

UNITED NATIONS EXPERT GROUP MEETING AND FORUM

HARNESSING THE CO-OPERATIVE ADVANTAGE TO BUILD A BETTER WORLD

Topic: Co-operative Leadership and Governance

Nelson C. Kuria, OGW, MBS

Group CEO – CIC Insurance Group

INTRODUCTION

“There is a place for the cooperative movement in the globalized world. But the present challenges demand an urgent revitalization of cooperatives as instruments of local development with a global outreach, able to create employment opportunities, market channels and wealth for millions of persons and multiple communities affected by social problems and poverty. The extensive network of cooperatives all over the globe has attributes, values and resources that can enable them to have a protagonist role in the modern world.” Armando Costa Pinto, April 2011



Cont'd

- Co-operatives- appropriate vehicle for social-economic development
- Potential for co-operatives not fully utilized
- Appreciation of Co-operative as a system
- Lack of policy that provides guidance, Vision and strategy, which could facilitate a favorable environment in which co-operatives can develop and thrive



Key components for effective Leadership and governance of Co-operatives

- **Shared National Vision on Co-operatives**
 - Vision as glue that binds the co-operative and their members towards common goal. Moving towards the same goal the co-operative movement should work together rather than as disconnected organizations.
 - The vision should focus the movement on a few critical factors that are important for success/sustainability



Key components for effective Leadership and governance of Co-operatives

- **Guiding Principles on Co-operative Development**
 - Role of state – Right balance between regulation, facilitation and control
 - Principles/Fundamentals of Co-operative Democracy and entrepreneurial organizations
 - Role of Unions and Apex Co-operative organizations (to avoid abuse of Co-operative democracy-ensure rational approach.
 - Leadership culture that is member centric and thrives on the collective action of the members for their own social and economic success.

- Member mobilization and sensitization – to promote member understanding and sense of ownership to their enterprise
- Development of National Corporate Governance Principles for Co-operatives while appreciating the different types of cooperatives (financial coops and non-financial coops), Unions, NACOs)
- Capacity Development in Co-operatives – Co-operative democracy, Entrepreneurship development, transformative leadership, market research, product development, financial management, inter-co-operative networking, Unions and federation etc.
- Co-operative Action for Rural Communities – Co-operatives in Africa have a very special role in development in view of about 80% of the population being in rural areas.



- **Co-operative Development Infrastructure**
 - Comprises of the legal framework, systems and structures to operationalize the vision and principles for the development Co-operatives as social-economic enterprises in a country.
 - In order to realize the vision and operationalize the principles towards effective leadership and governance of co-operatives in a country, the following could be established;



- Government ministry, department or agency – whose role is primarily to execute the role of the state (policy and legislative development) in Co-operative development premised on good leadership and governance.
- National Cooperative Unions or Federation with clearly defined mandate in order to create a National Cooperative Enterprise. The Unions/Federations must be established to support and develop transformative leadership to realize the common good of the Co-operative sector as a whole guided by the national vision and guiding principles. They are the carriers of this vision and must put in place checks and balances to self-regulate the Co-operative enterprises to promote and preserve the cooperative identity in a sustainable manner.

- Cooperative Leadership and Management Institutes – From world stage, there should be principles and standards to benchmark co-operative entrepreneurship and leadership across nations supported fully by bodies such as United Nations for legitimacy. These should be the think-tanks to support national efforts in co-operative development to ensure relevance and sustainability.
 - International co-operative organizations to promote Co-operative entrepreneurship and good practices in co-operative leadership and governance across nations. While being affiliated to unions or federations whether national or international is voluntary in line with co-operative principles, it is imperative that such affiliation has incentives and disincentives to encourage good practices across co-operative movement in the world.
- (Accreditation)

- The foregoing defines a paradigm shift for Co-operatives in developing countries, with emphasis on a cooperative system that defines leadership within a system or macro context.
- Logically, leadership at the micro level should be guided by the shared vision and principles of leadership and governance already established at macro level.
- This will entrench co-operative identity and leadership culture that serves the common good of the members; and enhances the Co-operatives' capacity to address the social economic wellbeing of the population.



Components which are distinct from leadership and governance in other forms of enterprise

There are many aspects for effective leadership and governance in Co-operative enterprises that are common with those of other forms of enterprises. Indeed, there have been efforts to apply the code of best practice in corporate governance of private enterprises to Co-operative enterprises with varying degree of success depending on the environment and stage of development of Cooperatives in a country.

However, there are certain distinct components; ideally, co-operative values and principles enable us to articulate a specifically co-operative management philosophy and practice; Values help us to express our ethics and the basis of our morality; values give members a criterion for evaluating leaders' and management's co-operative performance alongside their commercial performance.



key challenges to effective leadership and governance in co-operatives

- Inadequate or superficial understanding of the philosophy of Co-operative enterprise among political leadership, policy makers and the members.
- Inappropriate legislation by Governments resulting in control of co-operatives and dependence as opposed to encouraging capacity development and associative autonomy for sustainability.
- Absence of or inadequate organizational capacity (technical, human and financial) within the co-operative sector in many countries due to the social nature of co-operatives.

Key Challenges.....

- Absence of professionalism and integrity in the name of democratic control by the members of the co-operatives.
- Abuse of the principles of democratic control by leaders where members through general meetings approve business decisions without due consideration to financial implications.
- Entrenched perception among members that the Sacco is a social entity where all their social/financial problems should be solved. "it is ours".



CONCLUSION

- There are still many challenges and weaknesses in the governance of co-operatives in Africa, especially with regard to leadership, but also in terms of the caliber of some of the employees engaged by the organizations. It is necessary for the leadership and management staff to possess appropriate training in their respective areas to be able to address their responsibilities with sufficient professional knowhow. Similarly, it is necessary that both be educated in and conform to a code of ethics so they can exhibit ethical and moral behavior in the process of carrying out their duties. This is particularly so because fraud and corruption are rampant in co-operatives seriously undermining their credibility.



CONCLUSION Cont'd

- At the co-operatives' level, a major weakness exists in the form of ignorance regarding the rules governing the operations of co-operative societies. Many members don't know or understand the by-laws. The members have little or no access to information on their co-operatives and hence don't
- There are many co-operatives that are too small to afford professional managers and automation of their processes. Their scale of operation and efficiency are very low and are ill-equipped to compete effectively in the market. They also operate almost in isolation and remain weak.



CONCLUSION Cont'd

- There is urgent need to consider mergers, integration, and strategic alliances in order to have stronger and viable co-operatives. Recent and good examples of mergers in co-operatives that we could learn from are in Germany and Quebec- Canada.
- In Germany, between 1993 and 2001, there were 1484 mergers within Co-operatives and Savings banks sectors. 84% of these mergers were in the co-operative bank sector. In Quebec - Canada, in the previous decade the number of Credit Unions reduced to about 600 from 1600 as a result of mergers.

