

# **SURVIVAL STRATEGIES OF PRODUCER COOPERATIVES IN UGANDA: A CASE STUDY OF NYAKATONZI GROWERS' COOPERATIVE UNION, KASESE DISTRICT**

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## **ABSTRACT**

*The study investigated the survival strategies of producer cooperatives in Uganda, by using Nyakatonzi Growers' Cooperative Union as a case study. The study explored the role of diversification; examined members' participated in the union activities; assessed the role of cooperative leadership and management; and established the extent to which the financial and asset base facilitated the survival of the cooperative union. A case study research design combining both qualitative and quantitative data collection methods was used. Data was collected in January 2013 using a questionnaire, interview techniques and observation with 100 respondents from four primary cooperative societies (PCSs) affiliated to Nyakatonzi Growers' Cooperative Union. Data was analysed using SPSS16. The study established that diversification played a significant role in the survival of the cooperative union. The board of directors made union decisions through the top-bottom approach, ensured strategic planning, and supervised management and mobilised resources. Nonetheless, a competent, skilled and innovative management empowered through capacity-building programmes ran the union and access to information and assets enhanced production. The study recommends that producer cooperatives should pursue diversification through a variety of commodities and value addition for higher bargaining power in the market. Uganda Cooperative Alliance (UCA) should strengthen the growth of PCSs through capacity-building and empowerment programmes for effective members' participation. The government also should spearhead awareness drives about cooperatives, establish a framework for impact assessment, monitoring and evaluation (M&E) and review the status of existing cooperatives.*

**Keywords:** *Cooperatives, Survival, Diversification, Membership, Leadership and Management, Resources.*

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## BACKGROUND AND CONTEXT OF THE STUDY

The International Cooperatives Alliance (ICA) (2010) 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’. This gives the notion that cooperatives are voluntary business associations formed by people with or without means through the contribution of share capital that forms the basis for sharing out the profits that accrue from the business. On the other hand, a producer cooperative is an association of independent members who jointly own their produce and make vital decisions regarding storing, marketing and the provision of inputs and knowledge to their members regarding modern methods of farming. The income generated from the enterprise can also be used to meet other socio-cultural needs and aspirations as determined by members. The other characteristic of this form of organisation is that the association is open and voluntary; a member is free to join and also cease to be a member at their discretion (Wanyama et al., 2008).

According to ICA (2010), cooperatives are built on the values of self-help, self-responsibility, democracy, equality and equity and solidarity. Cooperative members believe in the ethical values of honesty, social responsibility and caring for others. These values are guided by principles such as voluntary and open membership, democratic member-centred, member economic participation, autonomy and independence, education, training and information as well as cooperation among cooperatives and concern for the community. Cooperatives offer an institutional framework with communities gaining control over productive activities and livelihoods (Wanyama et al., 2009; Krishnaswami, 1985; Crawford et al., 1981).

The role of cooperatives in socio-economic development and poverty alleviation cannot be underestimated basing on their principles, values and unique nature in both developed and developing countries. Their importance has been further acknowledged through the United Nations’ declaration of 2012 as the *International Year of Cooperatives*.<sup>1</sup> For instance, cooperatives foster the social inclusion of all members of the community, including special groups like women and youth, and the informal sector formally neglected by other programmes.

Evidence shows that cooperatives have significantly contributed to the mobilisation and distribution of financial capital by creating employment directly or indirectly, as well as income-generating opportunities for both their members and non-members alike owing to open membership devoid of ethnic, class and or professional biases. They have helped to reduce

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1 Message of the Director-General of Food and Agriculture Organisation of the United Nations (FAO), Jose Graziano da Silva, on World Food Day, 16 October 2012, under the theme “Agricultural Cooperatives: Key to Feeding the World”, Supplement 16 Oct. – 30 Nov. 2012. *Farmers’ Media*, p. 11.

inequality and exclusion in society by affording to those willing to join opportunities to generate an income. The ICA (2010)<sup>2</sup> has reported that cooperatives have provided 100 million jobs worldwide, 20% more than multi-national enterprises, while over 1 billion people are members of cooperatives. Studies in developing countries paint a similar picture. For instance, in Kenya, 77,400 people are directly employed cooperative staff, 28,000 in Ethiopia; 2,823 in Uganda and 3,130 in Ghana; whereas 21,000 people are employed as casual laborers in Ethiopia and 4,476 in Rwanda respectively (Develtere et al., 2007). Up to 924,000 farmers in Kenya earn income as a result of their membership, 4 million in Egypt and about 900,000 in Ethiopia owing to cooperatives (Lemma, 2007).

In Uganda, cooperatives date as far back as 1913 when the first farmer cooperative – Kinakulya Cooperative Society – was established. This was in response to the hostile terms of trade imposed on smallholder farmers by the colonial superintendents and middlemen who monopolised domestic and export markets for cash crops like coffee, cotton, tea and tobacco (Kabuga and Kitandwe, 1995). The farmers' cooperative enterprise provided a system where smallholders jointly bargained for higher output prices, attained higher margins through economies of scale and engaged in value addition, thereby providing an ideal solution in such an economic environment. By 1980s, cooperatives had successfully neutralised the effects of an unfavorable market position for smallholder farmers. However, subsequent market liberalisation, government interference, political instability, mismanagement and corruption made most producer cooperatives collapse (Kyazze, 2010; Omona, 2010).

Unquestionably, renewed government momentum seems to be skewed towards a new genre of cooperatives, Savings and Credit Cooperative Societies (SACCOs). Over 10,687 SACCOs have already been registered, with over 3.9 million members, and the numbers keep growing. This is to the detriment of producer cooperatives (Bottelberge and Agevi, 2010; Develtere et al., 2008). Although SACCOs could equally facilitate savings and investments in productive activities, inadequate collateral security as a prerequisite to borrowing excludes most rural people. This development seems to be detrimental to the re-emergence of producer cooperatives. Yet, not only do these enterprises emphasis production, value addition, farmer education, inward, forward and backward linkages among producers and cooperative management, but also the provision of inputs, which are cardinal for the cooperative sector to achieve the envisaged objectives (Kwiringira et al., 2011). Moreover, the National Development Cooperative Policy (2011) does not mention producer cooperatives which survived and how they managed to do so (Republic of Uganda [RoU], 2011).

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<http://www.un.org/ar/events/cooperativesday/pdf/more.background.info.pdf>. Accessed on 24/2/2012

Remarkably, however, not all producer cooperatives in Uganda collapsed. A few have survived to this day, and one of them is Nyakatonzi<sup>3</sup> Growers' Cooperative Union, which managed to remain functional amidst an unfavorable environment (Kwapong and Korugyendo, 2010a). Therefore, this study seeks to examine underlying survival strategies such as product diversification, strong and active membership, good leadership and management and a financial and asset base which Nyakatonzi Growers' Cooperative Union could have employed to survive thus far whilst using it as a case to represent the survival of producer cooperatives in Uganda. Null hypothesis on the key variables was tested.

### **Theoretical Perspectives in Cooperatives**

There is no single theory or approach, as Gall and Schroder (2006) have argued, that provides a comprehensive understanding of cooperative movements. However, there exist bodies of theory which provide useful insights into the role of cooperatives in boosting household incomes. This study, therefore, applied the following theories: 1) transaction cost economics theory; 2) trust and cooperation theory; and 3) agency theory. These were applied as guiding theories with respect to the establishment and operation of producer cooperatives and strategies for their subsequent survival. Notably, these theories are not fundamentally different but overlap and reinforce each other. Traditionally, transaction cost analysis has been applied between the 'firm' and its 'suppliers/customers'. The argument that market transactions between independent firms are costly necessitate vertical integration to enable a reduction in costs through activities previously carried out by independent firms within a single 'firm'. Therefore, this theory provides a vehicle for determining the boundaries of the firm, which minimises the sum of production, distribution and transaction costs, and sustains performance, operations and survival in the long run (Gall and Schroder, 2006). Transaction cost economics theory fits well into more complex forms of relationships between individual owners, governing boards and management on which the success of cooperative enterprises depends. Scholars like Gulati (1998) have argued that cooperative strategy transcends cost minimisation to maximising returns from the joint venture whilst focusing on settling issues arising out of contracting hazards and behavioral uncertainty. With regard to trust and cooperation theory, Child and Faulkner (1998:48) identified three perspectives on trust: the calculative rewards of preserving the relationship outweigh any losses from breaking it, there is shared cognition based on the depth of the relationship and personal identity-holding common values, whilst cooperation involves behavior to achieve mutually beneficial outcomes (Gall and Schroder, 2006). Alvarez et al. (2003) have posited that in a

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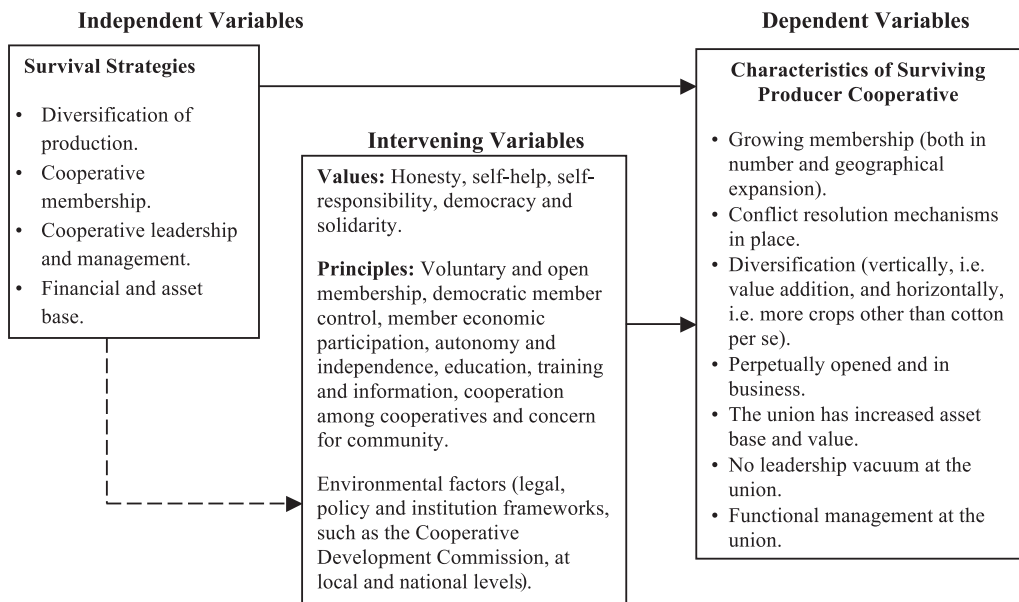
3 Nyakatonzi Growers' Cooperative Union is a farmer-owned cooperative enterprise situated in Kasese town in the western part of Uganda. Established in 1950s as a cotton cooperative union by farmers, it remains one of the oldest and surviving cooperative unions in Uganda. It operates in five districts in western Uganda, including Kasese, Kanungu, Bushenyi, Kamwenge and Kabarole (UCA, 2010).

cooperative establishment trust will usually be part of an interrelated bundle of governance devices to ensure the efficient and effective management of the establishment's economic transactions with other firms. Agency theory conceives that agency relationships exist whenever an individual or organisation (the agent) acts on behalf of another (the principal). Principal-agent problems arise because the objectives of the agent are usually not the same as those of the principal. Hence, an agent may not always best represent the interests of the principal (Ortmann and King, 2007). Royer (1999) argues that terms of an agency relationship are typically defined in a contract between the agent and principal – thus binding the agent to act in the principal's interest.

### **Conceptual Framework for Producer Cooperatives**

It is most unlikely that some cooperative unions survived by luck; instead their survival resulted from planned strategies which created an embankment against any eventual crumbling. Such strategies include, but are not limited to, diversification of production as well as the presence of visionary leadership and good management. Also, strong and active membership, and a sound resource base are commonly acknowledged (Sushila et al., 2010; Omona, 2010; Kwapong and Korugyendo, 2011a). This, in turn, would lead to enhanced household incomes and savings among producer cooperative members, boosting the ability to meet the basic needs of life and social protection, food security and increased production to 'feed' the cooperatives (Tayebwa, 2009; Kwiringira et al., 2011).

However, the study recognises that cooperatives do not operate in a vacuum. There might have been other factors, including cooperative values such as honesty, self-help, self-responsibility, democracy and solidarity. Equally, cooperative principles such as voluntary and open membership, democratic member control, member economic participation, autonomy and independence, education, training and information, cooperation among cooperatives and concern for community, could have had a bearing on the survival of the union. Environmental factors like legal, policy and institutional frameworks – for instance a cooperative policy and cooperative development structures at both local and national levels – could have aided the survival of Nyakatonzi Growers' Cooperative Union. However, these were not considered the core survival strategies of Nyakatonzi Growers' Cooperative Union, and thus were excluded from the current research.



**Figure 1 : Relationship between Variables Contributing to the Survival of Cooperatives**

## LITERATURE REVIEW

### Survival Strategies of Producer Cooperatives

Some studies show that survival strategies are used interchangeably with success factors in Malaysia, Sri Lanka and Iran (Sushila et al., 2010; Kyazze, 2010). The review was based on the survival strategies employed by Nyakatonzi, namely strong and active membership, visionary leadership and good management, a strong financial and asset base and diversification of production (Sushila et al., 2010; Karunakaran, 2010).

### Diversification in Production

Diversification in producer cooperatives has an impact on the survival of the enterprise, especially on financial and non-financial performance while meeting various needs of the members. Trechter (1996) argues that, much as diversification is not substantially associated with the financial performance of cooperative enterprises through profitability, an increase in patronage refunds or equity redemption, it is positively related to membership size, an indicator of non-financial performance of agricultural cooperatives. Hence, diversified cooperatives enjoy larger membership. However, recent studies (Kwiringira et al., 2011) note that diversification transcends a horizontal shift in production from one product to another but is a form of vertical diversification which adds value to the production chain. This facilitates inward, forward and

backward linkages. Studies by Bottelberge and Agevi (2010) and Kyazze (2010) carried out in East Africa have shown that lack of diversification was responsible for the failure of producer cooperatives. This was due to over-dependence on traditional cash crops like cotton and coffee, which are prone to vagaries of nature and market price fluctuations, as well as ignoring the vertical linkage inherent in value addition.

### **Strong and Active Membership**

Producer cooperative members' involvement is cardinal for the survival of any cooperative enterprise. Sushila et al., (2010) have indicated that active member participation in the administration of cooperatives and the length of time a member has stayed with the union are key factors for the survival and successful performance of these enterprises. Active membership manifests in many ways, including regular attendance of meetings, equal say in decision-making, support of products and services of the cooperative enterprises – elements which are critical for facilitating cohesion (Amini and Ramizani, 2008; Lluch et al., 2006). However, it should be noted that active participation of members in the activities of the cooperative depends on smooth, regular and effective information flow about the performance of the enterprise. Very important also are the elements of continuous education and training – especially about the cooperative concept, and the members' rights and responsibilities regarding their cooperatives – which promote the active participation of members. While education, training and information form the fifth cooperative principle, their role in contributing towards the survival of cooperatives cannot be ignored (ICA, 2010).

### **The Role of Cooperative Leadership and Management in the Union**

Cooperative leadership at the helm of such enterprises includes the board which, in most cases, is the highest decision-making organ of such enterprises, as well as managerial staff. These are equally cardinal for cooperatives if they must remain relevant to their members. Birchall and Simmons (2009) have emphasized that the importance of a visionary leadership envisaged in the ability to strategically put long-term plans and strategies to implement them cannot be underrated. Hence, failure to have visionary leadership in place has been established as one of the challenges affecting cooperative performance in developing countries (Omona, 2010). In a country like Malaysia, cooperative success has been attributed to visionary leadership in an environment where multi-national enterprises are taking centre stage (Sushila et al., 2010).

### **Financial and Asset Base**

Finances are at the centre of producer cooperatives if they must survive and boost their members' incomes. A well-grounded financial base is cardinal for the day-to-day running of the cooperative enterprise and a firm asset base facilitates debt financing in times of need. Assets provide collateral security for borrowing from financial institutions to facilitate their short- and

long-term costs and immediate financial needs (Sushila et al., 2010; Kwapong and Korugyendo, 2010). Furthermore, financial stability in terms of sufficient working capital is imperative for the survival of producer cooperatives. Pathak and Kumar (2008) argue that members' contribution to share capital is one of the ways to guarantee that cooperatives have a sufficient pool of working capital to carry out their activities. As owners of cooperatives, members ought to play an active role in contributing financially to prevent their cooperatives from being dependent on external funding and ultimately being controlled by non-members.

## **METHODOLOGY**

A case study design was used to achieve the study objectives. This was intended to allow scientific generalisation through an in-depth understanding of issues at hand, the contexts of the cooperative union and relevant interpretations. This design was appropriate for meeting the study objectives within the time frame of a master's degree programme and was cost-effective. Both quantitative and qualitative data collection approaches were also used. A structured questionnaire and interview guides were used to obtain information on strategies as per the study objectives among cooperative members.

Nyakatonzi Growers' Cooperative Union is made up of 62 PCSs, with over 10,000 members spread among 40 of the PCSs, which are spread throughout Kasese district. It is from among these PSCs that a sample was extracted for the study. Simple random sampling was used. This study, nevertheless, used a multi-sampling plan. Four PCSs were selected, namely Nyamambuuka PCS, Kasese Youth Multipurpose Development PCS, Bwera-Katonjo PCS and Basajja Kweyamba PCS. Also, lists of members were obtained from the sampled PCSs in order to create sampling frames and a representative sample of primary respondents was thus selected using a simple random sampling plan. A purposive sampling plan was vital in identifying key informants (KIs). These included former management, staff in senior ranks and the Board of Directors (BOD) of Nyakatonzi Growers' Cooperative Union, as well as opinion and political leaders. In addition, district officials and the staff of Uganda Cooperative Alliance (UCA), the umbrella organisation behind the revival of the cooperative sector, were purposively sampled to participate in the study. KIs offered informed and in-depth insights through interviews about the themes of the study owing to their expertise in the cooperative sector.

Each of the 40 PCSs that are affiliated to Nyakatonzi Growers' Cooperative Union has an average of 250 members. Hill (1998) submits that a sample of 30 to 500 elements is ideal and recommends at least 10% of the parent population; and as such that percentage was used for this study. Accordingly, four (10% of 40) PCS and 25 (10% of 250) members of each PCS were selected through simple random sampling with an allowed permissible error of 5%. A total number of 100 primary respondents were selected for the study. Other than primary respondents, two focus group discussions (FGDs) of eight respondents were conducted in



order to fill in the gaps left in the questionnaire. Thirteen KIs, including the Kasese District Commercial Officer, a UCA official, former and current board chairpersons, current and former cooperative union managers, four PCS chairpersons, a union operations officer, a warehouse keeper and a board member were selected for in-depth interviews in order to give a detailed view about the objectives of the study.

## **Research Measurements**

Horizontal diversification included whether the cooperative union handled more than one produce, such as cotton. This was found in the works of Trechter (1996), Kyazze (2010) and Bottelberge and Agevi (2010). Vertical diversification in production involved value addition as indicated in the work of Kwiringira et al. (2011). The length of time that the cooperative members had spent with the cooperative union was deemed vital in determining member patronage of the union. In addition, members' participation in the union activities was considered, as the works of Sushila et al. (2010), Amini and Ramizeni (2008) and Lluch et al. (2006) show that this is crucial. A feeling of belonging to the union, as borne out by Bottelberge and Agevi (2010), was also taken into account. Under this objective, the decision-making body of the union was cardinal, as theorised by Birchall and Simmons (2009). Models of decision-making at the union, frequency of meetings, recruitment of staff and relations between the board and management were looked at, as theorised by Ortomann and King (2007), Sykuta and Chaddad (1999) and Royer (1999). This was measured by access to financial information as advocated by the ICA (2010). Knowledge of assets, as was emphasized in the works of Kwapong and Korugyendo (2010) and Sushila et al. (2010), was also considered. In addition, whether cooperative members were satisfied or not satisfied with the utilisation of the union resources was looked at under this objective.

## **FINDINGS AND DISCUSSION**

Out of 100 selected primary respondents, 96 responded, making a 96% response rate. All 13 KIs were interviewed while two FGDs of eight people were conducted. The high response rate was attributed to committed research assistants and cooperative respondents. The bio-data of the respondents was analysed and this provided significant insights into the structure of membership of the cooperative union.

### **i. Product Diversification and the Survival of Nyakatonzi Growers Cooperative Union**

Aspects of diversification were explored and these included horizontal and vertical diversification. Horizontal diversification involved taking on more than one type of produce while vertical diversification involved value addition. It was noted that cotton is the major produce that the cooperative union has been handling since its establishment in 1957.

**Table 1 : Does Nyakatonzi Handle Any Other Produce Apart From Cotton? (Horizontal Diversification)**

Response	Frequency	Per cent
No	30	31.3
Yes	66	68.7
<b>Total</b>	<b>97</b>	<b>100</b>

As Table 1 above has shown, the majority of respondents (68.7%) acknowledged that, other than cotton, Nyakatonzi Growers' Cooperative Union was involved in the production of other crops, such as maize, beans, soya beans, sunflower and paddy rice. However, 30 (31.3%) respondents noted that cotton was handled exclusively with more than half of the PCSs. This was attributed to the fact that cotton remains the major type of produce while others are handled on a small scale.

Diversifying to other enterprises beyond cotton was in line with the UCA (2010) advocacy for ensuring that producer cooperatives engage in more than three produce enterprises in order to facilitate linkages and reduce the risk of crop failure and low prices during peak production seasons. Similarly, Bottelberge and Agevi (2010) and Kyazze (2010) advised that diversification would enable cooperatives avert shocks which led to collapse of many establishments.

To understand diversification further, cross tabulation of vertical diversification strategy in terms of value addition and the perceived survival of the cooperative union was run to test the relationship between these variables. Results of the analysis are indicated in Table 2 below.

**Table 2 : Vertical Diversification/Value Addition of the Cooperative Union**

		How would you perceive the stability of Nyakatonzi Cooperative Union?			Total
		Very Stable	Stable	Unstable	
What major value addition does Nyakatonzi engage in?	Cooking lint, oil, cake and shell	53 (69.7%)	18 (23.7%)	5 (6.6%)	76
	Sunflower cakes, soap stock	3	-	-	3
	Grading of grains and certified seeds multiplication	8	6	3	17
<b>Total</b>		<b>64</b>	<b>24</b>	<b>8</b>	<b>96</b>

Observation of the results of the cross tabulation in Table 2 above shows that the vertical diversification strategy in terms of value addition was found to have a positive relationship with the survival of the cooperative union. Up to 53 (69.7%) respondents perceived Nyakatonzi Growers Cooperative Union to have survived and to be very stable because of the production of value-added products like cotton lint, cake, shell and cooking oil compared to only 18 (23.7%) respondents who described the survival condition as stable through the grading of grains and the multiplication of certified seeds. Only five (6.6%) perceived the survival condition of Nyakatonzi Growers' Cooperative Union as unstable, particularly regarding the production of sunflower cakes, soap and stock as value-added products because these were produced on a small scale.

*The Relationship between Diversification and the Survival of the Cooperative Union*

In order to determine the influence of diversification on the survival of Nyakatonzi Growers' Cooperative Union, a hypothesis was run using a chi-square test as shown in Table 3 below.

**Table 3 : Chi-Square Test for Diversification and Survival of the Union**

	<i>Value</i>	<i>Df</i>	<i>Asymp. Sig. (2-sided)</i>
Pearson chi-square	13.462 <sup>a</sup>	4	.009
Likelihood ratio	11.860	4	.018
Linear-by-linear association	5.292	1	.021
N of valid cases	96		

a. 5 cells (55.6%) have expected count less than 5. The minimum expected count is .39.

Results of the Pearson chi-square test above show a significant relationship between diversification and the survival of the cooperative union [ $\chi^2 (1) = 13.462^a$  p=0.009]. Hence, the null hypothesis (H0<sub>1</sub>) that the diversification strategy had no significant relationship with the survival of Nyakatonzi Growers' Cooperative Union is rejected. In relation to this, a KI interview revealed:

Value addition has increased profitability of the union through high market value. Also, by products have been used to make animal feeds like seed cake which provided alternative sources of income for the union. (Chairperson – Kasese Youth Development Multipurpose PCS Ltd)

This is in agreement with Kwiringira et al.'s (2011) assertion that diversification should transcend the production of more than one product to leverage value addition in order to facilitate linkages and profitability due to increased sale value in the market.

## **ii. Membership and Survival of Nyakatonzi Growers' Cooperative Union**

The study also sought to examine the extent to which members facilitated the survival of Nyakatonzi Growers' Cooperative Union. To arrive at this, using the questionnaire survey, the researchers had to establish the length of time a member had spent with a cooperative union; the member's participation; and whether cooperative members felt a sense of belonging to the union. The results were as summarised in subsequent tables.

### *Length of Time Spent by Members with the Cooperative Union*

According to the findings, most respondents interviewed had been members of the cooperative union for more than 18 years. The majority of the respondents had been members of the selected PCSs between 24-29 years, representing 25%. These were closely followed by two categories consisting of 20 and 19 respondents who had been members for over 30 years and 18-23 years respectively, contributing 21% and 19.8% respectively. Notably, 11 respondents had been members of the selected PCSs for 12-17 years, representing 11.4% of the total number of respondents interviewed. However, 15 (15.6%) of the total number of respondents were new entrants to the cooperative movement. The implication was that the variations in length of time of membership showed that entry to cooperatives was infinite while old members were still loyal to the enterprises. This is corroborated by an excerpt from a statement by the Secretary Manager of the union:

We register any new primary cooperative society which wishes to join us and we encourage them to register as many members as possible because the more members there are the more production. So, we do not restrict membership. (Secretary Manager, Nyakatonzi)

The policy of PCSs taking in new members whilst keeping old ones enabled Nyakatonzi to have sustainable membership since its existence depended largely on their production, supply, loyalty and patronage.

### *Members' Participation in Cooperative Activities*

Another aspect of membership examined in relation to the survival of cooperative was the participation of members in the daily activities of the cooperative union. Using the questionnaire survey, the respondents were asked whether they actually participated in the activities of the cooperative. The results indicate that 91 out of the 96 respondents interviewed affirmed their

active participation in cooperative activities, contributing 93.7%. On the contrary, 6 (6.3%) respondents reported that they were not actively involved in cooperative activities. The researcher sought to critically understand the nature of activities in which members participated in the cooperative and their views were as follows: The most pronounced activity members were involved in was attending meetings (63.5%). These included monthly meetings among PCSs and the AGM (Annual General Meeting) for the union delegates. Mobilisation of members and resources (14.6%) was mentioned as the role of every member and a portrayal of their loyalty to the union. Seventeen (17.7%) respondents acknowledged participating in decision-making at the cooperative union. It should be noted that at these PCS meetings, members freely express their views, unlike at the AGM, where vocal members dominate in the airing of views. But all is not lost because the delegates represent them well. As women noted in an FGD interview:

...we attend meetings and participate in decision-making at PCS level where everyone is given chance to say what they want. However, during AGM, people are very many yet time is not there for everyone but those who can get a chance to speak. Delegates we send to the board represent us and bring feedback. (FGD for women)

Participation in cooperative activities like meetings and decision-making processes such as the election of delegates, who subsequently form the BOD – the highest decision-making organ of the cooperative – was a clear indication of involvement in the establishment.

However, the study revealed that to ensure full participation, the cooperative union regularly disseminated information about the financial performance of the enterprise and delivered educative programmes to members. Such programmes included, but were not limited to, the cooperative model of economic development, better methods of farming and the rights and responsibilities of members. Training programmes on financial management, project planning and management and conflict resolution mechanisms, to mention a few, were also conducted. As an FGD for men revealed, this did not only increase the knowledge of the members about cooperatives but also empowered them to make informed decisions as far as their membership of the cooperatives was concerned.

What emerges from the above findings is that continuous education, training and information dissemination were important in ensuring that the cooperative members were equipped with knowledge to effectively participate in the cooperative activities and to keep it moving forward. This is in line with the ICA (2010) fifth principle which emphasises education, training and imparting of information to cooperative members for capacity-building and empowerment.

### *Feeling a Sense of Belonging to the Cooperative Union*

The researcher inquired whether members felt that they were part and parcel of the cooperative union and their views were as follows. The majority of the respondents acknowledged that they felt they were part of the cooperative union (97.9%) while only 2.1% did not feel that they belonged. The respondents who felt a sense of ownership argued that it was because of patronage and loyalty to the union that made it survive for so long. In this regard, a KI stated:

I really feel part of the union and my attachment is through production. If we did not produce or supply them with my produce, would the union be still operating? If we did not accept to choose leaders or participate in the services like trainings, meetings and extension services, would the union still stand? Therefore, our participation in all these activities makes us feel part of the union. (Chairperson, Bwera-Katojo PCS)

What emerges from the above excerpt is that Nyakatonzi Growers' Cooperative Union depended on the members' ability to support it through continuous production and supply of much-needed enterprises as well as accepting its services, including good agricultural practices which enhance production. Hence, this mutual relationship was cardinal in the survival of the union.

### *The Relationship between Membership and Survival of the Cooperative Union*

In connection with the above analysis and discussion of the role of members in the survival of Nyakatonzi Growers' Cooperative Union, the researcher ran a chi-square test to determine the relationship between membership and the survival of the union, as shown in Table 4.

**Table 4 :** Test of Relationship between Membership and Cooperative Survival

	<i>Value</i>	<i>Df</i>	<i>Asymp. Sig. (2-sided)</i>
Pearson chi-square	6.231 <sup>a</sup>	1	<b>0.013</b>
Continuity correction <sup>b</sup>	2.865	1	0.091
Likelihood ratio	3.801	1	0.051
Linear-by-linear association	6.165	1	0.013
N of valid cases <sup>b</sup>	96		

b. Computed only for a 2x2 table

According to the test above, there was a significant relationship between membership and the survival of Nyakatonzi Growers' Cooperative Union [ $\chi^2(1) = 6.231, p = 0.013$ ]. Hence, the null hypothesis ( $H_0$ ) that the survival of the cooperative union was not dependent on strong and active membership is rejected. The role of members in the survival of cooperative enterprises cannot be underestimated. Their support to the cooperative union through production, supply and participation in the cooperative's activities were cardinal in keeping Nyakatonzi in business

to date. Members' participation in the daily activities played a crucial role in the survival of Nyakatonzi Growers' Cooperative Union. An interaction with a district official affirmed the relationship thus:

...members accepted to remain organised in a cooperative, kept in cotton production and supply amidst other private dealers who offered better prices but chose to bulk their produce with the union. Patience, loyalty and patronage among members was very important for the union.  
(District Commercial Officer, Kasese)

This was evidence of the cooperative members' participation and role in the survival of the union, short of which the union would have been left with limited choices, leading to closure. These results are in agreement with Amini and Ramizani's (2008) and Lluch et al.'s (2006) submission that active participation through regular attendance of meetings, equal say in decision-making, support of products and services of the cooperative enterprises are critical for facilitating cohesion and subsequent survival of the cooperative. They also confirm Sushila et al.'s (2010) argument that active member participation in activities, including administration, is a key factor for the successful performance and subsequent survival of cooperative enterprises.

### **iii. Leadership, Management and the Survival of Nyakatonzi Growers' Cooperative Union**

The study also assessed the role played by cooperative leadership in the survival of Nyakatonzi Growers' Cooperative Union. An inquiry was made into the highest decision-making body of the cooperative union, the decision-making model and the frequency of meetings. Recruitment of management and the relationship between staff and the BOD were also included in the study.

#### *Highest Decision-Making Body of the Cooperative Union*

With respect to the decision-making body, the study sought first to understand, basing on the respondents' knowledge, the workings of the highest decision-making body of the cooperative. A number of variables were studied, including the Board of Directors and management and their capacities while taking into consideration whether these had an influence on the survival of the cooperative establishment. The board is in charge of designing and putting in place strategic plans for the cooperative union, supervising management and operations, resource mobilisation as well as putting in place a competent management. This is in line with the argument by Birchall and Simmons (2009) about the role of the cooperative governing body that the board's role is to design strategic plans and implementation frameworks for the enterprise. And as Sushila et al. (2010) note, leadership and management are cardinal for cooperative success and survival, as is evident in Malaysian cooperatives. This portrays the importance of cooperative leadership in the survival and progress of a cooperative establishment. Although cooperative leadership was reported to be less competent in performing its activities, it emerged that it banked on a

very supportive management. This confirms Omona's (2010) submission that failure to have visionary and competent cooperative leaders remains a challenge that affects cooperative performance in developing countries and that accounted for the collapse of most cooperative unions in Uganda, as Kyazze (2010) notes. Therefore, building the competences of cooperative leaders would surely bridge this gap if cooperatives are to endure.

#### *Relations between BODs and Management Staff*

That BOD and management enjoyed cordial relations, as reported by 60 respondents, contributing 62.5% of the total number of respondents interviewed. Nine (9.4%) respondents emphasized very smooth relations while 18 (18.8%) reported strained relations between the top decision-making body and technical staff. However, 7.3% could not articulate about the relations between the BOD and management at the union. This was attributed to the fact that the majority of cooperative members dwell far from the union offices and participate through their delegates at the AGM, hence were not cognisant of the interactions.

The smooth relations between the board and management of the union, however, were attributed to mutual respect, role differentiation among stakeholders, joint meetings to harmonise issues and good conflict resolution mechanisms. This was clarified in an excerpt from one staff member thus:

For unity's sake and survival of the union, good relations have been fostered through free interaction. The Board oversees the work of management; joint meetings are held for effective planning and report sharing. Principal-agent relationships have been good and this has become part and parcel of the union leadership here over time. (Operations Officer, Nyakatonzi Growers' Cooperative Union)

#### *Relationship between Leadership, Management and the Survival of the Cooperative Union*

Based on the above discussion, it was imperative to test the relationship between the leadership and management on the survival of the cooperative. The researcher employed a chi-square test, shown below, in order to establish how significant the variables were on the survival of the union or whether they were not significant.



**Table 5 : Chi-Square Test for Relationship between Leadership/ Management and Survival of the Union**

	<i>Value</i>	<i>Df</i>	<i>Asymp. Sig. (2-sided)</i>
Pearson chi-square	19.300 <sup>a</sup>	3	<b>0.000</b>
Likelihood ratio	16.261	3	0.001
Linear-by-linear association	18.210	1	0.000
N of valid cases	96		

a. 3 cells (37.5%) have expected count less than 5. The minimum expected count is 0.51.

According to the above table, leadership and management had a significant relationship with the survival of the cooperative union [ $\chi (1) = 19.3000$ ,  $p = 0.000$ ]. To this effect, the null hypothesis ( $H_{03}$ ) that leadership and management had no significant relationship with the survival of Nyakatonzi Growers' Cooperative Union is rejected. Therefore, it should be noted that the leadership provided by the cooperative BOD and management were cardinal in ensuring that the union survived this long. Hence, the consultative decision-making approach, the recruitment of competent and skilled staff as well as capacity-building and empowerment programmes for staff and BODs are strong pillars for sustainable cooperatives. Effective communication, functional conflict resolution mechanisms and smooth intra-relations serve to hold various stakeholders in the enterprise together, thereby enabling the achievement of objectives and goals.

#### **iv. Finance, Asset Base and Survival of Nyakatonzi Growers' Cooperatives Union**

The fourth objective of the study was to establish the extent to which the financial and asset base facilitated the survival of Nyakatonzi Growers' Cooperative Union. Aspects like whether members accessed financial information, sources of information and assets and whether or not these aspects had a bearing on the survival of the cooperative union were studied. The results are presented hereunder:

##### *Access to Financial Information of Nyakatonzi Growers' Cooperative Union*

The researcher inquired about whether the respondents were informed about the financial status of the union and the source of such information and the responses were thus: Cooperative members exhibited knowledge about the financial status of Nyakatonzi Growers Cooperative Union, with the majority (84) contributing 86% while only 13 (14%) reported that they were

oblivious of the financial status of the cooperative union. In an effort to further understand this, the respondents were asked to highlight their most pronounced sources of information about the financial status. The most pronounced sources were Annual General Assembly reports and regular PCS meetings. A sample check in the records of these PCSs confirmed that monthly and quarterly meetings were held through which comprehensive financial reports were given, including union reports. A few of the respondents accessed union notice boards at the cooperative union office premises because the majority of the members live deep in villages. The study further revealed that cooperative members accessed information relating to the general performance of the union in terms of profitability, operations, assets, commodity prices as well as seasonal and weather changes depending on who needed what information. The following excerpts attest to this:

I normally get information from the primary cooperative society offices each time I pass by. We are also informed through meetings and occasional information sharing sessions one-on-one. At least we know what takes place at the union. (FGD for women)

#### *Knowledge about the Assets of the Cooperative Union*

In order to establish the extent to which the financial and asset base influenced the survival of Nyakatonzi Growers' Cooperative Union, it was necessary to ascertain whether Nyakatonzi had any assets that members were aware of and their subsequent usage in enriching the cooperative union.

The findings reveal that 99 % of all the respondents acknowledged that Nyakatonzi had assets in place. The assets mentioned included a technically skilled and competent human resource – which was presented as the most vital asset of the union. Also mentioned were vehicles like lorries and carriage tractors which transported cooperative members' produce from their collection centres to the union warehouses, and tilling tractors. The other assets mentioned were land rented out to members to enhance production, machinery like ginneries for ginning cotton and oil extraction machines as well as building structures. These boosted production and the supply of produce for the union.

#### *Members' Satisfaction with Resource Utilisation at the Cooperative Union*

Information was solicited on whether the respondents were satisfied or not with the way the cooperative union's resources were being utilised. The responses indicated that 85 members expressed satisfaction with the way cooperative union resources were being utilised, representing 88.5% of the total number of respondents. This was attributed to systems strengthening in the union through internal and external audits, proper accountability processes and financial reports.

However, 11(11.5%) reported dissatisfaction, citing misuse of union vehicles and cooperative land for private gain. Inadequate information dissemination and inability of the cooperative member fraternity to understand financial matters were also reported. Hence, the positive contribution of the feeling of satisfaction with the utilisation of the union’s resources could not be underrated. This could be attributed to proper internal and external accountability processes and auditing systems by the district officials on behalf of the Registrar of Cooperatives which ensured transparent resource utilisation to meet cooperative union objectives. These processes reduced irregularities in the financial utilisation of the union. Assets like land and tractors were reported to be rented out to cooperative members for production at affordable rates, including on credit.

*The Relationship between Finances, Assets and the Survival of the Cooperative Union*

The presence of assets was not enough to establish the survival of the cooperative union. This prompted the need to establish the influence of assets on the survival of the cooperative union. To this effect, the researcher ran a chi-square test to establish the relationship therein, as Table 6 below indicates.

**Table 6 :** Chi-Square Test for the Relationship between Finances, Assets and Survival of the Cooperative Union

	<i>Value</i>	<i>Df</i>	<i>Asymp. Sig. (2-sided)</i>
Pearson chi-square	0.093 <sup>a</sup>	1	<b>0.760</b>
Continuity correction <sup>b</sup>	0.000	1	1.000
Likelihood ratio	0.086	1	0.769
Linear-by-linear association	0.092	1	0.761
N of valid cases <sup>b</sup>	96		

*b. Computed only for a 2x2 table*

According to the Pearson chi-square test in Table 6 above, the results show no significant relationship between assets and finances, and cooperative union survival [ $\chi^2(1) = 0.0093$ ,  $p = 0.760$ ]. Therefore, the null hypothesis ( $H_0$ ) that the financial and asset base had no significant relationship with the survival of Nyakatonzi Growers’ Cooperative Union was accepted. Hence, it should be noted that survival transcended the availability of finances and assets. This was attributed to the fact that finances and assets were not an end in themselves to bring about survival but that survival resulted from a combination of all the other strategies.

Although statistically, there was no directly established relationship between the availability of finances, assets and the survival of the union, their role in facilitating and enhancing survival could not be underestimated, as was perceived in the following excerpts:

Assets were very instrumental in enabling production and paying creditors. Management staff ensured proper running of the union because they are skilled, accountable and transparent. Land is rented to farmers for production, lorries which transport farmers' produce, tractors which open up land and warehouse for post-harvest management of produce. (Former board member, Nyakatonzi)

Emerging from the above excerpt is the cardinal role that assets played in the survival of the cooperative union. However, much credit went to management, which, in conjunction with the board, used them for the benefit of the union. Sushila et al.'s (2010) and Kwapong and Korugyendo's (2010) argument that assets are instrumental in debt financing by providing collateral security for borrowing from financial institutions to facilitate both short- and long-term costs while meeting the immediate financial needs of the cooperative establishment is consistent with our findings. Therefore, finances and assets remain a cardinal ingredient in the sustainability and survival of producer cooperatives.

## **CONCLUSIONS AND RECOMMENDATIONS**

The study established that, although cotton remained the core enterprise for Nyakatonzi Growers' Cooperative Union, it had horizontally diversified to other enterprises like maize, beans, soya beans, rice and sunflower. The study established that the cooperative union engaged in value addition and such products as cotton lint, seed, cake, shell and cooking oil, graded maize, beans, rice, certified seeds for planting, cotton cake, sunflower, cotton shell, soap stock and maize cob were processed. The Pearson chi-square test showed a significant relationship between diversification and the survival of the cooperative union, thus rejecting the hypothesis that diversification had no significant relationship with the survival of Nyakatonzi Growers' Cooperative Union. In view of these findings, the study concludes that diversification is the way to go if producer cooperatives are to be relevant and sustainable in the fight against poverty.

With regard to cooperative membership, the study established that cooperative members were actively involved in the cooperative union in various activities, including attending monthly meetings, and that most of them were long-serving members, and they felt that they were part of the cooperative. Primary cooperative societies were some of the key determinants of the longevity of the union. A BOD was found to be the top decision-making body of the cooperative. The BOD engaged in consultative decision-making and effective communication, and had competent and skilled membership that also used a functional conflict resolution approach. Both the BOD and technical management staff enjoyed cordial relations marked by mutual respect, role differentiation and effective conflict resolution mechanisms. In view of these findings, the hypothesis that leadership and management had no significant influence on the survival of the cooperative union is rejected because these managed to formulate viable strategic plans, and a

strong and innovative management which steered the union forth. The study concludes that an effective cooperative leadership – both the board and management –, participatory decision-making using a top-bottom approach – comprehensive consultations for holistic decision-making – are vital for sustainable producer cooperatives.

In relation to the financial and asset base, the study established that cooperative members were knowledgeable about the financial and asset status of the union, which was not limited to profitability and assets utilisation only. There was also a high level of access to information, and membership satisfaction with resource utilisation.

### **Policy Recommendations**

The study provides benchmarks for the renewed momentum in cooperatives development. However, if cooperatives are to survive the unfavourable economic liberalisation and achieve their intended goals in relation to their members' needs, various actors ought to play their roles collaboratively. The study recommends thus:

In order for producer cooperatives to be favourably competitive in the market, the cooperatives should pursue diversification outright both horizontally through engaging in the production of various commodities and vertically through value addition. This is because diversification reduces post-harvest losses, enabling commodities to stay longer while sustaining the quality and quantity of farmer produce and attracting better prices.

This calls for proper choice of committed and visionary leaders with relevant qualifications and competence in cooperative matters to comprehend complex issues of today's world and with a sense of responsibility to earn people's trust.

Producer cooperatives should invest in equipping cooperative leaders, especially the BODs, with the skills required to run cooperatives through vigorous training and competence development. Capacity-building programmes should be launched to promote good governance, accountability, participation, M&E which underlie value-for-money performance. This will bring forth a brand of new cooperative leadership ready to strategically plan and make critical decisions for sustainable cooperative enterprises.

Furthermore, producer cooperatives should adequately educate and train cooperative members in cooperative matters. This will guard against eventual member exploitation, and lower the level of patronage and poor accountability, which usually negatively affect the cooperative enterprise. Training and education of members in a cooperative economic model will strengthen member loyalty and patronage, values and their role in the survival and sustainability of producer cooperatives.

Financial resources are the lifeblood of any cooperative establishment. Therefore, cooperative enterprises need to explore new sources of finances through equity, asset investments and international donor partnerships to raise enough capital to run. Besides, cooperative members should contribute financially and have a stake in ensuring their participation because they have interests to protect.

The UCA should emphasis grass-roots growth through PCSs because these are in direct contact with people and directly make a difference in their lives through cooperatives. Therefore, in collaboration with other cooperative partners, the UCA should strengthen grass-roots PCSs through systems strengthening for sustainable service delivery to members, production and productivity.

The apex organisation for cooperatives should rebuild a cooperative image through better service delivery, governance and publicity campaigns so that many more people can join and benefit from the cooperative establishments. The UCA should also lobby for the establishment of producer cooperatives as a medium for fighting household poverty and for inclusion in government strategies for income enhancement and livelihood improvement.

The apex organisation should promote relationships, linkages and alliances between national and international agencies involved in the development of cooperatives. This involves coordinating all stakeholders at national level, such as line ministries and departments (Ministry of Tourism, Trade and Industry and the Department of Cooperatives) as well as international agencies and development partners such as the ICA. This should be buttressed with resource mobilisation for the development of the producer cooperatives.

The UCA should provide capacity-building and advisory services to the producer cooperatives. Gaps identification and needs assessment studies should be carried out among cooperative enterprises in order to determine intervention areas for a strong and sustainable cooperative movement. In addition, the UCA should carry out research on the status of existing producer cooperatives, and document best practices and lessons to empirically inform the advocates for the cooperative movement to plan for viable enterprises in accordance with the needs of their members.

The government should review the current co-operative curriculum and develop an appropriate one because the current education curriculum provides inadequate cooperative knowledge. Uganda Cooperative College, Kigumba provides certificates and diplomas which do not match the ever-changing global business environment. Hence, there is need to incorporate cooperative studies into the mainstream formal education system in order to build dynamic human resource capital ready to lead producer cooperatives on the road to profitability.

Producer cooperatives need an enabling, conducive and supportive environment to operate in. The government, therefore, should declare itself on a policy on cooperatives by establishing what it envisages as their role in national development and put in place strategies to promote them. Hence, viable strategies for cooperatives should be put in place as part of their poverty reduction strategies. The government should promote cooperatives as alternative outlets and economic organisations rather than service organisations. This is because through their establishment, cooperatives are economic models operating in competitive environments. This calls for training cooperative members in entrepreneurship skills and business management so that they are able to run producer cooperatives as businesses entities.

Government agencies and departments, such as the Department of Cooperatives in the Ministry of Industry, Trade and Tourism, should undertake awareness and sensitization drives, and guide communities on the role of cooperatives in the socio-economic development of a people. This should be supported with the production of information, education and communication (IEC) materials about cooperatives. This will create public awareness about the potential of producer cooperatives to boost household incomes.

### **Limitations and Areas for Further Research**

Although the study has established the relationship between various strategies employed by Nyakatonzi Growers' Cooperative Union and its survival, a few limitations were encountered and areas for further research incorporated therein. These included the following:

Owing to resource constraints, the current study was limited to the survival of Nyakatonzi Growers' Cooperative Union. This made the study miss out on great insights had Nyakatonzi been comparatively studied alongside one collapsed cooperative union, such as Banyankole Kweterana Cooperative Union.

The current study looked at the historical perspective of cooperatives with a focus on survival strategies and lacked the impetus to look at how cooperatives could be dynamic and agile, and cope with the challenges of economic liberalisation. Although the study hypothesised about a few strategies that could have facilitated the survival of Nyakatonzi Growers' Cooperative Union, it missed out on exploring the role of other critical factors such as social capital, networks, mutual trust and other contextual factors and how these could have influenced information-sharing, democracy, participation and governance.

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