

**“BASICS AND BEYOND: - TRANSITIONAL AND  
TRANSFORMATIONAL LEADERSHIP FOR CO-OPERATIVES”**



**Report: The Third SACCO Leaders Forum**

**Venue: Gaborone International Convention Centre,  
Gaborone, Botswana**

**Date: 21<sup>st</sup> -23<sup>rd</sup> March 2012**

**Organised By ACCOSCA in Conjunction with Department of  
Co-operative in Ministry of Trade and Industry, Botswana**

## **Executive Summary**

The African Confederation of Cooperative Savings and Credit Associations in collaboration with the department of Cooperatives Botswana, held a 3-day SACCO Leaders' Forum in Gaborone, Botswana from 21-23rd March 2012. This was third to the follow up SACCO Leaders meeting in Kigali, Rwanda in 2011. The aim of the forum was to transit and transform leadership in cooperatives. The objectives of the forum were Promote dynamic and effective leadership with-in co-operative financial institutions (CFIs), Encourage Leaders to contextualize and support CFIs good governance initiatives and Evaluate strategies used in past, present and future Operationalisation of CFIs through presentations of experienced leaders, discussions and networking during the Forum.

The Forum was attended by a total of 165 participants including managers of cooperatives and credit unions in Africa; committee members and elected officials; government officials and policymakers; youth group leaders; researchers and academia. The Forum was officially opened by Hon Dorcas Makgato- Malesu, Minister of Trade and Industry, Botswana and closed by Hon. Joseph Nyagah, Minister Cooperative Development and Marketing, Kenya.

The key issues covered during the forum ranged from shaping organizational culture to think outside the box, innovative management approaches, finding and developing business opportunities for cooperatives, understanding CFI performance, developing a learning organisation, identifying better organizational talent for better performance and results, employee member perception, safe guarding stakeholders' wealth in SACCO, rebranding CFIs, and challenges and experiences of HRM in cooperatives among others.

This report provides a summary of the forum proceedings and the key discussions. Detailed Information about individual presentations can be accessed from the ACCOSCA website. The Forum programme and list of participants are appended to this report. Countries Represented: USA, UK, The Gambia, South Africa, Botswana, Namibia, Zambia, Malawi, Swaziland, Zimbabwe, Ghana, Nigeria, Uganda, Kenya, Tanzania, Canada, Rwanda and Cameroon

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## **LIST OF ABBREVIATIONS**

<b>ABC</b>	- Alternate Business Channels
<b>ACCOSCA</b>	- African Confederation Cooperative Savings and Credit Association
<b>BOSCA</b>	- Botswana Savings and Credit Union
<b>CAMEL</b>	-Capital Adequacy, Asset Quality, Management, Earnings, and Liquidity
<b>CCA</b>	-Canadian Co-operative Agency
<b>ICT</b>	- Information, Communication Technology
<b>IYC</b>	- International Year of Co-operative
<b>KUSCCO</b>	- Kenya Union for Savings and Credit Cooperatives
<b>MDGS</b>	- Millennium Development Goals
<b>POS</b>	- Point of Sale
<b>SACCA</b>	- Annual Savings and Credit Co-operative Association Africa
<b>SACCOs</b>	- Savings and Credit Cooperative Societies
<b>SAMAF</b>	-South African Micro Apex Fund
<b>SASRA</b>	- SACCO Societies Regulatory Authority
<b>SME</b>	-Small and Medium Enterprises
<b>TQM</b>	-Total Quality Management
<b>WOCCU</b>	-World Council for Cooperative Unions
<b>ED</b>	- Executive Director

## **1.0 INTRODUCTION**

The African Confederation of Cooperative Savings and Credit Associations in collaboration with Department of Cooperatives Botswana held a 3-day SACCO Leaders' Forum in Gaborone, Botswana from 21-23rd March 2012. The aim of the forum was to transit and transform leadership in cooperatives in Africa through sharing of leadership experience from cooperative leaders across the world. This report presents a summary of welcome and closing remarks, speeches by Hon. Dorcas Makgato -Malesu, Minister of Trade and Industry and Hon. Joseph Nyagah, Minister Cooperative Development and Marketing, Kenya, a summary of forum presentations and discussions.

### **1.1. Welcome Remarks by George Ombado, ED ACCOSCA**

Upon welcoming the participants he mentioned that this Forum was unique and since the resolutions passed during the 13<sup>th</sup> SACCA congress will be implemented. Feedback from last year's events indicated that such forum go a long way in addressing challenges facing Cooperatives in Africa. He stated that for greater efficiency, the 3rd SLF will focus mainly on Effective Leadership and Adoption of Structured Governance Practices.

He also mentioned that ACCOSCA's efforts to effectively mitigate challenges affecting the sector were bearing fruits due to invaluable support received from the members. In the recent times, some of the focus areas for ACCOSCA have been reducing gender gaps, making use of generation gap to strengthen the SACCOs and encouraging best practices with the sub-sector. He acknowledged and appreciated Canadian Co-operative Agency (CCA) for playing a critical role in contributing towards reduction of gender disparity within SACCOs in Africa. He noted that the first SACCO Women Forum was held prior to this forum with support from CCA.

Before inviting the Board of Director to deliver the Boards Speech, he also took this opportunity to thank the Department of Co-operative in Botswana for taking an active role in this event and for nurturing the co-operatives in the absence of Botswana Savings and Credit Union (BOSCA). He encouraged all national stakeholders present to ensure the revival of BOSCA for the benefit of the members. This according to him will provide a coordinated approach when dealing with matters pertaining to SACCO development in Botswana and SACCOs to keep abreast with the ever evolving issues affecting the co-operative sector.

## **1.2. Speech by Mr.Mbongeni Manikivana, Board of Director ACCOSCA**

Mr. Mbongeni welcomed dignitaries and participants on behalf of ACCOSCA leadership to this third annual SACCO leadership forum implying that ACCOSCA has a tradition. He retaliated that the leadership forum was established as a platform to bring together Sacco's Board of Directors and managers to exchange ideas; this provided an opportunity for the regulators to take note of the concerns being raised by the leaders

He went further to illustrate ACCOSCA commitment in enhancing the role of training, education and economic development of people living in Africa through the co-operative model. Though innovation exists he felt that SACCO has a long way to embracing innovation in their operations. It is ACCOSCA mission to provide professional programs which enables directors and managers to achieve excellence.

Mr. Mbongeni also mentioned the need for Co-operatives to foster greater collaboration and partnership with the governments in Africa in an effort to advance social and economic progress. It is a simple fact that Co-operatives cannot prosper if women are left behind. As such he encouraged leaders to develop initiatives that encourage both sex to be involved in the running affairs of co-operatives

In Pursuit to managing HIV/Aids in the workplace and as per resolutions passed during last year's SACCA congress in Ghana, he confirmed the launch of Know Your Status Campaign on 23<sup>rd</sup> March 2012 and welcomed participants to take advantage of the KYS stands. This participatory approach therefore is aimed at enabling the sector contribute towards de-stigmatising, managing the impact of the disease thus extending longevity of members and consequently sustainability of SACCOs. He encouraged SACCO leaders to implement such initiative at the grassroots.

## **1.2. Speech by Hon. Dorcas Makgato-Malesu Minister of Trade and Industry**

Hon Makgato Malesu Welcomed Participants to the Third SACCO leaders Forum and appreciated ACCOSCA for choosing Botswana to host the forum.

The Minister reaffirmed the Government commitment in establishing and supporting Co-operative as viable entities that would make meaningful contribution to the people standard of living. However she raised concern that Co-operatives are not doing as much as necessary to enable them operate as sustainable entities as such they need to transform themselves into competitive viable businesses. She encouraged bench marking of Co-operatives across countries, especially with those perceived to be in an advanced stage of Co-operative Development such as Lesotho, Kenya and Tanzania. This does not in any way imply that such countries are not faced with challenges.

Hon Makgato Malesu encouraged Co-operatives in Botswana to promote a savings culture. Despite the co-operatives in Botswana dating back to 1966, she was concerned a lot needed to be done for the co-operative model to yield desired results. For instance, she noted that the level of savings is quite low yet Saccos constitute a higher percentage of co-operative presences in the country. It is through embracing a savings culture that promotion of institutional Savings and Credit Unions would be realised. This notwithstanding, she encouraged co-operative leaders across the continent to embrace professionalism at all times.

She cautioned that a Co-operative will not effectively meet its objectives and core mandates if leaders shy away from embracing good governance practices. Though Co-operatives need to compete with other businesses by coming up with a value proposition that would attract more members to the movement. She said this would be made difficult if potential members perceive co-operatives as dumping grounds for mismanagement. The sector, she noted, needs to be attractive to everyone in the society irrespective of gender, race or age since the fundamental purpose of a Sacco is to transform members savings into credit facilities.

She challenged the forum to come up with resolutions that can be followed through and those whose impact are visible. She concluded with a lot of optimism and understanding that organisations

like SACCOS which have the potential to increase the savings levels of the continent and provide a financial base for corporative projects.

#### **1.4. Forum Objectives**

The forum objectives were to:

- Promote dynamic and effective leadership within co-operative financial institutions (CFIs)
- Encourage Leaders to contextualize and support CFIs good governance initiatives
- Evaluate strategies used in past, present and future Operationalisation of CFIs

## **2.0. SUMMARY OF FORUM PRESENTATIONS**

This section presents a summary of workshop presentations and discussions. For more detailed power point presentations, please visit the ACCOSCA website on [www.accosca.org](http://www.accosca.org)

*2.1. Thinking beyond the box, why a paradigm shift is necessary for Co-operative leaders in shaping organisational culture. Hon Joseph Nyagah: Minister of Co-operative and Marketing Development Kenya*

The Minister, who doubles up as a good will ambassador for ACCOSCA, thanked the organisers for conveying such a forum. He encouraged ACCOSCA to continue with this effort of bring stakeholders across the continent in participatory manner in addressing issues affecting the sector. He mentioned that while progress has been made across the continent while appraising the impact of the co-operatives, it was important that during this year (IYC), Co-operative leaders should double there efforts is promoting awareness of co-operatives role in Africa

Among other issues that the minister candidly talked about were

- The need for Co-operative Leaders to embrace Regulatory Framework in the interest of protecting Members Resources and building confidence to potential Members
- The need for Co-operative Stakeholders to encourage a saving culture in respective countries, while doing so this should be tied with investment opportunity that creates viability and sustainability of co-operatives
- The need to effectively manage the impact of HIV/Aids since this is an alternative way of minimizing risk exposure to co-operative membership
- The need to embrace technology and innovation on CFIs operations

- The need to invest on work force, by having employees whose professionalism is acknowledged and respected
- The need to use co-operative model in managing environment.

2.2. -*“Diversity at the Workplace; Innovative Management Approaches”* By Anugwa Stella Ngozi, Abuja Women Cooperative Alliance (Nigeria)

**2.3** *Understanding CFI performance-Membership Base, Loan Portfolio, Liquidity portion and Capitalization of CFI as parameters.* By Robert Mbeza: Director Capacity Building (CBDA)

Mr. Robert Mbeza illustrated practical methods used to measure performance. As such the following issues were discussed

**Financial Performance** is a general measure of an organization' s overall financial health over a given period of time. To Understand CFI Performance one must have a proper analysis to bring out all the issues and then make your conclusions. This entails production of financial statements ie the income and balance sheet statement complete with budget review and ratio analysis. These reports should be produced at least monthly and presented to the board members. Ratio Analysis is used to examine the performance of a CFI at a certain period in comparison to other periods, to forecast the CFIs ability to maximise members' wealth, and to aid in measuring of performance.

#### PEARLS MONITORING SYSTEM

**P** (Protection) **E**(Effective Financial Structure)**A**(Asset Quality)**R**( Rates of Return & Cost)**L** (Liquidity)**S**(Signs of Growth). This system is a tool that is used to understand performance, it's a management tool that is used as an early warning system, alerts management to problems before they become detrimental, Clearly demonstrates where problem areas are located, and Provides a tool to monitor management's progress toward financial goals.

- **Membership** – in a SACCO there should be a minimum of 15% Growth. To determine this you have to use the ratio below;

$$\frac{\text{Current Number of Members}}{\text{Number of Members last year}} - 1 \times 100$$

The more active members the better, in order to do this, the SACCO has to work hard and be persistent, and the conditions should like good products and services, favorable opening hours and location must be in place.

- **Loan portfolio**- for success it should be  $\text{Net Loans} / \text{Total Assets} = 70 - 80 \%$  which is the main Source of CFI Income the Loan Portfolio Quality is determined by delinquency. Delinquency refers to loans with one or more instalments which have come due but were not paid. This cost should be avoided at any cost and should be closely monitored and well protected. Delinquency should be accurately measured using total outstanding balance of portfolio and the first line of defense is the allowance of loan loss, so provisions should be put to in place to anticipate probable loss. The formulas below is a useful tool
- P = Protection
  - P1. Allowance for Loan Losses / Loan Delinquency >12 months
  - P2. Net Allowance for Loan Losses / 35% of Loan Delinquency 1-12 months
  - P1 Allowances/ Loans delinquent over 12 months = 100%
  - P2 Allowances/Loans delinquent less than 12 months = 35%
- **Liquidity is** the ability to convert an asset to cash quickly. This is not needed in a CFI, a CFI should maintain a certain level of liquidity, the purpose is to measure adequacy of liquid cash reserves to satisfy withdrawal requests, after paying all obligations of < 30 days. Below is the formula;

L1 Formula:  $= (\text{Earning} + \text{Non-earning liquid assets} - \text{Total payables} < 30 \text{ days})$

Total deposits Goal: 15 - 20%

- L3 Non-Earning Liquid Assets/Total Assets = Less Than 1% This represent the amount we need to hold in our vaults, tellers and current accounts.
- **Capitalization of CFIs**:- the purpose of the CFI capital is to have an effective financial structure. Having a source of capital/net surplus calls for a SACCO to increase its income, reduce on its operational expenses and reduce delinquency to minimise loan provision.

**Institutional Capital**- this is to measure percentage of total assets financed by institutional capital. The formula is given below with a goal of reaching a minimum of 10%

Formula:  $\frac{\text{Total institutional capital}}{\text{Total assets}}$

Net Institutional Capital – the purpose is to measure the actual value of the CFI's Capital (net of unrealized losses). The formula is given below with the goal of 10%.

Formula:  $[(\text{Institutional Capital} + \text{Total Allowances}) - (100\% \text{ of Loans Delinquent} > 12 \text{ Months} + 35\% \text{ of Loans Delinquent from 1-12 Months} + \text{Problem Assets})]$

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### Total Assets

The calculation can effectively be done by Ratio Analysis so never rush into conclusion just analyse.

#### *2.4. IYC 2012, Finding and Developing business opportunities for Co-operatives By Mr Francis Munyao, Strategic Manager ICA-Africa*

Mr. Munyao used his experience to highlight the role International Co-operative Alliance is playing in promoting and creating awareness on the fundamental role played by the co-operatives. He began his presentation by giving a background view of IYC as passed by the UN Resolution 64/136. The United Nations General Assembly declared 2012 as the International Year of Cooperatives, highlighting the contribution of cooperatives to socio-economic development, particularly their impact on poverty reduction, employment generation and social integration.

He cited United Nations Secretary-General Ban Ki-moon as saying "Through their distinctive focus on values, cooperatives have proven themselves a resilient and viable business model that can prosper even during difficult times. This success has helped prevent many families and communities from sliding into poverty."

The International Year of Cooperatives has three main objectives:

- **Increase awareness:**-Increase public awareness about cooperatives and their contributions to socio-economic development and the achievement of the Millennium Development Goals.
- **Promote growth:**- Promote the formation and growth of co-operatives among individuals and institutions to address common economic needs and for socio-economic empowerment
- **Establish appropriate policies:**-Encourage Governments and regulatory bodies to establish policies, laws and regulation conducive to co-operative formation and growth.
- By raising awareness about cooperatives, the Year will help to encourage support and development of cooperative enterprises by individuals and their communities.

In order to benefit fully from the outcomes of the year we must consider looking at the basic for which a cooperative was initiated to serve. The purpose for each co-operative is basically to serve the business of the member. A close scrutiny of each cooperative enterprise will reveal a push for

members and needs to be met by their enterprise. Sacco Societies worldwide have succeeded as a result of financing members' projects and activities. To-day much more than any other time these enterprises need to find out in which businesses are our members involved in? And how can the enterprise provide solutions for the success of the members' enterprise/business.

Sacco Societies in the Continent have succeeded in meeting the financial needs of their members. Many business opportunities have remained untapped or left for other players to serve the same members we provide financial services to:- Supply Chain financing:- Goods and services are being demanded by our members all the time.

Energy Supply:-Our members meet their energy needs both in the urban and rural areas through various designated supply companies. Green energy demands are increasing do cooperatives have the capacity to manufacture and supply their members with Solar panels and accessories.

Agriculture: - Food security, Feeding increasing population, Healthy services, Medical care of members health needs, and Tours and Travels:-Each year conferences, exchange visits, seminars and workshops are arranged.

In the years ahead it will be necessary to pull resources together and compete on a continental scale with the rest of the business enterprises that today have a field day in interacting with our members. Thinking without the box rather than out of the box will bring a paradigm shift for our enterprises see the emerging business opportunities and provide relevant solution.

*2.5. Developing a learning organisation-Rebranding CFIs from Kenya Police SACCO experience. By Solomon Atsiaya: Chief Executive Officer, Kenya Police Sacco*

He begun by giving a background of Kenya Police Sacco society, which is a SACCO (CFI) of 40 years old registered in 1972 under the Cooperative Societies Act (Cap 490) of the laws of Kenya. The Society started on a humble beginning with membership of 690 to the current of 34,330 with an asset base of over Kshs. 8.3 Billion (US\$ 100 Million)and a loan portfolio of Kshs. 6.5 B (USD 78.3 M) and is Licensed for deposit taking for the year . According to KPSS Members they are pooling of resources together and it's an institution where people save whatever they have Quick money and a lot of money.

A learning organization is the term given to an organization that facilitates the learning of its members and continuously transforms itself. Learning organizations develop as a result of the pressures facing organizations and enables them to remain competitive in the business environment. Drawing from the cooperative principle of “Education Training and Information, Educated membership of a CFI are easier to associate with the activities, products and programmes of the CFI” They participate effectively in the corporate governance of the institution.

He mentioned that the main competitors for CFI's are Commercial Banks, MFI, Informal lenders. Commercial banks and MFIs put their interest first before meeting the customers need by practicing high level customer care. They have adequate customer knowledge and needs assessment, Recruitment of qualified staff, Efficient operating procedures and use of ICT and office automation, Research & development, Competitors Approach, Build dominant corporate image and brand names, New and attractive and comfortable premises, Country wide service delivery systems, Aggressive promotional activities, Sound accounting policies.

Impact of this includes;- Stiff competition leading to tough times, Higher costs in accessing societies services, Members shifting their borrowing needs to commercial banks, Stagnation & Decline in membership , Possible decline in income levels and dividends (Growth not as expected)

The Society created awareness for need to learn at different levels in the organization (Capacity Building)- ie. Country wide education for Membership, Workshops & seminars for Branch officials & Delegates, Trainings of Board members including corporate governance, Improve competency through staff trainings & motivation schemes. For example; The Society created environment for change- The society employed new staffs 2008 - Operations & Finance Mgr ,ICT Manager, HR Manager, Finance Analyst (Change platform-able to see things differently) (Move away from housefly strategy), Technological changes-New ICT platform with capability of performing all transactions & generate reports for management & decision making purpose. Monitoring & tracking of things through fast generation of reports and updates on continuous basis, plus reference of past records on a very easy platform so as to get a way forward.

The Kenya Police SACCO developed a five year strategic plan 2010 – 2014. Strategic pillars included; Financial Performance; Products and Services development, Human Resources Development, Operations- Systems, Membership-Growth & Retention and Governance

## **Re-Branding**

1. Kenya Police Sacco Ltd to build a brand image across its members
  2. To gain credibility and nurture trust amongst the members and stakeholders
  3. To grow the membership base
- The new corporate identity not only raises the Sacco's visibility but also attractively positions it in an increasingly competitive marketplace where it has to shake off competition from banks and microfinance institutions.

**Good Governance:-** Adopt Performance Management, Recruitment and retention of qualified staff, and Staff motivation, Proper Accountability & Controls, Internal Audit & external Audit, board committees aligned to specific on activities, Reviewed policies and Embrace regulators requirements.

Improve internal procedures & controls\_– implementation/review of operational manuals, training, segregation of duties, Proper Liquidity management & explore new sources of funding\_– Savings products-FOSA, Encourage members savings, Constant members education-Country wide.

Identification of key strategic partners\_– Financiers, Insurance, Trainers, Strategic Planners and Government continued involvement in policy, legal and institutional framework.

*2.6. Identifying and managing talent that spurs growth for co-operatives organizations- getting better results, together. By Ms. Lochrie Lorri Human Resource Manager, Central 1 (Ontario Trade Association ,British Columbia, Canada and Monique Dunbar Communicating Arts Credit Unions, USA*

This was presented by Lorri and Monique, their presentation touched on core areas adversely affecting the growth of CFIs as a result of neglecting personnel. They noted that valuing the employee as a partner in the business and leadership is one of the major HR management essentials. The General Manager/Manager should be responsible for the employees of the credit union. This entails Hiring, Setting salaries, and assessing employee performance. While the Board of Directors, should be responsible for all HR accountabilities for the General Manager and the Succession planning within the organisation. Besides this, the Board is also responsible for key HR accountabilities for itself including; Developing their skills to fulfill their duties, Assessing their performance, Working together successfully as a team

HR has to Create a 'great place to work' and be committed to employees well-being while respecting their balance between work and life. A SACCO has to have a clear and transparent HR Policy and Offer competitive remuneration package with formalized salary scales benchmarked to market, benefits package, rewards and recognition programs, Bonuses tied to performance, and Professional development opportunities.

*Recognize the full cost of turnover – the cost to replace an employee, the impact on other employees, and the impact on members.* A 'great place to work' look like the employees are proud and motivated, understand the business, inspired to make a difference for members and their communities through the work they do and empowered and work collaboratively to ensure the credit union's success.

In turn the SACCO will provide employees with opportunities to learn, develop and grow in an innovative, respectful and fair work environment, give employees the tools and resources they need to do their jobs, be supportive leaders and provide fair compensation, rewards and recognition. This presentation persuaded the leaders to value and respect employees' contribution to their success. More importantly support professional development of employees and reward them for their creativity, teamwork and achieving set objectives.

The success of CFIs ultimately depends on Human Resource. The essentials include the following Create an HR strategy, start by hiring the right person, also invest in developing your employees, and support their ongoing performance. Build on respect and transparency by being an inspiring leader, lead by example. In addition, Open communication is necessary to share organisation plans, ideas, discuss the new product/service you want to implement, and ask for their feedback, Recognize and reward positive performance, Provide effective guidance, support and training, Tailor work assignments, rewards and recognition to individual employee needs and desires and Assign interesting and challenging work.

2.7. *"Safe Guarding Stakeholder wealth in SACCOs; surviving the whirl wind in a regulated environment"* by Carilus Ademba, Managing Director SASRA Kenya

The regulator from Kenya, Mr. Carilus Ademba stressed that the regulatory authority works in hand with the Saccos. This body is an establishment of an Act of the Kenyan parliament. It was established under section 4 of the Sacco Societies Act, 2008 with the mandate to: Enhance the safety, soundness and integrity of Sacco societies by promoting good corporate governance,

accountability and transparency as provided for in the Sacco Societies Act and the Regulations for the public interest.

SASRA achieves its objectives by employing controls prescribed in the law. These include Financial and Non financial. SACCOS have been operating before regulation thus already has established systems. Some SACCOS are larger than some commercial banks in terms of total assets; easily accommodate the prudential standards being applied.

According to him, statistics show that regulation has created an opportunity for SACCOS to inject more capital into the business by: Recruiting new members, engaging in shares drives “IPO”, and Building of reserves and declaring realistic Dividend. This notwithstanding, there are transition provisions on areas that cannot be immediately implemented such as: Capital adequacy ratios, Divesture in non core business, and Regularization of external Borrowings. SACCOS have various degrees of share capital. Of the top 20 SACCOS sampled, a number of them have significantly improved in the share capital.

### **Surviving the Whirl wind**

- Repackaged their products to suit the current demand; moving beyond tradition products like development loans and introducing technologically driven products e.g debit cards, international money transfers.
- SACCOS are using their license as marketing tools to recruit more members.
- Licensed SACCOS gain support from the Government by channeling devolved funds through them (Youth Fund, Women Enterprise Funds, CDF).
- With the emergence of licensing, SACCOS have realized that they are economic entity as opposed to the popular notion of Social entity.

### **Embracing Business Model**

To withstand competition, SACCOS have adopted business management models. Key initiatives include: Development and implementation of Business Plans.

Procurement and implementation of modern Management Information System (MIS) that has enabled them roll out wide range of products.

- Competitive recruitment of qualified and competent staff.
- Building of reserves to boost the capital base thus allowing them to expand.

- Expanding the outreach through opening of branches beyond the geographical operating areas.
- Surviving the Whirl wind

#### The long Run Strategies

- Mergers:-The financially weak, small SACCOS to merge so as to benefit from the economies of scale, Boost the members confidence by delivering services required effectively.
- Investment in Properties-The SACCOS have adequate time to divest from the massive investment in properties and equipment to release them and focus on core business.

#### *2.8. Analyzing Quality of Management Decision- through the supervisor lenses by David De Jong: Supervisor CBDA-South Africa*

As the supervisor of Saccos in South Africa, Mr. David De-Jong highlighted that supervision and capacity building of employees are inseparable. As such supervision is a work in progress that is by design essential in enabling the managers to make sound decision that are of interest to Sacco's membership.

He stated that Supervision is an effective process to assess the safety and soundness of Co-op banks and CFIs. In South Africa, both CAMEL and risk ratings is used to determine a composite rating for Financial Co-ops. Both CAMEL and a Risk Assessment look at various aspects of Management in a CFI.

They have benefited from Camel Rating System (Capital Adequacy, Asset Quality, Management, Earnings, and Liquidity) as an onsite evaluation of the performance and condition of co-operative banks. The System facilitates the identification of financial, operational, managerial or compliance weaknesses that require special supervisory attention and/or warrant a higher than normal degree of supervisory concern.

**While using Risk-Focused Supervision, they have managed to** focus on areas posing the greatest risk to members' deposits. Conduct risk analysis on each Co-op Bank, ensures a qualitative and quantitative assessment which provides a continuous and dynamic way of supervising co-operative banks.

## **Overall risk rating = Inherent Risk + Adequacy of Risk Management**

### Management Assessment in CAMEL

- As part of the 'M' assessment, quality of corporate governance systems and structures as well as quality of board oversight will also be assessed.
- All aspects of BOD evaluated against factors to operate a CFI in sound manner
- Management Assessment in CAMEL
- Risk management control function of MD

Assesses management oversight over the seven (7) key risk i.e. Credit, Liquidity, Interest Rate, Operational, Legal & Compliance, Strategic, and reputation. Risk management control function of MD, he should focus on ensuring that there are adequate: Policies and Procedures, Internal Controls, Segregation and delegation. Ensure management is qualified and competent, Review and approve organisational and procedural controls, Ensure inherent risks are identified and appropriately managed, Review and approve policies, Review and approve strategic plan, Provide for independent assessment of management controls through the supervisory lenses.

He noted that Management tend not to focus on the “difficult issues”. Continually deferred, Small problems become big problems very quickly; Do not respond to issues raised proactively. Management is (mostly) appreciative of the identification of risk areas however too reactive. Wait for issues to be identified

- Boards too often like dealing with operational issues and lack strategic oversight over CFIs
- Succession and contingency planning are hardly handled correctly by management and the board.
- All operational areas within a CFI are directly linked to management thus most management red flags arise from shortcomings of management in delivering their work.
- The end result is poor corporate governance and accounting practices.

### *2.9. Adopting Innovation in SACCO operations, by Sylvester Kadzola, CEO MUSCCO-Malawi*

Mr. Sylvester Kadzola elaborated why Saccos across Africa MUST be innovate. He used quoted *Abraham Maslow* “If the only tool you have is a hammer, you tend to see every problem as a nail.”

In the context of SACCOs innovation is necessary through new idea being directed at product development, process of credit facility, recruitment of new members and Value Creation to

members among others. The benefits of innovation are colossal as they build a unique selling point and distinction for the Sacco. This he stated will not come cheaply, since Saccos have to utilize their finances appropriately on product innovation, Process innovation and Market innovation. The most common targeted areas during this process are Technology and Computerization, and investing in Human Resources.

2.10. *Adapting a learning culture- Appraising Training Methods by Prof Rob Paton (Centre for Public Leadership & Social Enterprise- Open University)*

Professor Rob Paton presented this paper with a view to create awareness about the impending project between ACCOSCA and Open University which has been christened “ACCUMULATE”. This stands for African Co-operative Credit Union Movement – Upgrading Learning And Trainer Empowerment.

Though the discussion regarding the project has been ongoing for the past 18 months, the presenters sort to know from Sacco leaders the currently training limitations and highlighted what Open Educational Resources (OER) can provide. It was evident during the discussion that Saccos cannot adequately meet the demands for training. More often, Saccos have training that are organised away from their geographical areas thus increasing capacity building cost. As such the expertise and quality of trainers is also put into question. The project will therefore adopt an Open Educational Resources (OER) system where *learning resources designed for use and adaptation by others are made easily available through electronic media*

Implementation of this project will require involvement of “Apex” bodies or National Leagues of Saccos to join the program. ACCOSCA Secretariat, under a competitive recruitment process will identify and support top trainers to join the program. The secretariat will also engage with education and training department in selected apex bodies in view of promoting and indentifying critical issues needed to see that ACCUMULATE meets its objective for the benefit of members. The project will support all selected trainers as they learn to adapt the new resources to their own situations. This will also go towards planning ahead to use Saccos increased training capacity to support their growth and consolidation.

### *2.11 Employee/ Members Perceptions Predict Organizational Success: - way forward for Co-operative organization*

*Moderated by Emmanuel Darko, General Manager CUA, Ghana*

The presenter articulated the need for people living in Africa to think different. He noted that the Africans from time immemorial have been living co-operatively. Every village has organized groups either by occupation, profession or by economic background. Although these associations and groupings were meant to promote the businesses of their members; they were faced with numerous challenges

- They could not access capital for their members
- Capacity building in the areas of training was limited
- They were more social than business oriented entities.
- No plans were made for their long-term sustainability
- Most of these entities were converted into co-operatives by the various Governments.
- Co-operatives were sometimes used as conduits for the distribution of Government inputs and other suppliers to the rural poor.
- Others were used for political purposes to secure votes for particular governments in power.
- Development partners saw co-operatives as the easiest way to mobilize people to achieve their project objectives without considering their long-term sustainability.
- Today, the name “co-operative” is received by NGO’s, donor agencies and other development partners with mixed feelings due to: poor legislation, low or no capital base, poor image, lack of vision and mission. etc.

He mentioned that the following are essential criteria for setting up a co-operative society; capital requirements, minimum members, types of records & reporting requirements, auditing / supervision, training requirements, minimum performance standards. Unfortunately today’s Leadership and members’ perception of co-operative associations are that

- Co-operatives are meant for the poor
- They are not meant to make profit/surplus
- Co-operative is socially oriented societies.
- Poor Performance is not questioned
- They are organized to seek for financial support from Government
- Governance is always poor
- People took positions to benefit themselves

## **The way forward – government role**

The Co-operative Act and Regulations should be more proactive enabling Co-operative institutions to be more competitive and operate like any other business entity. Government should view co-operative as private business entities. Interference is not healthy. The monitoring role of Government has to be improved through education and training. There should be a balance between philosophy and Principles on one hand and the application of business principles and practices on the other hand to ensure its long-term sustainability. Co-operative operations must be safe and sound to entice people with diverse background to be able to attract enough capital and high quality leaders.

## **Challenges**

- High competition from; NGO's, Savings and Loan companies, Micro Finance Institutions, insurance companies, and even Government functionaries.
- The cost of doing business is becoming very expensive
- More Cooperatives are eager to go into Technology /automation. This is very expensive but inevitable.

Leaders and members must understand what makes a successful co-operative and plan with commitment towards that. Examples are:

### **1. CAPITAL ADEQUACY LEVEL**

- Capital needs to be built to meet the test of time therefore the minimum capital to be subscribed by each member determines the foundation of the co-op.
- The minimum has to be reviewed from time to time to prevent the capital from erosion through inflation
- Surplus must be planned to build reserves.

### **2. PROFITABILITY**

- Profitability refers to the ability of a Co-operative to generate sufficient revenue to cover operational expenses including provision for loan losses (as a SACCO) and shows a reasonable surplus.
- Unless Co-ops charge enough to cover their costs, they will not exist to meet the test of time.
- PROFITABILITY

- If SACCOs want to make a real impact, and remain in business permanently, they must be economically viable. Why economic viability so vital?
- “If you want to help the poor, never be one of them”
- “If an institution is not sustainable then it can’t help the poor people in the long-term. Self-sufficiency is paramount!”

### 3. **ASSETS QUALITY**

- Potential risks due to poor quality of assets resulting from poor loan portfolio and investments; cash and fixed assets as a result of losses resulting from theft, damage or destruction if not adequately insured or provided for.

### 4. **LIQUIDITY**

- It is important for the SACCO to maintain the required liquidity reserves against any future liquidity downturns.
- Lack of funds may tend to erode the confidence of members.

### 5. **Financial Management and Accountability**

- Adequate financial management is required as a precondition for a successful co-operative institution
- This means that Accurate financial records and timely financial reports should be maintained .

### 6. **Capacity building for the :**

- Leadership
- Management
- Staff
- Members

Cooperatives and the services they provide will be sustained only if they can develop their human resource capacity, Training is paramount.

7. **Networking** - For example SACCOs in especially where the legal system and capital market are weak – need networking services that close key gaps and provide training and technical support to local populations. The SACCO Movement has never been built through single organizations. Instead, it has been built by bringing the movement’s greatest strength at the community level – co-operation – up to the national and international levels.

It’s the size and competence of the whole National SACCO System which drive performance, not the size of individual units in it.

At its best, networking is a highly efficient and effective way of ensuring that community-based financial institutions have access to exactly the services they need and are prepared to pay for.

#### **8. Government interventions**

A healthy environment for financial services for the poor include:- Stable macro-economic and financial management by Government; The rule of law, Enabling rather than restrictive legislation governing promoters and providers of financial services for the poor.

- Appropriate Government policies
- Supportive legal systems
- Government support for poverty reduction initiatives.

#### **9. Improved customer relations**

- Transparency and Accountability
- Professionalism
- Image building
- Prompt Services

*2.12. Challenges and Experiences in HRM for Cooperative Development, Moderated by Thuso Mphela Lecturer University in Botswana*

#### **Purpose and Contributions**

Cooperatives exist to provide the best possible service at the best possible price to its members, the cooperatives, practically, belong to members on an indivisible basis - namely, belonging to everyone commonly and belonging in fact to no one- Galor, Z. (2004)

#### **Role of HRM**

- Plays a crucial role in implementation of strategic goals of cooperatives
- HRM Activities
- Identify task that cannot be met internally
- Define job and person specification
- Draw up the contract of employment
- Determine and initiate recruitment and selection programme
- Induction
- Monitoring and appraisal

- Rewarding and motivating
- Career/succession planning, training and development
- Redundant resources, processes and tasks
- Managing transfer/terminations- Davis (2006)

### **Cooperative Dynamics and Challenges**

- Lack of technical skills and knowledge
- Lack of Leadership Skills
- No training in Business
- Proper Management
- Poor Relationship Management
- Lack of Skilled Manpower
- HIV/AIDS
- Politics

### **Proposal**

Recruit people whose values are consistent with cooperative purpose, values and principles. Management and culture that supports the ideals of co-ops; participatory Performance enhancement, measurement and satisfaction- people mean well don't police them. Human development and learning to support growth "The need for capacity building and HRD for continued survival of the cooperative societies"- Ministry of Cooperative Development and Marketing, Cooperative Marketing Strategy 2009-2013

Davis (2006) proposes a concept called Cooperative Social Capital Management (CSCM) for competitive advantage. Emphasizes creation of value within the co-op and the community; Management of the interaction between the cooperatives formal and informal networks, Management and development of the cooperative's human capital and that of its suppliers, members and customers. "If the purpose for co-ops is to meet human need, thinking about people as mere resources to be utilized like raw materials (even as the most important 'resource') seems at odds with that purpose and paradigm"- Webb, J.T. (2003)

"Are we looking for help from experts who will not see, speak or hear about co-ops?"- Griffiths, D.

### 3.1 Summary of Issues Deliberated By Mr. Botshabelo Mafatlane (Commissioner Department of Co-operatives)

The Commissioner read the issues that were deliberated throughout the forum. The intention was to guide the participants towards a structured approach when addressing these issues without necessarily passing a resolution.

#### Seven Discussion points

- I.CFIs were advised to engage on the international Year of Co-operative as declared by United Nations
- II.CFIs were urged to encourage and promote a savings culture in the society
- III.CFIs were counsel to support and embrace good governance practices even where the regulatory framework is yet to be established
- IV.CFIs to use their mobilisation power to preach peace, regrettable Africa has seen a lot of conflict as such co-operative model should be used to prevent conflicts from arising
- V.CFIs were encouraged to encourage professionalism by investing on Human Resource
- VI.CFIs acknowledged the importance of embracing ICT since it aimed at creating efficiency in their operations
- VII.CFIs were urged to Mitigate and Manage the impact of HIV/Aids by launching Know your status campaigns at the grass root levels

#### 4.1 CLOSING REMARKS

**Remarks Hon Kasamba Mathias, MP Republic of Uganda and Mr. George Ombado, ED, ACCOSCA**

Mr. George Ombado, thanked participants for taking time to attend this forum. He mentioned that Know Your Status campaign launch was a success with 29% of the participants having undertaken the exercise organised by National Aids Control Council of Botswana. He suggested that this campaign needs to cascade down to the Sacco membership base i.e. during National Delegates meetings. He also took this opportunity to thank the people of Botswana for hosting ACCOSCA and also to welcome all delegates to the 13<sup>th</sup> SACCA congress to be held in Uganda on 23<sup>rd</sup>-26<sup>th</sup> September 2012

The Hon Kasamba presided over award of certificates to participants. Before doing so, he advised leaders present to follow up on the seven points discussed during the forum with an ultimate good of promoting development and sustainability of the SACCOs. The Honorable MP Kasamba who is also the current chairman of Parliamentary SACCO of Uganda urged participants to attend the SACCA congress. This he mentioned would mark the climax of IYC celebrations in Africa