employee satisfaction, Societal value	N	B	Ded.; followed by study of small businesses
<u>Price (1968)</u> Productivity, Conformity, Morale, Adaptiveness, Institutionalization	D	A	Ind.; based on re- view of 50 pub- lished studies
<u>Mahoney and Weitzel (1969)</u> General business model Productivity-support-utilization, Planning, Reliability, Initiative R and D Model Reliability, Cooperation, Development	D	B,R	Ind.; based on study of 13 organizations
<u>Schein (1970)</u> Open communication, Flexibility, Creativity, Psychological commitment	N	A	Ded.; no study

TABLE III-5--Continued

Study and Primary Evaluation Criteria	Type of Measure*	Generaliz- ability of Criteria**	Derivation of Criteria***
<u>Mott (1972)</u> Productivity, Flexibility, Adaptability	N	A	Ded.; followed by questionnaire study of several organ- izations
<u>Duncan (1973)</u> Goal attainment, Integration, Adaptation	N	A	Ded.; followed by study of 22 deci- sion units
<u>Gibson et al. (1973)</u> Short-run Production, Efficiency, Satisfaction Intermediate Adaptiveness, Development Long-run Survival	N	A	Ind.; based on review of earlier models
<u>Megandhi and Reimann (1973)</u> Behavioral index Manpower acquisition, Employee satisfaction, Manpower retention, Interpersonal relations, Inter- departmental relations, Manpower utilization Economic index Growth in sales, Net Profit	N	B	Ded.; followed by study of Indian organizations
<u>Child (1974, 1975)</u> Profitability, Growth	N	B	Ded.; followed by study of 82 British firms
<u>Webb (1974)</u> Cohesion, Efficiency, Adapt- ability, Support	D	C	Ind.; based on study of religious organizations

*N = Normative models, D = Descriptive models.

**A = All organizations; B = Business organizations; C = Religious organizations;
R = Research and development laboratories.

***Ded. = Deductive, Ind. = Inductive

SOURCE: Stear (1975).

TABLE III-6

FREQUENCY OF OCCURRENCE OF EVALUATION
CRITERIA IN 17 MODELS OF
ORGANIZATIONAL EFFECTIVENESS

Evaluation Criteria	No. of Times Mentioned (N=17)
Adaptability-Flexibility	10
Productivity	6
Satisfaction	5
Profitability	3
Resource acquisition	3
Absence of strain	2
Control over environment	2
Development	2
Efficiency	2
Employee retention	2
Growth	2
Integration	2
Open communications	2
Survival	2
All other criteria	1

Source: Steers (1975) and Dessler (1980).

organizational effectiveness. Dessler (1980) has cited that many writers have indicated that the effective organization is the one that satisfies the demands of those in its environment from whom it requires support for its continued existence. For example, the stockholders of a firm who consider effectiveness in terms of profits or rate of growth.

Thus, considering the multifaceted notion of effectiveness, it can be more appropriate if it is described according to particular interest groups or participants.

It can also be described according to the functions for which the organization is expected to fulfill. For instance, Cotterill (undated) has noted that:

Consumer food cooperatives have failed and will continue to fail when they are failures as marketing organizations. Marketing is at least tridimensional, i.e. time, form, and place must be in harmony for success. What this means is that food items must be in the "correct" place, and form and at the "correct" time. The situation is "correct" when sellers and buyers actually exchange goods and services at a price. A transaction takes place

Therefore, it is safe to assume that the ultimate criterion for organization effectiveness is the ability of the organization to endure, survive and adapt to crucial interest groups and/or the environment and the requirements demanded in the locality. To manage the environment, the organization can react to environmental demands defensively, offensively or both. Defensively, it can engage in organizational change and development, thus changing its structure, group norms, reward system to tune-up organizations under new environmental demands. Offensively an organization can reduce dependence on "outside factors." It can manage environmental demands by "avoiding influence, altering dependencies, negotiating with the environment, or legislatively creating a "new environment."

Research Gaps

Marion (1978) has sorted out the policy issues and research needs identified during a recent seminar-workshop on "Agricultural Cooperatives and the Public Interest" (1977). Among others, the list includes theoretical treatises and empirical testing of cooperatives as a form of business organization. Here are the pertinent research needs identified in the workshop (with headings provided by this writer):

1. Cooperative Theories: To test the critical assumptions underlying alternative cooperative theories (e.g. objective function for coops and their members).
2. Financial Need vs. Growth: To determine the relationship between capital growth and market performance; and to analyze the capital needs and source of cooperatives and the effects of alternative patronage refund policies.
3. Cooperative Business/Operational Performance:
 - a. To develop a taxonomy of cooperatives based on features related to performance;
 - b. To determine factors which affect cooperative market power.
 - c. To examine policy variables (e.g. marketing contracts/orders) that influence the situation, structure, conduct and performance of relevant markets and the competitive impact of cooperatives;

- d. To determine the structure of relevant producer-processor markets (including the market share and relative size of cooperatives); and
 - e. To determine the influence of cooperatives on competitive conduct in relevant markets and the resulting competitive performance.
4. Market Power: To analyze the market power of free riders and to analyze the effects of different types of cooperatives on the six major agricultural problems: oligopsony buyer concentration, price determination and discovery, price and income stability, subsector coordination, market access and control of agriculture. For each of the problem areas, a norm needs to be established against which the alternative cooperative strategies can be evaluated.
5. Memberships' Mechanism of Control: To determine the impact of alternative organizational forms of cooperatives on member control, economic performance and the long-range structure of the food system; and to examine the relationship between the size and organizational characteristics of cooperatives and the responsiveness to and control by members.

It should also be noted that, among these major research needs, the nature and mechanisms of control exercised by members loom large in a cooperative organizational

performance (Van Ravensaay, 1982; Apthorpe, 1971).

Key issues revolve around: 1) What control mechanisms are being used by members of a cooperative?; 2) Which control mechanisms would be most likely observed in practice?; and 3) What responses to these mechanisms are we to expect from the cooperative management?

Related to the above problem of control mechanisms in cooperatives, Apthorpe (1971: 67-82) has reported two themes that recur in evaluating agricultural cooperatives: 1) the social value theory of development; and 2) the development administration theory. The first refers to members' attitude and motivations; the latter refers to the qualifications of the cooperative leadership.

1. Social Value Theory of Development: puts the blame when things go wrong on socially and culturally-based obstructive, destructive or indifferent motivations or attitudes.
2. Development Administration Theory: attributes what success has there been to the technical qualities of the officials or committee members (i.e., who planned, managed or administered it).

Rationale Towards Organizational Renovation For the Philippines

As the 1980's unfold, one begins to wonder what lies ahead for the cooperative system, in general, or of area marketing cooperatives, in particular. This question

can be raised because of the diminishing interest in, or disenchantment with, the members of village (Samahang Nayan) precooperatives (ACCI, 1979). In addition, the findings of import, although not exhaustively presented here, give us an indication that the program urgently needs some recasting to provide an adequate framework for the development of a viable agricultural cooperative system.

In fact, the success of the entire program has been doubted because the cooperative scheme "was thought of, and imposed from, the top" and that the response from the bottom was weak to support the viability of the scheme" (ACCI, 1979; (Ofreneo, 1980.) There are signs that it may even develop like past governmental attempts to promote cooperatives, which started with a "great deal of fanfare, but ended in failure" (Ofreneo, 1980: 70).

Considering this critique as the major trend of cooperation in the Philippines, one area of concern is the usual "revitalization or reactivation" scheme. To start with, the earlier described problem areas are suggestive of what solutions to undertake, which include what research needs and opportunities are urgent and apparent. The agenda appears very simple, but the complexity of the issues involved actually mean that one hardly knows where to begin. Yet we must start somewhere and proceed with orderly, alternative approaches.

Implementation Analysis and Assessment

Researchers have different ways of seeking solutions to the problem. Depending on one's point of view, they might use different analytical frameworks or models to explain the same phenomena.

Howard Freeman has suggested that, in evaluation research, practicality has demanded a definition of limits to the scope of evaluative research and of critical points on which projects should be assessed. In the design of evaluation research, the first question is: What is the purpose of the evaluation? (Jones and Borgotta, 1980). The objectives should be stated in terms of measurable change in intended directions. Froomkin (1976) has counterargued this emphasis in his "A New Framework for the Analysis of Governmental Programs":

Policy analysis is often hampered by limiting the evaluation to the stated objectives of the program. He points to the need for an overall model to understand the scope of the program and its cost. He urges that programs be planned more carefully than has been the rule hitherto. More emphasis in planning and analysis could contribute to greater effectiveness of the programs. The analysis of human program can be limited to two questions, i.e., Is the program properly designed? Is it cost effective in reaching the goal?

A more detailed exposition of a policy analysis framework has been presented by Williams (1975). He has categorized two aspects of policy analysis into "program design and program implementation." He has pointed out that "the major problem is not in developing relatively sound policy alternatives, but in failing to consider the

feasibility of implementing these alternatives." Six stages can be conceived to occur when policy decisions are made or when a social experiment is undertaken (Figure III-3). The analytic and assessment activities shown in panels 2, 4, and 5 in Figure III-3 need to be emphasized:

1. Implementation Analysis. Scrutiny of: a) the preliminary policy specifications to determine their clarity, precision, and reasonableness; b) staff, organizational, and managerial capabilities, to determine the degree to which the proposed policy alternative can be specified and implemented in its bureaucratic and political setting.
2. Specification Assessment. Assessment of the final policy or design specifications and measurement procedures, including interim feedback devices, to ascertain the degree to which the specifications correspond to decisions, are amenable to successful implementation, and are measurable.
3. Intermediate Implementation Assessment. Assessment of the degree to which a field activity is moving forward successful implementation and/or is providing useful feedback information to improve the implementation effort.
4. Final Implementation Assessment. Assessment of: a) the degree to which a field activity

DECISION-MAKING			IMPLEMENTATION			OPERATIONS
Search for information and theory; formulation of policy idea	1	Development of policy alternatives	Policy decisions	Policy specification	Field implementation	Operations
		2	3	4	5	6
Search for information and theory; theorizing		Development of alternative hypotheses	Decision on experimental hypotheses	Experimental design and specification	Field implementation	Operations
		Implementation analysis		Specification assessment	Intermediate and final implementation assessment	Outcome assessment

FIGURE III-3. Stages and Analytic Assessment Activities in the Policy and Experimentation Process

SOURCE: Williams (1975).

corresponds to the design specifications;
and b) the level of bureaucratic/political
functioning to determine whether or not there
is a valid basis for testing a theory or for
deeming a field activity fully operational.

If implementation analysis is to be of value,
planners and policy makers ought to have reasonable estimates of the organizational capacity to carry out alternative proposals. In this respect, Williams (1975: 534) has further indicated that:

. . . early assessment is critical even before the effort (stage 4) is made to move into the field. There should be a specification assessment to determine whether the final design corresponds to the decisions reached at the end of stage 3, provides sufficient program information and operational details and is amenable to measurement.

He has further stressed that program failure can be viewed into three aspects: theory, implementation and specification failure:

A new program or project may be thought of as representing a theory or hypothesis in that the decision-maker wants to put in place a treatment expected to cause certain predicted effects or outcomes. If the program or project is unsuccessful, the explanation may be that it "did not activate the "causal process" that would have culminated in the intended goals (i.e. a failure of program), or it may have set the presumed "causal process" in motion but the process did not "cause" the desired effects (i.e. a failure of theory). The specification failure may include: a) what is to be done (the element of the treatment); b) how it is to be done (guides for implementation and operation); c) what organizational changes (outputs) are expected; and d) what the specific measurable objectives are.

With respect to implementation success, the objective is performance not conformance. In the ideal situation, those responsible for the implementation would take the basic idea and modify according to the needs of the local environment where it is to be implemented. Successful conformance is not enough. It is conceived as an intermediate stage in a process of moving toward improved outcomes (performance).

Implementation as a Research Question. An implementation seeks to determine whether an organization can bring together people and material and motivate them in such a way as to carry out the stated objectives on a sustained basis. The problem can be approached from several perspectives. For instance: a) in terms of development of sound organizational structure; from the perspective of interpersonal motivational factors; and c) with respect to incentives.

Perhaps the most immediate research need for those concerned with enhancing the effectiveness of the Philippine cooperatives is to focus directly and carefully on case studies of successful cooperatives. Perhaps this is what is being called for as a major technique of implementation analysis and assessment.

Implementation analysis should investigate: 1) the technical capacity to implement; 2) the political feasibility; and 3) the technical and political strategies for implementation.

With these basic considerations, it may make sense to try out a new idea or program renovation on a small scale before making a full commitment to a national program. And one more reminder to the program analyst is that, by far, the most important step toward planned change/improvement is the strong commitment--both on part of target clientele and the management (top decision-makers down the field-level line)--to deal with program innovation and implementation problems. The naive over-confidence that has resulted in disappointments reflective of "limited success stories" calls for a realistic approach, not only about the organizations who are "doing the change," but regarding the skills and techniques which "guide," rather than "dictate," the process of change. This is raised, not to dramatize the intensive case study technique or the limited scale approach; rather it emphasizes a slow but sure, research-education program. This is intended to seek "safe" revitalization schemes and/or institutional alternatives towards more effective and viable farmers organization.

Action-Research Towards Organizational Renovation.

Applied research provides information on which informed judgements and action-decisions can be made. It has been the contention of various contemporary writers (e.g. Rogers, 1973; Schumacher, 1976) that "appropriate" development programs must be locality-relevant, site-specific and enjoin clientele participation and commitment in order to insure

long-term success. Cooperatives should be no exception to this observation.

One research approach to an appropriate cooperative development strategy that is being proposed here is action, interdisciplinary and participatory research. The growing popularity of this approach can be attributed to:

1. The concern for enhancing the research-action linkage in community planned change efforts has accentuated the importance of researcher-citizen collaboration. The greater the commitment of program participants, the greater will be the success of the action program; and
2. The concern for the poor and powerless who are often manipulated by those who control projects and programs (Van denberg and Fear, 1982).

The blending of "action" and "research" serves as:

A tool used by a community with the objectives of acquiring, through resident participation, valid and reliable information that can be used to enhance the community's problem-solving capabilities (Voth, 1979).

The self-help/local self-reliance approach also applies in participatory research. Witness the following passages:

People have the basic right and ability to come together and to form appropriate structures and procedures for the settings in which they must or choose to function. The people can become meaningful participants in a developmental process and have considerable control over the process.

Action research . . . is a special kind of research process that actively engages the citizenry in studying and analyzing the community, not merely in order to coopt the people into supporting a course of action, not merely in order to "educate," "delineate" or "de-apthize" the citizens, but to place the responsibility for decision-making squarely on them (Voth, 1979).

This special kind of research process is based on the assumption that residents are better able than perhaps anyone else to define their problems and propose solutions to those problems. Two reasons can be cited why this is so: 1) residents are more knowledgeable of their own situation; and/or 2) they can be helped to develop a "critical awareness" of their own situation and from there take-off with more appropriate solutions.

Resident participation is one of the key variables that is associated with the success of action programs (Zaltman and Duncan, 1977). It can contribute to program success by (Fear et al., 1981):

1. insuring that the population's needs are squarely taken into consideration;
2. increasing the population's commitment to the action program because of their participation in the research process;
3. providing locally-defined "legitimate"

- reasons for conducting the action program;
4. improving the population's ability to collect information, analyze information, and conduct appropriate programs based on research results; and
 5. cultivating the development of research skills among members of the population and thereby contributing to "self-reliance." In contrast, a research or program intervention done for people (i.e. devoid of resident participation) encourages a dependency relationship.

Components of Cooperative Participatory - Interdisciplinary Research for the Philippines. Two major components of this kind of research are suggested towards a more effective and viable farmers organization: Component 1. The Cooperative Management (CMA); and Component 2. The Pilot Program Establishment (PPE).

The usefulness/applicability of this research to this study can be gleaned from the following process: it will be necessary to place priority on the research projects suggested for component one and hold development of component two for at least one year. Overall program development must be coordinated by an interdisciplinary team of professionals, and while one specialist may coordinate a specific research project, a periodic review must be done by the entire interdisciplinary team.

Component two would be selective or purposive

in nature and would utilize the feedback of the first assessment. This is done for two major reasons: 1) it will permit the efficient use of available resources as opposed to the overwhelming task of attempting a nation-wide assessment; and 2) it will facilitate more effective implementation of component two. The assessment information will be specifically oriented to the preselected study areas.

With reference to rural development, participatory planning which serves as drawbacks of the past approaches, Fear, et al. (1981) has recommended this scheme:

Involvement of appropriate audience-user groups should be incorporated into each area of study. They will be involved in planning, implementation and evaluation of suggested research projects. This involvement leads to: 1) a better understanding and acceptance of the program innovation; and 2) an increased capacity to design and develop relevant program materials (e.g. assessment instruments, educational materials, evaluation data, etc.). Recruitment and establishment of these advisory groups will be based on the specific characteristics of individual research projects.

In summary, five critical points apply to this type of study:

1. The program innovation proposed for cooperatives consist of two action-research components: the Cooperative Management Assessment (CMA) and the Pilot Program Establishment (PPE);
2. CMA should be implemented at least one year ahead of component two, i.e. PPE. CMA

constitutes a "state of the art study
towards evolving PPE.

3. A broad-based interdisciplinary team should coordinate program development;
4. The entire program innovation should be implemented on a number of a pre-selected areas; and
5. Involvement of appropriate clientele systems group should be incorporated into each area of study.

List of Participatory and Interdisciplinary Research Projects. Embodied in the above critical points, a number of projects can be identified. Although not intended to be exhaustive, the list is indicative of the "state of the art" for cooperative program innovation.

Component 1. Cooperative Management Assessment.

- Project 1. Identification and Assessment (IA) of their current cooperative management problems and practices.
- Project 2. IA of social, situational, personal and attitudinal factors involved in the cooperative perception, understanding and management.
- Project 3. IA of information forms, sources and dissemination efforts in cooperative understanding and management.
- Project 4. IA of social and economic factors involved in cooperative understanding and management.
- Project 5. IA of alternative rural development institutions--other than cooperative programs.

Project 6. IA of appropriate evaluation models
for cooperative programs and related
institutions.

Component 2.

Project 7. Implementation of a Pilot Cooperatives
Program innovation in each of the
selected and diverse communities.

CHAPTER IV

TOWARDS AN ACTION RESEARCH DESIGN: THE PROBLEM, REVIEW OF LITERATURE AND ANALYSIS DESIGN FOR ORGANIZATIONAL EFFECTIVENESS

This chapter, first identifies the problem of organizational effectiveness both as a background problem agenda for organizational development and change and as a problem of measurement-criteria. The top-to-bottom nature of the program with disciplinary-chauvinism and research-practice gap (or under-utilization of research) is described to be the major drawback in organizational development of agricultural cooperatives. With this background, a description of study plan enumerates justifications why an examination of the nature and mechanisms of control is resorted. Second, a review of literature on the success and failure factors of cooperative associations and the survival and/or growth strategies of cooperative organizations are presented. Third, the analysis design follows the concept of action-research (AR). A review of AR literature provides guidance to formulate appropriate development scheme for farmer cooperatives. A social laboratory for organizational effectiveness (particularly for cooperatives which have long suffered its moribund stage) has to be tampered with caution from the joint

efforts of researchers, practitioners, and the clientele-systems. A multi-disciplinarian consensus should be attained. Therefore, this design--however tentative--serves as an action agenda for those technocrats who are willing to shed their chauvinistic-disciplinary-biases in order to be organizationally cooperative themselves.

Problem Definition

A problem exists whenever "what is" diverges from "what ought to be" or wherever there is a divergence between what currently exists and what is desired. To define a problem, therefore, it is necessary to state the conditions that exist (positive description) and the conditions desired (normative state).

This treatise has been concerned with better understanding the major problems that plague the cooperative development program, such as the decline in organizational performance and its evaluation criteria towards more effective organizational development. This is an attempt to set a meaningful basis for research and evaluation of agricultural cooperatives in the Philippines. The problem of organizational effectiveness or performance (other than the definitional problems with the notion of effectiveness and/or performance) has been dealt with in the literature, both in economics and in a management-organizational framework, for understanding why such a phenomenon continuously

These aspects, as we have reviewed conceptually, include organizational structure, processes, environments, strategies and organizational effectiveness. Applying these issues to cooperatives, most of the studies were conducted on a "top-to-bottom" identification, specification, implementation and assessment approach. Moreover, the approach favors a disciplinarian-chauvinism bias, e.g. economic and organizational (internal) criteria. As conflict occurs between assessors and assessees on the desired assessment of criteria (i.e., ambiguous standard of desirability) the criteria become more social and comprehensive for organization (multidisciplinarian-based) and external for the individual. Therefore, development programs ought to be judged in their entirety and not on a piecemeal and non-continuing basis.

This type of problem analysis has not been examined much for cooperatives as a member-owned-firm (MOF) organization and as a form of limitedly endowed community. The difficulty has been more pronounced with two prominent issues. First, cooperative managers can pursue personal goals or goals that reflect only a subset of the cooperatives membership (i.e., the vested interest groups or the most accessible members), which do not reflect all members collectively viewed. Second, cooperatives differ from corporations in many respects. Thus, relating assessment just like any ordinary firm is short of understanding the peculiarity of cooperatives as a unique type

of organization. Therefore, and as a general rule, it is not surprising that cooperatives have always shown a decline in organizational performance.

No amount of progress can perhaps be gleaned if the seedbed (clientele-system) of cooperation does not have the required condition of felt need or receptivity to the seed of cooperation. The problem is compounded when the clientele system does not understand the control mechanisms available to them.

Research Plan

The initial approach in analyzing our problem is to investigate, in an exploratory way, the issues raised by examining the nature and mechanisms of control exercised by members of cooperative. This approach will give us a better perspective on the identification, specification, implementation and assessment of appropriate organizations in a particular locality.

Therefore, our study plan towards program renovation will involve intensive case (multidiscipline) studies for the following reasons:

1. The need for bottom-up planning vs.
the usual top-to-bottom approach in program design and implementation. This is reflective of "participatory research" idealized for community improvement studies.
2. The need to deemphasize managerial dominance

(top-to-bottom non-participatory management), in favor of member control mechanisms (bottom-up participatory involvement) under the pretext that no amount of good management can induce a non-willing and non-cooperating clientele towards effective organizational performance;

3. The need to deemphasize the treatment of co-operatives as a mere form of business organization in favor of multifirm social and economic "going concern" organization (even ideological for that matter) that demands a holistic approach in community improvement; and finally
4. The need to study the influence of structure, environment, appropriate technology, size, and attitudinal behavior of the clientele system in performance analysis.

Review of Literature

As stated in the problem definition, the major problem that plagues the cooperatives program is its decline in organizational performance brought about by inappropriate organizational approaches and inappropriate evaluation criteria. The appropriate approach is with reference to the nature and control mechanisms of the clientele system via participatory research involving the

audience-user. The underlying assumption of this reference is the local action/resource commitment and participation of the willing and capable clientele-system. The literature is reviewed with this notion in mind.

A review of literature can be organized into two parts: (1) the failure factors or why cooperatives have failed; and (2) the success factors or why cooperatives have succeeded. The review will culminate with growth strategies and, consequently, conclusions that will emphasize indicators needed as a guide regarding where to direct research and evaluation efforts.

The Success and Failure Factors

These factors are hard to generalize. However, an attempt is made here to elicit possible indicators that have bearing on the experiences of other cooperatives in various countries.

Why do cooperatives fail? It is perhaps easy to stress the failure side of the cooperative organization inherent from its limitations and/or disadvantages. The theory simply indicates three ingredients are necessary for cooperatives to survive: (1) a good and locally-adapted seed of cooperation; (2) a good and felt need receptive-type society that will be the seedbed of cooperation and (3) the appropriate cultivation with a long-range plan and commitment to the proper role of cooperatives in the economy. Stephens (1958:2) has this analogous

picture:

Poor seed will not produce a healthy plant. A poor seed bed will not produce a satisfactory crop, even though the seed is of the very best quality. Good seed planted in a good soil but improperly cultivated will produce a poor crop or will result in a crop failure. A combination of good seed, good soil and proper cultivation will generally produce a good crop.

The practice of cooperation is replete with mistakes and/or misgivings about the wrong approach undertaken by the organizers. Commenting on this, Jones' (1958:6) statement is still relevant today (specifically in LDCs). He has noted that:

Experience has been a dear and occasionally a fatal teacher. . . but others can reap some profit (benefits) from these fatalities by avoiding those missteps. Case histories revealed what not to do in a cooperative . . . unless one really wants to kill it.

Abrahamsen (1953) has emphasized three major mistakes in Farmers Cooperative Management:

1. Mistakes in personnel management, members relations and public relations;
2. Mistakes in organization; and
3. Mistakes in business operations.

Mistakes in Personnel Management,
Members and Public Relation

1. Members did not realize the importance of cooperative management;
2. Directors did not realize that they must pay adequate salaries for competent management;

3. Directors were paid employees of the association;
4. Relatives of managers and board members were hired;
5. One-man organizations developed;
6. Associations lacked young members (no provisions for rejuvenation);
7. Rubber-stamp directors were kept on the board;
8. No provisions were made for airing complaints;
9. Some associations had dishonest officials; and
10. Associations failed to train personnel.

Mistakes in Organization

1. Cooperatives were set up too hurriedly without full knowledge of existing facts or a full appraisal of some of the factors necessary for success;
2. Organizers made extravagant promises;
3. Members expected the impossible and were improperly advised as to what cooperatives could and could not do;
4. By-laws failed to provide for rotation of directors; and
5. Coops failed to provide for adequate accounting, bonding, and general control of operations.

Mistakes in Business Operations

1. Associations bought too much property instead of leasing until definite needs of the organization were more clearly established;
2. Objectionable policies of officials resulted in distrust and rebellion on the part of members;
3. Operation was attempted with insufficient volume;
4. Operating costs were too high;
5. Associations attempted to operate at too many points;
6. Managers and directors engaged in commodity speculation;
7. Facilities were poorly located;
8. Associations followed incompetent pricing, credit, inventory policies and methods of handling farm products and supplies.

In selected country studies in Asia, Singh (1970) has identified the problem areas of cooperatives which, when analyzed, pertain to the indicators we have just enumerated in addition to the two institutional-structural support mechanisms of the government and other linkage institutions:

1. Area and Membership - the rapid expansion of cooperatives; inadequate and/or ineffective area and membership coverage;

2. Financial Resources - inadequate financial resources including high cost and limited capital both internal and external to co-operatives;
3. Operational Procedures - ineffective/weak organizational and operational procedures;
4. Managerial Improvement - includes the improvement of the role of directors, paid employees and members in response to inefficient and/or inadequate management capability;
5. Role of Government - refers to the unstable and/or uncommitted government support;
6. Role of Apex Institution - uncoordinated role and untimely support of the secondary and apex institutions.

Alasdain Clayre (1980) in "The Political Economy of Cooperation and Participation: A Third Sector" added the need for forward and backward linkages among cooperatives. He stressed that the main causes of failure pertain to four traditional difficulties:

1. Management - worker coops have generally failed to attract good managers;
2. Finance - the finance available to worker coops has normally been much less than that available to their conventional counterparts;
3. Structure - the enterprise structures adopted by the vast majority of worker coops have been faulty in that they have not ensured that there should be an identity between those who work in the cooperative, on the one hand, and those who own and ultimately control it on the other; and
4. Linkages - most worker coops have been working on their own in a largely hostile environment. To survive they need to be linked together in mutually supporting groups.

When does a cooperative fail? In survival strategies of cooperatives, much depends on farmers themselves and their chosen cooperative leaders. Activist constituents are much desired particularly the owner-patrons of the cooperatives. Five "whens" that focus on members could be used as safeguards, namely:

1. When member-producers have more confidence in private marketing agents than in the management of their own cooperatives;
2. When its purposes and plans are not understood by its own members;
3. When its only foundation is the promise to members of "cost of production plus a profit";
4. When a large group of the membership persists in acting upon rumors destructive to the organization without first getting an explanation from cooperatives; and
5. When members are not given the "truth and nothing but the truth" about the operations of their organization.

A glimpse of the social and behavioral orientation of cooperatives has been noted by Miracle (1969) and the alternative to cooperation has been proposed by Smith (1969). More specifically, Smith has cited the nature of the Philippine rural bank organization as an alternative form of institution. Miracle's social perspectives are focused in Tropical Africa. He has noted that cooperatives

attempted in Africa have failed in the sense that they could not make enough profit to sustain or expand the original membership. The inadequate handling of funds, stemming partially from lack of bookkeeping and managerial skill, has been cited as the most common reason for failure. Cooperative leaders, who are not from the local area are regarded with suspicion; local leaders waged a concerted campaign to discourage participation in the cooperative and to precipitate its failure because they regarded it as a threat to their own status and power. Disloyalty and apathy of members both can be the result of mismanagement of funds or failure to favorably respond to cooperative leaders. They may also reflect inconsistencies in marketing policies or the possibility of collusive action by traders with vested interest in seeing that cooperatives fail (Miracle, 1969).

In other words, what Miracle is saying is similar to the Asian experiences in that: "successes are considerably less common than failures." Perhaps this observation is inherent in the social and behavioral determinants that are not conducive to cooperative viability. He had indicated this with reference to the strong ties on family orientation:

. . .selection of such personnel from within the village or tribe results in misappropriation of funds because of greater loyalties to tribe and kin than to the government which supplies the funds. Correlated with this is the lack of an effective and uncorrupt civil service with which to assure compliance with

rules of accountability for funds and other procedures important to organizational effectiveness (Smith, 1969: 364).

Smith has also provided several reasons (e.g. bureaucracy, social and cultural obstacles) as explanations of failure of cooperatives and alternatives to co-operation:

. . . in countries or areas where bureaucratic systems and administrative manpower resources are not highly developed, where significant social and cultural obstacles to a particular organizational form such as cooperation are present, and where there is no "going concern" which can be adapted to different basic purposes, a careful assessment of alternatives to cooperative action is indicated: 1) the substitution of organizational forms, e.g., the rural banking system of the Philippines; and 2) the alternatives of simply ignoring the problem in order to devote scarce bureaucratic and financial resources to higher priority needs (Smith, 1969: 364-72).

At this juncture, a glimpse of the problem areas of the Philippines' Area Marketing Cooperatives could perhaps help us reflect upon our own comparative status. The problem areas or constraints of the Area Marketing Cooperatives have been categorized by Perilla (1980) into the following: organization and management (O & M), marketing, financing and institutional linkages. On the other hand, the AMCs chairmen of the Boards and Managers had perceived, in their early operations, that their most pressing problems were: lack of adequate operating capital, lack of discipline/education of SN farmer members, weak support of the SN's and the supervising agency's field workers, inadequate facilities, and lack of

extension personnel (ACCI, 1979).

Under O & M, Perilla has underscored the lack of skilled and trained managers to manage cooperatives, the high turnover of staff due to low salaries/incentives of hired management, and the delayed audit reports. The marketing problems are premised on the competitive disadvantage (ability) of AMCs to the well-entrenched middlemen/private traders, inadequacy of facilities for warehousing, drying and milling, and the "disloyalty" of members, i.e., of not patronizing their AMCs. The financial problems reflect the undercapitalization, credit insufficiency, and the lack of government budgetary support. The institutional linkages appear to be weak because the expected supervision, cooperation, and coordination between and among cooperative institutions, the SN-farmer/members and supervising agency field workers are very weak (Perilla, 1980: 52-60).

Why do cooperatives succeed? It is not uncommon among the literature to look first, and foremost, on the failure side of cooperation. On the other hand, another approach is to look at the success indicators often conducted through case analysis.

For example, in the United States two successful farm supply marketing cooperatives in Missouri have been studied by the Department of Agricultural Economics of the University of Missouri-Columbia (Ratchford, et al., 1981). The major factors that are reported to be responsible

for the success of the first case were:

. . . strategic location, capable management, continuous investment to keep the physical plant modern, effective marketing strategies, communications and member relations, affiliation with regional cooperatives, a reputation for good service, and a consistent policy of conservative innovation (Ratchford, et. al. 1981: 21).

In similar vein, the second case indicated the following:

. . . good management, continuous investment in physical plant, operating as a single firm in multiple locations, competitive pricing with aggressive merchandizing, affiliation with regional cooperatives, and good communications (Ratchford et al., 1981: 21).

The study also pointed out the contributions to the welfare of local business communities, including participation in local activities and leadership.

In another recent U.S. study of agricultural cooperatives, measures to indicate "growth issues" of the organization were reported (French et. al. 1980). Cooperative growth is defined as "successfully adjusting the operations of a cooperative in line with current business conditions." Cooperatives can grow under two methods: internal or external. Internal growth includes an adjustment of operations to meet current business conditions through construction of new facilities, increasing membership or business volume, or market development. External growth includes merger, consolidation, acquisition, multicooperative arrangements, or joint ventures. The strategy for growth of coops has been categorized

into three aspects:

1. General Marketing Strategies include:
 - a) forward and backward integration and coordination; b) bargaining collectively and c) maintaining and improving the open market.
2. Organizational Strategies include:
 - a) horizontal integration; b) diversification; c) multicooperative; and d) joint ventures.
3. Facilitating Strategies include:
 - a) operationalizing the plan and b) team work of board of directors and the management.

The first strategy requires the following to be successfully implemented:

1. Full membership and board support;
2. Producers commitment to the cooperative;
3. A sophisticated set of managerial skills in marketing the product;
4. Maintenance and improvement in relations; and
5. Knowledge of the available product markets at the newly integrated level.

In other words, specific requirements for success vary by commodity. However, the following play an important role regardless of commodity: 1) managerial expertise, i.e., the need for specialists with an increased number of managerial functions and higher salaries for top management; 2) capabilities of top management with board and membership support; 3) producer commitments to their products and capital; 4) member relations; 5) available markets; and 6) a conducive legal-political-social environment.

Bargaining strategy requires organized group action to effect market or countervailing power, usually with public sanction and often built upon a commodity orientation. Important factors for effective bargaining are:

1. Enabling legislation that will give farmers certain rights, such as exclusive agency bargaining;
2. Association members must be committed to bargaining;
3. Production control is required if commodity surpluses and price fluctuations are to be avoided;
4. The bargaining agency must receive recognition of the buyers;
5. Collective bargaining requires good leadership; and
6. Information (market information) regarding all aspects of the commodity should be obtained and shared among buyers and sellers.

The open market strategy can be maintained or improved through grading standards, government regulation, and increased market information to the participants.

Other than these marketing strategies, Porter (1961), Rahman (1970) and Holmquist (1973) have reported the most basic and necessary conditions for the successful operation of marketing cooperatives. Porter (1961) has reported on seven necessary conditions for the successful operation of a marketing cooperatives:

1. The economic need for an organization;
2. A capable sales manager;

3. An adequate volume of business;
4. Use of sound financial practices;
5. Fulfillment of responsibilities by the board of directors;
6. Utilization of effective channels of communication; and
7. Members loyalty.

He further added the following qualifications in relation to membership retention and volume of business operation:

1. The greater the economic need, then the greater the retention of members and the higher the volume of business;
2. The greater the number of members involved in the decision-making process at board of directors meetings, then the higher the volume of business and membership retention;
3. The greater the frequency of personal contact among individuals within a cooperative, then the greater the tendency toward retention of active members and maintenance of a high volume of business.

Porter concludes that "the degree of success of the cooperatives has depended more upon the actions or inactions of the board of directors than any other individuals within the organizations.

Rahman (1970), in a similar vein, has enumerated eight essentials for the success of cooperative marketing

in East Pakistan:

1. A real felt need for a cooperative marketing in the area;
2. A provision of enough economic benefits;
3. An adequate volume of business for economic operation;
4. The tendency to avoid middlemen;
5. The suitability and viability of institutions involved;
6. Effective and efficient management;
7. Loyalty of members; the desirability that members understand the functions, methods, principles underlying the operation of the cooperatives; and
8. The enforcement of discipline with the democratic framework.

Holmquist (1973) has stressed capital availability as the major prerequisite for cooperative success. In simplest terms, he has listed three essential prerequisites:

1. Recognized need and interest on the part of cooperators;
2. Leadership and management ability;
3. Capital resources.

He further emphasized that "to judge the economic viability of limited resource cooperatives, one should examine the internal and external sources of capital" (Holmquist, 1973: 3).

Anschel, et al. (1969), in "Agricultural Cooperatives and Markets in Developing Countries," have reported four topics relevant to this section, namely: 1) the hypothesis concerning the success of cooperatives, or why

cooperatives fail; 2) impediments to growth of cooperatives; 3) measurement of cooperative success; and 4) social and behavioral determinants of organizational effectiveness.

On the other hand, Apthorpe (1971) in his edited volume "Two Blades of Grass" indicated, among other things, the traditional/social bonds and motivation, the social characteristic of members and ideological mobilization or political ideals to be factors that may influence success or failure of cooperatives.

Social bonds and motivation. The likelihood of success for the cooperative really depends upon an extremely complex set of factors among which is the nature of existing traditional social bonds and the nature of motivation. The chances of success are likely to be higher where support, rather than opposition, has existed. The presence of a "common enemy" can be a factor promoting solidarity. However, the enemy must not be too strong. The replacing or substituting institution must be capable of becoming stronger to survive. On the other hand, the ultimate ineffectiveness of cooperation is where the "push from below," consciousness and commitment on the part of the cooperative members, is too feeble.

Social characteristics of members. Populations categorized as immigrants, resettled populations, refugees, squatters, existing population in situ have different predisposition towards cooperatives. This predisposition may influence the success or failure of cooperatives

through the members commitment/participation to the cooperative ideals.

Other qualifications are variability in the quality of land in the cooperative area, the nature of the cooperative organization, and its position in the national economy. The government sponsorship, the hostility of established interests, the characteristics of those who manage the cooperative are all crucial to the success or failure of cooperatives.

Some writers even regard ideological mobilization as a generative force needed for economic success. Others have regarded the infusion of political ideals (ala Mao Tse Tung's) into cooperatives.

Concluding Notes

The major points discussed here can be summarized as follows:

1. Governmental support, i.e., the need for more functional consolidation in approach and a more geographic decentralization;
2. Organizational structure, i.e., is there a real need for mechanistic, systematic and a legislated approach to cooperation?;
3. Cooperative personnel, i.e., manpower needs with respect to competent leadership and management needs;
4. Education, communication and information needs;

5. Membership Attitudes, i.e., individualistic vs. communistic;
6. Financial needs;
7. Size; and
8. Expectations

The most crucial elements in determining the future of farmers cooperatives have been largely categorized with respect to the major roles of its farmer-members (French et al., 1980). These are: 1) farmers' attitudes towards cooperation; 2) member commitment; 3) non-cooperative competition in the marketing of farm products; 4) the skill and progressiveness of boards and management; 5) the availability of capital; 6) the involvement of cooperatives in general public policy issues; and 7) the maintenance of public sanctions.

Research-in-Action: A Case Analysis

Origins of Action-Research

The term "action-research" was introduced by Kurt Lewin in 1946 to denote a pioneering approach towards social research which combined generation of theory with changing the social system through the researcher acting, on, or in, the social system (Susman and Evered, 1978). Lewin's greatest contribution, on the abstract level, may have been the idea of studying things through changing/manipulating the variables generated by the known theory(ies) and experiences and seeing/recording their effects.

Action-research consists of analysis, fact-finding, conceptualization, planning, execution, more fact-finding or evaluation and then a repetition of this whole circle of activities (Sanford, 1970). This process was later modified by Susman and Evered (1978) into five cyclical phases: diagnosing, action planning, action-taking, evaluating and specifying learning. The infrastructure within the client-system and the action-researcher maintain and regulate some or all of these five phases jointly (Figure IV-1).

This cyclical process essentially contains the main features of Lewin's model, i.e. analysis, fact findings, planning, execution, and evaluation. Sanford (1970) has described the first three of this model:

1. Analysis. Analysis determines what kinds of questions are to be asked. These should be practical, although somewhat general and open-ended. He added that most social science questions should be of this general kind: how to arrange the environment, institution, or the social setting in such a way as to promote the development of all the individuals concerned.
2. Fact Finding. The aim of promoting individual group development has several important implications: 1) it is necessary to have a conceptualization of the person and theory

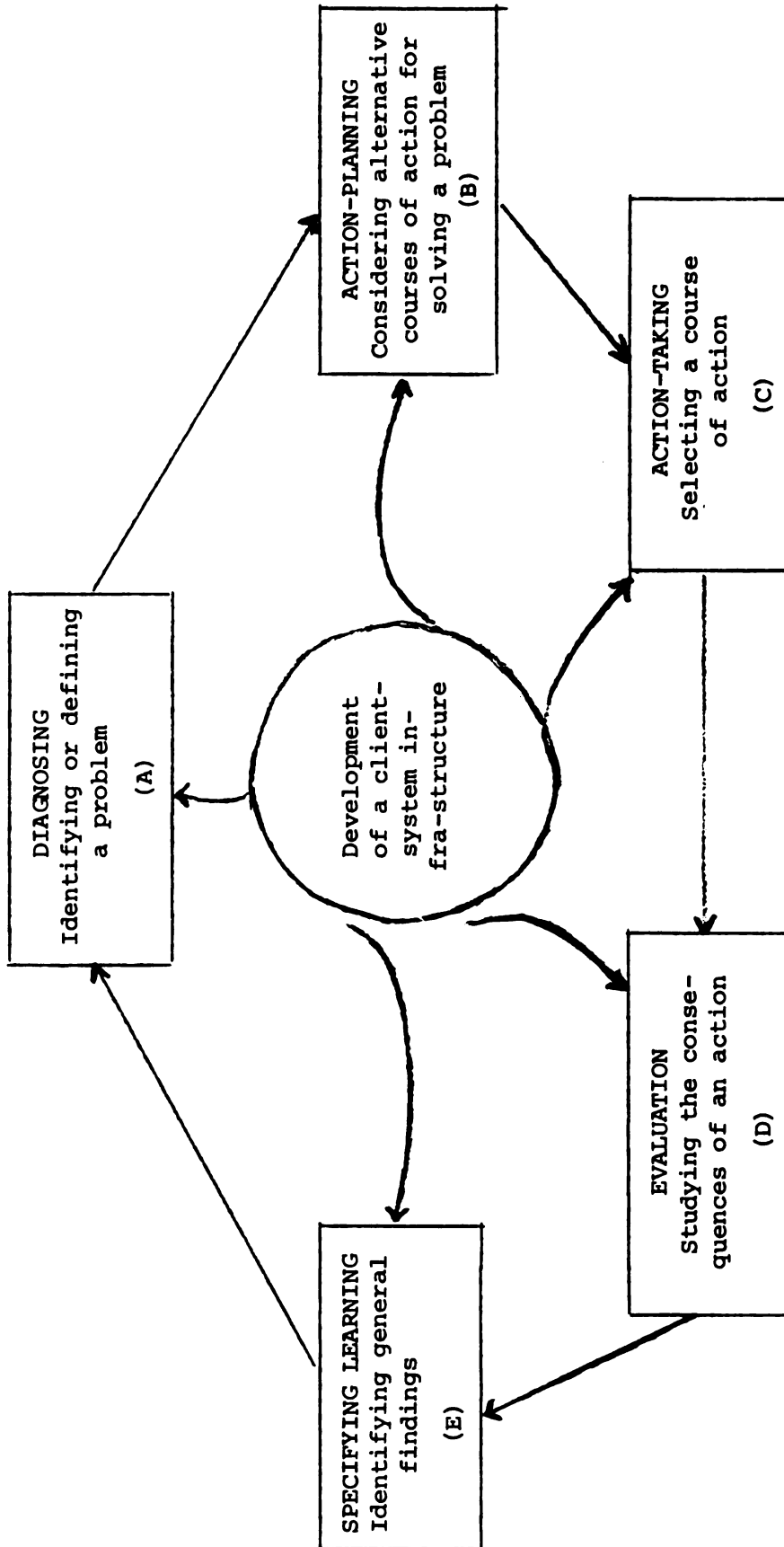


FIGURE IV-1. The Cyclical Process of Action-Research

SOURCE: Susman and Evered (1978).

concerning how he actually develops; 2) an approach that is concerned with individual development must be comprehensive and field theoretical. To understand the person we must see him in his total setting. This means that research-action is properly multidisciplinary; 3) we must behave toward our subjects in a way that is favorable to development; 4) research must serve the purposes of its subjects; and 5) the subject is the client, and reporting to him is an action.

3. Planning. There is no point in planning for people who will upset all such plans as soon as they find out that they have not been permitted to take part in the planning. Continuous experimentation "forward looking arrangements" by and for the people is needed.

Definition of Action-Research

Lewin (1946) characterized action-research as a "comparative research on the conditions and effects of various forms of social action and research leading to social action." Lewin's laboratory is the change experiment on the social system in which the practitioners and the social scientist collaborate to find ways to bring about needed change. It is indeed an approach that recognizes the need to generate action-oriented knowledge that

requires collaboration between researcher, practitioner, and client.

The most frequently quoted definition states that: "Action-research aims to contribute both to the practical concerns of people in an immediate problematic situation and to the goals of social science by joint collaboration within a mutually acceptable ethical framework [Susman and Evered (1978)].

However, a comprehensive definition must include the five phases of the cyclical process: diagnosing, action planning, action taking, evaluating and specifying learning.

Justification for the Use of Action-Research

The action-research approach is based on the premise that the new understanding generated from the action-research effort will enable organizational members (clientele) to plan interventions to improve organizational effectiveness and that the behavioral scientist (researcher) is able to revise theories to better explain the relationships discovered among variables.

The use of action-research approach can be explained in terms of the following factors:

1. Organizational members have first-hand data and a keen sense of awareness that are vitally important in understanding their problem;
2. The top-down approach and the separation of

research to action to deal with the problem has been ineffective;

3. A joint inquiry among the interrelationships of the actors of the organization (employees, managers, board of directors and members, etc.) can provide a new workable experience;
4. The decline in organizational performance is considered representative of member-management (MOF) issues that were simply not amenable to traditional research methods that cast the member in the passive, non-committed and non-participative role of subject and fear of reprisal for voicing out (i.e., silent exit);
5. Action-research can reduce feelings of mistrust by allowing the actors to abandon their roles when inquiring on issues concerning their interrelationships, and seeing the organization for what it is.

Susman and Evered (1978) have further argued that there is a crisis of relevancy or usefulness in the field of organizational science:

1. The principal symptom is that, as our research methods and techniques have become more sophisticated, they have also become increasingly less useful for solving the practical problems that members of organization face;

2. Many of the findings in the scholarly management journals are only remotely related to the real world of practicing managers and to the actual issues with which members of organizations are concerned;
3. The crisis is also reflected in the failure to recognize latent values behind the claim to neutrality about how knowledge is generated, e.g., knowledge generated toward improvements in the effectiveness and efficiency at the expense of the quality of life of working members; and
4. The crisis reflected in a conception of research as an accumulation of social facts that can be drawn on by practitioners when they are ready to apply them. This conception separates the researcher from practitioners. As a result, practitioners and clients complain about the lack of relevance and the lack of responsiveness of researchers to meeting their needs.
5. Action-research (AR) has six characteristics corrective of the deficiencies of positivist science:
 - a. AR is future oriented;
 - b. AR is collaborative;
 - c. AR implies system development;

- d. AR generates theory grounded in action;
 - e. AR is agnostic, i.e., the past is subject to reexamination; and
 - f. AR is situational
6. The researcher ought to be skeptical of positive science when the unit of analysis is a self-reflecting subject, when relationships between subjects (actors) are influenced by definitions of the situation, or when the reason for undertaking the research is to solve a problem that the actors have helped to define. For this purpose, a comparative summary of differences is provided below as a useful guide and relevance of action-research (Table IV-1).

Furthermore, the use of action-research is justified by describing the phenomenon of research under-utilization and research-practice gap. These two concepts have been described as causal factors for the misuse of research.

First, let us consider research utilization. It is both a process and an end-object. The process refers to transmitting research data from producers to consumers in a manner that is comprehensive and useful to appropriate user-audiences. The end-object refers to the actual use of such data to formulate policy and to prescribe the corresponding practice based on experiences and theories.

TABLE IV-1

COMPARISONS OF POSITIVIST SCIENCE AND ACTION RESEARCH

Points of Comparison	Positive-Science	Action-Research
VALUE POSITION	Methods are value neutral	Methods develop social systems and release human potential
TIME PERSPECTIVE	Observation of the present	Observation of the present plus interpretation of the present from knowledge of the past, conceptualization of more desirable futures
RELATIONSHIP WITH UNITS	Detached spectator, client system members are objects to study	Client system members are self-reflective subjects with whom to collaborate
TREATMENT OF UNITS STUDIED	Cases are of interest only as representatives of populations	Cases can be sufficient sources of knowledge
LANGUAGE FOR DESCRIBING UNITS	Denotative, observational	Connotative, metaphorical
BASIS FOR ASSUMING EXISTENCE OF UNITS; EPISTEMOLOGICAL AIMS	Exist independently of human beings Prediction of events from propositions arranged hierarchically	Human artifacts for human purposes Development of guides for taking actions that produce desired outcomes
STRATEGY FOR GROWTH OF KNOWLEDGE	Induction and deduction	Conjecturing, creating settings for learning and modeling of behavior
CRITERIA FOR CONFIRMATION	Logical consistency, prediction and control	Evaluating whether actions produce intended consequences
BASIS FOR GENERALIZATION	Broad, universal and free of context	Narrow, situational, and bound by context

SOURCE: Susman and Evered (1978).

Three definitions support these elements of "process and end-objects." Research Utilization (PCF, 1978):

1. Implies that something must happen after the message is received, something beyond mere acknowledgment that it is there. The receiving organism must do something with it, either by taking "something from it, adding to it, inserting it in something, or transforming it in some way (Havelock, 1971).
2. Is an ongoing process by which research results are produced in answer to client needs, and communicated to clients for their use. It also conceives of utilization not merely as a transfer of knowledge but also as involving action and change from one system to another system (Rogers, 1973).
3. Is the facilitation of the application of research results and scientific knowledge to the solution of practical problems in the field, and the gathering of feedback from the field to help frame future policy and research (PCF, 1978).

Underutilization of Research

This is a phenomenon which has been a disenchantment to the researchers, activist academicians/scholars, and potential target users. The misuse of research has

been bluntly addressed to academicians in their "ivory tower" and/or to program managers. Witness this kind of quotation:

Many researchers look upon the program managers (and his academic counterpart) as an intellectually dishonest power seeker who uses research the way the drunk used a lamppost -- for support rather than for (guiding) light (PCF, 1978: as cited from Esmundo, 1976).

Underutilization of research is observed in three aspects: 1) the majority of research findings do not find their way into policy and program formulation; 2) most existing research data have undergone analysis only on the primary or univariate level, i.e., considerable information is locked up in previous research; and 3) some research findings are judged to be academic or non-utilizable, if not irrelevant for the current environment.

The Research - Practice Gap

The second consideration is the research-practice gap, a phenomenon that is causally related to research underutilization. This can be gleaned from the following propositions:

Prospective users often do not know research-based resources exist.

Even if they know what exists, they do not know where it is available

Even if they know what exists and where it is available, they cannot understand it.

Even if they know what exists, where it is available, and can understand it, they cannot apply it (PCF, 1978).

Five factors can be gleaned from the research practice gap literature that need be resolved if research is to become useful:

1. The world of research and practice are two separate enclosures with defined set of rules, values, common perceptions, languages and communication patterns;
2. Socially research-oriented programs are difficult to apply in practice because of the underdeveloped concept of social engineering. This is in contrast to agriculture, biology, physics, chemistry and engineers, etc. which have good linkages with research and practice;
3. There appears that no sustained or conscious efforts have been attempted for scholars or academicians to share their work with their counterparts in the field;
4. The research then speaks in a language that differs greatly from that of the user. Thus, reports are not read because they are rarely understood, if not difficult to understand; and
5. The variables analyzed in research may not be the same as those under the control of the administrators and practitioners.

With this background (research underutilization and research-practice gap), the importance of linkages between program managers, researchers and the target

clientele system is imperative. Such linkages can be provided by persons/institutions who stand outside or are on the periphery of either system. Examples of these linkage role are: 1) people retrieve relevant information and pass it on to the users; 2) some translate user needs into researchable problems to be transmitted to researchers; 3) some package the knowledge generated from research in a manner that can be directly used by practitioners; 4) others actively help in the diagnosis of users' problems and the development of users' capability to integrate into, and implement, useful research knowledge within their system; and finally 5) still others use a combination of these approaches and integrate both research and practice on a continuing basis.

Action Research Today

It must be noted that action research is still very much alive and is being utilized and modified in other fields of studies. For example, it has been used, and is still being used, in clinical or social psychology, public health, social welfare, criminology, community psychology, community development, and in population education (Lewin, 1946; Sanford, 1970; Fear et al. 1981; and PCF, 1978). More recently, the concept has been used in the field of agricultural economics under the label of, "Farming Systems Research" (FSR). It has been popularized by Norman (1980) and Collinson (1982).

During this period (1946-1982), programs clearly labelled as "action-research," have not been hard to find. Examples are (Sanford, 1970 and PCF, 1978).

1. After-School School - a program for offering people of high school age what they seem to need for their development but do not get in school;
2. Collaborative Problem Solving - with teachers and administrators of the Berkeley School System, an action-research program with some distinctive new features;
3. New Careers Program - which demonstrates that prison inmates can be an important source of manpower in the human service fields;
4. Wilbur Hoff Program - trains poor people for jobs -- to be defined and instituted in hospitals and clinics;
5. Wright Institutes New Doctoral Program in Social-Clinical Psychology - this program was based on some knowledge of the situation and needs of graduate students and has been guided by theory of individual development and organizational processes;
6. Research Utilization Project in Population Education - employing a problem-solving strategy that contained literature reviews

and feedback conferences among four levels of decision-makers: practitioners, administrators, policy-makers, and researchers. The issue considered was that of curriculum development for in-school population-education. The activities were undertaken in the following sequence: a) problem diagnosis and identification; b) research and information retrieval; c) transformation and translation; and d) communication.

These programs are solid evidence of the importance of AR. The familiar story of the science (biological and physical-engineering) model in which the discoveries are first made (in the laboratory as it were) and thereafter "applied" has been refuted with the utility-focused objective of AR. What then appears to be a lowly subject (AR), then receiving "cool" reception from funding agencies, now becomes a useful technique, particularly for activist program managers or academicians. Indeed, there is a grain of truth that what belongs together should not be separated. Therefore, what is needed now is a contemporary model for action research or what might be better termed as research in action. FSR represents a recent example of AR.

The Farming Systems Research (FSR)

Farming System is viewed as consisting of a complex interaction of a number of interdependent components (Norman, 1980). FSR aims at analyzing the two main elements of the small farmers environment, namely: the technical and human elements (Figure IV-2). These two elements are described in the following manner:

1. The technical element is characterized by the following -- the types and physical potential of livestock and crop enterprises, and includes physical and biological factors that have been modified to some extent by man often through technology development.
2. The human element is characterized by endogenous and exogenous factors. The former differs from the exogenous in the following respects: unlike the exogenous factors (the socio-cultural and institutional structures), the endogenous factors are controlled by the farmer himself who ultimately decides on the farming system that will emerge, given the constraints imposed by the technical elements and exogenous factors.

The combination, magnitude and direction of these elements, inputs/factors, and processes vary according to the two basic types of FSR. These are the "upstream and the downstream" FSR. We have been familiar with the technocratic-centered upstream type of FSR, i.e., the

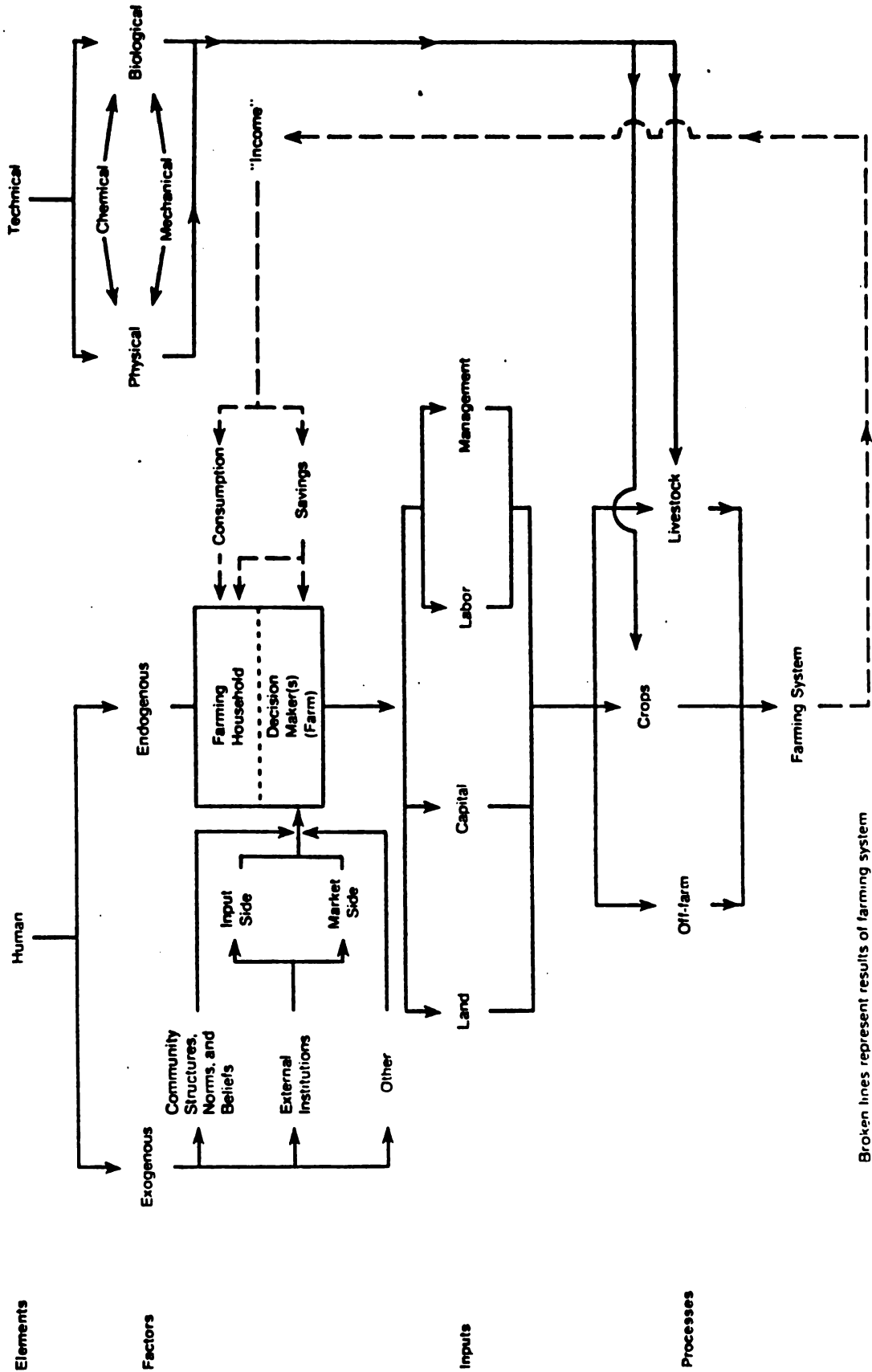


FIGURE IV-2. Schematic Representation of Some Determinants of the Farming System

SOURCE: Norman (1980).

technocrats know best what is good for the farmer. The downstream FSR comfortably fits within our purpose of a participatory development program, i.e., the farmers know best what is good for them. The definitions of the two basic types of FSR are:

1. Upstream FSR is research from experiment stations to find prototype solutions to the major constraints on agricultural improvement in a relatively large region or area;
2. Downstream FSR is a farm-level research approach whereby farmers and a multidisciplinary research team work together to diagnose, design, modify and improve farming systems in a local area (Figure IV-3).

Downstream FSR is a revisionist approach in the sense that the classical top-down approach to technology development mainly concentrates in innovating the technical components. On the other hand, downstream emphasizes the target-farmer-clientele as key figures in a research-action strategy.

As a research effort, the four successive stages must be carried out through the collaborative efforts of small farmers and the multidisciplinary research team. These collaborative efforts in problem solving in FSR clearly indicate that AR's cyclical process is closely related. Note this description of the four stages (Norman, 1980):

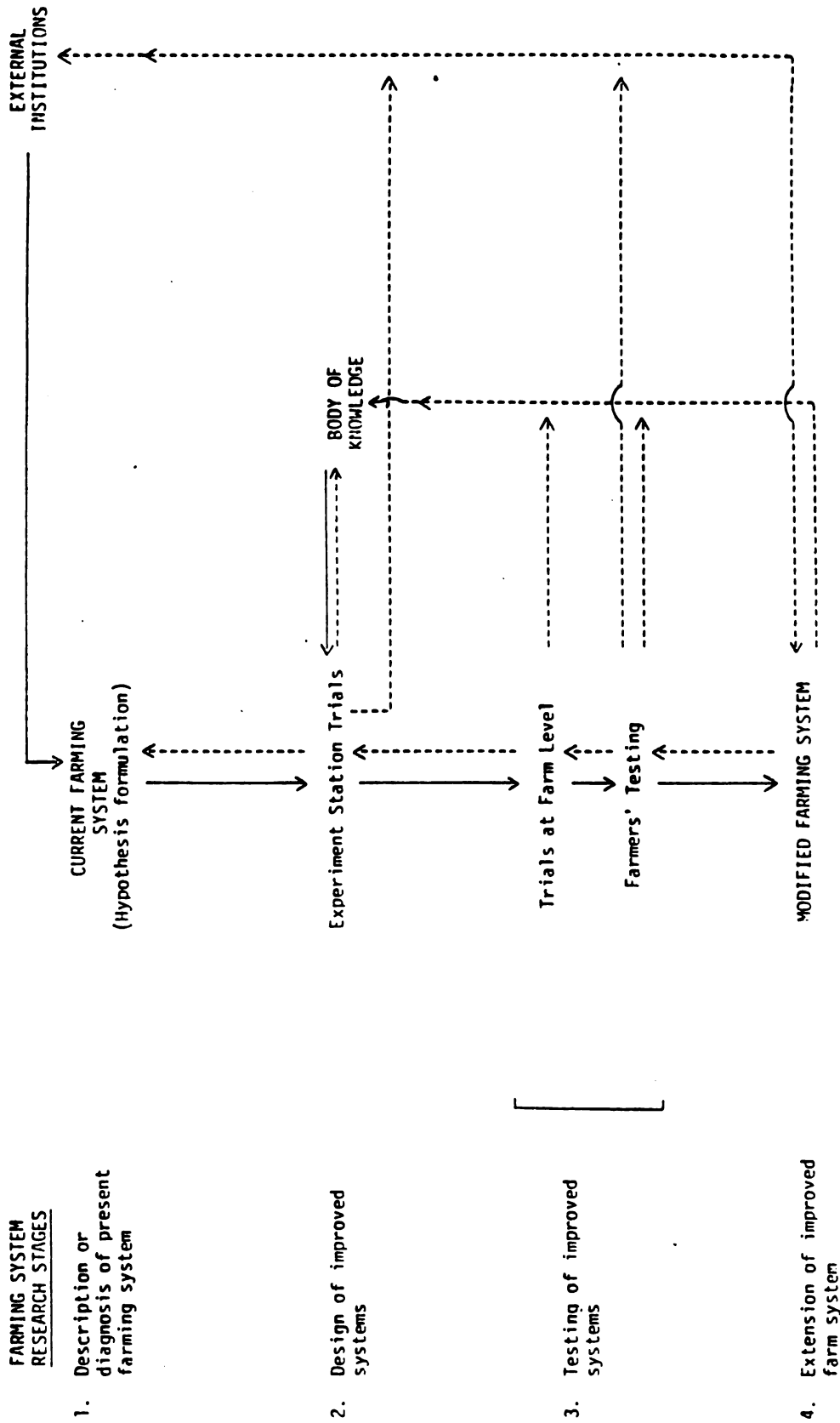


FIGURE IV-3. Schematic Framework for Farming Systems Research at the Farm Level
(Downstream Farming Systems Research)

SOURCE: Norman (1980).

The diagnostic or descriptive stage identifies the constraints and flexibility in the current farming systems. Based on interviews with farmers, this information is used to design, test and extend programs for improving farming systems. These programs are then assessed by applying evaluation criteria derived from farmer interviews.

In the final analysis, the end product of this continuing process of adjustment is a new and appropriate farming system relevant to the needs of the small farmers: the target clientele-system of farmers coop organization.

Implementation Scheme of FSR

The collaborative research process between the multidisciplinary team and the farmers aims at developing appropriate technologies relevant to farmers' own circumstances (i.e., readily adopted by farmers). Considering this conceptual background, Byerlee, et al. (1980) gives an overview of an integrated program of research for small farmers (Figure IV-4).

There are three components of this program:

- 1) On-farm Research; 2) Experimental Station Research; and
- 3) Policy Context of Agricultural Research.

On farm research. This research is conducted in farmers' fields with the participation of farmers. An important prerequisite at this base of the program is an effective communication between researchers and farmers to ensure a greater awareness of the constraints and problems of farmers in the design of appropriate technologies. Indicated in Table IV-4 are various activities or stages

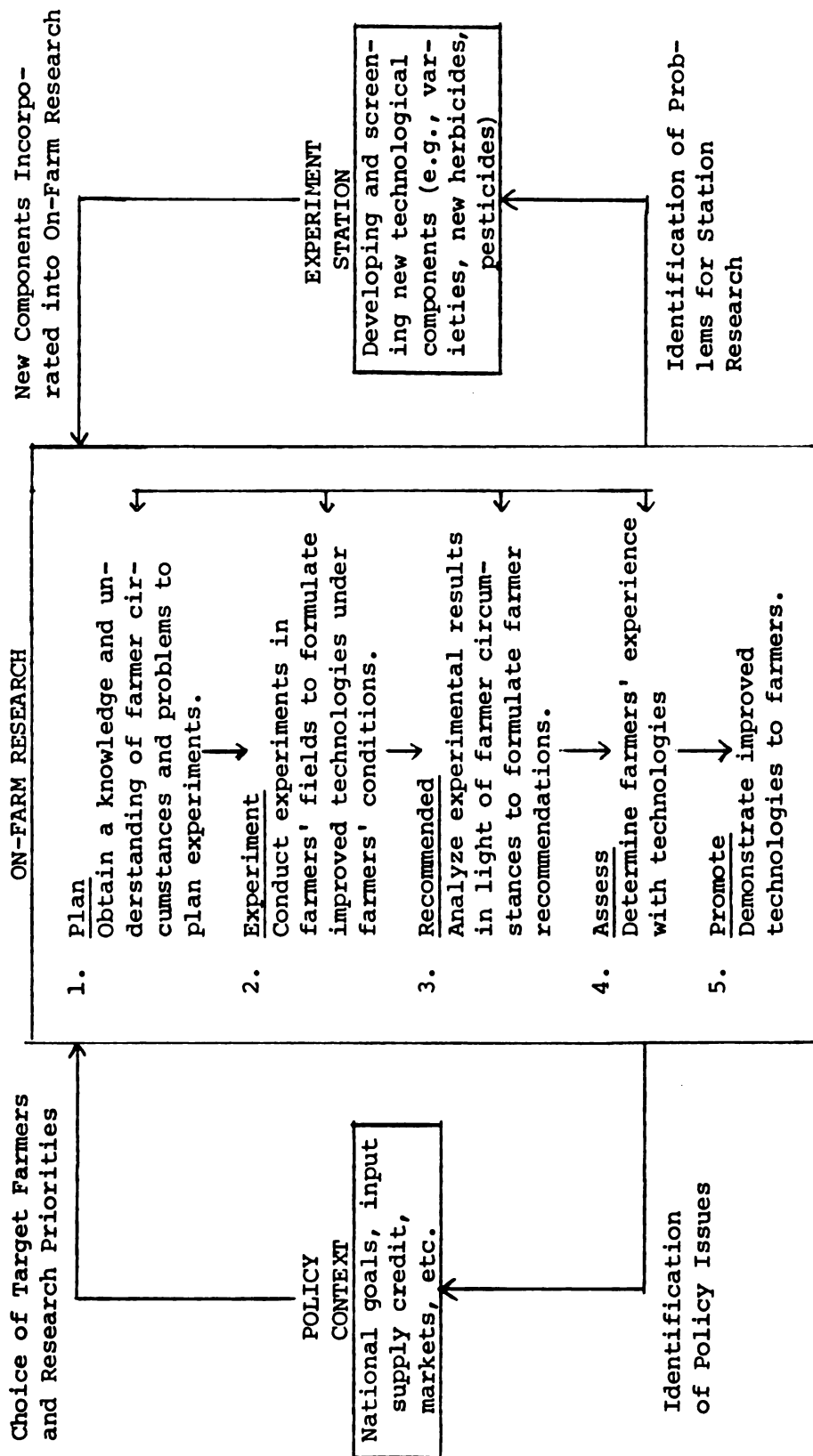


FIGURE IV-4. Overview of an Integrated Research Program

SOURCE: Byerlee et al. (1980).

of on-farm research: 1) Planning - the research team identify priority technical components; 2) Experimentation - the priority components are further investigated in the the experimental stage in order to formulate improved technologies that improve upon farmer's existing practices; 3) Recommendation - technologies are then recommended to farmers after careful testing against farmers' locations and after careful economic analysis; 4) Assessment - farmers' experiences are assessed with the idea of promoting recommendations to farmers. In this final stage, promotion desires a feedback mechanism in this manner: a) If recommendations are accepted, researchers can turn to other problems while extension focuses on the task of further promotion of the technologies; and b) If recommendations are rejected or substantially modified, then an understanding of the reasons might lead to a change of recommendations/ experiments. This research cycle is essentially dynamic as information is generated from farmers circumstances, technology performance, and farmers' experiences with the technologies.

Experiment station research. This emphasizes the development of new technological components such as new varieties. Also, it can be used to screen technological components that might have undesirable effects on farmers' fields, such as herbicides, and inputs/outputs that have some "external" effects. The promising technological components generated from experiments are further refined

and evaluated in on-farm experiments to detect its appropriateness.

Agricultural policy. This sets much of the economic environment, such as national goals, input prices, and supply (price supports and subsidies), product market (guaranteed prices) and infrastructures (e.g. irrigation systems) in which researchers and farmers make decisions. Policies, therefore, refer here to actions and rules of government implemented in order to meet regional or national development goals. In other words, these are given conditions that influence the behavior (e.g., production decisions) of the farmer and the research-orientation of the research stations.

Farmer Circumstances as a Basis for Research

Byerlee and Collinson (1980) have also contended that successful research begins with the farmer for whom the technology is intended. They have defined farmers' circumstances as those factors that affect farmers' decisions with respect to the use of crop technologies (or in a comprehensive context, the farm technologies). Figure IV-5 illustrates various farmer circumstances. They include natural and socio-economic circumstances. Socio-economic circumstances may be internal in which a farmer has some control (e.g. farmer's goal and resources) and those which conditions his external economic environment (e.g. cooperative institutions on top of the diagram).

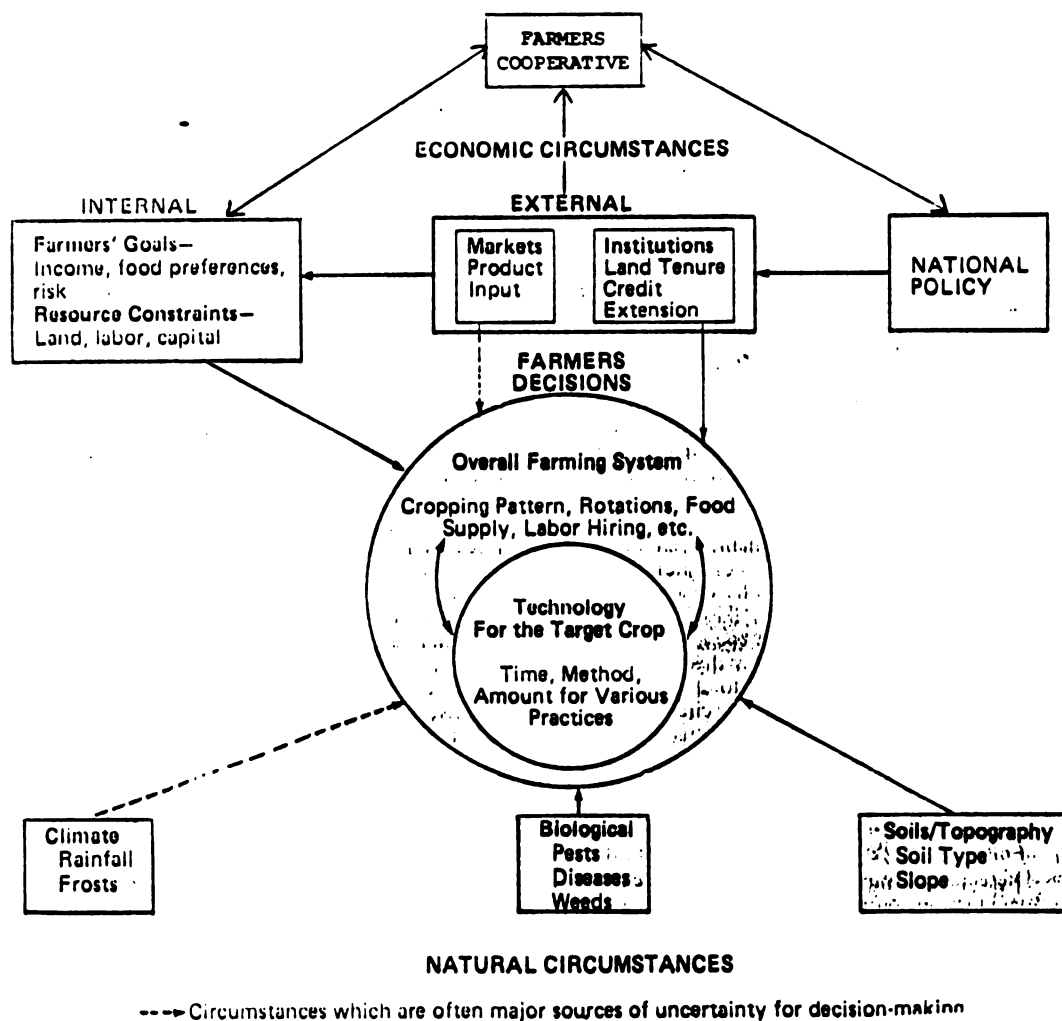


FIGURE IV-5. Various Circumstances Affecting Farmers' Choice of a Crop Technology and its Relation to Farmers Cooperative

SOURCE: Byerlee and Collinson (1980) as modified.

The natural circumstances impose biological constraints on the farm enterprise and, hence, influence farm decisions. It also creates an environment of uncertainty which must be considered by risk-averting farmers. These natural circumstances include climate (e.g. rainfall) soil and topography and incidences of pest and diseases.

The external socio-economic circumstances include the community organization and structures, physical infrastructure, product markets, labor and machinery markets, input markets, land tenure and settlement patterns, credit and extension services.

The policy environment. This is noted as an important factor that strongly influences the external socio-economic circumstances of farmers. The government policies and their implementation has to be analyzed with respect to its impact on the external socio-economic circumstances of the farmer. Moreover, as Byerlee (1980) has stressed, it is important to distinguish between those influences that conform to the stated goals of government policy and those that relate to problems in policy implementation.

Station-To-On-Farm-Research

Two major developments in research organization and planning are required for FSR to be implemented (Collinson, 1982):

1. Recognition of the need for both technical and adaptive research; and

2. Recognition of the role a Farm Systems Economist (FSE) can play in the adaptive research cycle.

He further qualified the elements (research station, on-farm adaptive research and the role of FSE) of this development as essentially an economic problem:

1) Research stations seek new materials and methods which are technically feasible in the environment of the country or region served by the station; 2) On-farm-adaptive research selects and tests components of the body of knowledge identified as apparently relevant to the needs and circumstances of target groups of farmers normally within, but occasionally even outside, that general region; and 3) the role of the FSE is to understand farmers' decision criteria (i.e., allocation of inputs to different enterprises to best satisfy his and his family's priorities), and to identify how and why, in managing his farm, the farmer compromises on the optimal technical management of any one enterprise in order to raise the productivity of the whole system.

The research process for this implementation scheme is shown in Figure IV-6. Also outlined below are the six stages in the research process and the team designated as responsible for the activity.

The illustration of the six stages and the team responsible for it are as follows:

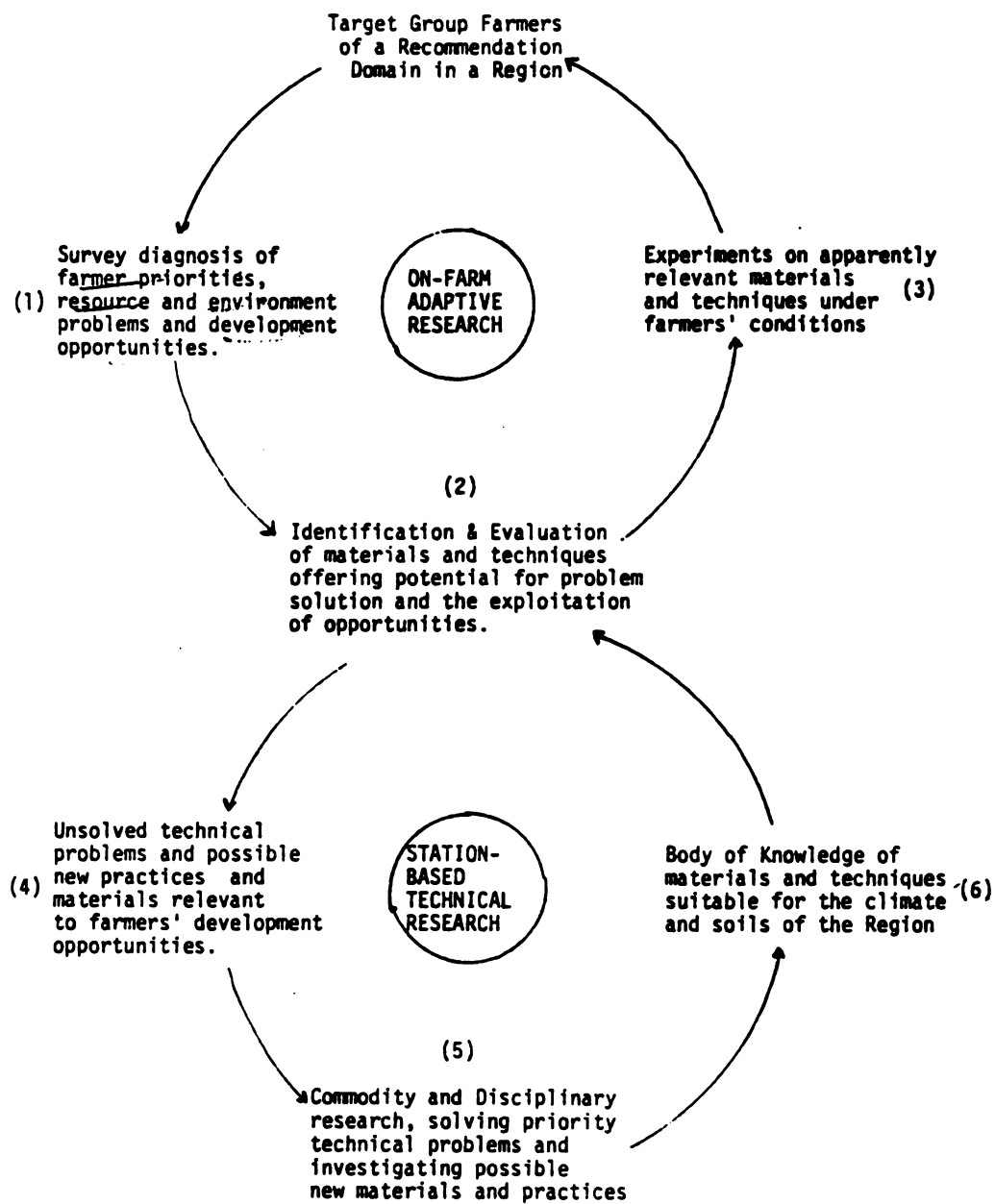


FIGURE IV-6. Interactions between Station-based Technical Research and On-Farm Adaptive Research.

SOURCE: Collinson (1982).

1. The description and interpretation of the farmers' situations and the identification of management problems and possible development opportunities -- the locally based adaptive research team (ART) carry out this stage;
2. The identification of improved agronomic practices and farming methods which, if used, have a potential for improving the welfare of farmers -- the responsibilities are shared by the technical research team (TRT) at the station and the ART;
3. On-farm testing of potential improvements selected as relevant and feasible for target group farmers, given the conditions they face in production -- the main responsibility of executing this is through the trained ART;
4. The identification of unsolved technical problems of farmers and the incorporation of these problems as priorities in technical research process -- mainly a responsibility of ART and linkages are established with the TRT;
5. Commodity and disciplinary research -- major responsibility of the multidisciplinary research team at the base-research station; and
6. Body of Knowledge -- stored for audience utilization at the research station by the technical staff or TRT

The perspective taken here is that on-farm adaptive research can potentially help a research station produce results relevant to the conditions and circumstances of small farms.

Steps in The Adaptive Research Cycle

The steps in the adaptive research cycle are listed in Table IV-2. Steps are broken down into preparatory steps (Steps 1-3); diagnostic steps of the implementation cycle (Steps 4-11) and the experimental side (Steps 12-17). The time required assumes that experienced professionals are implementing the procedures as part of an on-going program and that logistical support (e.g. transport) are readily available.

Research Design

This research design is written to develop, refine and promote action-research of the FSR-type in order to help improve the usefulness and relevancy of farmers co-operative organizations. If it is to become effective, any farmers association must fulfill (or satisfy) the needs and demands of the board of directors, its member-owners, the management, and the relevant members of the society with which it transacts (e.g., its community, its government, its suppliers, its creditors, etc.).

In this proposed action-research, we shall start with the principal actors: the member-owners and the management staff. They will be surveyed in order to

TABLE IV-2
PROCEDURAL STEPS IN THE ADAPTIVE RESEARCH CYCLE¹

Steps	Time Required
1. Identification of the general region of the country with a priority for adaptive on-farm research	
2. Collation of secondary information on the natural and economic conditions of the region	2-3 months
3. Identification of recommendation domains and target groups of farmers operating a homogeneous farming system within the region	2-3 months
4. Review of available background information on the recommendation domain	1 week
5. Informal survey	
- Discussions among farmers	2 weeks
- Conclusions (written)	1 week
6. Design of formal verification survey	
- Sampling and fieldwork plan	1 week
- Questionnaire development	1 week
7. Enumerator training and questionnaire testing	1-2 weeks
8. Formal verification survey--administration of the questionnaire to a sample of target group farmers	2 weeks
9. Post coding, tabulation of data and specification of analyses	1 week
10. Data input and processing	1 week
11. Data interpretation and experiment planning	2 weeks
12. Selection of representative farmers and sites for on-farm experiments	2 weeks
13. Preparation and layout of experiments	
14. Supervision and recording of experiments	crop cycle
15. Harvesting of experiments, measurement and recording of yields	
16. Statistical and economic interpretation of data	4-6 weeks
17. Planning for the next season's experiments	4-6 weeks

¹FSR demonstrations generate reports within 7-9 months after initiation of research.

SOURCE: Collinson (1982).

explore the extent to which the organization fulfills the needs of these components.

Factors Affecting Change Performance

Organizational behavior has been greatly influenced by the commitment of the principal actors -- in the MOF case -- the member-owners. The relationship between commitment and behavior very likely depends on the form that commitment takes as perceived by the member. Figure IV-7 illustrates factors that might increase the likelihood that a member will perceive a need for change in the performance of a cooperative (Van Ravensaay, 1982). These factors have been classified under: 1) change in members definition of acceptable performance; 2) decline in cooperative performance; and 3) opportunity to improve cooperative performance.

The change in members definition of acceptable performance may be influenced by: 1) the environment where the organization operates; 2) the felt-need that changes the needs and demands (requirement) of the members; and 3) dissatisfaction, i.e., if other cooperative participants are dissatisfied. For example, if the cooperative organization facilitates the land transfer operation of the agrarian reform program, the environment (the technology and the conducive social landlord-tenant relationship), the requirements (package of complementary support services) and the satisfaction (completion of the transfer

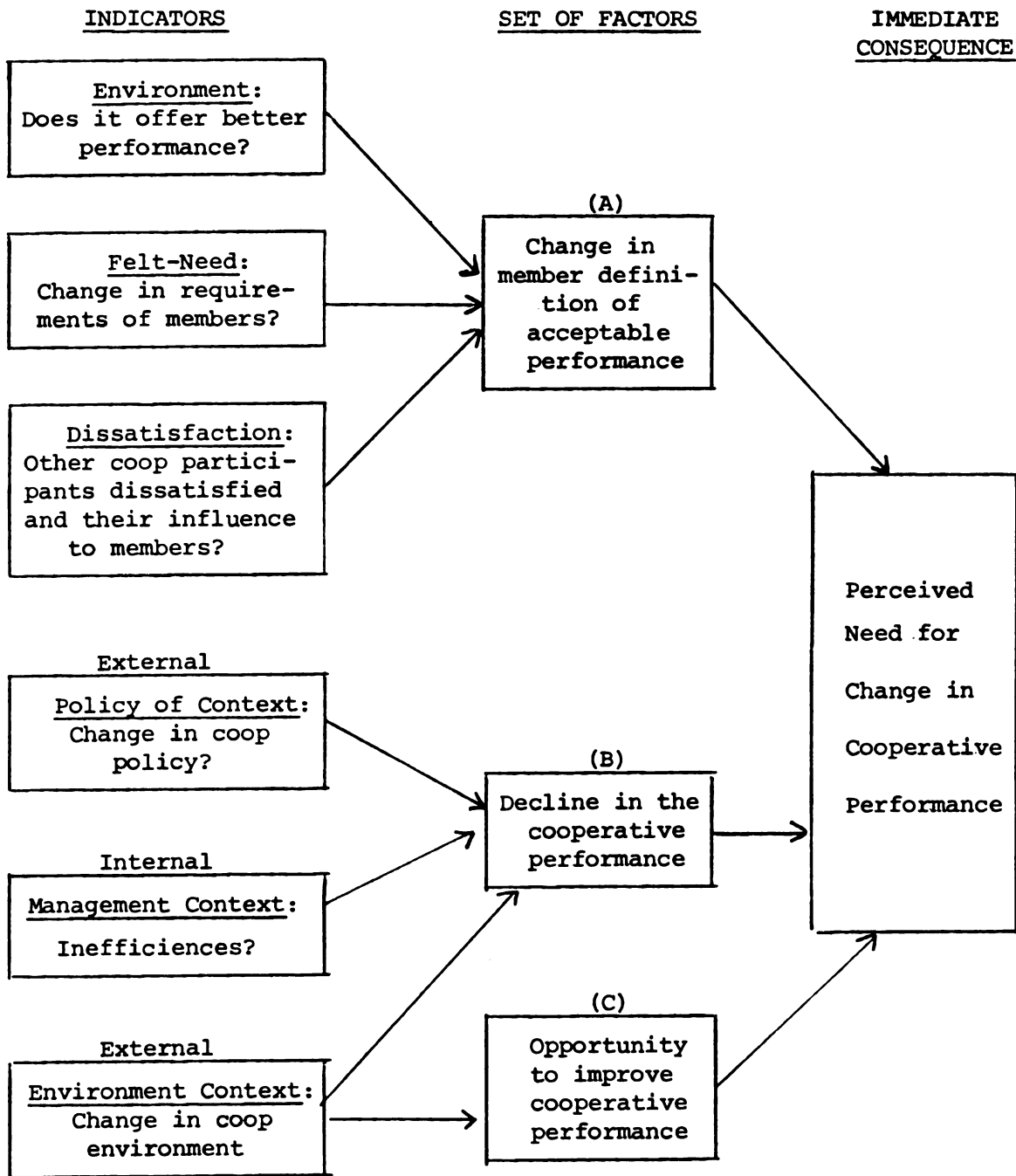


FIGURE IV-7. Factors Affecting a Member's Perception of the Need to Change Performance.

SOURCE: Van Ravensaay (1982).
(adapted and modified)

and support services on a sustained basis) must be present to be acceptable to the members.

Declines in the performance of cooperative may be perceived by a member because his definition of acceptable performance has changed. If the satisficing function of the land transfer operation in our example is not met through the environment, felt-need and participants' satisfaction behavior, then through this measure, the perceived acceptable performance will change. On the other hand, if the yardstick or measurement has changed even though the actual level of performance of cooperative may not have changed, the definition of acceptable performance correspondingly changes. This is precisely the reason why the organization has to be adaptive, flexible, efficient, effective and integrative (Parson, 1956; Hage, 1965).

The perception of the member about the performance of his cooperatives can be changed by the following events: 1) when the existing services and supplies of the cooperative are no longer adequate with respect to amount, timeliness of delivery and efficiency; 2) the influence or calling of other participants that convince the member that performance, once thought adequate, is actually inadequate; and 3) the discovery of superior services or supplies offered by other non-cooperative organizations. The greater the amount of change in a member's own businesses, the larger the number of participants seeking change. Also, the greater the number of alternative and

competitive sources of services and supplies in the environment of the cooperative, the greater the likelihood that the member will change his definition of what constitutes acceptable performance.

The decline in the organizational effectiveness or cooperative performance is really not clear-cut. External and internal factors have been broadly categorized here into "policy and environmental context," and "management context," respectively (Figure IV-7 Set of Factor B).

1. Policy context: A policy is considered here both from above (government, i.e., the apex institutions) and below (cooperative organization, i.e., those formulated by the board of directors). A policy change (i.e., implemented or discontinued) may lead to change in performance (positive or negative). The occurrence and extent of a policy change will increase the likelihood that the member will re-evaluate his predisposition towards the cooperative organization and consequently in assessment of its performance. This type of information can be analyzed thru minutes of the board meetings and files of memorandum circulars and other policy sources/materials both from the apex agency(ies) and the organization itself.
2. Environmental context: Environment refers to

the entire surroundings that influence the service-operation base of the organization. Some types of changes in the environment may lead a member to conclude that improvements in performance are beyond the control of the cooperative, e.g., changes in agro-climatic variables and the technological environment. Consequently, a change in the environment may lead to increased cost and uncertainty or it may lead to decreased cost (innovative technology), expanded opportunities, and the opportunity to improve the cooperative performance. Therefore, the nature and type of these changes need to be specified.

3. Managerial context: In most cases, the qualitative information or biographical information (e.g., age, education, years of experience) of management staff are associated with organizational performance, particularly an organizational and operating features (see: Sarmago, 1978). However, from the point of view of members of the cooperative, the occurrence of inefficiency is ill-defined. It goes beyond organizational and operational inefficiencies. Again, the single and multiple criterion (including its composite nature) have to be defined as perceived by members. It is

surmised that the more inefficiencies are perceived by members, the more likely the decline in performance.

Members perception of the need for change in co-operative performance will greatly depend on these set of factors. The more factors occurring at any one time, the greater the likelihood that a member perceives a need for change. It identifies the condition by which control mechanisms of members are likely to evolve. The greater the number of members affected by these factors, the greater the likelihood that such attempt will be observed.

Mechanisms of Control of Cooperative Members

A conceptual framework is offered by Hirschman (1970) to analyze the responses of clients to declining organizational performance. This framework depicts our analysis design for exit, voice, and loyalty perspectives in cooperative organization. The behavior exhibited by the members towards their cooperative will determine the viability and/or effectiveness of the organization. For instance, a question may be asked whether they believe that the organization can still be improved. Two sets of decision-responses with their perceived belief can be analyzed, namely (refer to Figure IV-8):

1. The First Decision - involves two responses namely to exit (GO) or to stay-put (NO GO);
and

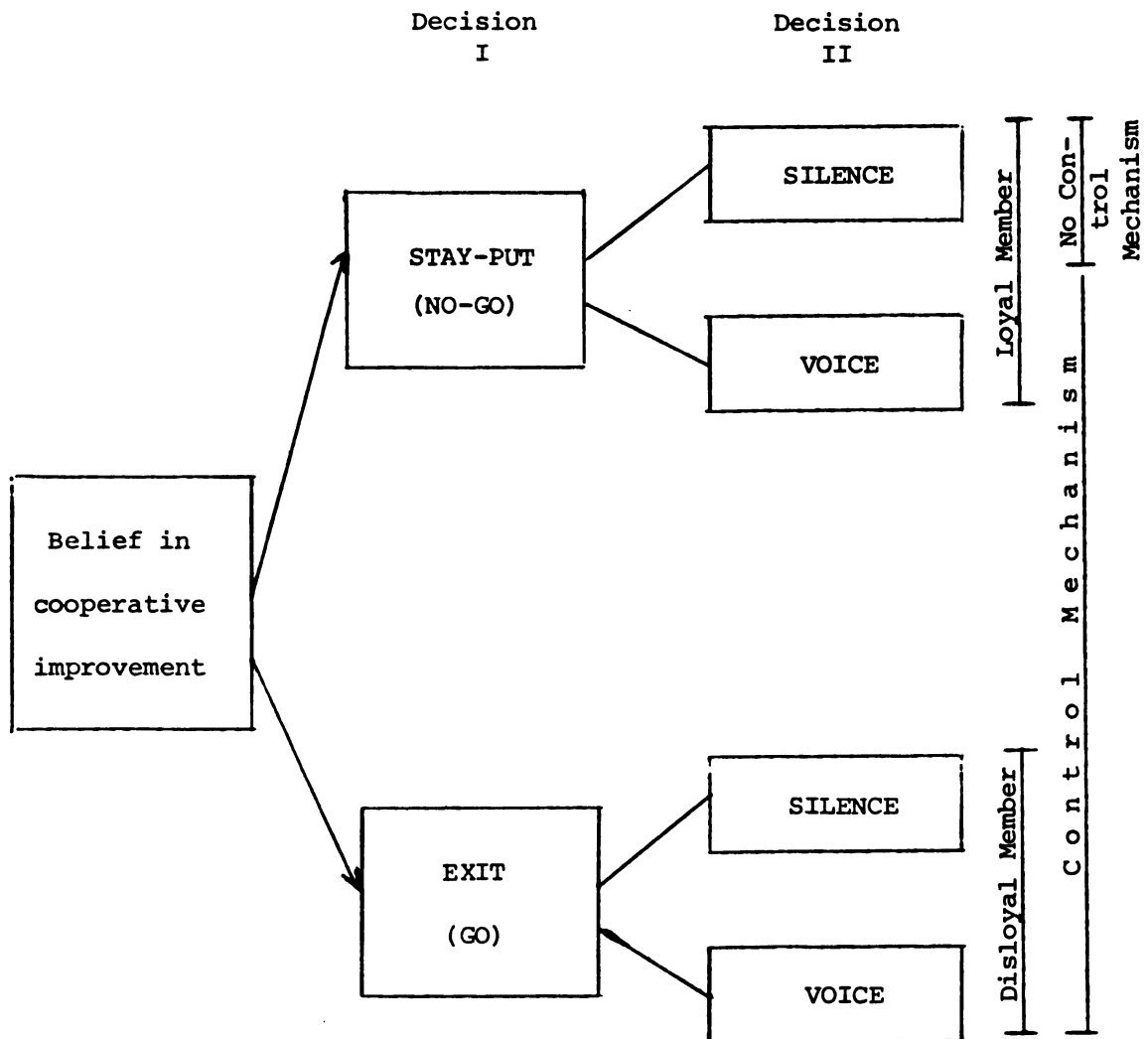


FIGURE IV-8. Diagram Depicting Analysis Design for Exit, Voice and Loyalty Perspectives in Cooperative Organizations

SOURCE: Van Ravensaay (1982); and Hirschman (1970).

2. The Second Decision - involves four responses under exercising voice or remaining silent.

The four possible responses to decline in the performance of cooperatives or to whether members believe in the possibility of cooperative improvement are: 1) Stay-put-Silence; 2) Stay-put-Voice; 3) Exit-silence; and 4) Exit-voice. Except for the first one, which is a form of compliance, the rest are mechanisms of control.

They are mechanisms of control because of their effort at obtaining changes in performance (Van Ravensaay, 1982).

As conceptualized, these four responses are described below:

1. Staying-Put-and-Silent. This response means no change in the member's purchases, investment, voting, associational activities or gossip with existing and potential members;
2. Staying-Put and Exercise Voice. Speaking up is a matter of degree that involves, among others, who is the object of the "voice," the scope, nature, type and form, etc., of the complaint or request lodged. The "who object" may include other members, operating/management staff, the board of directors, and other influential organizations outside of the cooperative. The type of complaint, request or other categories for "voicing out" may vary from indicating dissatisfaction, to demanding specific reforms, threatening to organize for

reform, or threatening to use various forms of exit. The form of voice may be private or public. It could be verbal, written, in the form of a vote, or in the form of grievance procedures.

3. Silent-Exit. This is also a matter of degree. It may be limited to diminished patronage to cooperative business. Another form of exit is to abstain from associational duties and obligations. For example, in savings/capital formation and attendance in regular meetings. A more drastic type of exit is to withdraw from membership in the cooperative.
4. Exit-Voice. If a member terminates his membership: 1) he would not have access to voting and grievance procedures; and 2) he cannot demand specific reforms. However, he can voice public or private complaints to any participant in the cooperative or to influential or concerned organizations outside the cooperative.

Responses of a member to perceived declines in performance are reactive strategies for avoiding unacceptable performance. However, it is also possible that a member might want to see an improvement in the performance of cooperative without reaching the conclusion that performance is declining. This phenomenon leads to two kinds of members' perception with improving cooperative performance: a

perception of opportunities, as well as problems. Thus, it is imperative that our case analysis will explore the ramifications of these perceptions among those cooperatives with high (resource) performance, low (resource) performance and, comparatively, for both high and low performance. Therefore, the first two will be dealt with in terms of an intensive case technique in action-research and, consequently, a comparative approach of the perception behavior of the two categorically classified cooperatives.

CHAPTER V

SUMMARY, CONCLUSIONS, AND IMPLICATIONS

The subject of this study is the member-owned firm organization (cooperatives) in agriculture and its role as a development tool. Despite its promises and limitations, this type of organization has been used persistently both in developed, and more particularly, in the Third World countries. The latter has used cooperatives as a development policy tool and supported them as a limited resource institution. The rise and decline of this unique organization is a common scenario in the Third World countries. In view of this, most of the research issues revolve around organizational (effectiveness/performance) theory. Most of the issues covered are: 1) Why is it that cooperatives are easy to organize and hard to sustain? 2) How can coops growth be accelerated and economic efficiency be improved? and 3) How can we develop a successful cooperative and/or alternative organizational model for development?

These issues set the basis for conducting a theoretical treatise towards a research and evaluation agenda for agricultural cooperative development. A review of literature and other documents concerning cooperatives and

organizational development (effectiveness) perspectives has been conducted. In the process, a conceptual framework has been established and research gaps have been identified. Then, a particular and urgently needed identification and assessment study was proposed for organizational renovation: an action-research design for cooperatives.

More specifically, the study has been conducted with the following objectives:

1. Review the cooperative approaches conducted in the Philippines with emphasis on causes of failure as a background cooperative agenda;
2. Review the development trends and prospects of Area Marketing Cooperatives in order to discern or identify problems or operational weaknesses and strengths of the organization;
3. Identify the factors associated with the effectiveness of an organization and categorize them for a more systematic analysis;
4. Identify major research gaps and direction as future action-agenda for cooperative evaluation and research; and
5. Design a research study for measuring cooperative effectiveness.

The Philippines has been used in this study as a case in point for the following reasons:

1. The country has recently launched a systematic

- (stage-by-stage) model of organizing and implementing a cooperative development program;
2. The country has a mixed economy that exhibits both economic growth and rising inequality, overtime. Therefore, the social-equity improvement programs (SIP) will remain as a development policy for a long time. Under this policy, complementary programs of agrarian reform and cooperatives development comfortably fit well.
 3. More recently, an unfolding scenario from various studies reported an apparent decline of both the precooperative and cooperatives performance. This dampened the enthusiasm of those who are closely watching the program, particularly the planners and implementors. This further stressed the importance of a theoretical treatise towards developing an effective organization.

This chapter includes a synthesis of key issues addressed in this study. Sections A and B summarize the key issues that were raised in Chapters 2 and 3, respectively. In Section C, a research design is presented, suggestive of "participatory or "bottom-up" research towards cooperative renovation. Concluding observations and/or implications is presented in Section D.

SECTION A

THE PHILIPPINES COOPERATIVE PROGRAM

Summary

1. The objectives were to review the approaches and causes associated with the failure of the program, to describe the trends, and to consider prospects of the Area Marketing Cooperatives (AMC).
2. The first objective was traced according to the legal development of cooperation. The historical epoch or attempts can be categorized into three stages: the economic-administrative crisis stage (1900-1950); the post-war and social upheaval stage (1951-71); and the Martial Rule Stage (1972 and onwards).
3. The first stage covers the colonial, the commonwealth and the government of then a new republic (including the war and the early part of post war era). Under this period, cooperatives on various occasions took the form of transplants of Euro-American models. Limitations were made without pilot testing to fit local-specific conditions. It was a "top-to-bottom" policy generally imposed from above.
4. The second stage covers the post-war community development and, a little later, the "green

revolution." The top-to-bottom scheme and the country-wide application was again mobilized. The cooperatives were used as instruments in distributing relief goods and agricultural credit. The main idea was to overcome people's dissatisfaction during those periods of socio-economic and political crisis. The emphasis on cooperative growth is in terms of quantity as opposed to quality. This can be gleaned both from the mushrooming expansion of numerous types of cooperatives organized and the proliferation of government agencies supervising the cooperatives.

5. The third stage has also been categorized as a top-to-bottom, policy-oriented organization. This time, it can be differentiated with respect to its gradualistic/systematic approach based on the experience specifically of the second stage. "Bigness" with respect to its capital formation and area of operation, the separation of credit, supply-marketing (CSM) functions, institutional linkages and cooperative education and technical information became the guiding principles of cooperative development. It has also been classified as a "holistic and a continuing model" of rural development.
6. The major specific events for each stages can

be described in the following manner:

Stage i. Enactment of Rural Credit Law (credit needs), cooperative marketing law (procurement and marketing needs), general law on cooperatives (tax-exemption needs) and the commonwealth act of creating supervising agency(ies) for cooperatives to supervise and distribute relief goods.

Stage ii. Enactment of the Agricultural Cooperative Act (i.e., creation of ACCFA) to extend credit financing for farm operations and facilities. Also, the enactment of the Non-agricultural Cooperative Act consolidating and integrating non-agricultural cooperative supervising agencies into one body.

Stage iii. Enactment/Decreeing the establishment of a sole government agency, both for agriculture and non-agricultural cooperatives. This was founded basically for a limited resource group of people that have to be mobilized in a gradualistic and systematic manner.

7. A number of failure factors can be gleaned from stage one to three. These are: weaknesses inherent from top-to-bottom policy orientation, lack of local action or participation, inadequate management/leadership competence and the organizational inadequacy as an economic enterprise. It often ended as "state welfare enterprise," i.e., as it existed with overdue/prolong overdependence on government assistance.
8. The New Cooperative System is basically founded on the past experiences. "A Task Force" composed of cooperatives and organizational experts

brainstormed on past issues and came out with a "blue-print" -- the four stages of the new cooperative development program. These are:

Stage i. Organization and development of a precooperative village association called in the vernacular as Samahang Nayon (SN) whose main functions are savings/capital formation, education/training and discipline.

Stage ii. Organization and development of a full-fledged cooperatives called in the vernacular as, Kilusang Bayan, to handle business operations mainly with the SN. The cooperatives are the Area Marketing Cooperative (AMCs) and Cooperative Rural Banks (CRBs).

Stage iii. The establishment of consumer cooperative markets in key urban centers of the country for the purpose of linking cooperative producers to the consumers on a more steady and regular basis.

Stage iv. The integration of cooperatives into a whole system with the National Cooperative Union as the Apex organization. This consists of federating cooperatives at the national level and establishing continuing linkages among different types of cooperatives.

9. The trends and prospects of the AMCs showed solid evidence of the decline in performance, particularly in its operational and financial aspects. Measures of financial viability, such as financial stability, growth potential, efficiency/activity and profitability were all below the suggested standards.
10. The problems identified cover all the following areas:
 - a. Membership issues, i.e., misorientation and lack of understanding;
 - b. Managerial issues, i.e., inadequate --

- if not poor -- management;
- c. Area of operation, i.e. relatively low paid up capital and broad geographical coverage;
- d. Operational/financial issues brought about by the first three problems, which has resulted in the decline in business performance.

SECTION B

TOWARDS A FRAMEWORK FOR ANALYZING FACTORS ASSOCIATED WITH COOPERATIVE EFFECTIVENESS

Summary

1. In this topic, cooperatives are treated as a unique form of organization. The determinants or factors that influence the organizational effectiveness was reviewed with the goal of evolving an analytical framework. With this objective, two categorical frames of reference were established: organization theory and the community resource economics theory. Both were described and the concept of organizational effectiveness was further elaborated. Finally, research gaps were identified.
2. The concept of cooperatives was described with the following elements: definition, schools of thought, and the comparative nature of cooperative and non-cooperative organizations.
3. Two versions of cooperative definitions were described: a simplified form that "a cooperative is a member-owned firm (MOF) or an

extension of farm-firm business entities that is mainly engaged in supplying or marketing products and services for farm businesses; and a comprehensive definition that "cooperatives are 'voluntary' organizations of economic units based on equality, carrying out an 'allocated or self-given' economic objectives." It is a neutral means of organization that served various aims and economic systems.

4. Cooperatives as a "going concern" in various economic systems can be categorized according to three schools of thought: the cooperative enterprise school, the cooperative commonwealth school, and the socialist cooperative school.
5. The distinctive qualifications of the three schools of thought are:

Cooperative enterprise school perceives cooperatives as a means of checking the evils of the capitalistic system and correcting these defects within the system. Cooperatives do not constitute an economic system of their own.

Cooperative commonwealth school goes beyond the improvement of the members economic position, but aims in the long-run to be an economic system based on mutual cooperation. The consumer societies and the emerging socialism in the developing countries embrace this ideal with the cooperative being the dominant type of business organizations.

Socialist cooperative school perceives cooperatives as a transitory medium to Marxist-Leninist type of state socialism. The historical transformation is from capitalism, socialism and, eventually, to communism.

6. The comparative nature of cooperative and non-cooperative organizations revolves around the three principles and two major cooperative practices: service at cost, democratic control and limited return on capital political and religious neutrality; promotion of cooperative education. Seventeen other indicators were reported to distinguish cooperatives from other types of organizations.
7. One of the important analytical frameworks is organization theory. This provides a framework for understanding, explaining and predicting organizational effectiveness. In this conception, the organizational structure and design, motivation and compliance, and social influences, including leadership, group conflict, and organizational change and development interact in determining organizational effectiveness.
8. As applied to cooperatives, the framework demands understanding of organizations with respect to the "how, when, and why" of their designs, structures, coordination and control mechanisms, evaluation procedures and administrative devices. Considering the constraints (e.g. task uncertainty) member-users strive to rationally attain the goals of the dominant

coalition (majority's interest) within the context of an open-systems environment. The task uncertainty is determined by the nature of the task environment (e.g., organizations range of products and services rendered, and populations and area of operations served and by the technologies of the organization).

9. Another analytical framework concerns the emerging theory of community resource economics. This refers to the study of the relationship of the situation, structure, conduct and performance ($S_i S_t CP$) of political economic systems and the like. Another label to this general approach is the Environment-Behavior-Performance (EBP) sequence. This implies classification of the characteristics of the environment and participants of the behavioral modes, as well as classification of outcomes, and the development of meaningful hypothesis about their relationships.
10. As applied to cooperative business, one will note that the different characteristics (e.g., profitability) of goods and services handled by the cooperative enterprise affects performance outcomes. The key point is that knowing whether the cooperatives with the goods and services they handle has real economies of scale (the situational variable) which helps

in hypothesizing and predicting outcomes of alternative policies.

11. Our conceptual frameworks have indicated that organizational effectiveness can be defined and measured as an end-product of both community resource economics (performance) and organization (effectiveness) theory. However, this end product is still inconclusive because of various criteria (e.g., organizational and social systems goal; single vs. multiple/composite criteria and measurement problems (perceptual, indexing, scaling or other numerical problems)).
12. The major research gap revolves around implementation analysis (change-agency and clientele system) and specification assessment (decision-makers) of the cooperative organization. Since a cooperative, as an MOF organization, demands considerable local action and participatory commitment, emphasis should be made on research that identifies members' perceptions regarding how it could be made more effective. In other words, a "bottom-up" approach in organizational development is a relevant approach to cooperatives.

13. The bottom-up approach in organizational development has identified the following critical points:
- . The program innovation proposed for co-operatives should consist of two components: the Cooperative Management Assessment (CMA) and Pilot Program Establishment (PPE).
 - . CMA should be implemented at least one year to component two, i.e., the PPE--a sort of the "state of the art" towards evolving PPE;
 - . A broad base interdisciplinary team should coordinate program development; the entire program innovation should be implemented on a number of preselected pilot areas; and involvement of appropriate clientele-systems group should be incorporated into each area of study.
14. Other research gaps revolve around research needed in the areas of cooperative theories, financial needs vs. growth, cooperatives business and operational performance, membership control mechanisms and market power.

SECTION C

TOWARDS ACTION-RESEARCH DESIGN: THE PROBLEM REVIEW OF LITERATURE AND ANALYSIS DESIGN FOR ORGANIZATIONAL EFFECTIVENESS

Summary

1. This topic satisfies the last objective of the study, i.e., to evolve a research design for organizational (cooperative) effectiveness. It consists of three parts: a) the problem

- of organizational effectiveness is considered as both a background problem and as a problem of measurement-criteria; the nature and mechanisms of member-control is presented in response to conceptualizing organizational effectiveness. Though it primarily serves the behavioral-attitudinal model (BAM), the idea is to integrate the processual model (PM) and goal attainment model (GAM) in the evaluation; b) a review of literature on the success and failure factors of cooperative associations and the survival/growth strategies is presented; and c) an action-research design has been reviewed as an appropriate scheme for cooperatives.
2. The problem definition and study plan enjoined a multidisciplinary approach that can be rationalized in the following manner: a) the need for bottom-up planning vs. the usual top-to-bottom approach in program design and implementation. This is reflective of "participatory research;" b) the deemphasis on managerial dominance (top-to-bottom schemes) to membership control (bottom-up schemes) under the assumption that no good management can exist without the cooperation of members of the organization; c) the deemphasis on subject-matter area treatment of cooperatives as a business enterprise

to a multifirm social and economic "going concern" organizations (even ideological for that matter) that demands a holistic approach in community improvement; and finally d) the influence of structure, appropriate technology and size, and attitudes of the clientele-system helps in performance analysis.

3. The review of literature is conducted with the notion that the effectiveness of the organization is reflected in the local action/resource commitment and participation of the willing and capable clientele-system. Two major parts have been presented: the failure factors and the success factors including the survival/growth strategies.
4. Foremost among the failure factors are: a) mistakes in personnel management and member-public relations; b) mistakes in organization; c) mistakes in business operation; d) inadequate viable linkages, and e) those that pertain to the attitudes behavior of farmer-members and their "low profile" characteristics.
5. The major factors reported to be responsible for the success of cooperatives are: strategic location, capable management, cautious investment to keep the physical plant modern, effective marketing strategies, communications and

member relations, affiliation with viable regional cooperatives, a reputation for good service and a consistent policy of conservative innovation (e.g., competitive pricing with aggressive merchandising).

6. The strategy for growth of coops has been categorized into three strategies:
 - a. General farm product marketing strategies that include forward and backward integration and coordination; bargaining collectively; and maintaining and improving the open-market.
 - b. Organizational strategies: The above conceptual strategies can be operationalized into one or more of several organizational strategies: horizontal integration, diversification (and conglomeration), multicooperative organizations, and joint ventures.
 - c. Facilitating strategies include operationalizing the plan and team work of the board of directors and the management.
7. The most crucial elements in determining the future of farmer cooperatives are heavily focused on members attitude and the skills of the board and management. Specifically, the variables include the following: a) farmers' attitudes toward cooperation; b) member commitment; c) non-cooperative competition in the marketing of farm products; d) the skill and progressiveness of boards and management; e) the availability of capital; f) the involvement of cooperatives in general public policy-issues, and g) the maintenance of

cooperative public sanctions.

8. Action-research is deemed a more appropriate research and development (R&D) technique. It denotes a pioneering approach towards social research that combines the generation of theory with changing the social system through the researcher acting on or in the social system. It consists of a whole circle of activities common in problem-solving: analysis, fact-finding, conceptualization, planning, execution, more fact-finding or evaluation; and then a repetition of these activities. It was later modified into five cyclical phases: a) diagnosing; b) action-planning; c) action-taking; d) evaluating and e) specifying learning.
9. The use of action research is justified on the following grounds: a) that there is a crisis of relevancy or usefulness in the field of organizational science and b) that there exist both underutilization or misuse of research and the research practice gap. These two concepts have been described as causal factors for the misuse of research.
10. Action-research is still being used today. It is being used in clinical or social psychology, public health, social welfare, criminology, community psychology or community development and

in population education. More recently, the concept has been used in agricultural economics under the label of Farming Systems Research (FSR).

11. The FSR aims at analyzing the two main elements of the small farmers environment, namely: the technical and human elements. The human element has been given more emphasis particularly with the "downstream" type of FSR. Farm systems are developed through collaborative efforts between the target farmer (cooperators) and the farm systems researcher. Four stages of FSR relate well to our AR cyclical process: description or diagnosis of present farming system, design of improved systems, testing of improved systems, and extension of improved systems.
12. The implementation procedure of FSR revolves around three components: a) on-farm research; b) experimental station research; and c) the policy context of agricultural research.
13. Briefly described: a) on-farm research is conducted in farmers' fields with the participation of farmers, i.e., effective communication between researchers and the farmers is ensured in designing appropriate farm technologies; b) experiment station research emphasizes the development and screening of new farm

technology(ies) -- the appropriateness of which is further refined and evaluated in on-farm experiments; and c) agricultural policy refers to actions and rules of government implemented in order to meet regional or national development goals.

14. The research process of FSR is illustrated in six stages. The steps in the adaptive research cycle are broken down into 17 steps and will take about 7-9 months to generate feedback reports after the initiation of research.
15. The six stages are: a) the description and interpretation of the farmers situations and the identification of management problems and possible development opportunities; b) the identification of improved agronomic practices and farming methods which, if used, have a potential for improving the welfare of farmers; c) on-farm testing of potential improvements selected as relevant and feasible for target group farmers, given the conditions they face on production; d) the identification of unsolved technical problems of farmers and the incorporation of these problems as priorities in technical research process; e) commodity and multidisciplinary research; and f) the generation of a body of knowledge.

16. The action-research design for organizational effectiveness (ARDOE) is a continuing social-organizational laboratory project. It is of the FSR-variety and links FSR to cooperative activities. This will help the usefulness and relevancy of farmers cooperatives/organizations.
17. The proposed action-research will basically start with a survey of the principal actors--in the MOF case -- the member-owners. The BAM model will be used as the technique; factors perceived by members as needed for changing the performance of cooperatives will be elicited. These conceptually determined set of factors are: a) change in members definition of acceptable performance; b) decline in the cooperative performance; and c) opportunity to improve cooperative performance.
18. A brief explanation of these set of factors is in order: a) the change in members definition of acceptable performance may be influenced by: (1) the environment where the organization operates; (2) the felt-need that change the needs and demands (requirements) of the members; and (3) dissatisfaction, i.e., if other cooperative participants are dissatisfied; b) Declines in the performance of cooperative may be perceived by a member because his definition of

acceptable performance has changed; and c) the perception of the member about the performance of his cooperatives can be changed by the following events: (1) when the existing services of the cooperative are no longer adequate; (2) due to the influence of other cooperative participants notion of inadequate performance; and (3) as a result of the discovery of superior services or supplies offered by other non-cooperative organizations.

19. The mechanisms of control of members of a cooperative involves: a) stay-put-silence (a compliance group therefore not a control mechanism-participants); b) stay-put-voice; c) exit-silence; and d) exit-voice. The description according to their characteristic (profile) and responses to the set of factors will be explored.
20. A tentative description of the categorical groupings for purposes of analysis is in order: a) staying-put and silent -- those without change in purchases, investment, voting, associational activities or gossip with existing and potential members; b) staying-put and exercise voice (speak-up) -- those who indicate

dissatisfaction, demand specific reforms, threaten to organize for reform or use various forms of exit; c) silent-exit -- those who patronize the cooperative business at a diminishing rate or abstain from associational duties and obligations; and d) exit-voice -- those who conceptually terminate membership and voice complaints or dissatisfaction to concerned organizations (private or public) outside the cooperatives.

21. Two kinds of members' perception with improving cooperative performance are: a perception of opportunities which must be pursued and of problems that must be solved. The ramifications of these perceptions will be explored both for high and low resource/performance type of cooperatives.

SECTION D

CONCLUSIONS AND IMPLICATIONS

1. The rise and decline of rural service cooperatives has been a disturbing phenomenon in most of developing countries that have experience in using this instruments of rural development policy. By service rural cooperatives is meant a type of organization

called to service farmer-members in such basic domains as credit, supply, marketing and consumption. Despite their wide geographical coverage and a quite large membership, the effectiveness of service cooperatives has been frequently questioned. Success is considerably less common than failure.

2. The approaches conducted in the Philippines are the usual top-to-bottom-technocratic nature of development planning in LDCs, i.e., the government and the technocrats know best "what is good for the clientele-system." The initial stages of cooperative promotion and development emphasize the number (quantity) that will serve the government's objective of distributing welfare goods and services. Considering the governments goal of wider coverage, the quality type of the organized cooperatives (i.e., survival in the long run) has been relegated. Grass-roots participation in development planning has been minimal if not totally neglected. This basically explains the lack of local action and resource commitment to development projects among the clientele-system. With emphasis in quantity, rather than selectivity and quality, cooperative programs have fallen short of their expected performance.

3. The farmers cooperative can be analyzed according to many disciplinary frameworks. The popular approach is by using a formal organization perspective. This study extends the validity of formal organization theory and, more appropriately, suggests a comprehensive approach by including both the internal and external factors that may influence the effectiveness of the organization. This suggestion is based upon the inadequacy of former organizational constructs that mostly concentrate on the theory of the organization (sociopsychological studies) and/or the so called "theory of the firm" (economic and business/financial studies).
4. It is concluded here that the piecemeal application of the theory of the firm/organization is inadequate to analyze the complex interactions among socio-economic activities and the environmental/natural circumstances of the principal actors (members, management and the society/community of the farmers c-operatives).
5. Furthermore, the received theory of cooperation appears to be a theory of developed organizations in developed economies of European countries and America. The success indicators appear to be present and the timing and needs

for such an organization have been felt from within and by the members. Therefore, if this generalization is valid, the practical application of principles and practices of cooperation is not merely a matter of transfer of cooperative forms, but requires a systematic and appropriate framework to identify which forms are appropriate to the unique role that cooperation will play in a particular situation.

6. Organization exists for members because of one of the following concepts:
 - a. Inducement-contribution concept, i.e., as long as a person receives more inducement than they would from their contribution alone.
 - b. Goal-centered aggregation, i.e., a purposive aggregation of individuals who exert concerted effort toward a common and explicitly recognized goal.
 - c. Transaction cost-minimization, i.e., organizations exist because they can mediate economic transactions between their members more efficiently than market mechanisms under certain goals and performance.
 - d. Socialization-indoctrination mechanisms, i.e., socialization (a motivationally-induced concept) refers to the process by which a new member learns the value system, the norms, and the required behavior patterns of the society, organization or group which he is entering. Indoctrination (mostly a government induced-type) refers to formal socialization of an organization for its own benefit.
7. The controversy over the concept of cooperatives revolves around how the organization is treated:
 - a. Cooperatives like all other organizations can also be viewed as a system of human

interactions. Whether it is appropriate as an economic instrumentality is determined by the manner in which it changes behavioral relations among its participants, particularly the members. This affects the behavior of the firm, other individuals, private and government agencies, which bear some relation to it.

- b. Farmers' cooperatives are member-owned firms or an extension/vertical integration of farm firms jointly operated to provide themselves goods and services at cost. Given this notion, cooperatives cannot pursue an independent "career" of their own.
 - c. Another conceptualization treats the cooperative as an independent managerial or entrepreneurial entities, which can pursue an independent career of its own.
8. It is simply a fact that cooperatives, whether treated as a "going concern" framework, a "vertical integration" of independent units, a "managerial or entrepreneurial independent entity" or any of these combinations, do not become an automatic collective representation of their members and their aspirations and wants.
 9. Therefore, to understand the farmers cooperative in its entirety, data must be collected simultaneously on its historical perspectives along areas of policy and institutional development, production, consumption, investment, and transaction activities. The joint viability of the independent units determine the success of the cooperative enterprise as the dependent unit. The flows of goods and services among farm households, its joint plant (farmer's organization)

and its outside interactions can be consistently documented through the action-research design.

10. It is further concluded that the study design should start with the members as the principal actor in organizational development and change. This view is inherent from the nature of success experienced in the received theory of cooperation ... that members know best and act upon rationally. The mechanism of members control in their organization is purportedly designed to test the validity of the bottom-up-technocratic-reformist approach in development planning.
11. It takes more than a cooperative enabling act to provide the foundation for effective cooperation. Even if the European models are appropriate in LDCs, a variety of complementary and sustained reform, as experienced in Japan and Taiwan, may be required. It is to be noted that in pre-war Japan and through the entire history of Taiwan, the food and commodity policy, price stabilization, and subsidization of agriculture have been executed through the agricultural cooperatives.
12. Other than the legislative support needed, the primary obstacle to a viable cooperative development

program is the "unwillingness of the government in LDCs to alter the institutional environment so that the movement has a better chance of success."

13. Therefore, granting this government "all out" support, there is a need to focus assistance on those cooperatives where we can derive maximum benefit and obtain greater impact on the economy (members, management staff and the society). This policy of selectivity demands a challenge that cooperatives can be made to succeed.
14. The past observation on cooperative experiences suggest that the emphasis has been on supportive activities rather than on stimulating or sustaining activities. Technical consultancy or utility-focused research per requirements of the area is barely present, if not totally absent.
15. Stimulating activities seem to be undertaken more as seasonal production activities rather than in a systematic phase manner (flexible enough to identify the felt-needs and the situational demands of the particular area at a particular time). It is suggested, therefore, that farm system research be undertaken to sustain production activities. The marketing innovation

has yet to be developed as a counterpart of the production innovation.

16. It is also suggested that attempts to promote responsive farmers organization should be backed by comprehensive, long-term policies and supported by well-organized and effective institutions. A balanced program of stimulating and sustaining activities should be integrated as a function of these institutions. A systematic and monitored utility-focused research should be added along with effective training and educational programs for all the participants in the cooperative/organizational development.
17. Finally, reiterating our understanding, the proponents of cooperativism maintain that cooperatives can be a vital rural development tool by bringing the limitedly endowed people and their community into the mainstream of economic activity. To do this, cooperatives must first be an economically viable organization. This viability or other measures of organizational effectiveness depends upon the several set of factors, namely: 1) those that belong to organizational (firm) factors; and 2) those that can be categorized into community resource (industry) factors.

- a. Organizational Factors. It can be concluded that the necessary conditions for successful operation of a marketing co-operatives, at least, on farm-firm basis are:
1. Economic need for an organization
 2. A capable sales manager
 3. An adequate volume of business
 4. Use of sound financial practices
 5. Fulfillment of responsibilities by the board of directors
 6. Utilization of effective channel of communication both for technical information and cooperative matters
 7. Members loyalty.

In addition, the greater the economic opportunities in terms of commerciability of the product, the greater the number of members involved in the decision-making process. Also, the greater the frequency of personal contact among the participants within the co-operative, the greater will be the tendency toward retention of active members and, consequently, the maintenance of the high volume of business: the basic requisites for successful performance.

- b. Community Resource Factors. The differences in: 1) the ethnic origins and the cultural heritage of the people; 2) their natural resource; 3) geographic and socio-economic circumstances; and 4) the institutional infrastructure among the different regions of the country, may have caused substantial disparities in individual/group predispositions, their income, employment, growth of institutions and economic development. In view of this, it might have been possible that the effectiveness of organizations serving the farmers was influenced by these developmental factors, including environmental, situational, institutional and other policy variables beyond the control of the farmers. In this treatise, these are labelled as "community resource factors" superimposed over the structure, conduct, and performance of the organization.

Therefore, in creating appropriate organizations, organizational features must be selected by reference to the background, or nature, of the problem at hand and consider

the social, economic, natural and institutional circumstances surrounding the clientele-system. Herein lies the fundamental policy, administrative, and research problem that is resolvable through exploratory and the case-to-case approach in organizational change and development.

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APPENDICES

APPENDIX 1

List of Organized Area Marketing
Cooperatives as of December 31, 1978

**LIST OF ORGANIZED AREA MARKETING COOPERATIVES
AS OF DECEMBER 31, 1978**

Region and/or Seq. No.	Area Marketing Cooperative	Registration Date	CAPITAL STRUCTURE (In Thousand Pesos)				Scope of Operation	Status
			Auth	Subs	PD/UP			
Reg I								
1	Benguet AMC	7 Sept 1976	P 2,500	P 500	P 100		Province-wide	Operational
2	Ilocos Norte AMC	—	—	—	—		-do-	Organized
3	Ilocos Sur AMC	1 Sept 1976	2,500	500	100		-do-	Operational
4	La Union AMC	6 June 1977	2,500	500	100		-do-	Operational
5	Eastern Pangasinan AMC	30 Apr 1976	3,975	885	180		Multi-Mun.	Operational
6	Western Pangasinan AMC	—	—	—	—		-do-	Organized
Reg II								
7	First Isabela AMC (Cauayan)	6 Jan 1975	2,000	450	128		Province-wide	Operational
8	Cagayan-Kalinga-Apayao AMC	12 March 1975	2,500	519	130		-do-	Operational
9	Nueva Vizcaya AMC	5 May 1975	2,500	565	147		Multi-Mun.	Operational
Reg III								
10	Zambales AMC	—	—	—	—		Province-wide	Under study
11	South Nueva Ecija AMC	18 May 1973	1,000	417	223		Multi-Mun.	Operational
12	North Nueva Ecija AMC	9 Nov 1973	500	303	332		-do-	Operational
13	Central Nueva Ecija AMC	15 Jan 1975	5,000	1,140	285		-do-	Operational
14	North Bulacan AMC	21 Mar 1975	2,500	500	11		-do-	Operational
15	Central Bulacan AMC	6 June 1976	2,500	500	178		-do-	Operational
16	Pampanga AMC (San Fernando)	8 Aug 1975	2,000	480	124		-do-	Operational
17	Tarlac AMC (Tarlac)	23 Dec 1975	2,500	635	169		-do-	Operational
Reg IV								
18	Batangas AMC	25 Jan 1978	2,000	435	103		Province-wide	Operational
19	Cavite AMC	12 Jan 1978	500	100	100		-do-	Operational
20	Laguna AMC	—	2,500	500	100		-do-	Organized
21	Mina de Oro AMC	18 Nov 1976	2,500	500	136		-do-	Operational
22	Eastern Quezon AMC	11 June 1976	2,500	510	127		Multi-Mun.	Operational
23	Central Quezon AMC	24 Mar 1977	2,500	572	124		-do-	Operational
Reg V								
24	Albay AMC	28 June 1976	2,500	515	110		Province-wide	Operational
25	Camarines Norte AMC	—	—	—	—		-do-	Operational
26	Camarines Sur AMC	11 June 1976	2,500	500	108		-do-	Operational
27	Sorsogon AMC	—	—	—	—		-do-	Organized

[illegible]

APPENDIX II

**Presidential Decree No. 175:
Strengthening the Cooperative
Movement**

MALACANANG
Manila

PRESIDENTIAL DECREE NO. 175
STRENGTHENING THE COOPERATIVE MOVEMENT

WHEREAS, a parallel measure to the emancipation of tenant-farmers from feudal bondage, as provided for in Presidential Decree No. 27 and dated October 21, 1972, is a provision for a strong social and economic organization and system to ensure that they will enjoy on a lasting bases the benefits of agrarian reform;

WHEREAS, there are equally less fortunate segments of our society who are in need of social and economic amelioration and should have the right to enjoy the privilege of self-development, social growth and economic independence under a truly just and democratic society;

WHEREAS, There is a need to increase income and purchasing power of the low-income sector of the population in order to attain a more equitable distribution of income and wealth:

WHEREAS, the cooperative institution is a means of attaining a more equitable distribution of income and wealth and providing the common man a dignified level of existence;

WHEREAS, the Bayanihan Spirit is an inborn trait of the Filipino people which if properly guided can serve a strong foundation of cooperative institutions;

NOW THEREFORE, in order to effect the desired changes and reform in the economic, social and political structure of our society, I, FERDINAND E. MARCOS, President of the Philippines, by virtue of the powers in me vested by the Constitution as Commander-in-Chief of the Armed Forces of the Philippines, and pursuant to Proclamation No. 1081, dated September 21, 1972, and General Order No. 1 dated September 22, 1972, do hereby order and decree the following:

Section 1. Declaration of Policy - It is hereby declared the policy of the State to foster the creation and growth of cooperatives as a means of increasing income and purchasing power of the low-income sector of the population in order to attain a more equitable distribution of income and wealth.

Section 2. Cooperative Defined - Cooperative shall mean only organizations composed primarily of small producers and of consumers who voluntarily join together to form business enterprises which they themselves own, control and patronize.

A small producer shall mean a self-employed individual who, by himself or with his family provides the primary labor requirements of his business enterprise or one who earns at least

(f) To own and dispose of property to enter into contract to sue or be sued and to do and perform such other acts as may be necessary in the pursuit of its objectives.

Section 5. Privileges of Cooperatives - Cooperatives shall enjoy the following privileges:

(a) Exemption from income taxes and sales taxes provided that a substantial portion of the net income of the cooperative is returned to members in the form of interest and or patronage refunds; Provided, further, that for income tax purposes, non-agricultural cooperatives shall be exempt for a period of five (5) years and agricultural cooperatives for a period of ten (10) years reckoned from the date of registration with the Bureau of Cooperatives Development; Provided, finally, that the taxable income shall mean that portion of the cooperative's income after deducting the interest paid to members and patronage refunds;

(b) In areas where appropriate cooperatives exist, the preferential right to supply rice, corn and other grains, fish and other marine products, meat, eggs, milk, vegetables, tobacco and other agricultural commodities produced by members of the cooperatives concerned to State Agencies administering price stabilization programs; and

(c) In appropriate cases, exemption from the application of the Minimum Wage Law upon the recommendation of the Bureau of Cooperatives Development subject to the approval of the Minister of Labor.

Section 6. Financial Assistance to Cooperatives - There is hereby created a Cooperative Development Loan Fund for the development of the cooperative movement.

(a) Sources of funds - This fund shall be financed from the following sources:

- 1) General appropriations
- 2) Proceeds of sales of US Public Law 480 commodities
- 3) Foreign loans or proceeds of sales of commodity loans
- 4) Grants and donations
- 5) Levies imposed by existing laws on agricultural commodities for the development of cooperatives; and
- 6) Such other sources as are now provided by existing laws or as may be provided for in the future.

(b) Uses - This Fund shall be utilized for the following purposes:

- 1) Source of loanable funds to cooperatives;

- 2) Serve as a guarantee for loans granted to cooperatives; and
- 3) Source of advances to cooperatives for the purchase of equity of rural banks.

In no case shall any portion of this fund be utilized for direct loans to farmer members. As far as practicable, funds shall be channelled through existing government and private financial institutions.

(c) Administration of fund - For purposes of administering the fund, there is hereby created a Management Committee composed of:

- 1) A representative of the Ministry of Local Government and Community Development who shall serve as Chairman;
- 2) A representative of the Central Bank of the Philippines;
- 3) A representative of the Philippine National Bank;
- 4) A representative of the Ministry of Agriculture and Natural Resources;
- 5) A representative of the Ministry of Agrarian Reform; and
- 6) Two representatives of the Cooperative Movement designated by the Minister of the Ministry of Local Government and Community Development.

The Management Committee shall have the power to administer this fund and prescribe rules and regulations for its utilization.

(d) Other financial assistance - the Agrarian Reform Fund Commission, Food Terminal, Inc., National Development Corporation or their subsidiary institutions or the subsidiary institutions of any government financial agency or any government agency is authorized to establish or acquire fixed facilities such as storage facilities, requiring large long-term investment which shall be leased or sold to cooperatives. Likewise, cooperatives shall have preferential right to purchase or lease existing facilities as herein above specified belonging to other government institutions and agencies.

Section 7. Management and Training Assistance - There is hereby established a Management and Training Assistance Program. It shall create a Central Management and Training Pool to be composed of top caliber managers, who may be assigned to actively manage a cooperative or cooperatives for the prime purpose of training an understudy or understudies to assume management thereafter. In this connection, it may contract for and defray the cost of professional managers and/or firms who shall actively manage cooperatives as part of the training program. Cooperative

managers contracted for this purpose shall be exempt from WAPCO salary rates. Training programs to develop cooperative managers may be undertaken by any existing educational or other institutions on contract basis.

Suitable and practical management materials and guides shall be developed for the use of cooperative managers.

The Management and Training Assistance Program shall be administered by an Advisory Board of five members to be appointed by the Minister of the Ministry of Local Government and Community Development, at least two of whom shall come from the cooperative system, and one from the Ministry of Agrarian Reform.

The Management Training Program shall be financed from the following sources:

- (a) General appropriations;
- (b) Income from the Cooperative Development Loan Fund;
- (c) Grants and donations; and
- (d) Contribution from cooperatives.

Section 8. Powers of Regulatory Agency - The Ministry of Agriculture through the Bureau of Cooperatives Development is vested with full authority to promulgate rules and regulations to govern the promotion, organization, registration, regulation and supervision of all types of cooperatives. Specifically, it shall have the following powers:

(a) To call on any office, agency, instrumentality or individuals belonging to the government or private sector for such assistance as may be needed.

(b) To register new cooperatives, re-register existing cooperatives and regulate and supervise the following types of cooperatives

- 1) Barrio Associations which shall have the provisional status of a cooperative and serve the requirements of Presidential Decree No. 27 in the issuance of certificates of land transfer;
- 2) Local or primary cooperatives which shall be composed of natural persons and/or barrio associations;
- 3) Federations which shall be composed of cooperatives which may or may not perform business activities.
- 4) Unions of cooperatives which shall not perform any business activities.

Provided that, in the case of re-registration, the cooperative shall file its application or petition for re-registration within a period of six (6) months from the date of promulgation of this

Decree, and its corporate existence shall be deemed to continue until the application or petition is approved or denied; and Provided, further, that for purposes of re-registration, Section 2 and 5 (a) hereof shall not be applicable to existing cooperatives which do not meet the qualification requirements provided for in this Decree.

(c) To determine the manner and extent by which powers, privileges, assistance and support granted to cooperatives provided by this Decree shall be exercised or enjoyed by cooperatives;

(d) To suspend the operation or cancel the registration of any cooperative after hearing and when in its judgement and based on findings, such cooperative is operating in violation of this Decree, rules and regulations, existing laws as well as the bylaws of the cooperative itself;

(e) To liquidate and to determine disposal of assets and settlement of liabilities of any cooperative which has been inoperable, inactive or defunct or any cooperative violating the penal provisions herein provided;

(f) To recommend charges to be filed against any official of any cooperative who has committed crimes against the cooperative or who has violated the penal provisions herein provided; and to establish rules and regulations governing the suspension and/or expulsion of any members of a cooperative;

(g) To condone the principal and/or accumulated interest on past due production and/or farm improvement loans extended by the defunct Agricultural Credit and Cooperative Financing Administration and the Agricultural Credit Administration to farmer members of agricultural cooperatives, and to authorize writing off of bad debts or bad accounts of agricultural cooperatives arising from loans granted by the Agricultural Credit Administration subject to the rules and regulations to be promulgated jointly by the Ministry of Local Governments and Community Development and the Ministry of Finance;

(h) To recommend charges to be filed against non-farmers who through misrepresentation have secured loans from the Agricultural Credit and Cooperative Financing Administration or the Agricultural Credit Administration through Agricultural Cooperatives;

(i) To authorize the collection by barrio associations and cooperatives past due loans granted by the Agricultural Credit and Cooperative Financing Administration or the Agricultural Credit Administration on a commission basis; and

(j) To authorize cooperatives to collect amortizations on lands under Presidential Decree No. 27.

fifty percent of his gross income from the payment proceeds or income of the labor he provides.

Section 3. Cooperative Principles - A cooperative shall be governed by the following principles:

(a) Open membership - Membership in a cooperative should be ~~voluntary~~ and available without artificial restriction or any social, political, racial or religious discrimination to all persons who can make use of its services and are willing to accept the responsibilities of membership.

(b) Democratic control - The cooperative is meant to be collectively owned and controlled by its members. As such, the supreme power in a cooperative society resides in the general membership, where each member is entitled to one vote, regardless of the amount of capital he has contributed. The affairs of the cooperative shall be administered by persons elected or appointed in a manner agreed by the members accountable to them. In other than primary cooperatives, administration shall be conducted in a suitable democratic form.

(c) Limited interests to capital - Share capital shall earn only limited interests, the maximum rate of interest to be established by the Bureau of Cooperatives Development, Ministry of Agriculture from time to time.

(d) Patronage refund - Net income after the interest on capital has been paid shall be redistributed among the members in proportion to their patronage.

Section 4. Powers of Cooperatives - Cooperatives shall have the following powers:

(a) To exercise the same rights and privileges given to persons, partnerships and corporations provided under existing laws;

(b) To establish and operate business enterprise of all kinds as their needs dictate and their capabilities allow subject to the provisions of existing laws;

(c) To establish rural banks under the Rural Bank Act and/or to purchase government held preferred shares of rural banks which may be converted to voting common stocks, under the rules and regulations to be promulgated by the Monetary Board of the Central Bank and the Agrarian Reform Fund Commission;

(d) To enjoy all the privileges and incentives granted by the NACIDA Act and those granted by all government agencies to business organizations under existing laws, provided that all requirements are met;

(e) To petition the government to expropriate idle urban or rural lands for agricultural production, cottage industry, business or housing purposes; and

Section 9. Penal Provisions - (a) No person or group of persons other than cooperatives registered pursuant to the provisions of this Decree shall use in its name the word cooperative or its equivalent in the vernacular with intent to defraud. Violators shall be fined Two Thousand (P2,000.00) pesos. In case of insolvency, a subsidiary imprisonment of not more than ~~six (6) months shall be imposed.~~

(b) Any official of the cooperative, elected or appointed, who commits crimes against the cooperative shall be penalized in the same way as if such official were a civil servant, with disqualification of holding any elective or appointed office.

(c) Any official of the State, elected or appointed and not belonging to the Ministry of Local Government and Community Development, who willfully and unduly interferes with the business activities and internal affairs of any cooperative shall be penalized by a fine of not more than five thousand pesos (P5,000.00) and/or imprisonment of not more than six (6) months.

(d) Individuals who are found to have organized cooperatives for the evident purpose of taking advantage of the privileges granted to cooperatives under this Decree and who operate such organizations in clear violation of cooperative principles herein set forth as adjudged by a competent court shall be subject to attachment of all their assets in such organizations and such organizations shall summarily be stopped from operating without prejudice to other penalties as provided for by existing laws.

Section 10. Separability Clause - If any provision, provisions, part or parts of this Decree is declared unconstitutional, such declaration shall not invalidate the other provisions hereof.

Section 11. Repealing Clause - All past cooperative laws are hereby repealed. Portions or parts of any other laws inconsistent herewith are likewise repealed. The Ministry of Agriculture through the Bureau of Cooperatives Development shall promulgate within thirty (30) days from date hereof the rules and regulations for the effective implementation of this Decree and upon approval by the President of the Philippines shall have the force and effect of law. These rules and regulations may be amended, modified or abrogated as the circumstances may so demand.

Done in the City of Manila, this 14th day of April, in the year of Our Lord, nineteen hundred and seventy-three.

(SGD.) FERDINAND E. MARCOS
President

Republic of the Philippines

By the President:

(SGD.) ALEJANDRO MELCHOR
Executive Secretary

LETTER OF IMPLEMENTATION No. 23
RULES AND REGULATIONS IMPLEMENTING
PRESIDENTIAL DECREE NO. 175

IMPLEMENTING PRESIDENTIAL DECREE NO. 175 DATED APRIL 14, 1973
~~GOVERNING THE ORGANIZATION, ADMINISTRATION AND SUPERVISION OF~~
SAMAHANG NAYON (BARRIO ASSOCIATIONS) AND KILUSANG BAYAN
(COOPERATIVES).

Pursuant to the provisions of Section 11 of Presidential Decree No. 175, dated April 14, 1974, the following regulations governing the organization, administration and supervision of Samahang Nayon (barrio association) and Kilusang Bayan (cooperatives) are hereby promulgated for the information and guidance of all concerned.

Regulation 1. Title - These regulations shall be known as the regulations implementing the provisions of Presidential Decree No. 175, dated April 14, 1973, entitled "Strengthening the Cooperative Movement."

REGULATIONS ON SAMAHANG NAYON AND OTHER
PRE-COOPERATIVE ORGANIZATIONS

Regulation 2. Samahang Nayon (Barrio Association) - Samahang Nayon is a body corporate composed primarily of small farmers residing and/or farming within the geographical limits of a barrio for the purpose of improving the quality of life of the barrio people.

The term farming refers to the culture and production of grains, livestock and dairy, poultry and eggs, vegetables including mushrooms, fruits, fiber, forest and forest products, pasture land, sugar, palm and oil trees, as well as the activities of fishing and other marine products, horticulture and apian culture.

A small farmer is one who is the actual tiller whether full-owner, amortizing owner or lessee of not more than seven (7) hectares of rice or corn land or their equivalent in other crops as determined by the Ministry of Local Government and Community Development, hereinafter referred to as the Ministry.

Regulation 3. Who May Organize - Twenty-five or more persons primarily small farmers, Filipino citizens, residing and/or farming in the proposed area of operation, may organize themselves into a Samahang Nayon. For purposes of registration, at least fifteen incorporators must sign the articles of incorporation.

Regulation 4. Articles of Incorporation - The articles of incorporation duly signed, shall be acknowledged by the incorporators before a Notary Public or other officers authorized to take acknowledgments.

No articles of incorporation shall be registered unless the same conforms substantially with the model articles of incorporation prescribed by the Bureau of Cooperatives Development, hereinafter referred to as the Bureau.

Regulation 5. By-laws- All Samahang Nayon shall adopt for their management a code of by-laws.

No by-laws shall be registered unless the same conforms substantially with the model by-laws prescribed by the Bureau.

Regulation 6. Effects of Registration - Upon registration and the issuance of the corresponding certificate, the Samahang Nayon shall be a corporate body with the following powers:

- a. To own and dispose of property;
- b. To enter into contracts;
- c. To sue and to be sued; and
- d. To do and perform such other acts as may be necessary in the pursuit of its objectives.

Regulation 7. Membership - Persons of fifteen years of age or over, or who are heads of a household residing and/or farming within the geographical boundaries of the barrio may apply for membership. Before one is accepted as a member, he shall be required to:

- a. Complete a prescribed pre-membership training course;
- b. Pledge to adopt improved farming practices;
- c. Pledge to comply with a savings program;
- d. Pay the required membership fees; and
- e. Agree to comply with the stipulations of the Samahang Nayon membership agreement. All agreements shall conform substantially with the model membership agreement prescribed by the Bureau.

No person shall be a member of more than one Samahang Nayon.

Regulation 8. Grounds for Suspension/Expulsion of Members - The following are the grounds for suspension/expulsion from a Samahang Nayon.

- a. Failure to pay membership fees, dues or contributions;
- b. Failure to comply with any of the duties of membership;
- c. Failure to comply with the terms and conditions of the membership agreement;

d. Act or omission injurious or prejudicial to the Samahang Nayon; and

e. Such other grounds as may be provided for by the Ministry.

Regulation 9. Barrio Guarantee Fund and Barrio Savings Fund - All Samahang Nayon shall adopt and implement the barrio guarantee fund and barrio savings fund programs as prescribed by the Ministry through the Bureau.

A Barrio Guarantee Fund for the Samahang Nayon is hereby constituted for the following purposes:

a. To guarantee the payment of land amortizations of members within the purview of Presidential Decree No. 27;

b. To capitalize full-fledged cooperatives;

c. To purchase shares of stocks of and/or to capitalize rural banks and development banks; and

d. To be used for other purposes as may be authorized by the Ministry through the Bureau.

Members of the Samahang Nayon shall contribute to this Fund a minimum of one cavan of palay per hectare per harvest or its equivalent.

To implement the barrio saving fund program, the Agricultural Credit Administration, the rural banks, the Philippine National Bank and other authorized financial institutions are hereby directed to automatically deduct from every production loan of members of Samahang Nayon an amount equivalent to five percent (5%) of such loans. Such amount shall be deducted at the time the loan is released and shall be held in a special time deposit account in the name of the Samahang Nayon for the account of the member. Members who do not obtain production loans shall contribute a minimum amount of five pesos (P5.00) per month).

The mechanics for the administration, utilization and disposition of funds under the barrio guarantee fund and the barrio savings fund programs shall be as prescribed by the Ministry through the Bureau.

Regulation 10. Grounds for Suspension/Cancellation of Certificate of Registration - The operation of a Samahang Nayon may be suspended or its registration cancelled by the Minister of the Ministry, after hearing, in the following cases:

a. Where such Samahang Nayon fails to function within a period of six months from the date of registration;

b. Where such Samahang Nayon fails to exercise any of its powers or discharge any of its duties and responsibilities under the membership agreement;

c. Where the percentage of amortizing owners in default in such Samahang Nayon exceeds 20%; and

any law of the Philippines; and the marketing contracts and agreements entered into by kilusang bayan and their members shall be considered not to be illegal nor in restraint of trade nor contrary to the provisions of any law or statute enacted against pooling or combinations.

~~Regulation 18. Who May Organize - Any group of small pro-~~
ducers and of consumers, Filipino citizens, of legal age, residing/
working in the proposed area of operation, may organize a kilu-
sang bayan subject to the rules and regulations promulgated
by the Ministry through the Bureau.

A group of Samahang Nayon or other pre-cooperative organiza-
tions may organize a kilusang bayan.

Regulation 19. Articles of Incorporations - Articles of in-
corporation of a proposed kilusang bayan shall be signed by at
least fifteen (15) incorporators if the membership is composed
of natural persons, or by at least ten (10) incorporators
represented by their presidents if the membership is composed
of Samahang Nayon or other pre-cooperative organizations, and
acknowledged by them before a notary public or other officers
authorized to take acknowledgments.

No articles of incorporatioh shall be registered unless the
same conforms substantially with the model prescribed by the
Bureau.

Regulation 20. Treasurer's Sworn Statement - The Bureau
shall not register a kilusang bayan unless the articles of in-
corporation is accompanied by a sworn statement of the treasurer
elected/appointed by the incorporators showing:

a. In the case of a kilusang bayan with capital stock, that
at least twenty per centum (20%) of the number of authorized
shares of capital stock has been subscribed and that at least
twenty per centum (20%) of the subscription has been paid to him
in cash; or

b. In the case of a kilusang bayan without capital stock,
the number of members and the amount of their capital contri-
bution paid to him in cash. The payment/or transfer under
clauses (1) and (b) of this Regulation is for the benefit and
to the credit of the kilusang bayan. The Director of the Bureau
shall satisfy himself that the capital contribution of members
under this Regulation is sufficient for the initial operation
of the kilusang bayan.

Regulation 21. Code of By-Laws - Each kilusang bayan to be
registered shall adopt a code of by-laws. The by-laws shall
be filed with the Director of the Bureau at the time of the
filing of the articles of incorporation.

No code of by-laws shall be registered unless the same
conforms substantially with the model prescribed by the Bureau.

Regulation 14. Merger/Amalgamation - Provisional cooperatives are authorized to merge or amalgamate in order to qualify for registration or re-registration as kilusang bayan, in which case, the procedures set in Regulations 25 and 26 shall be followed.

~~REGULATIONS ON KILUSANG BAYAN (COOPERATIVES)~~

Regulation 15. Organizations Considered as Kilusang Bayan - Kilusang bayan shall mean only organizations which have complied with the requirements of Presidential Decree No. 175, these rules and regulations, as well as the requirements of the Ministry through the Bureau.

For purposes of Section 9 of Presidential Decree No. 175, the term kilusang bayan shall be considered as the equivalent of the term "cooperatives" in the vernacular.

Regulation 16. Purposes - A kilusang bayan may be registered for the mutual benefit of the members thereof, who have for their common objectives any lawful purpose or purposes, more particularly the following:

- a. To encourage scientific production and marketing among the members;
- b. To provide goods, services and other requirements to the members;
- c. To encourage thrift among the members;
- d. To create funds and extend credit to the members for productive and provident purposes;
- e. To build houses or to acquire lands for the members;
- f. To insure against losses of the members;
- g. To promote and advance the economic, social and educational condition of the members;
- h. To undertake such other activities calculated to help the members solve their problems on a cooperative basis;
- i. To coordinate and facilitate the activities of kilusang bayan; and
- j. To establish, own or operate rural banks, cooperative banks, development banks, cooperative insurance and cooperative wholesale and retail complexes.

Regulation 17. Kilusang Bayan are not in Restraint of Trade - Any registered kilusang bayan shall be deemed not to be a conspiracy nor a combination in restraint of trade nor an illegal monopoly, nor an attempt to lessen competition or to fix prices arbitrarily or to create a combination or pool in violation of

The resolution stating the reasons for and the decision for the transfer and the resolution of acceptance both approved by a vote of two-thirds (2/3) of all the members entitled to vote at the general assembly of the kilusang bayan transferring and the kilusang bayan accepting the transfer held separately for the purpose, shall be transmitted to the Regional Director of the Ministry who shall process the same and transmit the papers together with his recommendation to the Director of the Bureau. If the Director of the Bureau approves the transfer, he shall cancel the registration of the transferring kilusang bayan and order the transferee kilusang bayan to prepare a financial statement together with its schedule.

Regulation 27. Division of Kilusang Bayan - Division of a kilusang bayan into two or more kilusang bayan is to be effected when the exigencies of the business warrant and demand, provided that the viability of the groups is assured. All such divisions shall be approved by a vote of two-thirds (2/3) of all the members entitled to vote at a general assembly called specifically for such purpose. The board shall place for approval the plan for the division of membership, business, assets, and the liabilities of, and claims against the kilusang bayan. The approved resolution duly certified to by the secretary and attested by the board of directors of the kilusang bayan shall be submitted to the Regional Director of the Ministry who shall within ten (10) days from receipt thereof, transmit the papers to the Director of the Bureau, together with his comments and recommendation. If the Director of the Bureau is satisfied of the need for the division, and the proposed kilusang bayan have fair chances to success, then he shall approve the division.

Upon approval of the division, each division shall submit a new set of articles of incorporation and by-laws and other papers that are required for registration to the Regional Director of the Ministry who shall process the same and transmit the papers together with his recommendation to the Director of the Bureau.

The new kilusang bayan shall become bodies corporate upon the issuance of their respective certificates of registration by the Director of the Bureau. The Director of the Bureau shall thereafter cancel the registration of the old kilusang bayan.

Regulation 28. Claims of Creditors - The Director of the Bureau shall not approve any division unless there is a resolution binding the new kilusang bayan to be jointly and severally liable for valid claims of creditors. In case of mergers, the new kilusang bayan shall bind itself to be liable for valid claims of creditors.

Regulation 22. Limited and Unlimited Liabilities - A kilusang bayan which has for its purpose(s) one or more of those specified under Regulation 16, may be registered with limited or unlimited liability; provided, that the liability of a kilusang bayan which has a kilusang bayan as a member shall be limited.

In the case of a kilusang bayan with limited liability, ~~a member shall be liable for the debts of the kilusang bayan to~~ the extent of the unpaid amount of his subscription to the capital stock or to the membership capital.

In the case of a kilusang bayan with unlimited liability, a member shall, upon the liquidation of the kilusang bayan, be jointly and severally liable for the debts of the kilusang bayan.

Regulation 23. Evidence of Registration - A certificate of registration signed by the Director of the Bureau shall be conclusive evidence of registration unless it is proven that the same has been cancelled.

Regulation 24. Effect of Registration - Upon registration, the kilusang bayan shall be a body corporate.

Regulation 25. Merger - Two or more kilusang bayan may join together as a single kilusang bayan upon a resolution of each kilusang bayan as approved by a vote of two-thirds (2/3) of all the members entitled to vote in a membership meeting held for the purpose. The resolution shall state the reasons for such consolidation and shall be certified to by the secretary and attested by the board of each kilusang bayan.

The kilusang bayan which have decided to consolidate shall make a physical inventory and valuation of their total assets and a statement of their total liabilities. The sum total of the assets and liabilities shall constitute the assets and liabilities of the new kilusang bayan. The certificate of registration of the consolidating kilusang bayan shall be cancelled and a certificate of registration shall be issued to the new kilusang bayan.

Evidence of membership contributions shall be surrendered to the new kilusang bayan and new forms for membership contributions shall be issued in lieu thereof.

Regulation 26. Transfer of Assets and Liabilities of Kilusang Bayan - A kilusang bayan transferring its assets and liabilities to another kilusang bayan shall make a physical inventory and valuation of its assets and its liabilities to be duly certified to by the treasurer/manager and attested by the board of directors. Said transfer shall be duly acknowledged in writing by the manager of the transferee kilusang bayan and concurred in by its board of directors.

b. Having conflicting interest with the business of the kilusang bayan;

c. Having been absent for three (3) consecutive board or committee meetings without being excused.

d. Having been removed from office by the general assembly;
and

e. Being a full time employee of the kilusang bayan concerned.

Regulation 34. Revomal of Officer, Director or Committee Members - An elected officer, director or committee member may be removed by a vote of the majority of the members entitled to vote at an annual or special general assembly. The person involved shall have an opportunity to be heard at said assembly.

Regulation 35. Contract for Profit Prohibited - No director, officer, committee member or employee, during the term of his office, shall be directly or indirectly a party to a contract for profit with the kilusang bayan.

Regulation 36. Illegal Acts of Cooperative Officials and Employees - The directors, committee members, officers and employees of the kilusang bayan shall, in the discharge of their respective duties, act in accordance, with the Decree, regulations, by-laws and resolutions of the general assemblies, and for any willful and deliberate violations of the above, those responsible shall be held jointly and severally liable up to the extent of the damage or prejudice suffered by the kilusang bayan.

Regulation 37. Purchase of Shares of Stocks of Rural Banks - Samahang Nayan(s) and kilusang bayan(s) shall have the option to purchase government-held preferred shares of rural banks as well as common stocks therein.

For this purpose, Samahang Nayan are authorized to utilize the sum of money existing under their barrio guarantee fund and barrio savings fund programs. In any case, any government held preferred shares so purchased shall be converted to voting stocks. Where any of the shares of stocks are owned by Samahang Nayan or kilusang bayan, they shall be allotted membership in the board of directors of the rural bank in proportion to the equity they hold vis-a-vis the equity of other stockholders. In any case, at least one member of the board of directors of the rural bank shall be duly authorized representative of the Samahang Nayan(s) and/or kilusang bayan(s).

Regulation 38. Establishment of Rural Banks - Samahang Nayan(s) and/or kilusang bayan(s) are authorized to establish rural banks in any province(s) or locality and may operate branches as needs of members would require. Credit cooperatives may register as rural bank or private development bank. Such rural banks shall conduct business within the area of operation

MEMBERSHIP

Regulation 29. Membership in Kilusang Bayan - The following may qualify for membership in a kilusang bayan:

- a. Any natural person who is:
 - 1. A citizen of the Philippines;
 - 2. Of legal age and with capacity to contract or head of a family; and
 - 3. A small producer or a consumer in the area of operation of the kilusang bayan.
- b. Any member of a Samahang Nayon.
- c. A registered Samahang Nayon, or other pre-cooperative organization.
- d. Any registered kilusang bayan.

Regulation 30. Membership of Minors - Persons of at least 15 years of age who have visible means of income through their own independent work and effort and who can in addition comply with the qualifications for membership may likewise qualify for membership in a kilusang bayan.

Regulation 31. Final Authority in a Kilusang Bayan - Final authority in every kilusang bayan shall be vested in the general assembly of the members.

BOARD OF DIRECTORS AND COMMITTEES

Regulation 32. Board of Directors and Committees - A kilusang bayan shall be managed by a board of directors of not less than five nor more than fifteen directors elected by the general assembly for a term fixed in the by-laws but not exceeding two years and shall hold office until their successors are elected and have qualified or until are removed. The by-laws may provide for such committees as its business and operations may require. Officials of the Ministry and the Bureau may serve as members of the board of directors of any kilusang bayan upon authorization of the minister of the Ministry.

Regulation 33. Disqualifications - Members under any of the following circumstances are disqualified to be voted upon to the position of director or committee member or to continue as such in any kilusang bayan:

- a. Holding any elective position in the government except barrio council men;

Common stock shall be issued only to members and shall receive an interest rate which shall not exceed the rate established by the Ministry.

- b. Loan capital, including deposits of any kind;
- c. Retains authorized on a percentage or per unit basis;
- d. ~~Revolving capital, by deferment of the payment of patronage~~ refunds and/or by authorized retains from patronage refunds; and
- e. Fees, dues, levies, subsidies, grants, donations, fines and such other sources as may be agreed upon by the members or may be authorized by the Ministry.

Regulation 42. Loans, Grants and Donations - The Philippine Government or any of its political subdivision is empowered to give loans to kilusang bayan and grants or donations in any form to duly registered Samahang Nasyon and/or kilusang bayan. Samahang Nasyon and kilusang bayan may receive grants or donations in any form from any source, local or foreign.

Grants, donations, gifts, bequests under this section shall be exempt from any and all forms of donor and donees' taxes including gift taxes. Such grants, donations, gifts, bequests shall be allowable deductions under the provisions of the National Internal Revenue Code for income tax purposes.

Regulation 43. Computation of Net Income - The net income of every kilusang bayan shall be the amount remaining after deducting from the gross income the cost of operations and other expenses provided for in the approved budget.

Regulation 44. Distribution of Net Income - Unless a different percentage is prescribed by the Bureau, the net income of every kilusang bayan shall be allocated in the following manner:

- a. At least ten percent (10%) for General Reserve Fund;
- b. Ten percent (10%) for cooperative education and training which amount shall form part of the operating expense of the kilusang bayan. One half of this amount shall be utilized by the kilusang bayan for the education and training of its officers and members. The other half shall be remitted to the Cooperative Education and Training Fund which shall be administered by the Advisory Board created under the Presidential Decree No. 175;
- c. The remainder shall be allocated for interest on capital and/or patronage refunds, as determined by the board of directors.

Existing Reserve Funds of cooperatives established under previous cooperative laws shall form part of the General Reserve Fund provided herein.

Regulation 45. Cooperative Education and Training Fund - There is hereby created a Cooperative Education and Training Fund.

of the Samahang Nayan(s) and/or kilusang bayan(s). Such rural banks may receive deposits from the general public: provided that deposits from the general public shall in no case exceed the deposits of members of such rural banks. Such rural banks shall extend loans only to their members, members of the Samahang Nayan(s) and kilusang bayan(s).

~~Regulation 39. Salary Deduction Agreement - (a)~~ A member of a kilusang bayan may, notwithstanding the provisions of existing laws, execute an agreement in favor of the kilusang bayan authorizing his employer such amount as may be specified in the agreement and to pay the amount so deducted to the kilusang bayan in satisfaction of any debt or other demand owing from the member to the kilusang bayan.

(b) Upon the execution of such agreement the employer shall, if so required by the kilusang bayan by a request in writing and so long as such debt or other demand or any part of it remains unpaid, make the deduction in accordance with the agreement and remit forthwith the amount so deducted to the kilusang bayan.

(c) The term "employer" as used in this section includes the Government of the Philippines or of any local authority and any other person, natural or juridical, who has under his employ a member of a kilusang bayan.

Regulation 40. Exemption from Bidding Requirements - Kilusang bayan transacting business with the Government of the Philippines or any of its political subdivisions or any of its agencies or instrumentalities, including government-owned or controlled corporations shall be exempt from bidding requirements upon approval of the contract by the Bureau.

CAPITAL AND FUNDS

Regulation 41. Sources of Capital - Kilusang bayan may derive funds from:

a. Members' capital contribution, which may either be in the form of shares of stock (if stock cooperative) or members' contribution (if non-stock cooperative).

The capital stock of kilusang bayan may consist of common stock as well as preferred stock, if the latter is provided for in the by-laws.

Preferred stocks shall not be entitled to vote. They shall, however, have preference as to assets in case of liquidation or dissolution of the cooperative. They shall receive interest rates higher than common stocks. Such stocks may be issued to members as well as non-members.

f. If the kilusang bayan has persistently violated Presidential Decree No. 175, orders of the Ministry and the Bureau, these regulations, or its by-laws; or

g. If the kilusang bayan is no longer found in the area of operation; or

~~h. If there is fraud or misrepresentation during the registration of the kilusang bayan; or~~

i. If there is grave abuse of its charter or privileges authorized under the Decree.

In all cases wherein it appears that the appointment of a liquidator is unnecessary, the Director of the Bureau shall after hearing, issue an order cancelling the certificate of registration of a kilusang bayan. Upon the cancellation, the kilusang bayan shall cease to be a body corporate.

Regulation 47. Types of Kilusang Bayan - Kilusang Bayan may fall under any of the following categories;

- a. Producers;
- b. Marketing;
- c. Credit;
- d. Consumers; and
- e. Service

Kilusang bayan for producers are those which are organized primarily for the production of a particular product or commodity.

Kilusang bayan for marketing are those which are engaged primarily in the marketing of products of members as well as the supply of production input.

Kilusang bayan for credit are those which are engaged in receiving deposits and granting loans. Kilusang bayan for credit singly or in association with one another may register as rural banks, cooperative banks, development banks and other forms of banks. Such banks may qualify for the Management Training and Assistance Program as well as the Cooperative Development Loan Fund.

Kilusang bayan for consumers are those which are engaged in procuring and distributing goods to members and non-members for their mutual benefit.

Kilusang bayan for service are those which are engaged primarily in rendering service to meet the special needs of members of a community and includes, among others, housing, labor and insurance cooperatives.

The funds, assets and properties of whatever name or nature of the defunct Central Cooperative Educational Board are hereby constituted to form part of the abovementioned fund.

Proceeds from sale of printed materials provided by the Bureau to the Samahang Nasyon, registration fees and audit fees shall likewise form part of this Fund.

This fund shall be transferred to an appropriate pambansang kalipunan ng mga kilusang bayan (national cooperative union) as soon as one is organized and registered. In the interim, such Fund shall be administered by the Advisory Board created under Presidential Decree No. 175.

LIQUIDATION

Regulation 46. Liquidation - Liquidation shall be effected upon dissolution of a kilusang bayan either voluntarily or involuntarily.

In a voluntary dissolution, the resolution dissolving the kilusang bayan adopted and signed by two-thirds (2/3) of all the members entitled to vote at a general or special assembly called for the purpose shall be submitted to the Director of the Bureau through the Regional Director of the Ministry for approval. It shall be accompanied by a sworn statement of the board of directors certifying among other:

- a. That the resolution is genuine and authentic;
- b. That the dissolution shall not prejudice its members or any person whomsoever; and
- c. That the members' investments including equities, if any, have been returned to them.

In an involuntary dissolution, the Director of the Bureau through the Regional Director of the Ministry may order in writing that the kilusang bayan be dissolved for any of the following:

- a. After an audit or inquiry the report thereon shows that the kilusang bayan is inoperable; or
- b. If the kilusang bayan has not commenced its business within one year without just cause from the date of registration; or
- c. If the kilusang bayan has ceased working for one year; or
- d. If the kilusang bayan has failed to provide financial and other reports to its members; or to send to the Ministry the annual reports required by the Ministry through the Bureau; or
- e. If the kilusang bayan has been doing business liable to cause injury to the public; or

COOPERATIVE DEVELOPMENT LOAN FUND

Regulation 54. Cooperative Development Loan Fund - The Cooperative Development Loan Fund created under Section 6 of Presidential Decree No. 175 is hereby vested with corporate personality, with powers to enter into contracts, to own and dispose of property, to sue or to be sued, and such other powers necessary to carry out the objectives of the Fund.

The Management Committee charged with the administration of the Fund shall represent the said Fund and shall have in particular, the following powers, duties and responsibilities:

- a. It shall have the power to contract, to receive grants, donations and other funds from the sources identified in Section 6, Item (a) of Presidential Decree No. 175 as well as to obtain loans from local and foreign agencies;
- b. It shall administer the funds of the Cooperative Development Loan Fund and disburse the same for the purposes and within the limitations set forth in Section 6, Item (b) of Presidential Decree No. 175;
- c. It shall adopt and promulgate realistic standards for the development loan fund to be used either as loan fund, cooperative guarantees for loans, or advances to kilusang bayan for the purchase of equity of rural banks;
- d. It shall invest idle funds of the Fund as it deems best;
- e. It shall have power to do any and all acts necessary for the discharge of any of the above powers, duties and responsibilities; and
- f. As soon as it is constituted, the Management Committee shall meet to promulgate rules of procedure to govern its workings as a body.

Regulation 56. Term of Office of Members - Members of the Management Committee coming from the cooperative sector shall hold office for a term of two years; Provided, however, that of the first two appointees, one should hold office for a term of one year only, to be determined by drawing of lots. Thereafter, all shall hold office for two years.

Nothing in this regulation shall preclude re-appointment to the Committee.

MANAGEMENT AND TRAINING ASSISTANCE PROGRAM

Regulation 57. Powers, Duties and Responsibilities of the Advisory Board - The Advisory Board in administering the management

KATIPUNAN (FEDERATIONS) NG KILUSANG BAYAN

Regulation 48. Who May Organize Katipunan (Federation) ng Kilusang Bayan - Two or more kilusang bayan may form a katipunan.

Regulation 49. ~~Membership.~~ Membership shall be open ~~only~~ to kilusang bayan. Registered kilusang bayan may unite to form katipunan on the provincial, regional and/or national levels.

Regulation 50. Distribution of Net Income - The provisions of Regulation 43 and 44 concerning computation and distribution of net income shall apply to katipunan, except that the general reserve fund to be set aside shall at least be twenty (20%) percent of the net income.

KALIPUNAN (UNION) NG KILUSANG BAYAN

Regulation 51. Who May Organize Kalipunan ng Kilusang Bayan - Two or more kilusang bayan may form a kalipunan.

Regulation 52. Pambansang Kalipunan ng mga Kilusang Bayan - There shall be registered only one pambansang kalipunan ng mga kilusang bayan at the national level, to which all types of kilusang bayan, provincial, regional and national katipunan and kalipunan may affiliate. Such a kalipunan may:

- a. represent all the kilusang bayan in the Philippines at home and abroad.
- b. acquire, analyze and disseminate economic, statistical and other information regarding kilusang bayan;
- c. conduct studies in the economic, legal, financial, social and other phases of cooperation and publish the results thereof;
- d. promote the knowledge of cooperative principles and practices;
- e. develop the cooperative movement in the Philippines within the framework of the national economic plan of the government;
- f. make available audit services to its members;
- g. plan and implement a program of cooperative education; and
- h. advise the appropriate authorities on all questions relating to kilusang bayan.

Regulation 53. Applicability of Provisions for Katipunan ng Kilusang Bayan to Kalipunan - The provisions of the regulations on Katipunan ng kilusang bayan shall as far as practicable apply to kalipunan.

MISCELLANEOUS PROVISIONS

Regulation 62. Bar of Suit During Liquidation - No court shall take cognizance of any civil matter connected with the liquidation or dissolution of a samahang Nayon/kilusang bayan under ~~these regulations~~. When a liquidation order has been made no suit or other local proceedings shall lie or be proceeded with against the Samahang Nayon or kilusang bayan except by leave of the Director of the Bureau and subject to such terms as he may impose.

Regulation 63. Acts of Kilusang Bayan not to be Invalidated by Certain Defects - No act of a kilusang bayan or board or committee or of any officer or liquidator done in good faith in the course of the business of the kilusang bayan shall be deemed to be invalid by reason only of some defect subsequently discovered in the registration of the kilusang bayan or in the formation of general assembly or in the constitution of the board or committee or in the appointment or election of directors, committee members, liquidator or officer or on the ground that such person was disqualified for his appointment.

No act done in good faith by any person appointed under these Regulations shall be invalid by reason only of the fact that his appointment has been cancelled by or as a consequence of any order subsequently passed under these Regulations.

The Minister of the Ministry shall decide whether any act was done in good faith.

Regulation 64. Collection of Past Due Loans - Samahang Nayon are hereby authorized to collect past due loans to farmers granted by the Agricultural Credit and Cooperative Financing Administration and the Agricultural Credit Administration. They shall be entitled to a commission of ten (10%) percent of the amount collected for loans that are past due as of September 21, 1972 and five (5%) percent for every additional year of delinquency prior to September 21, 1972: Provided, that in no case shall such total commission exceed fifty (50%) percent of the amount collected.

All collections shall be turned over to the nearest branch office of the Agricultural Credit Administration, together with the list of cooperatives and their respective members and the amount paid by each.

The commission shall be transmitted immediately to the depository bank of the Samahang Nayon for the account of the Samahang Nayon which shall accrue to the Barrio Guarantee Fund.

and training assistance program shall have the following powers, duties and responsibilities:

- a. To enter into contract with any educational institution or organization for training programs;
- b. To disburse funds for the cost of professional managers, training programs and training materials;
- c. To identify and select kilusang bayan to be placed under the program, as well as the educational institutions or organizations which will participate in the program;
- d. To build up a corps of well-trained and highly competent professional managers of kilusang bayan;
- e. To assist the cooperative movement in developing a movement wide career system;
- f. To administer the Cooperative Education and Training Fund as provided for in Regulations 44 and 45; and
- g. To perform any and all other acts as may be necessary to carry out the duties, responsibilities and objectives of the management training and assistance program.

As soon as constituted, the Advisory Board shall meet to promulgate rules of procedure to govern its workings as a body.

Regulation 58. Personnel Policies - The Advisory Board may adopt and implement policies for its corps of managers which may include, among others, security of tenure, financial incentives, leave, retirement, and other benefits.

Regulation 59. Exemption from Regulation of Kilusang Bayan Under the Management and Training Assistance Program - Kilusang bayan placed under the Management and Training Assistance Program may be exempted from these regulations by the Minister of the Ministry, upon recommendation of the Advisory Board.

Regulation 60. Term of Office of Members - Members of the Advisory Board coming from the cooperative sector shall hold office for a term of two years; Provided, however, that of the first two appointees, one shall hold office for a term of one year only, to be determined by drawing of lots. Thereafter, all shall hold office for two years.

Nothing in this regulation shall preclude reappointment to the Board.

Regulation 61. Exemption from Bidding Requirements - Contracts entered into by the Advisory Board within the purview of Regulation 57 shall be exempt from bidding requirements.

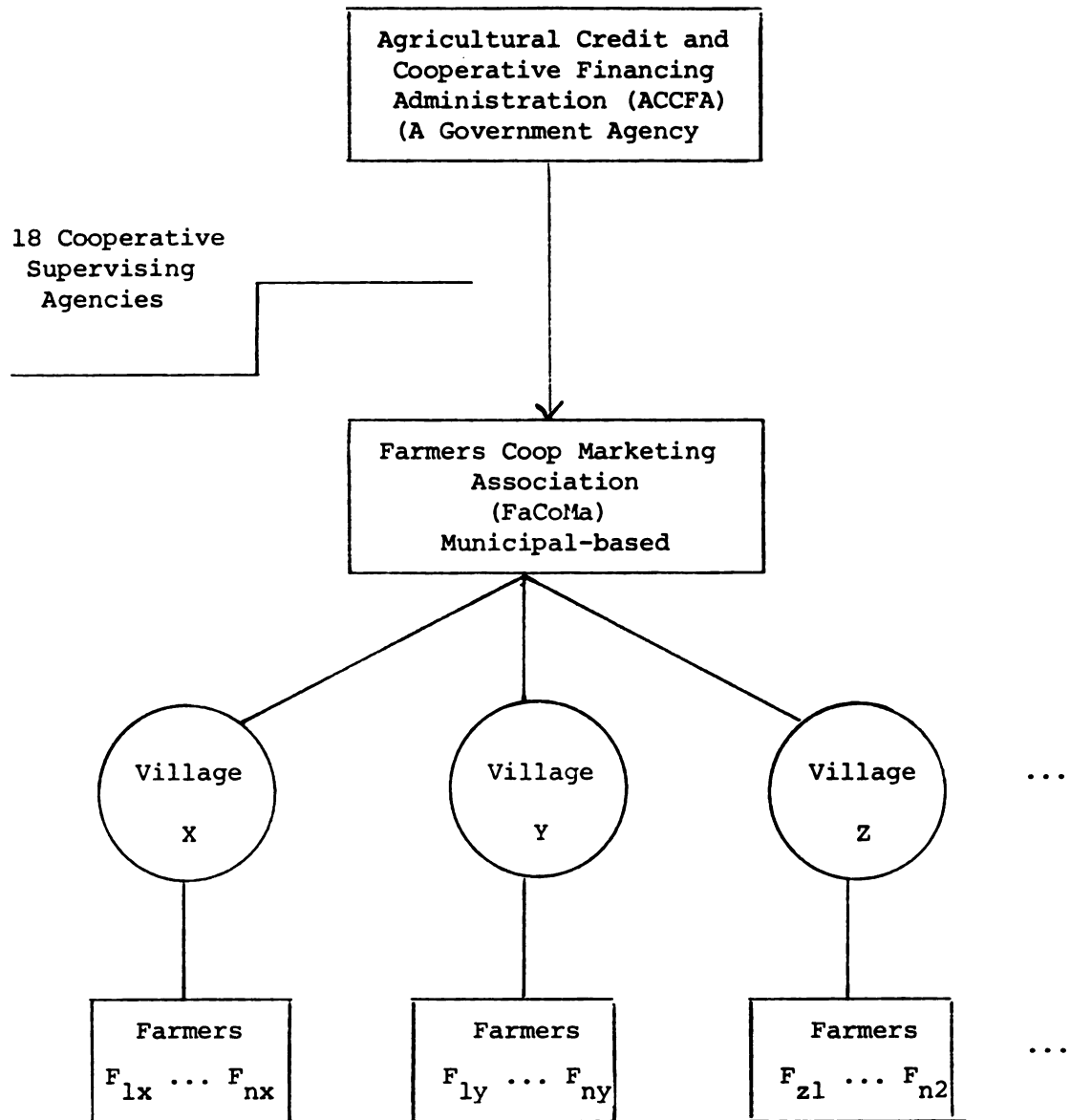
Regulation 65. Rights Acquired - Members of existing cooperatives as of the promulgation of Presidential Decree No. 175 who are disqualified on the ground of nationality may continue their membership therein until terminated by resignation, death or removal for cause.

~~Done in the City of Manila, this 9th day of July, in~~
the year of Our Lord, nineteen hundred and seventy-three.

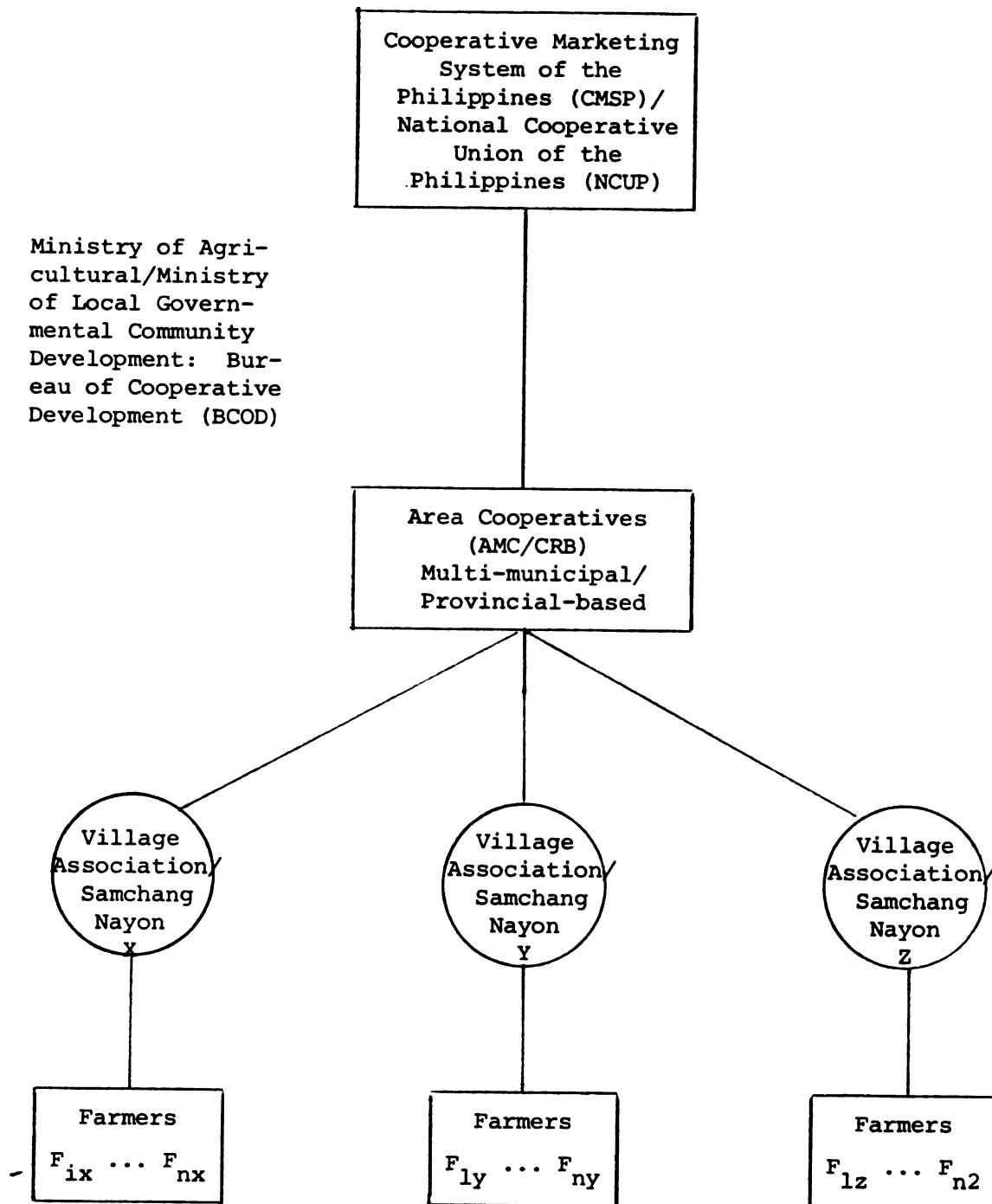
(SGD.) FERDINAND E. MARCOS
President
Republic of the Philippines

APPENDIX III

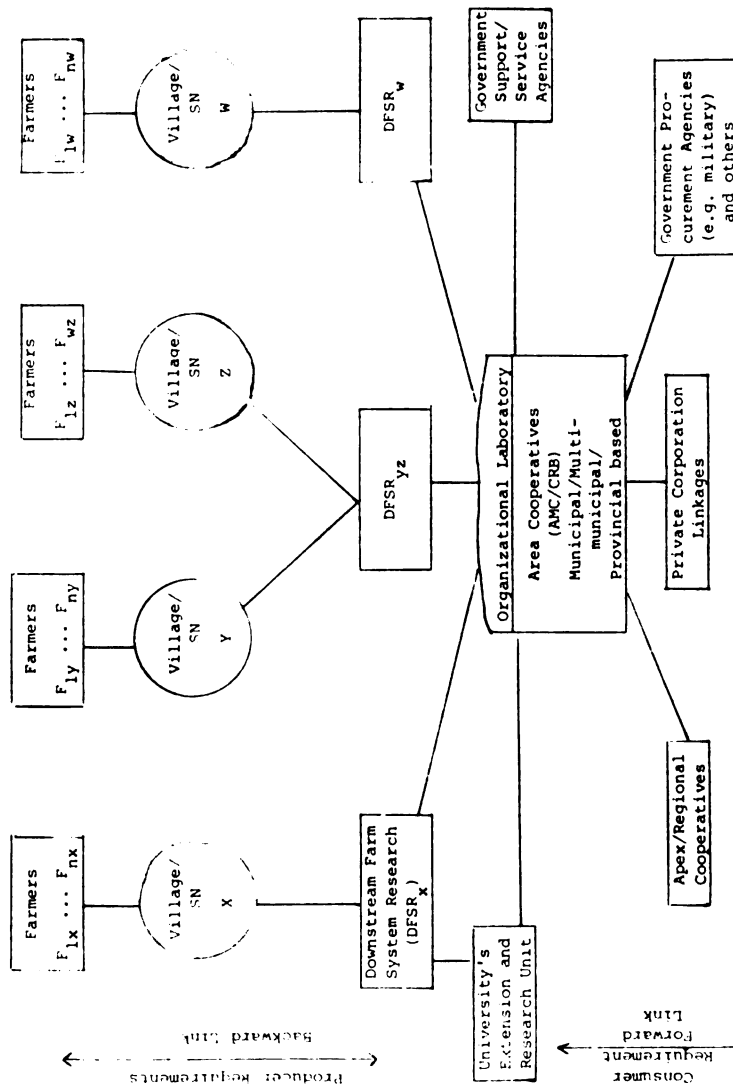
Conceptual Models



APPENDIX FIGURE 1. Conceptual Model 1 (1953-70)
(Top-Down Model)
(Nation-wide Policy)



APPENDIX FIGURE II. Conceptual Model II (1972-1983)
(Top-Down Model)
(Nation-wide Policy)



APPENDIX FIGURE III. Suggested Conceptual Model III
(Bottom-up Action-Research Model
(Selective Policy)

APPENDIX IV

A Rejoinder on Organizational Effectiveness and/or Performance

A REJOINDER ON ORGANIZATIONAL
EFFECTIVENESS AND/OR
PERFORMANCE

Organizational Effectiveness (OE)

1. Although the literature on OE is large and growing, there seems to be little consensus on how to conceptualize, measure, and explain effectiveness. Measurement criteria fall on either one or two of these classifications: single, multiple and composite (Dessler, 1980; Steers, 1975; Campbell, 1976; Child, 1974).
2. Researchers conceptualize OE in one of these models:
 - a. Behavioral-Attitudinal Model (BAM);
 - b. Processual Model (PROM); and
 - c. Goal Attainment Model (GAM).
3. BAM is claimed to be the most popular and most precise measure of OE. Examples of criteria are:
 - a. Employee satisfaction
 - b. Absence of tension and conflict
 - c. Psychological commitment
 - d. Turnover and absenteeism
 - e. Interpersonal relations
 - f. Morale
4. PROM describes the organizations internal operations and those that describe the link between organization and environment. Examples of criteria are:
 - a. Flexibility
 - b. Open communication
 - c. Manpower acquisition, retention and utilization
 - d. Creativity
 - e. Adaptability
 - f. Control over its environment
 - g. Ability to compete successfully in acquiring scarce and valued resources
5. GAM defines OE with respect to goals/objectives. Examples of criteria are:
 - a. Prescribed goal
 - b. Derived goals from functional theory
 - c. Private goals of leaders/participants
 - d. Actual goals vs. official goals

6. Effectiveness criteria may reflect the perspectives of at least 3 different reference groups:
 - a. Profitability for the owners;
 - b. Satisfaction for the employees;
 - c. Societal value for society at large.

Performance

7. Most of performance studies are internally focused and covers two theoretical propositions:
 - a. Universalistic Theory (UT)
 - b. Contingency Theory (CT)
8. UT comprises arguments that the presence of certain attributes will be conducive to superior performance in most if not all circumstances. Some propositions are as follows:
 - a. Youthful management as a good manager. This holds that successful leadership of any organization will depend on the presence of certain qualities of character, personality, and ability among its senior managers.
 - b. Compatibility of objectives and managerial attitudes. This holds that the company objectives and the attitudes of the management staff towards the objective influence success.
 - c. Ownership and control. A general assumption among economists interested in the "theory of the firm" is the extent to which an organization is controlled by its legal owners, as opposed to professional managers, will influence the objectives which it pursues.
 - d. Allocation of manpower resources. A further argument applied universally to any kind of organization is that the internal allocation of manpower and other resources between different functions will influence the kind of performance that is achieved. For example, if more resources are put into marketing, sales should increase. If more are put into design and development, the rate of innovation should increase.
 - e. Size of company. A universalistic thesis that larger organizations should achieve a superior level of performance if their managers are able to take advantage of technological marketing and

other economies of scale.

- f. Bureaucracy and performance. This holds that above average companies are less bureaucratic and are less formalized with their research and development (R&D).
9. CT contains propositions that the attributes favorable to higher performance will alter according to circumstances under which an organization is operating. This alternative theory of performance has attracted more attention in recent years. Factors associated with high performance are expected to vary along with differences in an organizational context -- specially with differences in its environment, size and technology.
 - a. Environment -- problem of environment variability among and within industries, i.e. not necessarily homogeneous. Environment is influenced by technology and internal attributes of the organization including their product market.
 - b. Size of organization. This influences structural variables.
 - c. Technology -- performance will be enhanced if organization is designed to suit the prevailing type of technology.
10. Finally, we shall conclude this rejoinder that in all likelihood, social and behavioral scientists who have studied OE/performance resemble the blind men who tried to describe the whole elephant after each one felt one of its parts; none of the descriptions are wrong, but each one is incomplete and at its best can only offer partial guidance.