Performance Improvement in Complex Organizations: The Case of Smallholder Agricultural Cooperatives in Malawi

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I dedicate this work to my father (Lucius D. B. Maganga) and my mother (Emily Maganga)
ABSTRACT

Smallholder agricultural cooperatives have potential to play a vital role in the Malawi economy where smallholder farmers comprise the majority of the agricultural producers. Smallholder farmers individually have little power in the market place but when organized into cooperatives they enjoy protection from exploitation. The formation of cooperatives among smallholder farmers has therefore been accelerated and they now account for more than 55% of all cooperatives in Malawi. However, studies have concluded that the performance of the smallholder agricultural cooperatives is poor, and this research study has also confirmed this conclusion. This thesis therefore attempts to address the research problem: “How to improve the performance of smallholder agricultural cooperatives in Malawi”? The primary aim of this study was to develop a framework for improving the performance of smallholder agricultural cooperatives in Malawi.

The research study utilized an interpretive paradigm to explore and describe the various factors that contribute to the poor performance of smallholder agricultural cooperatives. The multiple case study approach was used to gather data for this research study. A total of 8 case studies were conducted among smallholder agricultural cooperatives, and the empirical data that was collected was further analyzed using grounded theory analysis. The findings took the form of factors which contribute to the poor performance of smallholder agricultural cooperatives. A total of 18 factors were identified as contributing to poor performance of smallholder agricultural cooperatives. Thereafter, a performance improvement framework called the Maganga PISHAC Framework was developed by combining the identified factors into four core categories, namely; objectives, knowledge, skills and attitudes. The Maganga PISHAC Framework was constructed by integrating the findings of this study with the current literature in both the cooperative and performance improvement arenas. The Maganga PISHAC Framework can also be customized for use in other countries.
ACKNOWLEDGMENTS

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I am also forever grateful to my wife Ann, without whose emotional support and encouragement the entire research journey would not have commenced and its completion would have been impossible. Thanks also to ‘the boys’, Stewart and Richard, and to Trisa, my daughter, for their quiet encouragement as I embarked on this journey. I am indebted to you all for your support and I count myself blessed to have such a loving family.
STUDENT DECLARATION

I hereby certify that I am the sole author of this thesis and that neither any part nor the whole of the thesis has been submitted for a degree to any other university or institution.

I certify that, to the best of my knowledge, my thesis does not infringe upon anyone’s copyright nor violate any proprietary rights and that any ideas, techniques, quotations, or any other material from the work of other people included in my thesis, published or otherwise, are fully acknowledged in accordance with the standard referencing practices.

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Signed: [Signature]

Date: June 2017
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ABBREVIATIONS

ADMARC  Agriculture Development and Marketing Corporation
AGM    Annual General Meeting
C1    Case Cooperative Selection Criteria number 1
C2    Case Cooperative Selection Criteria number 2
C3    Case Cooperative Selection Criteria number 3
C4    Case Cooperative Selection Criteria number 4
C5    Case Cooperative Selection Criteria number 5
C6    Case Cooperative Selection Criteria number 6
C7    Case Cooperative Selection Criteria number 7
CC1   Case Cooperative number 1
CC2   Case Cooperative number 2
CC3   Case Cooperative number 3
CC4   Case Cooperative number 4
CC5   Case Cooperative number 5
CC6   Case Cooperative number 6
CC7   Case Cooperative number 7
CC8   Case Cooperative number 8
CEO   Chief Executive Officer
CF1-CF18 Core Factors 1 to 18
CoopAfrica Cooperative Facility for Africa
EP1 Ethical Protocol 1
EP2 Ethical Protocol 2
EP3 Ethical Protocol 3
EP4 Ethical Protocol 4
EP5 Ethical Protocol 5
F1 Feature number 1
F2 Feature number 2
F3 Feature number 3
F4 Feature number 4
F5 Feature number 5
F6 Feature number 6
F7 Feature number 7
F8 Feature number 8
Q1 Research Question number 1
Q2 Research Question number 2
Q3 Research Question number 3
R&D Research and Development
SCA Smallholder Coffee Authority
SCFT Smallholder Coffee Farmers Trust
SME Small and Medium Enterprise
TC Traditional Cooperative
USADF United States Agricultural Development Fund
USD United States Dollar
USDA United States Department of Agriculture
VDPR Vaguely Defined Property Rights
CHAPTER 1
INTRODUCTION

1.1 Organizational Performance

The focus of this thesis is performance improvement in smallholder agricultural cooperatives in Malawi. Performance is central to the existence and growth of organizations. Elger (2007) notes that to perform is to take a complex series of actions that integrate skills and knowledge to produce a valuable result. Performance therefore is a result of actions and the performance of an organization is the expected outputs from all its activities. When performance reaches or exceeds the expected level, the organization is said to be performing but when its performance is below the expected level, it is said to be under-performing. The concept of organizational performance is connected to the ideas of effectiveness and efficiency. A business organization must produce the right goods using the fewest possible inputs if it is to have a strong organizational performance. Businesses need to perform well financially through realizing a good return on their investment. They also need to perform well in terms of the market through gaining as much market share as they can. They should also perform well in terms of creating value for their shareholders through making money that can be distributed in the form of dividends.

Venkatraman & Vasudevan (1986) citing Schendel & Hofer (1979) argue that the concept of business performance is at the centre of strategic management as most strategic management theories either implicitly or explicitly underscore performance implications since performance is the time test of any strategy. The challenge of performance improvement is just as critical in agricultural cooperatives as it is in other types of business organizations.

1.2 Agriculture in Malawi

Malawi’s development strategy since independence in 1964 has been led by agriculture. This strategy was implemented on the basis of a dual agricultural system comprising
estate production mainly for export crops and smallholder agricultural production mainly to support the food security needs of the population. According to Chirwa (2005a), in the early years of independence, government policy was biased towards estate-led agricultural development. However, there has been a shift over the years and smallholder agriculture has replaced most agricultural sub-sectors. For example, tobacco, which is now primarily grown by smallholder farmers, is the major export earner and contributes 55% of the country’s export earnings (NSO, 2014). Maize is the major food crop and is cultivated in 60% of the arable area almost entirely by smallholder farmers. Smallholder farming therefore has become an important source of livelihoods for a majority of the rural population. According to the World Bank (2003) as cited by Chirwa (2005a), approximately 84 percent of agriculture value-added comes from 1.8 to 2 million smallholder farmers who, on average, own only 1 hectare of land.

Tchale (2009) observes that prior to 2009 agriculture employed over 85% of the rural population, accounted for 35-40% of gross domestic product (GDP) and contributed over 90% to total export earnings. Agriculture was therefore so important to the country’s economic growth that when growth in agriculture slumped, growth in overall GDP was also markedly reduced. There was, thus a close correlation between agricultural sector performance and overall economic performance in Malawi.

Since 2011, the contribution of agriculture to Malawi’s overall GDP has fallen sharply. Figure 1 below shows Malawi’s GDP over the ten year period 2004 and 2013. The contribution of agriculture as measured by the agricultural value added, which is the net output of a sector after adding up all outputs and subtracting immediate inputs, as a percentage of GDP steadily fell from 35% to 27% (see figure 2 below).
During the same period, the drop in the contribution of agriculture to the country’s GDP became more severe because Malawi’s GDP fell sharply as the agricultural value added percentage was also falling. For example, in 2012 and 2013, Malawi’s GDP fell to US$4.2 billion and US$3.7 billion respectively. During the same period, the contribution of the agricultural sector measured in terms of agricultural value added fell to 28.7% and 27% respectively. These facts demonstrate that Malawi’s most important economic sector, agriculture, needs closer examination to understand why its performance is diminishing.
1.2.1 Smallholder Agriculture in Malawi

Malawi’s agricultural sector is dominated by smallholder farmers who comprise over 90% of the sector and operate under a low-input, rain-fed system (Tchale, 2009). According to the Malawi Poverty and Vulnerability Assessment report (GoM, 2007), over 90% of the total agricultural value-added comes from about 1.8 million smallholders who own on average less than 1.0 hectare of land. The country’s agricultural output is therefore largely dependent on the performance of its smallholder farmers.

Malawi’s 2008 Population Census placed the country’s population at 13.1 million and growing at 2.8% per annum, and was expected to double by 2025. Agricultural output must therefore grow at levels sufficient to feed the growing population in an environment of declining land holdings, and performance improvement is critical for the enhancement of agricultural productivity. Tchale (2009) notes that there is a wide gap between yields observed in on-farm and experimental trials and the actual yields obtained by farmers. It
was observed that while potential yields for hybrid maize range from 5 to 8 tons per hectare, the average actual yields range from 1.5 to 2.5 tons and rarely exceed this. This gap between potential and actual average farm crop yields suggests abundant scope for improvements in productivity or performance.

1.2.1.1 Smallholder Farmer Challenges in Malawi

One of the most serious challenges facing smallholder farmers in Malawi is market access. Before market liberalization, smallholder farmers in Malawi sold their produce to the Agricultural Development and Marketing Corporation (ADMARC), a state-owned enterprise established by the Malawi government to be the structured market for smallholder farmers. ADMARC was established to buy smallholder produce and to supply smallholders with inputs. The institution had a monopsony over most smallholder produce. It also had an effective monopoly over the key inputs of seed and fertilizer and these arrangements were also tied in with the smallholder credit system. ADMARC markets were located in villages and provided easy access for smallholders to buy their inputs and to sell their produce (Chirwa et al., 2006a).

Agricultural produce liberalization led to the withdrawal of state-marketing in agricultural produce and inputs undertaken by ADMARC and although this was expected to facilitate the entry of private operators, this was not successful. Chirwa et al. (2005) explains that of the two services that the former state-marketing agency, ADMARC provided, that is; produce purchases and sales, and input sales, input marketing was the least attractive to the private sector.

According to Chirwa et al. (2006), the core problem with smallholder agricultural development is risky and high cost services to farmers, and thin or failing markets. This is because:

- Smallholder farmers are poor and face long production and sales cycles. During this period they are in net food deficit and have to obtain food from the market through cash crop sales. They are therefore compelled to sell their produce immediately after harvest when prices are very low.
Smallholder farm households located away from major roads often have to travel long distances to buy inputs and sell their produce because their local produce markets are often characterized by small traders with very limited liquidity. Consequently, their unit costs of market access are very high given the small scale on which they are able to produce marketable products.

Thus, after liberalization, market access has become a major challenge for smallholder farmers in Malawi. Makoka (2009) illustrates this point in his study of the pigeon pea sector in Malawi. He argues that pigeon pea production in Malawi is hampered by lack of market information. Small-scale pigeon pea farmers lack information on the prices that will prevail in the markets at harvest time. The lack of information on prices was considered to be a major barrier to their competitiveness by 46 percent of farmers studied by Makoka. Farmers were mostly unaware of the grain quality required by the market, where it was sold, and price levels that prevailed at different levels of the marketing chain. Makoka also observed that farmers were being offered uniform prices by middlemen regardless of the grain quality.

1.2.2 Farmer Organizations in Malawi

Some smallholder farmers have responded by forming various farmer organizations as vehicles for overcoming the market access and other challenges that they face in their work. One of the largest farmers’ organizations in Malawi is the National Association of Smallholder Farmers’ Associations of Malawi (NASFAM) which was formally incorporated in 1998 after previously operating as a programme for increasing incomes for smallholder farmers under the USAID. According to Chirwa et al. (2006b) NASFAM was founded on the principle of collective action and self-reliance. Its objective was to uplift living standards of member farmers through services that empower farmers at the grass roots to improve their access to inputs, technical know-how and market access.

Chirwa (2005b) notes that farmer organisations are being asked to play an increasing role in supporting commercial agricultural development among smallholder farmers in
Sub Saharan Africa. The International Federation of Agricultural Producers (IFAP, 1992) as cited by Stockbridge et al. (2003) has affirmed that agricultural cooperatives owned and controlled by their members are a type of farmer organization.

1.3 Agricultural Cooperatives in Malawi
This study has focused on institutions within the agricultural sector called cooperatives. A cooperative is an enterprise which is owned and controlled by its users and is established for the purpose of distributing benefits to them based on how much business they are doing with the enterprise. An agricultural cooperative is a cooperative with special characteristics in which the users are farmers only. Chloupkova (2002:5) citing Vienney (1980) defines agricultural cooperatives as “groups of farmers mutually linked in the corporation, which they form and whose services they avail themselves of, in a double relationship of active participation and full membership. The principal activity of agricultural cooperatives therefore is not agriculture, but it is the farmers’ concerted use of the means at their disposal to facilitate and develop their economic activities”.

Agricultural cooperatives are considered to be suitable institutions for addressing market failure problems experienced by small scale farmers (Centner, 1988; Chirwa, et al., 2005). These institutions are said to be capable of addressing market failure problems through effective negotiations for better prices with suppliers and buyers (Parnell, 1992). It is also proposed that when farmers form cooperatives the problems which they faced as individuals are significantly reduced (Mpesi et al, 2001; Kumwenda and Kachule, 2003; GoM, 2002). Cooperatives also help farmers to access markets further down the value chain by being able to meet contract requirements (Kirsten & Sartorius, 2002). Cooperation among farmers is just as important in the developing world as in the developed countries. Gonzalez-Diaz et al. (2007) cite the Policy Commission on the Future of Farming and Food (Curry, 2002) in the UK as recommending increased collaboration among farmers because this was seen as the best way for small farm businesses to obtain the benefits of being a large farm business.
In Malawi, national policies started reflecting the perceived important role of farmer organizations as early as 2002. For example, the Malawi Poverty Reduction Strategy Paper (GoM, 2002) places a very strong emphasis on promotion of farmer associations to facilitate farmer access to inputs, credit, output markets, market research, and technical training and to improve coordination within the smallholder sector.

The Malawi Growth and Development Strategies (MGDS II) (GoM, 2011) have also highlighted the formation of cooperatives as key strategies in achieving objectives in the following ten priority sectors: Natural resources and environmental management, private sector development, industry and trade, rural industrialization, cooperate governance, gender, agricultural productivity and diversification, agro-processing, mining, greenbelt irrigation and youth development and empowerment. In the three agricultural sub-sectors, namely agricultural productivity and diversification, agro-processing and greenbelt irrigation, the MGDS II lists the strategies shown in table 1 below.

Table 1: Cooperatives in Agricultural Sub-sectors according to MGDS II

<table>
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<th>Sub-Sector</th>
<th>Strategy</th>
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<td>1 Agriculture Productivity and Diversification</td>
<td>Promote out-grower schemes, farmer associations, cooperatives for specific commodities</td>
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<tr>
<td>2 Agro-processing</td>
<td>Promote linkages between cooperatives and rural financiers</td>
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<td>Establish SMEs, associations and cooperatives</td>
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<tr>
<td>3 Green-Belt Irrigation</td>
<td>Establish and empower cooperatives and water user associations</td>
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Source: Compiled by the author from the MGDS II

Agricultural cooperatives are therefore perceived by the Government of Malawi as important development vehicles in the agricultural sector in Malawi and their formation is being actively promoted. At the time of this study, there were 804 registered cooperatives in the Register of Cooperatives at the Ministry of Industry, Trade and Tourism. Of these registered cooperatives 448 were agricultural cooperatives (GoM, 2016). This means that the majority of all registered cooperatives in Malawi, at 55.7%, are agricultural cooperatives.
Smallholder agricultural cooperatives are quite complex. Their structures are different from those of large cooperatives which resemble corporate structures. According to Rowland (2007:117), “something that is simple has few parts; something that is complicated has many parts that are differentiated but not integrated; and something that is complex has many parts that are both differentiated and integrated........”. Smallholder agricultural cooperatives can therefore be described as complex because they are both differentiated and integrated.

Rowland argues that our views of phenomena have a profound impact on our thinking and acting with respect to them, and that simplicity and complexity are to a large extent a matter of perspective. Phenomena may be simple or complex but seeing and treating them as such is a matter of choice (Rowland, 2007). In our view, Rowland’s definition of a complex organization describes smallholder agricultural cooperatives in Malawi accurately. According to Rowland, “taking the complexity view means accepting that one cannot accurately foresee outcomes and therefore cannot directly control their accomplishments” Rowland (2007:117). This is quite true of smallholder agricultural cooperatives. The following illustrate why smallholder agricultural cooperatives are complex organizations:

- They are created as joint businesses owned by poor farmers most of whom are illiterate.
- The members establish cooperatives primarily as markets for their produce and they expect the cooperatives to buy the produce at higher than average prices.
- In some cooperatives, the members also expect the cooperatives to supply them with goods such as farm inputs at affordable prices.
- In other cooperatives, the members also expect the cooperatives to facilitate the provision of services such as loans and donations of various goods by other entities.
- The enterprises that they create have such limited income generating capacity that they cannot afford to employ a manager to run the cooperative.
- The members have little or no business management skills. Despite this, they are compelled to run the cooperative.
Therefore, for purposes of this study, smallholder agricultural cooperatives will be considered to be complex organizations.

### 1.4 Motivation for this Research

Reforms in agricultural policies in Malawi in recent years have led to the establishment of increasing numbers of agricultural cooperatives to enable smallholder farmers to cooperate and exploit market opportunities especially for cash crops, to convert the raw products into processed consumer goods through value addition and to contribute to the realization of government policy of transforming “the country from being a predominantly importing and consuming economy to a predominantly producing and exporting economy” (GoM, 2011:iv). However, research undertaken so far in Malawi has concluded that the performance of agricultural cooperatives is poor.

Whilst acknowledging the existence of performance problems in these institutions, researchers in agricultural cooperatives in Malawi have focused their studies on cooperative sustainability. For example, the Ministry of Agriculture and Food Security in Malawi surveyed 104 cooperatives to assess their sustainability levels. The Ministry used the existence of a business plan, the degree of representation and governance as assessment criteria to arrive at sustainability scores for the cooperatives. The survey concluded that only 8% of the agricultural cooperatives surveyed were considered to be sustainable, 78% had an average sustainability score and 14% were considered to be unsustainable (Nkhoma, 2011). Although it can be argued that the assessment criteria used by the Ministry of Agriculture and Food Security was not a precise scientific measure of sustainability, the above statistics nevertheless point to the existence of performance problems in agricultural cooperatives in Malawi.

Nkhoma (2011) also undertook research to understand the problems of agricultural cooperative sustainability in Malawi. Nkhoma’s study had the following specific objectives: To identify, describe and understand the sustainability of farmers cooperatives in Malawi, to develop a theory and testable proposition relating to
sustainability which could be tested on a larger sample of cooperatives, and to identify lessons learnt in relation to policy and to inform future efforts directed at establishing viable cooperatives in Malawi.

Nkhoma concluded that agricultural cooperatives in Malawi were not sustainable. The study identified four groups of factors which she concluded contributed to the failure of agricultural cooperatives in Malawi. These included their failure to provide marketing services to their members, failure to successfully manage their businesses, failure to provide incentives for starting a cooperative, and failure to preserve their assets and capital. Nkhoma clearly identified some key factors that contribute to poor performance in cooperatives in Malawi. She therefore provided a stepping stone for further studies on the challenges faced by cooperatives in Malawi and other developing countries.

Another researcher, Lwanda (2013) examined the business performance of producer and marketing agriculture cooperatives with the aim of informing policy makers and project implementers about business performance, development values, principles and challenges facing agriculture cooperatives in Malawi. She expected the results of the study to be used by these stakeholders in designing strategies and coordinating efforts to improve cooperative business performance. Her focus was primarily on the profitability and sustainability of the cooperative as an institution. The specific objectives of her study included; to determine the financial strength and sustainability of agricultural cooperatives, to determine critical business success factors for successful operation of agricultural cooperatives, to review the organizational and management structure that agriculture cooperatives are implementing and to analyze the cooperative development policy and legal framework.

The study used ratio analysis, which included liquidity analysis, financial leverage analysis, profitability analysis, DuPont model analysis and extra value approach, as the primary tools to determine agricultural cooperative financial performance and sustainability. It also examined critical business success factors, organizational and management structures of the cooperatives, cooperative policy and its legal framework,
the relationship of the cooperative development policy and other government policies and programmes to arrive at the conclusions and recommendations.

Lwanda concluded that these cooperatives were performing their business inefficiently and that in the long run they would not be sustainable if the state of their business performance continued to follow the observed trends. She further recommended that:

- Some well structured business management training and development programmes should be offered to cooperatives to improve their efficiency.
- The Cooperative Division of the Ministry of Industry and Trade should re-examine, review and amend the Cooperative Development Policy and make it more relevant to the current circumstances facing agricultural cooperatives.

More recently, the Ministry of Industry, Trade and Tourism in Malawi conducted a Cooperative Societies study to assess the performance and status of the Agricultural Cooperatives in Malawi (GoM, 2016). The study concluded that when measured in terms of turnover, profitability and the capacity to generate capital, the performance of agricultural cooperatives in Malawi is poor, confirming the findings of earlier research.

With regard to turnover, the study showed that 80% of agricultural cooperatives in Malawi have average monthly turnover of US$1,167 or less with the majority of them (48%) having average monthly turnover of less than US$200 (table 2). Only 5% of agricultural cooperatives have average turnover of over US$5,833 per month. This is a clear indication of poor performance among agricultural cooperatives in Malawi.

<table>
<thead>
<tr>
<th>Annual Turnover (MK)</th>
<th>Turnover</th>
<th>Annual Turnover (USD)</th>
<th>Monthly Turnover (USD)</th>
<th>% of Agric. Coops</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Up to 1,500,000</td>
<td>Up to 2000</td>
<td>Up to 167</td>
<td>48%</td>
</tr>
<tr>
<td>2</td>
<td>1,501,000 – 10,000,000</td>
<td>2,001 – 14,000</td>
<td>167 – 1,167</td>
<td>32%</td>
</tr>
<tr>
<td>3</td>
<td>10,001,001 – 50,000,000</td>
<td>14,001 – 70,000</td>
<td>1,167 – 5,833</td>
<td>15%</td>
</tr>
<tr>
<td>4</td>
<td>Above 50,000,000</td>
<td>Above 70,000</td>
<td>Above 5,833</td>
<td>5%</td>
</tr>
</tbody>
</table>

Regarding profitability, agricultural cooperatives in Malawi are required to maintain retained earnings of 25% of their profit. The findings of the Cooperative Societies study (GoM, 2016) show that no agricultural cooperative societies had retained their surplus based on the 25% of profit principle, clearly reflecting the poor turnover and poor performance of the cooperatives in the country.

Regarding capacity to generate capital, the Cooperative Policy in Malawi emphasizes that cooperatives in Malawi should rely on member-generated funds to finance their operations. An important source of member-generated funds is shares. However, the study revealed that 59% of the total financing of the agricultural cooperative societies in Malawi was from grants and donations, 31% from shares of the cooperative members, and 10% from loans. These findings indicate that less than one-third of the agricultural cooperative societies in Malawi depend on membership shares, which is a threat to their sustainability and an indication of poor performance.

There is therefore overwhelming evidence that there are problems with the performance of agricultural cooperatives in Malawi. However, without a thorough understanding of the factors which influence the performance of cooperatives in the local context, there is likelihood that the performance of Malawi’s smallholder agricultural cooperatives will remain poor, and the accelerated efforts to promote cooperatives across the country will not yield the desired results in the long run. Given the importance of agricultural cooperatives for the growth of agricultural production especially among smallholder farmers and for the Malawi economy as a whole, it is critical that the causes of poor performance are understood and a solution is found to address them. The absence of a solution to the performance problem represents a gap in our understanding of what is required for the performance of the agricultural cooperatives in Malawi to improve to expected levels. Thus, the primary motivation of this research was to close this gap by developing a framework for improving the performance of agricultural cooperatives in Malawi.
1.5 The Research Problem

This study sought to address the following research problem: “How to improve the performance of smallholder agricultural cooperatives in Malawi”? It explored ways to improve the performance of smallholder agricultural cooperatives by determining the existence of a gap between the existing and the desired performance level, identifying the factors which cause poor performance; and developing a framework for improving the performance of these institutions. Prior to this study, no comprehensive research had been undertaken to explore ways of improving the performance of smallholder agricultural cooperatives in Malawi. This study has therefore closed this gap.

1.6 Research Goal and Objectives

In order to address the research problem “How to improve the performance of smallholder agricultural cooperatives in Malawi?” the goal of the study was set as “to develop a performance improvement framework for smallholder agricultural cooperatives in Malawi”. To attain this goal, the following objectives were pursued:

1. To confirm the extent of the poor performance among smallholder agricultural cooperatives in Malawi.
2. To identify the factors that cause poor performance among smallholder agricultural cooperatives in Malawi.
3. To develop a performance improvement framework for smallholder agricultural cooperatives.

1.7 Research Methodology

The interpretive paradigm was adopted for this study because the researcher believes that the answer to the research problem lies in remaining within the existing framework of how things work while making improvements to what exists. In doing so, the feelings and perceptions of the people concerned are taken into account. The inductive approach was employed to guide this study because the research was concerned with the context in which the events were taking place. Data was collected using the Case study approach in which semi-structured interviews were employed as the principle method of data collection. Case cooperatives were selected through purposive
sampling. This was a cross-sectional study in which a snapshot was taken at the time of data collection. The study also utilized institutional documents of each agricultural cooperative in order to triangulate the data collected during interviews to obtain an in-depth view of each institution.

A detailed description and rationale of the adopted paradigm and methods is provided in chapter 3.

1.8 Theoretical and Practical Contribution

The major challenge facing smallholder agriculture cooperatives in Malawi is their poor performance. This study has made a significant contribution to the understanding of this challenge and to the body of knowledge on the performance of smallholder agricultural cooperative in the following ways:

- Eighteen factors which contribute to poor performance in smallholder agricultural cooperatives in Malawi have been identified. Of these, eight were unique to Malawi and therefore represent a contribution to the body of knowledge on the subject. The eight factors include the fact that: inadequate cooperative training is offered to cooperative members, little or no governance training is offered to board members, members have limited understanding of shares, members have limited understanding of dividends, member pricing expectations are not aligned to cooperative expectations, donor-supported managers are not trusted by cooperative members, founder directors often do not respect governance structures and most cooperatives do not organize general meetings.

- A framework has been developed which could lead to a better understanding of the factors that bring about improved performance in agricultural cooperatives thereby contributing to the body of knowledge around cooperative performance improvement in a developing country context.

- The framework could also contribute practically to the improvement of the performance of smallholder agricultural cooperatives in Malawi as it is utilized by cooperative development agencies and promoters during program implementation.
The study could also lead to the development of appropriate policies and the design of appropriate interventions for better smallholder agricultural cooperative performance.

1.9 Research Focus and Boundaries

The following subsections provide brief overviews of the research focus, the related subject areas and the applicability of the framework.

1.9.1 Positioning of the study

This study has focused on identifying contributors to poor performance of smallholder agricultural cooperatives and developing a broad-based framework for improving their performance. The proposed framework was intended to serve as a guiding tool for improving smallholder cooperative performance. It will allow for customization in its usage depending on the environment in which the cooperative is operating and the unique characteristics of the cooperative.

1.9.2 Relevant Subject Areas

A number of related subjects were investigated during this study within the perspective of performance improvement. These included economic theory, agricultural cooperatives, performance measurement, organizational learning and performance improvement. While these may be treated as individual research subjects elsewhere, in this study they were viewed as a part of the performance improvement domain.

1.9.3 Applicability of the Framework

The framework developed through this research project will address performance improvement in the context of smallholder agricultural cooperatives. Therefore, certain aspects of the framework may not be relevant to large agricultural cooperatives or organizations that do not have cooperative structures. In addition, some of the factors which contribute to the poor performance of agricultural cooperatives in Malawi were unique to Malawi. Therefore, the framework may not be usable without customization.
1.10 Thesis Structure

This thesis consists of five chapters plus references:

Chapter 1: Introduction
This chapter has introduced this thesis by defining organizational performance, describing the nature of and challenges in agriculture in Malawi, describing cooperatives in Malawi, providing the motivation for this research, introducing the research problem, research methodology and research goal and objectives, outlining the theoretical and practical contributions, outlining the research focus and boundaries, and presenting the structure of the thesis.

Chapter 2: Literature Review
This chapter starts with a presentation of the origins and definitions of cooperatives. It then discusses agricultural cooperatives, giving reasons why they are established. It then presents the theoretical framework adopted for purposes of this study. It further explores the difference between the traditional cooperative model and non-traditional ones highlighting the problems of the traditional model. The focus of the review then changes to performance in which the complexities of performance measurement and the existing methods of measuring performance in agricultural cooperatives and their deficiencies are discussed. This is followed by a discussion of performance improvement and how to achieve it in smallholder agricultural cooperatives. Finally, three research questions which have been formulated to help address the research problem are presented.

Chapter 3: Research Methodology and Design
This chapter provides an overview of the various research paradigms and explains the rationale behind each chosen paradigm. It also explains the methodologies for collecting and analyzing data. It was determined that the mixed methodology with case study were the appropriate methodologies to accomplish the research objectives.
Chapter 4: Findings, Analysis and Discussion
This chapter presents the set of factors that was developed during this study and analyzes and discusses these findings and critically evaluates them against performance improvement literature. It also presents a framework called PISHAC for improving the performance of smallholder agricultural cooperatives which was constructed as part of this study.

Chapter 5: Conclusions
This chapter provides a summary of findings of this research study with a discussion on its implications. It discusses the contributions made by this study to the performance improvement discipline and provides the limitations of the findings. It also outlines some opportunities for further research work to enhance the findings of this empirical study.

APPENDIX 1: Interview guide for cooperative member groups
This appendix contains a copy of the Interview guide which was used during cooperative member group interviews.

APPENDIX 2: Interview guide for individual cooperative members
This appendix contains a copy of the Interview guide which was used during individual cooperative member interviews.

APPENDIX 3: Interview guide for cooperative board member
This appendix contains a copy of the Interview guide which was used during cooperative board member interviews.

APPENDIX 4: Interview guide for cooperative managers
This appendix contains a copy of the Interview guide which was used during cooperative manager interviews.
APPENDIX 5: Interview guide for cooperative promotional agencies
This appendix contains a copy of the Interview guide which was used during interviews with cooperative promotional agencies.

APPENDIX 6: Gender distribution of interviewees
This appendix shows the gender distribution of study interviewees.

APPENDIX 7: Age distribution of interviewees
This appendix shows the age distribution of study interviewees.

APPENDIX 8: Qualifications of interviewees
This appendix shows the qualifications of study interviewees.

APPENDIX 9: Grounded theory analysis application exemplar
This appendix contains the grounded theory analysis application exemplar.

SUMMARY
This chapter has described the importance of smallholder agriculture to the Malawi economy; outlined key challenges faced by smallholder farmers, and explained why farmer organizations including cooperatives were perceived as ideal mechanisms for addressing challenges faced by smallholder farmers. It has also provided the motivation for the current study and introduced the aim of this thesis as to develop a framework for improving the performance of smallholder agricultural cooperatives in Malawi. The objectives of the study have also been outlined. It has further described briefly the methodologies to be employed in order to achieve the objectives. This was followed by a description of theoretical and practical contributions to the body of knowledge and a presentation of the research focus and boundaries. The chapter closed with a presentation of the thesis structure.
CHAPTER 2
LITERATURE REVIEW

2.1 Introduction

Many cooperatives, especially those established by smallholder farmers struggle to meet the expectations of their members. Hoyt (1989) argues that in developing countries, attempts to organize farmers into cooperatives have often failed, although cooperatives have the potential to supply farm inputs and to market farm products which are both important activities for agricultural development. Improving the performance of smallholder agricultural cooperatives requires a thorough understanding of the factors that are impacting on cooperatives either positively or negatively in their contexts. A critical review of the existing literature was therefore necessary to understand the performance challenges faced by smallholder agricultural cooperatives.

Therefore, based on a critical review of the existing literature, this chapter presents the origins and definitions of cooperatives. It also introduces agricultural cooperatives, and gives reasons why farmers establish them, and outlines the major benefits of doing so. Thereafter, it provides a theoretical framework of an agricultural cooperative and presents the theoretical framework adopted for purposes of this study. It further explores the difference between the traditional cooperative model and non-traditional ones highlighting the problems of the traditional model. The complexities of performance measurement and the existing methods of measuring performance in agricultural cooperatives and their deficiencies are then discussed followed by a discussion of performance improvement and how to achieve it in smallholder agricultural cooperatives. Finally, three research questions are presented which have been formulated to help address the research problem.

The intention was to discover an appropriate method of improving performance in smallholder agricultural cooperatives by identifying the key factors that influence their performance in the Malawi context. These factors would be the foundations of this
research study and would inform the development of the framework for improving smallholder agriculture cooperative performance in Malawi.

2.2 Origins and Definitions of Cooperatives

2.2.1 Origins of Cooperatives
The modern cooperative originated in Europe and spread to other industrializing countries during the late 19th century as a self-help method to counter extreme conditions of poverty (Hoyt, 1989). However, many researchers cite the formation in 1844 of the Rochdale Society of Equitable Pioneers Ltd as the one development that had the greatest singular impact on determining the unique operating principles of cooperatives. This was a consumer cooperative established in Rochdale, England, by a group of workers representing various trades whose objectives were to address members’ needs for better housing, employment, food, education and other social requirements. The group formulated a set of basic operating rules called principles most of which are still in use in cooperatives today.

The example of the Rochdale Society which was formed for reasons of addressing members’ needs suggests that cooperatives are formed for the purpose of addressing needs. The NCBA (2005) supports this notion by stating that cooperatives are formed by their members when the marketplace fails to provide needed goods and services at affordable prices and acceptable quality. Members therefore view cooperatives as vehicles for solving their problems. The NCBA further states that cooperatives are formed to empower people to improve their quality of life and enhance their economic opportunities through self-help. This statement further confirms the notion that cooperatives will address the problems associated with the poor quality of life and weak economic opportunities.

2.2.2 The Growing Importance of Cooperatives
Cooperatives worldwide are still growing in importance as effective self-help solutions to problems affecting individuals and groups that other institutions are unable to address.
Recent events in Spain and Argentina provide more evidence to support the above view. For example, Diaz (2014) notes that companies in both countries were forced to convert to cooperatives as a collective response to unemployment. He records that in Spain there were 75 converted companies under cooperative organizational structures in 2014. This number had grown from 40 such companies registered in Spain by 2009. The majority were small companies where, after having suffered closures, regulatory actions and insolvency proceedings, the workers manage themselves as cooperatives as a way of generating their own employment. After having been laid off, they found themselves facing a situation of economic crisis which made it impossible for them to find work that would allow them to meet their basic needs. Faced with uncertainty and labour instability, together with a perception of highly precarious work, the workers saw cooperative self-management as an alternative source of work (Diaz, 2014).

The choice of the cooperative organizational model was motivated by its implied features of horizontality and democratization. The elements that they consider to be principal strengths of the cooperative model revolve around the articulation of a collective response which has allowed them to overcome the loss of employment. The sharing of a common objective, which includes the launch of a project which they gave form to and which they are now taking forward with their own resources, is also a constant reinforcement to keep going. Diaz reports that despite the loss of the security provided by salaries in the previous contractual situation as hired workers, the work now has a very different and positive feel due to the increased involvement and responsibility, and to putting into practice all workers' skills and knowledge as a shared resource.

Regarding Argentina, Diaz (2014) citing (Magnani, 2003; Rebón, 2004, Ruggeri, Martinez & Trinchero, 2005) records that in 2004 there were a total of 161 companies in Argentina which were returned to working order by their employees after having been subject to abandonment or illicit attempts to remove company goods by their employers. At the time, it was not possible for workers to find alternative employment, and state benefits were insufficient to support their families. The need to survive determined the
resistance to their loss of employment in the face of a lack of other options. The workers therefore adopted a system of self-management in the form of cooperative organizations in an attempt to prevent the loss of their work. Between 2010 and 2013 there were 63 new cases of companies converting to cooperatives signifying a growth trend in such practices.

The adoption of a cooperative model is a characteristic feature of the majority of converted companies in Argentina. Diaz (2014) citing Ruggeri explains that in over 90% of cases, converted companies have adopted the form of a cooperative due to the legal advantages that such models have been given. They can also continue to legally make use of company goods, recognized as goods for the use of the public. The workers believe that having become a group of teammates who have been united by very difficult circumstances, the will to keep working and trying to resolve daily difficulties is the main resource they rely on.

Thus, cooperatives are very effective mechanisms for solving many social and economic problems. The cooperative form of organization is well established and growing in many fields. As early as 1957, Joseph Knapp listed cooperatives in the fields of forestry, fishery, irrigation, electrification, housing and medical care (Knapp, 1957). In 2013, the National Council of Farmer Cooperatives (NCFC) in USA reported that there were 40,000 cooperatives serving 100 million people in the United States (NCFC, 2013). These included agriculture, child care, credit, health care, housing, insurance, telephone, and electric cooperatives.

Barton (1989) argues that farmers too can benefit by forming cooperatives. Their objective can be to generate greater profits by obtaining inputs and services at lower costs than they could obtain elsewhere or that were not available, and by marketing their products at better prices or in markets that were previously not accessible. Since cooperatives are formed to meet needs, their objectives are different from those of investor oriented firms (IOFs) which are primarily established for the sake of generating a return on investments for their owners.
2.2.3 Definitions of Cooperatives

To have a deeper appreciation of the reasons why cooperatives are formed, the first step is to understand the concept of a cooperative. Two definitions of cooperatives are widely accepted by scholars of cooperatives. The International Cooperative Alliance (ICA) defines a cooperative as “an autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly-owned and democratically-controlled enterprise” (www.ica.coop, 2015). This definition introduces the enterprise as the vehicle for meeting the needs and aspirations of people. The Cambridge English Online Dictionary defines an enterprise as “An organization, especially a business, or a difficult and important plan, especially one that will earn money” (www.dictionary.cambridge.org, 2015). A cooperative is therefore a business, and it is its capacity to earn money that members use to meet their needs and aspirations.

The ICA recognizes seven cooperative principles, namely; voluntary and open membership; democratic member control; member economic participation; autonomy and independence; provision of education, training and information; cooperation among cooperatives; and concern for the community (Ortmann & King, 2007a). In 1987, the United States Department of Agriculture (USDA) adopted just three of the seven ICA principles. These are; user ownership, user control and user benefit (Birchall, 2005). The USDA used these principles to formulate another definition which states that “A cooperative is a user-owned, user-controlled business that distributes benefits on the basis of use” (Zeuli et al., 2004:1). The user is prominent in this definition because the USDA recognizes that members form cooperatives to use for their own benefit. This definition also demonstrates that in a cooperative the user has a more complex relationship with the enterprise that he creates than in an Investor Oriented Firm (IOF). In an IOF, those who form the enterprises are principally the owners and this is the role that they play in their relationship with the enterprise. In a cooperative, they are not only owners, but they are principally the users of the cooperative and because of this they play many other roles.
According to Zeuli et al. (2004) the user-owner principle means that the members of the cooperative help to finance it. The user-control principle means that members of the cooperative govern it directly by voting on important business decisions. The user-benefit principle means that members share the benefits, costs and risks of doing business in proportion to their patronage in the enterprise.

These definitions enhance our understanding of the work of smallholder agricultural cooperatives which are the primary focus for this study. The cooperative principles also provide a benchmark against which the operations of smallholder agricultural cooperatives could be assessed.

2.2.4 The Nature of Cooperatives

Cooperatives are organizations whose members are both owners and users of the organizational services and whose main objective is to maximize members’ welfare. In contrast, the owners of standard investor owned firms are not necessarily the users of the services provided and they seek to maximize profit (Marwa, 2014). Since the characteristics of cooperatives are so unique, the standard theory of the firm, which assumes that firms are established for the sole purpose of making profits, cannot accurately capture the behavior of cooperatives in its original version. In response to such limitations, different cooperative scholars have proposed variations to the neo-classical theory of the firm to explain the behaviour of cooperative organizations and to provide a way through which to view cooperatives.

According to the Cambridge English Dictionary, a view is an opinion, belief, or idea, or a way of thinking about something (www.dictionary.cambridge.org, 2015). One’s view or perspective on an issue informs the way they respond to it.

Researchers have tended to view the farmer cooperative in four distinct ways;

- As a form of vertical integration by otherwise independent firms, or
- As an independent business enterprise (firm), or
- As a coalition of participants, or
As a nexus of contracts.

2.2.4.1 The Cooperative as a Form of Vertical Integration

According to Sexton (1988), if a business operating at one stage in the process decides to extend its operations into additional stages of the process, the business has vertically integrated. Downstream or forward integration occurs when a firm moves into production stages closer to consumers such as processing and marketing its own products. Upstream or backward integration is when a business supplies its own productive inputs such as fertilizer and seeds. Centner (1988) observes that cooperatives are among the most effective mechanisms for the vertical integration of smallholder farmers.

As far back as 1922, advocates of farmer cooperatives such as Nourse were arguing that farmer cooperatives were simply extensions of the members' firms (Staatz, 1989). Staatz explains that Emelianoff, in 1942, was the first to analyze formally the cooperative as a form of vertical integration, arguing that because a cooperative operated at cost, it did not incur profits or losses itself. The argument was that only its member firms incurred profits or losses. Therefore, the cooperative was not an acquisitive unit and hence not a firm. Phillips (1953) as cited by Staatz (1989:3) also supports the view that the cooperative simply represents a jointly owned plant operated by independent member firms. In his analysis, Phillips assumed that member firms dealt exclusively with the cooperative, stating that: "When a group of individual firms form a cooperative association, they agree mutually to set up a plant and operate it jointly as an integral part of each of their individual firms. The cooperative has no more economic life or purpose apart from that of the participating economic units".

This view is not entirely reflective of the operations of cooperatives today. Cooperatives today are established as enterprises to provide services to their members to meet their needs and therefore have an economic purpose. Therefore, this theoretical framework was not adopted for this study.
2.2.4.2 The Cooperative as a ‘Firm’

The view that a cooperative is merely a form of vertical integration was challenged by some researchers who proposed that the cooperative was more than an extension of farm members’ firms. Stephen Enke was one such researcher, and he came up with an alternative theory called the theory of the cooperative as a firm. Stephen Enke was the first person in 1945 to analyze the cooperative formally as a separate type of business firm (Staatz, 1989). He demonstrated that the cooperative manager had on a day-to-day basis to choose what to maximize such as, total sales, level of the patronage refund, profits, etc. Theoretical work on ‘cooperatives as firms’ assumes that a cooperative is a separate firm trying to maximize a single objective function such as member benefits or joint profit (Marwa, 2014). Enke’s model emphasized that to maximize member benefits, the cooperative manager had to balance the benefits members receive as owners of a profitable enterprise with the benefits they receive as patrons of an establishment that offered favourable prices. Running the cooperative in a manner that simply maximizes profits as a separate entity or running it in a way that simply maximizes prices to members would reduce total member benefits. Enke’s work thus emphasized the need to balance benefits derived as owners with those derived as patrons. The cooperative can therefore be considered to be a firm.

Helmbeger and Hoos (1962) support this view arguing that the agricultural cooperative could be modeled as a separate firm, using tools from the standard neo-classical theory of the investor-owned firm. They explained that the theory of the profit maximizing firm however, needed to be modified before it was applied to cooperatives because cooperatives did not try to maximize their own profits but rather those of their farmer members. Cooperatives did this by operating on a zero profit basis and returning their surplus to the members.

Therefore, for purposes of this study, although cooperatives are firms in that they have a separate economic existence, their operations are not designed to maximize profits. This theoretical framework thus does not fully describe the work of cooperatives today and therefore was not adopted for this study.
2.2.4.3 The Cooperative as a Nexus of Contracts

Another group of researchers has proposed that the cooperative is a nexus of contracts. Researchers who view a cooperative as a nexus of contracts view business relationships among stakeholders in a cooperative as contractual relationships (Marwa, 2014). According to Staatz (1989), these relationships can be viewed as representing a set of explicit and implicit contracts. The cooperative is viewed as a legal entity separate from its members, having its own bureaucracy and its own decision making apparatus. This apparatus, however, is at least nominally controlled by the members, via the board of directors, and members join the cooperative to gain the advantages of vertical integration. For example, when a farmer joins a cooperative, that personimplicitly contracts with the other members of the organization for a share of the net earnings of the organization, distributed in proportion to patronage, in exchange for an initial membership fee, other capital contributions to the cooperative and meeting the other conditions of membership.

This theoretical framework does not adequately describe the smallholder agricultural cooperatives in the Malawi context because contracts in this setting are not well formed or understood and the benefits from these relationships are not clearly defined. Therefore, this theoretical framework is too complex for the smallholder agricultural cooperative context and was not adopted for this study.

2.2.4.4 The Cooperative as a Coalition of Participants

Other researchers have argued that the cooperative is neither just a form of vertical integration nor a firm but should be viewed as a coalition of participants. Cooperatives seek to maximize benefits or gains from a joint action by a potential coalition of participants. The participants are the different groups in a cooperative which may include farmers, board members, management, input suppliers, lenders and non-member customers. Each of these groups has its own objectives and participates in the organization as long as it feels its objectives are being met. Each group seeks to maximize its own well-being (Staatz, 1989). For example, while cooperative management may be working towards achieving more profits for the cooperative which
would result in a bonus payment to them, the members may be seeking more member benefits which may include higher prices for their produce and lower prices of inputs. Clearly, these are competing objectives because higher prices for members’ produce and lower prices for farm inputs from the cooperative’s farm input shop may not lead to higher profitability. Because different groups will not have the same objectives for the cooperative, they therefore bargain among themselves about how benefits are distributed to agree on courses of action that enable each group to achieve at least some of its objectives (Cook et al, 2004).

This theoretical framework describes aspects that could have the most impact on the cooperative’s performance, especially in a smallholder agriculture setting which is the focus of this study. The key aspects are the respective objectives that different groups in the cooperative seek to achieve. Thus, in this study the cooperative has been viewed as a coalition of different participants each pursuing their respective objectives which might have an impact on the overall performance of the cooperative.

2.2.4.5 Summary

It was important that this study adopts a theoretical framework on agricultural cooperatives to act as a theoretical foundation on which to base the research. Therefore, while each of the above views is important in its own right, for purposes of this study, the cooperative has been viewed as a coalition of participants for the reasons given in section 2.2.4.4 above.

2.3 Cooperative Models

According to Staatz (1989), all models are by definition abstractions and simplifications of reality. The purpose of a model is to simplify the complexity of the real world so that the key elements determining how something works can be identified and the interrelationships among those elements can be understood.
This section describes different cooperative models and compares and contrasts traditional and non-traditional models. It is important to understand the distinctions between the various types because increasingly traditional cooperatives are changing form and taking various types of non-traditional models as a way of improving their performance.

### 2.3.1 The Traditional Cooperative Model

A traditional cooperative is an organization formed by a group of people who meet voluntarily to fulfill mutual economic and social needs through running a democratically controlled enterprise such that the benefits achieved through cooperation are greater than the benefits achieved individually (Ica.coop, 2005). The traditional cooperative model has existed ever since cooperatives came into being. According to Nilsson (1999), for many decades, a cooperative was simply one that used the traditional cooperative model which was generally expressed in terms of cooperative principles such as open membership, unallocated equity capital and governance according to one-member-one-vote. All agricultural cooperatives had almost the same organisational characteristics. Table 3 below shows the characteristics of a traditional cooperative.

<table>
<thead>
<tr>
<th>Attribute Type</th>
<th>Actual Characteristic</th>
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</thead>
<tbody>
<tr>
<td>1 Form of ownership</td>
<td>The ownership is in the form of a cooperative society, and this society is open, i.e., new members may join the society. Hence, there is free entry.</td>
</tr>
<tr>
<td>2 Enterprise ownership</td>
<td>The enterprise is owned by the society, i.e., collectively. There is often no individual ownership to the equity.</td>
</tr>
<tr>
<td>3 Trade in shares</td>
<td>The open membership and the lack of individual ownership of shares imply that there is no trade in shares, and hence, the members cannot realize changes in the value of the assets.</td>
</tr>
<tr>
<td>4 Governance</td>
<td>The members’ governance of the firm is equal, irrespective of their volume of trade with the cooperative or their volume of shares. One member, one vote applies.</td>
</tr>
<tr>
<td>5 Control</td>
<td>Control is fully in the hands of the members.</td>
</tr>
<tr>
<td>6 External partners</td>
<td>External partners have no influence, neither as shareholders nor in the governance.</td>
</tr>
<tr>
<td>7 Individual ownership of shares</td>
<td>Members’ individual ownership of shares is equal or otherwise based on administrative rules.</td>
</tr>
</tbody>
</table>
8 Profit
The profit made by the cooperative is not reimbursed to the members as return on investment but as patronage refund, i.e., it is allocated in proportion to the members’ deliveries to the cooperative.

9 Value-added activities
Traditionally organized cooperatives tend to have none or only limited business activities that may be called value-added, i.e., they rather work with less advanced operations.

10 Management
These cooperatives most often do not need top-qualified management.

Source: Jerker Nilsson (1999)

The smallholder agricultural cooperatives which are the focus of this study exhibit most of the characteristics of traditional cooperatives listed in table 3.

However, many researchers have in recent years demonstrated that there are problems inherent in the traditional cooperative organization form. These problems create disadvantages for cooperative members and are causing some cooperatives to die and others to change form as a survival strategy. Cook (1995) and Royer (1999) highlight five core problems of traditional cooperatives, namely the free rider, horizon, portfolio, control, and influence cost problems.

a. The free-rider problem emerges when property rights are un-tradable, insecure, or unassigned (Cook, 1995). A property right gives the owner of an asset the right to the use and benefits of the asset, and the right to exclude others from them. It also, typically, gives the owner the freedom to transfer these rights to others (Segal & Whinston, 2012). Royer (1999:56) referred to the free-rider problem as “a type of common property problem that emerges when property rights are not tradable or are not sufficiently well defined and enforced to ensure that individuals bear the full cost of their actions or receive the full benefits they create.”

Free-rider problems in traditional cooperatives can be either internal or external. Internal free-rider problems occur because the rights to residual claims in a traditional cooperative are linked to patronage instead of investment. New members receive the same patronage and residual rights as existing members although the
new members are not required to make up-front investments proportionate to their use. An external free-rider problem is created whenever a cooperative provides its members with collective goods in a situation where non-members cannot be excluded. An example would be a situation where a non-member producer benefits from the terms of trade negotiated by a cooperative (Iliopoulos and Cook, 1999). Free rider problems thus create a disincentive for existing members to invest in their cooperative because of the dilution of their returns.

b. The horizon problem arises “when a member’s residual claim on the net income generated by an asset is shorter than the productive life of that asset” (Cook, 1995: 1156). Traditional cooperatives suffer from the horizon problem due to the structure of the rights to residual claims, which are distributed to members as current payments. The benefits a member receives from an investment are limited to the time period or horizon over which the member expects to patronize the cooperative (Vitaliano, 1983; Royer, 1999). Managers are often under pressure to increase current payments to members instead of investing in additional assets, and to accelerate equity redemptions at the expense of retained earnings (Cook, 1995; Royer, 1999). The horizon problem thus creates a disincentive for members to invest in assets because of the dilution of their returns.

c. The portfolio problem occurs in traditional cooperatives because members invest in the cooperative in proportion to their use and because equity shares in the cooperative generally cannot be freely purchased or sold. “Members are unable to diversify their individual investment portfolios according to their personal wealth and preferences for risk-taking” (Royer, 1999:55). This leads to sub-optimal investment portfolios. Royer (1999) explains that cooperative members have to carry these risks alone because potential outside investors, who could diversify the risks, are generally excluded from investing in a cooperative. The portfolio problem thus limits opportunities for higher levels of investment in traditional cooperatives.
d. **The Control problem.** Any organization in which ownership and control are separate will experience principal-agent problems due to divergence of interests between the principal who typically are cooperative members and their representative board of directors and the agent who typically are cooperative management (Cook, 1995). Preventing this divergence of interests is a major problem in traditional cooperatives “because of the absence of a market for exchanging equity shares and the lack of equity-based management incentive mechanisms available to other firms” (Royer, 1999: 55). The absence of an equity market for cooperative shares means that members are not able to monitor their cooperative’s value or evaluate managers’ performance.

e. **The Influence cost problem.** Influence costs are those costs associated with activities in which “members or groups within an organization engage in an attempt to influence the decisions that affect the distribution of wealth or other benefits within an organization” (Royer, 1999:56). Cook (1995) argues that in a cooperative involved in a wide range of activities, diverse objectives among its members can result in costly influence activities. These costs can include both the direct costs of influence activities and the costs of poor decisions in terms of misallocation of resources.

Cooperatives may experience greater influence costs than other forms of organization because according to Royer (1999), the interests of cooperative members who are linked to individual farm production activities, are more diverse than the interests of corporate shareholders, who share a common objective of maximizing wealth.

### 2.3.1.1 Reasons for the Demise of Traditional Cooperatives

Although traditional cooperatives are still the most widespread type of cooperative, researchers have observed that they are dying at a high rate in some parts of the world. In an attempt to explain what is happening, some researchers have proposed reasons why traditional cooperatives are dying as follows:
a. **The Life-cycle model.** Some researchers have suggested that traditional cooperatives are dying because their existence follows a life-cycle model for cooperatives consisting of the five stages; establishment, survival of infant stage, growth and consolidation, struggle against VDPR problems and exiting or restructuring into hybrid model. These researchers believe that traditional cooperatives cannot survive without restructuring into hybrid cooperative models in which outside co-owners are involved or without shifting to an individualized cooperative model where property rights are tradable (Fulton 1995, Nilsson et al. 2009).

![Figure 3: Life cycle model of traditional cooperatives](image)

b. **Property rights.** Other researchers propose a property rights theoretical approach, noting that the locus of power in any value chain is with the party that has the most importance for the other parties in this chain. For example, historically, agricultural cooperatives have been the most crucial link in the chain to the extent that their members have been able to produce large volumes of products. Today, agricultural production has become less problematic as a result of new technologies and new management techniques as industrialization of agriculture has become widespread. However, marketing of the processed products has become more challenging and is therefore the most essential task. Hence, retail chains have become stronger than the agricultural cooperatives in the value chain, and traditional cooperatives have been forced to adapt to other forms to survive (Fulton, 1995, Nilsson et.al, 2009).
c. **Population ecology.** Other researchers propose population ecology as another reason why cooperatives gradually lose their cooperative identity. According to Bager (1996), cooperatives constitute one group in the population of formal organizations within an economy and an industry. In the infancy of cooperatives, the number of cooperatives was so large that they formed a tightly connected group, and tended to become similar to one another and dissimilar to other business firms. However, today, technological, economic and institutional changes have resulted in large-scale cooperatives operating internationally and have driven them to adapt to the practices of IOFs. Most suppliers to the cooperatives are IOFs, and so are their customers. The financial institutions treat cooperatives as they treat IOFs. Thus cooperatives are losing their identity and therefore significantly transforming from the traditional cooperative form (Bager, 1996, Nilsson et al. 2009).

d. **Infrequent market failures.** Harte (1997) suggests that the markets, both for agricultural products and for farm inputs, have become larger, more transparent and more liberalized. Therefore, the farmers no longer need cooperatives for the sake of obtaining lower transaction costs because market failures occur less frequently in today’s agriculture (Nilsson et al, 2009).

e. **Sub-optimal investment portfolios.** By comparing corporate governance of traditional cooperatives with that of IOFs, Holmström (1999) suggests that while the capital markets have been liberalized and are characterized by innovation, cooperatives are locked out from these. Neither members nor financial analysts scrutinize investments of cooperatives as their stock is not tradable. Hence cooperatives’ investment portfolios are sub-optimal. Moreover, the collective decision-making in cooperatives contributes to less efficient portfolios, and in turbulent times, conflicts between member categories will hamper good investments. Such circumstances can lead to the demise of traditional cooperatives (Nilsson et al, 2009).
f. **Growing management control.** Hogeland (2006) explains the demise of traditional cooperatives in terms of economic cultures within the farmer communities. The culture that is supportive for the traditionally organized cooperatives becomes successively threatened as the cooperatives expand. Competition forces the cooperatives to expand. The larger the investments in the cooperatives, the more the cooperatives will have to control their members. Moreover, large size means heterogeneous memberships and thereby multiple, sometimes conflicting, social or economic objectives. With growing management control, the cooperatives come to resemble their investor-owned competitors to the extent that the farmers become alienated in relation to the cooperatives. Trust and identity vanish from the memberships (Nilsson et al, 2009).

None of the reasons given above adequately depicts the situation in the smallholder cooperatives in Malawi. Most of the cooperatives in Malawi are still small in size, some are in their infancy and growth has remained a challenge because of poor performance. Therefore, while some smallholder cooperatives in Malawi have died, this has happened for other reasons other than the ones listed above. Nkhoma (2011) concluded that the main reasons for the demise of agricultural cooperatives in Malawi were: lack of contract enforcement mechanisms, government policies, dependency on external support, provision of subsidized services by government, limited managerial skills, limited business capacity, governance problems and poor leadership.

### 2.3.2 The Non-traditional Cooperative Model

The problems of traditional cooperatives together with the changing business environment have forced farmers to create new forms of cooperatives. According to Kast & Rosenzweig (1979) as cited by Nilsson (1999), one of the most basic notions in business is that organisations must reflect the characteristics of their business environment in their own organisational structures otherwise they will not be competitive. A successful firm therefore is one that adjusts its product offerings to changing demand and that has the ability to adapt to a variety of demand changes.
According to Chaddad & Cook (2003), agricultural cooperatives have been facing survival challenges recently as a result of the agricultural industrialization process. Competitive strategies pursued by agricultural cooperatives in response to environmental and structural changes in the food system require substantial capital investments. In order to acquire the necessary risk capital to implement these growth related strategies and remain competitive, agricultural cooperatives are adapting to agricultural industrialization by means of organizational innovations.

Chaddad and Cook (2003) also assert that the basic issues in examining these new models can be reduced to an examination of ownership and control rights. They argue that alternative cooperative models differ in the way ownership rights are defined and assigned to the economic agents tied contractually to the firm, in particular, members, patrons, and investors. They propose a typology of discrete organizational models, in which the traditional cooperative structure and the investor-oriented firm (IOF) are characterized as polar forms.

Figure 4 identifies five non-traditional cooperative models where organizational variation is observed in the ownership rights structure of cooperative firms. Each model has been illustrated by Chaddad & Cook (2003) as described below:

2.3.2.1 Traditional Cooperative
As already described in great detail in section 2.3.1 above, the traditional cooperative ownership rights are restricted to members, are not transferable, are not appreciable and not redeemable, and members are not expected to invest in the cooperative in proportion to patronage.

2.3.2.2 Proportional Investment Cooperative
In the proportional investment cooperative, ownership rights are restricted to members, are not transferable, are not appreciable and nor redeemable, but members are expected to invest in the cooperative in proportion to patronage. Proportional
investment cooperatives adopt capital management policies to ensure proportionality of internally generated capital including separate capital pools and base capital plans.

2.3.2.3 Member-Investor Cooperative
In member investor cooperatives, returns are distributed to members in proportion to shareholdings in addition to patronage. This is done either with dividend distribution in proportion to shares and/or appreciation of cooperative shares. The member-investor model has been implemented by means of participation units, capital units and redeemable preference shares.

2.3.2.4 New Generation Cooperative
In the new generation cooperative model, the restriction on residual claim transferability is relaxed. This model introduces ownership rights in the form of delivery rights that are tradable among a well-defined producer at risk member-patron group. Ownership rights are restricted to member-patrons, membership is defined, members are required to make up-front investments in delivery rights in proportion to patronage, and supply is controlled by means of marketing agreements.

2.3.2.5 Cooperatives with Capital Seeking Entities
In cooperatives with capital seeking entities, investors acquire ownership rights in a separate legal entity wholly or partly owned by the cooperative. Outside investor capital is not directly introduced in the cooperative firm, but in trust companies, strategic alliances or subsidiaries.

2.3.2.6 Investor-Share Cooperative
In the investor-share cooperative, the cooperative acquires non-member equity capital without converting to an Investor Owned Firm (IOF). In contrast to the cooperative with capital seeking entities, the investor-share cooperative issues separate classes of equity shares assigned to different “owner” groups. As a result, outside investors receive ownership rights in the cooperative in addition to the traditional cooperative ownership rights held by member-patrons.
2.3.3 Comparison of new organizational models

According to Chaddad & Cook (2003), the main difference between the traditional cooperative and the new organisational models is in the ownership. Ownership in new organizational models is no longer only collective. In some cases it is purely individual ownership, while in other cases there is a blend of collective and individual ownership. Similarly, a number of factors are affected in the control criterion where some control is lost to external investors. The benefit criterion is however at the centre of all changes. All the cooperative models have the objective of providing the best possible benefits to the members. Hence, the three criteria can be regarded as hierarchically ordered as follows:

- The ultimate criterion is that the member shall have the best possible benefits from the cooperative.
- If the benefits can be increased by allowing ownership to external parties, for example by attaining economies of scale or scope through the partnership, this is
an acceptable step for a cooperative, provided that the external partner does not get decisive control.

- If the external partner is willing to invest only on condition that he is granted some control this may be an acceptable sacrifice, though that control must not impede the member benefits.

The smallholder agricultural cooperatives in Malawi which are the focus of this research study have demonstrated unwillingness to allow external investors to invest in them because they fear that this could lead to loss of control. In addition, their understanding of the importance of using shares to raise capital is limited, preferring instead to look to external donors to fill this gap. Thus smallholder agricultural cooperatives in Malawi simply follow what their promoters tell them to do.

### 2.4 Agricultural Cooperatives

#### 2.4.1 Definitions of Agricultural Cooperatives

Agricultural cooperatives are one form of cooperative with unique characteristics. The National Council of Farmer Cooperatives (NCFC) describes farmer cooperatives as businesses which are owned and controlled by the people who use them and which operate for the mutual benefit of its members (NCFC, 2013). Chloupkova (2002:5) citing Vienney (1980) defines agricultural cooperatives as “groups of farmers mutually linked in the corporation, which they form and whose services they avail themselves of, in a double relationship of active participation and full membership. The principal activity of agricultural cooperatives therefore is not agriculture, but it is the farmers’ concerted use of the means at their disposal to facilitate and develop their economic activities”.

Staatz (1987) also defines a farmer cooperative as a business with three main characteristics:

a. The shareholders, who are farmers, are the major users of the firm's services.

b. The benefits a shareholder receives from committing capital to a cooperative are tied largely to patronage.
c. Voting power is not proportional to equity investment and there are strict limitations on the number of non-shareholders who may serve on the board of directors.

The NCFC definition emphasizes issues of ownership, control and benefits, and assumes that all three issues are in the hands of the farmer members. While agreeing with the NCFC, Chloupkova adds that the principal activity is not agriculture but the use by the farmers of the means at their disposal to facilitate and develop their economic activities. The definition by Staatz emphasizes traditional cooperative principles. However, the key point from this definition is that a farmer cooperative is a business.

2.4.2 Importance of Agricultural Cooperatives to the World Economy

The Food and Agriculture Organization (FAO) has published statistics that show that agricultural cooperatives are important globally as major contributors to the world economy (FAO, 2012). The statistics in table 4 below illustrate the importance of agricultural cooperatives:

<table>
<thead>
<tr>
<th>Table 4: Worldwide statistics on agricultural cooperatives</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Country</strong></td>
</tr>
<tr>
<td>---</td>
</tr>
<tr>
<td>1</td>
</tr>
<tr>
<td>Cooperatives have the following market shares: 70 percent of coffee, 76 percent of dairy, 90 percent of pyrethrum and 95 percent of cotton. 924,000 farmers earn income from membership in agricultural cooperatives.</td>
</tr>
<tr>
<td>2</td>
</tr>
<tr>
<td>Dairy cooperatives control about 80 percent of dairy production, while in California most of the specialty crop producers are organized in cooperatives.</td>
</tr>
<tr>
<td>3</td>
</tr>
<tr>
<td>The National Federation of Coffee Growers provides production and marketing services to 500,000 coffee growers. It contributes to the National Coffee Fund, which finances research and extension for coffee-growing communities.</td>
</tr>
<tr>
<td>4</td>
</tr>
<tr>
<td>Dairy Cooperatives, with 12.3 million members, accounted for 22 percent of the milk produced in India. Sixty percent of members are landless or have very small plots of land. Women make up 25 percent of the membership.</td>
</tr>
<tr>
<td>5</td>
</tr>
<tr>
<td>Cooperatives are responsible for 40 percent of the agricultural GDP and 6 percent of total agribusiness exports.</td>
</tr>
</tbody>
</table>
The precise contribution by Malawi’s agricultural cooperatives is not quantified because of poor data processing capacity at the Registrar of Cooperatives. However, agricultural cooperatives in the country are making significant contributions in the following subsectors: rice processing, cooking oil production from oil seeds and in milk production and bulking.

2.4.3 Specific Reasons Why Farmers Establish Agricultural Cooperatives

Researchers in cooperatives have proposed various reasons why farmers establish agricultural cooperatives. They state that:

a. **Farmers cooperate for a purpose.** Knapp (1957) observes that when a group of individuals establish a cooperative, they have in mind certain distinctive purposes. They may seek to obtain services for themselves at cost but not to obtain profit from rendering services to others, or they may try to render the greatest financial benefit to their members as users but not necessarily to maximize profit for owners as distinct from users. According to Barton (1989), in the past, farmers joined together and organized cooperatives because existing businesses did not provide the goods and services they desired. In some cases, existing businesses exploited farmers by following monopolistic practices thereby extracting monopolistic profits at farmers’ expense. Therefore, farmers had considerable economic incentives to unite and form cooperatives that enabled them to enjoy greater profits in their farm businesses by providing inputs and services at lower costs or by providing inputs and services that were not available, and by marketing outputs at better prices or by marketing outputs into markets that previously were not accessible.
According to the NCBA (2005), cooperatives are formed by their members when the marketplace fails to provide needed goods and services at affordable prices and acceptable quality. Therefore, the purpose of a cooperative should always be clear to the members.

b. Farmers Cooperate to address the Effects of Market Failure. Cooperatives are popular among farmers because through these institutions, farmers can pool their financial resources and carry out business activities that they could not perform as economically on their own. According to Barton (1989), in the past farmers joined together and organized cooperatives because existing businesses did not provide the goods and services they desired. In some cases, existing businesses exploited farmers by following monopolistic practices thereby extracting monopolistic profits at farmers’ expense. Centner (1988) supports this view stating that market failure is a common justification for the formation of agricultural cooperatives. He highlights three significant types of market failure as oligopsony, asymmetric information, and restricted bargaining.

- **Oligopsony** exists where there are few buyers and many sellers. This failure occurs in smallholder agriculture because producers often have few potential buyers. Producers therefore have no control over the setting of prices and allocation of profits.

- **Asymmetric information** exists where a buyer is not able to differentiate between quality and non-quality products. In this case, sellers have no incentive to provide quality products although there may be a demand for them.

- **Restricted bargaining** position of agricultural producers with buyers occurs when their products are ready for the market but buyers hold up the benefits that should accrue to producer-sellers. For example, where buyers know that producers need a market because the products are already in production, buyers may hold up producers by offering a low price or threatening to discontinue purchasing producers' products. However, because producers have to sell their products, they may have to accept a lower price.
All the above market failures are to varying degrees common among smallholder farmers in Malawi. Such market failures give the farmers significant economic incentives to unite and form cooperatives that enabled them to enjoy greater profits in their farm businesses.

Knapp (1957) posits that the cooperative has given the farmer a form of economic organization adapted to the peculiar conditions of his industry. Farmers individually have little power in the market place. Organized in cooperatives they can meet power with power. Without such organization, farmers would have to be satisfied with whatever service they could get. These challenges come about because of the high dependence by farmers on nature. They overcome them by capturing external economies of scale.

Agricultural cooperatives therefore give Individual or small farmers protection from exploitation by large companies. Chloupkova (2002) citing Christensen (1983) argues that for practical reasons cooperation has been one of the crucial means by which small farmers have managed to survive. Under capitalism, farmers have been forced to protect themselves from being exploited by pooling their buying power in order to attract lower prices from suppliers and pooling their selling power so that at the market one farmer cannot be played off against another.

c. Farmers establish cooperatives to reduce the effects of uncertainty. Farmers face a lot of uncertainty in their work often because of their reliance on weather conditions. The uncertainty principle states that the greater the uncertainty surrounding a transaction, the less likely the transaction is to be efficiently mediated by autonomous market contracting (Williamson, 1981). As uncertainty increases, so does the cost of renegotiating contracts and the potential for opportunistic behavior on the part of trading partners. An increase in uncertainty therefore creates incentives for farmers to become vertically integrated to reduce the effects of uncertainty. Smallholder farmers in Malawi face a lot of uncertainty in their work because they practice rain-fed agriculture.
d. **Farmers establish cooperatives to reduce the effects of asset fixity.** Farming assets are often very specific to that industry. An asset becomes specific to a particular use or user as the cost of transferring it to alternative uses increases. The asset fixity principle states that as assets become more specialized or specific, autonomous market contracting becomes a progressively less efficient means of allocating them (Williamson, 1981). Therefore, farmers form cooperatives to reduce the effects of asset fixity because when only a small number of farmers exist in the product market, asset fixity can lead to situations to which farmers are at considerable risk in their dealings with their trading partners. The poorer the integration of markets and the more highly specific the assets of both the farmers and their trading partners, the greater the scope for opportunistic behavior on the part of trading partners. Cooperatives therefore create vertical integration by farmers to overcome the effects of asset fixity.

e. **Farmers establish cooperatives to gain tighter control over their business.** Farmers often have to work with other participants in adjacent market stages. The externality principle states that a firm has an incentive to integrate vertically when participants in adjacent market stages impose negative externalities on the firm (Williamson, 1981). For example, if a farmer produces a high-quality perishable product that requires special handling in subsequent stages of the distribution system, negligent handling of the product by distributors can damage the farmer’s reputation with consumers. Because it is often easier to control product quality within the farm than across market boundaries, the farmer producing the product may vertically integrate to gain tighter control over the distribution system.

f. **Farmers cooperate to capture many of the advantages of large-scale.** Farming often requires that the farmer handles many operational duties all of which he cannot do properly because of lack of capacity. A farmer cooperative decomposes the firm's activities into relatively independent sub-units some of which it performs thereby helping prevent the farmer from being swamped with day-to-day operational duties. Owners in the cooperative firm agree to avoid competition among themselves in their marketing and input supply activities but continue to make the rest of their decisions
independently. Cooperative firms therefore allow their members to capture many of the advantages of large-scale marketing, input production, and strategic planning while still permitting farmers to make most of their farm-level decisions themselves.

g. Farmers Cooperate to respond effectively to new challenges in Marketing

Onumah et al. (2007) observe that agricultural marketing systems are changing at a rapid rate as a result of globalization, urbanization, liberalization and other regional and global developments. They argue that these forces combined with market failure, are compelling farmers, especially smallholders to resort to collective action as the most effective way of enabling farmers to respond to new challenges in marketing.

- **Globalization** is one of the main external factors driving the changes. Collier (1997) defines globalization as the process of integration in product markets and financial markets in which producers and investors increasingly behave as if the world economy consists of a single market and production area rather than a set of national economies linked by trade and investment flows. The current communications technology revolution, combined with the increasingly important role of the multinational corporations, make the scale and impact of globalization much greater than previously. As a result, large and integrated agribusiness firms are increasingly edging out small family farms, which are finding it more difficult to compete. These developments have strengthened the competitive advantage enjoyed by the global players (Onumah et al., 2007).

- **Urbanization** is impacting on food marketing systems through demand for increased volumes of food as well as the type of food preferred. Urban populations are experiencing changes to consumption patterns as a result of rising incomes, changing lifestyles, exposure to new products and time pressures, especially for working women (Onumah et al., 2007). As observed by Reardon et al. (2003), one effect of changing urban food demand patterns is a shift to larger, centralized wholesale markets thereby making it more difficult for small producers to compete.

- **Market liberalization** has shifted risk along the marketing chain away from parastatals towards traders and producers. Access to inputs such as seeds,
chemicals and fertilizers has also become more difficult as input distribution has passed from the public to the private sector and subsidies have been reduced or ended. This has invariably raised input prices and the lack of affordability has either constrained usage or reduced producer margins thereby negatively affecting the individual producer (Onumah et al, 2007).

- **Regional and global developments** such as growing consumer power and concerns about issues such as global warming, fair and ethical trade terms and food safety are all affecting food markets. These developments are creating new market segments and imposing new constraints in conventional markets. On the one hand, these trends have led to the emergence of new markets for producers, such as fair/ethical trade markets and organic produce markets. On the other, they have led to the imposition of new food standards, which make it difficult for small-scale producers to compete in the supply chain. (Onumah et al, 2007).

These changes have led to the emergence of new market players and created new market opportunities but have also exposed the small scale producers to increased risks in terms of uncertain access to markets and price instability.

The effects of market failure and of the changing agricultural marketing systems are particularly severe on smallholder farmers because, on their own, they have no means to counteract the opportunistic practices of the buyers. The logical choice for such farmers therefore is collective action one form of which is the establishment of cooperatives.

### 2.4.4 Benefits of Agricultural Cooperatives

In addition to the reasons given for establishing agricultural cooperatives by farmers, certain benefits of agricultural cooperatives have been observed. For example, the USDA Rural Business Cooperative Service (1990) has proposed eleven major benefits of cooperatives to farmer members. These include ownership and democratic control, increased farm income, improved service, quality of supplies and products, assured sources of supplies, enhanced competition, expanded markets, improved farm
management, legislative support, local leadership development, and family farmer control of agriculture. Table 5 provides a brief description of each of these benefits:

**Table 5: Benefits of Agricultural Cooperatives**

<table>
<thead>
<tr>
<th>Benefit</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ownership and Democratic Control</td>
<td>Cooperatives enable farmers to own and control, on a democratic basis, business enterprises for procuring their supplies and services, and marketing their products.</td>
</tr>
<tr>
<td>Increased Farm Income</td>
<td>Cooperatives increase farm income through raising the general price level for products marketed or lowering the level for supplies purchased, reducing processing costs by assembling large volumes, distributing to farmers any net savings made in handling, processing, and selling operations, upgrading the quality of supplies or farm products handled, and developing new markets for products. Through pooling, cooperatives are able to operate more efficiently at lower costs per unit than farmers can individually.</td>
</tr>
<tr>
<td>Improved Service</td>
<td>A basic objective of cooperatives is to serve their members' needs. They do this by providing services not available or by improving existing services.</td>
</tr>
<tr>
<td>Quality of Supplies and Products</td>
<td>Farm supply cooperatives have been noted for providing supplies such as feed, seed, and fertilizer that give the farmer maximum gains or yields rather than those that return the largest net margins to the cooperatives.</td>
</tr>
<tr>
<td>Assured Sources of Supplies</td>
<td>Cooperatives provide members with a dependable source of reasonably priced supplies, especially during shortages or emergencies. Cooperatives may forego larger net margins from other business to meet the needs of their member-owners.</td>
</tr>
<tr>
<td>Enhanced Competition</td>
<td>Strong successful cooperatives introduce desirable competition that raises the going market prices for farm products, the type of services provided, and the quality of supplies farmers purchase. Individual farmers have little bargaining or purchasing power, but by joining in cooperatives they become stronger in the marketplace.</td>
</tr>
<tr>
<td>Expanded Markets</td>
<td>Through pooling products of specified grade or quality, many marketing cooperatives can meet the needs of large-scale buyers better than can individual farmers. Furthermore, cooperatives can expand or act to retain markets by processing members’ products into different forms or foods.</td>
</tr>
<tr>
<td>Improved Farm Management</td>
<td>Progressive managers and field staff of cooperatives provide valuable information to members on farm production and management practices. Advice may be offered on the quality of seeds, fertilizers, and pesticides, and on feeding and cropping</td>
</tr>
</tbody>
</table>
practices. Cooperatives also provide market and economic information about various products or enterprises to their farmer members.

9 Legislative Support
Cooperatives can also provide legislative support for their members.

10 Local Leadership Development
Successful cooperatives often develop leaders among directors, managers, and other employees. By participating in business decisions on a democratic basis, members become more self-reliant and informed citizens in their communities. This experience of working with the cooperative also contributes to improved rural leadership.

11 Family Farmer Control of Agriculture
Cooperatives help the family farmer enlarge and operate his production units more efficiently on an independent basis. They also provide members market access and help them sell their products to advantage either in the original state at harvest or in a processed form. Thus cooperative enterprises help the family farm stay in business and thus keep control of production.

Source: USDA Rural Business Cooperative Service

The agricultural cooperatives which are the focus of this study have been established to fulfill a desire for some of these benefits. This study therefore will discover through empirical research which benefits are the main drivers for the formation of cooperatives in Malawi.

2.5 Measuring Cooperative Performance

2.5.1 What is performance?
Neely *et al.* (1995) define performance as the efficiency and effectiveness of action. Swanson (1999) defines performance as the valued productive output of a system in the form of goods and services. Elger (2007) supports Swanson’s view and explains that to perform is to take a complex series of actions that integrate skills and knowledge to produce a valuable result. Performance is therefore a result of actions. The performance of an organization is thus the expected outputs from all its activities.

When performance reaches or exceeds the expected level, the organization is said to be performing but when its performance is below the expected level, it is said to be
under-performing. Elger further explains that performance is a journey not a destination. “The location in the journey is labeled as ‘level of performance’. Each level characterizes the effectiveness or quality of a performance” (Elger, 2007:11). Elger’s explanation implies that performance can be improved. Performance improvement is the primary focus of this study.

A number of theories act as the foundation to help in understanding performance and performance improvement. A theory explains “what a phenomenon is and how it works” (Torraco, 1997:115). The basis of this study on performance improvement will be the following three theories: economic theory, systems theory and psychological theory. Economic theory is critical for the understanding of performance improvement in organizations because performance takes place in organizations that are economic entities. Systems theory is important for a thorough understanding of performance improvement because performance takes place in organizations that are themselves systems and sub-systems functioning within an environmental system that is ever-changing. Psychological theory is important for a good understanding of performance improvement in organizations because performance also takes place in organizations that are psychologically framed by those who invented them, operate in them, and renew them (Swanson, 1995).

2.5.2 Performance Measurement
In order to assess whether or not performance improvement is taking place, one should be able to measure performance. Carleton (2009:37) observed that “experts and CEOs have long told us that what gets measured gets done. What we measure is what matters”. Neely (2007) defines measurement as the process of assigning numbers to things in such a way that the relationships of the numbers reflect the relationships of the attributes of the things being measured. Moullin (2003:3) citing Neely (1998), described performance measurement as “the process of quantifying the efficiency and effectiveness of past actions through acquisition, collation, sorting, analysis, interpretation and dissemination of appropriate data”. A performance measure therefore
is a metric used to quantify the efficiency and effectiveness of an action. The objective and context must be clearly defined in order to measure an organization's performance.

According to Neely (1999), the question of how business performance can be measured is complicated by two factors:

i) It is not always obvious which measures a firm should adopt

ii) The measures that are most relevant to the firm change over time.

Researchers that have studied the measurement of firm performance have classified performance measures as either traditional or non-traditional.

### 2.5.2.1 Traditional Measures of Performance

Tangen (2004) observes that despite the remarkable progress made in recent years in performance measurement, many organizations are still primarily relying on traditional financial performance measures. Earlier, Chakravarthy (1986) made a similar observation stating that performance measurement has developed using profitability indicators as key measures. These included quantitative measures such as Return on Investment, Return on Sales, Growth in Revenues, Cash Flow /Investment, Market Share, Market Share Gain, Product Quality relative to Competitors, Product R&D, Variations in Return on Investment, Percentage Point Change in Return on Investment, Percentage Point Change in Cash Flow /Investment. Of all these quantitative measures, Chakravarthy identified Return on Investment, Return on Sales and Cash flow to Investment as the most important financial measures of performance. However, he observed that none of these measures of profitability was able to clearly distinguish ‘excellent’ firms from ‘non-excellent’ ones, where excellent firms are those that were considered to be best performers and non-excellent firms were considered to be poor performers.

Traditional accounting-based performance measures have many limitations including: too historical and backward-looking, lacking predictive ability to explain future performance, rewarding short-term or incorrect behavior, lacking actionability, lacking
timely signals, too aggregated and summarized to guide managerial action, reflecting functions instead of cross-functional processes, and giving inadequate guidance to evaluate intangible assets (Ittner and Larcker, 1998). Chakravarthy (1986) also adds that accounting measures of performance record only the history of a firm. However, monitoring of a firm’s strategy requires measures that can also capture its potential for performance in the future.

Henri (2004) citing Atkinson et al. (1997) concluded that performance measurement systems based primarily on financial performance measures lack the focus and robustness needed for internal management and control. Kaplan and Norton (1992:71) argue that such measures “worked well for the industrial era, but they are out of step with the skills and competencies companies are trying to master today”. Therefore, in this research study, traditional financial measures will not be relied upon completely for the reasons highlighted.

2.5.2.2 Non-traditional Measures of performance

According to Aziz and Mahmood (2011), firm performance can be attributed to internal and external factors of the firm. They explain that past studies have shown positive relationships between entrepreneurial orientation and firm performance. They have also shown that market orientation, strategic planning and innovation also affect firm performance. Aziz and Mahmood cite studies by Malone et al., (2006) and Zott & Amit (2007) as suggesting that the business model plays a significant role in determining the firm’s performance.

Aziz and Mahmood (2011) citing Bagozzi and Phillips, 1982; Benson, 1974; Keats, 1983; Chakravarthy, 1986 have also argued that instead of searching for a single measure which most significantly determines performance, a multi-factor model of performance assessment should be used. Their argument is based on the fact that excellence is a complex phenomenon requiring more than a single criterion to define it. Other researchers (Barnard, 1938, and Chakravarthy, 1986) argue that a truly excellent
firm must also balance the competing claims of its various other stakeholders in order to ensure their continuing cooperation.

The profit performance of a firm and the strategies that it pursues can often be interpreted differently by the firm’s multiple stakeholders. For example, investors may welcome a firm’s shift to robotics in its manufacturing plans, while the workers union may find the option unacceptable. The community at large may be unhappy with the option's impact on the local economy. Freeman (1984) as cited by Aziz and Mahmood (2011) maintains that the increasing power of various stakeholder groups and their multiple, contradictory and often changing preferences highlight the need to address their satisfaction.

In order to take into account the competing claims of all stakeholders in an enterprise, it is necessary to use both financial and non-financial performance measures. Chakravarthy (1986:449) supports this view arguing that “maximizing stockholder wealth should not be the sole guiding principle of ‘excellent’ companies. A necessary condition for excellence is the continued cooperation of the firm’s multiple stakeholders. Minimizing their dissatisfaction should be a concurrent objective of ‘excellent’ companies”. Therefore, it is important for firms to also use non-financial performance measures.

Ittner & Larcker (2003:2) have observed that “Increasing numbers of companies have been measuring customer loyalty, employee satisfaction, and other performance areas that are not financial but that they believe ultimately affect profitability”. Managers can therefore get a glimpse of the progress being made by the business well before a financial verdict is pronounced and the soundness of their investment allocation becomes a focus for discussion. Investors can also have a better sense of the company’s overall performance because non-financial indicators usually reflect spheres of intangible value that accounting rules do not recognize as assets. Ittner & Larcker also discovered that those companies in their study that adopted non-financial measures and then established a causal link between those measures and financial
outcomes produced significantly higher returns on assets and returns on equity over a five-year period than those that did not. Thus establishing a causal link between non-financial and financial measures is a key to successful performance measurement. In the absence of such causal links, management simply relies on its preconceptions about what is important to customers, employees, suppliers, investors and other stakeholders rather than verifying whether those assumptions had any basis and this can lead to measuring aspects of performance that do not matter very much.

2.5.3 Measuring Firm Performance using Generic Measurement Frameworks
According to Ittner & Larcker (2003), few companies have developed non-financial performance measures to advance their chosen strategies. These researchers discovered that most companies have made little attempt to identify areas of non-financial performance for their use. Nor have they demonstrated a cause and effect link between improvements in those non-financial areas and in cash flow, profit, or stock price. They observed that instead, many companies have adopted generic versions of non-financial measurement frameworks such as Kaplan and Norton’s Balanced Scorecard, Lynch and Cross’s Performance Pyramid and Accenture’s Performance Prism, and many others, believing that they are off-the-shelf procedures that are universally applicable and completely comprehensive. The companies have held this belief despite the frameworks’ own inventors rightly insisting that every company needs to discover and track the activities that truly affect the frameworks’ broad domains. However, using such frameworks by themselves does not help identify which performance drivers make the greatest contribution to the company’s financial outcomes.

In this study the following frameworks have been examined further: Kaplan and Norton’s Balanced Scorecard, Lynch and Cross’s Performance Pyramid and Accenture’s Performance Prism.
2.5.3.1 The Balanced Scorecard

The balanced scorecard is one of the most well known performance measurement framework. It was developed and promoted by Kaplan and Norton (1992) and it proposes that a company should use a balanced set of measures that allows top managers to take a quick but comprehensive view of the business from four important perspectives; financial, internal, customer and, innovation and learning perspectives. These perspectives provide answers to four fundamental questions:

- How do we look to our shareholders (financial perspective)?
- What must we excel at (internal business perspective)?
- How do our customers see us (the customer perspective)?
- How can we continue to improve and create value (innovation and learning perspective)?

The balanced scorecard includes financial performance measures giving the results of actions already taken. It also complements the financial performance measures with more operational non-financial performance measures, which are considered as drivers of future financial performance. Kaplan and Norton (1992) argue that, by giving information from the four perspectives, the balanced scorecard minimizes information overload by limiting the number of measures used. It also forces managers to focus on the handful of measures that are most critical. The use of several perspectives also guards against sub-optimization by compelling senior managers to consider all measures and evaluate whether improvement in one area may have been achieved at the expense of another.

The main weakness of the balanced scorecard is that it is primarily designed to provide senior managers with an overall view of performance. It is neither intended for nor is it applicable to the factory operations level. The balanced scorecard is also constructed as a monitoring and control tool rather than an improvement tool (Ghalayini et al., 1997).
Neely et al. (2000) also argue that although the balanced scorecard is a valuable framework suggesting important areas in which performance measures might be useful, it provides little guidance on how the appropriate measures can be identified, introduced and ultimately used to manage business. They further conclude that the balanced scorecard does not consider the competitor perspective at all.

### 2.5.3.2 The performance pyramid

An important requirement of a Performance Measurement System is that there must be a clear link between performance measures at the different hierarchical levels in a company so that each function and department strives towards the same goals. One example of how this link can be achieved is the performance pyramid. Lynch and Cross (1992) proposed the performance pyramid which establishes a clear link between performance measures at the different hierarchical levels in a company so that each function and department strives towards the same goals. The purpose of the performance pyramid is to link an organisation’s strategy with its operations by

**Source:** Kaplan and Norton (1992)
translating objectives from the top down based on customer priorities and measures from the bottom up. This performance measurement system includes four levels of objectives that address the organisation’s external and internal effectiveness.

The development of a company’s performance pyramid starts with defining an overall corporate vision at the first level, which is then translated into individual business unit objectives. The second-level business units are set short-term targets of cash flow and profitability and long-term goals of growth and market position e.g. market, financial. The business operating system bridges the gap between top-level and day-to-day operational measures e.g. customer satisfaction, flexibility, productivity. Finally, four key performance measures; quality, delivery, cycle time, waste are used at departments and work centres on a daily basis.

Ghalayini et al. (1997) suggest that the main strength of the performance pyramid is its attempt to integrate corporate objectives with operational performance indicators. However, this approach does not provide any mechanism to identify key performance indicators, nor does it explicitly integrate the concept of continuous improvement.

Figure 6: The Performance Pyramid

Source: Cross and Lynch (1992)
2.5.3.3 The Performance Prism

The Performance Prism is one of the more recently developed conceptual frameworks and it suggests that a Performance Measurement System should be organized around five distinct but linked perspectives of performance (Neely et al., 2001): Stakeholder satisfaction, strategies, processes, capabilities and stakeholder contributions. It asks the questions:

- Who are the stakeholders and what do they want and need? (*Stakeholder satisfaction*).
- What are the strategies we require to ensure the wants and needs of our stakeholders? (*Strategies*).
- What are the processes we have to put in place in order to allow our strategies to be delivered? (*Processes*).
- What are the capabilities: people, practices, technology and infrastructure we require to operate our processes? (*Capabilities*).
- What do we want and need from stakeholders to maintain and develop those capabilities? (*Stakeholder contributions*).

**Figure 7: The Performance Prism**

![The Performance Prism Diagram](image)
The central message of the Performance Prism is that in order to survive and prosper in an increasingly complex and connected world, managers have to understand both what their various stakeholders want and need from the organisation and also what the organisation needs from them. Thereafter, they have to link and align their strategies, processes and capabilities to satisfying those diverse sets of wants and needs so that they can deliver value to their stakeholders.

Neely et al. (2001) argue that the common belief that performance measures should be strictly derived from strategy is incorrect. It is the wants and needs of stakeholders that must be considered first. Then, the strategies can be formulated because it is not possible to form a proper strategy before the stakeholders and their needs have been clearly identified.

The strength of the Performance Prism is that it first questions the company’s existing strategy before the process of selecting measures is started. In this way, the framework ensures that the performance measures have a strong foundation. The Performance Prism also considers new stakeholders, such as employees, suppliers and intermediaries who are usually neglected when forming performance measures. However, although the Performance Prism extends beyond “traditional” performance measurement, it offers little about how the performance measures are going to be realized.

This study has not used a generic performance measurement framework to measure the performance of agricultural cooperatives because such frameworks are not suitable for measuring the performance of agricultural cooperatives.

2.5.4 Measuring Performance in Cooperatives

Can the performance of cooperatives be measured the same way that performance of corporate organizations is measured? This is an important question because there are important differences between corporate organizations and cooperatives.
Neely et al. (2001) citing Spear 2000, Novkovic 2008, Brown, 2010, Robb, Smith & Webb 2010 assert that cooperatives are seen as a fundamentally different type of enterprise in ownership, control, and purpose. Yet, without adequate tools to measure their performance and realize their full potential, cooperatives can have difficulty articulating their value to policy makers and other stakeholders. This, in turn, can limit the potential and purpose that the cooperative form of enterprise was intended to serve which includes offering a proven means for ordinary citizens to solve social and economic problems through locally owned and democratically controlled enterprises, while fostering community leadership and wealth (MCDRN, 2010).

According to Dess and Robinson (1984), the performance of cooperatives is difficult to measure because cooperatives generally aim to pay their members the best price for the products received, or to charge the lowest possible price for the inputs and services supplied. They contend that the popular measures of economic performance, namely return on assets and growth in sales are not appropriate for cooperatives. Hind (1999) citing Thirkell (1993) argues that the use of organizational profit as the mechanism for measuring performance in a cooperative is not only unnecessary but also downright misleading. If the objective of the cooperative is member benefit rather than financial performance of his investment in the cooperative, then it is member benefit which should be measured, not the cooperative’s conventional financial performance.

The USDA, while acknowledging that the task of measuring the financial performance of cooperatives is quite challenging, proposes an alternative financial performance measure for cooperatives called the Extra Value approach (USDA Research Report 213, 2007). It agrees that many of the commonly used financial measures such as return on equity, return on assets, net margins on sales, etc do not account for the cost of using members' equity in financing a cooperative's operations. Since cooperatives do not have a stock market valuation to offer a timely reflection of the value of the cooperative as a proxy for its performance, members are unable to judge their cooperative's performance with certainty. However, members need to be able to fully evaluate their cooperative's performance. The more complete the measure of
cooperative performance, the better equipped the board will be to guide the cooperative and to evaluate and reward cooperative managers.

The USDA Research Report therefore proposes the extra value approach which enables a cooperative's use of member-supplied funds to be fully measured, whether member capital is earning more, or less, than it could in alternative investments. The *extra value* is the value a cooperative generates over and above its expenses, including an opportunity cost for its equity capital. A positive extra value indicates that a cooperative has created value by its operations, while a negative extra value means that a cooperative has actually diminished the value of members' investment (USDA Research Report 213, 2007).

Using the extra value approach, members can evaluate their cooperatives' use of member-supplied funds, whether their capital is earning more, or less, than it could in alternative investments. Since agricultural cooperatives vary in size and scope, the extra value is expressed as a ratio. Extra value divided by the cooperative's operating capital indicates the rate at which a cooperative is creating extra value. Operating capital represents the financial resources available to cooperative management to run the business. Measuring cooperative performance by the extra value method tells us that cooperatives of all types can be very able performers but that some cooperatives may not be fully rewarding members for the use of their equity.

However, in the context of Malawi, few smallholder agricultural cooperatives are raising capital through the sale of shares to members because they do not understand the concept of shares. Therefore, the extra value approach for measuring the performance of cooperatives would not be applicable in most cooperatives.

Other authors such as (Kalmi, 2007 and Novkovic, 2011) argue that cooperatives are so different from other types of business that their performance needs to be measured differently from that of other organizations. Novkovic (2011) argues that performance measurement in cooperatives matters in order to understand the different business model with its purpose, advantages and disadvantages. Cooperatives are owned by
their member patrons and exist to serve their members. They distribute profits or surpluses according to patronage and not according to investment. In addition to their business activity, co-operatives also provide goods and services for which no market values are available. They are active in community development, member education, and government lobbying on behalf of members and are often regarded as providing a training ground for participatory management and democratic governance. The specific features of the cooperative form of organization are sufficiently distinctive to suggest that cooperatives may pursue different objectives from investor-owned firms (Lerman & Parliament, 1990).

There is also consensus in cooperative literature that cooperatives produce social value or public goods which impact members as well as the rest of the economy but not necessarily the cooperative organization (Lerman & Parliament, 1990). Cooperatives provide goods for which market valuation does not exist. Based on a survey of cooperatives in the dairy industry, Lerman & Parliament (1990) collected some examples of non-market services provided by cooperatives, such as providing educational programs for farmer members in areas of management and production, offering a form of insurance through milk loss coverage for farm disasters, improving quality control at the farm level through the use of field agents, promoting consumption of milk and dairy products through programs on nutrition, interfacing between the farmer members and state cooperative associations, and lobbying government. Assessing and evaluating those non-market functions is important to our understanding of the cooperative difference. The assessment of the value of the cooperative to its members, rather than simply the price differential, would more accurately assess the social function and value of the cooperative.

Therefore, cooperatives require different measures from those that are used to measure the performance of corporate organizations.
2.5.4.1 Measuring Performance in Agricultural Cooperatives

Agricultural cooperatives like other cooperatives pose a challenge when it comes to measuring their performance because they have a multiplicity of objectives. Nevertheless, the study of their performance is very important. The performance of any organization is measured against its objectives. Hind (1999) argues that the difficulty that arises in setting corporate objectives in cooperatives is that all those with an interest in an organization will not necessarily share the same goals. What differentiates cooperatives from conventional firms is the fact that the owners, directors, suppliers, and customers can often be one and the same individuals, that is, members. What each interest group might view as a performance indicator in a cooperative could therefore be different as illustrated in table 6 below:

<table>
<thead>
<tr>
<th>Interest Group</th>
<th>Performance Indicators</th>
</tr>
</thead>
<tbody>
<tr>
<td>Owners</td>
<td>Profitability, growth, dividends, security, share price</td>
</tr>
<tr>
<td>Directors</td>
<td>Growth, market share, profitability, security</td>
</tr>
<tr>
<td>Managers</td>
<td>Growth, cash flow, discretionary expenditure</td>
</tr>
<tr>
<td>Employees</td>
<td>Earnings levels and growth, employment levels, security</td>
</tr>
<tr>
<td>Suppliers</td>
<td>Level, growth, variation and security of orders, payment period, prices</td>
</tr>
<tr>
<td>Customers</td>
<td>Prices, quality, after-sales service, efficiency of distribution channels, new product development, credit terms</td>
</tr>
<tr>
<td>Investors</td>
<td>Share price, dividends, asset composition and growth, financing of assets, return on capital</td>
</tr>
<tr>
<td>Competitors</td>
<td>Growth, profitability, market share, non-price behavior, advertising, investment rate</td>
</tr>
<tr>
<td>Government</td>
<td>Corporation tax contribution, potential employment level, growth and regional distribution of output, trading practices, investment rate</td>
</tr>
</tbody>
</table>

Source: Extracted from Cockerill and Pickering (1984)

Hind (1999) therefore recommends the use of stakeholder perceptions as a better measure of cooperative performance because a cooperative exists to serve and benefit its member-users, as opposed to an investor oriented firm which exists to serve capital investors through dividends and to benefit from share value appreciation. Hind (1999) made the recommendation after a study of 10 agricultural cooperatives using stakeholder perceptions to assess their performance. Her study concluded that
agricultural cooperative businesses have a diverse set of goals from which to legitimately select. These include financial, corporate, and farmer oriented indicators. She also concluded that member-centered performance and corporate-oriented goals are not incompatible, and the attainment of both can go hand-in-hand.

In line with Hind’s recommendations, this study has used stakeholder perceptions to measure the performance of the smallholder agricultural cooperatives that are the focus of this research. This is in recognition of the fact that a cooperative exists to serve and benefit its member-users.

2.5.4.2 Performance Gaps in Smallholder Agricultural Cooperatives

Most agricultural cooperatives on the African continent are formed by smallholder farmers. Some researchers have observed that although farmer cooperatives are highly recommended mechanisms to reduce poverty and hunger in Africa to enable the poor to participate in productive and income generating activities (Getnet, 2010), they have not been successful. Ortmann & King (2007b) also support this view having observed that agricultural cooperatives serving smallholders in less developed rural areas of South Africa have generally not been successful in promoting agricultural development and members’ welfare. Ortmann and King (2007b) also cite Machethe (1990) as having observed poor performance and failures among agricultural cooperatives in a former homeland of South Africa. Zarafshani et al. (2010) reported that a study by Amini and Ramezani (2008) in Iran among poultry farmers in that country showed that these cooperatives had failed to keep their member-producers satisfied.

There are many reasons why smallholder agricultural cooperatives have generally registered poor performance. Many smallholder agricultural cooperatives use the traditional cooperative model. According to the ICA, a traditional cooperative is an organisation formed by a group of people who meet voluntarily to fulfill mutual economic and social needs through running a democratically controlled enterprise such that the benefits achieved through cooperation are greater than the benefits achieved
individually (ICA, 2015). Researchers have observed a number of institutional and governance problems in traditional smallholder cooperatives.

a. **Smallholder Agricultural Cooperatives Have Difficulty Raising Capital**

Membership of traditional cooperatives is open hence any producer can join by purchasing shares at their par rather than their appreciated price. There is generally no up-front investment other than a nominal membership fee. Cooperatives therefore have difficulty to raise capital necessary to finance long term strategies (Cook & Iliopoulos, 2000). Traditional cooperatives have constrained access to debt and equity capital. They can raise it only from owner-patrons who have little incentive to invest because capital is not rewarded at market-related rates. Financial institutions have also been hesitant to provide credit to cooperatives due to the high risks associated with lending to them (Ortmann & King, 2007b). According to Ortmann & King, 2007b citing (Coetzee & Vink (1991), high risks are due to insufficient equity capital, the influence problem which prevents the majority investors from influencing investment decisions, poor financial recordkeeping, and high transaction costs involved in granting small loans.

According to Chibanda *et al.* (2009), when equity and debt capital are constrained, the cooperative is unable to finance investments in growth assets. In order to ensure its long-term sustainability, a cooperative needs adequate capital for both its initial development and its ongoing operations. Chibanda *et al.* (2009:298) citing Magingxa & Kamara (2003) argue that the “difficulty in raising capital implies that smallholder farmers in developing regions are usually dependent on government donations and/or soft loans for initial capital”. This situation is what is obtaining in most agricultural cooperatives in Malawi.

b. **Smallholder Agricultural Cooperatives are Established with Motives other than Cooperative Development**

Sometimes, smallholder cooperatives are established with motives other than cooperative development in mind. Chibanda *et al* (2009:298) citing Ngubane (2008) expressed the view that “only a minority of smallholder cooperative members had a
genuine interest in developing their cooperative”. Zulu (2007) as cited by Chibanda et al. (2009) supported this observation stating that some smallholders establish cooperatives to access government grants rather than to develop a business. In Malawi, accessing government and donor grants is also used often as an incentive for establishing an agricultural cooperative.

c. Lack of Business Management Capacity
The performance of cooperatives also depends on educating and training cooperative members, and enhancing their knowledge of cooperative principles and members’ rights (Ortmann & King, 2007b). Birchall (2004) argues that cooperatives that lack capital and business management capacity have had a rather disappointing history in developing countries. In Malawi, lack of business management capacity is a common characteristic of the country’s agricultural cooperatives.

d. Other reasons for Poor Performance of Smallholder Agricultural Cooperatives
Other researchers have also shown that several other factors have hindered the performance of smallholder cooperatives in developing countries. For example, research by Machethe (1990) on poor-performing and failed cooperatives in the former homelands of South Africa suggests that:

- Members did not clearly understand the purpose of a cooperative, their obligations and rights, or how to manage their business.
- Cooperatives failed to provide transport for delivery of members’ purchases
- Members did not identify with their cooperatives
- Members did not understand their roles.

This could have resulted from members’ ignorance, a lack of education and skills training and/or poor extension advice (Machethe, 1990).

Ortmann & King (2007b) citing Van der Walt’s (2005) study on cooperative failures in Limpopo province indicated that poor management, lack of training, conflict among
members due mainly to poor service delivery, and lack of funds were important contributory factors. Other researchers also cited by Ortmann & King (2007b) blamed poor management, lack of access to start-up capital, lack of experience and training in business management, lack of marketing and accounting skills, low levels of literacy, poor attitudes towards work, the degree of cooperative community ethos, weak institutions, inadequate capital, deficient support systems such as external monitoring and evaluation, and lack of a supportive policy environment as factors contributing to poor cooperative performance (Barratt, 1989:2; Kherallah & Kirsten, 2002; Anderson & Henehan, 2003, Lyne & Collins, 2008; Zulu, 2007; Kyriakopoulos, 2000, and Van Niekerk, 1988).

Mude (2006) reports that while a general consensus exists that empowering the poor to take a pro-active role in their development should be a central pillar of development efforts, it is not as clear that membership based organizations are always the most effective means to improving the welfare of its members. He illustrates this point by arguing that the marked deterioration of coffee cooperatives in Kenya can be partly explained by institutional changes in cooperative organization that gave full ownership and administration control to members.

2.5.4.3 Performance of Non-traditional Agricultural Cooperatives

It could be argued that the solution to the performance problem among smallholder cooperatives, most of which use the traditional cooperative model, is simply to transform them from the traditional form to the non-traditional form. Such an approach would presuppose that non-traditional agricultural cooperatives generally perform better than traditional ones. However, research has shown that non-traditional cooperatives do not necessarily perform better than traditional ones.

Kalogeras et al. (2013) undertook a study of 14 agribusiness cooperatives that started as cooperatives or still maintained a partial cooperative ownership structure. The cooperatives were selected based on having the largest turnovers between 2007 and 2012 in the Netherlands, having a substantial market share in the European and global
agribusiness industry, and having an ownership structure ranging from proportional investment cooperative to IOF-like. The objective of the study was to empirically test whether cooperative models with IOF-like financial attributes perform better than cooperatives with a more traditional organization structure.

The results of the study confirmed the general conclusions in cooperative economics that even cooperatives with a more traditional financial structure can perform at least as well as IOF-like models. The results also highlight that attracting more members’ investments and/or outside equity may help improve the financial position of the business, but it does not automatically imply a structurally better position in terms of performance. Outside equity may provide the possibility to finance growth opportunities and improve the financial viability of the cooperative firms. However, cooperatives with the largest turnovers are not always the cooperatives with the best financial position. Thus, the cooperatives that adapted ownership innovations may also need to improve the overall performance to take full advantage of the extra member contributions and outside equity. The study therefore concluded that there is no clear-cut evidence that the more IOF-like cooperative models perform better than the more traditional ones Kalogerias et al. (2013).

Thus, the solution to improving the performance of smallholder agricultural cooperatives does not lie in simply transforming themselves into non-traditional cooperatives forms. The performance of smallholder agricultural cooperatives therefore needs more careful examination.

2.5.5 Performance Improvement in Organizations

According to researchers such as (Georgopoulos & Tannenbaum, 1957; Yuchtman & Seashore, 1967; Lusthaus & Adrien, 1998), as cited by Gavrea et al. (2011) the concept of organizational performance has evolved over the years. In the 1950s, organizational performance was defined as the extent to which organizations, viewed as a social system, fulfilled their objectives. In the 1960s and 1970s, organizational performance was defined as an organization’s ability to exploit its environment for accessing and
using the limited resources. In the 1980s and 1990s managers began to understand that an organization is successful if it accomplishes its goals (effectiveness) using a minimum of resources (efficiency). Organizational theories that followed supported the idea of an organization that achieves its performance objectives based on the constraints imposed by the limited resources available to it. Performance improvement is therefore a challenge for all organizations, and agricultural cooperatives are no exception.

Performance improvement occurs when organizations take steps that lead to an increase in their output however it is measured. “The event that often triggers off a performance analysis is evidence that a performance problem or improvement opportunity exists. …… Common evidence of a problem or opportunity is a gap between actual performance and what is expected”, (Cicerone et al. 2005:10). Watkins (2007:42) observes that “the accomplishment of valuable results rarely occurs by chance. Rather, desired results are both achieved through the systemic and systematic design and development of comprehensive improvement systems”. Cicerone et al. (2005:14) assert that “it has become increasingly acknowledged that finding all the causes or opportunities to improve performance and then developing interventions that address them is the key to sustained improvement in performance”.

According to Gilbert et al. (2014), the performance improvement logic follows the following six stages:

1) Identifying and prioritizing desired work outputs
2) Linking work outputs to business results and defining criteria for good work outputs
3) Identifying behavior needed to produce work outputs
4) Selecting possible measures to evaluate progress
5) Examining behavior influences, both obstructions and enablers
6) Presenting findings and deciding on next steps
2.5.5.1 Why is Performance Improvement Necessary?

According to McKinsey & Company (2011), most organizations are wired for mediocrity and will shrink and disappear in the long term. McKinsey & Company arrived at this conclusion after conducting research and collecting empirical evidence by tracking the performance of 18 companies that they believed had what it took for long term success between 1994 and 2006. At the end of this period only 33% of these companies were still high performers. Macro-economic and industry forces could have contributed to the demise and poor performance of some of the companies. However, it was observed that more than 70% of the difference in performance between companies was firm specific, being the result of what a particular organization was doing that was different from its peers. Continuous performance improvement must therefore be the focus of all organizations because it is only through performance that organizations are able to grow and progress.

All organizations must therefore endeavour to operate at peak levels of performance at all times especially since we live in times of unprecedented change with ever-growing competitive pressures. Organizations also need to know that excellence today is no guarantee of excellence tomorrow. To maintain excellent performance in the face of such external changes and intensifying competitive pressures, leaders must be able to continually adapt their organizations to deliver better performance (McKinsey & Company, 2011).

2.5.5.2 How can Performance Improvement be achieved?

According to Swanson (1999:6), organizations are the host systems for most performance improvement activity. “These organizations function in a dynamic political, cultural and economic context. Each organization has its own mission and strategy, structure, technology and human resource mix. And each has core processes related to producing its goods and services”. It is generally expected that performance improvement efforts will logically lead to positive gains in performance for the host organization. However, Wittkuhn (2016) argues that performance is not a variable that is part of the system that can be directly influenced as with other parts of the system. He
observes that it emerges when the variables work and interact together in an appropriate way, which entails that it must be reproduced continuously. According to Wittkuhn (2016:16), “performance improvement is the process of influencing the working together of all relevant variables in such a way that performance emerges”.

Swanson agrees that performance cannot be described or improved without specifying its determinants and making some judgments about whether it has actually improved. Performance improvement can only be manifested through outputs. Thus, performance improvement is a concept that can be systematically operationalised in any organization when it sets out from the beginning to demonstrate whether or not performance has improved.

An organization is not a closed system. It depends on and interacts with its environment. Whatever their reach, organizations will always be influenced by societal factors such as legal, political, educational, availability of resources, transportation, technology, etc. In addition, an organization has a structure that establishes its way of setting strategy and goals, communicating, decision making, reporting and managing. In looking at the whole organization or its sub-units, some sort of structure will always be found. Grumburg (2004) suggests that to be able to improve performance effectively, it is important to identify those factors of performance that should be particularly addressed, either because they are key to success or because they identify under-performance.

According to Addison (2004), typical areas of performance improvement opportunities are culture, confidence and competence which are three domains that reflect the human characteristics of an organisation. Culture is defined in this context as the way people solve problems and interact with time, each other, and the environment. It is the way we do things around here. Research shows that culture and economic performance seem to have a strong correlation. Addison (2004) citing Kotter and Haskett (1992) suggests that corporate culture can have a significant impact on a firm’s long term economic performance. Firms with strong values that are shared by employees tend to achieve
higher performance. In this regard a careful analysis of the firm’s cultural values can help an organization in its quest for aligning the three performance levels because cultural values provide employees with a guiding framework for their daily work. Confidence comprises the organization’s ability to sustain and manage its employees, capacities for accomplishing the desired work, display constructive behavior, and maintain positive attitudes, and the willingness to contribute to success. An organisation’s competence is the employees’ skills, knowledge and abilities.

Some researchers have proposed that benchmarking can be used as an effective strategy for improving organizational performance. Gavrea (2011) citing Allan (1997) defines benchmarking as the process by which companies look at the “best” in the industry and try to imitate their styles and processes. This helps companies to determine what they could be doing better. By identifying the “best” practices, organizations know where they stand in relation to other companies. The other companies can be used as evidence of problem areas, and provide possible solutions for each area. Benchmarking also allows organizations to understand their own administrative operations better, and marks target areas for improvement. It is an ideal way to learn from other companies who are more successful in certain areas. Additionally, benchmarking can eliminate waste and help to improve a company’s market share.

According to Fuller et al. (2002), benchmarking brings an external focus on internal activities, functions, or operations in order to achieve continuous improvement. Starting from an analysis of existing activities and practices within the firm, the objective is to understand existing processes or activities and then to identify an external point of reference or standard by which that activity can be measured or judged. The ultimate goal is to be better than the best and to attain a competitive edge. It is the continuous process of measuring products, services and practices against the toughest competitors or those companies recognized as industry leaders. Benchmarking is therefore becoming increasingly popular as a tool for continuous improvement.
McKinsey & Company (2011) however caution on the use of benchmarking as a continuous improvement strategy. They argue that one of the great fallacies of management is that you can improve performance by copying best practices from other organizations. They assert that though it may work in some operational areas, it can be a recipe for disaster in organizational health. This is because organizational health is systemic, and best practices from one system can turn bad when transposed to another system. To achieve and sustain excellence therefore, leaders need to take deliberate steps to manage both performance and the health of their organization where health is defined as the ability to align, execute and renew itself faster than competitors so that it can sustain exceptional performance over time.

Gavrea et al. (2011) developed a model from a detailed literature review in order to identify the factors that have an impact on the performance of an organization. It includes business strategy, company structure, performance measurement, information technology, leadership, innovation and development, management decisions, aligning the objectives of the top levels, with the internal processes, quality of corporate governance, customer orientation, the ability to establish a high level of trust and cooperation with suppliers, and a low level of uncertainty.

2.5.5.3 Performance Improvement in Smallholder Agricultural Cooperatives

It is equally important that the performance problems in agricultural cooperatives in Malawi are well understood and thereafter, ways to achieve performance improvement are investigated as a way of ensuring cooperative sustainability. According to Nel (2004), performance improvement initiatives are very challenging in developing countries. Broadly speaking, many poor communities do not have access to education, resources and funding which will facilitate the implementation of performance improvement initiatives. Many performance improvement initiatives are therefore only being implemented at the formal sector levels. Nel (2004:17) argues that “while these interventions and developments are necessary to grow and sustain the formal sector contribution to the overall economy, they are more needed at the informal …. sector levels. The informal sector will, as it grows feed the formal sector”.
Furthermore, as already highlighted in section 1.3, smallholder agricultural cooperatives are complex organizations. According to Stacy (1996) as cited by Rowland (2007) organizations can be classified in three ways:

1) Simple deterministic in which initial conditions and rules of behavior predict outcomes;
2) Chaotic deterministic where behavior of parts can be predicted but interactions of those parts cause behavior of the whole to be unpredictable;
3) Complex adaptive in which behavior of parts depends on moment to moment conditions, so behavior of neither parts nor whole can be accurately predicted.

Smallholder agricultural cooperatives can therefore be classified as complex adaptive organizations because the behavior of neither parts nor the entire cooperative can be predicted. According to Juarrero (1999), models of the performance of complex adaptive organizations can, to a limited extent, explain the past but will not predict the future.

Past research on the performance of smallholder agricultural cooperatives in Malawi sheds some light on the subject but does not provide a definitive picture of their performance. Nkhoma (2011) studied agricultural cooperatives in Malawi with the following specific objectives: To identify, describe and understand the sustainability of farmer cooperatives in Malawi, to develop a theory and testable proposition relating to sustainability which could be tested on a larger sample of cooperatives, and to identify lessons learnt in relation to policy and to inform future efforts directed at establishing viable cooperatives in Malawi. She concluded that agricultural cooperatives in Malawi were not sustainable. Sustainability in this sense meant the cooperative’s ability to remain in existence.

The study identified four factors which she concluded contributed to the failure of agricultural cooperatives in Malawi. These included the complexity of the market environment, incentives for starting a cooperative, lack of managerial skills and
governance problems. Nkhoma used falling membership in cooperatives as evidence that the cooperatives were failing.

Nkhoma also used a simplistic definition of sustainability in her study. She defined sustainability as the ability of the cooperative to survive and succeed. Elkington (1997) defines sustainability as an accounting and reporting framework that measures an organization's progress along three lines: economic prosperity, environmental quality and social justice commonly known as the triple bottom line. S. Imperatives (1987:39) wrote in a United Nations report entitled Our Common Future that "sustainable development seeks to meet the needs and aspirations of the present without compromising the ability to meet those of the future". Sustainability is therefore first and foremost a business strategy not an end as presented by Nkhoma. Building that strategy begins with looking thoughtfully at the business, then using what is learned to operate for long-term success, meeting the company's current needs in ways that help ensure that future generations can meet theirs. Thus, sustainability is much more than the footprint a company's operations have today. It is a path to chart for the future that brings together smart, disciplined management of financial resources, responsible use of natural resources and strategic investment in human resources, both within the company and in the communities in which it serves (Hakensen, 2010).

Sustainability of a cooperative must therefore depend on how well it is performing. A cooperative that is performing well is likely to be sustainable. Conversely, a cooperative that is not performing well is likely to become unsustainable because poor performance means that performance expectations are not being met. Nkhoma observed in her study factors that contributed to poor performance rather that cooperative failure. For example, the failure by the cooperatives that were studied to market their produce due to lack of market information or lack of infrastructure needed to facilitate market coordination, and the poor regulations and policies regarding commodity pricing were all factors that contributed to poor performance of cooperatives. Of the four cooperatives studied by Nkhoma, only one actually failed, and this was because of theft of the
cooperative’s financial assets by management and not because of any of the reasons given earlier for lack of sustainability.

Some of Nkhoma’s proposed solutions to the observed problems were therefore based on incorrect assumptions. For example, in her findings, she declares that the cooperatives found it “extremely challenging to identify suitable markets” (Nkhoma, 2011:87). It is clear from the cases studied that while the complexity of the market environment was an issue, one of the immediate problems in the cooperatives that required solving was their lack of capacity to overcome the complex market challenges because, after all, competitors were thriving in the same market environment.

Nkhoma’s findings nevertheless, were important for a better understanding of the key factors that contribute to poor performance in cooperatives in Malawi. She therefore provided a stepping stone for further research on the challenges faced by cooperatives in Malawi and other developing countries. The main conclusion of her study was that agricultural cooperatives in their current state are not sustainable based on the evidence of their failure to provide marketing services to their members, failure to successfully manage their businesses, and failure to preserve their assets and capital. However, the research does not fully explain how performance in the cooperatives can be improved in order that sustainability can be attained.

In another study, Lwanda (2013) examined the business performance of producer and marketing agriculture cooperatives with the aim of informing policy makers and project implementers about business performance, development values, principles and challenges facing agriculture cooperatives in Malawi. She expected the results of the study to be used by these stakeholders in designing strategies and coordinating efforts to improve cooperative business performance. Her focus was primarily on the profitability and sustainability of the cooperative as an institution. The specific objectives of her study included; to determine the financial strength and sustainability of agricultural cooperatives, to determine critical business success factors for successful operation of agricultural cooperatives, to review the organizational and management
structure that agriculture cooperatives are implementing and to analyze the cooperative development policy and legal framework.

The study used ratio analysis, which included liquidity analysis, financial leverage analysis, profitability analysis, DuPont model analysis and extra value approach, as the primary tools to determine agricultural cooperative financial performance and sustainability. It also examined critical business success factors, organizational and management structures of the cooperatives, cooperative policy and its legal framework, the relationship of the cooperative development policy and other government policies and programmes to arrive at the conclusions and recommendations.

Lwanda concluded that these cooperatives were performing their business inefficiently and that in the long run they would not be sustainable if the state of their business performance continued to follow the observed trends. She also recommended that:

- Some well structured business management training and development programmes should be offered to cooperatives to improve their efficiency.
- The Cooperative Division of the Ministry of Industry and Trade should re-examine, review and amend the Cooperative Development Policy and make it more relevant to the current circumstances facing agricultural cooperatives.

Lwanda’s study was based on the assumption that a cooperative is a business. While this is true, Lwanda failed to recognize the uniqueness of the cooperative business. Cooperative researchers (Kalmi, 2007; Webb, 2009 and Novkovic, 2011) argue that cooperatives are so different from other types of business that their performance should be measured differently from that of other organizations.

Dess and Robinson (1984) agree that the performance of cooperatives is difficult to measure because cooperatives generally aim to pay their members the best price for the products received, or to charge the lowest possible price for the inputs and services supplied which impact negatively on their profitability. This is in contrast with conventional profit-oriented firms which pay their suppliers the lowest possible price and
charge their customers the highest possible price for inputs and services supplied by them in order to generate a profit. It is the difference between the high selling price and the low cost price which gives the firm the profit. Clearly, the practice in cooperatives is not designed to generate a profit but to meet other objectives. Hence, the performance of cooperatives cannot be measured the same way that profit-oriented firms’ performance is measured. For this reason this study has sought to identify alternative measures of cooperative performance as outlined in chapter 4.

Hind (1999) citing Thirkell (1993) argues that the use of organizational profit as the mechanism for measuring performance in a cooperative is not only unnecessary but also downright misleading. If the objective of the cooperative is member benefit rather than financial performance of his investment in the cooperative, then it is member benefit which should be measured, not the cooperative’s conventional financial performance. Therefore, making conclusions about cooperative performance improvement based on the application of profitability measures risks offering misleading solutions to the cooperative problems.

In addition, Lwanda’s recommendations were not designed to address the cooperative performance problems systematically. Offering structured business management training and a review of the Cooperative Development legislation will not adequately address the performance problems in cooperatives in Malawi. Therefore, Lwanda’s study does not provide comprehensive and reliable solutions for the improvement of cooperative performance in Malawi.

2.5.6 Research Questions
A critical review of the current performance improvement literature has revealed that no framework exists for improving the performance of agricultural cooperatives especially in developing countries. Neither has a comprehensive study been undertaken so far to understand how the performance of smallholder agricultural cooperatives in Malawi can be improved. While a number of studies have been undertaken to identify the factors that affect cooperative performance, no framework has been developed yet to facilitate
performance improvement in these institutions. Therefore, our main research problem which is ‘How to improve the performance of smallholder agricultural cooperatives in Malawi?’ remains unanswered. It is therefore still necessary to develop a framework for improving the performance of smallholder agricultural cooperatives.

This study seeks to close this gap by examining the unique factors that lead to poor performance in smallholder agricultural cooperatives in Malawi, and using this knowledge to develop an appropriate framework for addressing them. While some factors are expected to confirm what other researchers already discovered, it is expected that there will be new discoveries which will contribute to the body of knowledge on this subject. The performance improvement framework to be developed will also contribute further to the knowledge on how to improve the performance of smallholder agricultural cooperatives.

Based on the literature review undertaken, three broad based research questions were derived to address the research challenges and empirical inadequacies that were identified. The questions attempt to understand the extent of the performance problem, the factors at play in the performance of agricultural cooperatives and to identify strategies that can be employed to achieve performance improvement in smallholder agricultural cooperatives. The following are the three questions that were formulated for this research project:

**Q1** What is the extent of the poor performance of smallholder agricultural cooperatives in Malawi?

**Q2** What factors are causing the poor performance among smallholder agricultural cooperatives in Malawi?

**Q3** What strategies and measures should be adopted to improve the performance of smallholder agricultural cooperatives in Malawi?
SUMMARY

This chapter has reviewed the literature on cooperatives generally and agricultural cooperatives in particular. The cooperative form of organization was contrasted with investor owned enterprises. The reasons for establishing agricultural cooperatives and their major benefits were also examined. The different types of cooperative were described and contrasted and a review was done of cooperatives among smallholder farmers. The difficulties in measuring cooperative performance especially in smallholder agricultural cooperatives were also highlighted. The importance of performance improvement was also explained. Finally, three research questions were formulated to address the research problem and goal that has been charted for this study.

The following influenced the development of a conceptual framework for the primary study: 1) The definition of an agricultural cooperative by Chloupkova (2002) in which he emphasized that the principal activity of agricultural cooperatives is not agriculture but the farmers’ concerted use of the means at their disposal to facilitate and develop their economic activities (section 2.4.1), 2) The views of Dess and Robinson (1984) that the performance of cooperatives is difficult to measure because cooperatives generally aim to pay their members the best price for the products received, or to charge the lowest possible price for the inputs and services supplied (section 2.5.4) making measures of economic performance such as return on assets and growth in sales inappropriate, and 3) The recommendation by Hind (1999) to use stakeholder perceptions as a better measure of cooperative performance because a cooperative exists to serve and benefit its member users (section 2.5.4.1).
CHAPTER 3

RESEARCH METHODOLOGY

3.1 Introduction
This chapter provides a comprehensive description and rationale for the research methodology adopted for this study. It discusses in detail various research paradigms and their underlying ontologies, epistemologies and methodologies. These underlying philosophical foundations are necessary in order to give direction for addressing the research problem and to achieve the goal of the study. A carefully selected paradigm and research methodology are so specific, objective, well focused and systematic that one can replicate the research in a given field and is therefore important in scientific research (Denzin & Lincoln, 2000). This chapter provides a critical analysis of these choices and provides rationale for employing the selected research paradigm and methodology.

3.2 Research Problem, Goal and Questions
There are no specific research paradigms and methodologies that are uniquely suited to agricultural cooperatives. However, the choice of paradigm and methodologies depends on the nature of the study. Miles and Huberman (1984:42) assert that “knowing what you want to find out leads inexorably to the question of how you will get that information”. Several authors suggest that the choice of research methodology depends on the problem to be solved and the research questions to be answered (Denzin & Lincoln, 2000 and Silverman & Ramsay, 2005). In line with these suggestions, the core research problem, the goal and the related research questions that have been formulated for this study will be reviewed to determine the appropriate research methodology.

The research problem for this study was already introduced in the first chapter of this thesis as “How to improve the performance of smallholder agricultural cooperatives in Malawi?”. The literature review has however revealed that the current concepts and
theories of agricultural cooperatives and performance improvement are insufficient to adequately address the above research problem. Therefore, the goal of this research study has been defined as: “To address the research problem by developing a framework for improving the performance of smallholder agricultural cooperatives in Malawi”. The assumption is that the development of the stated framework will solve the research problem of this study.

In order to develop the required framework, this study will address the abovementioned deficiencies in concepts and theories. Three research questions (Q1, Q2 and Q3) were formulated from the literature review to address the empirical inadequacies indentified earlier. The next step will be to select an appropriate research paradigm. This requires a thorough evaluation of the available choices against the research questions.

3.3 Determination of Research Paradigm

The American Heritage Dictionary of the English Language (4th ed., Houghton Mifflin Company, 2000) defines paradigm as a set of assumptions, concepts, values, and practices that constitutes a way of viewing reality for the community that shares them, especially in an intellectual discipline. Guba (1990) defines a paradigm as a set of beliefs that guide action. Kuhn (1962) suggests that a paradigm defines the practices that define a scientific discipline at a certain point in time. He notes that a paradigm dictates 1) What is studied and researched, 2) The type of questions that are asked, 3) The exact structure and nature of the questions, and 4) How the results of any research are interpreted. Therefore, a research paradigm is a framework containing all of the commonly accepted views about a subject, a structure of what direction the research should take and how it should be performed.

There is general agreement among scientists that a paradigm constitutes three philosophical foundations: Ontology, epistemology and methodology as described below:

- **Ontology** is the philosophical study of the nature of being, becoming, existence or reality. Since “the purpose for social science is to understand the social reality as
different people see it and to demonstrate how their views shape the action which they take within that reality” (Anderson et al, 2003:153), then investigating ontological distinctions is a critical aspect of the research process because it enables researchers to find out how their perceptions of human nature impact on the approach they consciously adopt to reveal social truths (David & Sutton, 2004). The ways in which one views socially constructed realities and the methodological choices that one makes are linked.

• Epistemology is the study of the nature of knowledge, its scope, its origins, its presuppositions and foundations, and its validity. The Stanford dictionary of philosophy (2009) explains that ‘epistemology is about issues having to do with the creation and dissemination of knowledge in particular areas of inquiry’. Social scientists concerned with exploring the meaning of human interactions share the belief that a focus upon the persons who are responsible for their actions should be a critical aspect of research (Cohen et al, 2000).

• Methodology is the procedure by which knowledge is to be generated. It guides the research design and data collection. Since research is a logical and systematic search for new and useful information on a particular topic or an investigation to find solutions to scientific and social problems through objective and systematic analysis, it is important that researchers use a scientific procedure as they go about their work of describing, explaining and predicting phenomena. Research methodology is a science of studying how research is to be carried out, a systematic way to solve the problems (Rajasekar et al, 2006).

Taking into consideration the above philosophical foundations, several classifications of research paradigm were evaluated. Fitzgerald and Howcroft (1998) categorize research paradigms into two classifications: Positivist and Interpretivist. Other social scientists classify them as positivist and phenomenological (Burrell & Morgan, 1979 and Easterby-Smith et al. 1991). Still others classify them in three ways as positivist, interpretive and critical (Argyris et al., 1985).

The following sections describe the three research paradigms according to Argyris et al. (1985) and evaluate their suitability for application to the research problem of this study:
3.3.1 Positivist

Positivist research is useful in organizational contexts when studying a set of behaviors that can be examined in a highly controlled environment. Ontologically, it sees the world as an external objective reality and focuses on the analysis of relationships and basic regularities between various elements in that world. Those relationships are seen as having a lawful-like connection to teach others in a causal chain. It assumes we can know objective reality with a high degree of certainty and precision. Epistemologically positivism suggests that all knowledge is grounded in empirical data. Controlled experiments are often used to discover and establish these causal relationships. Statistical inference makes it possible to generalize about larger populations. Alternative hypotheses are tested and measured through highly disciplined observation. Positivism emphasizes the quantifiability and predictability of mental and behavioral processes (Morgan G, 1989)

However, the applications of the positivist paradigm in performance improvement in agricultural cooperatives are limited because the subject area is primarily concerned with human behavior, culture and action. Burrell & Morgan (1979) add that research enquiry in business and management is generally subjective which is not compatible with the objective nature of positivist enquiry. Since the goal of this research is to develop a new performance improvement theory or framework, it is evident that the positivist paradigm is not compatible with the context of this study and therefore has limited application.

3.3.2 Critical Theory

Critical research ontology views human behavior from the standpoint of meanings and intentions, but it also emphasizes people as creators of action. It assumes that people and organizations have norms and strategies that dictate regular patterns of behavior and performance. Those patterns can become dysfunctional when beliefs and actions become contradictory. Its epistemological view is that knowledge is the result of past attempts to deal with problematic situations. Knowledge is therefore gained by acting on beliefs and this is how we construct our own reality. Critical research does not
separate theory from practice and empirical theory from normative theory. It is a "pragmatic epistemology" which seeks: "to stimulate critical self-reflection among human agents so that they can freely choose whether and how to transform the world" Argyris et al. (1985).

The ontological and epistemological positions of critical theory are opposite to those of positivism. Critical theorists argue that the ability of people to change their social and economic circumstances is constrained by various forms of social, cultural and political domination (Habermas, 1971 & 1973, Horkheimer 1982 & 1993, Myers, 1997). The main task of critical research is to explicate and critique the restrictive alienating conditions in contemporary society while focusing on the oppositions, conflicts and contradictions.

Critical theory therefore has limited application in new theory development in an emerging discipline such as performance improvement in agricultural cooperatives. The philosophical assumptions of critical theory are not very consistent with what one needs to find answers to the research questions in this study. Critical theory therefore is not compatible with the context of this study.

3.3.3 Interpretivism
Interpretive research is especially helpful when the questions being examined are explanatory in nature. Interpretive ontology views all reality as subjective. Every human being is unique and every bit of social life has its own meaning, feeling, intention and motivation. This ontology takes a holistic and systems perspective, which sees everything and everyone as interconnected. Its epistemology requires that the researcher be much closer to the situation to interpret life through the human experience. The scientific process is an engagement between the researcher and participant(s). This epistemology addresses more limited realms of human experience than positivist epistemology does, but brings about a much deeper level of understanding. It says our knowledge of the world is constrained by conceptual frameworks and language that have been learned, and only through acting on our
beliefs do we gain real knowledge. It rejects positivist type causal explanations and seeks rather to understand the human situation through meanings, intentions and actions. Rather than the positivist emphasis on what is generalizable and universal, interpretive epistemology focuses on what is unique and particular about each and every human situation.

The aim of interpretivist research is therefore “understanding the complex world of lived experience from the point of view of those who live it” (Schwandt, 1994: 118). Interpretivist research is fundamentally concerned with meaning and it seeks to understand social members' definition of a situation. Interpretivists assume that knowledge and meaning are acts of interpretation hence there is no objective knowledge which is independent of thinking, reasoning humans. Interpretive theory involves building a second order theory or theory of members' theories (Schutz, 1973) in contrast to positivism which is concerned with objective reality and meanings thought to be independent of people. This theory building ability of the interpretivist paradigm will assist in achieving the research goal of this study which is to develop a framework for performance improvement in smallholder agricultural cooperatives.

The philosophical foundations of the interpretivist paradigm offer many opportunities to answer the research questions of this study. For instance, interpretivism assumes that the human experience and knowledge creation is a process of interpretation of meanings and actions in the social world. The focus on interpretation is of specific relevance to this research study because answering the research questions requires interpretation of attitudes, actions and strategies. A generalization of the findings of this study can lead to the construction of the proposed performance improvement framework.

Glaser & Strauss (1967) also suggest qualitative methods such as ethnography, interviews, observation and grounded theory development for the interpretivist approach. They argue that these methods are effective in the development of a theory where none exists. Mittman (2001) also believes that qualitative research is an
important methodological option in conducting management research. He notes that qualitative research, with its emphasis on understanding complex interrelated and/or changing phenomena, is particularly relevant to the challenges of conducting management research.

Therefore, the interpretivist paradigm and the qualitative research path were considered to be compatible with the context of this study and were thus adopted to answer the research questions for this study and to develop the proposed performance improvement framework.

3.4 Research Strategies

3.4.1 Nature of Study

Having selected the qualitative research path, it was necessary to decide the nature of the study to be conducted. Two types of study were examined: Cross-sectional and longitudinal studies. A cross-sectional study has three distinctive features: no time dimension, a reliance on existing differences rather than change following intervention, and groups are selected based on existing differences rather than random allocation. A cross-sectional study thus provides a snapshot of the outcome and the characteristics associated with it at a specific point in time. It entails collecting data at and concerning one point in time. On the other hand a longitudinal study involves taking multiple measures over an extended period. In such a study, the value of the results can be influenced by selective attrition when some individuals drop out of the study (Trochim, 2006).

This research study took the form of a cross-sectional survey in which a snapshot of smallholder agricultural cooperatives was taken to describe what was happening to them at a given point of time.

3.4.2 Data Collection Approaches

Having selected the nature of the study, an appropriate methodology for data collection
needed to be selected. The following sections explore and evaluate a number of qualitative data collection approaches to adopt in addressing the research questions for this study. Several qualitative approaches could be considered for an interpretive study like this one. These include action research (Rapoport, 1970); ethnography (Lewis, 1985); case study (Stake, 2000; Yin, 2002); and grounded theory (Glaser & Strauss, 1967; Strauss & Corbin, 1998). Each of these approaches provides a set of skills, assumptions and practices that help the researchers to move from a paradigm to the empirical world. However, some of the above research approaches are inappropriate because of their remoteness to the research problem. LeCompte & Preissle (1993) assert that the effectiveness of a given research strategy depends on its ability to gather the information required for answering specific research questions.

Many social scientists (Denzin & Lincoln, 2000; Hussey & Hussey, 1997; Myers, 1997, Silverman & Ramsay, 2005) suggest four qualitative research strategies: action research, case study, ethnography and grounded theory. Myers (1999) emphasizes that it is important for anyone considering employing a certain research methodology to be aware of the potential benefits and risks beforehand, and to know in which set of circumstances it might or might not be appropriate. Therefore, these four qualitative choices are evaluated here against the goal and specific research questions (Q1, Q2, and Q3) to select an appropriate research strategy.

3.4.2.1 Action Research

According to Rapoport (1970), action research aims to contribute both to the practical concerns of people in an immediate problematic situation and to the goals of social science by joint collaboration within a mutually acceptable ethical framework. As this research is concerned with performance improvement in smallholder agricultural cooperatives, action research could be considered as a possible alternative. Baskerville (1999) advocates that action research is based on two key assumptions:

- Social setting cannot be reduced for study.
- Action brings understanding
In this research context, it is possible to study a sample of agricultural cooperatives to examine their performance and develop a framework based on the best practices observed. It is not absolutely necessary to implement changes in order to develop the framework. It is however difficult to implement the changes for research purposes as this would alter the way the cooperatives operate. It may also be difficult to persuade cooperatives to participate in an action research project.

The research goal of this study is to develop a performance improvement framework that can be applied in smallholder agricultural cooperatives. Therefore, the generalization of the study findings is critical for this research. However, action research does not provide proper mechanisms for generalization. Scholl (2000) notes that action research is situational, and the process, if repeated, would not be identical, nor would it produce identical results. Action research helps to build and test theory but generalizability is not the main thrust of action research. The above factors therefore illustrate that action research is not compatible with this study.

3.4.2.2 Ethnography
Creswell (1998) describes ethnography as a research methodology in which the researcher studies an intact cultural group in a natural setting over a prolonged period of time by primarily collecting observational data. According to Schwandt (1997), ethnography whose origins are in anthropology, is characterized by the fact that it is the process and product of describing and interpreting cultural behaviours. Lewis (1985) notes that ethnographers immerse themselves in the life of the people they study and seek to place the phenomena studied in their social and cultural context. Ethnography could be considered for application to this study as it involves exhaustive inquiry that would provide a comprehensive understanding of the factors influencing the performance of smallholder agricultural cooperatives.

However, the goal of this research demands studying many organizational dimensions beyond culture such as business processes, business strategies and performance perceptions so that the findings can be generalized. Moreover, an ethnographic study requires the researcher to spend a significant amount of time in the field (Bryman,
2004). In this respect, using the ethnographic path would involve close observation of social and political issues in the cooperatives which can be sensitive when disclosed to the world. The above arguments therefore suggest that ethnography would not be a suitable approach for this study.

3.4.2.3 Grounded Theory

Glaser & Strauss (1967) were the first researchers to articulate and elaborate the grounded theory methodology. They held the view that theories should be grounded in data from the field, especially in actions, interactions and social processes of the people. The focus of the grounded theory approach is the generation of a theory closely related to the context of the phenomenon being studied (Creswell, 1998). Grounded theory essentially consists of systematic inductive guidelines for collecting and analyzing empirical data to build theoretical frameworks that explain the collected empirical materials (Charmaz, 2000). The researcher conducts a series of interviews in the field until the categories are saturated. A category in grounded theory represents a unit of information composed of events, happenings and instances. The researcher begins data analysis while collecting the data (Strauss & Corbin, 1990).

Grounded theory is most useful when the researcher has little knowledge of the subject field of qualitative inquiry. According to Creswell (1998), it advocates ignoring the previous knowledge so that the analytic and substantive theory can emerge. Creswell notes that the grounded theory researcher faces difficulty in determining when categories are saturated or when the theory is sufficiently detailed. In this study, data was collected until the categories were saturated.

In addition, the data analysis approach of grounded theory was observed to be capable of providing some valuable inputs to this study (Hussey & Hussey, 1997). The use of categories, for example, was an important aid in data analysis. Furthermore, the practice of starting data analysis during data collection further refined and improved the quality of the data being collected which is critical for a better understanding of the issues at play in each case cooperative. Therefore, the grounded theory approach was
adopted for use concurrently in the data collection and data analysis phases.

### 3.4.2.4 Case Study

Some social scientists consider “the case” as an object of study (Stake, 1995). Others consider it as a research methodology in its own right (Steocker, 1991 & Yin, 1994). In this study we have treated a case study as a research methodology. Yin (2002) defines the case study methodology as an empirical enquiry that investigates a contemporary phenomenon within its real life context, especially when the boundaries between phenomenon and context are not clearly evident.

The case study methodology is often advocated as a suitable method for research in organizational and management studies (Hamel, 1993; Yin 2002). As the research goal for this study involves studying several organizational dimensions and management strategies, the case study has served as a valuable research strategy. This methodology also supports both the exploratory and descriptive types of research questions which have to be answered in this study.

Yin (1994, 2002, & 2003) lists several characteristics of the case study strategy which illustrate its appropriateness to this study. Detailed below are some of the features labeled (F1-F12) and their relevance to address the problem, goal and questions of this research study:

**F1 – The case study methodology is able to address a broad research topic** (Yin, 2002):
This feature makes the case study approach an appropriate option for this study as the research problem is concerned with the broad research topic of “performance improvement in smallholder agricultural cooperatives”.

**F2 - Case studies aim to give the reader a sense of “being there” by providing a highly detailed, contextualized analysis of an “an instance in action”** (Van Wynsberghe & Khan, 2008). This feature is valuable for this study because a detailed contextualized analysis of the situation is required to understand what is happening in the
cooperatives.

F3 – Case studies are thought to be instrumental in furthering the understanding of a problem, issue or concept (Stake, 1995). As performance improvement is an emerging discipline especially in smallholder agricultural cooperatives, the case study methodology has served as a useful approach for understanding the issues.

F4 - A case study is uniquely suited for research in complex settings because it advances the concept that complex settings cannot be reduced to single cause and effect relationships (Van Wynsberghe & Khan, 2008). This feature is appropriate for this study because the settings in agricultural cooperatives are complex. It is also valuable for this study as the research goal is to develop a framework encompassing several organizational factors impacting the performance of smallholder cooperatives.

F5 – The explanatory questions such as “how” and “why” are likely to lead to the use of case study as a research strategy (Yin, 1994): This fundamental character of the case study methodology makes it ideal for addressing the research problem, that is, how to improve the performance of smallholder agricultural cooperatives.

F6 – The case study methodology is preferred in examining contemporary events, but when the relevant behaviours cannot be manipulated (Yin, 1994). Since it is often difficult to gain access to organizations, the case study method has served as a valuable alternative to study existing practices in smallholder agricultural cooperatives and to develop a framework based on the findings and analysis.

F7 – The case study strategy is used when the enquirer has little control over the events being studied (Yin, 1994): As this methodology does not require gaining control over an organizational scenario, it should be fairly easy to convince the agricultural cooperative to participate in the research study.

F8 – The case study approach is often used in conditions where several elements and
dimensions of a subject need to be studied exhaustively (Alavi & Carson, 1992; Yin, 2002): In this study, several organizational dimensions and their interrelationships have been explored and described to develop the intended framework for performance improvement, and the case study approach will be useful in achieving the research goal.

F9 – *The case study approach tries to illuminate a decision or set of decisions; why they were taken, how they are implemented and with what results* (Schramm, 1971): To answer the research questions, especially Q3, this research study needs to explore and describe performance improvement strategies that have been successful in smallholder cooperatives. Their rationale and impact have to be considered so that the best practices can be generalized and embedded in the framework to be constructed.

F10 – *In case studies, the goal is to do a generalizing and not a particularising* (Lipset et al., 1956). The generalization capability of the case study methodology is an essential requirement for this research study as the goal is to develop a framework that can be applied to smallholder agricultural cooperatives everywhere.

F11 - *Case studies routinely use multiple sources of data. This practice develops converging lines of inquiry, which facilitates triangulation and offers findings that are likely to be much more convincing and accurate* (Yin, 2003). This feature is beneficial for this study because we need to gather, explore and analyze empirical materials from several sources including institutional documents and interviews with different people and organizations to answer the research question.

F12 - *Case studies can enrich and potentially transform a reader’s understanding of a phenomenon by extending the reader’s experience. The case study researcher analyzes complex social interactions to uncover or construct “inseparable” factors that are elements of the phenomena* (Yin, 2003, Van Wynsberghe & Khan, 2008). This feature is important in this study because it seeks to combine and articulate these
relationships in context with the hope of transforming the reader's understanding of performance in agricultural cooperatives through extending the reader's experience.

**Multiple Case Studies**

Yin (2003) argues that multiple case studies may be preferable to a single case study. In order to overcome criticisms leveled against the case study approach relating to its ability to generalize findings, this study has used the multiple case study configuration to improve the richness and generalizability of the findings. The rationale for using multiple cases focuses upon the need to establish whether the findings of the first case occur in other cases and, as a consequence, the need to generalize from these findings. Herriott and Firestone (1983) suggest that the evidence from multiple cases is often considered more compelling and the overall study is regarded as being more robust. Another argument is that it improves theory building because by comparing two or more cases, the researcher will be in a better position to determine the circumstances in which a theory will or will not hold.

**Summary**

The above evaluation has confirmed that the case study strategy is appropriate to the research context of this study. It was therefore adopted for conducting this research study alongside the grounded theory analysis approach. The multiple case study route was also selected to improve the robustness and generalizability of the findings.

**3.5 Research Design**

The previous section provided the rationale for choosing the case study methodology for this study. Yin (1994) suggests that the next task is to develop a research design for the case study investigation. He defines research design as the logical sequence that connects the empirical data to the study's initial questions and ultimately to its conclusions.

Bryman (2004) supports this view and states that a research design provides a framework for the collection and analysis of the data. Therefore, an appropriate
research design was essential for this study to address the research problem and develop the framework for performance improvement in agricultural cooperatives. Yin (2003) proposes five core components for case study design:

- A study’s questions
- Its propositions, if any
- Its units of analysis
- The logic linking the data to the propositions
- The criteria for interpreting the findings

The core components for this study are described below:

3.5.1 Study Questions
The first component proposes the development of the study questions. This was done through the formulation of the research problem and the three specific research questions (Q1, Q2 and Q3).

3.5.2 Propositions
The second component calls for the development of hypothesis for the study. However, Denzin and Lincoln (2000) argue that the hypothesis or priori theory development is a characteristic of positivist research design and that in interpretive research priori design commitments may block the introduction of new understanding. Hussey and Hussey (1997) support this notion and advocate that a theoretical framework is a collection of theories and models from the literature which underpins a positivist research study. However, Yin (2003) suggests that even an exploratory case study should have some purpose. He argues that instead of propositions, the design of an exploratory study should state this purpose as well as the criteria by which it will be judged successful. The research problem, goals, objectives and questions adequately fulfill this requirement and have therefore guided this study.

3.5.3 Unit of analysis
The unit of analysis specifies the criteria for case selection and provides a detailed
description of the selected case cooperatives. The units of analysis refer to case cooperatives to be studied as part of the research. The case selection is an important aspect of the research design as it directly determines the quality and relevance of the empirical data to be collected and ultimately shape the conclusions. Yin (1994) notes that the selection of appropriate units of analysis results from the accurate specifications of the primary research questions. The research questions (Q1, Q2 and Q3) defined for this study demand that the meaning of performance be defined and current performance be rated, the factors influencing performance in the cooperatives be studied and these factors inform the construction of a framework for improving the performance of smallholder agricultural cooperatives. Stake (2000) emphasizes that a good understanding of such factors depends on choosing appropriate cases for the study.

3.5.3.1 Sampling methods

Sampling is the process of selecting units such as people, groups of people or organizations from a population of interest so that by studying the sample we may fairly generalize our results back to the population from which they were chosen. Sampling methods fall into two general categories: probability sampling and non-probability sampling. Probability sampling is a method of sampling that utilizes some form of random selection. In order to have a random selection, one must set up some process or procedure that ensures that the different units in the population have equal probabilities of being chosen. Non-probability sampling is a sampling technique where the samples are gathered in a process that does not give all the individuals in the population equal chances of being selected.

The following are probability sampling methods which could have been considered for use in this study:

a. Simple random sampling

The objective of simple random sampling is to select a certain number of units out of a population such that each unit in the population has an equal chance of being selected.
However, this is not a statistically efficient method of sampling because it does not give
a good representation of sub-groups in the population.

b. Stratified sampling
This method of sampling involves dividing the population in homogenous subgroups
and then taking a random sample in each sub-group to ensure that not only the overall
population is represented but also key sub-groups of the population. For this reason,
stratified sampling has more statistical precision than simple random sampling.

c. Cluster random sampling
In cluster sampling the population is divided into clusters usually along geographical
boundaries. The clusters are therefore randomly sampled and thereafter all units within
the sampled clusters are measured. Cluster sampling is primarily done for efficiency of
administration.

Gray (2014) contends that random probability sampling is more appropriate for
experimental and quasi-experimental research designs because they are concerned to
use samples that are as representative as possible of the population under study. He
further argues that qualitative research often works with small samples of people, cases
or phenomena nested in particular contexts. Therefore, all three sampling methods
discussed above were not appropriate for this study.

The following are non-probability sampling methods which could have been considered
for use in this study:

a. Purposive sampling
In purposive sampling, sampling is done with a purpose in mind because there are
specific pre-defined groups that are being sought.
b. Convenience sampling
Convenience sampling involves the sample being drawn from that part of the population that is close to hand. The sample population is selected because it is readily available and convenient to reach.

c. Self-selection sampling
Self-selection sampling is appropriate when the researcher wants to allow units or cases, whether individuals or organisations, to choose to take part in research on their own accord. The research subjects volunteer to take part in the research rather than being approached by the researcher directly.

d. Snowball sampling
This technique is used by researchers to identify potential subjects in studies where subjects are hard to locate. Researchers use this sampling method if the sample for the study is very rare or is limited to a very small subgroup of the population. In this type of sampling technique, after observing the initial subject, the researcher asks for assistance from the subject to help identify people with a similar trait or interest.

Purposive sampling was selected for this study because there were certain characteristics of smallholder agricultural cooperatives that were being sought. Random sampling methods were clearly unsuitable for this purpose. In addition, convenient sampling was employed in the selection of some case cooperatives because they were convenient to reach. Nevertheless, they satisfied all other selection criteria.

Purposive sampling was used with the intention of achieving diversity in the responses, and to qualify the collected data for generalization of the observed phenomena. Stake (2000) and Yin (2003) advocate purposive sampling in case study research to build variety and intensity. In purposive sampling the researcher selects the units of research based on the characteristics or the attributes that are important to the evaluation (Yin 2002).
During research design it was decided to select three smallholder agricultural cooperatives from each of Malawi’s three regions; Southern, Central and Northern regions, making a sample size of nine case cooperatives. However, practical limitations prevented the researcher from selecting agricultural cooperatives in the northern region. Nevertheless, a sample of nine smallholder agricultural cooperatives was still selected for this study; six from the Central region and three from the Southern region. These cooperatives were selected on the basis of several characteristics such as age of the enterprise, registration with the Registrar of Cooperatives, stage of production, industry sub-sector, geographical location and size of the cooperative measured by the number of members. The case cooperatives were selected from a database of smallholder agricultural cooperatives maintained by the Registrar of Cooperatives and other databases maintained by other institutions.

Guided by the research problem, goal and research questions, the criteria in table 7 (C1 to C7) are defined for the selection of case cooperatives:

<table>
<thead>
<tr>
<th>Criteria</th>
<th>Justification</th>
</tr>
</thead>
<tbody>
<tr>
<td>C1</td>
<td>The case cooperative has been in existence for two years or more</td>
</tr>
<tr>
<td>C2</td>
<td>The case cooperative is either already registered or is in the process of being registered with the Registrar of Cooperatives.</td>
</tr>
<tr>
<td>C3</td>
<td>Case cooperatives are engaged in either primary production or agro-processing</td>
</tr>
<tr>
<td>C4</td>
<td>Case cooperatives are from different industry sub-sectors such as crop and animal or animal products production</td>
</tr>
</tbody>
</table>

Table 7: Criteria for selecting case cooperatives
<table>
<thead>
<tr>
<th>Case Cooperative</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>No two case cooperatives of the same type are selected from the same geographical district</td>
<td>Ensuring that case cooperatives were selected from different geographical districts was important to make certain that observed characteristics and perceptions are not influenced by local culture, traditions and customs which would give biased results.</td>
</tr>
<tr>
<td>The case cooperatives are currently in operation at the time of the study</td>
<td>The focus of the study was performance. Therefore, it was important to concentrate on those cooperatives that were in operation rather than those that were either dormant or dead. The focus was on understanding the factors that influenced performance rather than factors that led to their demise.</td>
</tr>
<tr>
<td>The size of the cooperative in terms of the number of members.</td>
<td>The size of the cooperative expressed in terms of number of members was important to see if there would be any differences in performance between small and large cooperatives. The number of members was preferred to turnover because turnover is performance-based and does not accurately reflect the size of smallholder agricultural cooperatives in Malawi.</td>
</tr>
</tbody>
</table>

However, during data collection, saturation was reached at the eighth case cooperative, that is, the ninth case cooperative was not interviewed. The following sub-sections provide brief descriptions of each of the eight case cooperatives that were interviewed for this study. The descriptions include their background, case study context, and the rationale for selecting them. Names of case cooperatives have been camouflaged and particulars of interviewees are deliberately omitted to comply with ethical guidelines and data protection regulations.

**Case Cooperative CC1**

*Background*

Case cooperative CC1 is a smallholder agricultural cooperative whose core business is...
the production of cooking oil from sunflower seed. Its main products are cooking oil and seedcake. The cooperative has 27 farmer members most of whom are women. They individually produce the sunflower seed and sell it to the cooperative. The members also jointly grow sunflower seed in a field belonging to the cooperative to reduce its reliance on purchased sunflower seed. The cooperative meets any shortfalls in sunflower seed supply by buying from non-members. Members of this cooperative were originally members of six farmers’ clubs established by the Government of Malawi to act as vehicles for the effective delivery of extension services and farm inputs to smallholder farmers. There were originally 176 members in these clubs, but when the decision was made to form a cooperative, most people opted out largely because they did not understand the cooperative concept and why it was necessary for them to buy shares and make other contributions in order to establish the cooperative. The cooperative is located in Salima district near Lake Malawi. It was run by the Executive Committee of the Board and had no manager at the time of the study. The following are additional statistics on this cooperative:

<table>
<thead>
<tr>
<th>Year established</th>
<th>No. of members</th>
<th>Turnover at time of study</th>
<th>Dividends Paid so far</th>
<th>Values of Assets</th>
<th>Main Source of Assets</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>27</td>
<td>K6,750,000</td>
<td>0</td>
<td>K23,000,000</td>
<td>Donations</td>
</tr>
</tbody>
</table>

**Study context and Rationale for Selection**

Case Cooperative CC1 was selected because it was an established smallholder agricultural cooperative with a track record and was involved in value addition of agricultural crops. The establishment of the cooperative was encouraged by a donor who facilitated the construction of buildings and other infrastructure for the cooperative. This case provides an excellent opportunity for the study to learn from a cooperative with a relatively small membership which was involved in value addition of agricultural crops.
Case Cooperative CC2

Background

Case Cooperative CC2 is a smallholder agricultural cooperative whose core activity is to buy and sell members’ agricultural produce and to store some of it on their behalf for sale or their personal use during period of scarcity. The main crops that are grown by the members of this cooperative are maize, soya beans, groundnuts, paprika and beans. The Cooperative was established as an exit strategy for an international NGO called InterAid which had operated in the area for a number of years in the spheres of health and nutrition. As its intervention in the area was drawing to a close, they encouraged agricultural clubs in the area to form an agricultural cooperative promising them financial support for their farming activities if they did so. When the members formed the cooperative InterAid gave the farmers farm inputs and also established a loan scheme through which the members could in future access farm inputs. InterAid’s motivation in doing this was to create capacity within the community to grow crops which would improve the nutritional status of the population. At the time of this study, the cooperative had 367 members who operated in a number of zones and was located in Lilongwe East in the Nkhoma area. It was run by one of members of the cooperative who was employed as a manager and had been engaged by the Board to run the Cooperative’s affairs on their behalf. The following are additional statistics on this cooperative:

Table 9: Additional Performance Statistics for Case Cooperative CC2

<table>
<thead>
<tr>
<th>Year established</th>
<th>No. of members</th>
<th>Turnover at time of study</th>
<th>Dividends Paid so far</th>
<th>Values of Assets</th>
<th>Main Source of Assets</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004</td>
<td>367</td>
<td>K3,400,000</td>
<td>0</td>
<td>K20,000,000</td>
<td>Donations</td>
</tr>
</tbody>
</table>

Study context and Rationale for selection

Case Cooperative CC2 was selected because it has been in existence for a number of years and was one of the few smallholder agricultural cooperatives which were engaged in only the primary production and marketing of agriculture products and did not do any value addition. This case provided an excellent opportunity for the study to compare the
results of a cooperative whose core business was the marketing of primary agricultural products with those which were involved with the marketing of processed items.

**Case Cooperative CC3**

*Background*
Case Cooperative CC3 is a young smallholder agricultural cooperative whose core activities are the production of cooking oil from oil seeds such as sunflower seed, soya beans and groundnuts. The cooperative also produces cosmetic oil from baobab seed which is a high value product with an export market. This cooperative was registered by the Registrar of Cooperatives in 2013. Its formation was preceded by three tobacco cooperatives all of which have ceased to exist. This cooperative was an initiative by members who were once tobacco farmer but had a vision to diversify from reliance on tobacco to other crops. Case Cooperative CC3 is growing very fast and at the time of the study had one of the largest numbers of members among smallholder agricultural cooperatives at 729. This cooperative is located in Dowa district and was run by an experienced manager who had been engaged by the local board to run it on their behalf. The following are additional statistics on this cooperative:

<table>
<thead>
<tr>
<th>Year established</th>
<th>No. members</th>
<th>Turnover at time of study</th>
<th>Dividends Paid so far</th>
<th>Values of Assets</th>
<th>Main Source of Assets</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>729</td>
<td>K10,143,000</td>
<td>0</td>
<td>K15,000,000</td>
<td>Donations</td>
</tr>
</tbody>
</table>

*Study context and Rationale for selection*
Case Cooperative CC3 was selected because it was a young cooperative and one of two smallholder agricultural cooperatives whose core business was the production of cooking oil and seed cake from oil seeds. It also had many members. It would therefore provide an excellent opportunity to compare the results with the more established cooperative in the same economic sub-category which was older and had a small membership.
Case Cooperative CC4

Background
Case Cooperative CC4 is an established cooperative whose core business is the bulking and processing of locally produced milk into pasteurized milk and yogurt. This cooperative started operations in 2001 and is registered as a cooperative by the Registrar of Cooperatives. The establishment of the cooperative was the initiative of an Irish Development Agency which saw the potential of the community to produce milk and milk products. The agency encouraged them to form a cooperative after which it funded the construction of a milk processing factory and offices for the cooperative, and provided training for the effective production of the products. This cooperative had 400 members at the time of this study and is located in Ntchisi district. Records show that for many years, this cooperative was performing very well financially. However, during the period 2014 – 2015, when the cooperative was managed by a manager who was sponsored by a donor organization, its performance plummeted. Members then responded by boycotting the delivery of their milk to the cooperative. This led to the ouster of the board and management by the members, and the installation of a democratically elected Executive Committee to run the affairs of the Cooperative until a General Meeting is called when the Executive Committee is expected to assume the role of the Board. The following are additional statistics on this cooperative:

Table 11: Additional Performance Statistics for Case Cooperative CC4

<table>
<thead>
<tr>
<th>Year established</th>
<th>No. members</th>
<th>Turnover at time of study</th>
<th>Dividends Paid so far</th>
<th>Values of Assets</th>
<th>Main Source of Assets</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001</td>
<td>400</td>
<td>K4,300,000</td>
<td>0</td>
<td>K9,500,000</td>
<td>Donations</td>
</tr>
</tbody>
</table>

Study context and Rationale for selection
Case Cooperative CC4 was selected because it was engaged in the processing of milk which is an industry sub-sector which was dominated by large enterprises. It has also succeeded in taking action against its Board following their failure to account for the cooperative’s poor performance. It would therefore provide an excellent opportunity to compare the results from this case cooperative with those from cooperatives that were engaged in the production and/or processing of crop-based products, and also to
understand how smallholder agricultural cooperatives can make their boards account for their poor performance.

**Case Cooperative CC5**

*Background*

Case Cooperative CC5 is a milk bulking group and is currently going through the registration process with the Registrar of Cooperatives a process which was expected to be completed by the end of 2016. Once it is registered, it will be known as a cooperative. The entity had 89 members at the time of the study and had operated as a milk bulking group (MBG) since 2000. Its core business is receiving and bulking milk from its members for sale to milk processors who can only buy quantities of milk in excess of 1,500 litres per transaction. The registration of the MBG as a cooperative is the initiative of the Ministry of Agriculture which encouraged the group to do so for the sake of attracting donor and government support which is only available to registered cooperatives. The MBG is located in Lilongwe West, and is run by the Executive Committee of the Board. The following are additional statistics on this cooperative:

<table>
<thead>
<tr>
<th>Year established</th>
<th>No. members</th>
<th>Turnover</th>
<th>Dividends Paid so far</th>
<th>Values of Assets</th>
<th>Main Source of Assets</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>240</td>
<td>K2,320,000</td>
<td>0</td>
<td>K13,000,000</td>
<td>Donations</td>
</tr>
</tbody>
</table>

*Study context and Rationale for selection*

Case Cooperative CC5 was selected because it was in the process of registering as a cooperative. It was also engaged in the bulking and the sale of raw milk to processors. It would therefore provide an excellent opportunity to compare the results from this case cooperative with those from established cooperatives that were already engaged in the processing of animal products.

**Case Cooperative CC6**

*Background*

Case Cooperative CC6 is a smallholder agricultural cooperative located in Zomba, in
the Southern region of Malawi. The core business of the cooperative is the production of High Quality Cassava Flour from cassava supplied by its members. Before the cooperative was established, the area had a number of agricultural clubs performing similar functions. These clubs later formed an association for the same purpose. However, at the end of 2014 Case Cooperative CC6 was registered as a Cooperative. The formation of the Cooperative was the initiative of a donor organization which provided funding for infrastructure and factory equipment upon registration as a cooperative. Case Cooperative CC6 now buys cassava from its 378 members and processes it into High Quality Cassava Flour which is used as a substitute for wheat flour by bakeries. At the time of this study, this cooperative was run by a donor sponsored manager. The following are additional statistics on this cooperative:

Table 13: Additional Performance Statistics for Case Cooperative CC6

<table>
<thead>
<tr>
<th>Year established</th>
<th>No. members</th>
<th>Turnover</th>
<th>Dividends Paid so far</th>
<th>Values of Assets</th>
<th>Main Source of Assets</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>376</td>
<td>K11,000,000</td>
<td>0</td>
<td>K20,100,000</td>
<td>Donations</td>
</tr>
</tbody>
</table>

Study context and Rationale for selection
Case Cooperative CC6 was selected because it was engaged in the production of a unique agricultural product (High Quality Cassava Flour) whose production was dominated by large enterprises. It was also located in Southern Malawi. It would therefore provide an excellent opportunity to compare the results from this case cooperative with those from cooperatives located in the Central Region of Malawi.

Case Cooperative CC7

Background
Case Cooperative CC7 is a smallholder agricultural cooperative located in Balaka, in the Southern region of Malawi. The core business of the cooperative is the production of honey supplied by members and the production of wine from bananas and hibiscus also supplied by members. Every member of the cooperative is therefore a beekeeper. The initiative for the establishment of this cooperative came from the members themselves with encouragement from the Malawi Government, and the Cooperative is run by the
Executive Committee of the Board. The following are additional statistics on this cooperative:

Table 14: Additional Performance Statistics for Case Cooperative CC7

<table>
<thead>
<tr>
<th>Year established</th>
<th>No. of members</th>
<th>Turnover</th>
<th>Dividends Paid so far</th>
<th>Values of Assets</th>
<th>Main Source of Assets</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>23</td>
<td>K3,450,000</td>
<td>0</td>
<td>K650,000</td>
<td>Own resources</td>
</tr>
</tbody>
</table>

**Study context and Rationale for selection**

Case Cooperative CC7 was selected because it was engaged in the production of honey and wine which are unique food products. It was also located in Southern Malawi. It would therefore provide an excellent opportunity to compare the results from this case cooperative with those from cooperatives located in the Central Region of Malawi engaged in similar activities.

**Case Cooperative CC8**

**Background**

Case Cooperative CC8 is a smallholder agricultural cooperative located in Kasungu in the Central region of Malawi. The core business of the cooperative is the processing, packaging and marketing of honey supplied by members. Every member of the cooperative is therefore a beekeeper. The entity was established in 2006 but only registered as a cooperative 2012. The establishment of this cooperative was the initiative of an NGO which encouraged the members to form a cooperative so as to benefit from its support and also from other donors and Government. The Cooperative is run by the Executive Committee of the Board. The following are additional statistics on this cooperative:

Table 15: Additional Performance Statistics for Case Cooperative CC8

<table>
<thead>
<tr>
<th>Year established</th>
<th>No. of members</th>
<th>Turnover</th>
<th>Dividends Paid so far</th>
<th>Values of Assets</th>
<th>Main Source of Assets</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>26</td>
<td>K3,214,000</td>
<td>0</td>
<td>K4,500,000</td>
<td>Donations</td>
</tr>
</tbody>
</table>
Study context and Rationale for selection

Case Cooperative CC8 was selected because it was engaged in the production of honey which was a unique food product. It was also located in Central Malawi. It would therefore provide an excellent opportunity to compare the results from this case cooperative with those from cooperatives located in Southern Malawi engaged in similar activities.

Table 16 below gives an overview of the selected case cooperatives in tabular format, and figure 8 below shows the geographical locations of the case cooperatives.

Table 16: Overview of selected case cooperatives

<table>
<thead>
<tr>
<th>Cooperative</th>
<th>Location</th>
<th>No. on Map¹</th>
<th>No. of Members</th>
<th>Industry Sector</th>
<th>Activity</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 CC1</td>
<td>Salima</td>
<td>9</td>
<td>27</td>
<td>Cooking oil extraction from sunflower</td>
<td>Value addition</td>
</tr>
<tr>
<td>2 CC2</td>
<td>Lilongwe (East)</td>
<td>4</td>
<td>367</td>
<td>Growing maize, groundnuts and soya beans</td>
<td>Primary production</td>
</tr>
<tr>
<td>3 CC3</td>
<td>Dowa</td>
<td>2</td>
<td>729</td>
<td>Cooking oil extraction from sunflower, soya beans and groundnuts</td>
<td>Value addition</td>
</tr>
<tr>
<td>4 CC4</td>
<td>Ntchisi</td>
<td>8</td>
<td>400</td>
<td>Processing of milk into pasteurised milk and yogurt</td>
<td>Value addition</td>
</tr>
<tr>
<td>5 CC5</td>
<td>Lilongwe (West)</td>
<td>4</td>
<td>240</td>
<td>Bulking milk from cooperative members for sale to processors</td>
<td>Value addition</td>
</tr>
<tr>
<td>6 CC6</td>
<td>Zomba</td>
<td>27</td>
<td>376</td>
<td>Cassava processing into high quality cassava flour</td>
<td>Value addition</td>
</tr>
<tr>
<td>7 CC7</td>
<td>Balaka</td>
<td>16</td>
<td>23</td>
<td>Production of honey and wine</td>
<td>Value addition</td>
</tr>
<tr>
<td>8 CC8</td>
<td>Kasungu</td>
<td>3</td>
<td>26</td>
<td>Production of honey</td>
<td>Value addition</td>
</tr>
</tbody>
</table>

In cooperative practice, the bigger the membership, the stronger the cooperative is expected to be because of its perceived ability to raise capital and also to do business on a large scale. When cooperatives are performing as required those with more members are able to generate more turnover than smaller ones. However, since turnover is dependent on performance, turnover on its own is not a good selection variable, and in this study the number of members was the preferred variable because

¹ See map in figure 8 below
among other reasons, it enabled the research to measure the performance in different size cooperatives.

**Geographical Coverage**

The map below (figure 8) shows the three administrative regions of Malawi and the 28 administrative districts within the country. The part of the country which is shaded yellow is the central region with nine districts, namely Dedza (1), Dowa (2), Kasungu (3), Lilongwe (4), Mchinji (5), Nkhotakota (6), Ntcheu (7), Ntchisi (8), and Salima (9). The part of the country which is shaded red on the map is the northern region with six administrative districts, namely Chitipa (10), Karonga (11), Likoma (12), Mzimba (13), Nkhata Bay (14) and Rumphi (15). Finally, the part of the country which is shaded green on the map is the southern region with 12 administrative districts, namely Balaka (16), Blantyre (17), Chikwawa (18), Chiradzulu (19), Machinga (20), Mangochi (21), Mulanje (22), Mwanza (23), Nsanje (24), Thyolo (25), Phalombe (26), Zomba (27) and Neno. The part of the country shaded blue on the map is Lake Malawi, and as can be seen, Likoma district (12) is an island on the lake.

The eight case studies in this thesis were undertaken in two out of the three regions, that is, Central and Southern regions, and this was done for convenience. The case studies were carried out in 7 administrative districts as follows: Dowa, Kasungu, Lilongwe (2 case studies), Ntchisi, Salima, Balaka and Zomba.

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2 The map does not show administrative district no. 28 because this district was created from a division of Mwanza district (23).
3.6 Data Collection

This section describes how the empirical data was collected during this study. Yin (2003) and Silverman & Ramsay (2005) suggest that employing rigorous data collection procedures is one of the characteristics of a good qualitative study. They emphasize that qualitative researchers need to collect data from multiple sources. Stake (2000) also notes that qualitative researchers employ various procedures to reduce the likelihood of misrepresentation. These procedures are generally referred to as
triangulation. Denzin (1970) defines triangulation as the combination of methodologies in the study of the same phenomenon. Yin (2003) suggests six major sources of data or evidence in case study methodology. These are documentation, archival records, interviews, direct observation, participant observation and physical artifacts.

Only two of the six methods of data collection recommended by Yin (2003) were used in this study because they were the most appropriate ones for collecting data for a study of this nature. Three of the other four methods recommended by Yin (2003) namely, direct observation, participant observation and physical artifacts could not be used because they were not appropriate for a study of this nature. The fourth method, archival records, could have been used if the cooperatives had the capacity to keep records for a long time. Unfortunately, it was observed that they all had major limitations in their ability to keep records and as a result archival records did not exist.

Interviews were the core method of data collection and they targeted the Registrar of Cooperatives, representatives of cooperative development organizations, cooperative board members, cooperative managers and cooperative members. Semi-structured interview instruments were used in all interviews. Silverman (1985) notes that interview data display realities which are neither biased nor accurate but simply real.

3.6.1 Development of Questions
The questions that were used in the semi-structured interviews which were the core method of data collection were informed by the need to understand the perceptions of each group of interviewees. Previous researchers on this subject used sustainability as a measure of cooperative performance, and obviously had different research questions. This study, on the other hand, used perceptions as the key measure of performance and therefore had different research questions.

The question development process started with the questions in Appendix 5. These questions were designed to bring out a better understanding by the researcher of the workings of cooperatives in the Malawian context and they targeted cooperative
development institutions. These questions served to provide a general introduction from key informant institutions with practical knowledge of the workings of agricultural cooperatives in Malawi. This together with the literature from other researches gave the researcher an initial understanding of the issues facing cooperatives in Malawi. Based on this understanding, the researcher then proceeded to develop the initial interview guides targeting each of the key stakeholder groups, that is, members, board members and managers.

These questions were designed to answer the three research questions of this study which were meant to respond to the three research objectives based on the perceptions of the stakeholders. The questions in Appendices 1-4 therefore helped to achieve this purpose. The development of these questions continued throughout the data collection phase because the interview guides were reviewed at the end of each case study, and these were updated accordingly based on the responses received during the just completed case study. The questions appearing in the Appendices 1-4 were the final list of questions developed at the end of the eight case studies.

3.6.2 Interviews
Cooperative members were interviewed first as a group and thereafter individually to ensure results validity.

3.6.2.1 Group Interviews
Group interviews were held in each case cooperative with the following groups: cooperative members, board members and management teams. Meetings with each of these groups were held typically on a day when the cooperative was having its own activities. The choice of these groups ensured the gathering of reliable data because each group had its own perspective and answered the interview questions from its own perspective. Therefore, all those members who were present participated in group interviews. The strengths of group interviews were that they generated qualitative data through the use of open questions. This allowed the respondents to talk in some depth choosing their own words. This helped the researcher to develop a real sense of a
person’s understanding of the situation. Group interviews also increased validity because some participants felt more comfortable being with others as they are used to talking in groups in real life and therefore this was more natural. However, group interviews can also lead some participants to try and conform to peer pressure and give false answers which may impair validity. In this study, this risk was overcome through individual interviews.

3.6.2.2 Individual Interviews

During individual interviews, samples of 20 members in each case cooperative were selected using self-selection sampling when the research subjects who had already taken part in group interviews volunteered to take part in individual interviews. These interviews were held to validate the responses provided during group interviews. Individual interviews were also used to gather data on specific characteristics of interviewees. Appendices 6 - 8 record observations regarding interviewee gender, age and qualifications.

With regard to gender (Appendix 6), it was observed that the majority of cooperative members (56%) were women. This observation substantiates the finding in Appendix 8 that most cooperative members have poor basic educational qualifications because the school dropout rate among girls is very high. This has significance for the framework presented in figure 10 below.

With regard to age, it was observed that most cooperative members (66%) were aged between 25 and 50 years. The significance of this observation is that given the ages of most cooperative members, it would be possible to make them acquire new knowledge and skills and even to positively influence their attitudes.

With regard to qualifications, it was observed that the majority of cooperative members in agricultural cooperatives in Malawi (71%) only had primary school education with only 27% possessing secondary school education. The significance of this observation is that with such low educational qualifications, it is not easy for members serving as
board members to manage their cooperatives effectively without extensive training.

All interviews were recorded with the prior consent of the interviewees and were conducted in the respective cooperatives. To obtain an in-depth view of the cooperative’s operations, various internal documents of the case cooperatives, including their registration and financial records, were also studied. During and after each interview, notes were made to describe important observations that were relevant to the research questions (Cresswell, 2003). Unfortunately, most smallholder agricultural cooperatives had major shortfalls on record-keeping with most of their financial records being incomplete records.

**Summary**

This section has described how data was collected during the study and has shown that data was collected primarily using semi-structured interviews. The data was analysed soon after data from each cooperative was collected. The interview instruments were continually being updated to improve the quality of the questions. Saturation was reached during the eighth case study when no new information was being collected from successive interviews.

### 3.7 Data Analysis

#### 3.7.1 Coding

The empirical materials collected during each case study were coded and reviewed frequently to improve the data collection and its outcomes. Coding is the process of organizing and sorting the data. Codes serve as a way to label, compile and organize the data. They also allow the researcher to summarize and synthesize what is happening in the data. When data collection and interpretation are linked, coding becomes the basis for developing the analysis. It is therefore generally understood that coding is analysis.

Crawford *et al.* (2004) emphasize that the data collection and analysis should be an
interwoven process, prompting the sampling of new data. Silverman & Ramsay (2005) also notes that the data analysis should not only happen after all the data has been safely gathered. He suggests transcribing the interviews even if a researcher has only one interview recorded. Charmaz (1995) supports this notion and proposes that data should be studied as it emerges. Therefore, the following systematic review protocols were utilised in the design to enhance the data collection process of this research study:

Table 17: Systemic Review Protocols

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>P1</td>
<td>The data shall be coded and reviewed after each interview.</td>
</tr>
<tr>
<td>P2</td>
<td>The semi-structured interview instrument shall be enhanced after each interview based on the key review findings.</td>
</tr>
<tr>
<td>P3</td>
<td>After completion of each case study, all the collected empirical data shall be reviewed as a whole.</td>
</tr>
</tbody>
</table>

Crawford et al. (2004) propose that grounded theory and content analysis are two main approaches for analysing qualitative data. However, some authors argue that content analysis is more inclined towards the positivist paradigm because of its emphasis on the priori theory building and hypothesis testing (Flick, 1998, Locke, 2001). Hussey and Hussey (1997) note that the grounded theory approach is becoming increasingly popular for analysing qualitative data in business research. Since this research is of an exploratory nature, the grounded theory approach was selected to serve as a valuable data analysis method.

Strauss and Corbin (1998) suggest a structured process of data analysis using the grounded theory approach comprising four analytical coding techniques: open coding, axial coding, selective coding and coding for process. Open coding disaggregates the data into various units. Axial coding identifies the relationships between the categories. Selective coding integrates the categories into a theory. The coding for process involves defining a series of evolving sequences of interaction that occur over time or space, changing in response to the situation or context. Hussey and Hussey (1997) note that
although these are different levels of coding, in practice they are often undertaken simultaneously. The first three coding steps were employed in the data analysis phase of this study and are explained further below.

The following qualifying criteria were adopted during data analysis to determine the measures of performance selected by the cooperative members and the factors influencing the performance of smallholder agricultural cooperatives:

- Each measure or factor should be mentioned and supported by interviewees from three or more case cooperatives.
- Each measure or factor should have played a significant role in shaping the performance in three or more case cooperatives.
- Interviewees should have provided instances of how a particular measure or factor has influenced the performance of their respective cooperatives.
- The interview data supporting each measure or factor should be eligible for triangulation with the verifiable data from internal documents of respective cooperatives.

3.7.1.1 Open Coding

Open coding is the part of the analysis concerned with identifying, naming, categorizing and describing phenomena found in the text. Each line, sentence, paragraph etc. is read in search of the answer to the repeated question "what is this about? What is being referenced here?" Open coding is an open process in that the data is explored without making any prior assumptions about what might be discovered. It is the first step in the analysis and it focuses on the discovery of concepts. Strauss and Corbin (1998) describe a concept as an abstract representation of an event, object or action that a researcher identifies as being the significant element in data. They argue that concepts are the building blocks of theory.

The identified concepts are then grouped together into categories based on their similarities. These categories may then be formulated as the definitions, measures and factors affecting the performance of agricultural cooperatives. Once the categories are
identified, sub-categories were developed for each category. Sub-categories are theoretical elements that pertain to a category, giving it further clarification and specification. They do this by denoting information such as when, where, why and how a phenomenon is likely to occur.

3.7.1.2 Axial coding
Axial coding is the process of relating codes (categories and properties) to each other, via a combination of inductive and deductive thinking. Grounded theorists emphasize causal relationships. This is done by looking for clues in the data that denote how major categories might relate to each other (Strauss and Corbin, 1998). Axial coding facilitates the identification and description of causal conditions and consequences for each identified category. Axial coding assisted in answering the two research questions Q1 and Q2 of this study.

3.7.1.3 Selective coding
Selective coding is the process of choosing one category to be the core category, and relating all other categories to that category. The essential idea is to develop a single storyline around which everything else is draped. Core categories represent the main theme of the research and consist of all products of analysis condensed into a few words to explain what the research is all about. A core category is one to which many major categories can be related and one that appears frequently in the data. This means that in almost all cases there are indicators pointing to the core category. Selective coding assisted in answering research question Q3 of this study.

Summary
This section has described how the empirical data collected during this study was analysed. Data on each case study was analysed immediately using grounded theory analytical techniques. Open, axial and selective coding techniques were utilized and this led to the development of a performance improvement framework for smallholder agricultural cooperatives.
3.8 Research Ethics

Ethical issues are important when conducting research. Researchers such as Bryman (2004) and Christians (2000) suggest that the following ethical issues should be considered and followed by researchers in organizational studies:

- Protection of the interests of the case cooperatives
- Safeguarding the privacy, confidentiality and anonymity of the participants
- Obtaining the informed consent of the participants
- Maintaining dignity
- Ensuring the accuracy of data while publishing the research findings

Stake (2000) argues that the value of the best research is not likely to outweigh injury to a person exposed. This research study therefore has followed the relevant research ethics strictly. The following ethical protocols were observed especially during data collection, data analysis and publication.

Table 18: Ethical Protocols

<table>
<thead>
<tr>
<th>Protocol</th>
<th>How it was done?</th>
</tr>
</thead>
<tbody>
<tr>
<td>EP1</td>
<td>The particulars of the case cooperatives were separated from the analytical arguments and conclusions. Case cooperatives were only identified using notations CC1-CC8.</td>
</tr>
<tr>
<td>EP2</td>
<td>The particulars of the interviewees were separated from the analysis and conclusions. Interviewees were not identified at all in the thesis.</td>
</tr>
<tr>
<td>EP3</td>
<td>Accuracy of data was ensured using triangulation. Individual interviews were carried out after group interviews. In addition, archival data from case cooperatives was used to validate facts gathered during interviews.</td>
</tr>
<tr>
<td>EP4</td>
<td>Consent of the case cooperatives and interviewees was sought before collecting data. Each selected case cooperative was visited and a meeting held with its Board Executive Committee to explain the purpose of the study. After the Board gave its consent, a date was set for the interviews to begin.</td>
</tr>
<tr>
<td>EP5</td>
<td>The empirical materials were safeguarded during and after the research. Paper-based empirical data was placed in a safe fireproof lockable box. Recorded data was encrypted and stored securely.</td>
</tr>
</tbody>
</table>
research project to protect the privacy of the interviewees and the case cooperatives involved in the study. Interviews were filed in password protected folders and stored on an external hard drive. All the data was stored in the researcher’s office for safe keeping.

SUMMARY
This chapter has provided an evaluation of various philosophical perspectives of research. Based on the appraisal undertaken, the interpretivist paradigm was adopted as the philosophical foundation for this study. Following an analysis of various research strategies, the case study strategy was selected for use in this study during data collection. The grounded theory approach was also used during data collection, and also during analysis to enhance the integrity of the findings.
CHAPTER 4
FINDINGS AND DISCUSSION

4.1 Introduction
This chapter presents the findings of this empirical study. It explains the analytical findings from the eight case studies undertaken during this research study. The analysis was undertaken using the open, axial and selective coding techniques of the grounded theory approach. The analysis and discussion are combined in this chapter to demonstrate the consistency between the findings, interpretations and conclusions.

The findings in this chapter are based primarily on the interviews which were conducted during the research. Although reference was made to documentation in the cooperatives, such documentation simply served to confirm and validate the facts that were gathered during the interviews. Therefore, the primary basis for the findings in this study was the perceptions of key internal stakeholders obtained during the interviews.

4.2 Analysis, Findings and Discussion

4.2.1 Extent of Poor Performance
Smallholder agricultural cooperative stakeholders in Malawi define performance in terms of their expectations. This confirms Hind’s research findings and recommendations. Hind (1999) recommends the use of stakeholder perceptions as a better measure of cooperative performance because cooperatives exist to serve and benefit their member-users as opposed to investor oriented firms which exist to serve capital investors through dividends and share value appreciation.

The open and axial coding phases of the grounded theory analysis have led to the identification of 8 measures of performance in smallholder agricultural cooperatives (see table 19 and appendix 3). These measures will aid in answering the first question (Q1) for this research study which seeks to examine the extent of the poor performance of smallholder agricultural cooperatives. For each of the measures, various properties are
described in detail. The properties describe how each measure reflects the performance in smallholder agricultural cooperatives.

The eight measures of performance identified during the open and axial phases of grounded theory analysis were grouped, during selective coding, into categories based on their similarities (Strauss and Corbin, 1998). The integration of the eight performance measures has resulted in the creation of 3 core categories: a) Financial benefits, b) Non-financial benefits, and c) Leadership. Table 19 presents the three core categories with their constituent performance measures indentified during the empirical study. The core categories help in raising the level of abstraction of the study findings to aid understanding of the findings. They will also be useful in the development of the proposed framework for improving performance in smallholder agricultural cooperatives.

Table 19: Three core categories with their constituent measures of performance

<table>
<thead>
<tr>
<th>Core Category (Derived from selective coding)</th>
<th>Constituent Measure of Performance (Derived from open and axial coding)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Financial benefits</td>
<td>Dividend payment expectations (M1)</td>
</tr>
<tr>
<td></td>
<td>Bonus payment expectations (M2)</td>
</tr>
<tr>
<td>2 Non-financial benefits</td>
<td>Access to bigger markets (M3)</td>
</tr>
<tr>
<td></td>
<td>Access to reliable markets (M4)</td>
</tr>
<tr>
<td></td>
<td>Loans for members (M5)</td>
</tr>
<tr>
<td></td>
<td>Donations to members (M6)</td>
</tr>
<tr>
<td></td>
<td>Donations to the cooperative (M7)</td>
</tr>
<tr>
<td>3 Leadership</td>
<td>Transparency and accountability(M8)</td>
</tr>
</tbody>
</table>

The following sections analyze and discuss the three core categories and their constituent measures in detail.

4.2.1.1 Financial benefits

Financial benefits are benefits of a financial nature that members of smallholder agricultural cooperatives expect to receive from their cooperative when it has made a
surplus. A surplus is the money which a cooperative society might have at the end of the financial year after all obligations have been met and all debts are paid. It is the difference between the cooperative society’s income and expenditure during a financial year. The Cooperative Societies Act (GoM, 2000) prescribes how the surplus is to be shared. It requires that a certain proportion of the surplus be retained in a reserve fund to be used to meet future liabilities of the society before any money is shared.

This core category consists of two measures (M1-M2), that is, dividend payment expectation and bonus payment expectation as depicted in table 19 above. Both these benefits come out of a surplus. Therefore, the cooperative must make the surplus first before they become payable. A cooperative that does not make a surplus cannot pay either a bonus or a dividend. It is crucial therefore that the performance of cooperatives is strong enough to give them a surplus in order for bonuses and dividends to be paid.

Table 20 presents the two constituent measures and some substantiating codes or interviewee responses for this category. The two constituent measures are both related to the expectations of the members. A unique number is assigned to each code (e.g. CH-004) to help with the identification of the code origins and context. The two letters in the unique number identify the cooperative and the three digits identify the code in the transcript of interviews for that case cooperative. The unique number CH-004 therefore represents code number 4 in the interview transcript for the case cooperative identified by the letters CH.

Table 20: Financial benefits (Core Category) – Constituent Measures and Substantiating Codes

<table>
<thead>
<tr>
<th>Constituent Measures</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dividend payment expectations (M1), and Bonus payment expectations (M2)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Substantiating Codes</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. “.... cooperative was ... established so that members can share dividends”. (CH-004)</td>
</tr>
<tr>
<td>2. “To give dividends and bonuses to members at year end”. (MD-085)</td>
</tr>
<tr>
<td>3. “New members have been motivated by the expectation that there will be dividends at the end of the year....” (CE-005)</td>
</tr>
<tr>
<td>4.</td>
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<td>5.</td>
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<td>11.</td>
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<td>12.</td>
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<tr>
<td>13.</td>
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<tr>
<td>14.</td>
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</tbody>
</table>

The following sections provide detailed descriptions of the two performance measures in the financial benefits category.

**e. Dividend Payment Expectation (M1)**

A dividend is a payment to shareholders of a cooperative society and is paid from the surplus. To cooperative members, a dividend is a return on the investment in the cooperative that they made in the form of shares. The more shares a member buys in a cooperative, the higher, potentially, the dividend that they can expect to receive at the end of each trading year. However, the payment of a dividend to cooperative members
is not guaranteed since a dividend is paid out of a surplus. The cooperative must make the surplus first before a dividend can be paid. A cooperative that does not make a surplus cannot pay a dividend.

Dividend is the most common performance measure observed in all the case cooperatives because it reflected members' understanding of what cooperatives do based on what they were told at the time of cooperative formation. Table 21 presents the substantiating concepts and codes for this measure. The subsequent sub-sections list the properties of this measure observed during this research study. Thereafter, a brief analytical discussion is provided for this measure based on a critical comparison of the findings with contemporary cooperative and performance improvement literature.

Table 21: Dividend Payment Expectations (M1) – Substantiating Concepts and Codes

<table>
<thead>
<tr>
<th>Substantiating Concepts</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dividends, member expectations, profitability, shares, reward, incentive.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Substantiating Codes</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. “New members have been motivated by the expectation that there will be dividends at the end of the year.............”. (CE-005)</td>
</tr>
<tr>
<td>2. “The cooperative is seen as advantageous because members get dividends. Dividends are calculated based on shares purchased. However no dividends yet have been paid”. (CE-007)</td>
</tr>
<tr>
<td>3. “In future, those members who sell their honey will receive their sale price. From the profits, some money will be removed for the cooperative, some for development of the area and needy people in the community such as the elderly and orphans, then a percentage for bonus and another percentage for dividend”. (LW-027)</td>
</tr>
<tr>
<td>4. “When the cooperative is performing well, it is expected that members will have better houses, ........ at year end the cooperative will pay out a dividend. Currently, the only benefit that members get is that they can sell their sunflower seed to the cooperative”. (TL-14)</td>
</tr>
<tr>
<td>5. “At year end to get a dividends based on the number of shares” (MD-163)</td>
</tr>
<tr>
<td>6. “The objective of the cooperative is to give dividends and bonuses to members at year end” (MD-085)</td>
</tr>
<tr>
<td>7. “In future, those members who sell their honey will receive their sale price. From the profits, some money will be removed for the cooperative, some for development of the</td>
</tr>
</tbody>
</table>
area and needy people in the community such as the elderly and orphans, then a percentage for bonus and another percentage for dividend. The bonus money will be paid according to the amount of honey sold. It is expected that this year the bonus and dividend will be paid”. (LW-027)

8. “New members are welcome to the cooperative and can come as long as they follow the by-laws. They will pay an entry fee, and be required to buy shares. Their dividend will also be smaller at 20%”. (TL-19)

9. “Members complain that dividend are not paid” (MD-104)

10. “No dividends so far have been declared because the coop’s financial performance has never been good enough for such payments to be made…………..”. (LC-062)

11. “There are no plans to give members dividends ............... until the MBG becomes a cooperative. Currently the main advantage to members is that they are able to improve the standard of living of their families when they receive a cow, obtain milk, sell milk and apply manure in their gardens. Cooperatives sell shares and give dividends in addition to the above”. (MP-021)

12. “At no time did members ever receive dividends because although initially members bought shares the board and management did not account for these and later on no one was regarded as a shareholder anymore”. (MK-019)

Properties
1. A dividend payment is a financial return to an investor who bought shares in the cooperative. Dividends are paid out of profits after some money has been placed in a reserve fund.

2. The payment of dividends is contingent upon the satisfaction of certain conditions. It is only when those conditions are met that a dividend can be paid after approval of the annual general meeting.

3. A dividend is not an automatic annual payment to members like interest on an amount deposited in an account. It is possible for a cooperative not to pay a dividend in a given year or for some years.

4. A dividend payment is one of the last portions of the surplus that is paid out in a cooperative setting. A cooperative must put money into a reserve fund first and then pay a bonus or patronage refund before considering paying a dividend.
5. The amount of dividend payable is subject to restrictions in that the Cooperative Societies Act imposes a maximum percentage that can be paid out as dividends.

Discussion
This study has confirmed that using the ‘dividend payment expectations’ as a measure of performance, the performance of smallholder agricultural cooperatives in Malawi is poor. None of the eight case cooperatives studied has paid a dividend to members since they were formed clearly indicating that their financial performance is poor.
The dividend was the most popular measure of cooperative performance given in all the case cooperatives that were studied. In cooperative literature, the payment of dividends is less common in traditional cooperatives where the expected return is a patronage refund or bonus. Dividends are however the expected return in member-investor types of cooperatives where returns are distributed to members in proportion to shareholdings in addition to patronage (Chaddad and Cook, 2003).

The study has revealed that dividend payment expectations came about largely because in the motivation that members received during cooperative formation, a distinction was made between a cooperative and an association. The cooperative was described as a business which makes profits which are shared by all members who own shares in the business at the end of the year. Agricultural cooperatives in Malawi are therefore promoted just like member-investor cooperatives although all other characteristics are those of traditional cooperatives. Associations, on the other hand, were not regarded as businesses but merely as mechanisms for bulking their agricultural produce in order to secure better markets and obtain better prices. Prior to becoming cooperatives, most of the case cooperatives were associations. The motivation that they will be paid a dividend therefore created high expectations among cooperative members such that the majority of them gave dividend payment as one of the most important measures of cooperative performance. The non-payment of dividends was, to the cooperative stakeholders, proof that their cooperatives’ performance was poor.
The study has also revealed that there are knowledge gaps among key stakeholders in smallholder agricultural cooperatives in Malawi regarding the payment of dividends. The Cooperative Societies Regulations section 16 provides for the payment of dividends and shows that although dividends are popular among cooperative members, they cannot be paid easily because their payment is linked to the level of the cooperative’s reserve fund and the rate of interest on loans to members as stated in the clauses below:

“(i) …….., no dividend or payment on account of profits shall be made by a society registered with unlimited liability until the reserve fund has reached a proportion of not less than one tenth of the total liabilities of the registered society,

(ii) No registered society shall pay a dividend if the rate of interest on loans granted by it to its members exceeds ten percentum per annum.” (Cooperative Societies Regulations, section 16, GoM (2002) )

The study has also shown that stakeholders have very high expectations regarding the level of dividends that they will receive when the cooperative pays it out. Their expectations are so high that they believe that receipt of the dividend will completely transform their standard of living. Unfortunately, this is not backed by any experience as neither the cooperative leadership nor the membership of the case cooperatives that were studied in this research study had any experience regarding payment of dividends since none of them had ever paid a dividend to shareholders. This expectation therefore remains a hope that may never be realized because the Cooperative Societies Regulations section 16 imposes a limit on how much dividend can be paid as shown below:

“No registered society shall pay a dividend on share capital exceeding five percentum on the capital actually paid up”.

With most of the members owning only a few shares each, any dividend payable on those shares is likely to be disappointing. Therefore, as a measure of cooperative performance, the non-payment of dividends could persist further confirming that the performance of agricultural cooperatives in Malawi is poor.
**f. Bonus Payment Expectations (M2)**

A bonus, also called a patronage refund, is paid by the cooperative to members according to the volume of their produce that they sell to the cooperative. It is also a share in a cooperative’s surplus. The amount of each member’s bonus is based on the volume of transactions that the member has done with the cooperative during the past year. The higher the level of sales, the higher the level of patronage refunds that they can expect to receive at the end of each trading year. This is the main reward for cooperative members in traditional cooperatives (Chaddad and Cook, 2003). The bonus can be paid to the members in cash or by issuing bonus shares.

Table 22 presents the substantiating concepts and codes for this measure. The subsequent sub-sections list the properties of this measure observed during this research study. Thereafter, a brief analytical discussion is provided for this measure based on a critical comparison of the findings with contemporary cooperative and performance improvement literature.

<table>
<thead>
<tr>
<th>Substantiating Concepts</th>
<th>Substantiating Codes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bonus, patronage refunds, member expectations, profitability, sales, reward, incentive.</td>
<td></td>
</tr>
<tr>
<td>1. “In future, those members who sell their honey will receive their sale price. From the profits, some money will be removed for the cooperative, ......................... then a percentage for bonus and another percentage for dividend. .................... It is expected that this year the bonus .......... will be paid”. (LW-027)</td>
<td></td>
</tr>
<tr>
<td>2. “The coop needs advice to stop behaving like a vendor and also to have funds of its own with which to buy produce, and to negotiate prices and bonuses with its members before the growing season so that members can plan”. (LC-051)</td>
<td></td>
</tr>
<tr>
<td>3. “When members buy shares they get a bonus then a dividend. Those who get bonuses are those who sell the most honey ..........................”. (LW-025)</td>
<td></td>
</tr>
<tr>
<td>4. “The objective of the cooperative is to give ..........and bonuses to members at year end”. (MD-085)</td>
<td></td>
</tr>
<tr>
<td>5. “To get a bonus at year end based on level of sales of produce to the coop. The bonus is paid before the dividend”. (MD-164)</td>
<td></td>
</tr>
</tbody>
</table>
6. “…………………………………….. The bonus money will be paid according to the amount of honey sold. It is expected that this year the bonus and dividend will be paid”. (LW-027)

7. “……………………………….. The bonus is paid before the dividend”. (MD-164)

8. “No bonuses or rewards are paid yet although such practice exists in the constitution of the cooperative”. (CE-010)

9. “No dividends and bonuses have been paid so far”. (MD-180)

10. “There are no plans to give members ……… bonuses until the MBG becomes a cooperative. Currently the main advantage to members is that they are able to improve the standard of living of their families when they receive a cow, obtain milk, sell milk and apply manure in their gardens. Cooperatives sell shares and give dividends in addition to the above”. (MP-021)

11. “………………………………………..……… Bonuses have not been given yet because the cooperative has just become a cooperative and its leadership did not know how to calculate the bonus. In addition some money went into building a factory”. (LW-025)

**Properties**

1. Members receive a bonus or patronage refund before they receive a reward for their investment in the cooperative which takes the form of a dividend.

2. Although cooperative literature states that the bonus or patronage refund is the reward that cooperative members aim for primarily because they are rewarded for the volume of business that they do with their cooperative, cooperative members in Malawi focus primarily on the dividend.

3. A cooperative must make a surplus first before a bonus or patronage refund can be paid because it is a share of the surplus. The bigger the surplus that a cooperative makes the bigger the bonus or patronage refund that could be paid by the cooperative.

**Discussion**

This study has confirmed that using the ‘bonus payment expectations’ as a measure of performance, the performance of smallholder agricultural cooperatives in Malawi is poor. None of the eight case cooperatives studied has ever paid a bonus to members since they were formed. This too is a clear indication that the financial performance of the agricultural cooperatives is poor.
Cooperative literature states that the primary reward for membership in a traditional cooperative is a patronage refund. Members are supposed to receive a reward for the volume of business that they do with their cooperative (Jerker Nilsson, 1999; Chaddad and Cook, 2003) not because of the number of shares they own in the cooperative. However, this study has revealed that the concept of bonus or patronage refund is not well understood in the Malawi cooperative context and is not as popular as the dividend. The USDA’s definition of a cooperative states that “a cooperative is a user-owned, user-controlled business that distributes benefits on the basis of use” (Zeuli et al., 2004:1). The expression “on the basis of use” suggests patronage.

The Cooperative Societies Regulations, section 16 state that:
“……. a bonus or rebate on patronage calculated in proportion to the amount of the business done by each member with the registered society may be distributed periodically to the members from surplus funds after the deduction of all expenditure and after making provision for bad and doubtful debts and making allocation to the reserve fund.”

However, most of the case cooperatives reported not even knowing how to calculate the bonus or patronage refund although its payment does not have as many conditions as the payment of the dividend. Once an allocation is made to the reserve fund, the remaining surplus could be used to pay a bonus or patronage refund to those members who sold their products to the cooperative thereby rewarding patronage. The lack of understanding of bonuses or patronage refunds which is an incentive means that most members do not have as their personal objectives to supply as much agricultural produce as possible to the cooperative in order to earn a large bonus or patronage refund. This means that members are more pre-occupied with buying shares than supplying to their cooperatives which could be contributing to the poor performance of the cooperatives.

4.2.1.2 Non-financial benefits
Non-financial benefits are those benefits that smallholder agricultural cooperatives, especially members, expect to receive from their cooperative in the form of products or
services when it is performing well. Members seek these benefits because they meet some of their needs directly. This core category consists of five measures (M3-M7), namely; access to bigger markets (M3), access to reliable markets (M4), loans for members (M5), donations to members (M6) and donations to the cooperatives (M7) as depicted in table 19 above.

Table 23 presents the five constituent measures and some substantiating codes or interviewee responses for this category. The five constituent measures all highlight the expectations of cooperative members with regard to non-financial benefits

Table 23: Non-financial benefits (Core Category) – Constituent Measures and Substantiating Codes

<table>
<thead>
<tr>
<th>Constituent Measures</th>
<th>Substantiating Codes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Access to bigger markets (M3), access to reliable markets (M4), loans for members (M5), donations to members (M6) and donations to the cooperatives (M7)</td>
<td>1. “…… the main objectives of the cooperative were to ………… get bigger markets and to grow the cooperative. ……… honey is in great demand throughout the country”. (CH-014)</td>
</tr>
<tr>
<td></td>
<td>2. “To obtain better markets to give us more money than we can get from vendors. The cooperative is able to buy from us at a good price because individually we can’t keep the produce until prices improve because we need money immediately”. (LC-002)</td>
</tr>
<tr>
<td></td>
<td>3. “The goal of the cooperative is to work together to find markets for all so that everyone’s standard of living can improve”. (LC-072)</td>
</tr>
<tr>
<td></td>
<td>4. “The cooperative tries to find markets for members – being their most important expectation”. (LC-058)</td>
</tr>
<tr>
<td></td>
<td>5. “When members harvest their maize and beans they bring these to this cooperative where a reliable market is supposed to be identified to which the produce is sold so that members can get better prices to raise their standard of living. These are the main activities in this area”. (LC-001)</td>
</tr>
<tr>
<td></td>
<td>6. “The market unreliability is a major challenge. Some vendors do not pay for the milk, some buy small quantities of milk, and even when they pay for the milk on the spot the money is so little that it is spent immediately. A …………… would pay a lumpsum after 30 days and members would have the motivation to save some of their money”. (MP-011)</td>
</tr>
<tr>
<td></td>
<td>7. “The cooperative does not have reliable markets where it can sell its oil”. (TL-6)</td>
</tr>
</tbody>
</table>
The following sections provide detailed descriptions of the five performance measures in the non-financial benefits category.

a. **Access to bigger markets**

Most agricultural cooperatives are marketing cooperatives established to buy agricultural produce grown or produced by the members. That is the reason why most case cooperatives in this research study started out as farmer associations. It was the members’ desire to have a bigger market for their produce that drove them to form a cooperative. Cooperative members often have challenges accessing markets for their produce. This situation forces them to sell their produce cheaply to middlemen (commonly called ‘vendors’) who offer very low prices to the farmers.

The cooperative’s ability to buy members’ produce is therefore one of the most important measures of cooperative performance in smallholder agricultural cooperatives (Nkhoma, 2011). Very often cooperatives meet challenges in mobilizing the capital necessary for them to buy the produce from their members. Those cooperatives that are able to mobilize the required capital with which to buy agricultural produce from their members are therefore considered to be good performers.

Table 24 presents the substantiating concepts and codes for this measure. The subsequent sub-sections list the properties of this measure observed during this research study. Thereafter, a brief analytical discussion is provided for this measure based on a critical comparison of the findings with contemporary cooperative and performance improvement literature.

**Table 24: Access to bigger markets (M3) – Substantiating Concepts and Codes**

<table>
<thead>
<tr>
<th>Substantiating Concepts</th>
</tr>
</thead>
<tbody>
<tr>
<td>Market, member expectations, sales, size, benefit.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Substantiating Codes</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. “The club was not recognized by the Government, but the coop is recognized by the government and it is able to access markets. Clubs are not able to secure stands at the...”</td>
</tr>
</tbody>
</table>
International Trade Fair grounds but a cooperative can do so easily”. (CH-003)

2. “The main objectives of the cooperative were to build a factory, get bigger markets and to grow the cooperative. …………………………………” (CH-014)

3. “Current objectives of the cooperative – uplifting living standards of the farmers and making them food secure. Food security will be achieved by receiving planting materials and a market to sell their cassava”. (CE-008)

4. “On the processing side, good performance depends on the market that has been developed. The markets are large, customers are demanding more HQCF than the cooperative can supply”. (CE-020)

5. “The goal of the cooperative is to work together to find markets for all so that everyone’s standard of living can improve”. (LC-072)

6. “When we are able to access markets to sell our members’ produce, that is an indicator of good performance”. (LC-082)

7. “Lack of markets for our produce is one thing that can cause cooperatives to fail”. (LC-047)

8. “The current objectives of the cooperative are to sell shares to members so as to increase its capital, to have more beehives and to have a bigger market for its honey”. (LW-018)

9. “The cooperative however has not done well in some areas such as the fact that the factory was not built to standard and as a result it does not have a MBS certificate. The cooperative was also not able to access large markets because it did not have sufficient capital”. (LW-033)

10. “The cooperative tries to find markets for members – being their most important expectation”. (LC-058)

11. “Contract farming should be practiced so that farmer members can have markets for their produce to improve performance”. (LC-069)

12. “Access to markets is a benefit members get from the cooperative”. (LC-027)

13. “Both members and the cooperative have beehives and can produce honey. Members sell their honey to the cooperative. There are also other beekeeping groups in the community which produce honey which the cooperative buys because they have no markets other than our cooperative”. (LW-016)

Properties

1. A market is very important to the smallholder agricultural cooperative member because it addresses the most pressing problem that the farmer faces.

2. Members want to have the assurance that there is a ready market for their farm produce.
3. The cooperative can be the ultimate user of the agricultural produce as in cases where it is buying the produce for value addition, or it can be an intermediate buyer which just buys from the members and resells to others. Either way, the cooperative occupies a critical position in the survival and growth of a member smallholder farmer.

4. Members expect the cooperative to become the buyer of their produce so that they can be protected from the middlemen.

Discussion

This study has confirmed that using ‘access to bigger markets’ as a measure of performance, the performance of smallholder agricultural cooperatives in Malawi is poor (Nkhoma, 2011). This study shows that most agricultural cooperatives do not have the means to pay for produce from their members which would give the members a ready market for their produce. The biggest challenge facing the agricultural cooperatives is that they often do not have the financial resources to pay for member produce immediately. This puts the members in a precarious position in that they must now look elsewhere for a market for their produce, and very often that market is middlemen who offer very low and uncompetitive prices.

All case cooperatives in this study had set themselves up as markets for the various products that their members were producing. However, no single cooperative was able to pay the members for their produce immediately after a sale, often obtaining the produce on credit. Thus, the area in which members expressed the most dissatisfaction with their cooperatives was in the payment of sale proceeds of their produce. This is an important driver in the decision by members to sell their produce to the cooperative. Most smallholder farmers need ready cash when their produce is ready for the market. They do not have the means to wait a long time for their sale proceeds. Therefore, when a cooperative is unable to pay cash either immediately or at agreed intervals for farm produce delivered by members, the members tend to divert their produce to markets that will pay them immediately even if the price is lower than that offered by the cooperative. All case cooperatives in this study did not have the means to pay their
members for their produce deliveries immediately. This was a major problem for most members who confirmed that they sold some of their produce to other markets in order to access ready cash when the cooperative was unable to pay cash on delivery.

b. Access to reliable markets
It has already been stated in (a) above that most agricultural cooperatives are marketing cooperatives established to buy agricultural produce grown or produced by the members. It was the desire of cooperative members to have reliable markets for their produce that made them join cooperatives. Their expectation was that they could engage in advance discussions with their cooperative to supply certain quantities of the produce at an agreed price prior to the growing season to enable them to plan their production. Unfortunately, this does not happen often, and as a result, members are not always sure how much produce to grow in a given season and at what price the cooperative will buy the produce. This lack of planning information and the cooperative’s inability to pay for the produce forces members to sell their produce cheaply to middlemen who offer very low prices to the farmers.

The cooperative’s ability to offer members a reliable market for their produce is therefore one of the most important measures of cooperative performance in smallholder agricultural cooperatives (Nkhoma, 2011). Very often cooperatives meet challenges in mobilizing the capital necessary for them to buy the produce from their members. Those cooperatives that are able to mobilize the required capital with which to buy agricultural produce from their members are therefore considered to be good performers.

Table 25 presents the substantiating concepts and codes for this measure. The subsequent sub-sections list the properties of this measure observed during this research study. Thereafter, a brief analytical discussion is provided for this measure based on a critical comparison of the findings with contemporary cooperative and performance improvement literature.
### Table 25: Access to reliable markets (M4) – Substantiating Concepts and Codes

<table>
<thead>
<tr>
<th>Substantiating Concepts</th>
<th>Substantiating Codes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Market, member expectations, sales, benefit, reliability.</td>
<td>1. “The cooperative is in the business of maize, beans, soya, groundnuts and Paprika. When members harvest their maize and beans they bring these to this coop where a reliable market is supposed to be identified to which the produce is sold so that members can get better prices to raise their standard of living. These are the main activities in this area” (LC-001)</td>
</tr>
<tr>
<td></td>
<td>2. “Markets have been found in the past but we have also had challenges in that some buyers have disappeared with our produce without paying. We need help from some people to find us reliable markets for our produce”. (LC-016)</td>
</tr>
<tr>
<td></td>
<td>3. “Bulking produce for sale later when prices improve although no reliable market has been identified so far” (LC-029)</td>
</tr>
<tr>
<td></td>
<td>4. “The cooperative was established to identify reliable markets for the cooperatives members’ produce” (MD-003)</td>
</tr>
<tr>
<td></td>
<td>5. “Our cooperative finds reliable markets” (MD-007)</td>
</tr>
<tr>
<td></td>
<td>6. “To obtain better markets to give us more money than we can get from vendors. The cooperative is able to buy from us at a good price because individually we can’t keep the produce until prices improve because we need money immediately”. (LC-002)</td>
</tr>
<tr>
<td></td>
<td>7. “Currently milk is sold to vendors. Sometimes the prices offered by vendors are fair but demand is unpredictable especially in the afternoons. The market unreliability is a major challenge. Some vendors do not pay for the milk, some buy small quantities of milk, and even when they pay for the milk on the spot the money is spent immediately because it is too little. A bulking group would pay a lumpsum after 30 days and members would have the motivation to save some of their money”. (MP-011)</td>
</tr>
<tr>
<td></td>
<td>8. “Marketing system including 15 centres where Marketing Officers sell their oil and buy raw materials” (MD-095)</td>
</tr>
<tr>
<td></td>
<td>9. “The reason why the cooperative has registered poor performance is a lack of reliable markets”. (MD-184)</td>
</tr>
</tbody>
</table>

### Properties

1. A reliable market is very important to the smallholder agricultural cooperative member because it assists in planning for the growing season.
2. Members would prefer to know in advance how much of their produce will be required in a given season and how much will be paid for the produce so that they can plan in advance.

3. Whether the cooperative is the ultimate user of the agricultural produce or is an intermediate buyer which just buys from the members and resells to others, it occupies a critical position in the survival and growth of a member smallholder farmer.

4. Members expect the cooperative to become the buyer of their produce so that they can be protected from middlemen who exploit them at every opportunity.

Discussion
This study has confirmed that using 'access to reliable markets' as a measure of performance, the performance of smallholder agricultural cooperatives in Malawi is poor (Nkhoma, 2011). This study shows that most agricultural cooperatives are not reliable markets for their members' agricultural produce, where reliable means that when they take their produce to the market, they are offered a competitive price and are paid immediately for their deliveries (Chirwa et al., 2006).

All case cooperatives in this study had set themselves up as markets for the various products that their members were producing. All but one of the case cooperatives also offered competitive prices to their members. Members therefore expressed satisfaction with this situation. This is because an important driver in the decision by members to sell their produce to the cooperative is the price offered by the cooperative. The higher the price, the higher the likelihood that members will sell their produce to the cooperative. Where the price offered by the cooperative is low, members may sell some of their produce to other buyers. Most cooperatives offered better prices to their members and less competitive prices to non-members partly as a strategy for enticing them to become members. The one cooperative (CC6) which did not offer competitive prices to its members saw most of them sell their produce elsewhere which negatively affected its output and therefore its performance.
The area in which members expressed the most dissatisfaction with their cooperatives was in the payment of sale proceeds of their produce. This is an important driver in the decision by members to sell their produce to the cooperative. Most smallholder farmers need ready cash when their produce is ready for the market. They do not have the means to wait a long time for their sale proceeds. Therefore, when a cooperative is unable to pay cash either immediately or at agreed intervals for farm produce delivered by members, the members tend to divert their produce to markets that will pay them immediately even if the price is lower than that offered by the cooperative. All case cooperatives in this study did not have the means to pay their members for their produce deliveries immediately. This was a major problem for most members who confirmed that they sold some of their produce to other markets in order to access ready cash when the cooperative was unable to pay cash on delivery.

In one case cooperative (CC4), members took drastic action by initially boycotting deliveries and later removing their board in response to the cooperative’s inability to pay for milk deliveries by the members over a period of six months. When the cooperative stopped paying the members for their milk regularly, the members had lost their reliable market and therefore resorted to drastic action against the cooperative board. Therefore, agricultural cooperatives in Malawi are unable to provide reliable markets for their members and consequently their performance is poor.

c. Loans for Members
Some members joined agricultural cooperatives because they knew that they could not single-handedly access loans from financial institutions especially for their farm inputs. Cooperatives were known to be preferred organizations by lending institutions which found it less risky to lend to individual members through the cooperative setup believing that because there were already financial transactions between the cooperative and its members, it would also be easier to collect loan installments through the cooperative. The cooperative’s ability to coordinate with lending institutions to provide loan facilities to members is therefore one of the measures of cooperative performance that members emphasize in smallholder agricultural cooperatives. Those cooperatives that are able to
make the necessary arrangements with financial institutions to offer loan facilities to members are therefore considered to be good performers.

Table 26 presents the substantiating concepts and codes for this measure. The subsequent sub-sections list the properties of this measure observed during this research study. Thereafter, a brief analytical discussion is provided for this measure based on a critical comparison of the findings with contemporary cooperative and performance improvement literature.

**Table 26: Loans for Members (M5) – Substantiating Concepts and Codes**

<table>
<thead>
<tr>
<th>Substantiating Concepts</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loans, member expectations, farm input loans.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Substantiating Codes</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. “When giving out loans, the cooperative follows an already agreed order of beneficiaries”. (CH-017)</td>
</tr>
<tr>
<td>2. “InterAid of France came to our area to provide assistance in the areas of health, nutrition and agriculture. They provided water boreholes to improve health and seed to improve nutrition. As the project was drawing to a close, Interaid decided to support the formation of groups to continue with certain activities towards enhancing income for health, nutrition and improved agriculture as an exit strategy. Under agriculture they provided loans for seeds; for nutrition they wanted to have the people generate income, so they recommended the establishment of a cooperative. At that time there was already an association in existence”. (LC-071)</td>
</tr>
<tr>
<td>3. “Obtain loans for the coop members because we are a group”. (MD-028)</td>
</tr>
<tr>
<td>4. “To give them a loan facility for feed to repay later”. (MD-030)</td>
</tr>
<tr>
<td>5. “To find markets, give them seeds for planting on loan and give them organic fertilizer”. (MD-155)</td>
</tr>
<tr>
<td>6. “Dependency on loans by members where they may borrow but not repay the loans, stealing from the cooperative, loans taken by the cooperative which may lead to loss of assets to lenders, and Transparency and accountability”. (MD-182)</td>
</tr>
<tr>
<td>7. “We did not get a loan for farm inputs from the bank”. (MD-128)</td>
</tr>
<tr>
<td>8. “Need to source external capital to buy raw materials. We cannot obtain a loan from the bank because of high interest rates”. (MD-131)</td>
</tr>
</tbody>
</table>
Properties
1. A loan facility enables a smallholder farmer to buy farm inputs in readiness for the growing season.
2. Smallholder farmers have limited access to loan facilities in the financial sector.
3. Access to a loan from a cooperative is very critical for a smallholder farmer’s cash flow management needs. Cooperative membership is therefore a perfect mechanism for gaining the required access.

Discussion
This study has confirmed that using ‘Loans for Members’ as a measure of performance, the performance of smallholder agricultural cooperatives in Malawi is poor. This study shows that most agricultural cooperatives have not successfully facilitated access by their members to loan facilities. Access to loan facilities is one of the expectations of cooperative members that were commonly cited by members of case cooperatives, especially those which produce primary agricultural products to their cooperatives. Chibanda et al. (2009:298) observed that the “difficulty in raising capital implies that smallholder farmers in developing regions are usually dependent on government donations and/or soft loans for initial capital”. When loan facilities are available to cooperative members, even though it is a different institution that is providing the loans, access to the loans is attributed to the cooperative by the members. Thus, this is a benefit that is provided by cooperatives by attribution only.

Access to a loan facility is a need for most smallholder farmers, and yet it is also one of the most challenging to attain. Smallholder farmers therefore position themselves to gain such access through cooperative membership. However, loan facilities that are offered to cooperative members create additional administration responsibilities and costs for the cooperatives. This is the reason why financial institutions prefer to deal with a cooperative than individual farmers because the transaction costs are passed on to the cooperative. The cooperative must therefore have the capacity and be prepared to absorb the transaction costs associated with managing such loan facilities. The provision of loan facilities in the manner described above also diverts the cooperative
from its core business of being a business and may even negatively impact its profitability since facilitating such services could cost the cooperative money in administration costs.

At the time of this study, only one of the case cooperatives (CC2) in this study had successfully facilitated the provision of loan facilities to members, and a second one (CC3) was negotiating with a bank on the same. The challenge nevertheless was the high interest rates prevailing in the market which meant that loan repayments would be very high. The inability of most agricultural cooperatives to facilitate the provision of loan facilities to members was therefore considered by the members as a failure on the part of the cooperatives and therefore rated as poor performance.

d. Donations to Members
Some members joined cooperatives because they were aware that NGOs and donors use cooperatives to make donations to smallholder farmers. The donations often take the form of free farm inputs and farm assets such as cattle for smallholder dairy farmers. NGOs distribute farm inputs to smallholder farmers when they are running programs intended to increase nutritional levels and improve livelihoods in communities. Similarly, NGOs provide free farm assets to smallholder farmers to raise their income generating capacities. For example, some NGOs provide dairy cattle to milk bulking groups and milk cooperatives to be distributed to members for free on the understanding that when the cow gives birth, the first female calf that is born will be given to another member on a ‘pass-on’ arrangement.

Cooperatives are preferred organizations as mechanisms for distributing the farm inputs and farm assets to smallholder farmers because they are existing grassroot structures which make it easier for the NGOs to monitor the performance of the initiatives among the farmers and to conduct evaluations. Thus, the NGOs simply use the cooperative structure to achieve their own ends. Nevertheless, such arrangements are also very attractive to the smallholder farmers.
The cooperative’s ability to coordinate with donor institutions that provide free farm inputs or farm assets to members is therefore one of the measures of cooperative performance that members cite in smallholder agricultural cooperatives. Those cooperatives that are able to make the necessary arrangements with the NGOs are considered to be good performers.

Table 27 presents the substantiating concepts and codes for this measure. The subsequent sub-sections list the properties of this measure observed during this research study. Thereafter, a brief analytical discussion is provided for this measure based on a critical comparison of the findings with contemporary cooperative and performance improvement literature.

**Table 27: Donations to Members (M6) – Substantiating Concepts and Codes**

<table>
<thead>
<tr>
<th>Substantiating Concepts</th>
<th>Donation, farm inputs, farm assets, member expectations.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Substantiating Codes</td>
<td></td>
</tr>
<tr>
<td>1. “The objectives of the cooperative are for members to obtain fertilizer and other farm inputs easily from donors”. (LC-013)</td>
<td></td>
</tr>
<tr>
<td>2. “The objectives of the cooperative are to run a business jointly using joint capital which may attract support from donors, …………………………………”. (MD-151)</td>
<td></td>
</tr>
<tr>
<td>3. “The MBG depends entirely on donors to provide donations of cattle. For members to benefit, the MBG must register with CREMPA which is the body that connects with most of the donors”. (MP-028)</td>
<td></td>
</tr>
<tr>
<td>4. “Donors could come and offer the cooperative services that were meant to help members, services that were not available anywhere else and other people joined to also access these services”. (LC-007)</td>
<td></td>
</tr>
<tr>
<td>5. “Some donors promised support to the cooperative but did not deliver on their promises which disappointed some members”. (LC-009)</td>
<td></td>
</tr>
<tr>
<td>6. “Also when donors bring new ideas, we link up with members to benefit from such initiatives, e.g. seed multiplication. When these initiatives do not materialize, some members leave. The opposite also happens”. (LC-059)</td>
<td></td>
</tr>
<tr>
<td>7. “The bulking group helps members: By finding donors who can donate to them cattle so that every member can have cattle, and because the government and donors do not help individuals but groups like the bulking group – therefore the bulking group attracts such support”. (MP-009)</td>
<td></td>
</tr>
</tbody>
</table>
Properties
1. The continuous supply of farm inputs and farm assets is a common demand among cooperative members because they are all smallholder farmers first and foremost.
2. Cooperative members expect to receive farm inputs and farm assets as donations by government, NGOs or donor agencies because they are organized and these organizations prefer to make donations to farmers that are organized.
3. The expectation to receive farm inputs or a farm asset for free is the primary motivation in some cooperatives such as those in the dairy sub-sector.

Discussion
This study has confirmed that using ‘donations to members’ as a measure of performance, the performance of smallholder agricultural cooperatives in Malawi is poor. This study shows that most agricultural cooperatives have facilitated one-off access by their members to farm inputs and farm assets but they have not successfully facilitated continuous access of the same by their members. Members expect their cooperatives to facilitate the continuous provision of farm inputs and farm assets by donor institutions. A recent survey of cooperatives in Malawi revealed that 59% of the total financing of the agricultural cooperative societies in Malawi was from grants and donations (GoM, 2016).

Cooperative members believe that because they are organized into a cooperative, they have a right to receive such donations from donors, government and other cooperative development institutions. Cooperative members therefore expect their managers and board members to use the cooperative status to get the donors to provide the donations. Cooperatives that do not facilitate the provision of such donations are considered to be poor performers.

e. Donations to the Cooperative
Cooperatives in Malawi generally receive a lot of donations from NGOs and donors. The majority of agricultural cooperatives received their start-up capital from a donor at their inception. A survey of cooperatives by the Ministry of Industry, Trade and Tourism
revealed that the majority of the finances of agricultural cooperative societies in Malawi (59%) came from grants and donations (GoM, 2016). Donations to cooperatives often take the form of assets such as factory buildings, warehouses, offices, machinery, office equipment and vehicles. In addition, cooperatives are often given the services of managers for specified periods such as two years for free. Such donations are designed to kick-start the operations or to enhance the capacity of the cooperatives, and are not meant for distribution to members.

The cooperative’s ability to coordinate with donor institutions that provide such assets and services is therefore one of the measures of cooperative performance that members cite in smallholder agricultural cooperatives. Those cooperatives that are able to make the necessary arrangements with the NGOs are considered to be good performers.

Table 28 presents the substantiating concepts and codes for this measure. The subsequent sub-section lists the properties of this measure observed during this research study. Thereafter, a brief analytical discussion is provided for this measure based on a critical comparison of the findings with contemporary cooperative and performance improvement literature.

Table 28: Donations to the Cooperative (M7) – Substantiating Concepts and Codes

<table>
<thead>
<tr>
<th>Substantiating Concepts</th>
<th>Substantiating Codes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Donation, start-up capital, management capacity building, member expectations.</td>
<td>1. “As a business, we grew say Paprika individually about 10,000kgs which we sold to a company which gave us a bonus at the end of the year. The coop provided a good service. Currently this is not happening because of lack of resources because donors no longer provide support to say, transport the produce to markets. On our own we cannot undertake these tasks”. (LC-074)</td>
</tr>
<tr>
<td></td>
<td>2. “………… Our current donors do not permit other donors to support us. We are not able to buy all the sunflower produced by farmers”. (TL-62)</td>
</tr>
<tr>
<td></td>
<td>3. “For the future of the cooperative, the leadership is busy looking for donors to provide support to the coop e.g. training. This will be intensified. But we need money to help us</td>
</tr>
</tbody>
</table>
4. “To find donors who can support the cooperative with finances”. (LC-019)

5. “............... the cooperative may die and lose all its members. To reverse these trends we need to improve relationships with donors, because on its own the cooperative cannot do it, it will die”. (LC-052)

6. “The cooperative’s finances come from self-financing and donors” (MD-114)

7. “After 5 years, many donors will support the MBG”. (MP-036)

8. “Members have confidence that there is light at the end of the tunnel when loans are fully repaid. The cooperative had repaid other loans previously. If a donor helped out quickly members would start enjoying dividends quickly”. (TL-47)

9. “Strategies for the future: Members will buy shares, the money will be used to buy sunflower. The Board will write proposals to donors for support”. (TL-63)

10. “After 5 years, especially if we find donors to support us, our standard of living will have improved, the cooperative will possess a vehicle, the cooperative will support schools, hospitals and poor people. The cooperative will have its own farm inputs shop, and will have received a donation of another oil expeller. More members will have joined. The cooperative will have a manager”. (TL-65)

11. “Plans to improve performance include: For members to buy more shares, to find a donor to provide funds to help the cooperative buy sunflower seed from farmers on a cash basis, and to receive training”. (TL-25)

12. “The cooperative is performing when donors give us financial support”. (LC-078)

13. “The cooperative had a manager and an accountant sponsored by a donor organization, but currently it has no external manager, nor accountant”. (MK-007)

Properties

1. The provision of start-up capital and infrastructure grants is a common expectation among cooperative members because this support is promised by the donors prior to the establishment of the cooperative.

2. Donor support is expected by cooperatives as a key ingredient of any development plans for the cooperative. Cooperative plans are made on the assumption that donors will contribute a significant portion of any investment required by the cooperative.

3. Donors are expected to provide the kind of support that is demanded by the cooperative, and any departure from this is regarded as interference.
Discussion
This study has confirmed that using ‘donations to the cooperative’ as a measure of performance, the performance of smallholder agricultural cooperatives in Malawi is poor. Although most agricultural cooperatives have received support from donors in the form of start-up capital and infrastructure support, this support has not continued contrary to their expectations.

The provision of the assets in question is very important because very often they are critical to the survival and growth of the cooperatives. However, dependency on donations of these assets means that the cooperative has no control over when the assets will be available. Members therefore interpret the break in the receipt of such donations as failure on the part of management or the board to facilitate the receipt of donations and therefore rated as poor performance.

4.2.1.3 Leadership
Leadership refers to the behavior of board members and management of the cooperative. In cooperative circles, board members are selected by members partly because of their behavior. Similarly, one of the most important characteristics that cooperatives look for in a candidate for a management position in a cooperative is good behavior. Individuals with good behavior can be trusted and are therefore elected to serve as board members or appointed to management positions.

This core category consists of only one measure, namely; transparency and accountability (M8). Table 29 presents this constituent measure and some substantiating codes or interviewee responses for this category. The measure highlights the expectations of cooperative members with regard to their leadership.

Table 29: Leadership (Core Category) – Constituent Measures and Substantiating Codes

<table>
<thead>
<tr>
<th>Constituent Measures</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transparency and accountability (M8)</td>
</tr>
<tr>
<td>Substantiating Codes</td>
</tr>
</tbody>
</table>
1. “……… poor and unfair leadership, lack of transparency. To ensure transparency, reports are given to members every three months showing total income and total expenditures and any resultant surpluses. Also when visitors come to support …….., a meeting is called to inform the members immediately”. (MP-031)

2. “Members will leave if there is lack of transparency especially by the board. This leads to a lack of trust. Boards must have meetings regularly with members”. (MD-043)

3. “Reasons for good performance of the cooperative are transparency, hardworking spirit of management”. (MD-059)

4. “Coop will fail if there is no transparency and ……………”. (MD-182)

5. “No dividends are paid yet at year end. Nevertheless, members are not leaving the cooperative because they understand the challenges that the cooperative is facing because of transparency. …….. Members as the owners of the cooperative understand how every aspect of the cooperative's business is going. They also speak openly at AGMs and can call extraordinary General Meetings”. (TL-46)

6. “Members trust the Board because they regularly provide performance reports to members. This is transparency”. (TL-49)

7. “The cooperative is doing well in the following areas: ………. There is transparency and ……..”. (TL-23)

8. “……… lack of accountability especially in finances ……………”. (MP-020)

9. “……….. total accountability, no corruption”. (MD-067)

10. “The cooperative is not performing at the moment because funds have been misused. Some members have sold their cattle, no one at the cooperative had the power to enforce the by-laws”. (MK-016)

The following section provides a detailed description of the single performance measures in the leadership category.

a. Transparency and accountability

Transparency and accountability are considered to be so important in the performance of a cooperative that where they are lacking there is mistrust and dissatisfaction. Cooperatives are considered to be democratic institutions where members who are the owners have the final say on everything. Members delegate their powers to their elected leaders to exercise, and they expect the leaders to be transparent and accountable
because whatever decisions they make are made for and on behalf of the members. Trust is also central to the operations of smallholder agricultural cooperatives because members often look to their more literate board members or managers to make decisions on their behalf. When those to whom the leadership and management powers have been delegated regularly account to the membership of the cooperative, members develop a better understanding of how the cooperative is performing which in turn builds trust in the leadership and in management. However, when leaders and management do not make an effort to account to the membership regularly, members do not acquire a good understanding of the performance of the cooperative and rumours become commonplace which leads to mistrust.

Table 30 presents the substantiating concepts and codes for this measure. The subsequent sub-sections list the properties of this measure observed during this research study. Thereafter, a brief analytical discussion is provided for this measure based on a critical comparison of the findings with contemporary cooperative and performance improvement literature.

Table 30: Transparency and accountability (M8) – Substantiating Concepts and Codes

<table>
<thead>
<tr>
<th>Substantiating Concepts</th>
<th>Substantiating Codes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transparency, openness, accountability, mistrust, dissatisfaction</td>
<td>1. “Transparency should be encouraged to encourage people to trust their leaders”. (LC-068)</td>
</tr>
<tr>
<td></td>
<td>2. “Lack of transparency especially by the board leads to a lack of trust. Boards must have meetings”.</td>
</tr>
<tr>
<td></td>
<td>3. “No dividends are paid yet at year end. Nevertheless, members are not leaving the cooperative because they understand the challenges that the cooperative is facing because of transparency. Members have learned from the cooperative how to grow sunflower. And the cooperative is buying the sunflower and paying the members a fair price. Members, as the owners of the cooperative, understand how every aspect of the cooperative’s business is going. They also speak openly at AGMs and can call extraordinary AGMs”. (TL-46)</td>
</tr>
<tr>
<td></td>
<td>4. “Members trust the Board because they regularly provide performance reports to members. This is transparency”. (TL-49)</td>
</tr>
</tbody>
</table>
| | 5. “Transparency, hardworking spirit of management are the reasons why our cooperative
has performed well”. (MD-059)

6. “Transparency, total accountability, no corruption will improve the performance of the cooperative”. (MD-067)

7. “Our cooperative is performing very well because transparency is strong” (MD-178)

8. “Lack of transparency and accountability can cause the cooperative to fail”. (MD-132)

9. “Lack of Transparency and accountability can cause the cooperative to fail” (MD-182)

10. “Things that can cause members to leave include: poor and unfair leadership, lack of transparency. To ensure transparency, reports are given to members every three months showing total income and total expenditures and any resultant surpluses. Also when visitors come to support the MBG, a meeting is called to inform the members immediately”. (MP-031)

11. “What can kill the MBG includes hatred among members, disregard for by-laws, lack of love among members, lack of accountability especially in finances and transparency, and members stop coming to the MBG”. (MP-020)

12. “The cooperative is performing well in the following areas: agreement among members, we pay back our loans, accountability to members and transparency. All members are playing a role in the cooperative”. (TL-61)

13. “The cooperative is doing well in the following areas: It has some achievements to show. There is also transparency and accountability”. (TL-23)

**Properties**

1. Transparency and accountability are considered to be very important attributes of a cooperative and its leadership.

2. Lack of transparency and accountability leads to suspicion and mistrust between members and cooperative boards, and also between members and cooperative management.

3. Members are prepared to ignore the absence of some expected benefits and even defend the cooperative when they are convinced that there is transparency and accountability in the cooperative.
Discussion
This study has confirmed that there is ‘transparency and accountability’ in most smallholder agricultural cooperatives in Malawi. Transparency (openness), accountability and participation are characteristics of good governance and they include a cooperative’s decision making processes and its capacity to implement its decisions. Poor governance in some cooperatives has been reported to have caused poor performance in those institutions (Chibanda et al., 2009). Five out of the eight case cooperatives in this study were very happy with the level of leadership transparency and accountability in their cooperatives. Transparency and accountability were observed to be among the most serious measures of cooperative performance because they are among the very few reasons cited by members as reasons for terminating one’s membership of a cooperative. Members take leadership transparency and accountability so seriously that when they are absent, members can terminate their membership of the cooperative. Loss of membership in a cooperative affects its performance because the cooperative loses capital and experiences a reduction in the number of people who can supply it with essential inputs for production. The departing members might also be potential board members of the cooperative.

Conversely, when members are convinced that there is transparency and accountability in the cooperative, they are able to defend the cooperative for its poor performance in other measures and are keen to continue their membership irrespective of other challenges. Thus, the more transparent and accountable a cooperative is, the lower the likelihood of members leaving.

All the case cooperatives that demonstrated transparency and accountability have experienced no losses of members whereas those that were less transparent and accountable have suffered losses of members. Transparency and accountability are therefore a very important measure of cooperative performance. Transparency and accountability are the only measure of performance in this study in which smallholder cooperatives in Malawi were rated as performing well.
4.2.1.4 Summary of Findings on Performance Measures

Table 31 below provides a summary of the study findings on the performance measures in smallholder agricultural cooperatives in Malawi. It shows that members of the cooperatives that were studied rated their performance as poor in all measures except transparency and accountability.

Table 31: Summary of findings on performance measures in smallholder agricultural cooperatives

<table>
<thead>
<tr>
<th>Core Category</th>
<th>Constituent measure of performance</th>
<th>Rating</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Financial benefits</td>
<td>Dividend payment expectation (M1)</td>
<td></td>
<td>Never paid</td>
</tr>
<tr>
<td></td>
<td>Bonus payment expectation (M2)</td>
<td></td>
<td>Never paid</td>
</tr>
<tr>
<td>2 Non-financial benefits</td>
<td>Access to bigger markets (M3)</td>
<td></td>
<td>Limited access</td>
</tr>
<tr>
<td></td>
<td>Access to reliable markets (M4)</td>
<td></td>
<td>Limited access</td>
</tr>
<tr>
<td></td>
<td>Loans for members (M5)</td>
<td></td>
<td>Not available</td>
</tr>
<tr>
<td></td>
<td>Donations to members (M6)</td>
<td></td>
<td>Limited access</td>
</tr>
<tr>
<td></td>
<td>Donations to the cooperative (M7)</td>
<td></td>
<td>Limited access</td>
</tr>
<tr>
<td>3 Leadership</td>
<td>Transparency and accountability (M8)</td>
<td>Green</td>
<td>5 out of 8</td>
</tr>
</tbody>
</table>

SUMMARY

This section has examined the extent of the poor performance of smallholder agricultural cooperatives in Malawi using the eight measures of performance identified through the application of open and axial coding phases of the grounded theory analysis. The identified performance measures were 1) dividend payment expectations, 2) bonus payment expectations, 3) access to bigger markets, 4) access to reliable markets, 5) loans to members, 6) donations to members, 7) donations to the cooperative, and 8) transparency and accountability. Out of the eight measures of performance, smallholder agricultural cooperatives in Malawi showed poor performance.
in seven measures. In the single measure of transparency and accountability where they showed good performance, only 62.5% of the case cooperatives were satisfied with their cooperative’s performance using this performance measure. Through this analysis, this study has confirmed the conclusions of other smallholder agricultural cooperative researchers that the performance of smallholder agricultural cooperatives in Malawi is poor. It should therefore be examined further.

4.2.2 Factors contributing to poor performance
Research question Q2 focuses exclusively on identifying the factors that contribute to poor performance among smallholder agricultural cooperatives. Researchers in smallholder agricultural cooperative performance have recorded several factors that contribute to the poor performance of agricultural cooperatives. These include members not clearly understanding the purpose of a cooperative, their obligations and rights, or how to manage their business, the cooperatives’ failure to provide transport for delivery of members’ purchases, lack of membership identity with their cooperatives, and lack of understanding of members’ roles (Machethe, 1990).

Van der Walt’s (2005) study on cooperative failures in Limpopo province indicated that poor management, lack of training, conflict among members due mainly to poor service delivery, and lack of funds were important contributory factors. Van Niekerk (1988) blamed the failure of cooperatives in South Africa’s communal areas largely on poor management. Other authors (Barratt, 1989; Kherallah & Kirsten, 2002; Anderson & Henehan, 2003) highlighted access to start-up capital; experience and training in business management, marketing and accounting; levels of literacy; attitudes towards work; and the degree of cooperative community ethos as factors contributing to cooperative performance. According to (Lyne & Collins, 2008; Zulu, 2007), weak institutions (e.g., ill-defined property rights), inadequate capital, deficient support systems such as external monitoring and evaluation, and lack of a supportive policy environment have also contributed to cooperative failures. Kyriakopoulos, (2000) added that ill-defined property rights, according to agency theory, give rise to a set of problems
that undermine the efficiency of traditional cooperatives in risky and differentiated markets.

This study was expected to confirm these factors, but also challenge some of them and reveal new ones that may not have been discovered yet. All the factors that were identified as contributing to poor performance of smallholder agricultural cooperatives in the Malawi context were used to develop a framework for improving the performance of smallholder agricultural cooperatives in the country.

The open and axial coding phases of the grounded theory analysis have led to the identification of 18 factors that contribute to poor performance in smallholder agricultural cooperatives. These factors directly answer the second question (Q2) of this research study which seeks to examine the factors that cause poor performance of smallholder agricultural cooperatives. Here again, for each of the factors, various properties are described in detail where the properties describe how each factor causes poor performance in smallholder agricultural cooperatives.

The 18 factors of performance identified during the open and axial phases are grouped into categories through selective coding based on their similarities (Strauss and Corbin, 1998). The integration of the 18 factors has resulted in the creation of 4 core categories; 1) Objectives, 2) Knowledge, 3) Skills, and 4) Attitudes.

Table 32 presents the 4 core categories with their constituent factors identified during the empirical study. The core categories help in raising the level of abstraction of the study findings to aid understanding of the findings. They will also be useful in the development of the proposed framework for improving performance in smallholder agricultural cooperatives.
<table>
<thead>
<tr>
<th>Core Category (Derived from selective coding)</th>
<th>Constituent Factors (Derived from open and axial coding)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Objectives</td>
<td>Stakeholder objectives (CF1)</td>
</tr>
<tr>
<td></td>
<td>Member expectations (CF2)</td>
</tr>
<tr>
<td>2 Knowledge</td>
<td>Cooperative knowledge (CF3)</td>
</tr>
<tr>
<td></td>
<td>Business management knowledge (CF4)</td>
</tr>
<tr>
<td></td>
<td>Governance knowledge (CF5)</td>
</tr>
<tr>
<td></td>
<td>Knowledge of Shares (CF6)</td>
</tr>
<tr>
<td></td>
<td>Knowledge of Dividends (CF7)</td>
</tr>
<tr>
<td></td>
<td>Technical knowhow (CF8)</td>
</tr>
<tr>
<td>3 Skills</td>
<td>Management skills (CF9)</td>
</tr>
<tr>
<td></td>
<td>Marketing skills (CF10)</td>
</tr>
<tr>
<td></td>
<td>Pricing skills (CF11)</td>
</tr>
<tr>
<td></td>
<td>Record keeping skills (CF12)</td>
</tr>
<tr>
<td></td>
<td>Negotiation skills (CF13)</td>
</tr>
<tr>
<td>4 Attitude</td>
<td>Donor dependency (CF14)</td>
</tr>
<tr>
<td></td>
<td>Distrust of managers (CF15)</td>
</tr>
<tr>
<td></td>
<td>Founder syndrome (CF16)</td>
</tr>
<tr>
<td></td>
<td>General Meetings (CF17)</td>
</tr>
<tr>
<td></td>
<td>Transparency (CF18)</td>
</tr>
</tbody>
</table>

The following sections analyze and discuss these four core categories and their constituent factors in greater detail.

4.2.2.1 Objectives

Objectives contribute to poor performance of smallholder agricultural cooperatives when they are conflicting or not aligned. When each group of stakeholders in a cooperative pursues its own objectives, this leads to poor performance as everyone is pulling in a different direction (Hind, 1999). For example, members may join a cooperative for the purpose of meeting their economic and social objectives. Managers may become
employees of a cooperative in order to build their careers. Donors may be involved with a cooperative to meet their own objectives. Some of the objectives being pursued by these stakeholders may be opposing.

This core category consists of two factors, namely; stakeholder objectives (CF1) and member expectations (CF2). Table 33 presents these constituent factors and some substantiating codes or interviewee responses for this category. The factors highlight the objectives and expectations of cooperative members. A unique number is assigned to each code (e.g. MP-031) to help with the identification of the code origins and context.

Table 33: Objectives (Core Category) – Constituent Measures and Substantiating Codes

<table>
<thead>
<tr>
<th>Constituent Factors</th>
<th>Substantiating Codes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stakeholder objectives (CF1), and Member expectations (CF2)</td>
<td>1. “………. poor and unfair leadership, lack of transparency. To ensure transparency, reports are given to members every three months showing total income and total expenditures and any resultant surpluses. Also when visitors come to support ………., a meeting is called to inform the members immediately”. (MP-031)</td>
</tr>
<tr>
<td>2. “Members will leave if there is lack of transparency especially by the board. This leads to a lack of trust. Boards must have meetings regularly with members”. (MD-043)</td>
<td></td>
</tr>
<tr>
<td>3. “Reasons for good performance of the cooperative are transparency, hardworking spirit of management”. (MD-059)</td>
<td></td>
</tr>
<tr>
<td>4. “Coop will fail if there is no transparency and …………………”. (MD-182)</td>
<td></td>
</tr>
<tr>
<td>5. &quot;No dividends are paid yet at year end. Nevertheless, members are not leaving the cooperative because they understand the challenges that the cooperative is facing because of transparency. ……. Members as the owners of the cooperative understand how every aspect of the cooperative’s business is going. They also speak openly at AGMs and can call extraordinary General Meetings&quot;. (TL-46)</td>
<td></td>
</tr>
<tr>
<td>6. “Members trust the Board because they regularly provide performance reports to members. This is transparency”. (TL-49)</td>
<td></td>
</tr>
<tr>
<td>7. “The cooperative is doing well in the following areas: …………. There is transparency and ………..”. (TL-23)</td>
<td></td>
</tr>
</tbody>
</table>
8. “…… lack of accountability especially in finances ………….”. (MP-020)

9. “…….. total accountability, no corruption”. (MD-067)

10. “The cooperative is not performing at the moment because funds have been misused. Some members have sold their cattle, no one at the cooperative had the power to enforce the by-laws”. (MK-016)

The following sections provide detailed descriptions of the two factors in the objectives category:

a. **Stakeholder Objectives (CF1)**

Some of the most important external stakeholders of smallholder agricultural cooperatives are cooperative development institutions which often include donor institutions, NGOs and Government departments; and some of the most important internal stakeholders of agricultural cooperatives include cooperative managers, board members and cooperative members themselves. Cooperative members form the largest group of stakeholders. They are also the owners of the cooperatives and they establish the cooperatives for a reason.

Unless the objectives of the four key stakeholders in a cooperative, that is; cooperative development institutions, cooperative members, board members and managers are aligned, there will be conflict which will interfere with the development and growth of the cooperative. Table 34 presents the substantiating concepts and codes for this factor. A unique number is assigned to each code (e.g. TL-015) to help with the identification of the code origins and context. The subsequent section lists the properties of this factor observed during this research study. Finally, a brief analytical discussion is provided for this factor based on a critical comparison of the findings with contemporary performance improvement and cooperative literature.
## Table 34: Stakeholder Objectives (CF1) – Substantiating Concepts and Codes

<table>
<thead>
<tr>
<th>Substantiating Concepts</th>
<th>Substantiating Codes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stakeholders, expectations, objectives</td>
<td></td>
</tr>
</tbody>
</table>

### Substantiating Concepts

1. “The cooperative was established so that members can share dividends…….” (CH-004)
2. “New members have been motivated by the expectation that there will be dividends at the end of the year” (CE-005)
3. “…….. Another motivator was the fact that the cooperative was giving its members planting materials which were scarce” (CE-005)
4. “The goal of the cooperative is to work together to find markets for all so that everyone’s standard of living can improve” (LC-072)
5. “The reasons why new members joined are that they saw how others were prospering; their gardens were greener because of the manure and their harvest was better …………………. members are not just cattle farmers, but they also grow crops and the manure is very important in the gardens for good yields” (MP-005)
6. “Objectives of the ………. are to have cattle to give members manure because fertilizer is too expensive to give milk for the good health of our families, to give meat when we eventually slaughter the cattle, to pass on first female calves to others and then grow the herd ………………….” (MP-008)
7. “New members have been motivated by the expectation that there will be dividends at the end of the year....” (CE-005)
8. “Managers tend to misuse money because members are mostly not well educated to monitor their work well” (CH-021)
9. “The problem is ………..the managers who abuse their positions to steal from the cooperative” (LW-036)
10. “The donors ……….. under agriculture they provided loans for seeds, for nutrition they wanted to have people generate income so they recommended the establishment of a cooperative. At that time there was already an association in existence” (LC-071)
11. “Members boycotted delivery of milk to the cooperative because the cooperative did not pay them for their milk delivered over six months. The Board said they wanted to use the money to buy a delivery vehicle for the cooperative”. (MK-008)
Properties
1. An objective is what drives every group to take action. In the case of cooperatives, there are several groups operating at the same time.
2. Unless objectives are properly aligned to the stated organizational objectives, the likelihood of conflict is very high and every group will be pulling in a different direction to the detriment of the stated organizational objectives.
3. Cooperative members being the owners of a cooperative expect other stakeholders to respect and work towards their objectives.
4. Sometimes cooperative members are powerless to enforce their wishes especially when a cooperative development institution is playing a key role in the cooperative because of the financial muscle that the institution brings.

Discussion
This study has shown that when key stakeholders in a smallholder agricultural cooperative pursue different objectives, this can result in poor performance (Hind, 1999, Staatz, 1989). Cooperative development institutions have played a key role in the establishment of many smallholder agricultural cooperatives in Malawi. This study has revealed that most smallholder agricultural cooperatives would not have been established had the cooperative development institutions not provided the necessary encouragement and start-up capital. Their involvement in the establishment of cooperatives was therefore critical and should be encouraged. For example, members of all eight case cooperatives that were studied were encouraged by various cooperative development institutions such as NGOs and Government departments to establish their cooperatives.

However, in some cases, these institutions encouraged communities to form smallholder agricultural cooperatives purely as an exit strategy for their own project activities. They sought to achieve their own objectives through the formation of cooperatives, and these objectives were different from those that the members sought to achieve. This situation negatively affected the performance of the smallholder agricultural cooperatives because the cooperative development institutions dictated
what the cooperatives should do with the financial support that they were given which did not always enhance the achievement of member objectives.

Cooperative managers in Malawi have a poor reputation because they are associated with misappropriation of funds from cooperatives. Some cooperatives which were once vibrant and financially strong either collapsed or nearly collapsed following misappropriation of funds by managers. The managers therefore appear to have no interest whatsoever in growing the cooperatives. Rather they appear to be pre-occupied with achieving short-term personal objectives.

Board members also sometimes pursue different objectives from those of cooperative members. For example, in one case cooperative (CC4) board members decided to stop paying members for milk deliveries made over a period of six months apparently as a way of raising funds towards the procurement of a delivery van for the cooperative which was intended to increase the cooperative’s market penetration in a viable and fast growing segment of the market. The objectives that the board was pursuing were therefore different from those being pursued by members which included to earn an income from their milk deliveries to the cooperative, and the members stopped making milk deliveries altogether.

Members, on the other hand, create cooperatives for specific reasons. They often have clear objectives which often can be summarized as to improve their standard of living as well as that of their families and communities.

This finding confirms the findings of other researchers on smallholder agricultural cooperatives such as Chibanda et al (2009), Zulu (2007) and Hind (1999). Chibanda et al. (2009) noted that only a minority of smallholder cooperative members had a genuine interest in developing their cooperative. This suggests that their objectives did not support the objective of improving cooperative performance. Zulu (2007) also observed that some smallholders establish cooperatives to access government grants rather than to develop a business. In this study, it was observed that this finding was more
prominent among cooperative board members. Hind (1999) contends that the difficulty that arises in setting corporate objectives in cooperatives is that all those with an interest in an organization will not necessarily share the same goals. What each interest group might view as a performance indicator in a cooperative could therefore be different.

Therefore, the finding that these diverse objectives contribute to poor performance of smallholder agricultural cooperatives adds to our understanding of the factors that contribute to poor performance in smallholder agricultural cooperatives. It will also help in the construction of a framework for performance improvement in smallholder agricultural cooperatives.

b. Member Expectations (CF2)
Members in each cooperative have expectations of their cooperatives when they are forming or joining them. Some of these expectations are informed by observations of other cooperative members, and others by encouragement from government or cooperative development institutions and also the desire to address their current problems. For example, some cooperative members joined cooperatives in order to enjoy benefits that they have seen other people who are cooperative members enjoying. Others have been told by government agencies or cooperative development institutions about benefits which will accrue to them when they become cooperative members.

Table 35 presents the substantiating concepts and codes for this factor. The subsequent section lists the properties of this factor observed during this research study. Finally, a brief analytical discussion is provided for this factor based on a critical comparison of the findings with contemporary performance improvement and cooperative literature.
### Table 35: Member Expectations (CF2) – Substantiating Concepts and Codes

<table>
<thead>
<tr>
<th>Substantiating Concepts</th>
</tr>
</thead>
<tbody>
<tr>
<td>Expectations, markets, donations, benefits</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Substantiating Codes</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. “Donors could come and offer the cooperative services that were meant to help members, services that were not available anywhere else, and people joined to also access these services…….” (LC-007)</td>
</tr>
<tr>
<td>2. “To find donors that can support the cooperative with finances…….” (LC-019)</td>
</tr>
<tr>
<td>3. “…… For members to obtain fertilizer and other farm inputs easily from donors” (LC-013)</td>
</tr>
<tr>
<td>4. “….. Strategies for the future …….. The Board will write proposals to donors for support” (TL-063)</td>
</tr>
<tr>
<td>5. “The ….. depends entirely on donors to provide donations of cattle ……..” (MP-028)</td>
</tr>
<tr>
<td>6. “The motive for establishing the cooperative was to deal with the challenges that members were meeting as farmers ……………………….” (MD-002)</td>
</tr>
<tr>
<td>7. “We wanted to establish our own cooperative which could grow crops that could be processed to add value …..” (CE-005)</td>
</tr>
<tr>
<td>8. “The cooperative tries to find markets for members being their most important expectation” (LC-058)</td>
</tr>
<tr>
<td>9. “…….. indicators of good performance: when we are able to access markets to sell our members’ produce” (LC-082)</td>
</tr>
<tr>
<td>10. “Members sell their honey to the cooperative. There are also other beekeeping groups in the community which produce honey which the cooperative buys because they have no other markets other than …… cooperative”. (LW-016)</td>
</tr>
<tr>
<td>11. “To obtain better markets to give us more money than we can get from vendors. The Cooperative is able to buy from us at a good price because individually we can’t keep the produce until prices improve because we need money immediately” (LC-001)</td>
</tr>
<tr>
<td>12. “Upon joining the cooperative, members were expecting that they get manure to use in their gardens and milk for sale and consumption” (MK-001)</td>
</tr>
<tr>
<td>13. “…….. teaching members to add value to agricultural products …..” (MD-023) “……how to find markets…….” (MD-024) “……sourcing and supplying seeds to members” (MD-025)</td>
</tr>
<tr>
<td>14. “……..obtain loans to cooperative members because we are a group ….” (MD-085)</td>
</tr>
<tr>
<td>15. “Members are encouraged to grow non-traditional crops such as jatropha for sale to the cooperative and this fetches higher prices than groundnuts, soya and sunflower ……..” (MD-162)</td>
</tr>
</tbody>
</table>
Properties
1. Member expectations vary from one cooperative to another depending on their activities.
2. Member expectations can be unique to the industry in which the agricultural cooperative is operating. For example, those in the milk production sector have expectations to do with availability of manure for their gardens as a cheap substitute to expensive chemical fertilizers.
3. Some expectations are considered by members to be more important than others.

Discussion
This study has shown that a cooperative must understand its members’ primary expectations in order to register good performance because with such knowledge, it will align the cooperative’s objectives towards the fulfillment of those expectations. Members express many and diverse expectations of their cooperatives, but they fall principally into three categories; a) expectations that the cooperatives will give them a reliable market where they can sell their produce, b) expectations that the cooperative will give them a financial reward such as a dividend or bonus at the end of the year, and c) expectation that the cooperative will facilitate for both the cooperative and the members to receive donations, services and benefits from other parties such as donations of cattle and infrastructure from donors, and services such as loans from financial institutions. Members believe that cooperative membership offers them the opportunity to become beneficiaries of such services and rewards. One of the findings in Machethe’s study, the cooperatives’ failure to provide transport for delivery of members’ purchases, was an example of a member expectation that the cooperative did not fully understand (Machethe, 1990) which led to member dissatisfaction and poor cooperative performance.
In this study, the primary expectation of members of all case cooperatives was that the cooperatives would buy their produce, these being agricultural cooperatives. For example, cooperative members who produced sunflower, cassava, honey or milk all had their primary expectation as finding a reliable market where they could sell their agricultural produce. Those cooperatives that were rated as poor performers were those that had not succeeded in providing the expected reliable markets. All cooperatives that were buying the produce from their members were rated as good performers despite the fact that they did not pay a dividend or a bonus to the members.

Cooperatives that met this primary expectation of their members experienced an increase in the volume of the produce which the members brought to the cooperative. On the other hand, cooperatives that did not meet this primary expectation experienced a sharp reduction in the volume of the produce that members brought to the cooperative. Thus, understanding the primary expectations of cooperative members is a very important factor in the performance of a smallholder agricultural cooperative.

Therefore, the finding that it is important for cooperatives to understand their members’ primary expectations in order to register better performance adds to our understanding of the factors that cause poor performance in smallholder agricultural cooperatives. It reveals that cooperatives can be pre-occupied with meeting expectations that are not considered critical for the members. This finding will also help in the construction of a framework for performance improvement in smallholder agricultural cooperatives.

4.2.2.2 Knowledge
Knowledge is very important among all key stakeholders in a cooperative because a cooperative is a unique form of entity with special characteristics. Members must understand all the cooperative principles and values before establishing a cooperative. Similarly, members should know how to develop by-laws so that they can develop their own in fulfillment of registration requirements.
In addition, a cooperative is a business entity and is different from an association which usually simply plays a coordinating role such as bulking members’ produce and taking it to the market for sale. Members and boards of cooperatives therefore need knowledge of business management as some of them become directly involved in managing the cooperative. The cooperative Board also requires governance knowledge because they have the responsibility of providing direction to the cooperative. One of the specific cooperative policies for agricultural sector cooperatives is to facilitate training of members in leadership and management (GoM, 1997).

A cooperative's primary source of capital is shares that are sold to members. All agricultural cooperative stakeholders require a good knowledge of shares in order to be able to buy shares with understanding. Board members too require a good understanding of shares in order to manage the sale of shares professionally. Related to the knowledge of shares, stakeholders need knowledge and understanding of dividends. Such knowledge would enable them to have realistic expectations from their cooperatives.

Finally, depending on the nature of the business of the cooperative, technical training may be offered by extension service personnel to members. All these types of training are useful to ensure that the cooperative performs well.

This core category consists of six factors, namely; cooperative knowledge (CF3), business management knowledge (CF4), governance knowledge (CF5), shares knowledge of shares (CF6), knowledge of dividends (CF7) and technical Knowhow (CF8). Table 36 presents these constituent factors and some substantiating codes or interviewee responses for this category.

**Table 36: Knowledge (Core Category) – Constituent Measures and Substantiating Codes**

<table>
<thead>
<tr>
<th>Constituent Factors</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cooperative knowledge (CF3), Business management knowledge (CF4), Governance knowledge (CF5), knowledge of shares (CF6), Knowledge of dividends (CF7) and Technical</td>
</tr>
</tbody>
</table>
The following sections provide detailed descriptions of the six factors in the knowledge category:

### a. Cooperative knowledge (CF3)
Before a cooperative is registered by the Registrar of Cooperatives, it is imperative that members and leaders of the proposed cooperative receive training to improve their knowledge and understanding of their organization and prepare them for the task of managing and operating the cooperative. This is because a cooperative is a different form of business from types such as companies and sole-proprietorships. Every
member of the cooperative should therefore receive sufficient training to enable them to participate effectively in the cooperative’s activities. In addition, every member is eligible to become a leader in a cooperative. Thus, for them to become effective cooperative leaders in future, they need a good understanding of the workings of a cooperative. A lack of or insufficient cooperative training for members would clearly impair their effectiveness as members and potential leaders of the cooperative, and this might negatively affect the performance of the cooperative.

Table 37 presents the substantiating concepts and codes for this factor. The subsequent section lists the properties of this factor observed during this research study. Finally, a brief analytical discussion is provided for this factor based on a critical comparison of the findings with contemporary performance improvement and cooperative literature.

Table 37: Cooperative knowledge (CF3) – Substantiating Concepts and Codes

<table>
<thead>
<tr>
<th>Substantiating Concepts</th>
</tr>
</thead>
<tbody>
<tr>
<td>Training, cooperatives, membership, registration</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Substantiating Codes</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. “For the group to register as a cooperative, the cooperative only trained the leaders, 20 members. When they tried to train their fellow members, this was not successful…….” (CE-011)</td>
</tr>
<tr>
<td>2. “GIZ …… Offered to train some more members but could only train 130 more members. Thus some members know their rights as cooperative members but others do not know because they have never been trained” (CE-012)</td>
</tr>
<tr>
<td>3. “Ministry of Industry and Trade offered training in Cooperative business and quality control…..” (MD-076)</td>
</tr>
<tr>
<td>4. “The Ministry of Industry and Trade must always be involved at the start in order to get registered. Subsequent trainings can be offered by other trainers” (CE-015)</td>
</tr>
<tr>
<td>5. “Some members do not understand how cooperatives work even after receiving the initial lessons. They therefore become frustrated because their expectations do not match reality on the ground in the cooperative ……..” (MD-150)</td>
</tr>
<tr>
<td>6. “Cooperatives always pay for training courses. They are also responsible for transporting the facilitator and the driver and paying for their accommodation and allowances”</td>
</tr>
</tbody>
</table>
Properties
1. The basic cooperative training introduces the cooperative principles and values which guide the operation of any cooperative.
2. Cooperative training informs members about their rights and responsibilities as cooperative members
3. Cooperative training gives members information concerning the difference between a cooperative and other forms of enterprise, the importance of buying shares in the cooperative and the rewards of cooperative membership.

Discussion
This study has shown that inadequate cooperative training among members and cooperative leaders contributes to poor performance in agricultural cooperatives. Most smallholder agricultural cooperative members and Board members do not receive the right amount of training prior to becoming members and board members respectively. Training of both cooperative members and boards is a prerequisite for cooperative registration with the Registrar of Cooperatives. Such training is currently provided by the Registrar of Cooperatives in terms of the Cooperative Development Policy (GoM, 1997) which lists one of government’s responsibilities as to “Facilitate training of members in leadership and management”. However, once registered, there is no mechanism for systematically providing additional training to members of registered cooperatives and to new members as and when they join cooperatives or when members are elected as new board members. The training that members and board members receive is
therefore inadequate for them to fully understand how cooperatives work and how to direct them.

A major reason for the inadequacy of the training that is offered to smallholder agricultural cooperatives is that although the training is facilitated by the Registrar of Cooperatives, the cost of the training which covers venue costs, refreshments and meals, accommodation for cooperative members, and transport, accommodation and allowances for the facilitators is borne by the cooperative. Most smallholder agricultural cooperatives are unable to raise enough money to meet all these expenses and therefore only strive to offer the initial mandatory training in order to obtain the registration by the Registrar. Furthermore, they often do not have the budget to meet the cost of a two-week long training course which is the requirement for registration. Some cooperatives therefore negotiate for shorter training programmes to facilitate registration and these are granted on the basis of their inability to pay. Unfortunately, after registration, there is no strong motivation to invest in training anymore. For this reason, no additional training is offered to the members and no training is offered to new members except in those cooperatives where financial support is provided by cooperative development institutions.

This study has therefore revealed that most cooperative members do not receive cooperative training either because the cooperative did not have enough resources to train all members during cooperative registration or because no training was organized for new entrants as and when they joined the cooperative. Many cooperative members therefore have no understanding of basic cooperative principles.

One consequence of this situation is an alarming lack of understanding among cooperative members of the nature and purpose of shares in cooperatives. Most members are unable to articulate why their cooperative sells them shares. Some think that shares are contributions of money which are paid to the cooperative in the form of a deposit to be repaid at the end of the year. In one case cooperative, when the money was not paid back at the end of the year the members concluded that their shares were
lost and that they did not have any shares in the cooperative anymore. In another cooperative, the Board suspended the sale of shares to members in 2010 and has not sold a single share since then. The Board further declared that no members owned any shares in the institution despite the fact that some bought shares in the cooperative prior to the suspension. This level of ignorance clearly leads to poor performance as cooperatives have undermined the most basic source of capital that is available to them and have created an attitude of total dependence on donors for their survival.

This finding confirms earlier research findings which highlighted lack of training as contributing to poor performance (Machethe, 2009). However, this study has added a new dimension. The training offered to cooperative members and boards should be adequate because otherwise training standards will be compromised. For example, a three-day training programme cannot cover material meant to be offered in a two-week training programme which is the standard for cooperative registration by the Registrar of Cooperatives. This factor therefore reveals structural weaknesses in the preparation of members and board members for the task of running the cooperative which inevitably eventually leads to ineffectiveness and poor performance.

b. Business Management knowledge (CF4)
A cooperative is a business which is jointly owned by the members. The USDA defines a cooperative as “a user-owned, user-controlled business that distributes benefits on the basis of use” (Zeuli et al., 2004:1). Since a cooperative is a business, it follows that those who run it should be well versed in business management. Training in business management is what is required for managers of cooperatives to know how to run these businesses effectively.

Table 38 presents the substantiating concepts and codes for this factor. The subsequent section lists the properties of this factor observed during this research study. Finally, a brief analytical discussion is provided for this factor based on a critical comparison of the findings with contemporary performance improvement and cooperative literature.
Table 38: Business Management Knowledge (CF4) – Substantiating Concepts and Codes

<table>
<thead>
<tr>
<th>Substantiating Concepts</th>
</tr>
</thead>
<tbody>
<tr>
<td>Training, business management, membership, leadership</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Substantiating Codes</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. “The cooperative has never received training in how to run a business”. (CH-009)</td>
</tr>
<tr>
<td>2. “Initial training:……… the importance of a cooperative as a business”” (MD-013)</td>
</tr>
<tr>
<td>3. “……….. after training, every cooperative member became a sunflower farmer and they sell their produce to the cooperative………. The cooperative then crushes the sunflower and extracts the oil for sale” (TL-031)</td>
</tr>
<tr>
<td>4. “………. They know that a cooperative was beneficial because they were taught that a cooperative was a business ……” (TL-037)</td>
</tr>
<tr>
<td>5. “………. Received only leadership training but we did not receive business management training” (TL-003)</td>
</tr>
</tbody>
</table>

Properties

1. A cooperative is a business. Managing a cooperative means managing a business. Those who manage a cooperative therefore must know how to manage a business.
2. A cooperative is a unique type of business because the owners are often the suppliers and the customers. Managing such a business requires a good understanding of how such a business works.
3. Unlike other types of business where profit is the key driver of the business operations, a cooperative has more objectives to fulfill than profit. Cooperative Managers therefore must learn how to balance the various objectives in a business.

Discussion

Most smallholder agricultural cooperative members are told at the time of cooperative formation that a cooperative is a business, but they do not receive any business management training prior to becoming members. Since most smallholder agricultural cooperatives are run by the members themselves, this study has revealed that the lack of business management training contributes to poor performance in agricultural cooperatives.
Only two out of the eight case cooperatives in this study were managed by professional managers. In those cooperatives where there were no professional managers, the management functions were undertaken by the executive committees of the boards which typically comprised the Board Chairperson, Secretary and Treasurer. These committee members often lacked the business management skills required to manage the business effectively. Furthermore, even in the few cooperatives where professional managers were managing the enterprise, the board members were unable to provide oversight because their business management knowledge and experience was limited. This study has therefore revealed that cooperatives need members and leaders who understand business management. A lack of such skills impairs their effectiveness as they seek to manage or to provide management oversight in the cooperative, and this might negatively affect the performance of the cooperative.

Business Management Training is not a pre-requisite for cooperative registration. It is therefore the responsibility of each cooperative to mobilize the necessary resources to provide such training to its members. Most smallholder agricultural cooperatives do not have the resources to finance such training. Therefore, members are not equipped to manage their cooperative businesses effectively.

Another challenge facing smallholder cooperatives is the literacy levels of board members. Most members have basic primary school education. It is therefore difficult for them to understand business management concepts even if training is provided to them. This problem is not unique to Malawi as they are present even in advanced economies such as the UK. Alliston et al. (2005) observed that a lack of business skills among cooperative members in the boards was a barrier to cooperative business progress in the UK. It is for this reason that some cooperative development organizations offer technical assistance in the form of a professional manager and accountant in smallholder agricultural cooperatives to try and improve the management capacity. Although such interventions have not always been successful, they have demonstrated the importance of business management skills in cooperatives.
This finding further confirms earlier findings that poor business management due to lack of training contributes to poor performance (Machethe, 2009, Van der Walt’s, 2005; Van Niekerk, 1988). This factor therefore emphasizes a very important principle that smallholder agricultural cooperatives are businesses and without business management skills their performance will be poor.

c. Governance Knowledge (CF5)

The appointment and training of a board is a pre-requisite for cooperative registration. Cooperative Board members are required to know how to govern a cooperative and how to supervise management. The cooperative by-laws make every member a potential member of the Board. Therefore, it is imperative that all members be trained before they assume their roles as board members.

Managers in cooperatives are supposed to be supervised by boards of directors. However, because of illiteracy or poor education levels among board members, despite receiving corporate governance training, board members are unable to effectively discharge their roles as supervisors of management. As a result, management make decisions concerning the cooperatives that are not adequately understood by the board. Some managers have also used their positions to deceive board and cooperative members and have abused or even misappropriated cooperative funds. This has led to a distrust of educated people by cooperative members who view them with suspicion that they will take advantage of them because they are illiterate.

Another challenge is that most smallholder agricultural cooperatives in Malawi are managed by executive committees of the board consisting of the Board Chairperson, Secretary and Treasurer. These people therefore play a dual role of management and governance, and because they cannot supervise themselves, standards of management supervision in smallholder agricultural cooperatives have therefore suffered.
Table 39 presents the substantiating concepts and codes for this factor. The subsequent section lists the properties of this factor observed during this research study. Finally, a brief analytical discussion is provided for this factor based on a critical comparison of the findings with contemporary performance improvement and cooperative literature.

Table 39: Governance Knowledge (CF5) – Substantiating Concepts and Codes

<table>
<thead>
<tr>
<th>Substantiating Concepts</th>
<th>Substantiating Codes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Training, Corporate governance, membership, leadership, management, illiteracy, supervision, distrust</td>
<td>1. “The Board needs training especially in how to run the business of the cooperative and in leadership” (CH-023)</td>
</tr>
<tr>
<td></td>
<td>2. “……..Training of members is also important because it prepares them for positions in future…” (CH-024)</td>
</tr>
<tr>
<td></td>
<td>3. “……….. but their board members' knowledge is limited to what they learnt. They need refresher courses” (LC-018)</td>
</tr>
<tr>
<td></td>
<td>4. “Board members were taught what it means to be a board member, their job descriptions, the role of management and the relationships between board, management and members” (MD-119)</td>
</tr>
<tr>
<td></td>
<td>5. “The Board is a go-between between members and management. When members have issues they take them to the Board and if they cannot handle them, they are referred to management” (MD172)</td>
</tr>
<tr>
<td></td>
<td>6. “The cooperative will consider employing a manager only after building a factory and if the production increased significantly. Managers tend to misuse money because members are mostly not well educated to monitor their work well”. (CH-021)</td>
</tr>
<tr>
<td></td>
<td>7. “What would help is closer supervision of the manager”. (CH-022)</td>
</tr>
<tr>
<td></td>
<td>8. “The cooperative had a manager and an accountant sponsored by a donor organization, but currently it has neither external manager nor accountant”. (MK-007)</td>
</tr>
<tr>
<td></td>
<td>9. “The cooperative is currently not meeting member expectations. Leaders have contributed to the current difficult situation at the cooperative”. (MK-012)</td>
</tr>
<tr>
<td></td>
<td>10. “The cooperative is not performing at the moment because funds have been misused……..” (MK-016)</td>
</tr>
</tbody>
</table>
Properties
1. Board members are considered to be the representatives of the members and the leaders in a cooperative.
2. Board members are appointed from among those members that have higher levels of education.
3. The appointment of board members is well articulated in the by-laws of cooperatives which stipulate the terms of office of serving board members and the procedures for their replacement.
4. Management in smallholder agricultural cooperatives is not adequately supervised because board members are often illiterate or have lower qualifications than the professional managers who are sometimes engaged to run the cooperatives on behalf of members.
5. When board executive committees are managing a cooperative, there is also an absence of management supervision.
6. The absence of effective supervision often leads to abuse of cooperative funds by managers.

Discussion
This study has shown that most board members of cooperatives lack the training required to discharge their governance duties effectively. The first group of board members of a smallholder agricultural cooperative always receives some governance training prior to assuming their roles as board members because this is a pre-requisite for the cooperative’s registration. However, there are no mechanisms at present for training those board members that come later or for providing refresher courses to sitting board members. Therefore, most board members of cooperatives lack the training that they need to discharge their governance duties effectively. This situation contributes to poor performance in agricultural cooperatives because governance is critical for the success of any organization.

A major reason why smallholder agricultural cooperatives do not offer their board members training regularly is because they do not have the capacity to pay for such
training. Not all cooperatives are able to successfully fundraise for such a task. A consequence of this situation is serious deficiencies in governance skills leading to a lack of innovation and poor performance in the cooperatives. Some Board members have also abused their positions because of not fully understanding their responsibilities.

Earlier research findings that lack of training contributes to poor cooperative performance (Machethe, 2009; Van Niekerk, 1988) are therefore confirmed here. All board members should be trained and the training offered to cooperative boards should be adequate because otherwise they will not be effective in their roles and cooperative performance will be compromised.

This study has also shown that effective supervision of management is missing in smallholder agricultural cooperatives in Malawi and this is contributing to poor performance of smallholder agricultural cooperatives. Sometimes, professional managers are engaged to run smallholder agricultural cooperatives in recognition of the fact that the boards of such institutions do not have the business management skills to effectively manage them. However, what is often overlooked is the fact that the board members do not have the necessary experience to supervise the managers. Because of this, sometimes the roles are reversed and the board reports to the managers as was the case with case cooperative (CC3) in this study where the board’s role was described as “taking members’ issues to management”. Such reversal of roles means that the board does not play its rightful role of supervising management and could lead to poor performance.

Furthermore, the majority of case cooperatives were managed by executive committees of their boards comprising the Chairperson, Secretary and Treasurer. Under these circumstances, the Board cannot supervise itself. Therefore, there is no effective supervision of management in most smallholder agricultural cooperatives in Malawi. In addition, although the Cooperative Societies Regulations No. 52(b) require the
Committee every year and as soon as conveniently possible within such time as the Registrar may direct to;

“Prepare a report on the year’s activities of the registered society to be presented to the annual general meeting”;

the Annual General Meeting would invariably consist mostly of illiterate people because those who are elected to serve as board members are usually the best educated members of the cooperative. When the Board reports to the annual general meeting, it is reporting to people who are least able to make informed decisions based on the information provided. Thus, the reporting relationship as envisaged by the Cooperative Society Regulations is also flawed. This therefore is a new finding from this study.

d. Knowledge of Shares (CF6)
A cooperative is an entity in which the owners are the shareholders. They buy shares at a price set by the Board. However, in Malawi the concept of a share is not well understood by most cooperative members including Board Members. Members often regard a share as simply the item that gives them the right to a dividend at the end of the year without fully understanding how the share capital is utilized. Similarly, some Board Members do not understand the importance of shares as a means of raising capital for the cooperative. Most smallholder cooperatives operate without adequate capital. Quite often this situation arises because of a lack of understanding of the importance of capital in the business. They do not pursue such opportunities aggressively, preferring instead to seek donor support to close any financing gaps that might arise.

The following are the main reasons why there is limited knowledge of shares among cooperative shareholders in Malawi:

a) Financial literacy in Malawi is generally limited and only a small proportion of the population has dealings with the Stock Market or any understanding of shares.
This means that most cooperative members will not have heard of shares at the time of joining a cooperative.

b) As already indicated in section 4.2.2.2 (a) above, when people become cooperative members, they are not given adequate training about cooperatives and some do not receive training at all. This leads therefore to members having limited or no knowledge at all of shares.

The significance of this finding for the performance improvement framework is that a better understanding of shares will enable members to make informed decisions which will have a positive effect on the performance of the cooperative.

Table 40 presents the substantiating concepts and codes for this factor. The subsequent section lists the properties of this factor observed during this research study. Finally, a brief analytical discussion is provided for this factor based on a critical comparison of the findings with contemporary performance improvement and cooperative literature.

Table 40: Knowledge of Shares (CF6) – Substantiating Concepts and Codes

<table>
<thead>
<tr>
<th>Substantiating Concepts</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital, shares, share capital, membership</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Substantiating Codes</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. “Financial performance of the cooperative is very poor largely because of lack of capital. Most of the money comes from loans e.g. Opportunity Bank”. (LC-065)</td>
</tr>
<tr>
<td>2. “The cooperative is unable to buy members produce immediately. Farmers need cash for their produce soon after harvest…………..” (LC-010)</td>
</tr>
<tr>
<td>3. “The coop needs ……. to have funds of its own with which to buy produce, and to negotiate prices and bonuses with its members before the growing season so that members can plan”. (LC-051)</td>
</tr>
<tr>
<td>4. “The current objectives of the cooperative are to sell shares to members so as to increase its capital, to have more beehives and to have a bigger market for its honey”. (LW-018)</td>
</tr>
<tr>
<td>5. “Financially, ……. cooperative is performing very well but the problem is that its capital is very small”. (LW-032)</td>
</tr>
</tbody>
</table>
6. “To improve its performance, the cooperative will have to raise more capital …… increase the range of products and have more beehives. ……….” (LW-007)

7. “Need to source external capital to buy raw materials. We cannot obtain a loan from the bank because of high interest rates” (MD-131)

8. “When members sell their produce they are not paid on time” (MD-036)

9. “……………, no capital for buying raw materials to enable the factory to produce throughout the year. Not able to fight off competition for sunflower seed which is very strong”. (MD-060)

10. “Lack of working capital means that we may not be able to buy sufficient quantities of seed” (MD-062)

11. “For the cooperative to perform better, more capital is required………” (TL-66)

12. “The cooperative is not doing well because it started operations with a loan which it is still servicing up to now. The cooperative’s capital is very small". (TL-5)

13. “The cooperative uses some of the money realized from the sale to shares to buy honey from non-members". (LW-015)

14. “Members of the cooperative learnt about shares and how to use them from the cooperative training that was offered at the beginning by the Ministry of Industry and Trade. The training lasted 5 days”. (LW-038)

15. “Now there are 297 fully paid shareholders ……… Those who are not full shareholders cannot receive dividends or refunds". (MD-010)

16. “They can pay for their shares through the provision of their produce which makes it fairly easy for the farmers”. (MD-147)

17. “The cooperative is not performing well in the following areas: ………… Members are unable to buy shares. ………… Our current donors do not permit other donors to support us. We are not able to buy all the sunflower produced by farmers”. (TL-062)

**Properties**

1. The main source of capital in traditional cooperatives is the sale of shares to members.

2. The concept of shares is not well understood by some cooperative members and Board Members alike.

3. Some cooperative members regard shares as a form of interest-bearing deposit product by the cooperative.
4. Some cooperatives do not understand the importance of selling shares as a means to raise capital for the cooperative. That is why they can suspend the sale of shares.
5. Smallholder agricultural cooperatives, like other businesses need adequate capital to ensure successful operations.
6. A good understanding of the importance of capital is essential to enable the cooperative to develop appropriate strategies for generating adequate capital.

Discussion
This study has shown that most smallholder agricultural cooperatives in Malawi operate without adequate capital because of their expectations that government or cooperative development institutions will always provide them with financial support. Such support does not always come on time and consequently, the performance of smallholder agricultural cooperatives suffers.

Most cooperative members do not understand the concept of shares. Some consider a share as a deposit made in the cooperative which will earn them a return such as interest at the end of the year and will be paid back when required by the member. In addition, with the exception of those cooperatives that are run by professional managers, most cooperatives do not understand the important role that shares play in raising capital and in capital adequacy. Some case cooperatives in this study were not selling shares to their members at all although the members were still regarded as owners of the cooperative. Furthermore, in some cooperatives money realized from the sale of shares was not used for the right purposes, for example, the money was lent back to the members, and this led to inadequate levels of capital in the cooperatives. In most cooperatives, when additional finance was required, cooperatives often appealed to the membership to donate funds to the cooperative instead of asking them to buy more shares.

Further, although some smallholder agricultural cooperatives with a small membership have a particularly difficult challenge to raise sufficient capital for their activities through shares because a small membership means that the price of each share must be high
which makes it unaffordable for their members to buy shares, some just do not fully understand the purpose of shares in a cooperative. For example, all the case cooperatives in this study with a large membership were still unable to raise sufficient capital from the sale of shares largely because of their limited understanding of share capital and their undue reliance on donor support to meet their financing gaps.

Adequate capital is an essential ingredient in every business enterprise. Without adequate capital, a business enterprise cannot operate successfully. However, most smallholder agricultural cooperatives do not have a very good understanding of the importance of having adequate capital. They therefore go into operation without any clear strategies on how to raise the essential capital that their enterprises require. Because most smallholder agricultural cooperatives have limited opportunities to borrow to meet emerging financing gaps, they rely entirely on anticipated support from donors. When such support does not come or if it does not come on time, the cooperatives move from one crisis to another. Thus, inadequate capital contributes directly to poor performance in smallholder cooperatives. This study has therefore confirmed the findings of other researchers (Lyne & Collins, 2008; Van der Walt, 2005) that inadequate capital or lack of access to start-up capital contributes to poor performance of smallholder agricultural cooperatives.

e. Knowledge of Dividends (CF7)

Dividends are a very popular form of expected return among smallholder agricultural cooperative members, much more so that bonuses or patronage refunds. When cooperative members buy shares most consider them to be similar to an interest bearing deposit in a bank. The payment of the dividend is therefore considered to be automatic and time-based and not based on the return on investments made by the cooperative. A dividend is thus expected at the end of each year, and the more shares a member buys, the higher the dividend that the members expect at the end of the year. When a cooperative does not declare a dividend, it is considered to have defaulted on its obligations. Members do not fully understand the relationship between the financial
performance of a cooperative and the decision to pay a dividend. The concept of a dividend is therefore not well understood by cooperative members.

Table 41 presents the substantiating concepts and codes for this factor. The subsequent section lists the properties of this factor observed during this research study. Finally, a brief analytical discussion is provided for this factor based on a critical comparison of the findings with contemporary performance improvement and cooperative literature.

Table 41: Knowledge of Dividends (CF7) – Substantiating Concepts and Codes

<table>
<thead>
<tr>
<th>Substantiating Concepts</th>
<th>Substantiating Codes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dividends, interest</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Substantiating Codes</strong></td>
<td></td>
</tr>
<tr>
<td>1. “A cooperative was also established so that members can share dividends…………” (CH-004)</td>
<td></td>
</tr>
<tr>
<td>2. “New members have been motivated by the expectation that there will be dividends at the end of the year………….” (CE-005)</td>
<td></td>
</tr>
<tr>
<td>3. “The cooperative is seen as advantageous because members get dividends. Dividends are calculated based on shares purchased. However no dividends yet have been paid”. (CE-007)</td>
<td></td>
</tr>
<tr>
<td>4. “No dividends so far have been declared because the coop’s financial performance has never been good enough for such payments to be made. ………” (LC-062)</td>
<td></td>
</tr>
<tr>
<td>5. “At year end to get a dividends based on number of shares” (MD-163)</td>
<td></td>
</tr>
<tr>
<td>6. “No dividends and bonuses have been paid so far” (MD-180)</td>
<td></td>
</tr>
<tr>
<td>7. “No dividends are paid yet at year end. Nevertheless, members are not leaving the cooperative because they understand the challenges that the cooperative is facing because of transparency. ………” (TL-046)</td>
<td></td>
</tr>
</tbody>
</table>

**Properties**
1. The concept of dividends is not well understood by most cooperative members.
2. No cooperative has so far paid a dividend to its members.
3. The annual payment of dividends is considered by some members to be mandatory.
4. Some cooperative members do not understand the relationship between the cooperative’s financial performance and the payment of dividends.

Discussion
This study has shown that most smallholder cooperative members do not have any understanding of the relationship between the payment of a dividend and the cooperative’s performance. Most smallholder cooperative members expect to receive dividends from the cooperatives annually in the same way that they would expect to receive interest from an interest-bearing deposit at the bank. They do not understand that there is a relationship between the payment of dividends and the financial performance of the cooperative.

Cooperative literature records that the primary benefit to members from a traditional cooperative is a patronage refund or bonus. Dividends are paid from the remainder of the surplus after the payment of a patronage refund or bonus (ICA, 2015). Dividends are however the expected return in member-investor types of cooperatives where returns are distributed to members in proportion to shareholdings in addition to patronage (Chaddad and Cook, 2003). The situation in Malawian smallholder cooperatives therefore mirrors the practice in member-investor cooperatives.

None of the case cooperatives have so far paid dividends to their members, a clear indicator that their financial performance is weak. In view of this, some members are not keen to buy more shares in their cooperatives because they regard their cooperatives as reneging on their obligations to pay dividends annually. This negatively affects the cooperative’s ability to raise more capital which, in turn, affects the performance of the cooperative. This therefore is a new finding from this study.

f. Technical Knowhow (CF8)
A cooperative is a business which is jointly owned by the members. The USDA defines a cooperative as “a user-owned, user-controlled business that distributes benefits on the basis of use” (Zeuli et al., 2004:1). In a smallholder agricultural cooperative context,
very often the owners of the cooperative are also its suppliers and the cooperative depends on them to supply sufficient quantities of their produce to enable the cooperative to perform its work. It is therefore necessary for technical training which sometimes takes the form of extension service training to be given to the members to enable them improve their production in order to meet demand from the cooperative.

Table 42 presents the substantiating concepts and codes for this factor. The subsequent section lists the properties of this factor observed during this research study. Finally, a brief analytical discussion is provided for this factor based on a critical comparison of the findings with contemporary performance improvement and cooperative literature.

Table 42: Technical Knowhow (CF8) – Substantiating Concepts and Codes

<table>
<thead>
<tr>
<th>Substantiating Concepts</th>
</tr>
</thead>
<tbody>
<tr>
<td>Extension training, technical training, members, farmers, coaching</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Substantiating Codes</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. &quot;…….. How to multiply seed, crop management .....&quot; (LC-004)</td>
</tr>
<tr>
<td>2. “The group was given training in how to look after cattle, how to look after milk, how to prepare food for the cattle, farming as a business, how to save money and how to operate a study circle…..” (MP-003)</td>
</tr>
<tr>
<td>3. “The training they received at the start was growing grass, for the cattle, how to fee the cattle, building cattle pens, how to supply milk to the cooperative, how to look after milk ……..” (MK-002)</td>
</tr>
<tr>
<td>4. “…….. Extension workers/ advisors do not visit farmers regularly because they don’t have means of transport such as motorcycles ……..” (MD-169)</td>
</tr>
<tr>
<td>5. “The technical advisor is not able to visit because he lacks reliable means of travel such as motor-cycles or a car ……..” (MP-013)</td>
</tr>
<tr>
<td>6. “………… Members also receive capacity building support from extension works ……..” (TL-030)</td>
</tr>
</tbody>
</table>
Properties
1. Technical training is offered to members in the form of extension services to build their capacities in the technical areas of their individual businesses.
2. Extension training takes the form of on-job-training or coaching.
3. Extension training takes place on site on the premises of the recipient while other trainings can be offered in a classroom setting.
4. Technical training may also be offered to members or employees in a cooperative to build their capacities in the technical areas required by the cooperative in the process of value addition.

Discussion
This study has shown that a lack of or poor technical training of cooperative members could lead to the poor performance of the cooperative. Very often when members decide to form a cooperative, they venture into the production of a product that is new to them. For example, a smallholder cooperative which was formed to produce cooking oil from sunflower seed but whose members were mostly sunflower farmers, needed technical training in sunflower production to produce sufficient quantities and the right quality of sunflower seed to supply to the cooperative. Without such training, the members were not producing sufficient quantity and quality of the raw materials required by the cooperative, and this negatively affected the cooperative because the members were the suppliers to the cooperative.

This situation calls for the provision of technical training to the members which often takes the form of extension services training. Where members are not delivering the raw materials that they are required to supply to the cooperative, as was witnessed in one of the case cooperatives where members temporarily suspended deliveries of milk to their cooperative (CC4), the performance of the cooperative suffered. Therefore, by building
the technical capacity of cooperative members, the performance of the cooperative can be enhanced.

This study therefore has revealed that a lack of or poor technical training of cooperative members could lead to the poor performance of the cooperative. It confirms the observation by Van der Walt (2005) that lack of training is a factor which contributes to poor performance of smallholder agricultural cooperatives. Cooperatives must therefore provide adequate technical training to their members.

4.2.2.3 Skills
Cooperatives of all sizes are businesses. It follows therefore that skills for managing the business are at the centre of every cooperative business. A smallholder agricultural cooperative needs the right level of skill in critical business spheres for it to perform well. Some smallholder agricultural cooperatives are run by managers and others are run by executive committees of their boards. In all cases, it is necessary that the people running the cooperative should possess the right level of managerial knowledge and skills. Similarly, the cooperatives should possess the necessary knowledge and skills to manage effectively key functions of the cooperative. As the cooperatives grow bigger and more complex, the managerial skills required to manage them may also be more complex.

This core category consists of five factors, namely; management skills (CF9), marketing skills (CF10), pricing skills (CF11), record keeping skills (CF12) and negotiation skills (CF13). Table 43 presents these constituent factors and some substantiating codes or interviewee responses for this category.

<table>
<thead>
<tr>
<th>Constituent Factors</th>
<th>Substantiating Codes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Management skills (CF9), Marketing skills (CF10), Pricing skills (CF11), Record keeping skills (CF12), and Negotiating skills (CF13)</td>
<td></td>
</tr>
</tbody>
</table>

Table 43: Skills (Core Category) – Constituent Measures and Substantiating Codes
1. “The Board needs training especially in how to run the business of the cooperative and in leadership”. (CH-023)

2. “The cooperative is unable to buy members produce immediately. Farmers need cash for their produce soon after harvest. They therefore do not see any benefit in retaining their membership with the coop because they are forced to sell their produce to vendors”. (LC-010)

3. “If the coop bought the produce from members rather than just bulk it for sale, this would be a great help because farmers would get their money immediately. The coop would be the one to wait”. (LC-049)

4. “Non-members who sell their honey to the cooperative are paid a lower price than members”. (LW-029)

5. “This would depend on whether the price offered by the coop is better than that offered by vendors. An acceptable price is one that enables the farmer to cover his/ her costs”. (LC-050)

6. “To improve performance ….. employ a qualified accountant”. (MD-070)

7. “Bring banks and financial institutions to the cooperative to lend members money through the coop for investing in farming activities”. (LC-025)

The following sections provide detailed descriptions of the five factors in the skills category:

**a. Management Skills (CF9)**

Most smallholder agricultural cooperatives are run by executive committees of their boards. The reason for this situation is that they cannot afford to employ a professional manager to manage the affairs of the cooperative because such people demand higher remuneration than the incomes of the cooperatives. The executive committee members are unfortunately not always individuals with business management experience, and since they are also board members, there is often nobody more experienced in business to provide oversight over their activities.

Table 44 presents the substantiating concepts and codes for this factor. The subsequent section lists the properties of this factor observed during this research.
study. Finally, a brief analytical discussion is provided for this factor based on a critical comparison of the findings with contemporary performance improvement and cooperative literature.

Table 44: Management (CF9) – Substantiating Concepts and Codes

<table>
<thead>
<tr>
<th>Substantiating Concepts</th>
</tr>
</thead>
<tbody>
<tr>
<td>Management, cooperatives, managerial skills, managerial knowledge, manager</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Substantiating Codes</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. “The cooperative has no manager. The Board runs the cooperative through its committees- marketing, finance, development, social committee and the Executive”. (CH-020)</td>
</tr>
<tr>
<td>2. “The Board needs training especially in how to run the business of the cooperative and in leadership”. (CH-023)</td>
</tr>
<tr>
<td>3. “The Board understands how a cooperative works but their knowledge is limited to what they learnt. They need refresher courses”. (LC-018)</td>
</tr>
<tr>
<td>4. “The Manager is the leader of a cooperative especially in technical areas. Coops need educated managers. The manager will ensure good financial performance of the cooperative”. (MD-051)</td>
</tr>
<tr>
<td>5. “The cooperative has performed well because of transparency and hardworking spirit of management” (MD-059)</td>
</tr>
<tr>
<td>6. “Management of the bulking group is exercised by the Chair + management committee + ex-officio members”. (MP-015)</td>
</tr>
<tr>
<td>7. “The cooperative had a manager and an accountant sponsored by a donor organization, but currently it has neither external manager nor accountant”. (MK-007)</td>
</tr>
<tr>
<td>8. “There is no manager. The cooperative is run by the Board represented by the Chair, Secretary and Treasurer - (Executive Committee)”. (TL-51)</td>
</tr>
<tr>
<td>9. “The Manager is the leader of a cooperative especially in technical areas. Coops need educated managers. The manager will ensure good financial performance of the cooperative”. (MD-051)</td>
</tr>
</tbody>
</table>

Properties

1. Business Management knowledge and skills are a pre-requisite to cooperative management because cooperatives are businesses.
2. Professional managers are too expensive for most cooperatives.
3. The more business management knowledge and skills a cooperative has, the greater the chances of the cooperative performing well.

Discussion
This study has shown that inadequate levels of business management knowledge and skills contribute to poor performance in agricultural cooperatives. Most smallholder cooperatives are run by board executive committees which do not always possess the right level of business management knowledge, skills and experience. When business management knowledge and skills are missing in a cooperative, the cooperative does not maintain any records, there is no strategic direction for its activities, activities are undertaken in a haphazard manner and the cooperative is unable to face competition from other enterprises in the marketplace that have better management capacities.

Unfortunately, cooperatives cannot easily employ professional managers to run their affairs because professional managers demand higher remuneration than the cooperatives can afford. Of the eight case cooperatives that were studied as part of this research, only two (CC3 and CC6) had professional managers. In one case, the manager’s salary was paid by a cooperative development institution while the manager for the other case cooperative was working on a voluntary basis in the hope that when the cooperative starts making money, he will then draw a salary. These institutions often finance the employment of professional managers in cooperatives as a way of giving them the necessary managerial capacity to improve their performance. The managers are expected to improve the income generating capacities of their cooperatives within a 2-3 year period of their cooperative development institution’s sponsorship. After this period, the cooperatives are expected to be able to pay the managers’ salaries from internal resources. Thus, an agricultural cooperative with good business management capacity is expected to register better performance than one which does not.

While cooperatives that have had managers sponsored by cooperative development institutions have demonstrated that the involvement of professional management can
have a positive impact on the performance of cooperatives, the reality is that most smallholder agricultural cooperatives are unable to sustainably employ such managers. A recent program assessment report by the USADF confirmed this observation. The Malawi Country Program Assessment of USADF focusing on agricultural cooperatives (USADF, 2014) recommended that:

“The capacities of grantees should be strengthened to ensure sustainability of the activities after grant phase out. Most of the grantees require further capacity building in governance, management, finance and human resource especially in basic literacy; translating by-laws in local languages; aligning mission and goal to plans and budgets; internal audits; financial diversification; monitoring and reporting”.

Thus, business management is a critical missing element in most agricultural cooperatives in Malawi. Van der Walt (2005), Machethe (1990) and Van Niekerk (1988) also concluded that lack of management skills contributed to poor performance in smallholder agricultural cooperatives. This research study has therefore confirmed their earlier findings.

**b. Marketing Skills (CF10)**

Most smallholder agricultural cooperatives take the form of marketing cooperatives. They are formed to facilitate the purchase of agricultural products from the members and to on-sale either the same produce or the products made by the cooperative using the produce to other markets. They are in effect formed to play the role of intermediate buyer, a role which is played by many agro-dealers and vendors. The agro-dealers are essential because smallholder farmers produce small quantities of everything they produce. They can’t therefore do business with large buyers because they don’t meet their minimum supply quantity requirements.

Table 45 presents the substantiating concepts and codes for this factor. The subsequent section lists the properties of this factor observed during this research study. Finally, a brief analytical discussion is provided for this factor based on a critical
comparison of the findings with contemporary performance improvement and cooperative literature.

**Table 45: Marketing (CF10) – Substantiating Concepts and Codes**

<table>
<thead>
<tr>
<th>Substantiating Concepts</th>
</tr>
</thead>
<tbody>
<tr>
<td>Marketing, selling, cash flow management</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Substantiating Codes</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. “Clubs are not able to secure stands at the International Trade Fair grounds but a cooperative can do so easily”. (CH-003)</td>
</tr>
<tr>
<td>2. “Members have beehives. They process the honey and sell it to the cooperative and the cooperative pays for the honey immediately………………”. (CH-006)</td>
</tr>
<tr>
<td>3. “When members get planting materials, they are required to sell their cassava to the cooperative”. (CE-009)</td>
</tr>
<tr>
<td>4. “Markets have been found in the past but we have also had challenges in that some buyers have disappeared with our produce without paying. We need help from some people to find us reliable markets for our produce”.(LC-016)</td>
</tr>
<tr>
<td>5. “To buy produce and store it for sale in future or for the future use of the members”. (LC-020)</td>
</tr>
<tr>
<td>6. “If the coop bought the produce from members rather than just bulk it for sale, this would be a great help because farmers would get their money immediately. The coop would be the one to wait”.(LC-049)</td>
</tr>
<tr>
<td>7. “The cooperative is able to sell its products through OVOP although it does not have an MBS certificate, but it plans to obtain one soon”. (LW-023)</td>
</tr>
<tr>
<td>8. “After selling produce, payments come late……..” (MD-169)</td>
</tr>
<tr>
<td>9. “The sale of their sunflower would provide members with a profit” (TL-2)</td>
</tr>
<tr>
<td>10. “The cooperative does not have reliable markets where it can sell its oil”. (TL-6)</td>
</tr>
</tbody>
</table>

**Properties**

1. Marketing is central to the existence of smallholder agricultural cooperatives. Therefore, they must have marketing skills to survive.
2. Cooperative members need cooperatives because they individually do not have marketing skills.

3. Good marketing skills in a cooperative have a positive effect on the cash flows of both the cooperative and the members.

Discussion

This study has shown that the availability of marketing skills in a smallholder agricultural cooperative is critical for its performance. Smallholder agricultural cooperatives are formed for the purpose of buying members’ agricultural produce and selling it in either processed or unprocessed form depending on the nature of the cooperative’s business. This demands marketing skills on the part of the cooperative. A cooperative that does not have marketing skills will tie up its capital in agricultural produce bought from members which it is unable to dispose of. Such a situation will cause cash flow problems in that there will be no cash to pay the members for their produce next time. A smallholder agricultural cooperative which cannot buy and sell will collapse as its members will no longer have a reliable market to sell their produce. It will also not be able to meet the expectations of its members including dividend payments and bonus payments. Therefore, lack of marketing skills contributes to the poor performance of cooperatives.

Furthermore, cooperative members operate on a Cash-on-Delivery basis, terms which the cooperative as an intermediate buyer must be ready to accept for the smallholder farmers’ convenience. When such terms are coupled with an offer of competitive prices by the cooperative to the smallholder farmers, the farmers are often keen to deliver large volumes of their produce to the cooperative. This means that the agricultural cooperatives should have marketing skills to be able to find good markets for the agricultural produce supplied by the members. The presence of such skills will lead to the cooperative managing the buying and selling of the produce professionally with its positive effect on the cooperative’s cash flow. The absence of marketing skills leads to poor cash flow and the cooperative’s inability to buy or pay for members produce when it is ready for sale. This finding has confirmed earlier findings by Kherallah & Kirsten.
(2002), and Anderson & Henehan (2003) that lack of marketing skills leads to poor performance in smallholder agricultural cooperatives.

c. Pricing Skills (CF11)
Pricing is an important consideration among smallholder farmers in the decision to sell or not to sell their produce. One of the reasons why they form cooperatives is because they believe that a cooperative gives them stronger bargaining power when they are selling their produce better than when they are selling individually. However, even when members are selling to their own cooperative, the price offered by the cooperative remains an important consideration. When the price offered by the cooperative is considered to be competitive, members supply more of the product to the cooperative. However, when the price offered is considered to be low, members tend to supply small quantities of their produce to the cooperative and larger quantities are sold to other buyers who are thought to be offering better prices.

Table 46 presents the substantiating concepts and codes for this factor. The subsequent section lists the properties of this factor observed during this research study. Finally, a brief analytical discussion is provided for this factor based on a critical comparison of the findings with contemporary performance improvement and cooperative literature.

**Table 46: Pricing (CF11) – Substantiating Concepts and Codes**

<table>
<thead>
<tr>
<th>Substantiating Concepts</th>
</tr>
</thead>
<tbody>
<tr>
<td>Price, selling, competition</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Substantiating Codes</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. “……… The cooperative is able to buy from us at a good price because individually we can’t keep the produce until prices improve because we need money immediately”. (LC-002)</td>
</tr>
<tr>
<td>2. “Bulking produce for sale later when prices improve although no reliable market has been</td>
</tr>
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<td></td>
</tr>
<tr>
<td>---</td>
</tr>
<tr>
<td><strong>Properties</strong></td>
</tr>
<tr>
<td>1.</td>
</tr>
<tr>
<td>2.</td>
</tr>
<tr>
<td><strong>Discussion</strong></td>
</tr>
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</tbody>
</table>
other commonly found buyers of their produce. Smallholder farmers do not have many other market options where to sell their produce because major markets have minimum quality and quantity requirements which must be complied with before a sale is made to them. This is a challenge for most smallholder farmers.

Cooperative members nevertheless continue to look for competitive prices on the market despite the fact that the markets available to them are limited. When the cooperative is not offering competitive prices, smallholder farmers will take their produce to other markets. This has the effect of reducing the amount of produce available for sale to the cooperatives. This, in turn, affects the cooperative's performance since it must now spend more money buying the produce from locations far away from its base which may necessitate incurring transport costs thereby negatively impacting its performance. Conversely, if the cooperative's prices are considered to be competitive, members tend to supply a lot of produce to the cooperative. Even non-members of the cooperative will try and supply the cooperative at prices dictated by the cooperative which may be lower than those offered to members. This also acts as an incentive to non-members to join the cooperative in order to benefit from the higher prices offered to members. Therefore, pricing contributes to the performance of the cooperative. Cooperative literature has not highlighted pricing as a major contributor to poor performance of smallholder agricultural cooperatives. Kherallah & Kirsten (2002) observed that lack of accounting skills rather than pricing specifically contributed to the poor performance of smallholder agricultural cooperatives. This therefore is a new finding from this study.

d. Record Keeping Skills (CF12)
Most smallholder agricultural cooperatives do not maintain records of their operations. Those that do are the few that are managed by professional managers. Since the majority of smallholder agricultural cooperatives do not maintain records, it becomes difficult to measure their performance. A major contributor to this situation is the fact that in those cooperatives where there are no professional managers, those who manage
them are people without any management experience and who do not have an appreciation of the importance of records in their organizations.

Table 47 presents the substantiating concepts and codes for this factor. The subsequent section lists the properties of this factor observed during this research study. Finally, a brief analytical discussion is provided for this factor based on a critical comparison of the findings with contemporary performance improvement and cooperative literature.

Table 47: Record Keeping (CF12) – Substantiating Concepts and Codes

<table>
<thead>
<tr>
<th>Substantiating Concepts</th>
</tr>
</thead>
<tbody>
<tr>
<td>Records, record-keeping, profit, management</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Substantiating Codes</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. “The cooperative has no records to show whether or not it has been profitable since establishment”. (CH-010)</td>
</tr>
<tr>
<td>2. “……….. to improve the performance of the cooperative ……….. install an accounting package to improve reporting”. (CE-024)</td>
</tr>
<tr>
<td>3. “Members are not contributing funds. Salaries come from profits from the sale of agricultural chemicals. ….. A record of expenses is not available and will have to be compiled”. (LC-066)</td>
</tr>
<tr>
<td>4. “In the past the cooperative calculated at the end of the year how much profit it made. It then saved some money for development and the balance was divided among members”. (LW-026)</td>
</tr>
<tr>
<td>5. “To improve performance ….. immediately capture all data from all departments” (MD-071)</td>
</tr>
<tr>
<td>6. “Financial performance is set to improve because each department is a profit centre with own target …….. The various businesses were chosen to facilitate integrated production where some business units produce products or by-products for use by others”. (MD-135)</td>
</tr>
<tr>
<td>7. “Weekly monitoring of each section is also taking place. Each section has its own bank account and is expected to pay its way”. (MD-136)</td>
</tr>
<tr>
<td>8. “For the cooperative to perform better……….. employ a Manager, Accountant and Production Officer”. (TL-66)</td>
</tr>
</tbody>
</table>
| 9. “……….. Despite the absence of records, the cooperative claims that it has proved that
beekeeping is indeed a profitable business”. (CH-011)

Properties
1. There is limited capacity in smallholder agricultural cooperatives for the maintenance of records.
2. Cooperatives that are managed by professional managers are better able to maintain records than those without such managers
3. It is difficult to measure the performance of a cooperative in the absence of records.

Discussion
This study has shown that the maintenance of accurate records is critical for the performance of a smallholder agricultural cooperative. Most smallholder agricultural cooperatives do not maintain complete records of their operations. With the exception of those smallholder cooperatives that have professional managers who maintain detailed records because the donors who engage them require them to do so, most maintain incomplete records or no records at all. This makes it difficult to measure the performance of the cooperative quantitatively because the available records cannot be relied upon. The performance of most smallholder agricultural cooperative can therefore only be measures qualitatively. This situation can lead to poor performance of a cooperative because of the absence of critical baseline performance data.

Findings by researchers (Anderson & Henehan, 2003; and Kherallah & Kirsten, 2002) confirm the finding that poor record-keeping contributes to poor performance among smallholder agricultural cooperatives.

e. Negotiation Skills (CF13)
Most smallholder agricultural cooperative members look to their cooperatives to facilitate for them to obtain agricultural and other loans from financial institutions. This is because on their own, smallholder agricultural cooperative members cannot access
such loans easily. A cooperative that successfully negotiates with lending institutions for its members to obtain loans from the financial institution, or a cooperative that uses some of its financial resources to lend money to its members is rated by its members as performing very well. This is because access to capital or loans among smallholder farmers is a major challenge.

Table 48 presents the substantiating concepts and codes for this factor. The subsequent section lists the properties of this factor observed during this research study. Finally, a brief analytical discussion is provided for this factor based on a critical comparison of the findings with contemporary performance improvement and cooperative literature.

Table 48: Negotiation (CF13) – Substantiating Concepts and Codes

<table>
<thead>
<tr>
<th>Substantiating Concepts</th>
<th>Substantiating Codes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loans, financial institutions, agricultural loans</td>
<td></td>
</tr>
</tbody>
</table>

1. “When giving out loans, the cooperative follows an already agreed order of beneficiaries”. (CH-017)
2. “The current objective of our cooperative is …….to receive assistance to buy fertilizer on credit” (LC-014)
3. “Bring banks and financial institutions to the cooperative to lend members money through the coop for investing in farming activities”. (LC-025)
4. “The cooperative has ….. brought organizations such as banks to help the cooperatives and its members”. (LC-030)
5. “…. Could cause the cooperative to fail ……. dependency on loans by members where they may borrow but not repay the loans…..” (MD-182)
6. “…. The cooperative did not perform well ….. We did not get a loan for farm inputs from the bank” (MD-128)

Properties
1. Access to loans by smallholder farmers is considered to be a major challenge.
2. Smallholder agricultural cooperatives that give their members access to loans are considered to be performing well.

Discussion
This study has shown that good negotiation skills by managers and board members of smallholder agricultural cooperatives could improve the performance of the cooperatives. Most smallholder farmers seek access to loans through membership in agricultural cooperatives because such access is not available to them at individual level. Access to loans is one of the reasons why some smallholder agricultural cooperatives were established. It is very difficult for individual smallholder farmers to access loans from lending institutions on their own because they are considered by the financial institutions to be risky clients. The alternative available to them is to obtain such loans from informal lenders, but the cost of the money from that source is often prohibitively expensive at a minimum of 100% per month. When a cooperative is able to negotiate with financial institutions to offer loans to its members, the members are able to increase their production because they are able to buy additional farm inputs. This ultimately has the effect of increasing the supply of produce to the cooperative which can have a positive effect on the performance of the cooperative.

Past research does not specifically highlight negotiation skills as contributing to poor performance in smallholder agricultural cooperatives. Van Niekerk, 1988 highlighted poor business management skills which may include negotiation skills as a contributor but he did not mention negotiation skills specifically.

4.2.2.4 Attitude
There is an attitude among cooperative members towards donors and managers, and among board members concerning governance that is harmful and can contribute to poor performance among smallholder agricultural cooperatives as follows:

(1) Most cooperatives have the attitude that donors will always provide all their financial needs. This attitude influences their decision-making because they do
not view the cooperative as a self-sustaining entity but purely as a means for attracting support from donors. Such an attitude therefore does not promote good performance of the cooperative.

(2) Cooperative and board members alike have a negative attitude towards professional managers whom they consider to be untrustworthy because they are more educated than them. The lack of trust also stems from the fact that the cooperative board members feel inadequate to supervise the more educated professional managers. In an increasingly sophisticated market, cooperatives need capable and trained managers to manage their affairs. When cooperative support institutions such as the USADF have sponsored professional managers in cooperatives, their performance has significantly improved. This negative attitude by cooperative members therefore robs the cooperative of the opportunity to improve its performance due to the absence of competent management.

(3) Founder board members in some cooperatives also have the attitude that they should always be the ones to play the governance role, undermining the provisions of their own by-laws requiring that board members retire after a certain number of terms. Some boards also deliberately frustrate some governance provisions which entrench democracy in cooperatives by not calling general meetings. This attitude towards governance in cooperatives robs members of the opportunity to replace ineffective board members with more capable ones whose contribution would lead to better performance. It therefore contributes to poor performance in smallholder agricultural cooperatives.

This core category consists of five factors, namely; donor dependency (CF14), distrust of managers (CF15), founder syndrome (CF16), general meetings (CF17) and transparency (CF18). Table 49 presents these constituent factors and some substantiating codes or interviewee responses for this category.
Table 49: Attitude (Core Category) – Constituent Measures and Substantiating Codes

<table>
<thead>
<tr>
<th>Constituent Factors</th>
<th>Substantiating Codes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Donor dependency (CF14), Distrust of managers (CF15), Founder syndrome (CF16),</td>
<td>1. “Plans to improve performance include: ............... to find a donor to provide</td>
</tr>
<tr>
<td>General meetings (CF17), and Transparency (CF18)</td>
<td>funds to help the cooperative to buy sunflower seed from farmers on a cash basis</td>
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<tr>
<td></td>
<td>..........” (TL-025)</td>
</tr>
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<td></td>
<td>2. “........ To reverse these trends we need to improve relationships with donors</td>
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<td></td>
<td>because on its own the cooperative cannot do it, it will die ....” (LC-052)</td>
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<tr>
<td></td>
<td>3. “......For members to obtain fertilizer and other farm inputs easily from donors”</td>
</tr>
<tr>
<td></td>
<td>(LC-013)</td>
</tr>
<tr>
<td></td>
<td>4. “Some organizations offer a lot of support to cooperatives for as long as the</td>
</tr>
<tr>
<td></td>
<td>cooperative agrees that a manager and an accountant be made available by the</td>
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<tr>
<td></td>
<td>organization to run the coop. This would not be acceptable ........ .......</td>
</tr>
<tr>
<td></td>
<td>cooperative would wish to negotiate that this should not happen”. (LW-035)</td>
</tr>
<tr>
<td></td>
<td>5. “Founders became too powerful. Founding members wanted to influence the activities</td>
</tr>
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<td></td>
<td>of the cooperative and members were unhappy with that .........” (CE-016)</td>
</tr>
<tr>
<td></td>
<td>6. “Members trust the board because they regularly provide performance reports to</td>
</tr>
<tr>
<td></td>
<td>members. This is transparency”. (TL-049)</td>
</tr>
<tr>
<td></td>
<td>7. “....Cooperative does not call all members to democratically discuss issues and</td>
</tr>
<tr>
<td></td>
<td>decide what to do next .....” (LC-031)</td>
</tr>
</tbody>
</table>

The following sections provide detailed descriptions of the five factors in the attitude category:

a. Donor Dependency (CF14)

Cooperative theory suggests that cooperatives are formed to address member needs. The Rochdale Society which was formed for reasons of addressing members’ needs is a good example of this. The NCBA (2005) also supports this notion by stating that cooperatives are formed by their members when the marketplace fails to provide needed goods and services at affordable prices and acceptable quality. Members are therefore supposed to view their cooperatives as institutions for solving their problems and to empower people to improve their quality of life and enhance their economic opportunities through self-help.
However, in Malawi, while members look to agricultural cooperatives to solve their problems, they are considered merely as vehicles through which such solutions can be obtained. In other words, there is an attitude among cooperative members that the agricultural cooperatives do not themselves need to have the capacity to solve the problems but rather, their existence is the solution. This is because agricultural cooperatives in Malawi are largely dependent on cooperative development institutions, who are mostly donors, for many things. Dependency has been defined in the business dictionary (www.businessdictionary.com) as a relationship between conditions, events or tasks such that one cannot begin or be completed until one or more other conditions, events or tasks have occurred, begun or completed. For most cooperatives, the dependency attitude stems from the fact that the idea of forming a cooperative came from the same entities that they are depending on. And for these cooperatives, dependency is a permanent feature of their existence. They consider themselves to be incapable of doing anything on their own without the involvement of a donor.

Table 50 presents the substantiating concepts and codes for this factor. The subsequent section lists the properties of this factor observed during this research study. Finally, a brief analytical discussion is provided for this factor based on a critical comparison of the findings with contemporary performance improvement and cooperative literature.

Table 50: Donor Dependency (CF14) – Substantiating Concepts and Codes

<table>
<thead>
<tr>
<th>Substantiating Concepts</th>
</tr>
</thead>
<tbody>
<tr>
<td>Motivation, donations, loans, dependency</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Substantiating Codes</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. “The vice chairman is the one who mooted the idea of establishing a cooperative” (LW-001)</td>
</tr>
<tr>
<td>2. “……… Malawi Lake Basin project advisors later advised members to consider establishing a cooperative….” (TL-030)</td>
</tr>
<tr>
<td>3. “The cooperative simply followed the advice of the advisors. Members wanted to have the</td>
</tr>
</tbody>
</table>
means to develop themselves because a cooperative is a business……” (TL-085)

4. “…… So they recommended the establishment of a cooperative …..” (LC-071)

5. “The motive for establishing a cooperative was to deal with the challenges that members were meeting as farmers”. (LW-002)

6. “…..To obtain external sources of working capital with which to buy produce from members”. (MD-089)

7. “….. For the future of the cooperative the leadership is busy looking for donors to provide support to the cooperative …….. This will be intensified……. But we need money to help us undertake these activities”. (LC-077)

8. “The ……. helps members by finding donors who can donate to the cattle so that every member can have cattle, and because government and donors do not help individuals but groups ……therefore the bulking group attracts such support”. (MP-009)

9. “…….. If donors helped out quickly, members would start enjoying dividends quickly”. (TL-047)

10. “After 5 years, especially if we find donors to support us, our standard of living will have improved, the cooperative will possess a vehicle …………….”. (TL-015)

11. “The ……. Depends entirely on donors to provide donations of cattle ……..”. (MP-028)

12. “Strategies for the future: ………………………. The Board will write proposals to donors for support”. (TL-063)

**Properties**

1. Dependency on donors is cultivated at the time a cooperative is conceived. The idea of a cooperative is often attributed to the donor who proposed the formation of the cooperative. The donor is henceforth expected to create mechanisms for the sustainability of the cooperative before exiting the relationship with the new cooperative.

2. The cooperative expects that support from donors will remain for as long as it is in existence. It does not graduate to become a self-reliant institution. This means that the performance of the cooperative is not as important as the ability to source additional help from existing and future donor institutions.
Discussion

This study has revealed that, although in cooperative theory the initiative to establish a cooperative comes from the members themselves, in practice most cooperatives in Malawi are initiated by donor institutions. This creates a sense of dependency right from the outset in which donors are expected to provide resources to the cooperative to meet all needs. The performance of the cooperative is therefore of no consequence because in the minds of the members and especially the cooperative boards, the key to the survival and growth of a cooperative lies in their ability to attract financial and other support from donors.

Cooperative theory suggests that the initiative to establish a cooperative comes from the members themselves. However, all case cooperative in this study were formed following the encouragement and intervention of external bodies such as cooperative promotional agencies, donors or government. The motivation that cooperative members are given for forming a cooperative is that when they form one, government and donors will take them seriously and will give them various facilities including donations of equipment, training and farm inputs and loan facilities for members on soft terms. This background cultivates the donor dependency syndrome whereby cooperative members believe that by becoming a cooperative they have earned a right to be supported by donors forever.

Nkhoma (2011) also arrived at the same finding in her study of agricultural cooperatives in Malawi. All four cooperatives studied by Nkhoma had received assets from NGOs and government which included office buildings, maize mills, rice mills, oxcarts and silos. Some were given start-up capital for operating farm input shops, and others were given loan facilities at subsidized interest rates for capitalizing their farm input shops. However, this support created donor dependency. The donor dependency was so entrenched that in two failing cooperatives studied by Nkhoma, members indicated that their strategy for reviving their failing cooperative was to go back to the same organizations which provided them with support at the beginning to ask them for help to kick-start their cooperatives again.
This mentality contributes to the poor performance of cooperatives, and this finding adds to our understanding of the factors that cause poor performance in smallholder agricultural cooperatives. It means that cooperative leaders are pre-occupied with sourcing resources from external sources and are paying very little attention to the core business of the cooperative which is supposed to generate the resources for its sustainability. This understanding will also help in the construction of a framework for performance improvement in smallholder agricultural cooperatives.

b. Distrust of Managers (CF15)

Few smallholder agricultural cooperatives have the resources to employ professional managers because these individuals demand considerably higher remuneration packages than the cooperatives can afford. Nevertheless, some cooperatives have professional managers who are often engaged by donors on behalf of the agricultural cooperatives and paid by the donor institutions because they are thought to provide better management of the cooperatives which will eventually lead to better cooperative performance. The involvement of professional managers is supposed to persist during the first few years of such contracts. The managers’ terms of reference often require them to make their cooperatives sufficiently profitable within the shortest possible time so that the cooperatives can take over the payment of their salaries at the end of the commitment period of the cooperative development institutions.

However, since most smallholder agricultural cooperative members are either illiterate or have only basic primary school education, they do not totally trust the professional managers. This distrust has also been heightened by cases of misappropriation of funds in some agricultural cooperatives by professional managers. Because of the distrust that cooperative members have of such professional managers, their attitude towards them is that they have been imposed by the donors who pay them. This is despite the fact that the performance of some cooperatives has been observed to improve significantly when professional managers are involved. Unfortunately, very often, the
cooperatives do not continue with the management arrangement beyond the commitment period entered into by the donors.

Table 51 presents the substantiating concepts and codes for this factor. The subsequent section lists the properties of this factor observed during this research study. Finally, a brief analytical discussion is provided for this factor based on a critical comparison of the findings with contemporary performance improvement and cooperative literature.

**Table 51: Distrust of managers (CF15) – Substantiating Concepts and Codes**

<table>
<thead>
<tr>
<th>Substantiating Concepts</th>
<th>Substantiating Codes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Management, donor, distrust</td>
<td>1. “Sometimes it is support institutions that impose managers. Under these circumstances the manager becomes more powerful than the Board”. (CH-022)</td>
</tr>
<tr>
<td></td>
<td>2. “Some organizations offer a lot of support to cooperatives for as long as the cooperative agrees that a manager and an accountant be made available by the organization to run the coop. This would not be acceptable ……… cooperative would wish to negotiate that this should not happen”. (LW-035)</td>
</tr>
<tr>
<td></td>
<td>3. “The problem is not the donors but the managers who abuse their position to steal from the cooperative”. (LW-036)</td>
</tr>
<tr>
<td></td>
<td>4. “The cooperative had a manager and an accountant sponsored by a donor organization …..” (MK-007)</td>
</tr>
</tbody>
</table>

**Properties**

1. Cooperative members do not trust professional managers and they consider offers by donors of technical assistance in the form of such managers as an imposition.
2. When professional managers are recruited by cooperative development institutions, they report primarily to the cooperative development institutions because the cooperatives have limited capacity to understand the reports.
3. Managers that are recruited by donors become more powerful than the boards because it is the donors rather than the boards that set performance targets for them.

**Discussion**

This study has shown that although professional managers are thought to have the potential to improve the performance of cooperatives, their involvement does not always lead to improved results because they are not trusted by the cooperatives. Smallholder agricultural cooperatives do not lend their full support when cooperative development institutions demand that a management team should be introduced into a cooperative as a condition for the provision of financial support to the cooperative. Such initiatives are proposed primarily for the purpose of improving the performance of the cooperative recognizing the lack of management capacity that exists in the cooperative. However, cooperatives regard such initiatives as imposition of management by the donor. The managers are usually offered as part of a larger package of support to the cooperative but they are perceived negatively - as a condition for the release of the rest of the financial support pledged by the donor. This negative perception often leads to suspicion that the managers are misusing cooperative funds which breeds misunderstandings between the board and management and between members and management. Hansen *et al.* (2002) observed that trust between members and managers has a positive effect on cooperative performance. Where members do not trust their managers, performance suffers. Distrust between members and managers therefore contributes to poor cooperative performance because management and the board tend to pull in different directions. This therefore is a new finding from this study.

c. **Founder Syndrome (CF16)**

Corporate governance has been defined in the business dictionary ([www.businessdictionary.com](http://www.businessdictionary.com)) as the framework of rules and practices by which a board of directors ensures accountability, fairness, and transparency in a company's relationship with its stakeholders. The Cooperative Societies Act refers to the Board of Directors as a “Committee” and defines a committee as the governing body of a
registered society to which the management of its affairs is entrusted and includes a Board of Directors. Board members are elected from among the members of the cooperative and they are supposed to retire according to the by-laws of each cooperative. The by-laws of most of the case cooperatives in this study provided for a maximum of two terms of between two and three years before each board member retires. Unfortunately, the true roles and responsibilities of Board members are sometimes not well understood by the members of the cooperative or are deliberately ignored.

Most by-laws of cooperatives are drafted based on a template supplied by the Registrar of Cooperatives and they stipulate that those who should serve on the Board of a cooperative should be individuals with at least a secondary school Junior Certificate qualification. Unfortunately, most members of cooperatives did not even complete their primary school education. Therefore, in practice, cooperatives elect even those members who can barely read and write to fill board positions. However, such individuals are often seen as inferior to those members with higher qualifications. This situation gives undue advantage to those with higher qualifications and they become more influential in the cooperatives. Such individuals therefore consider themselves to be the legitimate founders of the cooperatives because they were the ones who negotiated with the donors who supported the cooperative in its formative years. Consequently they consider themselves to be indispensible and resist any attempt to retire from the positions of influence. This state of affairs causes discord in the cooperative which negatively affects its performance.

Table 52 presents the substantiating concepts and codes for this factor. The subsequent section lists the properties of this factor observed during this research study. Finally, a brief analytical discussion is provided for this factor based on a critical comparison of the findings with contemporary performance improvement and cooperative literature.
### Table 52: Founder syndrome (CF16) – Substantiating Concepts and Codes

<table>
<thead>
<tr>
<th>Substantiating Concepts</th>
<th>Substantiating Codes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corporate governance, influence, leadership, power, founder</td>
<td>1. “Founders became too powerful. Founding members wanted to influence the activities of the cooperative and members were unhappy with that ……….” (CE-016)</td>
</tr>
<tr>
<td></td>
<td>2. “Founders became …………members of the Board of Advisors which is a structure designed by the founders to suit themselves and replace the constitutional Board ……… but this was not supported”. (CE-017)</td>
</tr>
<tr>
<td></td>
<td>3. “………… the main role of the board of advisors is just to advise. This is still problematic and not being followed by the cooperative”. (CE-018)</td>
</tr>
<tr>
<td></td>
<td>4. “………. does not call all members to democratically discuss issues and decide what to do next ………” (LC-031)</td>
</tr>
<tr>
<td></td>
<td>5. “………… If the Board is not accountable, the cooperative can also die”. (LW-037)</td>
</tr>
</tbody>
</table>

### Properties

1. Some Board members who were present at the time of establishing the cooperative always want to be acknowledged as founders and given special status in the cooperative.

2. Some among the founders try to exercise a lot of influence over the cooperative often in a dictatorial manner considering all others as not sufficiently knowledgeable in matters of cooperatives and despite the fact that cooperatives are supposed to be democratic institutions.

3. Some founders consider themselves to have legitimate higher authority in governance matters than the board, and they try to get involved in governance despite being outside the board.

### Discussion

This study has shown that where governance structures are not respected as stipulated in the by-laws of each cooperative, the performance of the cooperatives becomes negatively affected. According to McNamara (2008), founders are dynamic, driven, and
decisive and carry a clear vision of the organization. They are passionate about meeting the needs of their customers. They make reactive, crisis-driven decisions with little input from others. They spearhead stakeholder networks, fundraising and generate new ideas for services. They hand pick Board members and staff primarily based on loyalty and accessibility rather than genuine focus on the organization's mission. They view Boards as a source for fundraising, and remove Board members who disagree. They tend to have a very difficult time letting go of the strategies that worked to quickly grow the organization, despite evidence that the organization can no longer absorb this rapid growth without major changes.

The Founder Syndrome is very destructive to the performance of any cooperative. Among the case cooperatives in this study, the founder syndrome was particularly evident in case cooperative (CC6) where it had a negative effect on the cooperative’s performance because some members boycotted delivery of agricultural produce to the cooperative believing that the motive of the founders was to enrich themselves and not to provide benefits to the members. Other members were also contemplating leaving the cooperative altogether. The founders do not respect the by-laws of the cooperative as regards the governance structure.

At the time of this study, the case cooperative where the founder syndrome was most evident (CC6) had two governance structures; one official one as stipulated in its by-laws and the other an unofficial one. The unofficial one was created by the founders of the cooperative who called themselves the Board of Advisors and attempted to become the main governance body for the cooperative. This was fiercely resisted by the members who wanted the constitutional board to remain the main governance body. This situation created tension in the cooperative and its performance suffered as a result.

This study has therefore demonstrated the importance of respecting governance structures as stipulated in the by-laws of each cooperative and that when governance
structures are not respected, this can lead to poor performance of the smallholder agricultural cooperative. This therefore is a new finding from this study.

d. General Meetings (CF17)
An annual general meeting is a meeting of all members of a cooperative which is held annually at which the board accounts to the entire membership for the performance of the cooperative. The Cooperative Societies Act requires that all cooperatives hold annual general meetings. Members can also demand special general meetings to discuss issues of importance that cannot wait for the next annual general meeting. Annual general meetings and special general meetings are important corporate governance tools because they entrench accountability. At these meetings members also have the opportunity to speak openly about their cooperative’s performance and to elect new leaders to replace either retiring board members or non-performing ones.

Table 53 presents the substantiating concepts and codes for this factor. The subsequent section lists the properties of this factor observed during this research study. Finally, a brief analytical discussion is provided for this factor based on a critical comparison of the findings with contemporary performance improvement and cooperative literature.

<table>
<thead>
<tr>
<th>Substantiating Concepts</th>
<th>Substantiating Codes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corporate governance, leadership, democracy, general meetings</td>
<td>1. “The AGM has not taken place since 2007, and therefore the Board has not changed since then”. (LC-062)</td>
</tr>
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<td></td>
<td>2. “The AGM is held …….. but the cooperative is not well informed about how to conduct AGMs. Also because the Ministry of Industry and Trade does not come to the meeting, the cooperative does not change its leadership”. (CH-025)</td>
</tr>
<tr>
<td></td>
<td>3. “………… also speak openly at AGMs and can call extraordinary General Meetings”. (TL-046)</td>
</tr>
<tr>
<td></td>
<td>4. “AGMs are held and board members are selected there. In emergencies extraordinary general meetings can be called”. (TL-054)</td>
</tr>
</tbody>
</table>
Properties

1. An Annual General Meeting is a constitutional requirement and every cooperative is required by law to hold such a meeting of all its members.
2. An annual general meeting gives an opportunity to board members to give an account of the performance of their cooperative to the entire membership of a cooperative in person and for the members to air their views.
3. An annual general meeting also gives members an opportunity to elect members to various leadership positions in the cooperative.
4. A cooperative can hold additional general meetings called special general meetings within the year if there is a pressing need for them.

Discussion

This study has shown that holding general meetings has a positive effect on the performance of a cooperative. A cooperative which holds an annual general meeting is abiding by the law and complying with the provisions of its own by-laws. According to the Cooperative Societies Act Regulation No 18;

“The supreme authority in a registered society shall be vested in the general meeting, at which every member has the right to attend and vote on all questions, unless the by-laws of the society provide for some alternative form of representation. Every member shall have one vote which shall be exercised in person and not by proxy”.

Cooperatives that do not hold annual general meetings are denying members the right to receive an account from the board on how the cooperative is performing and may also frustrate any attempt to change the composition of the Board because this can only be done at general meetings. Furthermore, cooperatives that do not call annual general meetings cannot pay a dividend or bonus. According to the Cooperative Societies Act, Section 46, (GOM, 2000),
“No registered society shall pay a dividend or bonus or distribute any part of its accumulated funds without the prior approval of the annual general meeting”.

It is the responsibility of the Board of Directors to convene general meetings. The Cooperative Societies Act Regulation No 20 states that;

“The Committee shall convene the annual general meeting on receipt of the report of the audit of the account of the registered society from the Registrar”.

Regulation No 22 states that;
“A special general meeting may be convened at any time by the Committee on receipt of a demand stating the objects of the proposed meeting signed and attested by one fourth of the persons who are members of the registered society”.

Boards that do not call annual general meetings nor permit for special general meetings to be held are frustrating the cooperative’s ability to perform the above tasks which may be aimed at improving the cooperative’s performance. General meetings therefore are important tools for assessing the performance of a cooperative, its board and management. The absence of general meetings therefore contributes to the poor performance of smallholder agricultural cooperatives. This therefore is a new finding from this study.

e. Transparency (CF18)
The Board is the main governance body in a cooperative recognized by the Cooperatives Societies Act (2000). Before a cooperative is registered by the Registrar of Cooperatives in Malawi, the Board would have been elected from among the cooperative members, and Board members trained. They would also have demonstrated that they know what they are doing by presiding over the development of by-laws and a business plan for the cooperative. In the absence of a manager in a cooperative, it is also the board’s Executive Committee comprising the chairperson, the secretary and the treasurer that assumes the management role for the cooperative. The
Board is therefore an essential body contributing to the effective performance of a cooperative.

Some boards and managers have a positive attitude towards leadership transparency to their members while others have a negative attitude towards such transparency. A board or management that employs a democratic style is regarded as transparent and accountable and is trusted by the members. This state of affairs has a positive effect on the performance of the cooperative. The more transparent a board or management is, the greater the trust that members attach to them and the more positive their understanding is of the performance of the cooperative.

Table 54 presents the substantiating concepts and codes for this factor. The subsequent section lists the properties of this factor observed during this research study. Finally, a brief analytical discussion is provided for this factor based on a critical comparison of the findings with contemporary performance improvement and cooperative literature.

Table 54: Transparency (CF18) – Substantiating Concepts and Codes

<table>
<thead>
<tr>
<th>Substantiating Concepts</th>
<th>Substantiating Codes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corporate governance, leadership, transparency, democracy, accountability</td>
<td>1. “……. lack of transparency especially by the Board. This leads to a lack of trust. Boards must have meetings with members regularly”. (MD-043)</td>
</tr>
<tr>
<td></td>
<td>2. “Our cooperative is performing well because transparency is strong”. (MD-0178)</td>
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<tr>
<td></td>
<td>3. “To ensure transparency, reports are given to members every three months showing total income and total expenditures and resultant surpluses. Also when visitors come to support ….. a meeting is called to inform the members immediately”. (MP-031)</td>
</tr>
<tr>
<td></td>
<td>4. “……. Initially the distribution of pass-on cattle was not considered to be fair because there was no system for doing so. Some members felt that others were favoured over them …..”. (MP-013)</td>
</tr>
<tr>
<td></td>
<td>5. “………. The cooperative is currently not meeting member’s expectations. Leaders have contributed to the current difficult situation at the cooperative”. (MK-012)</td>
</tr>
</tbody>
</table>
6. “The cooperative is not performing at the moment because funds have been misused”. (MK-016)

7. “If the Board is not accountable, the cooperative can also die”. (LW-037)

8. “Transparency should be encouraged to encourage people to trust their leaders”. (LC-068)

9. “….Cooperative does not call all members to democratically discuss issues and decide what to do next …..” (LC-031)

10. “……..Board does not know the concerns of members because it does not consult members regularly”. (LC-033)

Properties

1. Transparency at both management and board levels is considered by members to denote accountability.

2. Members want to know what is happening in their organization and therefore value a transparent style of leadership as it gives them a sense of control over the cooperative.

3. The absence of transparency leads to suspicion and lack of trust in leadership.

Discussion

This study has shown that lack of transparency on the part of both management and the board leads to poor performance of the cooperative. Members of smallholder agricultural cooperatives are told, at the time of joining the cooperative, that they are the owners of the cooperative. As such they want to feel that they are in control of their institution. However, since they don’t all participate in day-to-day management of the institution, they nevertheless like to be informed and where necessary consulted before major decisions are taken. A transparent Board satisfies this desire. Similarly, where there is a manager, a transparent manager gives confidence to members that they are in control of their organization and this builds trust. Trust is an important ingredient in successful cooperatives because it builds teams. A study by Szabo et al. (2011) concluded that there is a positive correlation between the level of trust and farmers’ activity in cooperative agreements.
According to Nkhoma (2011) lack of transparency and accountability in the cooperatives that she studied impacted negatively on member participation in the cooperative because members viewed cooperative leaders as being interested only in self-enrichment and not for the benefit of all. Stockbridge et al. (2003) also argue that although the ultimate control of a farmer organization must remain with members, in some social settings members may be willing to entrust leaders with considerable power to make decisions on their behalf provided there is sufficient transparency within the organization for them to be able to monitor the performance of leaders. They may be content to accept their dictates without the consultation and participation that members in more democratically oriented societies would expect. Rules and procedures provide transparency and clarity which may be helpful to farmer organizations with a large and dispersed membership.

Thus without trust there will be no activity in cooperative agreements and therefore performance will suffer. The case cooperative (CC4) where farmers stopped supplying milk to the cooperative after losing trust in its leadership was a case in point. The board made a decision to withhold sales money belonging to members for what they considered to be a good cause – to buy a delivery van which would enhance its market penetration and expand its market share – without consulting the members. This decision, which was not made in a transparent manner, led to much suspicion between members and their board, and it led to a situation of near collapse for the cooperative.

On the other hand, case cooperative (CC1) which was in a similar situation consulted its members about the fact that there was a delay in the disbursement of a loan that it had secured from a financial institution to buy sunflower seed. The result of this delay was that members were not paid quickly for their deliveries of sunflower seed. Because the matter was handled openly and transparently, members continued supplying sunflower seed to the cooperative for a period of 4 months without pay while they were waiting for the loan to be disbursed. Production of cooking oil in this cooperative never stopped and so performance did not suffer.
### 4.2.2.5 Summary of Findings on Factors

Table 55 below gives a summary of the above findings. It shows the four core categories with their respective constituent factors, a brief description of each factor and whether the factor is a new finding or is a finding that was already reported by researchers in prior studies.

Table 55: Factors contributing to poor performance in smallholder agricultural cooperatives in Malawi

<table>
<thead>
<tr>
<th>Core Category (Derived from selective coding)</th>
<th>Constituent Factors (Derived from open and axial coding)</th>
<th>Status</th>
<th>New or Confirmed Finding?</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Objectives</td>
<td>Stakeholder objectives (CF1)</td>
<td>Conflicting</td>
<td>Confirmed</td>
</tr>
<tr>
<td></td>
<td>Member expectations (CF2)</td>
<td>Member and cooperatives objectives not aligned</td>
<td>Confirmed</td>
</tr>
<tr>
<td>2 Knowledge</td>
<td>Cooperative knowledge (CF3)</td>
<td>Inadequate cooperative training</td>
<td>New</td>
</tr>
<tr>
<td></td>
<td>Business management knowledge (CF4)</td>
<td>No business management training offered</td>
<td>Confirmed</td>
</tr>
<tr>
<td></td>
<td>Governance knowledge (CF5)</td>
<td>Little or no governance training offered</td>
<td>New</td>
</tr>
<tr>
<td></td>
<td>Knowledge of shares (CF6)</td>
<td>No understanding of shares</td>
<td>New</td>
</tr>
<tr>
<td></td>
<td>Knowledge of dividends (CF7)</td>
<td>No understanding of dividends</td>
<td>New</td>
</tr>
<tr>
<td></td>
<td>Technical knowhow (CF8)</td>
<td>No or poor technical training offered</td>
<td>Confirmed</td>
</tr>
<tr>
<td>3 Skills</td>
<td>Management skills (CF9)</td>
<td>Deficient management skills</td>
<td>Confirmed</td>
</tr>
<tr>
<td></td>
<td>Marketing skills (CF10)</td>
<td>Missing marketing skills</td>
<td>Confirmed</td>
</tr>
<tr>
<td></td>
<td>Pricing skills (CF11)</td>
<td>Pricing expectations of members not aligned</td>
<td>New</td>
</tr>
</tbody>
</table>

Note:
1. **New** means that researchers have not reported this finding prior to this study.
2. **Confirmed** means that researchers have reported this finding previously and this study has also found the same.
<table>
<thead>
<tr>
<th>Ranking</th>
<th>Factor</th>
<th>coop. expectations</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Cooperative knowledge</td>
<td>Incomplete records</td>
<td>Confirmed</td>
</tr>
<tr>
<td>2</td>
<td>Knowledge of shares</td>
<td>No negotiation skills</td>
<td>Confirmed</td>
</tr>
<tr>
<td>3</td>
<td>Knowledge of dividends</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>Business management knowledge</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>Donor dependency</td>
<td></td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>Manager distrust</td>
<td></td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>Management skills</td>
<td></td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>Marketing skills</td>
<td></td>
<td></td>
</tr>
<tr>
<td>9</td>
<td>Pricing skills</td>
<td></td>
<td></td>
</tr>
<tr>
<td>10</td>
<td>Negotiations skills</td>
<td></td>
<td></td>
</tr>
<tr>
<td>11</td>
<td>Governance knowledge</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Table 56: Study findings in order of importance

- **New Finding**
- **Confirmed finding**
Table 56 shows a suggested priority order in which the factors which contribute to poor performance should be addressed. The list suggests that immediate issues that should be addressed are those in the knowledge category. Thereafter, issues to do with attitude and skills can be addressed in the order in which they appear on the list. Issues in the objective category are the least urgent of all the factors. The list also shows that in the Malawi context, the three most urgent issues to be addressed are all new factors that only emerged during this research study.

4.2.3 Performance Improvement Framework

The goal of this research study was to develop a performance improvement framework to assist smallholder agricultural cooperatives improve their performance. The analysis in chapter 4 above has revealed the key factors which contribute to poor performance in smallholder agricultural cooperatives, and these were classified into 4 core categories; objectives, knowledge, skills and attitudes. This performance improvement framework has been developed using the four core categories and their interpretation, and it has been named the “Maganga PISHAC Framework”. It aims to address the research problem and achieve the goal of this study.

The 18 factors which were classified into the 4 core categories showed that smallholder agricultural cooperatives in Malawi have deficiencies in all critical organizational areas characterized by the four core categories; objectives, knowledge, skills and attitudes. These include conflicting stakeholder objectives; member objectives not being properly aligned with those of the cooperatives, knowledge levels in critical areas such as
cooperatives, business management, governance, technical knowhow, shares and dividends being severely deficient; skills levels in vital areas like management, marketing, pricing, record-keeping and negotiation skills being seriously wanting, and finally, their attitude towards donors, management, and governance being destructive. This means that the smallholder cooperatives that are being created are weak institutions with no chance of ever improving their performance.

Figure 9 illustrates how the organizational deficiencies help to create weak smallholder agricultural cooperatives. When member objectives and those of stakeholders conflict with the cooperative’s own objectives, this situation leads to weak institutions because the key players are pulling in different directions.

Figure 9: The status of most smallholder agricultural cooperatives

Further, when key players in the cooperative such as cooperative and board members lack the most basic knowledge of what cooperatives are, what is required to make them
work and how to manage them, this situation leads to weak institutions with little or no capacity for effective operations. In addition, when key players in cooperatives do not have the requisite skills needed to make cooperatives work, this also leads to weak institutions with little or no capacity to operate efficiently. Finally, when the attitudes of key players towards stakeholders, governance and management in cooperatives are misplaced, this too leads to weak institutions because it kills initiative.

Weak institutions cannot produce good performance. As McKinsey & Company (2011) observed, most organizations are wired for mediocrity and cannot be expected to generate good performance. Figure 9 above illustrates that with conflicting objectives, deficient knowledge, inadequate skills, and destructive attitudes, most smallholder agricultural cooperatives in Malawi are wired for mediocrity and therefore are, in their current state, destined to produce poor performance.

The basic challenge facing smallholder agricultural cooperatives in Malawi is their lack of capacity to transform into better performing institutions. With deficiencies in every aspect of their work, smallholder cooperatives do not have the internal capacity to transform themselves into institutions capable of producing good performance. What smallholder agricultural cooperatives need therefore is effective external support infrastructure to shore up both existing and new cooperatives.

The Maganga PISHAC Framework proposes the establishment of Effective Support Infrastructure. Such infrastructure will use objectives, knowledge, skills and attitude which were the four core categories derived from the 18 factors that contribute to poor performance of smallholder agricultural cooperatives, to transform existing and new agricultural cooperatives in Malawi and create strong agricultural cooperatives. It is when agricultural cooperatives are strong that they become capable of performance improvement.
The application of this framework will transform existing smallholder agricultural cooperatives into strong ones. It will also lead to the creation of strong new smallholder agricultural cooperatives with the capacity for performance improvement. Strong smallholder agricultural cooperatives will be more effective in serving their members and meeting their expectations which will include the payment of dividends, the payment of bonuses, giving them access to bigger markets, giving them access to reliable markets, giving them access to loans, facilitating donations to members, facilitating donations to the cooperative and improved transparency and accountability. Meeting these expectations will have a positive economic impact on the cooperative members. For example, when members have access to bigger and more reliable markets they will produce more agricultural produce. Similarly, if members are given a
bonus as a reward for selling more produce to the cooperative, they will be encouraged
to produce and sell even more to the cooperative. It is for these very reasons that
members established or joined the cooperatives.

4.2.3.1 Implementing the Maganga PISHAC Framework
The Maganga PISHAC Framework should be implemented in five phases. The following
paragraphs provide a description of each of the five phases in the framework for a more
detailed understanding:

Phase 1: Establish an Effective Support Infrastructure
The current support infrastructure for smallholder agricultural cooperatives in Malawi
consists mainly of the following institutions: The Registrar of Cooperatives, various
government departments, international development institutions and non-governmental
organizations. However, their efforts are not coordinated and as a result they have
conflicting objectives and are therefore not effective. The nature of the required support
infrastructure is a subject for another study. However, because of its importance, it is
essential that the support infrastructure be designed to be effective, taking into account
the findings of this study.

Support infrastructure is critical if smallholder agricultural cooperatives are to register
performance improvement. The primary role of such support infrastructure should be to
close the gaps in objectives, knowledge, skills and attitudes that are present in the
existing smallholder agricultural cooperatives and to ensure that any new smallholder
agricultural cooperatives have the capacity to improve their performance.

Thus, the effective support infrastructure to be established will play three key roles:

a) To transform existing weak smallholder agricultural cooperatives into strong
cooperatives capable of improving their performance by ensuring that they have
well aligned objectives, they are knowledgeable in all critical areas, they possess
all essential skills and that they possess the right attitude.
b) To ensure that all new cooperatives are strong with the capacity for performance improvement by making certain that they have well aligned objectives, they are knowledgeable in all critical areas, they possess all essential skills and that they possess the right attitude.

c) To manage the support intervention including evaluating the effectiveness of the entire support infrastructure, and evaluating the strength of the cooperatives and their performance improvement capacities.

**Phase 2: Transform existing smallholder agricultural cooperatives into strong institutions.**

Many smallholder agricultural cooperatives already exist with no capacity for performance improvement. The support infrastructure will use objectives, knowledge, skills and attitudes which are the key ingredients for performance improvement which this study has discovered, to transform smallholder agricultural cooperatives into strong institutions. Only strong smallholder agricultural cooperatives can register performance improvement. Objectives, knowledge, skills and attitudes are the tools that the effective support infrastructure will use to create the capacity in smallholder agricultural cooperatives to become strong so as to register performance improvement. These tools should be used as a package to ensure that all gaps that can cause the cooperatives to be weak are covered because only strong smallholder agricultural cooperatives can register performance improvement.

**Phase 3: Facilitate the creation of strong smallholder agricultural cooperatives.**

One key role of the support infrastructure is to ensure that new smallholder agricultural cooperatives are created strong enough to register performance improvement. Here again the support infrastructure will use objectives, knowledge, skills and attitudes to capacitate new smallholder agricultural cooperatives to ensure that they are strong institutions with the capability to generate performance improvement. Objectives, knowledge, skills and attitudes should be used as a package to ensure that all gaps that can cause the cooperatives to be weak are covered because only strong smallholder agricultural cooperatives can register performance improvement.
Phase 4: Monitor and evaluate the strength of the cooperatives and the resultant performance improvement.

Within the Maganga PISHAC Framework it will be necessary to obtain feedback at various levels to assess the effectiveness of the interventions. This phase is primarily concerned with the effect of the interventions on the smallholder agricultural cooperatives. It is expected that by using the Objectives, Knowledge, Skills and Attitude package, smallholder agricultural cooperatives will become stronger, and that stronger cooperatives will produce performance improvement. The effect of the interventions on the cooperatives, both existing and new ones, and the resultant performance improvement will be assessed to see if the expected results are being achieved. The results of such assessment will inform the support infrastructure regarding the need for adjustments to interventions so as to become even more effective.

Phase 5: Evaluate the effectiveness of the support infrastructure.

It will also be necessary to assess the effectiveness of the support infrastructure itself. Support infrastructure that is not well coordinated or not well aligned to the needs of the smallholder agricultural cooperatives is unlikely to be effective. Therefore, it is important that regular reviews are undertaken to assess the effectiveness of the support infrastructure because lack of effectiveness at the support infrastructure level could lead to weak smallholder agricultural cooperatives and this could be detrimental to performance improvement.

SUMMARY

This section has examined the factors that contribute to poor performance in smallholder agricultural cooperatives in Malawi. A total of 18 factors were identified through the application of open and axial coding phases of the grounded theory analysis. These factors were integrated into the following 4 core categories using selective coding; 1) Objectives, 2) knowledge, 3) skills, 4) attitude. Of the 18 factors identified by this study as contributing to poor performance of smallholder agriculture
cooperatives in Malawi, 8 were new factors identified by this study and unique to the Malawi context. The other 10 factors were identified previously by other researchers both in Malawi and elsewhere, and have been confirmed by this study as contributing to poor performance.
CHAPTER 5

CONCLUSIONS

5.1 Introduction

This chapter provides concluding remarks on this thesis. The central message in these conclusions is that this research study has fulfilled its aim and achieved all its objectives. These include the development of the Maganga PISHAC Framework which is a performance improvement framework for smallholder agricultural cooperatives whose application is expected to transform existing smallholder agricultural cooperatives into strong ones and create strong new smallholder agricultural cooperatives capable of performance improvement.

These study conclusions are discussed under seven headings as follows: 1) Reflections on the research problem, aim and objectives, 2) key research findings, 3) validity of findings, 4) limitations of the study, 5) contribution to knowledge, 6) future research, and 7) final conclusions. The second section describes in brief how the research problem was addressed and the associated research aim and objectives. The third section provides an overview of the key research findings. The fourth section outlines how the research ensured that the findings are valid. The fifth section outlines the limitations of the study. The sixth section explores future research opportunities to add value to both this study and the discipline of performance improvement in smallholder agricultural cooperatives, and the final section provides final conclusions.

5.2 Reflections on the Research Problem, Aim and Objectives

This research study was aimed at exploring ways of improving the performance of the smallholder agricultural cooperatives in Malawi. Performance improvement in smallholder agricultural cooperatives is critical because smallholder agricultural cooperatives are very important organizations in Malawi being an agricultural economy which depends on smallholder farmers for up to 84% of its output. However, individual
smallholder farmers face many challenges and have formed smallholder agricultural cooperatives as a way or addressing them. The smallholder agricultural cooperatives themselves are nevertheless facing performance challenges. Therefore, the research problem of this study was: “How to improve the performance of smallholder agricultural cooperatives in Malawi?”

A number of research studies conducted prior to this study had concluded that the performance of smallholder agricultural cooperatives was poor. This study has also arrived at the same conclusion. Therefore, to address the research problem, the following aim was formulated: “To develop a performance improvement framework for smallholder agricultural cooperatives in Malawi”.

Three objectives were formulated to help attain the study aim. The following paragraphs give an overview of how the objectives formulated for this study were accomplished:

**Objective 1: To confirm the extent of the poor performance among smallholder agricultural cooperatives in Malawi.**

This objective was designed to confirm findings of the research undertaken by other researchers that concluded that the performance of smallholder agricultural cooperatives in Malawi was poor. Previous studies used sustainability as the key performance measure. However, this study used member expectations (Hind, 1999) and identified eight performance measures (M1-M8). The measures which included both financial and non-financial benefits as well as leadership included dividend payment expectations, bonus payment expectations, access to bigger markets, access to reliable markets, loans for members, donations to members, donations to the cooperatives, transparency and accountability. This study has confirmed that the performance of smallholder agricultural cooperatives in Malawi is poor because in seven out of the eight performance measures identified, their performance was rated by their members as poor (chapter 4).
Objective 2: To identify the factors that cause poor performance among smallholder agricultural cooperatives in Malawi.

Data on the factors that cause poor performance was gathered from eight case studies. Nine case cooperatives were initially selected for study but data saturation was reached by the time the eighth case study was conducted. A total of 18 factors (CF1-CF18) were identified during the empirical research to be contributors to the poor performance of smallholder agricultural cooperatives. These factors were grouped into four core categories: Objectives, knowledge, skills and attitudes, (chapter 4). Each of the factors was examined critically and the analysis has revealed that 10 out of the 18 factors identified during the study had already been identified in previous research studies. The other 8 factors that have been identified during this study however are new discoveries unique to the Malawi context and are a contribution to the body of knowledge on the subject under study. They include: inadequate cooperative knowledge, no understanding of shares, no understanding of dividends, little or no governance knowledge, pricing expectations of members not aligned to those of cooperatives, donor initiated cooperatives creating donor dependency, no trust for donor supported managers, no respect for governance structures by founder directors, failure to organize general meetings, and lacking transparency in decision making, (chapter 4).

Objective 3: To develop a performance improvement framework for smallholder agricultural cooperatives.

A performance improvement framework called the Maganga PISHAC Framework was developed to help smallholder agricultural cooperatives improve their performance. The framework was developed from the core categories of the 18 factors which contribute to poor performance of smallholder agricultural cooperatives which were identified during the research study. The framework provides a systematic approach to performance improvement in smallholder agricultural cooperatives, (chapter 4) and is based on the premise that only strong smallholder agricultural cooperatives will have the capacity to improve their performance.
The research problem in this study was therefore addressed and the aim of the research fulfilled through the development of a performance improvement framework called the "Maganga PISHAC Framework". The Framework can be used in Malawi to improve the performance of smallholder agricultural cooperatives. However, it requires customization to become fully applicable in similar environments elsewhere.

5.3 Key Research Findings
The aim of this research study was to develop a framework to improve the performance of smallholder agricultural cooperatives. To do this, it pursued three research objectives which included confirming the extent of the poor performance among smallholder agricultural cooperatives in Malawi, identifying the factors that cause poor performance among smallholder agricultural cooperatives in Malawi, and finally, developing a performance improvement framework for smallholder agricultural cooperatives.

In response to the first objective, the study has confirmed that the performance of smallholder agricultural cooperatives in Malawi is poor. Using stakeholder perceptions as recommended by Hind (1999), eight measures of performance were identified by this study. These included dividend payment expectations (M1), bonus payment expectations (M2), access to bigger markets (M3), access to reliable markets (M4), loans for members (M5), donations to members (M6), donations to the cooperative (M7) and transparency and accountability (M8). In seven (M1-M7) out of the eight measures of performance that stakeholders put forward, they rated the performance of smallholder agricultural cooperatives in Malawi to be poor. Only in performance measure (M8) did the stakeholders rate the smallholder agricultural cooperatives to be good. This therefore unquestionably confirms the conclusions of other researchers that the performance of smallholder agricultural cooperatives is poor.

In response to the second objective, this study identified a total of 18 factors which contribute to the poor performance of smallholder agricultural cooperatives. These were: Stakeholder objectives (CF1), member expectations (CF2), cooperative knowledge (CF3), business management knowledge (CF4), governance knowledge
(CF5), knowledge of shares (CF6), knowledge of dividends (CF7), technical knowhow (CF8), management skills (CF9), marketing skills (CF10), pricing skills (CF11), record keeping skills (CF12), negotiating skills (CF13), donor dependency (CF14), distrust of managers (CF15), founder syndrome (CF16), general meetings (CF17), and transparency (CF18). Ten of eighteen factors identified during the study confirmed findings by other researchers who also observed that these factors contributed to poor performance in smallholder agricultural cooperatives both in Malawi and elsewhere. A further eight factors identified during the study were new discoveries largely based on the unique features of the smallholder agricultural cooperative environment in Malawi. These new factors were: Cooperative knowledge (CF3), governance knowledge (CF5), knowledge of shares (CF6), knowledge of dividends (CF7), pricing skills (CF11), distrust of managers (CF15), founder syndrome (CF16), and general meetings (CF17).

The 18 factors were grouped into 4 core categories using the grounded theory analytical approach and these were objectives, knowledge, skills and attitudes. A further analysis of these factors led to the conclusion that the combination of these factors creates weak smallholder agricultural cooperatives which are incapable of producing performance improvement, further confirming the hypothesis that the performance of smallholder agricultural cooperatives in Malawi is poor. The need for a performance improvement framework therefore became not only justified but also urgent.

In response to the third objective, a performance improvement framework called the *Maganga PISHAC Framework* was developed using the 18 factors identified as contributing to poor performance. It became clear that smallholder agricultural cooperatives in Malawi were internally too weak to transform themselves into strong institutions capable of producing performance improvement. Therefore, the study concluded that smallholder agricultural cooperatives in Malawi needed external intervention in order to transform. The *Maganga PISHAC Framework* therefore proposes the establishment of Effective Support Infrastructure which will use the identified factors represented by the core categories objectives, knowledge, skills and
attitudes to transform the weak cooperatives into strong cooperatives capable of performance improvement.

Therefore, all three objectives of the study were achieved in full.

5.4 Validity of Findings

Several measures were adopted to ensure the validity of the findings in this research study. The multiple case study approach was adopted to help in gathering a rich set of qualitative data. As suggested by Hussey and Hussey (1997), the interview of each case was verified and evaluated by comparing it with data collected from other sources within each case cooperative.

Interviews were the core method of data collection and were based on a semi-structured interview instrument. Within this study, interviews were held with the Registrar of Cooperatives, representatives of cooperative development organizations, cooperative board members, cooperative managers and cooperative members. Cooperative members were interviewed first as a group and thereafter individually to eliminate bias. To obtain an in-depth view of the cooperative’s operations, various internal documents of the case cooperatives, including their financial records and registration documents were also studied.

The use of analytical techniques of the grounded theory approach further enhanced the validity of the findings in this study. The display of interview codes for each performance improvement factor provided strong evidence of the validity of the resultant conclusions. Cross case analysis helped in identifying common patterns in cooperative performance between the various case cooperatives being studied. Multiple occurrences of the same factors across the cases clearly improved their validity.

To further improve the validity of the findings, the following qualifying criteria were adopted during data analysis to determine the factors which contribute to poor performance of smallholder agricultural cooperatives:
• Each factor was mentioned and supported by interviewees from three or more case cooperatives.
• Each factor had played a significant role in shaping the performance in three or more case cooperatives.
• Interviewees provided instances of how a particular factor has influenced the performance of their respective cooperatives.
• The interview data supporting each factor was eligible for triangulation with the verifiable data from internal documents of respective cooperatives.

The use of the above measures ensured the validity of the findings in this research study.

5.5 Limitations
Inevitably, there were limitations in this research which might have affected the conclusions of this study.

a. The research took place in the Central and Southern regions of Malawi and did not include the Northern region. This might have influenced the results of this study. Therefore it remains unclear to what extent the results are applicable to the Northern region of Malawi. Further research may therefore be necessary to be undertaken in the Northern region to obtain the views of smallholder agricultural cooperatives in that region despite the fact that saturation during data collection was reached by the eighth case study.

b. One of the findings from this study was that smallholder agricultural cooperatives are donor dependent. A limitation of this study which might have arisen therefore is that despite being told that interviews were being conducted for academic purposes, respondents might have thought that the findings of the study would eventually end up in the hands of donors. This might therefore have influenced them to respond to questions in such a way as to send a message to the donors that they needed their continued financial support. The poor performance of the cooperatives may
therefore have been exaggerated in the interview responses. This might have affected the results of this study.

c. Only two out of eight case cooperatives that were interviewed in this study were managed by professional managers. Therefore, the voice of the managers was limited and as such the accounts presented on management mainly contained the views of board executive committees which also manage most smallholder agricultural cooperatives in Malawi. This might have influenced the results of this study.

d. All interviews with cooperative and board members were undertaken in the vernacular language (Chichewa) because of their low literacy levels. The interview guides therefore had to be translated from English to the vernacular language, and the responses also had to be translated back to English before analysis. This might have affected the results of this study.

However, these limitations did not seriously affect the validity and generalisability of the results of this study.

5.6 Contribution to Knowledge
The aim of this research study was to develop a framework for improving the performance of smallholder agricultural cooperatives. To do this, it was necessary to acquire a theoretical understanding of the factors that contribute to poor performance. This study therefore has achieved this aim and made some contributions to the body of knowledge on the performance of smallholder agricultural cooperatives. The following sub-sections describe these contributions in greater detail:

a. The first theoretical contribution of this research study is the confirmation from empirical research that the performance of smallholder agricultural cooperatives in Malawi is poor. This study has confirmed previous research findings about the performance of smallholder agricultural cooperatives in Malawi. The same findings were made despite this study using different performance measures to assess their
performance. This confirmation therefore provided a strong basis for seeking performance improvement solutions to the performance problem of smallholder agricultural cooperatives.

b. The second theoretical contribution of this research study is the identification and description of the factors which contribute to poor performance in smallholder agricultural cooperatives in Malawi. A description of each factor was provided and explanations were made regarding how each of these factors contributes to poor performance of smallholder agricultural cooperatives in Malawi. Some of the factors identified during the study confirmed findings by other researchers who also observed that these factors contribute to poor performance in smallholder agricultural cooperatives. A further eight factors identified during the study were new discoveries largely based on the unique features of the smallholder agricultural cooperative environment in Malawi. These factors include: cooperative knowledge (CF3), governance knowledge (CF5), knowledge of shares (CF6), knowledge of dividends (CF7), pricing skills (CF11), distrust of managers (CF15), founder syndrome (CF16), and general meetings (CF17). This study has therefore added to the body of knowledge on factors that contribute to poor performance among smallholder agricultural cooperatives especially in Malawi.

c. The third theoretical contribution of this research study is the discovery that the combined effect of all the factors which were identified as contributing to poor performance of smallholder agricultural cooperatives in Malawi is the creation of weak cooperatives. Weak cooperatives have limited or no capacity for performance improvement. As McKinsey & Company (2011) observed, such organizations are wired for mediocrity and are therefore destined to produce poor performance. A fundamental change that must occur therefore is for these weak smallholder agricultural cooperatives to be transformed into strong institutions that are capable of performance improvement and an assurance that any new smallholder agricultural cooperatives that are formed are strong from the onset.
d. The fourth theoretical contribution of this study is that it has created a framework for improving the performance of smallholder agricultural cooperatives. These institutions have unique characteristics and are complex. The *Maganga PISHAC Framework* developed in this study recognizes that existing smallholder agricultural cooperatives need support to transform into strong cooperatives, and the creation of strong new smallholder agricultural cooperatives requires the support of external support infrastructure. Therefore, the first phase in the implementation of the *Maganga PISHAC Framework* is the establishment of an effective support infrastructure. This support infrastructure will transform existing smallholder agricultural cooperatives into strong cooperatives. It will also facilitate the creation of strong smallholder agricultural cooperatives capable of performance improvement. Further, it will perform a monitoring and evaluation function to assess the strength of the cooperatives and the resultant performance improvement. Finally, it will undertake a self-evaluation to ensure that it is effective in its support role. The nature of the support infrastructure will be a subject of a different study.

Countries that have smallholder agricultural cooperatives can use the *Maganga PISHAC Framework* as a broad-based performance improvement roadmap. However, to be more useful, the Framework should be customized to their specific contexts through deduction. The various factors which contribute to poor performance of smallholder agricultural cooperatives should be the guide in customizing the framework to their specific contexts.

### 5.7 Future research

This study has focused on performance improvement in smallholder agricultural cooperatives and has developed a framework for achieving performance improvement in these institutions. However, good research should pave the way for future research by posing more interesting questions to answer. Therefore, from this study the following avenues for future research have been identified:
5.7.1 Support Infrastructure

The Maganga PISHAC Framework that has been developed during this study requires the availability of an effective support infrastructure. Further research is necessary to determine the precise nature of the required support infrastructure, one which will be effective enough to transform existing weak smallholder agricultural cooperatives into strong ones, and also to facilitate the creation of strong new smallholder agricultural cooperatives capable of performance improvement. Determining the precise nature of the required support infrastructure to achieve effectiveness is therefore an opportunity for further research.

5.7.2 Implementation of the Maganga PISHAC Framework

Since the Maganga PISHAC Framework has not been implemented yet, there is an opportunity to empirically verify its effectiveness through practical implementation and to confirm the strengthening of smallholder agricultural cooperatives and the resultant performance improvement. This would provide valuable data for further enhancements to the framework to make it even more effective.

5.7.3 Expansion and Enrichment of Findings

Another important opportunity for further research is to expand the findings of this study by conducting an additional set of case studies especially in geographical locations not covered by this study. Such study expansion would enhance the analytic generalizations made in this thesis. The additional case studies would also help in acquiring and qualifying more data for triangulation thereby improving the validity of the findings of this study. Supplementary case studies would also help in identifying additional factors that contribute to poor performance in smallholder agricultural cooperatives and in enriching the findings of this research study. These research extensions can add value to the factors and the Maganga PISHAC Framework developed during this study.
5.7.4 Implementation of the Maganga PISHAC Framework in other Countries

This study sought to identify factors that contribute to poor performance in smallholder agricultural cooperatives and to develop a framework for improving their performance based on case studies conducted in Malawi. About 50% of all the factors identified in this study were context-specific describing the Malawi situation. Therefore, the framework may not be universally applicable in other countries without customization, even in those countries with smallholder agricultural cooperatives similar to Malawi. Such countries therefore would need to conduct additional research to identify the context-specific factors that contribute to poor performance in their own environments and to customize the Maganga PISHAC Framework accordingly so that it is applicable to their contexts.

5.8 Final Conclusions

This research study has confirmed that the performance of smallholder agricultural cooperatives in Malawi is poor. It has also identified 18 factors which contribute to poor performance of smallholder agricultural cooperatives in Malawi, and using these factors, it has developed the Maganga PISHAC Framework which is a performance improvement framework for smallholder agricultural cooperatives. The application of this framework will transform existing smallholder agricultural cooperatives into strong ones. It will also lead to the creation of strong new smallholder agricultural cooperatives with the capacity for performance improvement. Strong smallholder agricultural cooperatives will be more effective in serving their members and meeting their expectations. Meeting member expectations will have a positive economic impact on them because it is for this precise reason that they established or joined the cooperatives.
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APPENDICES

APPENDIX 1

INTERVIEW GUIDE FOR COOPERATIVE MEMBER GROUP INTERVIEWS

1. What are the perceived benefits of the cooperative?
   a. What did you expect to gain by joining this cooperative?
      
      *Kodi munkayembekezeruka phindu lanji polowa mukoparetivi imeneyi?*

   b. How much initial sensitization/training did you receive before joining?
      
      *Kodi munalandirama phunziro a mtundu wanji musanalowe mukoparetivi imeneyi?*

   c. Have some new members joined the cooperative since it was established?
      
      *Kodi mu koparetivi wwalowa mamembala atsopano chiikhazikitsile?*

   d. What reasons do new members give for joining the cooperative?
      
      *Kodi mamembala atsopanwao amapereka zifukwa zotani pofuna kulowa koparetivi imeneyi?*

2. What are the reasons why members leave the cooperative?
   a. Have some members left the cooperative since it was established?
      
      *Kodi mamembala ena anachoka mu koparetivi imeneyi chiikhazikitsireni?*

   b. What reasons did the members give for leaving the cooperative?
      
      *Kodi ndi zifukwa zotani zomwe anapeleka pamene ankachoka mu koparetivi?*

3. What are the current objectives of the cooperative?
   a. What are the current objectives of your cooperative?
      
      *Kodi zolinga za koparetivi yanuyi ndi chiyani panopa?*

   b. What strategies does the cooperative employ to achieve these objectives?
      
      *Kodi ndi ndondomeko zotani zomwe mumatsata mu koparetivi kuti mufikire zolinga zanu?*

4. Do key stakeholders understand how cooperatives work?
   a. Does the manager understand how a cooperative works?
      
      *Kodi manager wa koparetivi yanu akudziwa bwino momwe ntchito ya koparetivi imayendera?*

   b. Does the board understand how a cooperative works?
      
      *Kodi a Board akudziwa bwino momwe ntchito ya koparetivi imayendera?*

5. What services and benefits are offered by this cooperative?
   a. What services does your cooperative offer to you as members?
      
      *Ndi ntchito zanji zimene koparetivi imagwira pothandizila mamembala?*

   b. What services would you like your cooperative to offer you that it is not offering currently?
Ndi ntchito zanji zimene mukufuna koparetiviyi izigwira zomwe siikugwira panopa?

c. What benefits do you get from being a member of this cooperative?
   Kodi mumapeza zolowa zotani pokhala membala wa koparetiviyi?

d. What benefits would you like this cooperative to offer you that it is not offering currently?
   Kodi ndi zolowa zotani zomwe koparetiviyi mukufuna izidzapeleka kwa mamembala zomwe siikupeleka panopa?

6. How satisfied are members with the services and benefits on offer?
   a. How satisfied are you with the services that the cooperative is offering?
      Kodi ndinu okhutira ndi ntchito za koparetiviyi yanu?

   b. Which of your needs is your cooperative meeting?
      Kodi ndi zofuna zanu ziti zomwe koparetiviyi ikukwaniritsa?

   c. Which of your needs is your cooperative not meeting?
      Kodi ndi zofuna zanu ziti zomwe koparetiviyi siikukwaniritsa?

   d. How satisfied are you with the benefits that the cooperative is offering?
      Kodi ndinu okhutira ndi zolowa zimene koparetiviyi ikukupatsani?

    e. What do you complain about the most?
       Kodi mumadandaula ndi zinthu zanji mu koparetiviyi?

    f. What are the things that would make you cease to be a member of this cooperative?
       Kodi ndi zinthu ziti zomwe zingakupangitseni kusiya kukhala membala wa koparetiviyi?

7. Who has the greatest control over the cooperative?
   a. Who runs the cooperative?
      Kodi amene akuyendetsa koparetiviyi ndani?

   b. To what extent are members able to influence decision making in the cooperative?
      Kodi ma membala ali ndi mphamvu zanji pa kayendetsedwe ka koparetiviyi?

8. How effective are the Board, Management and Employees of the cooperative?
   a. What is the role of the board in the cooperative?
      Kodi ntchito za Board ndizotani mu koparetiviyi?

   b. What qualities do you look for in a board member?
      Kodi mumasankha anthu a makhalidwe otani kuti akhale mu board ya koparetiviyi?

   c. How effective is your current board?
      Kodi mukuwona kuti a board ya koparetiviyi yanu akugwira bwanji ntchito yao?

   d. How effective is the manager?
      Kodi mukuwona kuti manager wa koparetiviyi yanu akugwira bwanji ntchito yake?

   e. How effective are the employees?
      Kodi mukuwona kuti anthu ogwira ntchito mu koparetiviyi yanuwa akugwira bwanji ntchito yawo?
9. What do stakeholders regard as good performance?
   a. How is your cooperative performing?
      *Kodi koparetivi yanu ikuchita bwanji?*
   
b. What are the main achievements of your cooperative?
   *Kodi ndi zinthu zanji zimene koparetivi yanu yachita bwino kwambiri?*
   
c. What are the reasons why the cooperative has performed very well in these areas?
   *Kodi ndi zifukwa ziti zomwe zapangitsa koparetiviyi kuchita bwino mu magawo amenewa?*
   
d. What are the things that your cooperative has not done very well?
   *Kodi ndi zinthu zanji zimene koparetivi yanu siinachite bwino?*
   
e. What are the reasons why the cooperative has performed poorly in each of these areas?
   *Kodi ndi zifukwa ziti zomwe zapangitsa koparetivi kusachita bwino mu magawo amenewa?*
   
f. What are the things that can cause your cooperative to fail?
   *Kodi ndi zinthu ziti zomwe zingaphetse koparetivi yanuyi?*

10. How well is the cooperative performing financially?
    a. How many times have you received dividends since the cooperative was established?
       *Kodi munalandira ma dividend kokwana kangati chiikhazikitsireni koparetiviyi?*
    
b. What are the reasons why the cooperative has registered good/poor financial performance?
       *Kodi ndi zifukwa ziti zomwe zapangitsa koparetivi kuti ichite/isachite bwino pa chuma?*

11. How do you assess the future of the cooperative?
    a. At the current rate of performance, where will this cooperative be five years from now?
       *Mmene ikuchitira koparetivi yanuyi, kodi mukuganiza kuti idzakhala ili pati mu zaka zisanu zikubwerazi?*
## APPENDIX 2
### INTERVIEW GUIDE FOR INDIVIDUAL COOPERATIVE MEMBERS

Cooperative: __________________________
Gender: ______________ M/F  Age (Kodi muli ndi zaka zingati?): _________________________
Highest Education (Kodi sukuLu munalekezera kalasi yanji?): ____________________________
Skills apart from farming (Kodi kuwonjezera pa ulimi, muli ndi maluso ena otani? __________

<table>
<thead>
<tr>
<th>QUESTION</th>
<th>YES</th>
<th>NO</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>A</strong> WHAT WERE YOUR EXPECTATIONS FROM THE COOPERATIVE WHEN YOU JOINED?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1 What did you expect to gain by joining this cooperative?</td>
<td></td>
<td></td>
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<tr>
<td>2 Is your cooperative meeting the expectations that you had when you joined it?</td>
<td></td>
<td></td>
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<tr>
<td><strong>B</strong> IN WHAT WAYS IS THE COOPERATIVE MEETING MEMBER EXPECTATIONS?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1 Has your cooperative membership resulted in increased sales revenue?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>i) How much revenue did you earn this year? ___</td>
<td></td>
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<tr>
<td>ii) How much revenue did you earn last year? ___</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2 Has your cooperative membership resulted in increased profits?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>i) How much profit did you earn this year? ___</td>
<td></td>
<td></td>
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<tr>
<td>3 Are you satisfied with your cooperative as a trading partner?</td>
<td></td>
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<tr>
<td>4 Are you satisfied with your cooperative regarding member support?</td>
<td></td>
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<tr>
<td>5 Are you satisfied with your cooperative regarding information provision?</td>
<td></td>
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<tr>
<td>6 Does your cooperative give you better prices than other buyers?</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Question</td>
<td>Translation</td>
</tr>
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<td>---------------------------------------------------------------------------------------------------</td>
<td>-------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>7</td>
<td>Are you happy to be a member of your cooperative?</td>
<td>Kodi ndinu osangalala kuti ndinu membala wa koparetivi yanuyi?</td>
</tr>
<tr>
<td>8</td>
<td>Are you doing more business with your cooperative than you did before?</td>
<td>Kodi inu mukugula kapena kugulitsa katundu wochuluka ku koparetivi ku koposa kale?</td>
</tr>
<tr>
<td>9</td>
<td>Would you invest more money in your cooperative if you were given a chance?</td>
<td>Kodi mutapatsidwa mwayi wogula masheya ena mu koparetivi yanuyi, mukhoza kuwagula?</td>
</tr>
<tr>
<td>C</td>
<td>HOW IS THE COOPERATIVE PERCEIVED?</td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>Do you consider your cooperative to be a business?</td>
<td>Kodi mumayiona koparetivi yanuyi ngati bizinesi?</td>
</tr>
<tr>
<td>2</td>
<td>Do you consider your cooperative as an organization meant to help farmer members?</td>
<td>Kodi mumayiona koparetivi yanu ngati bungwe lothandiza alimi?</td>
</tr>
<tr>
<td>D</td>
<td>HOW IS THE COOPERATIVE PERFORMING?</td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>Is your cooperative performing well?</td>
<td>Kodi koparetivi yanu ikuchita bwino?</td>
</tr>
<tr>
<td>2</td>
<td>Does your cooperative understand your needs?</td>
<td>Kodi koparetivi yanu imadziwa zosowa zanu ngati membala?</td>
</tr>
<tr>
<td>3</td>
<td>Is your cooperative serving your needs adequately?</td>
<td>Kodi koparetivi yanu ikukwantsa zosowa zanu zonse?</td>
</tr>
<tr>
<td>4</td>
<td>Has your cooperative been instrumental in introducing new products to members?</td>
<td>Kodi koparetivi yanu yabweretsa mbeu zatsopano kwa mamembala ake?</td>
</tr>
<tr>
<td>5</td>
<td>Has your cooperative been instrumental in introducing new technology to members?</td>
<td>Kodi koparetivi yanu yabweretsa nzeru zatsopano kwa mamembala ake zogwilira ntchito yawo?</td>
</tr>
<tr>
<td>6</td>
<td>Does your cooperative help you to sell your produce efficiently?</td>
<td>Kodi koparetivi yanu imakuthandizani kuti muzigulitsa mbeu ndi zogulitsa zina mosabvuta?</td>
</tr>
<tr>
<td>7</td>
<td>Does your cooperative help you buy inputs economically?</td>
<td>Kodi koparetivi yanu imakuthandizani kugula zida zofunikira pa ulimi pa mtengo wotsika?</td>
</tr>
<tr>
<td>8</td>
<td>Does your cooperative protect members from exploitation by other buyers and sellers?</td>
<td>Kodi koparetivi yanu imakutetezani kwa mavenda ndi anthu ena amene akufuna kugula katundu wanu pa mtengo wotsika kwambiri?</td>
</tr>
<tr>
<td>9</td>
<td>Is your cooperative improving in its ability to help the members?</td>
<td>Kodi koparetivi yanu ikugwira ntchito yake bwino kuposa kale?</td>
</tr>
<tr>
<td>E</td>
<td>HOW WELL IS THE COOPERATIVE MANAGED?</td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>Is your cooperative manager doing a good job?</td>
<td>Kodi manejala wa koparetivi yanu akuyendetsa bwino koparetivi yanu?</td>
</tr>
<tr>
<td>2</td>
<td>Is your cooperative’s board doing a good job?</td>
<td>Kodi Board ya koparetivi yanu ikugwira ntchito yake bwino?</td>
</tr>
<tr>
<td>3</td>
<td>Are employees doing a good job?</td>
<td>Kodi anthu ogwira ntchito mu koparetivi yanu ikugwira ntchito bwino?</td>
</tr>
<tr>
<td>F</td>
<td>DO STAKEHOLDERS TRUST ONE ANOTHER?</td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>Do you trust management of your cooperative?</td>
<td>Kodi manager woyendetsa koparetivi yanu mumamankuhipiliira?</td>
</tr>
<tr>
<td>2</td>
<td>Do you trust the employees in your cooperative?</td>
<td>Kodi anthu ogwira ntchito mu koparetivi yanu ikugwira ntchito bwino?</td>
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### HOW COMMITTED ARE THE MEMBERS TO THE COOPERATIVE?

<table>
<thead>
<tr>
<th>Question</th>
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</thead>
<tbody>
<tr>
<td>1. Do you attend all cooperative meetings?</td>
<td>Do you attend all cooperative meetings?</td>
</tr>
<tr>
<td>2. Did you attend the cooperative’s last annual general meeting?</td>
<td>Did you attend the cooperative’s last annual general meeting?</td>
</tr>
<tr>
<td>3. Is it easy to express your ideas in your cooperative’s annual general meeting?</td>
<td>Is it easy to express your ideas in your cooperative’s annual general meeting?</td>
</tr>
<tr>
<td>4. Do you feel a sense of belonging to your cooperative?</td>
<td>Do you feel a sense of belonging to your cooperative?</td>
</tr>
<tr>
<td>5. Are you a member of another agricultural cooperative?</td>
<td>Are you a member of another agricultural cooperative?</td>
</tr>
<tr>
<td>6. Do you sell some of your products to other buyers apart from this cooperative?</td>
<td>Do you sell some of your products to other buyers apart from this cooperative?</td>
</tr>
<tr>
<td>7. Have you considered giving up membership of this cooperative before?</td>
<td>Have you considered giving up membership of this cooperative before?</td>
</tr>
<tr>
<td>8. If yes, what are your reasons:</td>
<td>If yes, what are your reasons:</td>
</tr>
</tbody>
</table>

### DO LEADERS HAVE THE SKILLS AND KNOWLEDGE TO MANAGE IT WELL?

<table>
<thead>
<tr>
<th>Question</th>
<th>Translation</th>
</tr>
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<tbody>
<tr>
<td>1. Does your cooperative have the leadership and management that it needs?</td>
<td>Does your cooperative have the leadership and management that it needs?</td>
</tr>
<tr>
<td>2. Does your cooperative’s board of directors need training?</td>
<td>Does your cooperative’s board of directors need training?</td>
</tr>
<tr>
<td>3. Do cooperative members need training?</td>
<td>Do cooperative members need training?</td>
</tr>
<tr>
<td>4. Does your cooperative’s manager need training?</td>
<td>Does your cooperative’s manager need training?</td>
</tr>
<tr>
<td>5. Do your cooperative’s employees need training?</td>
<td>Do your cooperative’s employees need training?</td>
</tr>
</tbody>
</table>
APPENDIX 3

INTERVIEW GUIDE FOR COOPERATIVE BOARD MEMBERS

1. **Why did the members establish a cooperative?**
   a. When did you establish your cooperative?
   Kodi koparetivi yanu inakhazikitsidwa liti?

   b. Whose idea was it to establish the cooperative?
   Kodi amene anayambisa maganizo okhazikitsa koparetivi anali ndani?

   c. What reasons did you have in mind for establishing a cooperative?
   Kodi koparetiviyi munayikhazikitsa pa zifukwa zanji?

   d. Why did you establish a cooperative and not another form of business?
   Kodi ndi chifukwa chiyani munakhazikitsa koparetivi osati bungwe la mtundu wina?

   e. What does your cooperative do?
   Kodi koparetivi yanu imagwira ntchito zanji?

   f. How many people were present when the cooperative was established?
   Kodi panali anthu angati pamene koparetiviyi inakhazikitsidwa?

2. **What are the perceived benefits of the cooperative?**
   a. What did you expect to gain by joining this cooperative?
   Kodi mumkayembekezera kupeza phindu lanji polowa mukoparetivi imeneyi?

   b. How much initial sensitization/training did members receive before joining?
   Kodi mamembala amalandira maphunziro a mtundu wanji asanalowe koparetivi imeneyi?

   c. How many members does your cooperative have?
   Kodi koparetivi yanu ili ndi ma membala angati?

   d. How many new members have joined the cooperative since it was established?
   Kodi mu koparetiviyi mwalowa mamembala atsopano angati chiikhazikitsile?

   e. What reasons do they give for joining the cooperative?
   Kodi anthuwa amapereka zifukwa zotani pofuna kulowa mukoparetivi imeneyi?

   f. How many of the current members are women?
   Mwa mamembala omwe alipo panopa, kodi azimayi ndi angati?

3. **What are the reasons why members leave the cooperative?**
   a. How many members have left the cooperative since it was established?
   Kodi ndi mamembala angati omwe anachoka mu koparetivi imeneyi chiikhazikitsireni?

   b. What reasons did they give for leaving the cooperative?
   Kodi ndi zifukwa zotani zomwe anapeleka pamene ankachoka mu koperetivi?
4. What are the current objectives of the cooperative?
   a. What are the current objectives of your cooperative?
      *Kodi zolina za koparetiviyi panopa ndi zotani?*
   
   b. What strategies does the cooperative employ to achieve these objectives?
      *Kodi ndi ndondomeko zotani zomwe mumatsata mu koparetiviyi kuti mufikire zolina zimenezi?*

5. Do key stakeholders understand how cooperatives work?
   a. Do members understand how a cooperative works?
      *Kodi ma membala amamvetsetsa momwe ntchito ya koparetivi imayendera?*

6. What services and benefits are offered by this cooperative?
   a. What services does your cooperative offer to members?
      *Ndi ntchito zanji zimene koparetiviyi imagwira pothandizila mamembala?*
   
   b. What new services (if any) do you plan to introduce in future?
      *Kodi ndi ntchito zotani zatsopano zimene mwakhazikitsa kuti koparetiviyi idzagwire mtsogolomu?*
   
   c. What services would you like your cooperative to offer members that it is not offering currently?
      *Ndi ntchito zanji zimene mukufuna koparetiviyi izigwira zimene siikugwira panopa?*
   
   d. What benefits do members get from being members of this cooperative?
      *Kodi mamembala amapeza zolowa zotani pokhala membala wa koparetiviyi?*
   
   e. What benefits would you like this cooperative to offer members that it is not offering currently?
      *Kodi ndi zolowa zotani zomwe koparetiviyi mukufuna izidzapeleka kwa mamembala zomwe siikupeleka panopa?*

7. How satisfied are members with the services and benefits on offer?
   a. How satisfied are the members with the services that the cooperative is offering?
      *Kodi mukuona ngati mamembala ndi okhutira ndi ntchito za koparetiviyi?*
   
   b. Which of the members’ needs is their cooperative meeting?
      *Kodi ndi zofuna ziti za mamembala zomwe koparetiviyi ikukwaniritsa?*
   
   c. Which of the members’ needs is their cooperative not meeting?
      *Kodi ndi zofuna ziti za mamembala zomwe koparetiviyi siikukwaniritsa?*
   
   d. How satisfied are the members with the benefits that the cooperative is offering?
      *Kodi mamembala ndi okhutira ndi zolowa zimene koparetiviyi ikuwapatsa?*
   
   e. What do the members complain about the most?
      *Kodi mamembala amadandaula ndi zinthu zanji mu koparetiviyi?*
f. What are the things that would make the members cease to be members of this cooperative?  
   *kodi ndi zinthu ziti zomwe zingawapangitseni ma membala kutuluka mu koparetiviyi?*

8. **Is there any conflict among members?**
   a. Is there any conflict among members of the cooperative?  
      *Kodi pali kusagwirizana kuli konse pakati pa ma membala a koparetivi yanu?*
   b. If so, what are the causes of the conflict?  
      *Kodi chimene chikubweretsa kusagwirizana pakati pa ma membala mu koparetiviyi ndi chiyani?*

9. **Who has the greatest control over the cooperative?**
   a. Who runs the cooperative?  
      *Kodi amene akuyendetsa koparetiviyi ndani?*
   b. To what extent are members able to influence decision making in the cooperative?  
      *Kodi ma membala ali ndi mphamvu zanji pa kayendetsedwe ka koparetiviyi?*
   c. What help, if any, does your cooperative receive from other organizations?  
      *Ndi thandizo lotani lomwe koparetivi yanu imalandira kuchokera ku mabungwe ena?*

10. **How effective is the Board of the cooperative?**
   a. What is the role of the board in the cooperative?  
      *Kodi ntchito zanu ngati a Board ndizotani mu koparetiviyi?*
   b. How are board members elected?  
      *Kodi ma membala a board amasankhidwa bwanji?*
   c. What qualities do you look for in a board member?  
      *Kodi mumasankha anthu a makhalidwe otani kuti akhale mu board ya koparetivi?*
   d. How long can a person serve as a board member?  
      *Kodi a Board amakhala pa mpando nthawi yochuluka bwanji?*
   e. What is the role of the manager?  
      *Kodi ntchito za manager ndi zotani?*
   f. Who does the manager report to?  
      *Kodi manager amayang’aniridwa ndi ndani?*
   g. How effective is the manager?  
      *Kodi mukuganiza kuti manager wa koparetivi yanu akugwira bwanji ntchito yake?*
   h. How many employees are there in your cooperative?  
      *Kodi muli ndi anthu angati ogwira ntchito mu koparetivi yanu?*
   i. What are the roles of the employees?  
      *Kodi anthu ogwira ntchito mu koparetivi amagwira ntchito zotani?*
   j. How effective are the employees?  
      *Kodi mukuwona ngati anthu ogwira ntchito mu koparetivi yanuyi akugwira bwanji ntchito yowo?*
11. What do stakeholders regard as good performance?
   a. How is your cooperative performing?
      Kodi koparetivi yanu ikuchita bwanji?

   b. What are the main achievements of your cooperative?
      Kodi ndi zinthu zanji zimene koparetivi yanu yachita bwino kwambiri?

   c. What are the reasons why the cooperative has performed very well in these areas?
      Kodi ndi zifukwa ziti zomwe zapangitsa koparetiviyi kuchita bwino mu magawo amenewa?

   d. What are the things that your cooperative has not done very well?
      Kodi ndi zinthu zanji zimene koparetivi yanu siinachite bwino?

   e. What are the reasons why the cooperative has performed poorly in each of these areas?
      Kodi ndi zifukwa ziti zomwe zapangitsa koparetivi kusachita bwino mu magawo amenewa?

   f. What are the things that can cause your cooperative to fail?
      Kodi ndi zinthu ziti zomwe zingaphetse koparetivi yanuyi?

12. How well is the cooperative performing financially?
   a. How many times has the cooperative made a surplus since it was established?
      Kodi koparetivi yanu yapanga phindu kangati kuyambira pomwe inakhazikitsidwa?

   b. How many times has the cooperative paid dividend since it was established?
      Kodi koparetivi yapeleka ma dividend kangati kwa mamembala chiikhazikitsireni?

   c. What are the reasons why the cooperative has registered good/poor financial performance?
      Kodi ndi zifukwa ziti zomwe zapangitsa koparetivi kuti ichite/isachite bwino pa chuma?

   d. What plans does your cooperative have to improve its financial performance in future?
      Kodi ndi mapulani anji amene koparetivi yanu yakhazikitsa pofuna kuti ichite bwino pa chuma?

13. How do you assess the future of the cooperative?
   a. At the current rate of performance, where will this cooperative be five years from now?
      Mmene ikuchitira koparetivi yanuyi, kodi mukuganiza kuti idzakha la ili pati pa zaka zisanu zikubwerazi?

   b. What should the cooperative do to improve its performance?
      Kodi mwakonza ndondomeko yanji yoti koparetivi yanu ifike pamene pa zaka zisanu zikubwerazi?
APPENDIX 4

INTERVIEW GUIDE FOR COOPERATIVE MANAGERS

1. Why did the members establish a cooperative?
   a. When was this cooperative established?
      *Kodi koperativi yanu inakhazikitsidwa liti?*
   b. How many members were present when the cooperative was established?
      *Kodi mamembala analipo angati pamene koperativiyi inakhazikitsidwa?*
   c. What reasons did they have in mind for establishing a cooperative?
      *Kodi koperetiviyi anayikhazikitsa pa zifukwa zanji?*
   d. Why did they establish a cooperative and not another form of business?
      *Kodi ndi chifukwa chiyani anakhazikitsa koparativi osati bungwe la mtundu wina?*

2. What are the perceived benefits of the cooperative?
   a. What did members expect to gain by joining this cooperative?
      *Kodi mamembala ankayembekezera kupeza phindu lanji polowa koperativi imeneyi?*
   b. How much initial sensitization/training did members receive before joining?
      *Kodi mamembala analandira maphunziro ochuluka bwanji asanalowe koperativi imeneyi?*
   c. How many members does your cooperative have?
      *Kodi koperativi yanu ili ndi ma membala angati?*
   d. How many new members have joined the cooperative since it was established?
      *Ndi mamembala angati atsopano amene alowa nawo koperative imeneyi chikhazikitsireni?*
   e. What reasons do they give for joining the cooperative?
      *Kodi anthuwa amapereka zifukwa zotani pofuna kulowa koperativi imeneyi?*
   f. How many of the current members are women?
      *Mwa mamembala omwe alipo panopa, kodi azimayi ndi angati?*

3. What are the reasons why members leave the cooperative?
   a. How many members have left the cooperative since it was established?
      *Ndi mamembala angati omwe anachoka mu koperativi imeneyi chikhazikitsireni?*
   b. What reasons did they give for leaving the cooperative?
      *Kodi ndi zifukwa zotani zomwe anapeleka pamene ankachoka mu koperetivi?*

4. What are the current objectives of the cooperative?
   a. What are the current objectives of your cooperative?
      *Kodi zolingo za koperativiyi ndi chani?*
   b. What strategies does the cooperative employ to achieve these objectives?
5. Do key stakeholders understand how cooperatives work?
   a. Do members understand how a cooperative works?
      Kodi ma membala amamvetsetsa momwe business ya koperativi imayendera?

6. What services and benefits are offered by this cooperative?
   a. What services does your cooperative offer to members?
      Ndi ntchito zanji zimene koperativi imagwira pothandizila mamembala?
   b. What new services (if any) have you already planned to introduce in future?
      Kodi ndi ntchito zotani zatsopano zimene mwak hazikitsa kale kuti koperativi idzagwire mtsogolomu?
   c. What services would you like your cooperative to offer members that it is not offering currently?
      Ndi ntchito zanji zimene mukufuna koperativi izigwira zomwe mumaona kuti siikugwira panopa?
   d. What benefits do members get from being a member of this cooperative?
      Kodi mamembala amapeza zolowa zotani pokhala membala wa koperativi?
   e. What benefits would you like this cooperative to offer you that it is not offering currently?
      Kodi ndi zolowa zotani zomwe mukufuna kuti koperativi iziperekaka kwa mamembala zomwe siikupeleka pano?

7. How satisfied are members with the services and benefits on offer?
   a. How satisfied are the members with the services that the cooperative is offering?
      Kodi mamembala ndi okhutitsidwa bwanji ndi ntchito za koperativi?
   b. Which of the members’ needs is their cooperative meeting?
      Kodi ndi zofuna ziti za mamembala zomwe koperativi ikukwaniritsa?
   c. Which of the members’ needs is their cooperative not meeting?
      Kodi ndi zofuna ziti za mamembala zomwe koperativi siikukwaniritsa?
   d. How satisfied are the members with the benefits that the cooperative is offering?
      Kodi mamembala ndi okhutitsidwa bwanji ndi zolowa zimene koperativi ikuwapatsa?
   e. What do the members complain about the most?
      Kodi mamembala amandaula ndi zinthu zanji mu koperativi?
   f. What are the things that would make the members cease to be a member of this cooperative?
      Kodi ndi zinthu ziti zomwe zingapangitse mamembala kusiya kukhala membala wa koperativi?

8. Do stakeholders understand how prices and benefits are calculated?
   a. How are prices offered to members arrived at?
Kodi mitengo imene koparetivi imagulira zinthu kuchokera kwa alimi mumawelengera bwanji?

b. Do members understand how prices offered to them are arrived at?
Kodi mamembala amamvetsetsa kawerengetsedwe kake ka mitengo imene koparetivi imachaja?

c. How are benefits offered to members arrived at?
Kodi zolowa zimene koparetivi imapereka kwa alimi mumawelengera bwanji?

d. Do members understand how benefits to them are calculated?
Kodi mamembala amamvetsetsa kawerengetsedwe kake ka zolowa zimene koparetivi imapeleka?

9. Do stakeholders trust one another?
   a. Do members trust the Board? (Why not?)
   Kodi ma membala amakukhulupilirani inu ngati board?

   b. Do members trust the manager? (Why not?)
   Kodi ma membala amakhulupilira manager yemwe muli naye?

   c. Do members trust the employees? (Why not?)
   Kodi ma membala amawakhulupilira anthu amene akugwira ntchito mu koparetivi?

   d. Is there any conflict among members of the cooperative? (Why?)
   Kodi pali kusagwirizana kuli konse pakati pa ma membala a koparetivi yanu?

10. Who has the greatest control over the cooperative?
   a. Who runs the cooperative?
   Kodi amene akuyendetsa koperativiyi ndani?

   b. Who finances this cooperative?
   Kodi amene akupereka thandizo landalama ku koperativiyi ndi ndani?

   c. Who makes important decisions in your cooperative?
   Kodi ndani amene ali ndi mphamvu zambiri zoyendetsera koperativiyi?

   d. To what extent are members able to influence decision making in the cooperative?
   Kodi ma membala ali ndi mphamvu zanji pa kayendetsedwe ka koparetiviyi?

   e. What help, if any, does your cooperative receive from other organizations?
   Ndi thandizo lotani lomwe koperativi yanu inalandira kuchokera ku mabungwe ena?

11. How effective is the Board of the cooperative?
   a. What is the role of the board in the cooperative?
   Kodi nthchito za Board ndizotani mu koperativiyi?

   b. How are board members elected?
   Kodi ma board members amasankhidwa bwanji?

   c. What qualities do you look for in a board member?
Kodi mumasankha anthu a makhalidwe otani kuti akhale mu board ya koparetivi?

d. How long can a person serve as a board member?
*Kodi a Board amakhala pa mpando nthawi yochuluka bwanji?*

e. How long have the current members served on the board?
*Kodi mamembala a board amene alipo pano akhala pampando nthawi yaitali bwanji?*

f. What training have members of the board received so far?
*Kodi ma membala a board analandira maphunziro otani?*

g. How effective is your current board?
*Kodi mukugaraniza kuti a board ya koparetivi yananu akugwira bwanji ntchito yao?*

h. What committees does your cooperative have?
*Kodi ndi makomiti ati omwe koperativi yananu ilinayo?*

i. What are the roles of the committees?
*Ndzi ntchito zotani zomwe amagwira ma komiti amenewa?*

j. How effective are your committees?
*Kodi mukugaraniza kuti ako mitezi ya koparetivi yananu akugwira bwanji ntchito yao?*

**12. How effective is management of the cooperative?**

a. What is the role of the manager?
*Kodi ntchito zanu ngati manager ndi zotani?*

b. Who do you report to?
*Kodi pa ntchito yanu ngati manager mumapereka malipotinu anu kwa ndani?*

c. How is your performance monitored?
*Kodi a Board amadziwa bwanji mmene inu mukugwilira ntchito ngati manager?*

**13. How effective are employees of the cooperative?**

a. How many employees are there in your cooperative?
*Kodi muli ndi anthu angati ogwira ntchito mu koperativi yananu?*

b. What are the roles of the employees?
*Kodi anthu ogwira ntchito mu koperativi amagwira ntchito zotani?*

c. How effective are the employees?
*Kodi mukugaraniza kuti anthu ogwira ntchito mu koperativi yananu akugwira bwanji ntchito yake?*

**14. What do stakeholders regard as good performance?**

a. How is your cooperative performing?
*Kodi koperativi yananu ikuchita bwanji?*

b. What do you regard as the main achievements of your cooperative?
*Kodi ndi zinthu ziti zimene koperativi yananu yachita bwino kwambiri?*
c. In which areas has your cooperative not performed well?
   *Kodi ndi zinthu ziti zimene koperativi yanu siinachita bwino kweni-kweni?*

d. What are the major challenges that affect the performance of your cooperative?
   *Kodi ndi mabvuto anji amene akupangitsa koperativi yanu kusachita bwino?*

e. What are the things that can cause your cooperative to fail?
   *Kodi ndi zinthu zanji zimene zingaphe koperativi yanu?*

15. **How well is the cooperative performing financially?**
   a. Has the cooperative made a surplus since its establishment? Which years?
      *Kodi koparetivi yanu inapangako phindu kuyambira pomwe inakhazikitsidwa? Zaka ziti?*
   
   b. How many times have members received dividends since the cooperative was established?
      *Kodi mamembala analandira ma dividends kokwana kangati chikhazikitsireni koperativi?*
   
   c. What are the reasons why the cooperative has registered good/poor financial performance?
      *Kodi ndi zifukwa ziti zomwe zapangitsa koparetivi kuti ichite/isachite bwino pa chuma?*
   
   d. What plans does the cooperative have to improve its financial performance?
      *Kodi ndi mfundo ziti zomwe koperativi yakhazikitsa pofuna kuti ichite bwino pa chuma?*
   
   e. Does your cooperative keep books of account?
      *Kodi koparetivi yanu iri ndi ma bukhu olembera za kayende tsedwe ka chuma?*

16. **How do you assess the future of the cooperative?**
   b. At the current rate of performance, where will this cooperative be five years from now?
      *Mmene ikuchitira koperativi yanuyi, kodi mukanizana kuti idzakhala ili pati pa zaka zisanu zikubwerazi?*
   
   c. What should the cooperative do to improve its performance?
      *Kodi chofunikira ndi chiyani kuti koperativi yanuyi ipite patsogolo?*
APPENDIX 5
INTERVIEW GUIDE FOR COOPERATIVE PROMOTIONAL AGENCIES

1. What is the nature of your cooperative promotion work?
   a. What is the history of this institution?
   b. What are the current roles of this institution?
   c. Why do you promote cooperatives specifically and not other forms of enterprise?
   d. Which policy framework do you use to guide your cooperative development activities?
   e. What is the ultimate objective behind cooperative promotion?
   f. What support do you give to agricultural cooperatives?
   g. How many cooperatives have you promoted so far?
   h. What types of cooperatives have you promoted so far?
   i. How many cooperatives do you plan to promote in the next five years?
   j. How different are agricultural cooperatives from all the other types of cooperatives that you have promoted?
   k. How many agricultural cooperatives have you promoted so far?
   l. How many of these cooperatives are registered with the Registrar of Cooperatives?
   m. How do you assess the performance of the agricultural cooperatives that you have promoted?
   n. How many of these cooperatives are currently ‘active’?
   o. How many of these cooperatives are currently ‘requiring attention’?
   p. How many of these cooperatives are currently ‘dormant’?
   q. How many of the agricultural cooperatives that you have promoted have failed so far?
   r. What are the most common causes of failure among the agricultural cooperatives that you have promoted?

2. Why do members establish agricultural cooperatives?
   a. What reasons do members give for establishing agricultural cooperatives?
   b. Why do they establish agricultural cooperatives rather than other forms of business?
   c. What is the minimum number of members in an agricultural cooperative?
   d. What is the maximum number of members in an agricultural cooperative?
   e. What percentage of the current membership in agricultural cooperatives are women?

3. What are the perceived benefits of cooperatives?
a. What do members expect to gain by joining an agricultural cooperative?
b. How much initial sensitization/training do members receive before joining an agricultural cooperative?

4. **What are the reasons why members leave cooperatives?**
   a. What percentage of the membership leave agricultural cooperatives annually?
   b. What reasons do they give for leaving the agricultural cooperative?

5. **Do members understand how cooperatives work?**
   a. Do members have a good understanding of how agricultural cooperatives work?
   b. Do cooperative managers have a good understanding of how agricultural cooperatives work?
   c. Do cooperative boards have a good understanding of how agricultural cooperatives work?

6. **What services and benefits are offered by cooperatives?**
   a. What services do agricultural cooperatives offer to their members?
   b. What services would members like their agricultural cooperatives to offer them that they are not offering currently?
   c. What benefits do agricultural cooperatives offer their members?
   d. What benefits would members like their agricultural cooperatives to offer them that they are not offering currently?

7. **How satisfied are members with the services and benefits on offer?**
   a. How satisfied are members with the services that their agricultural cooperatives are offering?
   b. Which members’ needs are the agricultural cooperatives currently meeting?
   c. Which members’ needs are the agricultural cooperatives currently not meeting?
   d. Which do members prefer: high product prices and low dividends or high dividends and low product prices?
   e. Which do members prefer: high input prices and high dividends or low input prices and low dividends?
   f. How satisfied are members with the benefits that their agricultural cooperatives are offering?
g. What do members complain about the most?

8. Do stakeholders understand how prices and benefits are calculated?
   a. Do members understand how prices offered to them are arrived at?
   b. Do members understand how benefits offered to them are calculated?

9. Do stakeholders trust one another?
   a. Do members trust the Board? (Why not?)
   b. Do members trust the manager? (Why not?)
   c. Do members trust the employees? (Why not?)
   d. Is there any conflict among members of the cooperative? (Why?)

10. Who has the greatest control over a cooperative?
   a. Who runs the agricultural cooperatives?
   b. Who finances the agricultural cooperatives?
   c. Who makes important decisions in the agricultural cooperatives?
   d. What decisions do members make relating to the agricultural cooperative?
   e. To what extent are members able to influence decision making in the agricultural cooperative?
   f. What help, if any, do agricultural cooperatives receive from other organizations?

11. How effective are Boards in cooperatives?
   a. Do all agricultural cooperatives have boards?
   b. What is the role of the board in the agricultural cooperative?
   c. How are board members elected?
   d. What qualities do members look for in potential board members?
   e. How long can a person serve as a board member?
   f. What training do board members receive?
   g. How effective are agricultural cooperative boards generally?

12. How effective is management in cooperatives?
   a. Do all agricultural cooperatives have managers?
   b. What is the role of the agricultural cooperative manager?
   c. Are cooperative managers employees or members?
   d. How effective are the managers?
e. Who do the managers report to?
f. How is the performance of a manager assessed?

13. What do stakeholders regard as good cooperative performance?
   a. How are the agricultural cooperatives that you have promoted performing?
   b. What are the main indicators that the agricultural cooperative is performing well?
   c. What are the main indicators that the agricultural cooperative is not performing well?
   d. What do you regard as the main achievements of most agricultural cooperatives?
   e. What are the major challenges that affect the performance of agricultural cooperatives?
   f. In what ways does each of these challenges affect your agricultural cooperative?

14. How well are cooperatives performing financially?
   a. Do agricultural cooperatives keep books of account?
   b. What percentage of the agricultural cooperatives that you have promoted have paid dividends since they were established?
   c. What are the reasons why the agricultural cooperatives have registered good (poor) financial performance?
   d. What plans do most agricultural cooperatives have to improve their financial performance?

15. How well are cooperatives performing in other areas?
   a. What are the things that agricultural cooperatives do very well?
   b. What are the reasons why the agricultural cooperatives have performed very well in each of these areas?
   c. What are the things that agricultural cooperatives do not do well?
   d. What are the reasons why agricultural cooperatives perform poorly in each of these areas?

16. How do you assess the future of cooperatives in Malawi?
   a. At the current rate of performance, where will the agricultural cooperatives that you have promoted be five years from now?
   b. What should these agricultural cooperatives do to improve their performance?
## APPENDIX 6

**GENDER OF INTERVIEWEES**

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<tr>
<th>Gender</th>
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<td>Male</td>
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<td>TOTAL</td>
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**APPENDIX 7**

**AGES OF INTERVIEWEES**

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<td>22</td>
<td>28%</td>
</tr>
<tr>
<td>41 – 50 years</td>
<td>20</td>
<td>25%</td>
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<tr>
<td>51 – 60 years</td>
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<td>23%</td>
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<td>Over 60 years</td>
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<td><strong>TOTAL</strong></td>
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## APPENDIX 8

### QUALIFICATIONS OF INTERVIEWEES

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<td>Standards 1 – 5</td>
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<td>33%</td>
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<tr>
<td>Standards 6 – 8</td>
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<td>Forms 1 – 2</td>
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<tr>
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</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>80</td>
<td><strong>100%</strong></td>
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</table>
## APPENDIX 9

### GROUNDED THEORY ANALYSIS APPLICATION EXEMPLAR

| Core Category          | Axial Code                      | Open Code       | Interviewee Statement                                                                                                                                                                                                 |
|------------------------|---------------------------------|-----------------|--------------------------------------------------------------------------------------------------------------------------------**************************************************************************************|
| Financial benefits     | Dividend payment expectations   | Dividend        | “New members have been motivated by the expectation that there will be dividends at the end of the year………………”. (CE-005)                                                                                             |
|                        |                                 | expectation     | “The cooperative is seen as advantageous because members get dividends. Dividends are calculated based on shares purchased. However no dividends yet have been paid”. (CE-007)            |
|                        |                                 | Division        | “In future, those members who sell their honey will receive their sale price. From the profits, some money will be removed for the cooperative, some for development of the area and needy people in the community such as the elderly and orphans, then a percentage for bonus and another percentage for dividend”. (LW-027) |
|                        |                                 | Dividend sharing| “When the cooperative is performing well, it is expected that members will have better houses, ………. At year end the cooperative will pay out a dividend. Currently, the only benefit that members get is that they can sell their sunflower seed to the cooperative”. (TL-14) |
|                        |                                 |                 | “At year end to get a dividends based on the number of shares” (MD-163)                                                                                                                                               |

"New members are welcome to the cooperative and can come as long as they
<table>
<thead>
<tr>
<th>Dividend not paid</th>
<th>&quot;Members complain that dividend are not paid&quot; (MD-104)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>&quot;No dividends so far have been declared because the coop's financial performance has never been good enough for such payments to be made..............&quot;. (LC-062)</td>
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<tr>
<td></td>
<td>&quot;There are no plans to give members dividends .......... until the MBG becomes a cooperative. Currently the main advantage to members is that they are able to improve the standard of living of their families when they receive a cow, obtain milk, sell milk and apply manure in their gardens. Cooperatives sell shares and give dividends in addition to the above&quot;. (MP-021)</td>
</tr>
<tr>
<td></td>
<td>&quot;At no time did members ever receive dividends because although initially members bought shares the board and management did not account for these and later on no one was regarded as a shareholder anymore&quot;. (MK-019)</td>
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</tbody>
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<table>
<thead>
<tr>
<th>Bonus payment expectations</th>
<th>Bonus expectation</th>
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<tbody>
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<td>&quot;In future, those members who sell their honey will receive their sale price. From the profits, some money will be removed for the cooperative, some for development of the area and needy people in the community such as the elderly and orphans, then a percentage for bonus and another percentage for dividend. ...................... It is expected that this year the bonus .......... will be paid&quot;. (LW-027)</td>
<td></td>
</tr>
<tr>
<td>&quot;The coop needs advice to stop behaving like a vendor and also to have funds of its own with which to buy produce, and to negotiate prices and bonuses with its members before the growing season so that members can plan&quot;. (LC-051)</td>
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<tr>
<td>&quot;When members buy shares they get a bonus then a dividend. Those who get bonuses are those who sell the most honey ..................................................&quot;. (LW-025)</td>
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<tr>
<td>&quot;The objective of the cooperative is to give ..................................................................................&quot;. (LW-025)</td>
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<tr>
<td>Bonus not paid</td>
<td>Access to bigger markets</td>
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<tr>
<td>&quot;No bonuses or rewards are paid yet although such practice exists in the constitution of the cooperative&quot;. (CE-010)</td>
<td>&quot;The club was not recognized by the Government, but the coop is recognized by the government and it is able to access markets. Clubs are not able to secure stands at the International Trade Fair grounds but a cooperative can so easily&quot;. (CH-003)</td>
</tr>
<tr>
<td>&quot;No dividends and bonuses have been paid so far&quot;. (MD-180)</td>
<td>&quot;The main objectives of the cooperative were to build a factory, get bigger markets and to grow the cooperative. ………………………..&quot; (CH-014)</td>
</tr>
<tr>
<td>&quot;There are no plans to give members ………. bonuses until the MBG becomes a cooperative. Currently the main advantage to members is that they are able to improve the standard of living of their families when they receive a cow, obtain milk, sell milk and apply manure in their gardens. Cooperatives sell shares and give dividends in addition to the above&quot;. (MP-021)</td>
<td>&quot;Current objectives of the cooperative – uplifting living standards of the farmers and making them food secure. Food security will be achieved by receiving planting materials and a market to sell their cassava&quot;. (CE-008)</td>
</tr>
<tr>
<td>Access to reliable markets</td>
<td>Identification of a reliable market</td>
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<tr>
<td>&quot;The cooperative is in the business of maize, beans, soya, groundnuts and Paprika. When members harvest their maize and beans they bring these to this coop where a reliable market is supposed to be identified to which the produce is sold so that members can get</td>
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<table>
<thead>
<tr>
<th>Cooperative is the market</th>
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<tbody>
<tr>
<td>&quot;Both members and the cooperative have beehives and can produce honey. Members sell their honey to the cooperative. There are also other beekeeping groups in the community which produce honey which the cooperative buys because they have no markets other than our cooperative&quot;. (LW-016)</td>
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<tr>
<th>Market access is a benefit</th>
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<tbody>
<tr>
<td>&quot;Access to markets is a benefit members get from the cooperative&quot;. (LC-027)</td>
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<tr>
<th>A vehicle for securing markets</th>
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<tbody>
<tr>
<td>&quot;The cooperative tries to find markets for members – being their most important expectation&quot;. (LC-058)</td>
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| "The cooperative however has not done well in some areas such as the fact that the factory was not built to standard and as a result it does not have a MBS certificate. The cooperative was also not able to access large markets because it did not have sufficient capital". (LW-033) |

| "Contract farming should be practiced so that farmer members can have markets for their produce to improve performance". (LC-069) |

| "The goal of the cooperative is to work together to find markets for all so that everyone’s standard of living can improve". (LC-072) |

| "When we are able to access markets to sell our members produce, that is a good indicator of good performance". (LC-082) |

| "Lack of markets for our produce is one thing that can cause cooperatives to fail". (LC-047) |

| "The current objectives of the cooperative are to sell shares to members so as to increase its capital, to have more beehives and to have a bigger market for its honey". (LW-018) |

| "On the processing side, good performance depends on the market that has been developed. The markets are large, customers are demanding more HQCF than the cooperative can supply". (CE-020) |
| Markets that are better than vendors | “To obtain better markets to give us more money than we can get from vendors. The cooperative is able to buy from us at a good price because individually we can’t keep the produce until prices improve because we need money immediately”. (LC-002) |
| Marketing system | “Marketing system including 15 centres where Marketing Officers sell their oil and buy raw materials” (MD-095) |
| Loans for members | “When giving out loans, the cooperative follows an already agreed order of beneficiaries”. (CH-017) |
| Loan access procedures | “InterAid of France came to our area to provide assistance in the areas of health, nutrition and agriculture. They provided...” |
| Donor supported loan facilities | “The reason why the cooperative has registered poor performance is a lack of reliable markets”. (MD-184) |
water boreholes to improve health and seed to improve nutrition. As the project was drawing to a close, Interaid decided to support the formation of groups to continue with certain activities towards enhancing income for health, nutrition and improved agriculture as an exit strategy. Under agriculture they provided loans for seeds; for nutrition they wanted to have the people generate income, so they recommended the establishment of a cooperative. At that time there was already an association in existence”. (LC-071)

<table>
<thead>
<tr>
<th>Loans as a benefit</th>
<th>“Obtain loans for the coop members because we are a group”. (MD-028)</th>
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<tbody>
<tr>
<td></td>
<td>“To give them a loan facility for feed to repay later”. (MD-030)</td>
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<td>“To find markets, give them seeds for planting on loan and give them organic fertilizer”. (MD-155)</td>
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<tr>
<td></td>
<td>“Dependency on loans by members where they may borrow but not repay the loans, stealing from the cooperative, loans taken by the cooperative which may lead to loss of assets to lenders, and Transparency and accountability”. (MD-182)</td>
</tr>
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<tr>
<th>Bank supported loans</th>
<th>“We did not get a loan for farm inputs from the bank”. (MD-128)</th>
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<tbody>
<tr>
<td></td>
<td>“Need to source external capital to buy raw materials. We cannot obtain a loan from the bank because of high interest rates”. (MD-131)</td>
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<tr>
<th>Donations to members</th>
<th>Deserved donor support</th>
</tr>
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<tbody>
<tr>
<td></td>
<td>“The objectives of the cooperative are for members to obtain fertilizer and other farm inputs easily from donors”. (LC-013)</td>
</tr>
<tr>
<td></td>
<td>“The objectives of the cooperative are to run a business jointly using joint capital which may attract support from donors, …………………………………”. (MD-151)</td>
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<tr>
<td></td>
<td>“The MBG depends entirely on donors to provide donations of cattle. For members to benefit, the MBG must register with CREMPA which is the body that connects with most of the donors”. (MP-028)</td>
</tr>
<tr>
<td></td>
<td>“Donors could come and offer the cooperative services that were meant to help members, services that were not available anywhere else and other people joined to also access these services”. (LC-007)</td>
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|                      | “Some donors promised support to the
<table>
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<tr>
<th>Donor identification</th>
<th>Cooperative but did not deliver on their promises which disappointed some members”. (LC-009)</th>
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<tbody>
<tr>
<td></td>
<td>“Also when donors bring new ideas, we link up with members to benefit from such initiatives, e.g. seed multiplication. When these initiatives do not materialize, some members leave. The opposite also happens”. (LC-059)</td>
</tr>
<tr>
<td>Donor identification</td>
<td>“The bulking group helps members: By finding donors who can donate to them cattle so that every member can have cattle, and because the government and donors do not help individuals but groups like the bulking group – therefore the bulking group attracts such support”. (MP-009)</td>
</tr>
<tr>
<td>Donations to the cooperatives</td>
<td>No donor support</td>
</tr>
<tr>
<td>Donations to the cooperatives</td>
<td>“As a business, we grew say Paprika individually about 10,000kgs which we sold to a company which gave us a bonus at the end of the year. The coop provided a good service. Currently this is not happening because of lack of resources because donors no longer provide support to say, transport the produce to markets. On our own we cannot undertake these tasks”. (LC-074)</td>
</tr>
<tr>
<td>Donations to the cooperatives</td>
<td>“………… Our current donors do not permit other donors to support us. We are not able to buy all the sunflower produced by farmers”. (TL-62)</td>
</tr>
<tr>
<td>Future dependent on donor support</td>
<td>“For the future of the cooperative, the leadership is busy looking for donors to provide support to the coop e.g. training. This will be intensified. But we need money to help us undertake these activities”. (LC-077)</td>
</tr>
<tr>
<td>Future dependent on donor support</td>
<td>“To find donors who can support the cooperative with finances”. (LC-019)</td>
</tr>
<tr>
<td>Future dependent on donor support</td>
<td>“………… the cooperative may die and lose all its members. To reverse these trends we need to improve relationships with donors, because on its own the cooperative cannot do it, it will die”. (LC-052)</td>
</tr>
<tr>
<td>Future dependent on donor support</td>
<td>“The cooperative’s finances come from self-financing and donors” (MD-114)</td>
</tr>
<tr>
<td>Future dependent on donor support</td>
<td>“After 5 years, many donors will support the MBG”. (MP-036)</td>
</tr>
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</table>
| Future dependent on donor support | “Members have confidence that there is light at the end of the tunnel when loans are fully repaid. The cooperative had repaid other
loans previously. If a donor helped out quickly members would start enjoying dividends quickly”. (TL-47)

“Strategies for the future: Members will buy shares, the money will be used to buy sunflower. The Board will write proposals to donors for support”. (TL-63)

“After 5 years, especially if we find donors to support us, our standard of living will have improved, the cooperative will possess a vehicle, the cooperative will support schools, hospitals and poor people. The cooperative will have its own farm inputs shop, and will have received a donation of another oil expeller. More members will have joined. The cooperative will have a manager”. (TL-65)

“Plans to improve performance include: For members to buy more shares, to find a donor to provide funds to help the cooperative buy sunflower seed from farmers on a cash basis, and to receive training”. (TL-25)

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<tr>
<th>Donor support as a performance indicator</th>
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<tbody>
<tr>
<td>“The cooperative is performing when donors give us financial support”. (LC-078)</td>
</tr>
<tr>
<td>“The cooperative had a manager and an accountant sponsored by a donor organization, but currently it has no external manager, nor accountant”. (MK-007)</td>
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<thead>
<tr>
<th>Leadership</th>
<th>Transparency and accountability</th>
<th>Transparency promotes trust</th>
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<tbody>
<tr>
<td>“Members trust the Board because they regularly provide performance reports to members. This is transparency”. (TL-49)</td>
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<tr>
<td>“Transparency should be encouraged to encourage people to trust their leaders”. (LC-068)</td>
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<tr>
<td>“Lack of transparency especially by the board leads to a lack of trust. Boards must have meetings”.</td>
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<tr>
<td>“No dividends are paid yet at year end. Nevertheless, members are not leaving the cooperative because they understand the challenges that the cooperative is facing because of transparency. Members have learned from the cooperative how to grow sunflower. And the cooperative is buying the sunflower and paying the members a fair price. Members, as the owners of the cooperative, understand how every aspect of the cooperative’s business is going. They also speak openly at AGMs and can call extraordinary AGMs”. (TL-46)</td>
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<tr>
<td>Transparency encourages performance improvement</td>
<td>“Transparency, hardworking spirit of management are the reasons why our cooperative has performed well”. (MD-059)</td>
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<tr>
<td>Transparency, total accountability, no corruption will improve the performance of the cooperative”. (MD-067)</td>
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<tr>
<td>“Our cooperative is performing very well because transparency is strong” (MD-178)</td>
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<tr>
<td>Lack of transparency causes failure</td>
<td>“Lack of transparency and accountability can cause the cooperative to fail”. (MD-132)</td>
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</tr>
<tr>
<td>“Lack of Transparency and accountability can cause the cooperative to fail”(MD-182)</td>
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</tr>
<tr>
<td>“Things that can cause members to leave include: poor and unfair leadership, lack of transparency. To ensure transparency, reports are given to members every three months showing total income and total expenditures and any resultant surpluses. Also when visitors come to support the MBG, a meeting is called to inform the members immediately”. (MP-031)</td>
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<tr>
<td>Transparency as a performance indicator</td>
<td>“The cooperative is performing well in the following areas: agreement among members, we pay back our loans, accountability to members and transparency. All members are playing a role in the cooperative”. (TL-61)</td>
<td></td>
</tr>
<tr>
<td>“The cooperative is doing well in the following areas: It has some achievements to show. There is also transparency and accountability”. (TL-23)</td>
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