BUSINESS STRATEGY, EMPOWERMENT, AND STAKEHOLDER RELATIONS IN TWO COOPERATIVES: AN ORGANIZATIONAL ANALYSIS

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ABSTRACT

This paper examines the distinctive business strategies, people empowerment, and stakeholder relations employed by two selected cooperatives in Pres. Roxas, Cotabato, and Kapatagan, Digos. Using the framework on organizational development process, this study shows how these cooperatives were able to cope with their organizational problems and issues; and what interventions they made to recoup their position and instill renewed hope among their stakeholders.

The Green Valley Multi-Purpose Cooperative positioned itself as a primary agri-marketing cooperative in Pres. Roxas, and eventually branched out to other major rice-producing areas in the Cotabato province. Its strong financial condition that allowed it to expand its savings and loans into a banking service was in large part due to the strong relations it had developed with cooperative alliances, and in its innate ability to effectively manage the member's investments.

The Kauswagan Cooperative managed to bolster its vegetable trading after its long operational slump. The coop management's recognition of their organizational problems and their renewed effort to recover their large collectibles, complemented with the establishment of an internal control system, enabled them to embark on a transparent and sustainable cooperative undertaking.

Keywords: business strategy, empowerment, stakeholder relations, organizational analysis, human capital, cooperatives

INTRODUCTION

In his theory of need hierarchy, Maslow (1970) states that human beings have an intrinsic need for affiliation. Individuals become involved, in varying degrees of participation, in the conduct of affairs of organizations and interest groups. These interest groups include stockholders/shareholders, suppliers, employees, members of religious groups, and other associations. In any of these organizations, a specific set of formal and informal policies and guidelines governs the fulfillment of organizational objectives and mandates as defined in each organization's mission and vision statement.

This study is guided by the framework on organizational development process adapted from Rush (1973). This framework is used to denote that the business environment operates in a constantly changing and evolving marketplace. A mismatch between the organization's actual and desired performance will result in the dissatisfaction of stakeholders within the firm. According to Rush, the process starts with a recognition of the problem and its possible root causes. The problem recognition can be done using the organizational diagnosis approach. The three critical facets of diagnosis are: (1) process, where members of an organization work together to plan a diagnostic study, administer it, and provide feedback in the findings; (2) modeling, where change strategies are developed to identify organizational conditions underlying problems and to organize feedback; and (3) methods, where techniques for collecting, analyzing, and diagnosing data and findings are adopted to measure and evaluate the adopted change strategies. This framework is also supported in the works of Chandler (1962), who developed the concept of strategy in referring to the exercise of choice by a dominant coalition as the major source of organizational variation. Chandler says that the "modification of organizational goals is a major source of changes in size, technology and location." Child (1995) states that this dominant coalition concept introduces a view on organizational structure in relation to distribution of power and the process of strategic decision-making wherein organization decision-makers may be in a position to institute modifications to strategies in order to retain a preferred structure.

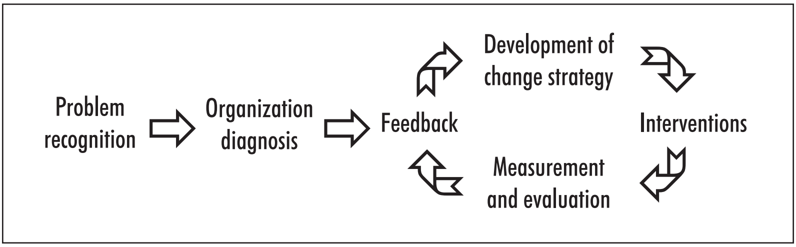

Figure 1. Model of the Organizational Development Process [1]

In the strategic management process, the firm's current set of vision, mission, objectives, and strategies are compared with the external and internal environmental audit. External scanning focuses on identifying and evaluating trends and events beyond the control of the single firm. It reveals key opportunities and threats confronting an organization so that managers can formulate strategies to take advantage of the opportunities and to avoid or minimize the impact of threats. Internal scanning, on the other hand, focuses on identifying and evaluating a firm's strengths and weaknesses in the functional areas of business. Organizational analysis forms part of the internal scanning activity.

Other literatures on organizational development focus on a limited number of key concepts and on relations among them, and they may specify definite variables for operationalizing and measuring concepts. One useful model explains intra-organizational power in terms of control over strategic organizational contingencies (Hickson *et al.*, 1971). Another partially overlapping model specifies organizational power bases, such as legitimacy, expertise, and ability to reward others (French and Raven, 1959). Some models refer to clusters of variables, such as leadership processes or external resource constraints, rather than to isolated discrete variables. Moreover, models serve as heuristic devices for organizing data for feedback and for communication to participants in the focal organization (Lundberg, 1989; Schein, 1993).

Kock (1999) studied organizational development (OD) that goes with changing organizations in order to make them more competitive, chiefly through modifications in organizational structure. Historically, most OD efforts aimed at improving productivity and quality. OD encompasses procedures and policy changes within firms in order to adapt to external factors. External factors include competitive pressures as well as economic and government regulation changes.

Burton (1998), however, included management style, climate, size, technology, strategy, and structure as the parameters for a proper "fit" for organizations to attain business success. These parameters are not sufficient for success nor are they a guarantee. He pointed out that these parameters are of paramount concern to IBM and AT&T, two very large corporations, though the same argument can be made for small and medium-sized firms as well. Small and medium-sized firms may have even greater difficulties finding the proper fit.

Werther and Chandler (2006) state that in the pursuit of its mission, a firm must strike a balance between economic ends and socially acceptable means. While corporations and private enterprises adopt strategies for competitive success, their corporate social responsibility acts as a filter that helps ensure profit-directed actions that do not harm stockholders and the firms' viability over the long-term.

This study performs an organizational analysis of the two cooperatives, with assessment focusing on the areas of business strategy, empowerment, and stakeholder relations. The areas of intervention are then identified using the concepts of strategic alliance, internal control system, management audit, and financial analysis. It aims to document and make an assessment of the specific business strategies adopted by the two cooperatives. The strategies adopted by the cooperatives will show how they employed interventions to re-empower themselves and improve stakeholder relations. The documented experiences of these cooperatives will also serve as an example and learning experience for the cooperatives themselves and for other organizations that have the same organizational concerns.

Business strategies can be defined as the general plan of action that describes resource allocation and other activities for dealing with the environment and helping the organization attain its goals (Daft, 1999). It encompasses how the organization competes on the basis of distinctive positioning vis-à-vis its competitors. The key choices involve whether to compete on the basis of low pricing or of service differentiation. The indicators used include either the number of new business lines offered or the current set of operations that are strengthened.

Barce (1995) defines (people) empowerment as enabling the transfer of "social, economic as well as political power from one class to another or from one region to another which could result to reconfiguration of people and geography." It can be quantified in terms of the number of members attracted by the respective cooperatives. Kinlaw (1995) states that empowerment, as an organizational development strategy, is confused with its political and social meaning. Empowerment produces positive pay-offs and improves performance through participative management practices and employee involvement resulting in increased employee trust in management and in improved organizational processes and procedures.

Stakeholder relations refer to the coop's ability to demonstrate accountability and embrace their responsibilities towards employees, customers, suppliers, vendors, communities, and minority shareholders. The coop's membership in bigger alliances and affiliations would indicate how it takes care of the investments of its members. According to Freeman and McVea, a stakeholder approach remains to be a powerful and under-exploited theory of business strategy. Good stakeholder management will develop integrated business strategies that are viable for stakeholders over the long-run. As an integrated management process, the stakeholder approach encourages management to develop strategies by looking out from the firm and identifying and investing in all the relationships that ensure long term success. Poblador (2002), however, says that the stakeholder theory fails to provide a rational basis for establishing trade-offs among conflicting interests and, thus, decision makers are at loss in deciding whether one course of action is to be preferred over another. From this perspective, the need to employ a values and value-based management within business strategies plays a critical role.

METHODS

The two cooperatives under study vary in a number of major areas: (1) length of operations, (2) business operations and locality, and (3) in the diversity of educational background of the cooperatives' management personnel. This study makes a review of the business strategies, people empowerment, and stakeholder relations adopted by these two people's organizations during the different phases of their operations.

The paper adopts a case study method focusing on the business strategies implemented, people empowerment, and stakeholder relations employed by the Green Valley Multi-Purpose Cooperative in Pres. Roxas, Cotabato, and the Kauswagan Cooperative in Kapatagan, Digos.[2]

This study was conducted by interviewing key informants in these cooperatives. Important insights and critiques gathered from both members and non-members were considered in analyzing the cooperatives' business environment. The same data was actually used to craft the strategies that were implemented. Related documents provided by the cooperative management were also analyzed. Relevant facts were gathered from the annual reports, newsletters, and minutes of the board meetings. From the collated data, a management audit was done to check on the profile of the board of directors, working committees, and management staff. The management audit was also used to check the management style and culture developed in the organizations. A financial analysis was also conducted using the accounting records and financial reports. Horizontal analyses and growth analyses covering the cooperative's membership, asset size, and production volume were also done. A comparative analysis was also done on the sales generated and income growth covering the cooperatives' operations during the four-year study period (1998 to 2001). The capital structure was also analyzed by using the common-size financial statements.

RESULTS

Case Study 1: Green Valley Multi-Purpose Cooperative

The Green Valley Multi-Purpose Cooperative was established in 1983 as a consumer store, operating within the parish church compound, with a total of 47 members. Its initial capital for store operations amounted to PhP17,000. The equivalent amount for the members' voluntary deposit of their farm produce (palay and corn) was used as initial working capital of the Marketing Department. Members claimed the equivalent amount for their deposit of produce when the cooperative had already garnered sufficient capital for continuous operation.

Green Valley MPC is now a highly diversified cooperative with various business undertakings and a variety of product and service offerings under the major departments of agri-marketing, credit and savings, and merchandising. It now operates a gas station, a hardware store, and an air-conditioned fastfood restaurant. It is also involved in special projects, namely: the COOP-Women Empowerment Education and the Farmers Development Project.

The cooperative's financial stability allowed it to expand its services in 2003 by establishing satellite branches in the municipalities of M'lang and Antipas, and in the city of Kidapawan. Currently, the cooperative has amassed total assets of more than PhP61.5 million and has gained a total membership of 5,355 members.

For its successful operation over 21 years, Green Valley MPC has received several awards: the 2003 Gawad Pitak Award from Land Bank of the Philippines; the 2003 Central Funds Top Five Contributors to Income Generation from MASS-SPECC; the 2002 Regional Winner for the Search of Outstanding Coop, Multi-Purpose Agriculture Category; and the 2002 Silver Plaque of FOCCUS Brand.

Case Study 2: Kauswagan Cooperative

Kauswagan Cooperative used to be a thriving cooperative from the years 1994 to 1998. It initially engaged in livestock breeding and fattening. The cooperative also engaged, from 1994 until 1998, in vegetable trading and the selling of farm inputs. Its total sales grew at an average annual rate of 5.65 times in the initial four years of operation. The cooperative also received assistance from the Department of Agriculture in 1998. Then Pres. Joseph E. Estrada visited the Kauswagan Cooperative to distribute some 100 sacks of corn seeds and some cartons of planting materials for carrots and bell pepper.

Problems cropped up in 1999 when the coop management decided to offset the huge delinquent receivables from members with the members' capital share. This decision significantly caused a drop of 36 percent in paid-up capital. It also resulted in the trucking operations being discontinued since no funds were allotted for the repair and maintenance of equipment, and because of the weak internal control and the absence of sound policies in effecting the marketing transactions.

Kauswagan Cooperative went through a training from UP in Mindanao on establishing a good internal control system to enable the organization to produce reliable information needed in making business decisions. A general accounting plan was established with the adoption and regular use of, among other control systems, source documents, chart of accounts, and books of entries. The Board of Directors now actively visit their members to collect long-overdue accounts. They also take turns to watch over and closely monitor operations. They are also considering the purchase of a new truck to again engage in trucking services using the proceeds from the sale of the old unit.

DISCUSSION

The central purpose of a cooperative is to meet members' needs, which can be purely economic, social or cultural (Hoyt, 1996). Both of the cooperatives under study were established mainly to answer the demands of the community: Green Valley MPC was created to answer the pressing consumption needs of the farmers during the long period of drought in 1983. Kauswagan Cooperative was also created to provide a commonly-owned community enterprise to venture into profitable economic activities and to play a complementary role to the vegetable production of Kapatagan.

Both cooperatives have open-membership policies. Green Valley MPC, though founded by a Catholic priest and lay leaders, have extended its membership to all bona fide residents of Pres. Roxas and, currently, to other areas due to its wide geographic expansion. Rates of membership grew at a faster rate in Green Valley MPC with 11.12 percent in 2003. Kauswagan Cooperative, on the other hand, showed a declining rate of 20% in 2003. This decline is due to the waning trust of other members which is also because of the accumulation of a large sum of collectibles and questionable disbursements made by its previous management.

Pres. Roxas is predominantly a rice and corn-producing municipality. It has 26 component barangays with a population of 42,812, and an average annual growth rate of 2.19 percent. Kapatagan produces temperate vegetables, with carrots as the primary vegetable planted (Rasco *et al.*, 2005). Its population as of January 2002 was 8,193, with 80 percent comprised of farmers, 15 percent businessmen, and 5 percent professionals.

Business Strategy

Green Valley MPC's initial operation of a consumer store with rice trading has expanded into diverse business lines. It has integrated services while maintaining agri-marketing as the cash cow operation. It ventured into merchandising and introduced additional profit centers like a hardware store and a gasoline station. Its savings-and-loan operations expanded into a banking service coupled with the introduction of new loan portfolios. The cooperative has also opened additional branches in the various parts of Cotabato. It now operates in Kidapawan City and in the municipalities of M'lang, Antipas, and Midsayap. It is expected to open a branch in Tacurong City. Green Valley MPC puts up a branch in localities that are predominantly rice-growing areas.

Kauswagan Cooperative has streamlined its operations into the merchandising of consumer goods and the trading of animal feeds. However, its accumulated large loans receivables has prevented the coop from engaging in further credit services. The change in coop management also provided them the flexibility to redirect their activities, and it has ventured into vegetable trading with a major partner, Pilipinas Makro. This new venture has provided renewed hope and cooperation among the members.

Empowerment

Cooperatives and other labor enterprises are among the major pillars of the people empowerment movement (Sibal, 1991). However, its success or failure is dependent on the level of involvement of its members. In the case of Green Valley MPC, the Education and Extension unit was inoperative at a time when it was subsumed under the functions of the Administration Office. With members' demand, the cooperative reactivated the Education and Extension unit to be fully in-charge of attracting members and in the provision of training for the members. Currently, this unit is on active campaign to match the area expansion of the cooperative.

In the case of Kauswagan Cooperative, due to the poor collection, the Board of Directors took extra time to go on household visits among its members to discuss payment arrangements like the restructuring of the members' old accounts. In this manner, the coop officers are able to get the commitment of the members concerned to pay back loans. This collection effort also serves as a signal to other members that the cooperative is serious in its aim to recoup its losses.

Stakeholder Relations

In 2001, Green Valley MPC entered into a partnership with Finance Organizations Achieving Credit Union Standards (FOCCUS), a network of credit unions, to strengthen its services. As a member of FOCCUS, it has achieved an edge in market compliance to Global Prudential Standard of Credit Unions resulting in its financial stability, financial discipline, integrity and strong confidence among the coop-members. Aside from its network relations with FOCCUS, it also entered into a partnership with Credit Union Empowerment Strengthening (CUES-Phils) to gain stronger linkages with both local and international networks. The basic idea in networking is to make each member's welfare a coop responsibility rather than simply as the responsibility of directors and/or its management staff. Partnering with established cooperative networks increases access to products and services and provides unmet needs.

In line with the stakeholder relations strategy, Kauswagan Cooperative has undertaken some extension projects of the Department of Agriculture to avail of the government's assistance to farmers' cooperatives. It has also increased its participation and consultation with the Cooperative Development Authority for coop activities and training programs. Locally, it has participated in barangay meetings for community partnership projects.

Strengthening Internal Control Systems

Article 53 of the CDA stipulates that each cooperative shall maintain records of accounts such that the true and correct condition and the results of the operation of the cooperative may be ascertained therefrom at any time. Effective records keeping and management will also provide the direction of the cooperative. This will also elicit trust from its members showing the transparency of its financial records.

While Kauswagan Cooperative has survived for 10 years, its efforts to generate income and improve the services for its members were short-lived due to the absence of a reliable recording and financial reporting system. The decision-making process by the Board and the management staff were not based on sound and verifiable documents.

Management Audit

The composition of the Board of Directors also has an important bearing in setting the direction of the cooperative. Compared to Kauswagan Cooperative, Green Valley MPC's board membership profile reflects a more varied representation from the different sectors: groups of farmers (36 percent), professionals (55 percent), and businessmen (9 percent). During its formative years, the parish priest who helped found the cooperative was elected as one of the pioneering members in the board of directors. The presence of the Catholic priest on the management level imprinted a sectarian orientation to the cooperative, which could have limited other members of the different religious sects in the community to join the cooperative. The cooperative, then in its thirteen years of existence, only attracted 6.45 percent of the total population of the municipality of Pres. Roxas.

Equally important in the successful management of the cooperative is the performance of the different working committees. Green Valley MPC mobilized its credit committee to formulate and institute credit policies, and to strictly evaluate the loan application of its members, with high consideration on the financial capacity and the character of the members to pay their debts. To date, the cooperative has progressed in establishing its banking service at its new building, with more diversified credit services targeting different market segments: teachers, farmers, and micro-business owners.

The audit and inventory committee in Green Valley MPC are also active in their assigned functions. The elected members have the academic qualifications to conduct the internal audit service and have working knowledge in conducting annual inventory using the proper costing method.

Kauswagan Cooperative's operations, like Green Valley MPC, have gone through a slack period. Kauswagan Cooperative could have prospered in its primary business line of vegetable trading had it effectively maintained a good recording system and employed people with knowledge in its operations. Another flaw in its operations was the perceived vested interests of some members on the management level. There was a collective impression that the cooperative seemed to be managed like a family business – that of the manager and his wife (Amelo, 2004).

The lack in educational attainment of the board of directors, wholly composed of farmers, could have been complemented by the manager as he had the academic edge with a college degree in Commerce. The losses incurred due to the inability to collect the huge amount of receivables, a job handled by the manager's wife, and the lack of transparency in how operations were managed caused other members to shy away from the cooperative. The low degree of trust among its members resulted in a 20 percent decline in membership and also a 15 percent decline in paid-up capital by 2003. Moreover, the bookkeeper's recording system did not follow generally accepted accounting standards. While the bookkeeper had attended trainings sponsored by the Cooperative Development Authority, this experience did not provide her the technical expertise and discipline in following and using the appropriate accounting system.

The officers of the Kauswagan Cooperative thus devised strategies to correct the mistakes. The board of directors took it upon themselves to spend time in the cooperative, with the aim of helping facilitate conversations with members and convince those who had withdrawn their membership to go back to the cooperative. The board members also felt that their active presence in the cooperative would aid in monitoring the operations of the consumer store.

Financial Analysis

Green Valley MPC is composed of different strategic business units, namely: agri-marketing, credit services, consumer store, and bakery and restaurant. Based on the gross income generated, the agri-marketing unit registered 58 percent of the total income making it the cash cow for the cooperative's operation. The agri-marketing operations posed a high market share and also a higher growth rate above other business lines. The cooperative experienced losses in the years 1998 to 2000 caused mainly by the onset of El Niño that adversely affected the farm production. Losses, however, were recovered in 2001 when the farmers were able to reap good harvests and were able to pay off their loans, aside from availing of the agri-marketing and post-harvest services of the cooperative like milling, drying, and trucking. Initially the cooperative made a 2.4 percent growth in net income in 2001 from the registered loss of 1.3 percent in 2000.

Table 1. Green Valley MPC Financial Ratios
per department for Year 2001 (in percentage)

	Savings and credit	Merchandising	Marketing
Total Operating income	14	24	62
Salaries and wages	13	35	34
Interest expense	22	20	52
Income from operations	24	18	58

Table 2. Key Financial Ratios:
Green Valley Multi-Purpose Cooperative

PERFORMANCE INDICATORS	2001	2000	1999
LIQUIDITY			
Current Ratio (in %)	1.13	1.04	1.10
Quick Ratio (in %)	1.11	1.02	1.09
Cash to Total Assets (in %)	8.00	4.00	7.00
EFFICIENCY			
Accounts Receivable turnover (no. of times)	7.57	12.15	10.87
Days Sales Outstanding	47.57	29.63	33.11
Inventory turnover (no. of times)	20.95	12.34	11.45
Average days of inventory	17.20	29.20	31.40
Accounts payable turnover (no. of times)	4.75	5.30	5.25
Average payable days	75.76	67.96	68.56
Days working capital	(11.01)	(9.16)	(4.01)
Fixed Assets turnover (no. of times)	14.83	17.58	14.84
Total Assets turnover (no. of times)	3.48	4.08	3.61
LEVERAGE			
Debt to Asset Ratio (in %)	80.00	79.00	79.00
Debt to Equity Ratio (in %)	71.00	15.00	64.00
Reserves and Equity to Asset Ratio (in %)	16.28	17.35	16.50
PROFITABILITY			
Gross Profit Ratio (in %)	7.00	6.00	6.00
Net Profit Margin (in %)	1.00	0.01	1.00
Operating Expenses Ratio (in %)	14.00	12.00	11.00
Return on Total Assets (in %)	3.00	1.00	2.00
Return on Equity (in %)	19.00	5.00	12.00

On liquidity. The current ratio or the working capital ratio, is the percentage of the current assets over current liabilities, with the rule of thumb of 2:1. Financial ratios for Green Valley MPC reflect some financial difficulty in paying its maturing obligations. Its cash ranges from 5% to 8% of the total assets, indicating that the funds were invested in other forms of assets. In terms of solvency, the coop experienced some financial constraints in paying its maturing obligation as shown by its current ratio of sparsely 1:1 in the three years covered.

On efficiency. The turnover ratios shows the movement of assets, the pace at how the cooperative sells its stocks, the collection rate of receivables, and the span of time it pays back its payables. The highest accounts receivable turnover at 12.15 times was in 2000 and the lowest at 7.57 times in 2001, implying a longer collection period of 47.57 days.

The inventory turnover registered highest in 2001 at 20.95 times. It was also in this year when the cooperative had a longer number of days to pay its payables, reaching an average of 75 days. This situation caused instances when the cooperative's working capital was not enough for its operations, and the cooperative had to wait over a period of 11 days in 2001 for it to recover the money and to re-use in its operations.

On leverage. The leverage structure shows a portfolio of the operation that is financed by debt compared to the part that is supported by the paid-up capital or equity of the members. The debt-to-asset ratio shows that the cooperative, over the three-year period, maintained debt-financing at an 80 percent level to support its operations and in its investments in related projects. The cooperative also resorted to negotiating long-term debts from big financial institutions like Land Bank, with debt reaching 71 percent in 2001. It was in this year when the cooperative availed of a 12.8 percent increase in its long-term liabilities, enabling it to finance its major programs like the construction of a solar dryer and the purchase of trucking equipment. The reserves- and equity-to-asset ratio, however, was maintained at 17 percent. This ratio is one area where the cooperative needs to improve on the capital-build up its members.

On profitability. A small increase of 1 percent in the gross profit margin was realized in 2001 despite an increase in the operating expense ratio of 14 percent due to the increase in the number of trucking units and pre-operating expenses for the solar dryer. This small increase in the profit margin, however, translated into a high return on equity at 19 percent as there was no significant increase in the number of members.

Table 3. Key Financial Ratios: Kauswagan Cooperative

PERFORMANCE INDICATORS	2002	2001	2000	1999	1998
LIQUIDITY					
Current Ratio (in %)	0.88	0.66	0.84	0.98	1.20
Quick Ratio (in %)	0.66	0.56	0.77	0.81	0.76
Cash to Total Assets (in %)	2.00	2.00	0.40	0.20	2.40
EFFICIENCY					
Accounts Receivable turnover (no. of times)	7.71	4.04	3.41	7.93	16.20
Days Sales Outstanding	47 .00	90.00	107.00	46.00	23.00
Inventory turnover (no. of times)	28.54	25.36	20.27	18.45	23.07
Average days of inventory	13.00	14.00	18.00	20.00	16.00
Accounts payable turnover (no. of times)	5.2	2.28	2.35	5.9	11.96
Average payable days	70.00	160.00	155.00	62.00	31.00
Days working capital	(10)	(56)	(30)	4.00	8.00
Fixed Assets turnover (no. of times)	3.26	1.47	1.69	4.73	8.50
Total Assets turnover (no. of times)	2.04	1.00	1.09	2.74	4.45
LEVERAGE					
Debt to Asset Ratio (in %)	42.00	48.00	42.00	43.00	40.00
Debt to Equity Ratio (in %)	74.00	93.00	73.00	75.00	66.00
Reserves and Equity to Asset Ratio (in %)	60.00	55.00	59.00	59.00	64.00
PROFITABILITY					
Gross Profit Ratio (in %)	3.44	2.59	11.37	9.3	4.92
Net Profit Margin (in %)	1.90	1.67	1.99	2.90	1.56
Operating Expenses Ratio (in %)	6.17	5.52	13.04	7.33	5.08
Return on Total Assets (in %)	3.88	1.69	2.17	7.94	7.00
Return on Equity (in %)	7.47	3.36	4.15	15.34	11.83

On liquidity. The current ratios of Kauswagan Cooperative range from 0.66 to 1.2, indicating that the Cooperative found difficulty in paying its maturing obligations on time. Cash constitutes a low of 0 percent to 2 percent of the total assets over the period from 1999 to 2002, with instances when the cooperative experienced having cash of less than a thousand pesos. More than half of the current assets were made up of trading receivables which was accumulated since 1998.

On efficiency. The financial efficiency of the cooperative has a big impact on its liquidity position. Accounts receivable turnover shows that the highest turnover rate was at 16.2 times in 1998, and the lowest at 3.41 times in 2000. The low turnover also implies a longer collection period as shown in year 2000, where it took 107 days to collect the receivables.

The inventory turnover registered highest in 2002 at 28.54 times. However the volume of purchases and sales was biggest in 1998. In this period, inventory took 16 days of stocking before merchandise was sold. The long inventory turnover period was due to the observed coop practice of storing at large quantities some slow-moving items and with some merchandise priced at a premium not affordable by the local consumers.

On leverage. Kauswagan Cooperative tapped debt-financing that ranged from 66 percent to 74 percent of their total equity from the years 1998 to 2002. This contributed to the big losses incurred after 1998, as the coop needed to regularly pay off their debts and interest expenses even though the vegetable trading, the coop's major operation, was already discontinued.

On profitability. Higher gross profit margins were realized when the cooperative was engaged in vegetable trading and selling of farm inputs from 1998 to 2000. However, operating expenses were also high resulting in a low net profit margin that ranged from 1 percent to 2 percent. While industry data is not available, benchmark net profit margin of 3-5 percent among multi-purpose cooperatives can be targeted. The cooperative earned its highest return on equity at 15.34 percent in 1999.

SUMMARY AND CONCLUSION

This paper on organizational analysis adopted the use of these three observable parameters namely: business strategy, empowerment, and stakeholder relations in assessing the performance of these two cooperatives. In summary, both cooperatives managed to survive the business challenges. However, Green Valley MPC was able to improve on its performance due to its already established internal control system and defined functions. It established a network of support with international finance organizations, like FOCCUS and CUES, that provided them the training and credit standards empowering them to improve credit services and to enhance cash flows. These strengths further allowed this coop to broaden business lines to its multiple stakeholders. Kauswagan Cooperative, on the other hand, forged linkages with government support agencies like CDA and DA. The coop's organizational crisis involving the management facilitated the higher visibility and participation among the coop board members, empowering them to directly manage the daily operations and to encourage individual members to continuously patronage the coop's services.

In terms of business strategy, a cooperative's sustained focus on its objectives is important. Revisiting its vision and assessing its performance will yield the cooperative an evaluation on how it balanced and integrated relationships and multiple objectives to allow its survival. Maintaining operational efficiency, which involves the adoption of a strong internal control system, is also an important component in the business transactions. The two cooperatives both demonstrated the utilization of empowerment strategy, as a people's organization, to improve performance. Adoption of the customer-friendly approach to strengthen relations with the members, like the Kauswagan Cooperative's board members spending time in the cooperative, helped in clarifying issues and organizational concerns from the members. It also helped in regaining the waning trust of members.

Stakeholder relations in these two cooperatives come in the form of finding profitable business activities in order to generate higher returns to member's invested capital. Establishing good network with unions of cooperatives also helped reinforce the cooperative's financial stability, integrity, and confidence among members.

Table 4. Summary Table of Comparisons

	Areas for Intervention	Green Valley Multi-purpose Cooperative	Kauswagan Cooperative
O R G A N I Z A T I O N A L D I A G N O S I S	I. Strategic Alliances	Findings: Low networking, limited capacity to avail external funds	Findings: Lack of updates on recent coop activities, lack of financing
		Interventions: a. Partnered with FOCCUS to comply with the Global Prudential Standard of Credit Unions resulting to financial stability, discipline, integrity and strong confidence b. Partnered with CUES for local and international linkages and empowerment of coop members for responsible credit availment.	Interventions: a. Became recipient of DA extension projects and cooperative undertaking of livelihood activities. b. Increased participation and consultation to CDA for coop activities and trainings. c. Participated in the barangay meetings for partnership projects
	II. Internal Control System	Findings: Presence of established internal control system	Findings: No formalized recording system leading to incorrect decision-making
		Intervention: Adopted stringent financial indicators set by FOCCUS to gain trust of stakeholders	Intervention: a. Availed training assistance from UP in Mindanao b. BOD's consultation and attendance to forum to empower and enhance leadership skills

ORGANIZATIONAL DIAGNOSIS

Areas for Intervention	Green Valley Multi-purpose Cooperative	Kauswagan Cooperative
III. Management Audit	Findings: Initially appeared to be a sectarian cooperative causing a low membership rate	Findings: BOD's lack of necessary managerial skills thus open to abuse by the Manager, misinformed judgment
	Intervention: Instituted the Education and Extension department to focus on recruiting members and expand delivery of coop services to various stakeholders	Interventions: a. All BODs took time to watch over the daily operations b. They were talked to/consulted directly by the members
IV. Financial Analysis	Findings: Incurred losses from 1998 to 2000 of 1.3% due to high collectibles of farmer's loans	Findings: a. Low receivables turn-over; longer days to collect (107 days) b. High debt-financing (66% to 93% in 1998 to 2002) used for repairs and maintenance of truck
	Interventions: a. Farmers pay-off their loans and encourage other members to avail credit services b. Availed coop services on agri-marketing and post-harvest services like milling, drying and trucking	Intervention: a. BOD members undergone household visit to members to discuss payment arrangements b. Disposed truck and focused on merchandising

ENDNOTES

1 Adapted, with revisions, from H. M. F. Rush, *Organizational Development: A Reconnaissance* (New York: National Industrial Conference Board, Inc., 1973).

2 The names of the cooperatives were disguised to protect the identities of the persons involved. These two cooperatives were also the subject for the strategic management coursework done by two graduate students of the Master in Management program.

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