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# **THE ROLE OF LEADERSHIP IN CO-OPERATIVE ORGANIZATIONS**

**A Presentation to the Board of Co-operatives in Kenya, June, 2022**

**By**

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## **Introduction**

The role of leadership in co-operative organizations may be underestimated, yet it is the prime factor that determines the effectiveness and long-term sustainability of the co-operative.

## **Learning Objectives**

At the end of this lesson, you should be able to:

- Explain clearly with illustrations from a co-operative organization, what leadership entails
- Describe four components of leadership as applicable to a co-operative organization
- Identify six characteristics of effective leadership
- Comprehend the nature of a co-operative organization
- Discuss the prime role of board leadership in co-operative organizations.

## **What is leadership?**

It is true to acknowledge that every man and woman always practices some aspect of leadership role by influencing some important decisions or courses of action. However, it is possible that only a few of them have ever taken time to critically consider what leadership is all about. Simply defined, leadership is the ability to influence the actions of others (Kolzow, 2014). When applied to organizations, leadership should effectively influence the strategic direction of the organization. This implies having a clear vision of where the organization is and where it wants to go, and how it will get there. In the case of a co-operative organization, this calls for a thorough assessment of the co-operative and its member's needs in all aspects of business and steering it towards greater heights of prosperity and sustainability for continued benefit of the co-operative and the economy as a whole.

## **Components of leadership**

We can identify four components of leadership namely (Guthrie & Jenkins, 2018):

- Leadership is a process
- Leadership involves influence
- Leadership occurs in groups
- Leadership involves common goals.

**Leadership is a process:** This means that, it is not a trait or characteristic that resides in the leader, but rather a transactional event that occurs between the leader and the followers. Process implies that a leader affects and is affected by followers. It emphasizes that leadership is not a linear, one-way event, but rather an interactive event. When leadership is defined in this manner, it becomes available to everyone. Therefore, co-operative leaders transact with their members, and they affect and are affected by their members. Their effectiveness in

accomplishing this process will determine the outcome or results as measured by the profitability or cost effectiveness and sustainability of the co-operative.

**Leadership involves influence:** It is concerned with how the leader affects followers. Influence is a critical component of leadership. Without influence, leadership cannot exist. Great leaders exert high influence upon their followers. Their members uphold them in high esteem, trust, confidence, and loyalty that cannot be broken easily. This is the quality of leadership that co-operative board members and their managers should possess. Though effective leadership qualities are often perceived as a gift from God, learning and practice can greatly enhance admirable leadership qualities. Clear forward-looking vision, a well perceived mission, objective cooperation, humility, common courtesy and servanthood spirit greatly enhance the influence of great leaders in organizations and society.

**Leadership occurs in groups:** Although self-leadership exists, groups are the context in which leadership takes place. Leadership involves influencing a group of individuals who have a common purpose. Co-operative board leaders and managers exert leadership influence on their members and employees who together as a group aim to achieve and sustain the co-operative business mission. Therefore, there might be a small task group, a community group, or a large group encompassing an entire co-operative organization. Leadership is much more about one individual influencing a group to accomplish a common goal. Leadership training programmes that teach people to lead themselves are excluded in this context, however an effective leader leads oneself well before leading others.

**Leadership includes attention to common goals:** Leaders direct their energies toward individuals who are trying to achieve something together. By common, we mean that the leaders and followers have a mutual purpose. Attention to common goals gives leadership an ethical overtone because it stresses the need for leaders to work with followers to achieve selected goals. Stressing mutuality lessens the possibility that leaders might act toward followers in ways that are forced or unethical. It also increases the possibility that leaders and followers will work together toward a common good. Mutuality principle aims to achieve the benefits of all and is well embraced by co-operative principles and values that guide co-operative entities globally.

### **Characteristics of Effective Leadership**

Six major characteristics of effective leadership can be identified: Followership, Work based relationship, Personal quality, Reciprocal relationship, Commonality of interests, and Guidance. These are further explained (Saunders, 2020):

- **Followership:** There must be followers. A leader without followers cannot exercise authority. A co-operative board not well backed up by its members has no authority.
- **Work Based Relationship:** There must be a working relationship between the leader and his followers. The leader should present himself in a place where the work is actually going on and inspire moral courage to achieve the mission of the organization. In a co-operative, meeting forums between members and the board/managers, and the staff and the Manager should be effectively used for this purpose.

- **Personal Quality** - The character and behavior of an individual greatly influences the work of others. This is where strong characteristics of self-leadership are needed on the part of co-operative board members and managers as for example demonstrating a strong will power to be committed the mission of the organization, accept to take self and collective responsibility in all interests of the organization, demonstrate accountability, transparency and high level of integrity. In real world situations, individuals in leadership often fail to attain this quality. Most co-operative organizations fail not due to lack of capital but due to lack of high-quality leadership endowed with ethical principles.
- **Reciprocal Relationship** - Leadership kindles a reciprocal relationship between the leader and his followers. A leader can influence his followers and, in turn, the followers can influence the leader. The willingness of both the leader and the followers is responsible for the influence and no enforcement is adopted. This calls for the need to build consensus on critical issues of common interest. This can be enhanced by opening up democratic space so that concrete issues are well debated by all members and assented by the majority if not all. It may also call for setting standards and targets of performance together with appropriate rewards for both leaders and members once they hit set targets.
- **Commonality of interests** - There must be a commonality of interests between the leader and followers. This implies the need to create harmony between the leader and followers in all efforts directed towards achieving the organization mission. A leader has own objectives. The followers have their own objectives as well. In the absence of commonality of interests, both are moving in different directions. The leader should reconcile the different objectives while compromising individual interests with organizational interests.
- **Guidance** - A leader guide his followers to achieve the goals of the organization. A leader should take steps to motivate his followers for this purpose by creating appropriate rewards or incentives for exemplary performance by followers. For example, certificates of recognition, trophies, bonus pay and others. However, best guidance is also given through demonstration of exemplary leadership. It is expected that if co-operative board members and their managers will demonstrate high levels of integrity, then members and employees will follow suit.

### **The Nature of a Co-operative Organization**

A co-operative business enterprise may be perceived in different ways. One way is to view a cooperative enterprise as a private business organization owned and controlled by the people who benefit from its products, supplies or services. Although cooperatives vary in type and membership size, all are formed to meet the specific objectives of members, and are structured to adapt to member's changing needs.

The International Co-operative Alliance has defined a cooperative enterprise 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.” From this definition, five major features of a co-operative enterprise are brought

to the forefront: **Autonomy, Voluntary engagement, Commonality of needs, Joint ownership, Democratic control** (ICA, 1995) These features are further explained.

**Autonomy** means independence; therefore, a co-operative enterprise is largely dependent on its own resources and organizational effectiveness so as to succeed in its environment. **Voluntary engagement** means that members promoting the co-operative enterprise are self-driven to do so and are not forced by anyone. **Commonality of needs** implies issues of common interest to all members. **Joint ownership** implies co-ownership of the co-operative business with equitable shareholding rights and equal voting power. **Democratic control** means each member has an equal say in all matters of crucial importance to the co-operative organization. For example, the election of board members. It also obligates the same board to uphold democratic principles in its leadership approach.

### **The Prime Role of Board Leadership in Co-operative Organizations**

Having described the nature of a co-operative enterprise and leadership in general, the role of board and managerial leadership in co-operative organizations should endeavour to effectively accomplish the following seven roles as described by Minciullo, (2019):

- **Set up a conducive work environment climate.** This is important for effective accomplishment of the various tasks of a co-operative organization by its members. Essential facilities, maintenance of hygiene, and stress-free working relationships should be encouraged. There is a possibility that some board members due to ignorance of common courtesy and work ethics unnecessarily harass their members and workers.
- **Provide strategic direction to co-operative members and employees.** When people lack clear vision and mission they will perish. Co-operative board leaders are responsible for creating the strategic direction of the co-operative through a corporate strategic plan that details in a specific time period, what the co-operative envisions to achieve and by what means, as well as the effective contribution of each member or employee
- **Issue clear policies.** Policies guide organization members to perform diverse tasks in accordance with the wishes of the organization so as to achieve organizational goals. Policies should be set for each key performance area to avoid ambiguity by clarifying procedures and processes of task performance.
- **Defend the co-operative from internal and external attacks.** There is a saying that, “business is war”. The Co-operative board must be alert at all times to defend any malicious attacks aimed at ruining the reputation of its business and that of its members.
- **Uphold the co-operative values and principles as appropriate to a specific co-operative business.** These are as enshrined in the statement of co-operative identity by the International Co-operative Alliance. They define the character and personality of a true co-operative enterprise.
- **Uphold the Constitution, the Co-operative Societies Act, and other Acts and regulations.** The business environment is often entangled in a chain of laws and

regulations. The board leadership should be alert to those specifically affecting their business and work to mitigate any likely legal risks.

- **Generally, govern the co-operative entity effectively.** The board should ensure good governance of their co-operative so as to attain its business mission and long-term sustainability.

### **Flashback: What have you learnt in this lesson?**

#### **In this lesson you have learnt that:**

- Board leadership in a co-operative organization should thoroughly assess the needs of the co-operative and its members and steer the co-operative towards greater heights of prosperity and sustainability.
- Leadership is a combination of four critical components: **process, influence, groups and common goals.**
- Six characteristics of effective leadership include: **Followership, Work based relationship, Personal quality, Reciprocal relationship, Commonality of interests, and Guidance.**
- A co-operative enterprise has five major features namely: **Autonomy, Voluntary engagement, Commonality of needs, Joint ownership, Democratic control.**
- There are **seven** prime board leadership roles in a co-operative organization.

### **Activity**

Assess the status of your co-operative organization board leadership approaches and discuss their strengths and weaknesses. Recommend a way forward for overcoming the weaknesses you have identified (20 marks). Submit your work for assessment by your trainer.

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