



Training on Governance and Business Planning

For Board of Directors of MASUTA  
20-23rd February 2009



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## Background

MASUTA Producers Company Limited (Producers' Company under Section 581c (5) of Part IX A of the Companies Act 1956) is the biggest producer of Tasar yarn in India. Presently, MASUTA is owned by about 2500 rural women tasar yarn producers (half of them are spinners and rest reelers), spread over 111 villages in three states (Jharkhand, Bihar and Chhattisgarh) with a highest concentration in Jharkhand. The tasar yarn producers of MASUTA are neither confined to the weaving clusters nor are they anyway linked to weaving. Rural women from interior villages of Central India have been identified and SHGs are formed with thrift and credit as the activity. Later on, for income enhancement of such women's family, activities / sectors are identified; Tasar yarn making is one of such sectors identified on mutual consent. Today's the major challenges faced by the company is:

- Low production and utilization of resources
- Internalization of role and responsibility by anchor persons/directors
- To transform the beneficiaries into entrepreneurs
- Weak member participation and ownership of the producer company.

With the above-mentioned challenges Masuta has organized a four-day training program for directors/representatives of each unit to sensitize them about the issues of role, responsibilities and overall business performance and planning.

### **Objective of training**

To sensitize the directors of MASUTA Producer Company on governance, operations, and business planning. The training was focused on improving the skills required in business planning of their units, internalization of governance issues and their role and responsibilities

### **Participant's profile**

Participants are mainly directors/representative members of nine units of Jharkhand, Bihar and Chhattisgarh. The representatives are selected members of Producer Company from remote villages. Most of them are either illiterate or literate with capacity to read and write (without any formal class room study). It was surprising that most of them are very intelligent, keen to know the things, showing high participation in group exercises.

## Deigns/Sessions Plan

The training was scheduled for four days .The details of sessions plan was as follows:

	Session 1	Session 2	Session 3	Session 4
	9:30-11:30 Hrs	11:45-13:45 Hrs	14:30-16:30Hrs	16:45 - 18:45Hrs
<b>Day 1</b>	Introduction and Setting Objectives	Understanding the MASUTA Producer Company - Structure and Functions	Understanding Current Roles and Responsibilities of Directors	Manthan Movie & Discussions
<b>Day 2</b>	Understanding MASUTA Financial Situation	Production and Quality Control Process	Marketing Efforts in Masuta	Case Studies on Institutional Issues
<b>Day 3</b>	Legal Structure and Bylaws of MASUTA Producer Company	Business & Governance Decision Making	Understanding Governance and Management Processes	Management Systems in MASUTA
<b>Day 4</b>	Work Planning and Action Plan Preparation	Work Planning and Action Plan Preparation	Feedback and Winding Up	

## Training methodology and Session scheduling

As the training was focused on to encourage the participant's participation. Accordingly the major seasons were based on case studies and small group exercises. Audio visual aids have been used. Ten case studies (**Attached in annexure1**) were used based on the different aspects of business planning. The participants solved each case study through various exercises through out the training program.

Day 1	Training time: 9:30am to 6:45 pm	
Session #	Purpose and Methodology	Deviation if any and reason
<b>Session 1 &amp; 2:</b> Introduction, Understanding the MASUTA Producer Company - Structure and Functions	<b>Purpose:</b> Introduction of participants and trainers, sharing of experiences in context of Masuta area of operation, reach, business portfolio, profit to members. Setting the objectives of training and setting up ground rules of the training.	<b>Time:</b> The training started one hour late.
<b>Session 3 &amp; 4:</b> Understanding Current Roles and Responsibilities of Directors, Manthan Movie & Discussions	<b>Purpose:</b> Analyze the present governance structure and management, roles and responsibilities/ Issues and Challenges  <b>Methodology:</b> The participants are divided into three groups and asked to discuss the present governance structure and management, roles and responsibilities	We continued with the first & second session to understand the MASUTA producers company structure, its operations, existing problems (financial, operational & governance)
Day 2	Training time: 9:30 am to 6:45 pm	
Session #	Purpose and Methodology	Deviation if any and reason
<b>Session 1 &amp; 2:</b>	<b>Purpose:</b> Mainly to give the	We could not given

Review of day2. Understanding MASUTA Financial Situation, Production and Quality Control Process	understanding of present financial status, Financial projections, risk and returns, operational efficiency and its implications, Providing cost central approach and business viability, issues of Quality control, centralization of input procurements and distribution.  Methodology: Group exercise and discussion and presentation	sufficient time on quality control
<b>Session 3 &amp; 4:</b> Marketing Efforts in Masuta, Case Studies on Common Issues	<b>Purpose:</b> To provide them the understanding of market and marketing, supply- demand, supply chain, value chain.  <b>Methodology:</b> Group exercise and discussion and presentation	Session shifted to next slot .We continued with the analysis of financial status, debt situation and repayment, how to strengthen the corpus and repayment of loans.  In evening Manthan movie has been shown
<b>Day 3</b>	<b>Training time: 9:30 am to 6:45 pm</b>	
<b>Session #</b>	<b>Purpose and Methodology</b>	<b>Deviation if any and reason</b>
<b>Session 1 &amp; 2:</b> Review of Day2.reiew on Manthan movie. Legal Structure and Bylaws of MASUTA Producer Company, Business & Governance Decision Making	<b>Purpose:</b> Understanding of cooperative functions, bylaws, issues related to governance and management systems  <b>Methodology:</b> Showing movies, case studies, group exercise and discussion and presentation	No, extra Marketing concept has been dealt
<b>Session 3 &amp; 4:</b>	<b>Purpose:</b> Understanding of	No

Understanding Governance and Management Processes, Management Systems in MASUTA	cooperative functions, bylaws, issues related to governance and management systems The game deals with understanding the factors affecting collective action, decision-making, information asymmetry, and leadership.	
Rat and rabbit game	<b>Methodology:</b> case studies, Group exercise and discussion and presentation  <b>For Game:</b> The group is divided into four groups and leaders are selected for each group. The trainers become the moderators.	
<b>Day 4</b>	<b>Training time: 9:30 am to 6:45 pm</b>	
<b>Session #</b>	<b>Purpose and Methodology</b>	<b>Deviation if any and reason</b>
<b>Session 1 &amp; 2:</b>	<b>Purpose:</b> Mainly to develop the action plan and its implementation strategies	<b>No</b>
Work Planning and Action Plan Preparation	<b>Methodology:</b> Group exercise and discussion, presentation	
<b>Session 3</b>	Feedback and Winding Up	

## Major contents /Proceedings of training / Outcome

The participants appreciated the initiatives of Mr. Madhav (Managing Director MASUTA) for organizing such training especially for directors. This was the first training after establishment of company. They realized the training has provided a platform for internalization of MASUTA operational efficiency, present business status and future course of action for MASUTA growth. The members have raised the concern about the area of operation which is

highly scattered, high overhead, not adopting the cost centered approach, viability and functioning of low profit centres.

Major outcome of case study based discussion are:

- The loan and the interest repayment need to be analyzed. Alternative strategies can be adopted to repay the loan and interest as early as possible. Member can save some amount from their regular income; bonus/incentive and the saving can be utilized to repay the loan as early as possible. The high interest payment can be reduced and in future saved money can be utilized in increasing member's income.
- Overall the directors and chairpersons role has not been internalized by all members, the low internalizations leads to low energy and lack of synergetic effort in operational efficiency.

Following role and responsibilities has been discussed for directors

**Roles:** A member problem solver

Keep management in line

Role models for other members

Run the whole show and link to control

Keeping tract of income -expenditure, profit -loss of centers

**Responsibilities:**

Inform membership of cooperative activities

Ensure same treatment for everyone in cooperative

Moral and legal responsibility to serve the best interest of the member

Call of meeting with members, directors, governing board members

Giving emphasis on members training and capacity buildings

- Uneven production is found between the different units which is mainly
  - Low utilization of machine capacity (even machines are ideal)
  - Low member's involvements
- The cost sharing of inefficient and low production center by high production center is found to be major concerns in overall operation and profit realization of members.

- The units with less number of members have high overheads and low profits. It is also found that the centers with low members have low energy level and interest.
- The centers making significant profits have more concern about the company growth. At the same time the company also takes care of those members.
- The low interest/participation of member is due to
  1. Low income/profit from the center
  2. Lack of family support
  3. Ineffective involvement of professionals in addressing the issues
  4. Center surroundings
- It is realized that changing all directors /representatives at one time is not a right step towards the company governance. The participants realized that the stepwise rotation and shifting of members will help in growth and strengthening of governance.
- The maintenance and replacement of machine needs to be in focus and accordingly some arrangement requires to be planed. Member taken consideration of some part of income to maintain as savings for future machine replacement and maintenance
- It is also realized that the end products gives more profits than intermediary products. So garmenting and selling clothes from yarn will give good profits than selling raw yarn.

## Actionable points as discussed with Board members

Action to be taken:

- Overall production will increase and expenditure will be minimized
- Every expenditure will be decentralized; Now every center will be treat as cost center and all income –expenditure calculation will be made
- Fine system will be imposed if any member will give produce less than 10kg/year – that is minimum performance criteria for the members will be decided and strictly adhered to.
- Professional visit will be monitored by the center members; any irregular /inefficient work will be monitored and fined will be charged to concerned professionals

- The stock inflow –outflow will be monitored on regular basis. Stock should not be stored for long time
- Payments to members will be done centrally and late payment will be not permissible.
- Duration of board member will be of 4year with system of alternate change .All member will not change at once. Alternate retirement with gap of one year will be maintained.
- It is decided to save 5% of income towards reserve capital for future replacement of machines and maintenance
- It is suggested to give the remuneration to directors which will bring more ownership and accountability
- Full utilization of machine
- Bonus should be paid on the basis of income and expenditure, not only on income basis
- Center report should be available at unit level
- Company should allocate some income towards the members and directors training
- Masuta operational map should be displayed in all offices/units
- Each director need to aware about the directors roles and should act accordingly
- Annual plan should be prepared at unit, center and Masuta level.

## Feedback

Overall feedback from the participants was good. Only Oral feedback has been taken. They suggested the training should be of five days duration instead of the current 4 days. They requested for more audio-visuals usage. They appreciated the case study based methodology, which helped them in internalization of concept.

# Annexure 1

## Case Studies

1. In an area of 2,000 Tons onion (principle crop produced) production a cooperative is procuring and marketing 100 Tons of onion in a year. Another cooperative in the same area is able to procure 1,200 Tons of onion and sell. Can you present what are the implications on trade, trade commissions and profits in the case of both cooperatives? Also present which cooperative will have active member interest in the area?
2. An agriculture cooperative has its own brand sells wheat in the nearby towns. The cooperative procure around 2,000 Tons of wheat every year while selling nearly 6,000 Tons of wheat in the market. To overcome the deficiency in the procurement and to fulfil market demand the cooperative procures nearly 4,000 Tons from a nearby cooperative.

Another cooperative is procuring 2000 Tons from members and selling in the market 1600 Tons directly and 400 Tons to a trader. Compare these two cooperatives and predict what will be the relation between the members and staff, which will sustain and why?

3. The Mulukanoor Women Dairy Cooperative was promoted by Cooperative Development Foundation (CDF) by extending a total loan of Rs 4.15 Crores to the dairy federation. The dairy federation has taken 5 years and completely repaid the entire amount to CDF. This was possible due to two reasons – through profits accrued from operations and by encouraging members to save 5% of milk bill payments at the federation. Today the dairy federation has nearly Rs 2 Crores of cumulative members saving. What will be the difference in the orientation of members and the performance of the dairy as compared to another dairy where the NGO

has extended grant for purchase of land, building and machinery and the members related themselves as sellers of milk.

4. A weavers' cooperative was facing difficulty to deliver cloth at right time for the orders received from various well known traders like Fab India. When examined closer it was found that it is not planning that was the weakness of the cooperative but rather it is the members who are delaying the delivery of cloth. What could be the reasons for their poor performance? How can that be corrected?
5. In India democracy has been practiced since independence. Over the years it was realized that unless the grass root level democratic entities are not active, meeting the needs of rural people will be difficult. Compare the democratic process at village level and at national level. Where do you think democracy is more effective? What are the lessons for cooperatives design? How do we make representative governance stronger?
6. In a particular cooperative after every 5 years there is election for identifying the board of directors. In the recent elections almost all the 10 board of directors have changed. There is another cooperative which has structured the elections in such a way that  $1/5^{\text{th}}$  of the board is elected every year and each board member has a term of 5 years. When elected for the first time through draw of lots the term period is determined for every 2 members. It implies that in the first election, 2 members each are given 1 year, 2 year, 3 year, 4 year and 5 years term period. Subsequently every year there is election to identify only 2 positions of board of directors. What will be the difference and effect on the management of cooperative?
7. This year Krishna Agriculture Producers Cooperative made a profit of Rs 1 Lakh. The cooperative has 200 members. Of which 100 members transacted Rs 200,000 worth services with the cooperative. Another 80

members transacted service of Rs 500,000 while another 20 members transacted Rs 1000,000. Each of the members has also invested Rs 1000 as share capital in the cooperative. The cooperative is just 3 years old and it has some priorities. How should it distribute the profit this year? Please calculate and present the same.

8. In a village a person is a part of 3 different cooperatives. At the dairy cooperative he supplies on an average 2 litres of milk/day, from NTFP cooperative he gets an income of Rs. 3000 per month for 3 months in year and from the Agri-marketing cooperative he is able to save Rs. 400 per month for 6 months and earn a net income of Rs.5000. He gets a rate of Rs.13 per litre on an average for the quality that he gives. Which cooperative will be more important to this particular member?
9. BAIF has supported an organisation with a processing unit worth 50 Lakhs. After 5 years the cooperative has to replace its machinery and BAIF also withdrawn. How will the replacement take place and what could have been the strategy from the beginning to be taken care for this requirement.
10. The Mulukanoor Cooperative Dairy packed milk with the name of Swakrushi is in great demand due to its quality. Currently they are able to procure only 27000 liters of milk from their 90 villages while the market is for 45,000 litres per day. There is also a demand from the new nearby villages to start societies in their villages. Should the cooperative expand its area of operation? What are the implications on the cooperative management?