Effectiveness of Leadership On Business Performance of Farmers Agricultural Cooperative Unions in Horo Guduru Wollega Zone, Ethiopia

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Abstract: *The main intent of this study is 'to examine the level of business knowledge of cooperative leaders to enhance Agricultural cooperatives business performances'. The study covers 96 leaders of sampled primary agricultural cooperatives and 192 individual members of primary agricultural cooperatives from members of Chafe buluk farmer's cooperative union and Haragu farmers' agricultural cooperative union. The study were employed both quantitative and qualitative research approach to answer the research question. The pertinent data related to the study was collected with the help of survey questionnaire, key informant interview and focus group discussion from the study participants. The pertinent data collected were analyzed with the help of descriptive statistics and inferential model called multiple regression models. Accordingly, the study result reveals that there were business knowledge gap among leaders of the cooperatives and the 12 variables of leader's business knowledge (LBK) have significant contribution on the business performances of agricultural cooperatives at 0.05 significance level. Therefore, the government and other community development partners should arrange continuous trainings for cooperative leaders on business activities and development of business plan. These actions will ensure the survival and productivity of the cooperatives societies and enhance better cooperatives businesses.*

Keywords*: Business performance, Business knowledge, Cooperatives, Leaders, Members, Regression Analysis*

INTRODUCTION

According to the International Cooperative Alliance ICA (1995), a cooperative can be defined as an autonomous association of persons united voluntarily to meet their common economic, social, cultural needs and aspirations through a jointly owned and democratically controlled enterprise. A cooperative has been defined in various ways and terms according to the diversities of cooperative societies, different understanding, location, the level of engagement in the line of production and function of each type of cooperative at the global perspective. There is no universal definition of a cooperative society. However a cooperative can be defined as an autonomous association of persons who voluntarily cooperate for their mutual, social, economic, and cultural benefits (Najamuddeen et al., 2012).

Leaders are vital ingredient in the success of an organization. Leaders with a high commitment could be a key to the development of an environment that provides organizational effectiveness. Since effective leaders demonstrated to be predictive of attitudes and performance in organizations, the question raised regarding whether other leadership behaviors would also be predictive in the same way or not (Cascio, 2010). The leadership capacity in rural cooperatives directly related to the level of literacy among its members as

leaders usually elected from the member base. In developing countries where the education level is low, this can be a major constraint for cooperative development (Chriwa, 2005). This is shown by African cooperatives failure in the past where corrupt, illiterate and opportunistic leaders drove the cooperatives into financial mismanagement and nepotism (Wanyama, 2009). According to Emana (2012), the leadership problems in agricultural cooperatives facing in Ethiopia summarized into the following important areas of concern: understanding the use of financial statements, leadership training problems, strategic planning, board/manager relations, legal responsibilities, and performance assessment.

According to Emana (2012) The most important reasons for cooperative failure in Ethiopia includes; shortage of trained and skilled managers, lack of understanding of the principle and approaches of cooperatives , inability of cooperative member to cope with the modern methods and tools of production, inadequate financing, excessive government control and lack of trust among members. A number of leadership proficiencies problems were perceived encompassing the following: understanding role and responsibilities, potential liabilities of directors, member relations, evaluating strategic plans, evaluating marketing strategies, evaluating financial issues, knowing the principles of cooperatives, as well as a thorough understanding of the mission and objectives of the cooperative.

The Major goal of all leadership development programs is to increase the role of leadership in guiding organizations through periods of uncertainty and change. Erkutlu (2008) argues that the most commonly measure of leader effectiveness is the extent to which the leader's group or organization performs its task successfully and attains its goal. He explains the objective measure of performance or goal attainment are available in the organization; such as profit growth, profit margin, sales increase, market share, return on investment, productivity, cost per unit of output, etc. So, many studies were undertaken on the roles of leadership and behaviors of leadership in different organizations across the world, but there was no research undertaken on effectiveness of leadership on business performance of agricultural cooperatives. In this particular study business knowledge of leaders would be examined in primary agricultural cooperative societies.

MATERIALS AND METHODS

This study were employed a concurrent mixed approach (quantitative and qualitative) approach due to the nature of the study. The researcher convinced that the design could be appropriate for this study, as it is inclusive, and appropriate for collecting both qualitative and quantitative data for the study purpose. The study employed Cross-Sectional survey research design and it is economical, allows comparison of the variables at only one point at particular time (Saunder, 2003).

The study were employed multi stage sampling technique and accordingly, Horo Guduru Wollega zone as an area of study selected purposively because the zone is the area in which more agricultural cooperative societies were highly functioning relative to others. There are two Agricultural cooperative unions in Horo Guduru Wollega zone. The two cooperative unions comprise about 124 primary agricultural cooperative societies. To determine sample primary cooperative societies, (Yamane, 1967) provides a simplified formula to calculate sample sizes. This formula used to calculate the sample sizes of the study. A 95% confidence level and P = .5 are assumed and the following formula will be used.

In general, the relevant data required for this study was collected from 288 respondents, from which 96 are chair persons of the sampled cooperative societies and 192 are individual member of the sampled cooperatives taken as a sample size of the study, in addition to these, to collect qualitative data, two FGD with members of Unions' BODs were used and managers of respective cooperative unions were taken as KI**.**

The type of data used for this study was both quantitative and qualitative data, which was collected from primary and secondary data sources. Primary data was gathered from individual respondents (chairpersons and individual members) with the help of structured survey questionnaire from primary cooperative societies about the leadership effect on their business performance. In addition to these, qualitative data was gathered from board members of the unions and managers of the union with the help of interview checklists administered by researcher. Secondary data sources were collected from published and unpublished materials like Annual Reports, financial reports, webs, etc.

The instruments were constructed to measure the research variables such as extent of knowledge of leaders about basic principles of cooperatives, extent of leaders' business knowledge, leadership traits, leadership skills and training, practices of leader's

responsibilities and cooperatives business performances. The pertinent data was collected from 96 sampled primary farmer's agricultural cooperative society's chairpersons, individual members, directors and Managers of respective cooperative unions. To get relevant, accurate and sufficient data for the research questions and objectives, a structured and semi structured survey questionnaire were conducted in selected farmers' agricultural cooperatives in the study area. **Structured survey questionnaires with five point likert scale** were designed to collect pertinent data to obtain the required result to the objective. The 288 survey questionnaires were prepared and given to enumerators to contact the respondents for collection of relevant data. In addition, checklists designed by researcher and administered by the researcher himself. According to (Kothari, 2004), this method of data collection is very useful in extensive enquiries and can lead to reliable results. Survey questionnaire were designed on the following objective related issues; Basic cooperatives principles, business knowledge, training and skills of leadership and leadership duties and rights and cooperatives business performances. Moreover, to collect detailed qualitative data that helps to cross check the accuracy of data and retain strategic facts to the study, interview schedule and Focus group discussion schedule/checklist were designed.

DATA ANALYSIS

Pertinent data were collected and properly organized and prepared for codification. Following this, the coded data were fed to SPSS software program. The data were analyzed using descriptive statistics like frequency, percentage, mean and standard deviation. The multiple linear regression models were used for this study and presented as follows:

$$Y= \beta 0 + \beta 1X_1 + \beta 2X_2 + \beta 3x_3 + \ldots\ldots\ldots\ldots\ldots\ldots \beta nXn + E$$

RESULTS AND DISCUSSION

Demographic characteristics of respondents

The effective survey responses rate was 100%. Therefore, the responses were adequate for further analysis. Upon the rate of the responses, demographic characteristics are presented as; majority of the leader's respondents (87.5%) were males while the rest (12.5%) of them were females. Regarding the respondents age group, about (47.9%) of them were between 46-55 age group, (45.8%) of them were between the age of 31-45 years, (4.2%) between the age of above 56 years and (2.1%) between the age of 18-30 years. From 96 sampled leaders, about (50%) of them have elementary school education level, about (22.9%) of the leaders were secondary school complete, and about (27.1%) of leaders were illiterate who have no formal education. Regarding committees work experience, about (25%) of the leaders does have 3-4 years experience, (9.4%) of them has 1-2 years experience as a committee and (7.3%) of leaders have less than one year and (6.2%) of the leaders have 2-3 years committee experience respectively.

Leader's business knowledge to enhance cooperatives business performances

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.

Table1 Extent of Leader's business knowledge to enhance business performances

No	Leaders	1		2		3		4		5	
		Fr	%	fr	%	fr	%	fr	%	Fr	%
1	Understand cost/benefit	8	8.3	44	45.8	26	27.1	16	16.7	2	2.1
2	Knowledge of risk identification	4	4.2	44	45.8	28	29.2	12	12.5	8	8.3
3	Knowledge of cash flow management	18	18.8	24	25	38	39.6	10	10.4	6	6.3
4	Knowledge of risk management	11	11.5	35	36.5	35	36.5	9	9.4	6	6.3
5	Ability of future budget forecast	9	9.4	25	26	19	19.8	37	38.5	6	6.3
6	Understand components	6	6.3	19	19.8	39	40.6	24	25	8	8.3

	of financial plan										
7	Leaders organize bargaining of agricultural outputs	3	3.1	17	17.7	33	34.4	36	37.5	7	7.3
8	Leaders search market to members output	8	8.3	11	11.5	28	29.2	39	40.6	10	10.4
9	Understand use of agri-inputs in productivity	0	0	18	18.8	25	26	19	19.8	34	35.4
10	Surplus distributed to patrons as their transaction	4	4.2	23	24	32	33.3	24	25	13	13.5
11	Aware own strength & weakness in financial decision making	7	7.3	21	21.9	34	35.4	30	31.3	4	4.2
12	Financial statements disclosed to members	5	5.2	30	31.3	34	35.4	26	27.1	2	2.1
13	Able to prepare the society's yearly budget	4	4.2	31	32.3	33	34.4	26	27.1	2	2.1

Source: Survey data, 2019

Note: 1, strongly disagree, 2, disagree 3. Undecided 4. Agree 5. Strongly agree, fr, frequency, %, percentage

As the above table 1 reveals, majority about 45.8% and 8.3% of respondents disagree and strongly disagree about leaders understanding of cost/benefit analysis in the business undertakings and also about 27.1% of respondents undecided about their understanding of cost/benefit of their cooperative businesses. Only about 16.7% and 2.1% of respondents agree and strongly agree to their understanding of cost/benefit of their businesses in their cooperatives. From this result one can deduce that, there is a problem among leaders of the cooperatives in understanding cost/benefit issue of cooperative businesses and this problem in turn affect the performance of the cooperative business activities.

To ensure the success of business of every organization, risk identification and management is so vital. Accordingly, the above table 7 shows, about 45.8% and 4.2% of respondents opined as disagree and strongly disagree about their knowledge of risk identification, and about 29.2% of respondent's undecided about their knowledge of risk identification respectively. Contrary to these, about 12.5% and 8.3% of respondents responded as agree and strongly agree with leader knowledge of risk identification their cooperatives. From this result one can concludes that, there is a knowledge gap among leaders of the cooperatives in identifying risks in their cooperative businesses and this problem in turn affects the performance of the cooperative business activities.

Regarding the respondents Knowledge of cash flow management, about 18.8% and 25% of respondents strongly disagree and disagree respectively and about 39.6% of respondents opined as undecided about their knowledge of cash flow management, while the rest 10.4% and 6.3% of respondents replied as agree and strongly agree with their knowledge of cash flow management. This result indicates that, majority of the leaders have a knowledge gap of cash flow management in their cooperatives and this fact negatively affects their decision making activities and business performance of the cooperatives.

Leaders are responsible to control risks in business organizations through risk identification and management activity. Accordingly, about 36.5% and 11.5% of leader respondents disagree and strongly disagree with their knowledge of risk management. Moreover, about 36.5% of respondents opined as undecided about their knowledge of risk management in their cooperatives. Only the rest 9.4% and 6.3% of respondents agree and strongly agree with their knowledge of risk management in their cooperative business. This shows significant number of leaders gave knowledge gap to manage risk of the cooperative businesses at optimum level and take the cooperative business forward.

Regarding leaders ability of future budget forecasting, about 26% and 9.4% of leader respondents were disagree and strongly disagree with the idea, and 19.8% of participants opined as undecided about their ability of future budget forecasting in their cooperative society. Whereas, about 38.5 and 6.3% of respondents replied as agree and strongly agree respectively. From this result one can deduce that, there is a significant capacity problem of future budget forecasting among leaders of the cooperative societies under investigation, and this fact highly affects the success or benefits of the members.

Regarding leaders understanding about components of financial plan, about 19.8% and 6.3% of leader respondents were opined as disagree and strongly disagree, and about 40.6% of participants opined as undecided about their understanding of financial plan in their cooperative society. Whereas, about 25% and 8.3% of respondents replied as agree and strongly agree respectively. From these result one can conclude that, there is a problem of understanding components of financial plan among leaders of cooperative society. Financial plan is very important for proper functioning of the cooperative business activities and this problem highly affects the success or benefits of the cooperative members.

To ensure economic benefits of cooperative members their agricultural output could be collected at the market price and sold at the right price at the right time and members gain dual benefits. Accordingly, leaders practices in bargaining of agricultural output was seen; about 17.7% and 3.1% of respondents were disagree and strongly disagree about their performance in bargaining of agricultural output of cooperative members and also about 34.4% of respondents were opined as undecided about the leaders practices in bargaining of agricultural output, while the rest 37.5% and 7.3% of respondents opined as agree and strongly agree with the idea respectively. This shows, there is some gap with leaders of agricultural cooperative society in organizing the bargaining of agricultural output and this directly affects the economic benefits of individual members of the cooperatives.
Regarding market search to members agricultural output; about 11.5% and 8.3% of the respondents were disagree and strongly disagree with their practices of searching the right market to members agricultural output and about 29% of respondents were undecided about searching search of a right market to agricultural output of the cooperative members. Whereas, the rest 40.6% and 10.4% of respondents were agree and strongly agree respectively. From this result one can deduce that about 20% of leaders were not good in searching the right market for member's products and about 29% of respondent's undecided about market search. Increase of agricultural output is meaningless unless supported with right market and right market price.

Regarding leaders understanding of the use of agricultural inputs in productivity; about 19.8% and 35.4% of respondents were opined as agree and strongly agree with their understandings of use of agricultural inputs in increasing agricultural productivity. About 26% of respondents were opined as undecided about the concept. Moreover, about 18.8% of respondents were opined as disagree. Even though majority of leaders understand the use of agricultural inputs in increasing agricultural productivity, still some participants understanding about the use of agricultural inputs in productivity have some problems.

Regarding distribution of dividend based on patrons proportional transaction, about 25 % and 13.5% of respondents were agree and strongly agree with distribution of dividend to member patrons based on their equitable participation. Whereas, about 33.3% of respondents were undecided about the distribution of dividend. Moreover, about 24% and 4.2% of respondents were opined as disagree and strongly disagree respectively to the distribution of benefits based on equitable participation. From this result one can understand the availability of problem on dividend distribution to member patrons based on their participation in their cooperatives and this issue severely affects economic benefits of members and the cooperative performance respectively.

As the above table1 indicates, about 21.9% and 7.3% of respondents disagree and strongly disagree with leader's awareness about their strength and weakness on financial decision making. Moreover, about 35.4% of respondents were undecided about leader's awareness about their strength and weakness of financial decision making in their cooperative society. Contrary to these, about 31.3% and 4.2% of respondents opined as agree and strongly agree on the idea respectively. This clearly shows some leaders of cooperative societies under the study have problem of awareness about their strength and weakness in financial decision making. The knowledge of financial decision making is vital for running a successful business, but lack of such knowledge highly affects business performance of the cooperatives and economic advantage of the individual members.

As a principle, financial statements of the cooperatives should be disclosed to everybody who need it, accordingly about (31.3%) and (5.2%) of respondents opined as disagree and strongly disagree about financial statement disclose to members of the cooperatives and similarly about (35.4%) of respondents opined as undecided about the idea. Whereas, about (27.1%) and (2.1%) of respondents were

agree and strongly agree with financial statement disclose to the members. From this result one can understand that, there is a problem of disclosing the financial statements the cooperatives to members, and this problem affect transparency and cooperation among members and leaders of the cooperative society and this in turn affects the business performance of the cooperative society and economic benefits of the members respectively.

As it is stated in the bylaws of cooperative society, leaders are expected to prepare the societies yearly work and financial budgeting. Accordingly, on this particular point, about 32.3% and 4.2% of respondents were disagree and strongly disagree about leaders ability of preparing the society's work and financial budgeting. About 34.4% of respondents were undecided about the issue. Whereas, about 27.1% and 2.1% of respondents were opined as agree and strongly agree with leader's ability to prepare the society's work and financial budget properly. This result shows us that leaders of the cooperative society have problem of ability to prepare work and financial budgets and this problem in turn highly affects the performance the business in general and the individual member in particular.

Table 2 Descriptive statistics of Leader's business knowledge

Descriptions of variables	N	Mean		Std. Deviation	Skewness		Kurtosis	
	Statistic	Statistic	Std. Error	Statistic	Statistic	Std. Error	Statistic	Std. Error
LBK1 knowledge of business cash flow management	96	2.60	.112	1.100	.262	.246	-.348	.488
LBK2 knowledge of risk identification	96	2.75	.104	1.016	.770	.246	-.085	.488
LBK3 knowledge of risk management	96	2.63	.104	1.018	.508	.246	.092	.488
LBK4 future budget forecast and yearly budget development	96	3.06	.115	1.131	-.258	.246	-.991	.488
LBK5 understand the components of financial plan	96	3.09	.104	1.016	-.068	.246	-.321	.488
LBK6 coops bargain agricultural output of members	96	3.28	.097	.948	-.293	.246	-.351	.488
LBK7 capacity to search market to agricultural output of members	96	3.33	.110	1.083	-.601	.246	-.182	.488
LBK8 knowledge of the use of agricultural input in productivity	96	3.72	.116	1.140	-.209	.246	-1.399	.488
LBK9 surplus distributed to patrons based on their transaction	96	3.20	.110	1.082	.053	.246	-.744	.488
LBK10 aware of own strengths and weaknesses in financial decision making	96	3.03	.102	1.000	-.257	.246	-.519	.488
LBK11 Financial statements are disclosed to members	96	2.92	.100	.981	.170	.246	-.511	.488
LBK12 aware of budget year preparation	96	2.91	.094	.919	.023	.246	-.744	.488

LBK13 have knowledge & capacity of leading the coops	96	3.11	.085	.832	-.331	.246	1.069	.488
Valid N (list wise)	96							

Source: Survey data, 2019

Table 2 above describes that, the respondents perceived the leaders business knowledge (LBK) as very essential component to cooperative business performance. Cooperative Leaders are expected to have good business understanding to take the cooperative business forward and improve the socio-economic status of the cooperative members. The high mean score indicates that leaders of the cooperatives have better knowledge of running cooperative business. Accordingly, leaders knowledge of the role of agricultural input in agricultural productivity and leaders capacity to search market to members agricultural output have the mean values of $\bar{X}$=3.372 and 3.33 respectively. Awareness of leaders about bargaining of agricultural output and surplus distribution to members based on their transaction have mean values of $\bar{X}$=3.28 and 3.20 respectively. Other four variables like knowledge of leaders budget forecast and yearly budget development, leaders understanding of components of financial plan, leaders awareness of own strengths and weaknesses in financial decision making and knowledge and capacity of leading the cooperative have the mean score of $\bar{X}$=3.06, 3.09,3.03 and 3.11 respectively. The remaining five variables have the mean score between $\bar{X}$=2.60 and 2.92. From these results one can understand that, business knowledge of cooperative leaders is not sufficient to strategically run a business in this very competitive business environment. In addition to this, both key informants opined that the knowledge level of cooperative leaders on running business is very low and challenging.

REGRESSION ANALYSIS

Table 3. Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.807[a]	.651	.375	.263	.651	2.356	42	53	.002

a. Predictors: (Constant), **leaders business knowledge**

b. Dependent Variable: **Business Performance**

In this case the value of R^2 = .651 and this means that the model explains 65.1% of the variance in dependent variable (BP). Several residual statistics can be used to assess the influence of a particular case. If a case does not exert a large influence over the model, the adjusted predicted value is very similar to the predicted value when the case is included (Field 2009).

Table 4 ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	3.281	16	.205	2.244	.010[b]
	Residual	7.219	79	.091		
	Total	10.500	95			

a. Dependent Variable: Business performance

b. Predictors: (Constant), Understand cost/benefit, Knowledge of risk identification, Knowledge of cash flow management, Knowledge of risk management, Ability of future budget forecast, Understand components of financial plan, Leaders organize bargaining of agricultural outputs, Leaders search market to members output, Understand use of agri-inputs in productivity, Aware own strength & weakness in financial decision making and Financial statements disclosed to members

The above ANOVA table reveals us that, the "F" statistic for the model has a significance level of 0.00. This entails that at least one of the correlation between each of the independent variables are not equal to zero.

Table 5 Coefficient

Model		Unstandardized Coefficients		StandardizeCoefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.064	.354		3.440	0.001
	Understand cost/benefit	-.152	.059	-.358	-2.564	0.012
	Knowledge of risk identification	.056	.056	.147	1.007	0.017
	Knowledge of cash flow management	-.042	.049	-.130	-.873	0.015
	Knowledge of risk management	.118	.045	.412	2.606	0.011
	Ability of future budget forecast	-.164	.049	-.496	-3.308	0.001
	Understand components of financial plan	.071	.043	.197	1.650	0.003
	Leaders organize bargaining of agricultural outputs	.004	.058	.008	.062	0.051
	Leaders search market to members output	.055	.053	.133	1.033	0.005
	Understand use of agricultural-inputs in productivity	.090	.058	.232	1.564	0.022
	Surplus distributed to patrons as their transaction	-.053	.044	-.168	-1.202	0.033
	Aware own strength & weakness in financial decision making	-.066	.046	-.208	-1.454	0.050
	Financial statements disclosed to members	-.020	.058	-.042	-.341	0.034
		.015	.045	.040	.331	0.042

a. **Dependent variable**: Business performance

All variables of the leader's business knowledge are significant at 0.05 significant levels. This result tells us that leader's business knowledge has significant impact on business performances of the cooperative societies in the study area.

CONCLUSIONS

The results of the study indicates that there is a knowledge gap among leaders of the cooperatives about importance's of basic cooperative principles in achieving better business performances in cooperative organizations. There are the leader's business knowledge gaps to enhance cooperatives business performances in the study area. The leader's business knowledge gaps are on cost/benefit analysis, risk identifications, cash flow management, financial plan components, bargaining agricultural output, searching markets, and preparation of financial budget. Variables of the cooperative leader's business knowledge have the mean value ranging from ($\bar{X}$=3.57 to 3.04). As the results of the study indicated, cooperative leaders have problem of leadership skill and training to smoothly run the business of their cooperatives. The cooperative leaders have a gap on; commitment to their cooperatives, business knowledge, lack initiation/motivation to perform their duties, leadership loyalty, leadership integrity, leadership selfishness, management knowledge, corruption, and leadership accountability.

To improve the cooperative leader's knowledge business knowledge in the cooperatives, the government and other community development partners should arrange and provide continuous training for committees of cooperatives and undertake awareness creation for the large members about cooperative principles and business concepts.

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