

## **Factors behind the Success of Rideegama Multipurpose Co-operative Society: A Qualitative Exploration.**

Dinusha Dissanayake<sup>1</sup>  
Ajith Amarakeerthi<sup>2</sup>

<sup>1</sup> Assistant Researcher, National institute of Co-operative Development.

<sup>2</sup> Director,(Edu & Development),National institute of Co-operative Development.

### **ABSTRACT**

*The Sri Lankan Co-operative movement has been able to make a significant impact to the public consciousness today. However, there were few numbers of studies in current context that explore the success models of Co-operative societies. The Rideegama multipurpose Co-operative society was the best award-winning Co-operative society in the Wayamba province. The main objective of the study is to explore the factors behind the success of Rideegama Multipurpose Co-operative Society. There was no any study conduct in Sri Lanka for above purpose. Through this study researchers fill that gap. After reviewing the literature, the researchers conceptualized an inductive type qualitative research with the interpretivism as the research philosophy. Trailed the purposive sampling method and signified the nine board of directors in the Rideegama multipurpose Co-operative society. Data collection done through the observations and the panel discussion. Researchers used both primary and secondary data to enrich the output. Furthermore, data analysis done thorough the content analysis. Thus, Study found that Solid Marketing system, Effective cost management system, Leadership, Sustainable internal control system and Well-built relationship with stakeholders were the most critical success factors behind the co-operative society in Rideegama. Ultimately, Authors believe that study findings useful for policymaking and a novel lesson for unsuccessful Co-operative societies in Sri Lanka. On other hand, implications can be use to accurately position the future Co-operative movement.*

**Key Words:** Multipurpose Co-operative society (MPCS), Success, Leadership.

## 1. INTRODUCTION

Co-operative societies in Sri Lanka had a long history which goes back to the early 20<sup>th</sup> century. Those societies initially startup to protect the rural class. Co-operatives have slowly branched out to other segments beneath the direction of the government. (Kurimoto, 2021). Furthermore, Co-operatives are truly based on domestic and social life. According to Karakas (2019) Co-operatives are people-centered organizations run and controlled by its members. The main purpose is to provide financial, social, and cultural protection to members. Furthermore, ensure the sustainability and survival. However, Co-operatives have played a domineering part in financial and social progress of the nation during crisis situations. At present, Co-operatives are playing major role in Covid-19 pandemic. Instead, Co-operatives are normally based on the values like self-help, equity, equal treatment, caring etc. According to the statistics of Karakas (2019) there were three million Co-operatives across the world which provides 280 million employments equal to the 10% of the employed population in the world. The Co-operative segment in Sri Lanka have been closely connected up with the standard of living of the majority populace over a half century within the nation. The branches of the Co-operatives shift in the areas of agrarian, buyer retailing, insurance, micro finance, fishery, appereal, wholesaling, printing, transport and funeral service administrations etc. (Department of Co-operative Development, 2017). The Sapovadia and Patel, (2011) highlighted Co-operative movement effectively contributed to the economic development in third world countries. Co-operatives take part in the national advancement plans for poverty diminishment through cash flow generating, especially for ladies and youth. (Mahindapala et.al, 2020). Co-operatives will moreover be reinforced in changing the economy into more formal and lawfully order by awarding social security. The Ministry of trade and commerce is the authorized body for administering the co-operatives in Sri Lanka. Moreover, those societies regulated under the Co-operative Societies Act. According to Department of Co-operative Development (2017) there were 14,003 cooperatives in Sri Lanka contained with 8,736,382 members. Furthermore, there were 306 active multipurpose co-operative societies which track their business in the areas of Consumer retailing, wholesaling, banking, insurance, medical etc. currently, co-operative societies are spread across the nine provinces of the country successfully. This study was conducted based on the Rideegama multipurpose Co-operative society which belongs to Wayamba province. As per the Rideegama MPCS (2021) the society consisted with 57036 members, 249 employees and over 45 million assets. Further, society earns 65 million average profit per year. At present, society won ten national level awards due to their outstanding performances in Co-operative sector. Rideegama multipurpose co-operative society (MPCS) is the largest Co-operative society in the Wayamba province. Rideegama MPCS consisted with the business sectors of retailing, rice milling, insurance, leasing, plantations, funeral parlor, and a function hall. (Ranathilaka, Shiratake, &

Edirisuriya, 2006). The President of Sri Lanka awarded Gold Prizes to 21 Co-operative Societies which achieved high marks in the performance appraisal in the year of 2021. The Rideegama multipurpose Co-operative society awarded the best performer in Wayamba province. Because of this achievement Rideegama Co-operative society became the role model to other Co-operative societies in Sri Lanka. The researchers are curious to study the above business model and explore their success story to the public as a learning tool. That intention became the main objective of this study. There were few researches in the world align with the best practicing models of Co-operative societies. (Kurimoto, 2021). There was no any study conduct in Sri Lanka for above purpose. As per the Ranathilaka et.al (2006) Co-operatives are the backbone of Sri Lankan economy but unfortunately, research in the Co-operative sector is rarely done. The Sapovadia and Patel (2011) showed that there was lack of formal theories build up to explain the success of Co-operative societies across the globe. However, the researchers fill that gap somehow. Further, the findings of the above research can be applied to other Co-operative societies as a learning tool. When considering the Significance of the study, Co-operatives are the unique form of business model begin for mutual benefits of the members. This model spread over the community align with Co-operative values. The current study beneficial to policy makers, researchers in the co-operative movement. Further, current study discloses the most dominant factors that leads to the success of a co-operative society. The ministry and the government can use this research findings for their future administrations. Moreover, the members of the societies also can use the study outcome as a learning tool. This paper explores their success model to the public. The exploration will help to revise the current Co-operative policies in Sri Lanka. Research findings can be used to empower existing Co-operatives succeed. Finally, study helps to reduce the unsuccessful stories in future.

## **2. LITERATURE REVIEW**

Success is not something that comes naturally. It is a matter of making the right decisions and hard work. According to Guy Caruso (2011) best practice becomes the success of any business for the outstanding aids. The Bedi (1981) defines Co-operatives as a type of association which people voluntarily get-together for their equality and the economic development. The main theme of the Co-operatives was the mutual help. The first Co-operative society was established by Rochdale Forerunners in 1844 in Britain with the intention of the equity not the profit maximization. (Njuguna, 2012). However, Dubey et.al (2009) defines Co-operative society as a type of organization with group of members gathered for their development, survival and the privilege. According to the Department of Co-operative development (2018) Co-operatives are empowering the community. Contribute to sustainable development of the country. According to Sri Lanka parliament (1972) main function of the Co-operative societies was to improve

economic, social and racial values of the community. As per Amin and Uddin, (2014) Co-op society is a sole type of business conducted by set of people for their mutual benefit. According to Mahindapala et.al, (2020). Successful agricultural Co-operative societies employ several activities in addition to farm-based products. As per Bloom et.al (2012) it seems several factors impelling to quality of management. Instead, market competition, product quality, talent human resource, effective finance control were some critical factors for success of any organization. Although, government based Co-operative societies are usually ineffective comparing with private owned companies. Ranathilaka et.al (2006). Under the government sector business, they performed well than the private organizations in that area. Time to time Co-operatives passed ups and downs in the movement. Today they have mixed combination of failures and successes. In some areas in Sri Lanka Co-operatives performed best comparing to other businesses. In wayamba province Rideegama multipurpose co-operative society is the best case. Furthermore, Karakas (2019) mentioned that Co-op are the best example to show the power of people, mutuality, and the equity. Moreover, a talented workforce and the effective cost controlling methods decide the success of the Co-operatives. According to Sidhu and Sidhu (1990) Co-operative farming organizations are the most important organization of India. Co-operatives are playing great role in poverty diminishing across the globe. Further, ensure the food security and job creation. On the other hand proper auditing procedure and relationship with other stakeholders ensure the sustainability of the Co-operative society. Dubey et.al, (2009). Inefficiency, lack of trust, unskilled and less educated people in the workforce, poor marketing strategy and huge political influence were leading causes for the failures of the Co-operatives in In Bangladesh. (Amin and Uddin, 2014). According to Brito and Sauan (2016) there were significant of the management practices and the firm performances. Moreover, Co-operatives are attacked by globalization and the international rules. (Karakas, 2019). The study of Ranathilaka et.al, (2006) confirmed that MPCs in the Kurunegala district have made a significant contribution to the development of the Co-operative movement in Sri Lanka. India has the largest Co-operative movement in the world consisted with 595,215 Co-operative societies, 249.248 million members. (Sapovadia & Patel, 2011). As per the Ranathilaka et.al, (2006) Co-operatives are the backbone of Sri Lankan economy but unfortunately, research in the Co-operative sector is rarely done. The Sapovadia and Patel (2011) showed that there was lack of formal theories build up to explain the success of Co-operative societies across the globe. The main objective of the study is to explore the success factors behind the Rideegama multipurpose co-operative society in Sri Lanka. According to the literature review showed that there were several factors behind the success of the any Co-operative society in the world. But any how the success of the society benefits to its members positively. Identifying the success factors of successful Co-operative societies is essential for the development and future of the Co-operative movement in Sri Lanka. Because they are the forerunners of the future co-operative movement.

### 3. METHODOLOGY

The researcher follows the interpretivism as the research philosophy and conceptualized an inductive type qualitative research. The sample was selected by following the purposive sampling method and signified the nine board of directors, 20 employees and the 10 members of the Rideegama multipurpose co-operative society. Data collection done through the observations and the panel discussion. Researcher used both primary and secondary data to rich the output of the study. Furthermore, data analysis done descriptively by summarizing the thematic findings of the observations and the panel discussion.

### 4. DATA ANALYSIS & RESULTS

The main purpose of the study is to identify the success factors behind the Rideegama multipurpose Co-operative society in Sri Lanka. The researchers physically went to the Rideegama multipurpose Co-operative society in 31/07/2021 and observed their entire business segments in detail. Researchers carefully noted down every observation in written. After the visit the participants conducted a panel discussion with the selected sample. Data analysis done descriptively by summarizing the thematic findings of the observation and the panel discussion. The summarized themes of the study are as follows.

Table 01: summarized themes

Key notes	Recognized themes	Success factors
<p>Started businesses in a number of areas.            Receives and sells products from its members.            The society grows vegetables and fruits on the farm and sells them in its own shops.            The society produces some FMCG products directly.            Assigns goals to employees in the sales chain.            Selling goods at competitive prices in the market.            Carrying out sales activities tailored to the needs of the customer area.            Adopting the basic principle of fair price maximum quality.            Providing the opportunity for the members of the society to sell their products to the society.</p>	Sales Tactics	Solid Marketing system.
<p>Drive business through the basic vision of minimum price and maximum customer satisfaction.            Purchasing of goods by the society with minimal intermediaries.            Determining the profit margin from the packaging sector.</p>	Commodity pricing	

<p>Pricing the majority of goods at market prices. Selling products manufactured by the society under the brand name of the society at less than the market price. Implementing a discount system for customers. If there is no profit, direct costs are charged from the provincial branches. Delivers goods to localities at a specific price agreed upon by the Board of Directors.</p>		
<p>Making direct purchases at low prices. Purchasing goods from members and people in the area. Making direct purchases of raw material. Execute all the processes of the society in accordance with the cost methods. Good control of stock and waste. Identify and report on general operating costs and direct costs. Do not keep a profit from the warehouse when issuing goods. Goods purchased and delivered by their own vehicles.</p>	Cost control methodology	Effective cost management system
<p>Maintaining two warehouses for large stock and small stock. Maintaining proper documents related to storage. Making direct purchases. Do not sell goods directly from the warehouse. The goods are sent from the warehouse to the sales division and sold by the sales division.</p>	Stock control methodology	
<p>Should have disciplined and trained staff to work on time. Have a staff with a positive attitude. Always work on the corporate vision. Implementing employee welfare programs that encourage employees. Spending a percentage of gross profit on employees. Establish an institutional control system that eliminates unnecessary stress in a way that creates employee satisfaction. Recruited right employees top to bottom.</p>	Employee control  Strong Human resource practices.	Leadership
<p>Each section maintains a separate identity. Office process, paperwork, well maintained. Society uses a computerized system for office control.</p>	Workplace control	
<p>Establishment of an internal control system designed to audit the entire process of the organization. Using a computerized audit methodology. Good control of inventory shortages.</p>	Financial and audit methodology	Sustainable internal control system

<p>Conducting audit follow-up meetings and implement corrections. The surplus income of the society should have been invested in formal investment channels. Ex: fixed deposits, land, buildings, function halls.</p>		
<p>Implementation of Central Bank Approved Lending Systems. Loan schemes tailored to the needs of the area. Should have resorted to vehicle and property leasing. Carrying out all banking transactions except check transactions. Implemented special loan schemes for the members of the society. Established a marketing system for the rural banking sector.</p>	Rural Banking Division	
<p>It has established a good conflict-free relationship by offering its services to affiliates at a special price.</p>	Association with colleagues	Well built Relationship with stakeholders.

Source: Author constructed, 2021

## 5. DISCUSSION OF THE FINDINGS

### Solid Marketing system

The Solid Marketing system plays an important role in the success of a Co-operative society. It is important for the society to have its own marketing strategy to win shoulder to shoulder market competition with the private sector. According to Mahindapala et.al, (2020) multipurpose Co-operative societies provide marketing facilities for their member's primary products. Members have the opportunity to sell their products directly to the society. According to the thematic findings Rideegama multipurpose Co-operative society had a solid marketing system that increase the revenue. The Rideegama multipurpose Co-operative society implement following type of strategies to capture the market segment. Especially, direct purchase from members, direct production, competitive pricing, special discounts for members, Brand creation, right matching of the customer requirement etc. The (Brito & Sauan, 2016) showed that the market expansion should increase the profit margin of the business. However, according to Dubey, Singh, & Dubey, (2009) Co-operative societies in india played a significant part in marketing development and price controlling. Moreover, the research has revealed that solid marketing system is one of the key factor behind the success of the rideegama multipurpose Co-operative society.

## **Effective cost management system**

Effective cost management system minimize the waste and maximizes profits. As per Mahindapala et.al, (2020) Morawak Korale tea producers'Co-operative society becomes more effective through the proper cost controlling and the wastage management. The Rideegama multipurpose Co-operative society also implement an effective cost management system including direct purchasing, proper stock controlling and wastage control, maintaining proper documents related to storage, proper pricing, periodic stock count, cost reporting. Most of the successful companies in the world follow the management accounting techniques such as costing methods, budgeting, product profitability, cost benefit analysis, stock maintaining techniques etc. (Brito & Sauan, 2016). In this sense, effective cost management system is one of the secrets behind the success of the society.

## **Leadership**

Leadership is one of the key factor for success of any organization. The most valuable resource of an organization is its human resource. As per Mahindapala et.al, (2020) the Morawak Korale cooperative society transmitted a profit share for members. Instead, they offer bonus and various welfare facilities for their members. Furthermore, Njuguna, (2012), stated strong leadership include effective management, right recruitment, right training and right performance of the employees. Moreover, a talented workforce is an asset to an organization. As a Co-operative society the rideegama MPCs had strong leadership with minimum political influences. Trained staff willing to work on time. positive attitudes of the staff lead the success. The society implement welfare programs such as death donation, scholarships for students, distress loans and conduct proper HR functions. Co-operatives in india focus on the welfare of the members more.(Dubey, Singh, & Dubey, 2009). Strong leadership contributes to the success of an organization. Competitive benefits, talent staff, proper internal promotion path enhance the society's value and the employee retention for sustainable growth. (Brito & Sauan, 2016).

## **Sustainable internal control system**

A strong internal control system is essential for the continued and sustainable of an organization. According to (Sidhu & Sidhu, 1990) financial position is the most important factor in Co-operative society for its survival. A good auditing system affords minimal errors in a Co-operative society. (Njuguna, 2012). Proper management of funds is a hallmark of a successful society. (Sapovadia & Patel, 2011). Rideegama multipurpose Co-operative society is engaged in the following

activities to establish a sustainable internal control system. Internal control system designed to audit the entire process of the organization, they used a computerized audit system, conducted audit follow-up meetings and implement corrections, surplus income of the society invested in formal investment channels. Ex: fixed deposits, land, buildings, function halls, implemented central bank approved lending systems, loan schemes tailored to the needs of the area. As per, Mahindapala et.al, (2020) some Co-operative societies in Sri Lanka offer credit facilities to their members with special rates. This concept ensures the sustainable membership of the society. The Dubey, Singh, & Dubey, (2009) also confirmed that idea. Co-operative members in india encounter for special loan schemes with affordable interest rates. Moreover, internal control system protects the organization by eliminating frauds and errors. This confirms that the sustainable internal control system has contribute to the success of the Rideegama Co-operative society.

### **Well-built Relationship with stakeholders**

No business can be successful without the support of stakeholders. According to Mahindapala et.al, (2020) Co-operative members intensely believed relationship with other parties are viral for the going concern of the society. Build up social bond is needed. The Amin & Uddin, (2014) showed that Co-operative societies play main part in community development. The Well-built Relationship with stakeholders improved the standard of living. The Rideegama Co-operative society has established a good conflict-free relationship by offering its services to stakeholders at a special price. Leadership is a critical element for construct bond with other parties. (Ranathilaka et.al, 2006). Ultimately, research has shown that the success of the Rideegama society depends on its good relationship with other parties.

## **6. CONCLUSION & CONTRIBUTIONS**

Co-operative societies brand a unique contribution to the economic development of Sri Lanka. The Rideegama multipurpose co-operative society can be consider as a successful Co-op Society in the multipurpose category in Sri Lanka. The main purpose of the study is to identify the success factors behind the Rideegama multipurpose co-operative society. Finally, researchers found that solid marketing system, Effective cost management system, Leadership, Sustainable internal control system and Well-built relationship with stakeholders were the most critical success factors behind the Rideegama multipurpose co-operative society. Authors believe that these findings useful for other unsuccessful Co-operative societies in Sri Lanka. The findings have implications for policymaking and can be used to accurately position the future Co-operative movement.

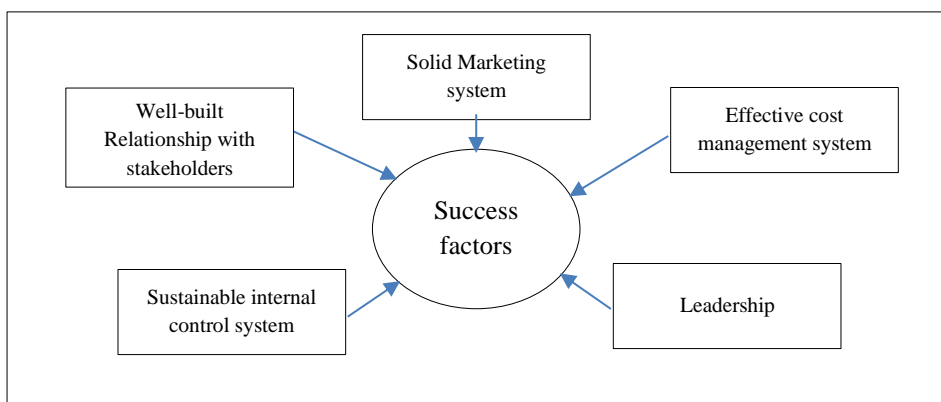


Figure 1: Factors behind the Success of Rideegama Co-operative Society

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