

Findings, Challenges and Conclusions: An Abstract from the CBO Study Report

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Whereas the three systems of membership, operations and governance are important for making robust community based organizations, NGOs need to embrace e-CBOs as they attempt to create new economic organizations of marginalized and poor communities

In this article, some of the findings from the study are mentioned, especially regarding the three systems of membership, operations and governance that we know are important for making robust community based organizations (CBOs). We also look at the challenges in creating economic CBOs and in managing transition. Finally, we see a new hybrid structure of the e-CBO emerging. This is different from what one had fathomed at the beginning of the study or is available in the literature on CBOs. It is important to take cognizance of this new institutional form that works. It should be embraced by NGOs as they attempt to create new economic organizations of marginalized and poor communities to enhance incomes of the poor in a more equitable and just manner.

MEMBERSHIP, OPERATING AND GOVERNANCE SYSTEMS

In a stable CBO, the three systems, viz., Membership System, Operating System and Governance System, are in a dynamic balance. If any of these were weak or non-existent, the CBO would not be able to fulfil its objective of providing sustainable income to members for any length of time.

Membership System

The overall focus during the pre-formation phase is to strengthen membership. This happens through social mobilization of poor people and forming groups so that they have experience of working as a collective. Members have to be encouraged to question the decisions of the leaders and seek accountability, lest these institutions are hijacked by a few people serenading as leaders. Good leaders emerge from an aware membership base. The experience of working as collectives is important because these collectives are governed by norms and rules that are applied equally rather than by socio-economic hierarchies.

If social mobilization is not done properly there will only be phantom progress; promoting organizations would then be required to backtrack and start all over again with the social mobilization, leading to the emergence of a people's organization.

Creating women SHGs and their higher aggregates of clusters and federations as the base for initiating economic activity with those SHG members, who qualify the criteria of e-CBO membership, is emerging as a fairly standard way to mobilize people and form the organization.

In the pre-formation stage, besides social mobilization, the promoting organizations identify the economic sector and start viable activities, despite all the attendant risks associated with a new enterprise. This is to demonstrate to people the greater benefits of an activity compared to the other opportunities they have. In case of intervention in a traditional activity of the people, it should demonstrate additional benefit of working as a collective, which they would not have experienced otherwise.

Operating System

The focus in the initial stage is on setting up the Operating System in the e-CBO. A key component of the Operating System is setting up a system of distribution of inputs and the aggregation of outputs from individual production units in remote and distant areas. This is a major additional cost, making products from the CBO uncompetitive in the market. The logic of the e-CBO emerges from the need of paring the cost of aggregation.

The individual units of production are aggregated into groups with one among

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them being the group leader. The leader is the link with the central unit, providing initial training and support to disaggregated producers, taking the responsibility of distribution of inputs and collection of outputs, the first quality check, overall group quality, etc. This the leaders do at a fraction of the cost and mostly on small

incentives. There is clamour among the producers to become leaders because there is lot of social value and prestige involved in leading. It also offers them the opportunity to represent themselves in a higher order of aggregation in the central unit.

There are two models of aggregation that we see in the cases. Model 1 is one in which the inputs are provided centrally and the production is done in decentralised individual production units. The products are again aggregated centrally for finishing and dispatch to buyers. All the inputs are procured centrally for better economics and for assuring uniform quality. Similarly, marketing is done centrally to realize better payment terms and price. In Model 2, production is by individuals using their own inputs and thereafter aggregation, processing and marketing are done by the central unit. All cases, except SIFFS, follow Model 1. The models are represented in the following schematic diagrams.

Model 1

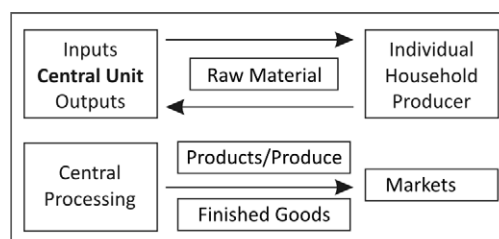


Fig. 1: Model 1 of Aggregation

Model 2

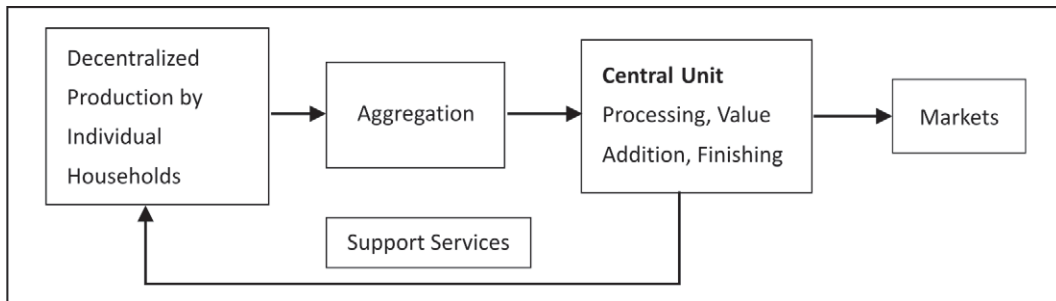


Fig. 2: Model 2 of Aggregation

Model 1 is most likely one that promoting organizations will be required to build when forming e-CBOs.

Another key function in setting up the Operating System is marketing. This is often the Achilles' heel of NGOs. Developing a clutch of just a few major buyers to take care of the majority of the production is an important strategy. One should pursue this even if the margins are not high. Price, quality and perception value are key determinants in the market. Creating perception value through branding requires working at the retail of the final product. This is not simple because the producer groups usually work in the early stages of the value chain. Moreover, the cost in creating brands is prohibitive and requires huge aggregation across geographies, something that Amul has been able to do in the milk sector.

Governance System

The major focus during the Maturity Stage of the e-CBO is on strengthening the Governance System. Achieving balance between the executive and governance is quite challenging. If the executive continues to be people from the promoting organization, who were involved in the initial mobilization,

it is difficult for the leaders to question them. This is often addressed by replacing the earlier executives after the governance structure has being put in place. The executives engaged in the beginning stage then move on to create and guide second- and third-tier community organizations in the expansion phase. The primary units become more autonomous though they continue to benefit from the association with the promoting organizations either as part of the higher-tier organization of which they are part or through formal representation in the governance structure of the e-CBO.

The three systems—Membership, Operations and Governance—are strengthened in different phases of the evolution of the e-CBO. They reach equilibrium in the maturity phase. This is given graphically below.

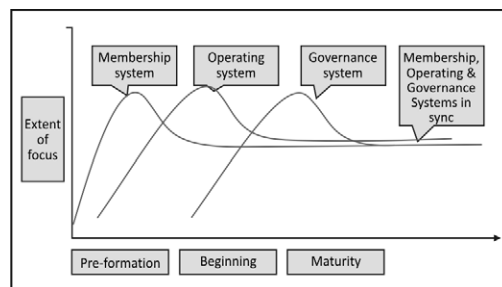


Fig. 3: The Equilibrium between Members & Operations and Governance

CHALLENGE OF MANAGING TRANSITION

In the run up to establishing e-CBOs, the promoting organization has to manage two major transitions, each of which is quite challenging. The first is the transition from social to commercial orientation of the CBO and within the promoting organization itself. The second is the transition from NGO-centric activities to CBO-centric activities.

Forming social organizations are an important precursor to developing members and leaders for economic organization. Poor and disadvantaged people are very diffident when dealing with outsiders and their confidence needs to be built assiduously in the social organization.

that they are able to relate to the facilitator and share their issues and concerns is important. Only when these issues and concerns are brought to the table and discussed is space for everyone and the ownership required to work as a collective created. In social organizations, decisions are soft and accommodative, and reprimands are gentle in the form of warnings and peer pressure.

Transition from social to commercial

From the cases discussed, it is seen that forming economic organizations of the poor straightaway are fraught with problems. Such organizations fail to take off beyond a certain point and become a permanent liability to the promoting organization if not allowed to be hijacked by some unscrupulous locals feigning as community leaders.

Forming social organizations are an important precursor to developing members and leaders for economic organization. Poor and disadvantaged people are very diffident when dealing with outsiders and their confidence needs to be built assiduously in the social organization. More important, they need to work in an environment governed by rules and regulations rather than social hierarchies, which is their experience otherwise.

Yet, social organizations are very soft organizations because the focus is on building the confidence and the capacities of the community, so as to deal with outsiders with a positive self image. The NGO facilitator has to be a socially inclined person whereby s/he is inclusive and accommodating. Establishing personal relationship with as many people so

At the same time, economic organizations have to be hard in dealing with deviations and deviants. This is because a mistake knowingly or unknowingly affects the good of all other persons; markets and third-party evaluators are very hard and exacting and have no room for those not up to the stringent standards of the customers. It is not enough to reprimand as a social organization would normally do but to impose financial penalties even if the person is very poor.

For the facilitators, who have been engaged in social mobilization in promoting organizations, it is nearly impossible to make the shift to the commercial way of working. This is also because community people are not able to relate differently with the same person. This is dealt best by having two different persons—one for social mobilization and the other to work on establishing the economic activity in the promoting organizations. Social mobilization should lead the process.

Not all the members of social community organizations automatically become members of the economic one. There should be qualifying criteria for membership of the economic organization, in which the rules of the game are very different. Similarly, in the promoting organization too, not all the

people will fit into economic mobilization space. The staff of the promoting organizations have to demonstrate the discipline and exacting standards of outputs and efficiency, so as to become part of the commercial operations.

Transition of Management from NGO to CBO

In the pre-formation stage, NGOs start economic activities within the organization. These are initial efforts by the NGO to test water, so to say. The entire risk associated with the enterprise is borne by the NGO. Community members are engaged in the activity on wages. During this period, they begin to understand the nuances of the business and become more confident in the potential of the activity/enterprise to give sustained income. Even in the pre-formation stage, different roles are sometime carved out for the community members, depending on their capabilities. The leaders among the community are provided exposure to different aspects of the enterprise from input procurement to production and marketing.

Once the community members become confident of carrying out the activity and of managing the same, the promoting organizations initiate discussions about creating a community owned and managed organization, which will undertake enterprise activities that were hitherto being done by the NGO. It is important that people buy the idea. Often, promoting organizations form CBOs to remove commercial transactions from their books of accounts. Forming a CBO for such a technical reason rather than for the value of forming one stops the promoting organization from handing over the institution to the people,

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who then use the names of NGO and CBO interchangeably.

It requires a 'champion' in the promoting organization to develop an alternative world view and vision of the future and then to coalesce people's aspirations into institutions. There are a number of setbacks in the journey to realize the vision in spite of all the preparations because the blueprint approach

is unlikely to work. Champions have faith and conviction that overcome setbacks and provide support to the team that is engaged on the ground. Leadership and teamwork rather than the blueprint are the key elements in the beginning stage of the formation of a CBO. In achieving the vision, it is important to have a good fit between the community needs and solution being offered.

Usually, this phase is resource intensive, particularly rich in intellectual input, and requires substantial freedom from normal administrative constraints. It is a time to invest in knowledge and capacity building.

Preparing the potential leaders in the CBO to become masters of the organization requires sagacity and magnanimity. Community leadership has to be nurtured by making leaders responsible for operations and outputs. It helps in the transfer of responsibilities if the executives in the pre-formation and beginning stages distance themselves and get into an advisory role rather than in routine management, for which new staff are hired. Only when leaders are able to handle the operations and deliver, will they feel confident in seeking accountability of outputs that may be hired by the CBO for specific functions from the executives.

As the CBO enters the maturity stage, the community leaders and staff, who are now fully paid for by the CBO, take full responsibility for managing the organization, to give sustained income to members. With an increase in the scale of operations, the managerial aspects tend to dominate and this dilutes the social aspect of intervention. Striking a balance between economic and social

aspects is difficult because business principles have to be balanced with social considerations. Promoting organizations, which are limited to governance, consciously try and play a role in reminding the CBO not to compromise on the social aspect. NGOs also bring professional inputs through governance without which the CBOs would meander and stagnate, as we have seen in cases where the promoting organization withdrew completely.

The engagement thus comes full circle, starting from the NGO forming the CBO to the CBO assisting the NGO in increasing the outreach and further aggregation. They become partners in taking the agenda of social fairness and equity in the economic domain forward.

In the expansion stage, the CBO assists the promoting organization in replicating the model in other places by showcasing their success and in even getting involved in the mobilization process in new locations. The CBO leadership also becomes part of the higher community structures that are created to provide services to the primary level CBOs. The engagement thus comes full

circle, starting from the NGO forming the CBO to the CBO assisting the NGO in increasing the outreach and further aggregation. They become partners in taking the agenda of social fairness and equity in the economic domain forward.

A spectrum management transition is given in following figure below.

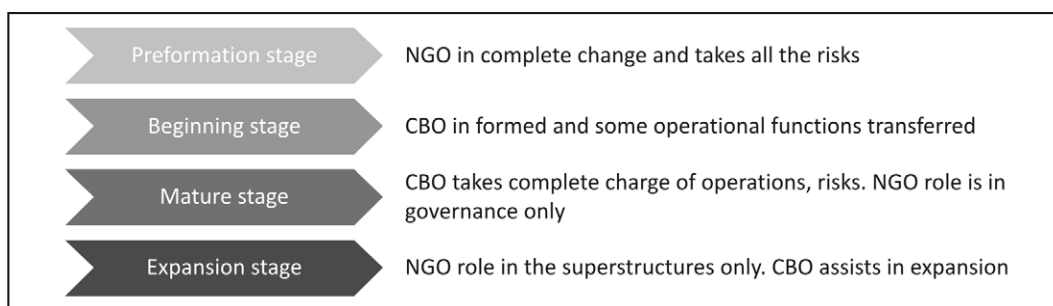


Fig. 4: Management Transition Level

CO-OWNERSHIP OF E-CBO

NGOs promoting e-CBOs are like venture capitalists except that they create social capital in the form of community institutions that engage in economic activities for the benefit of its members. CBOs receive lot of investment and support from the society at large and ought to remain for social good.

It would be a travesty to see e-CBOs being used for personal gains of few leaders or even the staff at the expense of the largely poor, illiterate and less exposed members. It is the responsibility of the promoting organizations, as 'trustees' in governance, to ensure that this does not happen.

As promoting organizations begin to conjure scale and outreach, they need to innovate, develop and coalesce primary community organizations, to form higher aggregated structures that have a clear agenda of expanding the benefits to other similarly vulnerable communities by replicating the model. NGOs need to move further up and become part of the governance in the higher-tier organizations even as they devolve the role of governance to the community leaders by developing their capacities at the primary

level. e-CBOs are thus developing as 'hybrids' that have characteristics of the community and the promoting organization. There is increasing recognition of these organizations when the community and the promoter have joint stakes. Promoting organizations are social venture investors and retain their equity participation in governance much like capital investors in commercial organizations. e-CBOs reflect the principles of co-ownership and should co-create the future for other similar deprived communities across time and space.