



## PERFORMANCE OF TANZANIAN CO-OPERATIVES IN A GLOBAL COMPETITIVE BUSINESS ENVIRONMENT

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### Abstract

*The co-operative enterprise is one of the oldest and most enduring forms of business. Co-operatives have been playing a vital role in the socio-economic development of the country. There are different forms of co-operative enterprises in Tanzania which were designed to satisfy members' needs. But for quite some time now, co-operative society's performance has been unsatisfactory. The objective of this paper is to present the need of professionals and performance of co-operatives in a competitive business environment in Tanzania. The paper further examines the co-operative as well as business model and its taxonomy. Desk review has been conducted to collect data and information from various secondary sources. Furthermore, the desk review reviewed reputable journals related to the discipline. Finally, the information gathered was scrutinised, polished and modified to match the requirements of this article. The findings revealed that lack of professionalism has been one of the major problems affecting performance of co-operatives in Tanzania. This is because the co-operatives have been managed by officials who lack managerial or professional qualifications, and who do not have necessary experience and technical competency. Although globally co-operatives run or operate some of the largest businesses, they are largely overlooked when it comes to issues of professionalism. Its identity and taxonomy also lead to poor performance of co-operative enterprises in Tanzania. In this paper, reasons why professionalism is ignored in co-operatives is presented. Reasons why management needs to be professionals are also given as well as fiduciary responsibilities. Given the size of the co-op sector and its contribution to both economic and social capital, attention should be given to the following dimensions to ensure professionalism: emphasising on hiring managers with requisite qualifications, human resource development programmes, management information system, and adherence to principles of professional management, co-operative learning and strategic alliance with other co-operatives.*

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### I. Introduction

Modern business and enterprise demand professional competence and skills. Professionalism means the state or practice of performing a job with skill, competence, ethics, and courtesy. The role of a manager has been fairly specialised consequently, management as a profession has reached a time where the whole lot is to be attained professionally (Kaur, 2017). Professional administration refers to the condition where major decision making is in the hands of those individuals who attained managerial or professional qualifications, have vast experience and technical competency. The 21<sup>st</sup> century has brought in the environment in which enterprises must acclimatise to a fast-varying community needs with constantly shifting wants and opportunities. The economy has become global and is determined by inventions and technology. These have paved ways for intense competition among various actors (Nail, 2006).

The 21<sup>st</sup> century also brought the commencement of the new era of modernization in which the societies have strengthened their base and advanced vastly in all the facades. In this state, professionalism is the call of the new millennium and the guiding influence in the growth of a sustainable society. It has come to be a significant index organ in which the numerous parameters of the development of a firm will be judged and assessed. This century is a highly competitive one in which the firm will have to perform and as a consequence, they will all the time be eagerly watched. If they fail, they will perish or cease to exist. So, professionalism is an assurance to sustain the rigour if this

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competitive culture is to deliver. Thus, co-operatives should meet these conditions. Hence, it becomes essential on the part of a co-operative to effect changes in the style of functioning and management. That means co-operatives have to be managed professionally just like any other business entity without compromising co-operative ideology and values.

A co-operative is a member-owned organisation, an independent and democratic association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations (Bwana and Mwakujonga, 2013). They differ from the other private firms due to their connection to the community, rooting values, ethics and democratic principles (ILO, 2010). A Co-operative as a democratic organisation contributes to great members' participation and smooth flow of information among members and this, in turn, establishes less exploitative relations with stakeholders. This leads to the reduction of information asymmetry and enhances a more innovative community. Thus, co-operatives have been playing a vital role in the socio-economic development of the country. They are involved in numerous economic activities; for example, disbursement of credit, and distribution of agricultural inputs like seeds, fertiliser and agro chemicals, storage, processing and marketing of the produce. Furthermore, co-operatives enable farmers to get good quality inputs at a reasonable price as well as getting remunerative returns for their farm produce when marketed through the organisation. Table I presents the types of co-operative enterprises currently operating in Tanzania.

**Table I: Status of Co-operatives in Tanzania, December, 2018**

S/N	Coop Type	Male	Female	Groups	Institutions	Total	Shares (TZS)
1	SACCOS	785,017	316,560	14,735	1,879	1,118,191	163,617,260,840.85
2	AMCOS	780,452	314,719	14,649	1,868	1,111,688	156,438,168,399.76
3	Consumer	8,478	3,419	159	20	12,076	767,202,378.85
4	Irrigation	17,174	6,926	322	41	24,463	772,714,252.00
5	Livestock	32,827	13,237	616	79	46,759	648,887,421.00
6	Industrial	8,044	3,244	151	19	11,458	496,254,533.00
7	Housing	3,478	1,403	65	8	4,954	906,450,874.00
8	Mining	22,392	9,030	420	54	31,896	224,340,300.00
9	Fisheries	13,696	5,523	257	33	19,509	103,525,000.00
10	Others	76,089	30,683	1,428	182	108,382	1,615,448,020.00
<b>Total</b>		<b>1,747,648</b>	<b>704,742</b>	<b>32,803</b>	<b>4,183</b>	<b>2,489,376</b>	<b>325,590,252,019.46</b>

Source: Tanzania Co-operative Development Commission (TCDC), 2018

The above statistics indicate that, in 2018, there were 2,489,376 registered co-operatives in Tanzania, with a share capital of TZS 325, 590, 252, 019.46. The financial co-operatives, especially savings and credit co-operative societies (SACCOS) are the dominant form of co-operatives in Tanzania accounting for 44.9% of the total members, followed by Agricultural Marketing Co-operatives (AMCOs) (44.6%) and the remaining forms account for 11%. Financial co-operatives in Tanzania include SACCOS and co-operative banks. Currently, there are two co-operative banks: the Kilimanjaro Co-operative Bank and the Kagera Farmers' Co-operative Bank. Other forms of co-operatives include consumer, fisheries, livestock, mining, irrigation, industrial, housing, and services. Thus, co-operatives occupy an important place in the Tanzanian economy in terms of their membership, business turnover and contribution to the economic welfare of their members. Co-operatives are serving the masses and play a vital role in capacity building and augmenting their income. However, the majority of co-operatives' performances are not measuring up. That is to say not all co-operative societies enable the poor to get out of poverty because they have failed to perform as expected. Performance refers to what is expected to be delivered by an individual or a set of individuals within a timeframe or the potential to successfully implement actions leading to attainment of an organisation's objective and goals. What is expected to be delivered could be stated in terms of results or efforts, tasks and quality, with specification of conditions under which it is to be delivered (Megira, 2017). In a co-operative society, both the players such as the co-operative as an institution, and the members who are the owners should benefit. These benefits are the results of the services performed by the co-operative and the economic and social benefits that have been received by the members. If the performance on both counts is reasonably satisfactory it can be assumed that there exists good governance.

Performance is measured against the satisfaction level of the members. If the members receive good services in the right place and at the right time, it is good performance. Performance is the product of governance. A co-operative comprises members, co-operative leaders (Board of Directors and Board of Auditors) who are representatives of grassroots members and management (professional management). These are the management tools and service providers in accordance with the expressed needs of members (NAIK, 2006). While they enjoy authority, members expect services and expect the co-operative to provide such services. This provision of services and its usefulness at the user-end is 'performance'. There is evidence which suggests that co-operatives are not performing well.

Co-operative Audit and Supervision Corporation (COASCO) (2018/2019) assert that the performance of co-operative unions is greatly affected by carelessness, irresponsibility and misappropriation of members' funds and mismanagement. The report further detailed the loss of TZS 124.05 bn/- that resulted from at least over TZS 10.66bn/- being misplaced, misused, embezzled while at least TZS 113.4bn/- were unaccounted for from union's financial books. Additionally, it was also confirmed that at least TZS 2.8bn/- was stolen by leaders, while the sum of more than TZS 87.7bn/- were nowhere to be traced. On the other hand, it demonstrates that there was a loss of 22.9bn/- due to the leader's negligence.

Similarly, COASCO report (2019/20) shows that of 43 co-operative unions audited, 20 unions received doubtful certificates, 12 received unsatisfactory certificates and 11 received poor reports. None among them received a satisfactory certificate. The report further showed that 3,374 co-operative societies were also audited. Only 34 among them received satisfactory certificates. Again, in the same year the government had registered about 11,410 co-operative societies, of which 6,463 societies are active, while 2,844 are dormant and 2,103 others are no longer functional. The failure could be attributed to missing factors in governance. That showed a need to recruit highly skilled managers, accountants and other professionals inclusive in order to help the unions to regain public trust and raise professionalism in co-operative societies in Tanzania that is severely lacking.

Professionalism is vital in modernization in which co-operatives have to arise as strong business enterprises and attain competitive advantage amid the winds of change in the economy. As they grow and need to serve its members exceptionally well, there is a corresponding duty to permeate an acceptable level of professionalism in their undertakings. They will have to respond to environmental changes in the 21<sup>st</sup> century in order to develop, survive and deliver quality services to both members and consumers. This dictates efforts to manage change through scientific conduct, tools and innovations. They need to abandon their old norms of functioning; absorb a new culture and improve their power of resilience in order to cope with change in this turbulent era. In this chasing of professionalism and competence becomes a priority. This can only happen if efforts are incurred to follow the dictates of professionalism in indicating proficiency and excellence in practices based on systematic body of knowledge targeting at inculcating among its members a sense of responsibility towards each other and at establishing norms of behaviour and clearly defined qualifications for membership.

Co-operatives, at the moment, represent numerous socio-economic activities. Thus, their management has become a complex operation necessitating a high level of innovation, skills and ability to experiment with new ideas. The challenges of management are many; requiring specialised attention in the sphere of governance, finance, human resource, procurement, etc. Due to this situation, precise field of professionalism with their techniques and methodology has become significant in the field of Co-operation where professionalism at present is quite a problem; portraying a disjointed outdated outlook, Co-operatives should not show a miserable attitude to the rapid advances in professionalism. In information communication technology producers and distributors can relate directly and each one benefits from the deals. The effect of professionalism requires innovation to raise members' satisfaction and performance for co-operatives as an important yardstick of success for the growth of co-operative organisation and members satisfaction and performance should imply sticking to deadline, less time in responding to the member's needs, creating appropriate checks and balances and efficiency in co-operatives. The challenge is to combine efficiency methods for economy and democracy at all levels of co-operative activities. In this context, it is necessary to examine the role of professionalism in the performance of co-operatives in Tanzania. This is so because it is high time to develop strategies for enhancing professionalism in the co-operative sector, to address long term failures and reflect on the right model of development in the 21<sup>st</sup> century. For this to happen, the quality of personnel, their dedication, motivation and skills will be very crucial in making the organisation embark on a successful path.

Development of this chapter was based on theoretical and historical literature study. To ensure a wide theoretical and empirical basis for this study, Desk review has been conducted to collect data and information from various

secondary sources. Furthermore, the desk review reviewed reputable journals related to the discipline. Finally, the information gathered was scrutinised, polished and modified to match the requirements of this article.

## **2.0 Literature Review**

### **2.1 Co-operative Business Model**

A co-operative has a two-fold purpose in which it plays a concurrent role of a union or alliance, and also a business (Mazzarol, *et al* 2011). The co-operative has a more multifaceted purpose based on offering continuous patronage with advantages accumulating to its members while also guaranteeing that it can produce adequate retained profit to endure as an enterprise. A co-operative will aim to enhance the earnings of both its members and its own functioning (Bontemps and Fulton 2009). The co-operative member is both a patron (customer/supplier) and owner (shareholder). The existence of the co-operative can rest on how well it contends these two and frequently rival wants from its membership. The formation of a co-operative is defensible if the cost of contracting with a firm's suppliers or customers surpasses the costs of these suppliers and customers owning the co-operative (Cuomo, 2014).

Thus, the co-operative model is unique because of the following. First, the clients of the co-op are also its owners. Second, the price of the co-operatives' share capital is mostly fixed, and the shares cannot be traded on an exposed market. Third, co-operatives can offer members delayed benefit refunds; principally returning to them the price of their businesses with the co-operative. Fourth, co-operatives can appreciate tax exceptions and may function with a single tax on income. Finally, co-operatives occur for the single purpose of giving value to its members as customers. The matter of sharing ownership and voting rights (one-member-one-vote) is also based at the inner part of the co-operative business model. Additionally, it has been viewed as a point of variance amid the co-operative and other enterprises (one-share-one-vote) (Bacchiega and de Fraja 2004). However, the virtual co-operative business model is criticised for the following: The one-member-one-vote arrangement of control decreases shareholder power and can generate disappointments for members who offer more support than the rest (Mazzarol, *et al* 2011).

Furthermore, the ownership structure of the co-operative imposes numerous general snags that impose tactical challenges to its business model. First, there is the challenge of free riding in which some members involve more vigorously in activities than others who still obtain comparable benefits from their membership. It is intensified in the classical co-operative by an incapability for ownership rights to be traded and for members to hold equal voting rights irrespective of their investment (Naik, 2006). The presence of a co-operative in a market carries the price of competing brands down and may establish a ground price or yardstick within service markets. Secondly is the horizon problem, where a member's residual claims over the resources of the co-operatives are shorter than the life of the asset. This decreases members' inducement to invest in the co-operative as they fail to grasp the full value of their share capital upon parting (Mhembwe and Dube, 2017). Thirdly, is the portfolio problem which is produced by the absence of transferability and liquidity of member equity, attached to the patronage decision. Members are consequently incapable of adjusting their share to their personal level of risk (Rosairo *et al* 2012). Fourthly is the control problem which arises from a deviation of interests between members and the co-operative administration owing to the need to concurrently maintain the co-operatives' dual purposes of offering benefits to members and at the same time running a sustainable and profitable business. Finally, there is the effect of the cost problem caused by the co-operatives' strategic focus becoming uncertain as it tries to balance the returns to the firm and the members. Managing the five common challenges is the key problem facing the co-operatives management. Thus, professionalism is not an option if the co-operatives are to run a sustainable business and deliver benefits to members without forgetting to make a significant contribution to the societies where it operates.

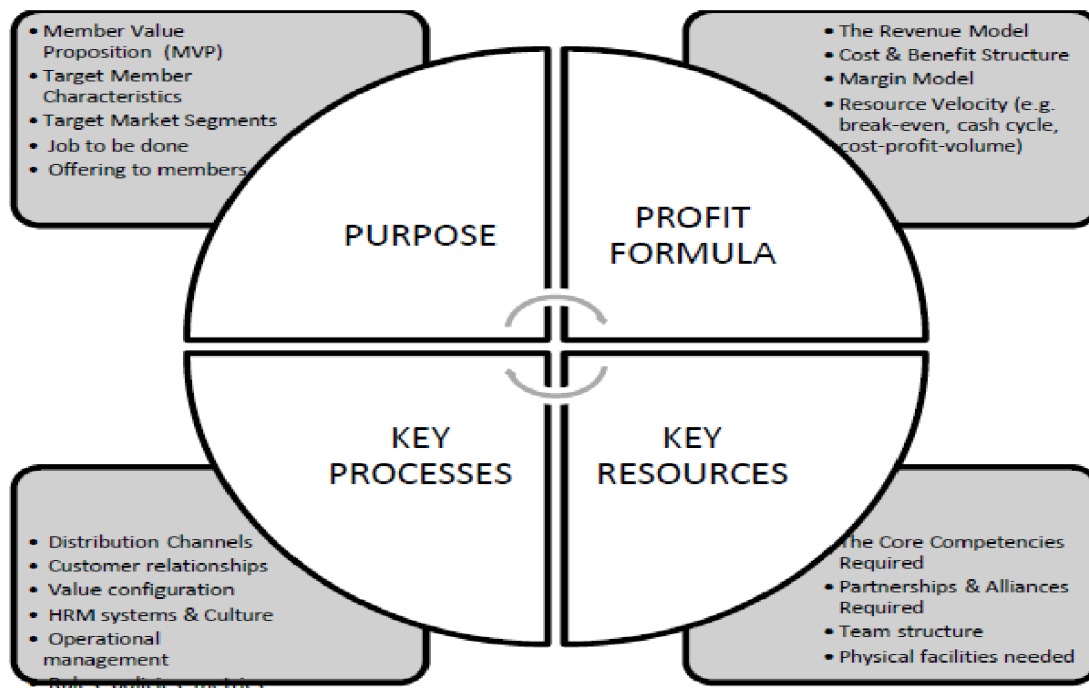
### **2.2 Taxonomy of Co-operatives, Its Identity and Professionalism**

There are four classifications of co-operatives that include the business model, as a social enterprise, as a third sector of the social-enterprise and fourth sector of the social economy. The first category of comprehending a co-operative business model is its drive from which a Member Value Proposition (MVP) needs to be established. These elements substitute the common product and customer value proposition just as any other business model. The key and important issue is the capacity to visibly describe the work to be performed or the co-operatives' mission. This is based on understanding the features of the target members and their expectations, wants and wishes. This is the only way through which members' needs will be visibly articulated. Other components of the model include profit plan, which is just how the business will create profits and at the same time remaining competitive on price, crucial resources that the business will need so as to offer its Customer Value Proposition (CVP), as well as key processes

that the co-operative will utilise to aid it offer the CVP. This can comprise the guidelines, rules, key performance standards and the firm's culture which are treated just like any other models of the business.

The four components are successively built on a basis of building blocks that deal with the particulars of how the product, profit formula, resources and processes are configured. The only difference is how the co-operative would treat its revenue model and its value chain with members as suppliers and customers. This is so mainly due to the nature of the co-operative as more of a tactical system than a conservative supply chain system (Garcia-Perez and Garcia-Martinez 2007). Again, it relates to a member welfare maximising strategy within co-operatives which is different from that of profit maximising strategy practised by other firms (Mazzarol et al., 2011). The core competencies, team structure and approach to alliances and partnering are also likely to be different in co-operatives.

Furthermore, corporate governance of the co-operative, member commitment to the co-operative and how varied the members are in their desires and requirements are of supreme significance on how effective the co-operative will be. Co-operative board structures are also different from other businesses. The co-operative is frequently branded by a member-patron pattern with knowledge of their personal business, but fewer planned proficiency in the management of a greater unit (Mazol et al., 2011). As a result, a co-operative board may develop to be excessively management driven, and reliant on the executive. Co-operative boards are affected by three challenges i) the necessity to represent the welfare of members while guiding the co-operative; ii) to visualise the co-operative prosper and expand; and iii) to support management while controlling the co-operative. The professional advancement of the co-operative board members is thus significant to overcome these snags by a conscious choice of senior directors within the co-operatives, mainly the CEO and the Board Chairman.



**Figure 1: Components of Business Model for Co-operative Enterprise**  
Source: Mazzol et al. (2011)

As a social enterprise, among the seven co-operative principles is concern for community (ICA, 2010). Thus, the co-operative business model is considered an alternative to the traditional choices of private vs public or public vs non-profit. There is a need for the co-operative to be a basis for grassroots global change to the challenges of the prevailing economic system. Founders of the co-operative principles such as Rochdale pioneers of the United Kingdom in 1844 viewed co-operatives as a mechanism of achieving economic change. Co-operatives work with communities to solve local problems, for example through fundraising, providing grants or loans. Alternatively, co-operatives provide means for communities to come together in a co-operative structure to solve their problems. Since they are

regarded as social enterprises, co-operatives as well as members see no need for these enterprises to be managed professionally and as a result, they fail to address societal problems.

As the third sector of the economy, co-operatives are regarded as a kind of social enterprise because of their independent structure, communal ownership, and resilience. Researchers such as Mancino and Thomas (2005) affirmed that, a firm is believed to be in social economy when it is independent, has non-compulsory membership; with same rights and responsibilities, and an aim that is based on self-help and member advantage rather than profit (Hagen, 2007). Thus, it is believed that four components form a social enterprise: i) be based on the continuous creation of goods and services; ii) be volitional established by people who have independence from government or private sector controls; iii) it must put a substantial level of economic risk on its shareholders; and iv) it is obliged to hire persons who labour for it, for a minimum amount of paid time. That is why a social enterprise is differentiated from philanthropic, non-profit, voluntary and state enterprises. However, a social entity further has as a basic aim that is attainment of social goals, and all excess returns are reinstalled for that rather than maximise earnings to shareholders (DTI, 2002).

This social drive has been recognised as a main organising principle of social entrepreneurship. Thus, it can be said that the social enterprise has a social mission with economic returns (Neck *et al* 2008). However, even co-operatives have been included within the third sector. This poses key enquiries if or not they really fit. The formation of a co-operative is mainly for fiscal rather than social goals. Nevertheless, they may have a social consequence. It is economic self-interest that chiefly induces their development and sustainability. This arrangement of economic mission and social impact labels them as a social consequence venture rather than a social purpose venture (Neck *et al.*, 2008). Thus, it might be incorrect to regard co-operatives as chiefly a means for altruism. The co-operatives, therefore, are a kind of social enterprise that is hybrid in nature.

As the fourth sector of the social economy, co-operative business model fits uneasily in the private sector because of how they treat ownership rights and profit disseminations. Once more, it is similarly uncomfortable as the third sector. As a hybrid, it has been housed in the emerging fourth sector where enterprises use business techniques to realise social intentions. The main traits of a fourth sector are its central goal that is of social drive, but that applies entrepreneurial business principles to realise it (Sabeti 2009). There are two main parameters that describe the emerging fourth sector. These are the organisation's drive and the way it makes its income. By assessing nonprofits in the social or third sector, the main purpose is maximising communal advantage, but getting their income from contributions (e.g., sponsorships, philanthropy). The co-operative sits as a hybrid in the fourth sector since its purpose is to generate social benefits for its membership but funded by income earned from conventional business activity. Novkovic (2008) regarded co-operatives as a mixture of social entrepreneurship and social innovation. However, this is criticised as the co-operatives fail sufficiently to measure the intangible asset of social capital. It is therefore proposed that adherence to the co-operative principles can be a mechanism to overcome this challenge.

Generally, co-operatives suffer an identity crisis as they are classified differently by different people and thus the entire issue of professionalism in the management of these enterprises is ignored which leads to their poor performance, theft and malpractices. It should be borne in mind that the co-operative business model provides a medium between public regulation and private power (Mooney 2004). In the finance sector, co-operative banks as well as credit unions provide the ability to encourage savings and enhance member personal wealth (Nembhard 2002). In agricultural marketing co-operatives (AMCOS), co-operative found to result in premium prices for growers. Co-operatives further have a competitive advantage in ability to create strategic alliances. Finally, co-operatives ensure resilience in tempestuous social, economic, climatic and political environments (Mora and Menozzi, 2005). Hence the entire matter of professionalism should be given the attention it deserves if they are to address societal problems.

### **3. Professional Management in Competitive Environment**

#### **3.1 Justification of Professional Management**

Current global and liberalised economic era demands co-operative enterprises to rise to the challenges of the time, largely due to stifling competition from Multinational Corporations (MNC) as well as other types of businesses that are privately owned. The issues raised by auditors and other researchers about the nature of failure and performing demand co-operative enterprises at all levels and types to embrace professionalism in their management. This cut throat competition needs to be counteracted through professional co-operative management. This is vital due to eight reasons as outlined in what follows:

##### **3.1.1 Due to competition**

Co-operative societies have and are working in the era of globalisation. Therefore, they have to compete with MNCs and well-organised businesses. In such cases they have to utilise available resources in the proper direction and reduce the level of wastage. Due to increase in competition, co-operative societies need professional management systems for managing day-to-day business transactions (Fuertes *et al.*, 2020). The competition has become keen due to liberalisation and globalisation. Under such circumstances professional management has become necessary. Observing differentiation, focus and cost leadership (Porter, 1985) will enlighten the co-operative to do better than before.

##### **3.1.2 Health management environment**

Professionalism will distribute duties, powers and responsibilities of the executives in proper manner. It also defines the proper working policy. So, it becomes very easy to maintain a healthy managerial environment within the society. Innovations and diversification will renew co-operative as such responding to changes as they come.

##### **3.1.3 Uniformity in the work**

To maintain uniformity in the work of the society (Akyar, 2012), there is a strong need to apply professional management. Access to new markets and getting more sales, co-operative members will benefit more than turning business to routine activity.

##### **3.1.4 Optimum utilisation of available resources**

Generally, co-operative societies' members belong to the poor section of society. Most of the members are uneducated or semi-educated. They don't have the sufficient quality of management. Under such a situation, society's members are not in a position to take decisions regarding available funds. Due to lack of skills, many at times failed in taking opportunities. Therefore, there is a need for professional management that can be helpful to utilise available resources. Training and retraining plus sharing of simple graphics and display impart knowledge and skills to both hired staff as well as members.

##### **3.1.5 Expansion of societal business**

Originally, when co-operatives started, they performed functions on a small scale. With the help of new technology, co-operatives are now being complex to enlarge their size of operation in various ways. Value addition to products leading to Industrialisation provides an opportunity to benefit members with skills, value and profits in the new business environment. Co-operative organisations thus need to learn the modern techniques of production and how to manage it. Thus, professional management is key for the expansion of society's business. For many people around the world today's co-operative enterprise is the only way of life.

##### **3.1.6 Formulating and effective implementation of policy**

In the era of globalisation of economic operations, many strategic areas have been developed which require professional expertise and specialised knowledge. Examples include strategic planning. Strategic planning requires understanding of inputs, enterprise profile, purpose and objectives, external environment, internal environment, alternative strategies and evaluation and choice of strategies (Fuertes *et al.*, 2020). This is possible only if there is effective implementation of policies and professional management practice in the co-operative.

### **3.1.7 Proper division of work**

For the successful survival of the co-operative society there is a need to distribute work according to ability, experience, education, etc. By applying the concept of professional management, work can be easily distributed and staff members will get that work in which they are good.

### **3.2 Management Responsibilities in Co-operatives and Professionalism**

A co-operative, just like any other enterprise, is governed to benefit its owners. The manager of a co-operative needs to please its members (owner). However, he requires cooperation and support from them in terms of information, participation, and decision making. Thus, managers and board members recognise that a co-operative will be progressive if members allow it to happen as they attend annual general and other meetings, discuss the mission of the co-operative, express their desires, assist on committees, and select members of the board. Co-operative management has closer and more personal relationships with owners. This is due to the fact that the owners of a co-operative make the majority of the co-operative's customers. Managing a co-operative is the same as managing any other enterprise in forms of roles executed, remuneration given and gratification obtained. However, key departure is that co-operative management is constantly an employed employee that cannot obtain ownership rights. Though co-operative management can enjoy co-operatives' services and may meet the requirements as a member, the parting is upheld to evade the prospect of conflict of interest. The management is employed to govern the business, concentrating potential and energy on serving members (Daft, 2004).

It is undeniable that Management is always inspired by influences such as pay, power, prestige, and obtaining fame. These incentives can also be availed to management of co-operatives as well. But stock options, or other power plays to gain control are out of the question. A matter which is always made during interviewing and that is stressed is that the manager is entirely answerable to the board. Co-operatives thus should try to match their competition in acquiring the qualified and professional management giving equivalent salaries, benefits, performance inducements, and superannuation programme. This is because for co-operative to attain their purpose. All co-operative members need to be acquainted with the aims and objects of a co-operative. But Management needs to know more since they are the one that grip a co-operative jointly and make it work. This is the reason why a board needs to hire professional management that possess technical skills in accounting, business management, marketing, credit, governance as well as the co-operative. The management of a co-operative is thus action and strategies preoccupied with managing everyday functions in response to objects determined by the board. Members transfer authority to board that which in turn delegates operational control to the management. Therefore, management need to be professional in the sense that they are involved in the following responsibilities:

#### **3.2.1 Implement policies**

Policies established by the board direct the manager's acts and choices. Policies may specify that no extra credit must be given to one whose account is 120 days past due. The policy therefore is implemented by the manager by refusing to extend additional credit.

#### **3.2.2 Advises the board**

Sometimes members appoint board members who are not experienced, uneducated or their knowledge can be totally dissimilar from managing a co-operative. In this aspect, a professional manager is employed not only to manage the co-operative but also to advise the board members how effectiveness and efficiency can be realised. The manager is thus likely to offer professional and technical advice on cut-throat strategy, cost containment, pricing guideline, service lot, co-operative welfare, financial management, credit control, etc. Operational efficacy, product repository and management, pickup and distribution calendars. Machinery and equipment such as novelties and enhanced machinery, research outcomes as well as goods and services-additions or substitutes and product data (Daft, 2004).

#### **3.2.3 Manage daily operations**

Management as the act of planning, organising, directing, coordinating, and controlling. A more pragmatic atmosphere in which these functions are achieved looks this way: when manager plans, he determines things to be done, when manager organises, he determines how plans will be executed and when manager control, he is trying to measure the extent to which planned activities have been carried out and if not, what are the deviations. In governing persons, finances, and amenities, the executive acts as coach, actor, teacher, persuader, ambassador and tyrant and intermediary. To be able to do all those, co-operatives need professional managers who are trained on those aspects (Daft, 2000).



### 3.2.4 Report to board

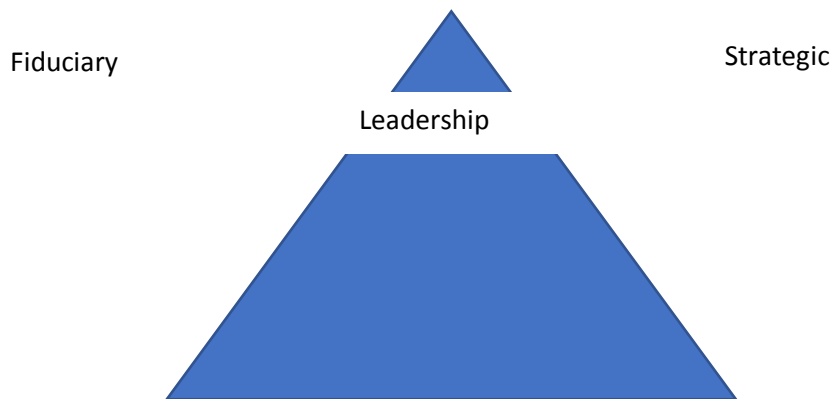
The task of the manager is to make sure that the board is not astonished by the occurrence of events. Even if the by-laws or board policy do not require information to be stated. The sensible manager keeps the board well informed on anything that could affect operations. Key issues that management reports comprise a declaration of actions with budget assessments; a balance sheet with assessments to or earlier years; accounts receivable status, with specific attention to overdue accounts and proceed towards objectives set as part of planning at the commencement of the year. All these require someone with analytical ability who has been professionally trained and experienced to carry out the duties (Daft, 2000).

### 3.2.5 Report to members

Regular and diverse reporting to members in most cases produces significant feedback to the manager. Inspiring members' feedback, on various matters or on the reporting guideline, may offer the management with unique and improved thoughts or offer means for refining the co-operative's service to members. Members' thoughts and recommendations are important. Above all, they are the owners. This necessitates the need for professional management in co-operatives.

### 3.3 Professionalism Fiduciary Responsibilities

The governance in a co-operative society assumes knowledge and experience about management, finances, investment, strategies, employees' relations and other real world's realms (Chambo and Diameter, 2011). This is because the leadership must be above average so that they can influence members and staff with diverse backgrounds. Furthermore, due to identity as member-based and member-owned controlled organisation, a co-operative enterprise needs management that employs above traditional management techniques commonly used.



**Figure2. Leadership Fiduciary Responsibility**

The mission of co-operative enterprise is betterment of members' quality of life. To achieve this in a competitive global environment, the co-operative enterprise must depart from attaining classical motive. The co-operatives should move out of fiduciary omission queries like "can we afford it", "did we get an unqualified report", "is the budget balanced"? To fiduciary inquiry like what is the opportunity cost? What can we learn from audit? How to advance a co-operative mission? In other words, the basic value is to question the status quo; the current way of doing things. Can we do this any better? Why do we do this job that way? Constant questioning of assumptions and challenging the status quo open the gates to creativity and improvement (Daft, 2015). The co-operative learns and does things faster to improve everything on an ongoing basis. It will also encourage adaptive culture that means that people care about important stakeholders, including employees, customers, and stakeholders.

Managers need to pay close attention to stakeholders and initiate change when needed. This is because while fulfilling their strategic and fiduciary responsibilities, they are implementing policies, they are also sacrificing time, resources and efforts so that members can benefit. The entire process requires adherence to the principles of professionalism.

#### **4. Principles of Professionalism**

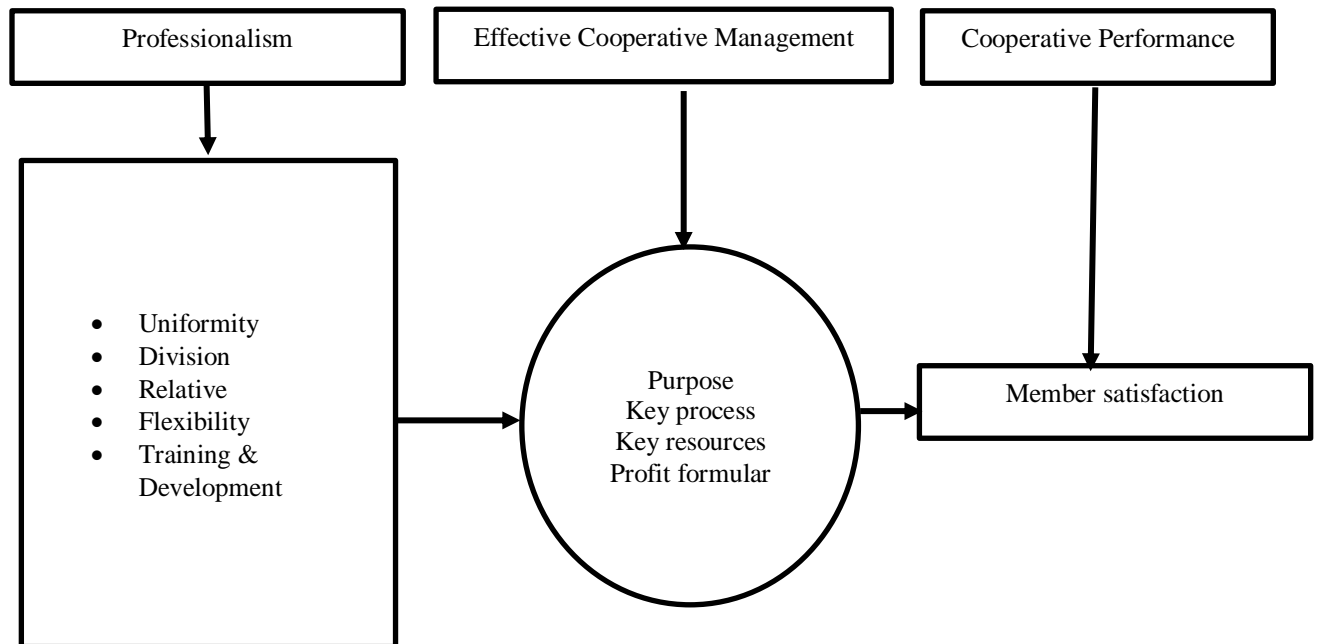
In order to effectively and efficiently operate a co-operative enterprise, the co-operative executive need to be well versed with principles of professional management, which, inter alia, include:

- a) Uniformity in working: Professional management believes in uniformity of working policy. They prepare some policy for every department of the society. This will reduce complexity.
- b) Principle of Division: This means that, a work is assigned according to qualification, experience and ability etc, so that work can be done within stipulated time period.
- c) Principle of relativity: Principles of professional management are not absolute, but relative in nature. They can be applied according to the need. It is necessary to modify principles while applying them to co-operative organisation.
- d) Principle of flexibility: The other principle of professional management is flexibility. Principles are adjustable according to the changing situation. A Professional manager makes change according to the problem faced by workers and members.
- e) Principle of remuneration: Remuneration should be paid in proportion to the service rendered and responsibilities undertaken by the manager. The entire staff of the organisation should be fairly paid with appropriate additional incentives for the additional efforts.
- f) Principle of training and development: Professional management tries to give proper and accurate training to the workers of the management and also concentrate on personal development of individual workers for the smooth functioning of management.

#### **5. Conclusions and Recommendations**

Co-operatives play a vital role in the socio-economic development of the country. Different forms of co-operatives in Tanzania were designed to achieve members' needs. But, for quite some time performances have been unsatisfactory. Lack of professionalism has been the major problem affecting performance of co-operatives in Tanzania. This is because the co-operatives have been managed by officials who lack managerial or professional qualifications, do not have vast experience and technical competency and ignorant of new global changes and demands of 21 century business and consumers. Co-operatives at the moment need to be managed just like any other business because they represent numerous socio-economic activities. Thus, their management has become a complex activity or operation necessitating a high level of innovation, skills and ability to experiment with new ideas. But lack of professionalism emanates from the nature of co-operatives, whereby according to scholars, co-operatives lack identity and therefore less is known as to what exactly these enterprises are. Are they business, or social organisations? Are they the third or fourth sector of social enterprise? So where does the co-operative business model fit? As drawn in this work, co-operatives signify a business model that is a hybrid enterprise. They, therefore, do not fit into any of the three models discussed above. It is likely that they can be housed within the emergent fourth sector of the social enterprise.

The main traits of a fourth sector are its central mission that is of social drive, but that it utilises entrepreneurial business principles to attain it. Change in co-operatives is emphasised to reflect the way business is done. Innovation to change modes of operand and especially adding value to products produced by small producers in order to modify exports through value addition that will lead to Industrialisation and members gain more and meet customer needs and wants. Given the size of the co-op sector and their contribution to both economic and social capital, attention should be given to the following dimensions to ensure professionalism: emphasising on hiring managers with requisite qualifications, human resource development programmes, management information system, and adherence to principles of professional management, co-operative learning and strategic alliance with other co-operatives. Thus, this paper advocates the following new conceptual framework for introducing changes in co-operatives in order to address issues and problems cited in current management and performance of co-operatives. Professionalism and performance are function of professionalism +effective co-operative management = co-operative performance.



**Figure 3. Proposed model for professionalism in co-operatives**

When executives are well versed with principles of professional management such as principle of uniformity, relative, division, flexibility and training and development they are likely to attain the purpose for which co-operative was initiated which is a member value proposition (MVP). This is key because it demonstrates the capacity of the co-operative to visibly describe the work to be performed or the co-operatives' mission. Again, proper adherence to professionalism will result in the attainment of a profit plan, which is just how the business will create profits and at the same time remain competitive on price. Furthermore, observing professionalism principles will ensure proper management and utilisation of crucial resources such as competence, the co-operative need to offer its CVP effectively. Finally, key processes that the co-operative will need to utilise and follow to aid it offer the CVP will be followed effectively when professionalism principles are followed. This can comprise the guidelines, rules and key performance standards and the firm's culture which are treated just like any other models of the business. Consequently, the above acts will facilitate a co-operative to attain its performance that is reflected in members satisfaction (that will offer continuous patronage with advantages accumulating to its members) while also guaranteeing that it can produce adequate retained profit (to endure as an enterprise).

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