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Embeddedness and the Dynamics of Growth

The Case Of Amul Cooperative, India

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EMBEDDEDNESS AND THE DYNAMICS OF GROWTH: THE CASE OF AMUL COOPERATIVE, INDIA

Abstract

Strategy scholars have called for more dynamic and embedded views of strategy which concurrently pay heed to the initiatives of actors who strategize at the micro level and which account for the embeddedness of these initiatives within the macro social context. Recent literature suggests that social enterprises such as cooperatives may be more “pluralistic”. They are characterized by multiple objectives, both social and economic, and diffuse power distribution that allows multiple stakeholders to influence the goals pursued. Moreover, members of coops share a multi-faceted relationship with their organization, at once being members, owners, suppliers and customers. Given this greater embeddedness in their context, cooperatives provide an ideal type for enunciating an embedded view of strategy. However, studies of cooperatives in management literature suggests, these have dealt with either macro population level studies or with micro studies that look at membership identity, commitment etc. There are few studies that connect the micro and macro levels of analysis to examine how strategic initiatives of coops are embedded in the broader socio-political context. Drawing on data obtained from fieldwork conducted in AMUL cooperative, we provide a contextually embedded narrative of the strategy process underlying AMUL’s growth during the period 1948-1962. This narrative provides an embedded view of AMUL’s strategy which was formed through an interaction between its strategic intent, its initiatives and through the embedding of these initiatives within India’s political economy.

Key words: Embeddedness, Strategizing, Cooperatives, Pluralistic Enterprises

Introduction

The recent global economic crisis as well as the concomitant social disenfranchisement and inequality the world is currently faced with have called into question premises of “free market” capitalism. This has also led to a renewed and growing interest around the world in social entrepreneurship and social enterprises, which hold the potential for pursuing more inclusive and equitable growth (Dees, 2001; Dorado, 2006; Mair and Marti, 2006; Prahalad, 2009; Westley, Patton and Zimmerman, 2006; Dacin, Dacin and Tracey, 2011). While the United Nations declared 2012 as the International Year of Co-operatives, the UNRISD, as part of its research agenda, is focusing on the “social and solidarity economy” to better understand alternative ways of organizing enterprise activities in pursuit of a “distinctive approach” to development (UNRISD, 2012). Likewise, the Academy of Management, a premier organization dedicated to management scholarship, has “Capitalism in Question” as its overarching theme for their 2013 annual meeting. In a capitalist world faced with unstable financial systems, increased food insecurity and growing inequality, which is partly the “consequence of market- and corporate-led development” (UNRISD, 2012), it is increasingly compelling to consider the model of socio-economic development that social enterprises like cooperatives offer, one which is arguably more equitable, inclusive, voluntary and sustainable (Johnson and Whyte, 1977; Brown, 1997; Mair and Marti, 2006). Social enterprises are the tangible outcomes of a process of social entrepreneurship (Mair and Marti, 2006). They include cooperatives, mutual benefit societies, associations, and foundations which combine social purpose with earned income strategies (Seelos and Mair, 2005).

Cooperatives represent a unique business model. They have successfully organized individuals from diverse communities, playing a salient role in alleviating poverty (Mair and Marti, 2009). Based on principles of self-help, democratic control, member participation, and concern for community, coops combine social goals like empowerment with means to facilitate collective participation in economic activity. What distinguishes them from the pure profit making enterprises (Johnson and Whyte, 1977) is their stated pursuit of hybrid goals, and democratic means for achieving them. By placing the means of development in the hands of those who most need it, cooperatives adopt a distinctive path to development.

However, coops’ survival and growth cannot be presumed as many fail or do not manage to make the transition from infancy to growth. To understand how they might grow successfully, it is important to understand how they strategize within their context. In other words, we need to understand how cooperatives’ growth strategies are embedded within the broader context. For this, it is important to appreciate the “patterns of reciprocal interaction” (Ghosh, 2011) between their strategic growth initiatives and the broader context which enables, constrains and constitutes these initiatives.

Purpose and organization

In this paper, I describe a phenomenal period during the history of India's AMUL dairy cooperative (1948-1962) in the hope of providing readers with a rich, embedded narrative of AMUL's growth by illustrating the reciprocal interaction between AMUL's strategic initiatives at the micro level and relevant events and processes unfolding at the macro level. Through this narrative, I delineate the broad contours of an "embedded view of strategy" that rests on three pillars – strategic intent (Hamel and Prahalad, 1989), strategic initiatives (Lovas and Ghoshal, 2000; Burgelman, 1991) and the broader social context – and acknowledges the dynamic interaction between them. Attending to the need for better understanding how organizational strategies are embedded in the larger context (Whittington, 2007, Regner, 2008, Tsoukas, 2009), the question I ask is "How are cooperatives' growth strategies formed and embedded within the broader socio-economic and political context?"

Firstly, I draw upon recent commentaries of strategy-as-practice scholars (Jarzabkowski, 2005; Whittington, 2007) to highlight the extant dichotomies in strategy research. I argue for an embedded view of strategy making that would sufficiently account for the purposive initiatives of actors and their reciprocal interaction with the broader socio-political context. Such an approach is argued to help us overcome the extant dichotomy in strategy process studies characterized by a neglect of strategic intent on the one hand and by lack of attention to the extra-organizational context on the other (Tsoukas, 2009). I also draw attention to the distinctiveness and greater embeddedness of cooperatives given their "pluralistic" nature and how this characteristic might make them ideal types for explicating embedded views of strategy. Secondly, I provide an overview of the research site and describe the methodology. Thirdly, I offer a rich, embedded narrative of the strategy process underlying AMUL's phenomenal growth. Finally, I discuss research findings and draw broad conclusions from the case study narrative.

Theoretical background and research gap

Towards an embedded view of strategy

Recognizing dichotomies in strategy research, strategy scholars have called for more dynamic and embedded views of strategy (Porter, 1991) which pay heed to the purposive initiatives of actors who strategize (Jarzabkowski, 2005) at the micro level and which concurrently account for the social embeddedness of these initiatives (Whittington, 2007, Regner, 2008, Tsoukas, 2009). Tsoukas (2009) points out that strategy scholars have "focused on strategy practitioners within the organization, refraining from systematically connecting organizational changes with extra-organizational contexts" (pg. 4). Drawing further attention to this dichotomy, Tsoukas and Knudsen (2005) note that in their attempt to "conceptualize strategy processes, some researchers have tended to build models that reduce the element of human agency to a minimum, relying on selection forces rather than on human intentionality to design viable organizations and strategies. Within this stream of research, the process rather than the content of strategy is emphasized and "emergent" rather than "planned" strategies are highlighted" (pg. 341). The notion of "emergent strategy" emphasizes how organizational outcomes are detached from strategic intent (Whittington, 2007). Whittington (2007) criticizes strategy process research (especially

Mintzberg) for not paying sufficient attention to “strategic intent”:

“first by defining strategy as what the organization does, [Mintzberg] denies the sense of strategy as a kind of work that people do; second by stressing how organizational outcomes are *so frequently detached from strategic intent*, he reduces the strategy work to a vain, even *absurd endeavor to control the uncontrollable*.” (pg. 1581, italicized)

Mintzberg’s focus on the “emergent” (Mintzberg and Waters, 1985) at the expense of managerial intention and purposiveness risks trivializing managerial effort and purposiveness (agency) in the formation of strategy (Whittington, 2007). One is left with the notion of organization as a rudderless ship as the phrase “absurd endeavor to control the uncontrollable” suggests. While most strategy formation studies characterize strategies as being either “deliberate” or “emergent”, paying attention to “**strategic intent**” (Hamel and Prahalad, 1989) may help us transcend this dichotomy (Markides, 2001; Jarzabkowski, 2005; Whittington, 2007).

Whittington (2007) also underscores the import of the concept of “**social embeddedness**” to strategy making. Though strategy researchers have revealed the importance of organizational context, there is a need to recognize “societal embeddedness [of strategy] as well” (Whittington, 2007). Likewise, Regner (2008) asserts that an analysis of the micro-foundations (meaning detailed activities) of strategy dynamics and their social embeddedness would provide a potentially significant contribution to strategic management. These suggestions together point us toward embracing more embedded views of strategy. Such a view would pay attention to the purposive¹ and creative initiatives of actors who do strategy, but should also recognize that these actors do not operate in vacuum and must draw upon and interact with elements in the broader social context in which they are embedded. Thus, it would pay attention to the dynamics of “reciprocal interaction” (Ghosh and Westley 2005) between strategic intent, strategic initiatives of actors and the broader context in which these actors and their initiatives are embedded.

Social enterprises and cooperatives: Ideal types for an embedded view?

Recently, there has been a growing interest worldwide in social enterprises which hold the potential for pursuing more equitable growth (Dees, 2001; Dorado, 2006; Mair and Marti, 2006; Prahalad, 2009; Westley et al., 2006; Dacin, Dacin and Tracey, 2011). Recent literature in strategy suggests that social enterprises such as cooperatives may be more “pluralistic” (Denis, Langley, and Rouleau, 2007). They are explicitly characterized by multiple objectives, both social and economic, and diffuse power distribution that allows a wide array of stakeholders to influence the nature of goals pursued and the means adopted (ibid). Moreover, members of coops share a multi-faceted relationship with their organization, at once being members, owners, suppliers and customers in their day to day transaction with the firm (Schneiberg, et al., 2008). In these enterprises, the needs of members and its expression through voice and participation in decision making is paramount (Ghosh, 2011).

¹ The word “purposive” is taken to include the notion of “strategic intent” which seems to have been ignored by strategy process researchers.

Given this embeddedness in their community and context, I argue that cooperatives provide an “ideal type” (Rothschild-Whitt, 1979) for enunciating an “embedded view of strategy”. These dynamics in coops, as gleaned from the discussion above, differ from the very nature of strategy as usually understood (Denis, Langley, and Rouleau 2007) in terms of the primary pursuit of economic value (Mair and Marti, 2006) and hierarchical control of the means by which goals are pursued (Ring and Perry, 1985). Thus, the strategy making process in coops is likely to be qualitatively different - influenced by members’ social needs, and by pluralistic democratic and political processes given the likely overlap that members’ elected representatives may have on boards of coops and other political structures to which they concurrently belong. Yet strategy making in the context of cooperatives is yet to be understood and documented. This is especially the case in resource-constrained environments, especially in poor developing countries (Mair and Marti, 2009). More specifically, a review of studies of cooperatives in management literature suggests, these have dealt with either macro population level studies which seek to study change using the notion of population dynamics (Schneiberg et al., 2008; Simons and Ingram, 1997; Ingram and Simons, 2000; Staber, 1989) or with micro studies that look at membership identity, commitment and participation (Foreman and Whetten, 2002; Brown, 1985; Woodworth, 1986). Despite a vibrant tradition of work on coops in the broader sociological literature, there are few studies that investigate the interplay between the micro and macro levels of analysis to provide an embedded view of strategy making underlying the growth of coops. This gap in literature adumbrates the research question I ask.

Methodology

Research site

In order to understand the process of strategy formation in cooperatives, I chose to undertake my exploratory field study in India’s most successful cooperative, AMUL. It was formed by a handful of dairy producers just prior to India’s independence. AMUL was established in December 1946 as a district milk producers’ union of two village milk cooperative societies (hereafter VCS). AMUL is one of India’s most famous national brands and competes successfully with larger dairy multinationals. In 2008, AMUL served 650,000 member producers across 1100 VCSs, and procured 4730,00,000 liters of milk². Through its marketing federation, it had a country-wide distribution network comprising 46 sales offices, 3000 wholesale dealers and more than 500,000 retailers.

Sampling, data sources and analysis

Patton (2002) notes that studying information rich cases yields insights and in-depth understanding, rather than empirical generalizations. The selection of AMUL allowed for the possibility of learning from an “exemplar of good practice” (Patton, 2002). Data was obtained from both primary and secondary sources. Primary data was collected during my fieldwork in Kheda district of Gujarat through semi-structured, face-to-face interviews with several respondents which included member producers, senior executives, directors (current and retired)

² Records of Kaira Union. Details on AMUL’s turnover as well as assets and liabilities available from author.

and AMUL veterans who had spent their entire careers with AMUL. These interviews were then transcribed for the purpose of sorting and analysis.

Archival data on AMUL was collected from various books, published and non-published articles, company records, newspaper reports, annual reports etc. Data obtained from archival sources were arranged as chronologies and time plots following Mintzberg's (1979) "direct research" method. Patterns from these time plots were used to infer strategies and raise relevant questions of the type "how" and "why" during interviews. For example, time plots revealed that AMUL came up with a slew of products from the year 1955 onwards until 1962. This information was used to infer a strategy of "product innovation". Subsequently, respondents were asked about: the process by which these new products were developed; the *actors* (both internal and external) involved in their development and launch; *resources mobilized*; *external institutions* that might have been involved; the *role of leadership and intent*; and *broader events and processes* that were implicated during the process.

Responses were separated and bunched together into a group and were then codified into the italicized categories mentioned above. As the interviews proceeded, new dimensions which arose were incorporated into the analysis. After this analysis, I focused on writing a detailed process narrative documenting the various strategies that appeared and disappeared over time while remaining grounded in my interview data and verifying it with archival data for purposes of triangulation (Patton, 2002). Process research takes the form of producing a narrative with regard to what is being investigated, to provide an answer to the research question (Pettigrew, 1992; Langley 1999; Sminia, 2009). The process of writing the narrative used quotes from respondents and was non-linear and iterative as concepts from theory such as "strategic intent" (Hamel and Prahalad, 1989), "strategic initiatives" (Lovas and Ghoshal, 2000), and those from strategy process literature influenced the narrative. The initial versions used "facts" obtained from various data sources to structure the narrative in chronological order to the extent possible. Data interpretation necessary to make the "creative leap" (Mintzberg, 1979) occurred in later versions as the narrative became rich in concepts through the iterative process between data and theory.

The Case Study

Early years (1948-1955)

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