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### **A review of literature on the study of effectiveness of leadership on business performance of Farmers agricultural cooperatives in Horo Guduru Wollega zone, Ethiopia**

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#### **Abstract**

This study examines leadership and its role on business performances of cooperative organizations. Leadership is the art of getting someone else to do something you want done because he wants to do it. In business, a vision is a realistic, convincing and attractive depiction of where you want to be in the future. Vision provides direction, sets priorities, and provides a marker, so that you can tell that you've achieved what you wanted to achieve. To create a vision, leaders focus on an organization's strengths by using tools such as to analyze their current situation. They think about how their industry is likely to evolve, and how their competitors are likely to behave. They look at how they can innovate successfully, and shape their businesses and their strategies to succeed in future marketplaces. And they test their visions with appropriate market research, and by assessing key risks using techniques such as Scenario Analysis.

**Keywords:** Horo Guduru Wollega zone Ethiopia

#### **Introduction**

From the beginning of 20th century theories of leadership took place. At the very first the theories were developed in 1900, which are known as Great Man theories. According to that theory leadership is an innate ability that is who is born to lead. After such theories in 1930 Group theory was proposed which stated that how leadership emerges and develops in small groups. Trait theory was developed during 1940-50 which holds the concept that what universal traits are common to all leaders. During 1950-60 Behavior theory was come into existence. This theory emphasizes what key behavioral patterns result in leadership. After this theory another theory was proposed during 1960-70, which is known as Contingency/Situational theory. Its main concern about leadership is that which leadership behaviors succeeded in specific situations. Excellence theory was developed in 1980 which holds the concept that what interaction of traits, behaviors, key situations and group facilitation allows people to lead organizations to excellence.

After all above theories other leadership theories were proposed and discussed primarily by Management Science and Social Psychology researchers, which are limited in perspective, excluding views of leadership developed in other disciplines, as well as in Philosophy, History and Art. These theories are dominated by hierarchical, linear, male, pragmatic and Newtonian perspective. Other fields add other dimensions in the concept of leadership. Such as; Anthropologists – Culture, Historians – Long time frames, Political scientists – Political power and Sociologists – Institutions and societies.

In 1957 Political Sociologists defined leadership as “infuse values and purpose of leaders into a group”. In 1977 Robert Greenleaf described leadership as: “Great leaders serve the group they lead, by creating and maintaining an environment which encourages and supports everyone in maximizing their potential”. Greenleaf (1977) A historian/ political scientist (Burn. 1978) also defined in gave his idea about leadership as “followers are central

to leadership because they are significantly involved in the negotiations central to the transactions of power they have minds of their own”.

#### **Leadership in Cooperatives**

A successful institution is the shadow and projection of the personality of a leader that behind every successful cooperative there is a person of integrity, vision, driving interest, dedication and perseverance. A leader must have strong faith in the movement. Professor Georges Lassere of Pairs University say “A good cooperators is one who understands the cooperative ideal, adheres to it and makes it part of himself”. Further, a person who can devote his thought, energy and time to the development of the cooperative movement can only emerge as a good cooperative leader. He must be very loyal to the cooperative. He should consider himself as part and parcel of the cooperatives. He expected to make appropriate use of the cooperatives and lead others by good example. Always appropriate use of the cooperatives and lead others by good example, always look into the interest of the members and keep them loyal to the movement. As he is a member of the cooperative, sense of belongingness must be made in his mind, and honesty and high standard of integrity needed from him. An honest leader will try to do the best for the members and not for him.

Professor Georges Lassere says, “A cooperative leader is above all an honest person; who refuses to lie, to cheat, and to steal even indirectly. His deeds confirm to his words, and his words conform to his thoughts. Therefore, an honesty leader is always an asset to the cooperatives. “It is necessary for the leaders to be both honest and efficient if their leadership is to be sound.”

Informed leadership is the very basis of a cooperative movement. It is important that a leader must know the principles and philosophy of cooperation, business policies basic principles of accounting, elements of parliamentary procedures for conducting

board and general meeting, etc. the cooperatives, therefore, have to pay sufficient attention in electing the ablest, efficient and enlightened leaders who have genuine and keen interest in the development of the cooperatives movement. Cooperatives are democratic institutions. The successful operation of cooperative democracy in cooperatives depends on the democratic leadership. A successful democratic leader is one who is able to behave appropriately, direct and guide properly, and provide freedom to all member patrons without any discrimination.

To be a democratic leader one must be enlightened, conscious of his ownership responsibility, understand the importance of democratic control, be aware of his rights and duties and actively participate in all the affairs of the cooperative. A good democratic leader should never develop an attitude of superiority. Cooperatives need wise leadership with sufficient business skills, experience, aptitude, and competence to conduct the business and to manage affairs efficiently. The members have to elect able leaders who will accept the task of securing a high standard of managerial efficiency and carrying out the member's wishes in setting policies. We need strong leadership in cooperatives to expand the activities of the cooperative organization, to safeguard the interest of the cooperatives. The cooperatives in order to serve the weaker sections need certain protection, privileges from the state, for policy decisions, because of they act as trustees for the properties of the cooperatives, maintenance of the assets of the society, and increasing the assets of the society must be their avowed duty.

#### **Leadership in cooperative needed Because of the following reasons**

- Cooperative leadership needed to expand the activities of the cooperative organization.
- Cooperative leadership is necessary to safeguard the interest of the cooperatives. The cooperatives, in order to serve the weaker sections need certain protection and privileges from the state.
- In the management of the cooperatives, the leaders take the policy decisions. They must discuss various issues and must give the policies with strategies to the paid management for implementation.
- Cooperative leadership is necessary to act as trustees for the properties of the cooperatives. Maintenance of the assets of the society and increasing the assets of the society must be their avowed duty.

#### **Leadership Roles in Cooperatives**

Leadership plays a crucial role in the commitment of the members of the cooperative. Previous success of cooperatives does not guarantee future success. This is partly because of the fundamental link that relates to the success of cooperatives to members' commitment. Members' commitment to the cooperative is influenced by the decision-making process adopted by the cooperative leaders (Fulton, 2008) <sup>[15]</sup>. (Fulton, 2008) <sup>[15]</sup> found that cooperatives that believed they had a well-defined and loyal membership were less likely to hire leaders that would enhance member commitment. With reduced transparency in the decision-making process, the leadership is alienated from the members, which reduces members' commitment and participation leading to the failure of the cooperative. In an interesting study of leadership of cooperatives during economic

transition, it was found that many cooperatives were at Ambo University on December 26, 2015 [irm.sagepub.com](http://irm.sagepub.com) Downloaded from 50 International Journal of Rural Management 11(1) going bankrupt. However, closer observation showed that social-oriented leadership in traditional agricultural cooperatives helped overcome economic, social and psychological barriers arising during the transition, while in the case of new co-ops, improved cooperation depended mainly on the increased level of social capital after the radical reforms have been put in place (Forgács, 2008) <sup>[14]</sup>. Organizational differences between IOOs and user-oriented firms influence management behavior by affecting managerial working roles (Cook, 1994) <sup>[6]</sup>. The major roles of leaders in management literature include maintaining goal direction, facilitating task achievement and ensuring group cohesiveness (Cook, 1994) <sup>[6]</sup>. In the context of cooperatives, meeting the three leadership demands is challenging. This is because cooperative goals are multidimensional and often conflict with each other. The challenge to cooperative leaderships exists with regard to reducing the opposing interests down to a more balanced interest, allowing thereby the convergence of the interests of different groups. Integrating individual needs with organizational goals is challenging when the owners interact with the organization on a regular basis as users of its services. The dividend pay checks are a year-end formal feedback on how well the leaders have been behaving so far, but on a regular transaction basis, the leadership decisions and behavior are regularly evaluated. Many decisions of the leaders may benefit the cooperative but could also run contrary to the immediate interest of the user member. For example, as an individual, one member may be interested in paying a lower price for goods in a consumer cooperative or a farmer may expect a higher price for his/ her produce. However, sharing all surpluses with the members may lead to lack of growth because of the low level of capital formation within the cooperative, rendering the latter very vulnerable at the time of need. The cooperative leadership's role is not limited to the satisfaction of individual members but also to that of the cooperative itself. (Folsom, 2003) <sup>[13]</sup> observed that cooperatives are excellent tools for promoting rural economic growth and leadership development of the community in which they operate.

#### **Problems of Leadership in Cooperative Organizations**

Cooperative organization exists due to the enlightened leadership of the people to fight against exploitation. Quality of leadership is influence the success or failure of a cooperative organization.

- **Absence of Knowledge of Leadership:** - there is a lack of proper understanding about the meaning, qualities and functions of leadership among most of the cooperatives and executives of cooperatives.
- **Poor Framework for Leadership Growth:** - poverty, illiteracy, ignorance, various taboos and other such factors inhibit the development of leadership qualities among the members of cooperatives.
- Because of lack of qualitative personnel in most of the cooperatives acts as another barrier in the making of managerial leaders. We could build (corporate) qualitative personnel these have good experience, knowledge, and skill on overall staffing activities.
- A leader in cooperative should be free from politics, rigidity ideology when we say free from politics, may be members

of a societies may have different perception on different politics because of this he must neutral to all members and make everything with flexible manner.

- The climate of leadership is likely to have a good deal of influence on the level of societies moral. Good leadership will be able mould the attitude and approach of members to work. Productivity will be encouraged through leading the members along the path of society's goal. Morale will be improved if leaders themselves set an example of handwork and allegiance to society's goals.

### **Effectiveness of leadership & Cooperatives business Performance**

The concept of performance describes how individuals or groups reach a conclusion to attain an aim. Performance is a concept which is shown by organization's prominent employees while fulfilling their tasks. This is why organizations' success is directly proportionate to their employees' performance (Benligiray, 2004). Business performance is a description of level of fulfilled task of business's aim or target according to obtained output/ conclusion at the end of a business period (Yıldız, 2010). Business performance can be scaled only by subjective method or only by objective method. It can also be seen in the literature that both subjective and objective methods are used together to avoid short-comings of each method. It has become evident that while profitability, sales and market share are the most used criteria in subjective method, ROA and ROE are the most used ones in objective method (Yıldız and Karakaş, 2012: 1095). Although various measurement methods of business performance have been developed by scholars and practitioners, it can't be said that there is always a valid method.

There are many definitions of leadership in different literatures. Leadership can be defined as the people who coordinate and balance the interests of all who have a stake in the organization, including the executive teams, all other managers and those in team leadership positions or with a subject leadership role. (Drouillard and Kleiner, 1996) express leadership to be the influence of others by means of reason and inclusion, to achieve organizational goals that are in the long term best interest of all involved, with wellbeing of society in mind (McCarthy, 2005). Leadership plays an important role in influencing the direction of an organization. (Yukl, 1989) identified two predictors of leadership effectiveness, as being managerial motivation and skills. Most leadership roles would require a person to have the technical, conceptual and interpersonal skills. It is, therefore, necessary for the leadership to have skills and knowledge of business enterprise, because the management of cooperatives relies heavily on their expertise. Studies have showed that a lack of adequate skills in management has contributed to cooperatives' failure. In cooperatives, leadership involves a process of reaching consensus and then following through with the group's decision. Internal leadership is, therefore, crucial in the implementation of policies and activities, which continually enhance the operations of the cooperatives.

Leadership and management, as being important in the effectiveness of cooperatives should be considered. The board should be able to resolve or choose between the interests of members and to set the overall policies of the organization. Correct decisions and strategies will help to lower the costs associated with these activities, such as the cost of production,

decision making and other activities. Weak legal and regulatory frameworks, which rarely enforce contracts or punish those who breach contracts, affect the farmers' cooperatives. This open up to corrupt and manipulate behavior, and a weak regulatory environment makes cooperatives vulnerable to exploitation by deceitful businesspersons.

In developing countries, most of the population is poor. In attempting to address consumer needs, government may come up with policies that may harm cooperatives. A government's policies and intervention may affect the pricing of products, depress producer prices and which would have an adverse effect on food production.

(Svensson and Wood, 2005) <sup>[40]</sup> state that the role of Leadership and organizational performance in business are usually evaluated by using parameters such as balance sheets, bottom lines, market shares, revenues and shareholder values. (Sexton and Iskow, 1988) identified three critical key factors necessary for the success of agricultural cooperatives, as organizational, financial and operational. (Cook and Burress, 2009) identified in terms of finance performance, such as net margins, member commodity prices, return on equity and sales growth.

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