

Working with Producers' Organizations: a path of roses?

Bringing about changes in organization culture.

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1 Introduction

The theme chosen for today's meeting "Working with Producers Organizations: challenge or nightmare", indicates that collaborating with producers organizations is not exactly all roses. Before entering on the subject of advising Producer Organizations on commercial activities, I will first present myself.

Since half a year I work with the Agricultural Economics Institute (LEI) on international market chains and networks in horticulture. Because of my working experience, I engage in market access for the primary sector in non-western countries, particularly small producers, and related issues of socio-economic development.

As for my professional experience, the proper wording would be that during thirteen years I have worked for, not with small producers' organizations in Mexico. During the first eight years, I worked as an employee in a coffee cooperative, developing its export-marketing department. In 1999, together with three colleagues I set up the consultancy KAFFE, providing permanent long-term services to six cooperatives and training and marketing services to many more within the state of Chiapas. In 2003, I returned to the Netherlands to work as an independent consultant before starting with LEI.

2 Overview of today's presentation

For today's meeting I have chosen the theme of organization culture. I have found that the internal dynamics of a producers' organization, can form a hurdle for successful market-oriented functioning.

Producer organizations with a history of defending the rights of their associates, with strong ethnic, religious or political identities, do not always entirely function according to their formal structure. In stead, they incorporate informal dynamics of political brokerage, which cannot always be reconciled with market oriented functioning.

Today I would like to highlight a few characteristics of organization culture, indicative of processes of paternalism within producer organizations. Afterwards I will briefly explain how the training program carried out by the consultancy KAFFE related to these processes. I will end this presentation with a statement on the role of the Agricultural Economics Institute in relation to Producer Organizations, as well as on the opportunities LEI can offer.

3 Traits of paternalism in Producers' Organizations

An organization culture with strong traits of political patronage centres on the values of trust and loyalty as core values. I name here four traits indicative of political patronage within a producer organization. These traits by no means are to be interpreted negatively. They relate directly to how farmers interpret their social position within society and how they perceive options to make changes.

3.1 Representatives chosen for personal networks

Firstly, the organization culture places a high value on person-related achievements and the individual capability to link with the exterior.

The General Assembly tends to choose the board of directors according to criteria of personal prestige within the community and their network with regional and national institutions. Chosen directors commonly are senior and have occupied or still occupy several public functions in religion or politics. There is no tradition of board of directors or associated producers systematically taking part in the planning and control of activities executed by the organization itself.

For decision-making and interpretations of results, the General Assembly mainly relies on the opinion of their natural leaders. Mostly these are the founding fathers of the organization or advisors who have proven their commitment and ability to attract benefits from outside the organization. Accordingly, these leaders determine in large extent the political and economic identity of the organization.

The programs and the choice of investments mainly depend on the opportunities encountered within governmental and non-governmental programs.

3.2 Tradition of oral decision-making

Secondly, the organization culture is oral and the right to express one's opinion is highly valued. Decision-making is slow as consensus is sought. Actualised information and documentation play a secondary role as input for decision-making. Farmers do not know their juridical position in relation to the assets of the organization. Rights and obligations are scarcely formulated beyond the obligation to make certain contributions and participate in meetings and communal tasks.

Likewise, organization procedures are hardly documented. Policies and regulations are barely defined lest documented, job descriptions do not exist. As a consequence, the success of the organization depends on the integrity and good faith of employees. Mechanisms of internal accountability are absent or hardly functioning. Internal information systems for decision-making and daily operations are lacking. No continuous evaluation of results takes place.

In the third place, decision-making procedures are vague and not stratified. Authority is not related to responsibilities or liability. As a result, employees will try to decrease job insecurity by relaying decision-making to the natural leaders or by forming factions with groups of farmers.

3.3 Patronage encouraged from outside the Producer's Organization

Lastly, I would like to mention the role of third parties in strengthening the organization culture of political patronage. First, logically the support of the natural leaders is sought, as they are the key persons who can ascertain the intended progress.

Furthermore, it is common practice that NGO's and governmental agencies work directly with farmer field workers, not realizing that by paying them directly, they undermine the line of authority within organizations.

Where soft loans and donations hardly represent a risk for the associated producers in case of failure, this strengthens the feeling among farmers that they are entitled to support and that their identity and having the right connections will assure continuity.

4 Market awareness and core values of efficiency and transparency

In Mexico, as an external multi-disciplinary team of consultants, we have aimed at altering aspects of the above-mentioned organization culture in order to facilitate the functioning of the organization in an entrepreneurial way. We tried to raise market awareness with corresponding core values as efficiency and transparency.

What were the methods used?

4.1 Procuring farmers with understanding of cost structure of operations

We started with the structuring of the activities of each separate organization, formulating the objectives of each area with correspondent budget. The objective was twofold. First was to demonstrate the possibility to coordinate commercial activities of different groups for the benefit of economies of scale, without affecting the strongly felt cultural identity of each.

The second objective was to give farmers an insight in planning processes and possibilities of internal control. The General Assembly was shown how the different programs of the organization interrelated in financial flows. Costs and investments per department were reflected in the planned price the farmer would receive for his / her product.

Different budgetary alternatives were presented to the General Assembly, discussed and decided upon, reflecting the consequences of certain strategic decisions as well as possible market scenarios.

4.2 Giving the board of directors instruments for internal control of operations

With the board of directors we worked at the formulation of quantitative targets for each department with correspondent tasks, responsibilities and cash flows. Wherever possible, natural leaders were included in the organization structure to benefit from their communicative capabilities and the built-up trust among members.

We actively engaged the board of directors in the execution of activities to acquaint them with the ins and outs of an operational plan. Each received on-the-job training in a particular area. The objective was to create awareness among the directors of their responsibility for all executed programs and to jointly develop mechanisms of internal control by means of simple formats to be used by farmers themselves throughout the organization.

Subsequent boards of directors would not benefit from similar training. They would receive accompaniment of the old board, and have the support of the business plan itself as well as designed management information system. Besides giving training to the representatives of the organization, also market and administrative employees were trained.

4.3 Trainers and trainees share the risks for success or failure

The team of consultants did not partake in decision-making, unless assigned with specific tasks. We nevertheless fully shared in the responsibility for the results. Our income depended upon it.

The organizations themselves paid 60% for training and commercial services rendered (40% was a external soft loan to the consultancy). To be able to pay for services rendered, the organizations' quantitative targets had to be achieved.

Advisors had several means to keep a finger on the pulse. First, each had a proven track record of working on the subject within producer organizations.

We had access to all the information procured by the management information systems. Furthermore, the continuous training on the job in different areas at the same time, be it farmers practices, product flow or financial administration, functioned as an early warning system for errors made.

That way, the team of advisors could function as a buffer and a guarantee for quality and compliance towards market parties further in the chain, while new experts were still in training.

The proven track record of the consultants was also an asset in maintaining the trust from other parties within the market chain. Therefore market access was guaranteed

even before starting the training program. These direct benefits are important for the producers, as they obtained market entry to market niches with preferential prices, such as the fair trade and organic market.

In resume, on advising producer organizations, we focused on the systematisation of organization procedures, the structuring of responsibilities and liabilities and the generation of effective management information. This we did by means of training throughout all layers and all areas of the organization, and by sharing the risk and responsibility for the outcome of the training.

4.4 The role of LEI

Looking at the entrepreneurial functioning of producers' organizations, two features strike as crucial. First, the link to the market and mobilization of market related experience and information. Second, the creation of awareness with farmers that with relative simple mechanisms of information gathering and within the boundaries of the market, they can steer and control the course of their organization and generate different options for the future.

LEI can play a twofold role in these processes.

With a lot of experience in global market chains, LEI has contributed and will contribute with knowledge and research on market integration and the consequences of exclusion. Collaboration with Producer's Organization can give clues on how this information can effectively be organized and opened up for the benefit of associated farmers.

Secondly, because of all the programs LEI is carrying out with the active participation of agribusiness and the retail sector, we furthermore have a strong position to bring several parties of the market chains, among which organized small farmers, together for the formulation of joint projects. Within those projects, the above-mentioned methods to create market awareness would have to be considered to reach sustainability.

In Viet Nam, LEI will start a pilot project as part of a research program on market access. A large retail company will work together with Producers Organization for the formulation in more detail of a program and priorities for training when setting up a preferred supplier scheme for a new distribution centre.

In the Philippines, we are setting up a producer support program for the supplying cooperatives of a export company. The objective is to facilitate internal control on costs, quality and product flow, by formulating a business plan together with associated farmers and to improve financial planning processes.

5 If you want roses...

And to be able to walk a path strewn with roses when working with producers? If I would ask that question to family members emerged in horticulture, or to my friends in Mexico, I know what answer they would give me: "Let's first see if you do more than just talking. If you want roses, I will help you start up growing them!"