

Leadership in Social Enterprise - Dimensions and Insights

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Abstract

Understanding leadership in social enterprises is becoming increasingly relevant. Leaders of such social enterprises provide inspiration to a society that faces challenges of various kinds. There are many reasons as to why leadership in social enterprises have to be understood. These reasons include the leaders' innovative approach, ability to balance social and business objectives with limited resources and often they have nurtured the social enterprise to success from its inception. The strategic dimensions of leadership can offer insights for mainstream businesses, start-ups and other social enterprises. The paper is an exploratory research on the leadership dimensions of a social enterprise, GCMMF (including Amul), India's largest food product marketing organization and a very successful cooperative led by Dr Kurien for many decades. The insights drawn are relevant for decision makers in mainstream business enterprises, start-ups and other social enterprises.

Keywords: *Leadership, Social enterprise*

Introduction

Leadership aspects in social enterprises are of interest to management practitioners and researchers. Many of the successful social enterprises were started by outstanding leaders who have left an impact on the society. They have brought about change and provide inspiration to a society that has to confront many challenges. There are several reasons why leadership dimensions of social enterprises have to be examined. Firstly, leaders who founded successful social enterprises were innovators and path breakers. Often they created new approaches for doing business. Secondly, leadership in social enterprises is much more complex than in mainstream business in certain ways. Leaders in social enterprises tread the tight rope of having to balance the social goals of the enterprise and that of the business of the enterprise. Many of them have nurtured the enterprises to success from scratch and in the process have created new organizational forms or improvised existing organizational models. Thirdly, social enterprises have had to operate in a tight regulatory environment. Fourthly, these enterprises do not have the access to financial and human resources as much as mainstream business enterprises, often their competitors. Thus the role of leaders in such enterprises is an interesting area of study. How such leaders have operated and ensured success for the organizations they have founded by providing leadership is relevant in today's milieu. These leaders have been able to convert their vision into mission of the organization. More than their leadership style the strategic dimensions of leadership can offer insights for

mainstream business enterprises. With many start-ups emerging in the Indian business environment understanding the leadership in social enterprises can offer valuable lessons. In addition, leaders in social enterprises, in general, have had a long tenure having started the enterprises from scratch and how they have responded in different phases of organizational growth is also relevant. Each one of these dimensions can be a subject of deeper study. There are emerging issues as to how these leaders manage transitions or find new goals for themselves after achieving success. This paper is a limited exploratory research to understand these issues of leadership in the case of a successful social enterprise, GCMMF (including Amul) and seeks to draw insights for mainstream business enterprises, start-ups and other social enterprises by understanding the leadership provided by Dr Kurien who built the social enterprise from its initial stage.

Literature Review

As part of the literature review select literature is highlighted covering both leadership issues and social enterprises. It may be noted that leadership aspects are not restricted to business enterprises but also span not-for-profit sectors, social enterprises and government sectors as well. Kotter (2001) made a distinction between leadership and management. He viewed leadership and management were different but complementary both being essential for coping with a dynamic business environment. Management dealt with complexity while leadership

focused on handling change. Leadership, according to him, involved establishing, setting direction, involving people in tune with the direction and motivating them. Heifetz and Laurie (1997) opined that leadership involved handling adaptive challenges faced by the organization and taking the people together in this pursuit. In their analysis leaders' responsibilities included defining the issues confronted by the organization, managing external issues, bringing about role clarity, handling conflict and maintaining norms. Bennis and Thomas (2002) while attempting to answer the question of what contributed to becoming a leader concluded that leaders used negative/hostile situations into "crucibles" of learning. Based on his research he derived skills of leadership examining several hard situations faced by individuals. Leaders need not be complete and such a conception is a myth according to a study (Deborah, et al, 2007). The researchers further identified leadership capabilities required in organizations. These included sensemaking, relating, visioning and inventing according to them. The authors highlighted that leaders might not have all these capabilities and would identify colleagues in the organization who could bolster their strengths and overcome their limitations. Grassroots leadership was an interesting dimension that emerged from the experiences of Commander Abrashroff of the US Navy. Abrashroff (2003) highlighted the concept of grassroots leadership drawing upon his experience as the captain of the naval ship USS Benfold. Joyce (2004) focused on turnaround in a local authority in the UK and concluded that leadership in public services has three facets. In his opinion, effective leaders, in addition to articulating new

visions, strategies also focused on operational dimensions such as performance management and control. He further pointed out that the leader in the public services domain was exposed to the realities of his organization and also was competent to handle with resistance to change and cope with conflicts. Meyerson (2001) stressed the relevance of change agents (referred to as 'tempered radicals') within organizations whose style of leadership is more 'diffused' and 'localized', not obvious, yet relevant for the top management implementing the change. Cialdini (2001) focused on the concept of persuasive leadership and identified principles behind persuasion. Shah (1993), examining more than fifty grass root studies of cooperatives, raised the question as to whether organizations created successful leaders in a given context or vice-versa. Sims and Sims (2005) highlighted the importance of successful administrative decision-making skills for leaders and discussed the balanced score card approach for schools as an aid to improve decision-making by educational leaders. Sauser et al (2005) identified that local government leaders' would face financial management, economic development and ethical leadership as aspects to be faced in the 21st century.

There are a few studies on leadership dimensions in India. In the context of India, Sharma (1994) applied the framework of CINE matrix to highlight the leadership demands in the Indian plantation sector. He used this framework of Controllable and Non-controllable factors, addressing Internal and External factors that limited organizations in the Indian tea industry and used it to

highlight implications for leadership, formulate strategies and develop action plans. Jain (1992) examined the turnaround cases in the cooperative sector and stressed the importance of leadership in such situations. Leaders involved in turnarounds of cooperatives managed the affairs without too much dependence on others, displayed high standards of ethics, instilled hope in operational managers, used media to contain vested interests, showed quick visible results and demonstrated an ability to formulate new strategies. Phansalkar (1999) examined cases of management of business growth by first generation entrepreneurs and indicated the strategic leadership provided by them. In other studies, Sharma (2002, 2004) proposed the concept of the character competence for building ethical enterprises. Murthy (1984) proposed a three stage framework in the context of strategic management of public enterprises. According to him the initial strategies of these enterprises are more influenced by ideological and value considerations of key decision-makers than economic aspects in Stage I. In Stage II there is a balance between the two aspects and there is emphasis on growth and diversification. In Stage III, the final stage, the enterprise internalises the values and aligns them with the business aspects in a manner acceptable to stake-holders. In another research, Murthy (1987) analyzing corporate strategy in public enterprises highlighted that there were different shareholders for a public enterprise and this offered challenges of leadership and organizational alignment. He proposed the concept of strategic competence as the ability to reduce the gap quickly between the stated goals of an enterprise and the subsequent stream of decisions to achieve those goals.

There are interesting studies on social enterprises. Thompson and Doherty (2006) stated that “social enterprises are organizations seeking business solutions to social problems”. Example of successful leadership is also seen in the case of an urban microfinance enterprise with lessons for the mainstream banking sector (Suresh and Rao 2013). One study proposed social enterprises as belonging to three strands, as an institutional response to failure of the state in meeting the needs of the poor, second as community-owned enterprises and thirdly as a strategy to assimilate the poor into the market system (Sriram 2011). GCMMF was also studied from a strategic perspective in a case (Manikutty 2002). In another analysis, Sriram (2013) examined the dilemma of leadership transitions in the context of two eminent leaders-cum-founders of social enterprises including Dr Kurien, with insights relevant for leaders in other arenas. Another study (Sridhar, Suresh and Joshi 2011) examined grassroots leadership in the context of school education. While there are studies focusing on leadership dimensions in the context of mainstream business organizations there are only a few in relation to leadership in social enterprises. Thus understanding leadership dimensions would not only be helpful in the context of leadership but also would provide valuable insights for mainstream business organizations and start-up entrepreneurs. This paper attempts to explore the leadership dimensions in the context of the social enterprise, Gujarat Cooperative Milk Marketing Federation (GCMMF) (including the formative years of the cooperative as Amul). This social enterprise was a contribution by a

leader, Dr Verghese Kurien, committed to a cause. He had a strong professional background, educated in the best of the institutions in India and the USA. Interestingly he started his career in the Tata group. His leadership has been recognized globally and he was conferred with the prestigious Magsaysay award and many other awards.

GCMMF – a Brief Background

GCMMF has its origin in AMUL (Anand Milk Union Ltd) that was started as a response to exploitation of farmers by middlemen and private dairies. It has its origins in the freedom movement of India. Prodded by eminent freedom fighters Sardar Vallabhbhai Patel and Morarji Desai, and mentored by them, farmer leader Tribhuvandas Patel formed a Cooperative Milk Producers' Union with five registered societies in 1946 also known as AMUL. This was based on the advice of Sardar Vallabhbhai Patel who advised the farmers that to get the maximum mileage from the Mumbai dairy market and to overcome the market exploitation of farmers by the private Polson dairy there was no option but to cooperativise the dairy business and have a producer-owned dairy. This happened prior to independence and subsequently India became an independent nation. The cooperative took on rent a World War I vintage dairy. An informal association of Tribhuvandas Patel with Dr Kurien, then posted at the government research creamery at Anand (to fulfil the requirements of the government scholarship he had been given to pursue his higher studies in USA), was the turning point. Tribhuvandas Patel requested Dr Kurien to help him in

fixing technical problems in the farmer-owned dairy unit. The cooperative milk producers' union Amul was now known as Kaira District Cooperative Milk Producers' Union Ltd (KDCMPUL). His informal association with Tribhuvandas Patel and helping him solve technical problems in the dairy resulted in Dr Kurien formally joining the KDCMPUL as General Manager in 1950. India was also a newly independent nation that was aspiring to become economically independent. It was an unusual synergy of capabilities in the endeavor with Tribhuvandas Patel having strong political skills to deal with micro-level political issues and Dr Kurien possessing strong professional skills to handle strategic issues, external issues with government and respond to market related dimensions. KDCMPUL right from its inception worked for making dairy farmers of Kaira district (now known as Kheda) economically independent. In the process dairy business was entirely revolutionised and a business model emerged that transformed the lives of millions of farmers and enabled India to become the largest producer of milk globally. In addition it is an example of how leadership by a professional can impact society in a positive way.

Leadership Dimensions

From a small procurement of 248 litres per day from two societies at the time of its inception GCMMF procurement stands at 148.5 lakh litres per day in 2014-15. Right from its inception Dr Kurien recognized the importance of the market and focused on deriving the benefits of the huge Mumbai (then Bombay) market by linking the producers'

cooperatives in Kaira district to the Bombay Milk Scheme despite all the hurdles that were placed by certain officials. As a leader, Dr Kurien also recognized the importance of an initial team that would spearhead the cooperative. It included Tribhuvandas Patel, who as a farmer leader focused on the cooperative, farmer related dimensions of the business, Dr Harichand Dalaya who was an outstanding dairy technologist concentrating on technology issues and himself focusing on the strategic dimensions. They complemented each other's competence and were able to resolve differing perspectives with the larger goal in mind.

Under the leadership of Dr Kurien, a business model called Amul model of dairy development (also known as Anand pattern) was strategized. The Amul Model of dairy development was formulated as a three-tiered structure with village level dairy cooperative societies federated with a milk union at the district level and a federation of member unions at the state level based on the following principles (www.amul.com):

- Setting up a direct linkage between milk producers and consumers by eliminating middlemen
- Control of farmers in procurement, processing and marketing
- Professional management

In a wise and strategic move Dr Kurien set up the GCMMF integrating all the cooperative dairy unions that were emerging in the landscape of Gujarat. This was to ensure that there was no competition between KDCMPUL (Amul) and other

cooperative dairies. Together they combined their capabilities and were able to dominate the market by concentrating on advertizing and brand building. Prior to the formation of GCMMF, Mehsana Union, in a nearby district, had an agreement with the Kaira union and Mehsana Union's products were marketed under Amul brand name and its distribution network. Dr Kurien sagaciously applied this strategy to all other dairy unions in Gujarat and gave it an institutional form. This led to the setting up of GCMMF. Today GCMMF is the largest food products marketing organization in India. Its achievements in a nutshell are in Table 1. The cooperative dairies also shared the dairy processing capacity.

Table 1: GCMMF - An Overview

Year of Establishment	1973
Members	17 District Cooperative Milk Producers' Unions
No. of producer members	3.37 million
No. of village societies	18,536
Total milk handling capacity per day	24 million litres per day
Milk collection (Total 2014-15)	5.42 billion litres
Milk collection (Daily Average 2014-15)	14.85 million litres
Cattlefeed manufacturing capacity	6340 Mts. per day
Sales turnover (2014-15)	Rs. 20733 Crores (US \$ 3.4 billion)

Source: www.amul.com

By creating a model for dairy development based on the principles indicated earlier Dr Kurien set the direction for the enterprise, an important dimension for leadership. He derived his strength from a moral dimension. To quote his own words “What then was the Kaira Cooperative? It was certainly not only about milk. It was soon becoming an instrument of social and economic change in our rural systemyou cannot develop men and women unless you place the instruments of development in their hands” (Kurien 2005). Leadership involves inspiration. In his case, inspiration came from eminent people like Sardar Vallabhbhai Patel and noted economist Barbara Ward (who talked about sustainable development as early as 1960s). He wanted to play his role with a view to achieving the vision articulated by such eminent people. As a leader he was able to articulate this vision into a mission of creating an institutional structure that producers could own and manage. Once during the visit of Prime Minister Pandit Jawaharlal Nehru, a crowd of farmers wanted to see the Amul dairy and were agitated when they were not allowed on the apprehension that the dairy might incur damages. Dr Kurien asked Dr Dalaya to allow the farmers as the dairy can be built again but as he stated “if we destroy the institution, we can never rebuild that” (Kurien 2005). There are many anecdotes in his career as to how he was able to translate the vision to mission and was able to communicate the same to his team. As a leader Dr Kurien responded effectively in complex situations. He demonstrated on many occasions, as a leader, bringing uncontrollable external dimensions into controllable

domain. For example, in 1955, when Prime Minister Nehru was to visit Anand to inaugurate the milk powder plant, he realized that there could be bottlenecks at the Mumbai (Bombay) port in offloading of boilers. He used the political leadership to ensure priority in berthing for the ship carrying the boilers and ensured that the goods train carrying the boilers transported the same without stopping anywhere from Mumbai to Anand (and offloading other goods meant for other stations in between on the return), an unusual move, by coordinating with the Railway Board (he mentioned this episode to IRMA students during informal interactions on a few occasions). This enabled smooth operations at the time of inauguration. As a leader Dr Kurien always had the larger purpose in mind. This helped him coping with crisis situations and also able to communicate with political leadership. When he was asked to shift to Delhi in a particular context he expressed his inability to the minister and handled the task given to him by government successfully without shifting. His larger goal was always to ensure farmers were organized and mobilized blending their power with professional management. Towards this end he wanted to “create structures that included people in the decision-making process” (Kurien 2005). He chose to let go many professional opportunities and stayed in Anand till his end.

Stakeholder orientation is an important dimension in social enterprises. Dr Kurien, not only made sure that producers got their due by eliminating middlemen, but also ensured Indian consumers who are also partners for progress also got high quality dairy products. Products marketed by the

cooperative offered value for money for consumers and early on Dr Kurien strategized this as a guiding principle for products marketed by GCMMF. The middle class price sensitive consumers continue to be an important target segment for GCMMF.

Formation of the cooperative was partially a response to the inability of the government- owned dairies to help dairy farmers cope with market imperfections and Dr Kurien often confronted the bureaucracy in the course of his work. But he had the capability and the wisdom to ensure and to get the government machinery support his initiatives. This was amply demonstrated in the formative years of AMUL that required support from the government and also later in GCMMF, when he had to setup a modern dairy and expand the manufacturing operations. Understanding the business environment and responding to it effectively is an important leadership dimension. He convinced Tribhuvandas Patel on the importance of advertisement and branding in the context of the market environment and invested in the same. He developed the brand Amul for marketing the products of the cooperative and collaborated with professional advertisement agencies for promoting, managing the brand and giving it an identity. He stated later "I have, therefore, reflected on the long history of the brand to see if I could distil reasons (why) Amul is a name widely recognized and respected.....if Amul has become a successful brand - if, in the trade lingo, it enjoys brand equity- then it is because we have honoured our contract with consumers for close to fifty years Amul, therefore, is a brand with a difference. That difference

manifests itself in a larger than life purpose. The purpose - freedom to farmers by giving total control over procurement, production and marketing” (Kurien 2001). Thus he applied business management principles in the context of a social enterprise.

Establishing linkages with political leadership and government machinery for the benefit of the enterprise was again an important facet of his leadership. This is an important lesson for present day students of management, decision-makers and entrepreneurs. Using Murthy’s approach for understanding strategic management in public sector we could say that in the initial years the Kaira cooperative’s focus was largely on meeting the social objectives. Thanks to Dr Kurien’s leadership it quickly moved to Stage II balancing economic and social objectives, with emphasis on growth and diversification. In Stage III, it was able to internalize the values of producer-ownership with business objectives in a manner appropriate to stakeholders. The growth trajectory of GCMMF is a testimony for Dr Kurien’s strategic leadership and offers insights for founders of social enterprises and managers of mainstream businesses as well. Another area he foresaw was capability development and acquiring competencies for the enterprise and therefore he invested in training programs for his managers by IIM Ahmedabad. He also utilized the knowledge of experts such as Michael Halse a Harvard educated Visiting Professor to IIMA. (Later in his capacity as Chairman, NDDB, he set up IRMA which continues to be a resource for GCMMF for management development and a source for high quality professional

human resource. Interestingly the current Managing Director of GCMMF is an IRMA alumnus).

However there have been discussions with regard to transition. Sriram (2011) identified interesting aspects pertaining to leadership transitions in social enterprises. He attempted to understand as to the reason as to why Dr Kurien “was wanting to hang on to an inconsequential position for an unspecified period”. Perhaps the moral position of leaders that stemmed from their success of the path they had taken made them inert he opined. In contrast, he further highlighted, that other social enterprise leaders such as Ela Bhatt and Vijay Mahajan have been able to transfer the leadership of their organizations to the next generation. Leadership transition is an issue successful leaders who have built institutions for a social cause have to deal with according to him. This is an interesting insight in contrast to situations faced by corporate leaders. After Dr Kurien’s exit from GCMMF it has been headed by professional managers. Their leadership could well be a subject of another research study. It must be noted, however, that under Dr Kurien’s leadership GCMMF emerged as not only as an organization of competence in dairy business but also one of character built around values and the large purpose of social objectives for which it was set up.

Conclusions

In summary it could be said that there are several interesting insights on leadership that are relevant in the

present scenario. Setting the direction of the enterprise is an important dimension of leadership. Dr Kurien did this very effectively and it was due to his guidance that Amul focused on large and distant markets such as Mumbai as part of its product strategy and emerged as a large enterprise. Putting together an initial team of professionals and aligning them to the larger cause was another facet of his leadership. On many occasions business decisions were taken by him (for instance, initiatives in developing AMUL brand for all cooperative unions in Gujarat) keeping in mind the larger purpose of the cooperative. These dimensions are lessons for entrepreneurs and managers of mainstream businesses. Dr Kurien's leadership involved the moral dimension of leadership deriving its strength from the cause of the dairy farmers and the economic independence of a newly politically independent nation. This helped him to strategize in bringing together all cooperative dairy unions in Gujarat under the umbrella of GCMMF to compete with strong competitors including multinational firms. He drew inspiration from leaders such as Sardar Vallabhbhai Patel and thought leaders such as Barbara Ward. As a result he was able to translate this vision into mission and effectively communicated the same to his team. Further he was able to come up with an institutional design that linked markets with producers and a business model that included use of technology for processing, market success and viability. He displayed leadership at the grassroots and demonstrated a remarkable capability to bring non-controllable aspects into controllable domain. These were demonstrated in the

manner in which he overcame difficulties, resistance from vested interests and hurdles in establishing a modern dairy at Anand. Ability to connect with political leaders on behalf of the social enterprise and insulating it from difficulties was indeed a major strength and a facet of his leadership. Crisis situations were used as crucibles for learning for the organization by him. He invested in developing competencies in the social enterprise and he had a wonderful ability to see the larger purpose. This helped in keeping course and direction for the enterprise. Demonstrating a high level of strategic competence he reduced the gap quickly between the stated goals of an enterprise and the subsequent stream of decisions to achieve those goals. As a leader he pursued a pragmatic growth trajectory balancing business and social objectives. As Dr Kurien observed in his book I too had a dream, “the idea of working for a large number of farmers translated itself into the concept of working for social good” (Kurien 2005). In the process, as a leader, he built an institution that was not only professionally competent in the chosen business sector but also one that endured vicissitudes due to the character of the institution that internalized the values and social objectives for which it was established originally.

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