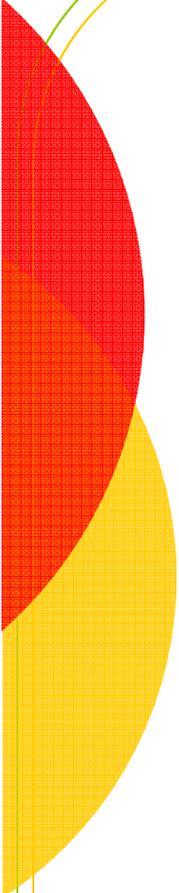


Embeddedness and the Dynamics of Growth :

The Case of AMUL Cooperative, India

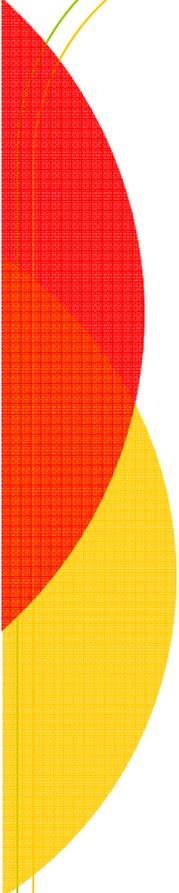
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McGill University

* I gratefully acknowledge the support received from AMUL, IDRC, Canada, Center for Developing Area Studies, McGill, CIDA, and Center for Strategy Studies, McGill by way of funding.



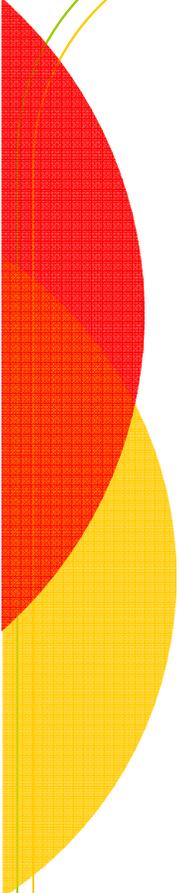
Outline of Presentation

- Research Motivation
- Relevant Literature
- Research Question
- Research Setting – AMUL
- Methodological Approach
- Data Collection and Analysis
- Findings and Contributions



Research Motivation

- **General** – Understand the micro-macro interaction dynamics between strategy and the broader context implicated in the growth of social enterprises – **embedded understanding of strategy making.**
- **Specific** – Understand these dynamics of strategy-making in the context of a cooperative.



Relevant Literature

Transcending Dichotomies in Strategy

| Process (Incremental) | Content (Synoptic/Rational) |
|--|-----------------------------|
| Action | Intention |
| Emergent | Deliberate |
| Muddling (rudderless) | Systematic/Analytic |
| Downplays Intent and Agency, Reinforces Inertia | Inflates Intent |
| Lindblom, 1959; Quinn, 1980, Mintzberg and McHugh, 1985; Mintzberg, 1991 | Ansoff, 1965; Andrews, 1971 |

Embedded Strategy

- Strategic Intent (Hamel and Prahalad, 1989) – Purposiveness
- Situatedness of strategies-in-context (Whittington, 2007; Jarzabkowski, 2008)

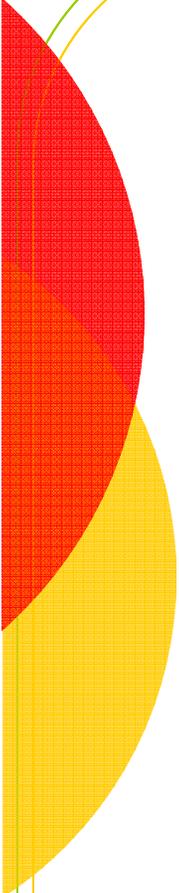
Coops – A Distinctive Social Enterprise

Pluralistic and Embedded

- Hybrid Socio-economic goals (Michelsen 1994, Spear, 2000)
 - Empowerment/access/preventing exploitation
 - Diffuse power distribution and democratic means (Johnson and Whyte, 1977)
- Market relations \leftrightarrow relations of ownership, control, and self provision (Schneiberg et al., 2008)
- Pluralistic – nature of strategy-making may be qualitatively different (Denis, Langley, and Rouleau, 2007)

Gaps in Literature

- Strategy making in more ‘pluralistic contexts’, especially in resource-constrained contexts.
- Strategy process underlying the growth phase of social enterprises is under-theorized.
- Micro activities of strategy making and its connections to extra-organizational contexts
- Studies of coops –
 - Macro population level or micro level studies
 - static outcomes (economies of scale and scope) versus dynamic processes.



Research Question

- How are cooperatives' growth strategies formed and embedded within the broader socio-economic and political context?
- In other words, how are strategic growth initiatives (micro level) embedded in the broader socio-political context (macro level)?

The Context: Kheda district in Gujarat, India



Map of India (The part shaded red is Gujarat State)



Map of Gujarat State with Kheda and Anand districts

The Context: Kaira Union/AMUL

| Year | 1946 | 2008 |
|---|------------------------------|--|
| Members (numbers) | 60 | 650,000 |
| Village Cooperative Societies (numbers) | 2 | 1,100 |
| Daily collection (Liters) | 250 | 1,300,000 |
| Sales (million USD) | 0.061 | 340 |
| Brand | None | India's most reputed indigenous food brand |
| Plant and Machinery | 1 leased vintage pasteurizer | <ol style="list-style-type: none">2 state-of-the-art plants – ISO and HACCP certified1 diversified food complex – ISO and HACCP certifiedNetwork of satellite dairies and chilling centers |

The Context: India's most successful coop

The Amul logo consists of the word "Amul" in a white, stylized, serif font, centered on a solid red square background.

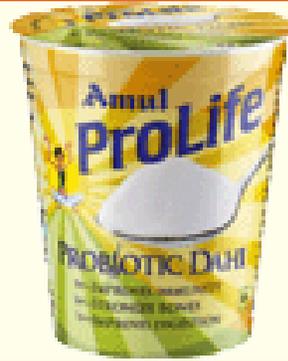
The Taste of India



Utterly Butterly Delicious



AMUL Plant at Anand



Cool off with our new range this summer.

25% FREE Mast Mast

25% FREE Pineapple Masti

25% FREE Masti Masti

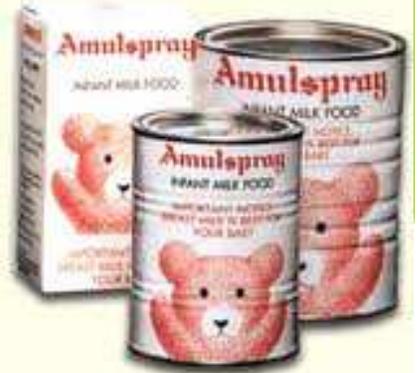
30% FREE Nuts bout U

Amul Real Milk. Real Ice Cream. India's No. 1 Ice cream

Cups: Net Volume: 130 ml (100 ml) + 30 ml FILL Net Weight: 70 g
Party Pack: Net Volume: 1.20 l (1 l) + 200 ml FILL Net Weight: 675 g

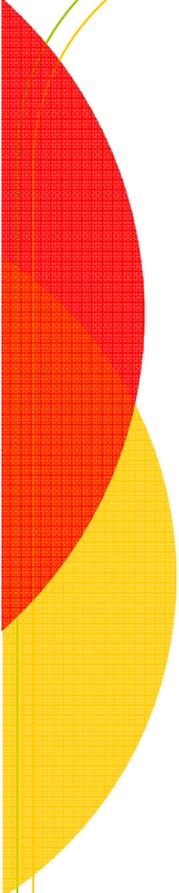
*Specialty Supermarket only
*Conditions apply

© 2018, 2019, 2020, 2021 & 2022, Summer Season



Research Design

- Methodological Approach: Longitudinal, processual approach (Van de Ven 1992, Pettigrew, 1992, Mintzberg, 1979)
- Field study – 9 months, spanning 3 levels
 - Village Cooperative Societies
 - District Cooperative Milk Producers' Union
 - State Cooperative Milk Marketing Federation



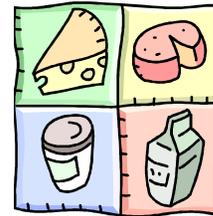
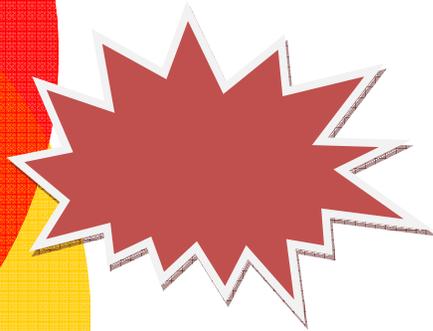
Data Collection

- **Archival Data:** Books, articles, annual reports, official records, memos.
- **Interviews:** With producers, board members, secretaries/chairmen of village coops, managers, senior executives, veterans and field staff.
- **Ethnographic Observations:** Focused in Scope, Organization of divisions and working and interaction of people.

Data Analysis

- Archival data plotted using charts/graphs and analyzed – following Mintzberg’s (1979) “direct research” method.
- Strategies (patterns) inferred based upon observed changes in visual representation of domains.
- Analyzed interview transcripts to identify **activity patterns** (micro level) and **contextual influences/shifts**.
- Crafted detailed process narratives (Langley, 1999).

Key Processes - Timeline



provided by Dr. K.L. Dahiya

1946 - 1952

1955 - 1962

1962 - 1976

| | | | |
|----------------------------|---|---|----------------|
| | | | → Micro |
| Emergence and early Growth | Product/Market Diversification | Services Innovation and further Expansion | |
| | | | → Macro |
| Politics of Nationalism | Socialist Policy ('Self Sufficiency through Import Substitution') | Food Security / Productivity | |

Bombay Milk Scheme (BMS) - Controlled by British Indian Govt.

Bombay State

Clout with Colonial Govt.

Polson

Milk Producers (mostly Patidar landed caste)

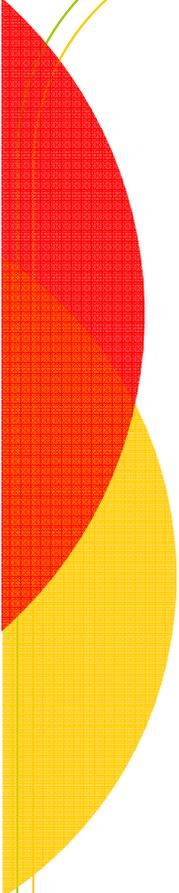
Exploitation

Linkages to an ascendant Indian National Congress (INC) - Nationalist Visionaries - through TK Patel

Anand, Kheda District - rich in milk
Supplying 60% of Bombay's milk requirements

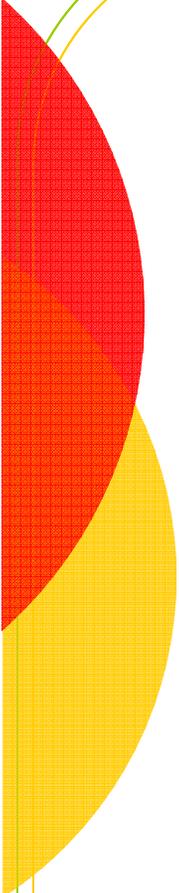
Policy Shifts over Time (Macro Level) – Post 1948...

- Capture of power by Indian National Congress
 - Pursuit of a socialistic policy of self-sufficiency
 - Notion of rural and people-centered development – salient
 - Government of India policy
 - supporting formation of coops in agricultural sector , providing special incentives to coops - higher prices
 - Reserving parts of the sector for coops at later stage
 - Banning /restricting imports of non-essential food commodities



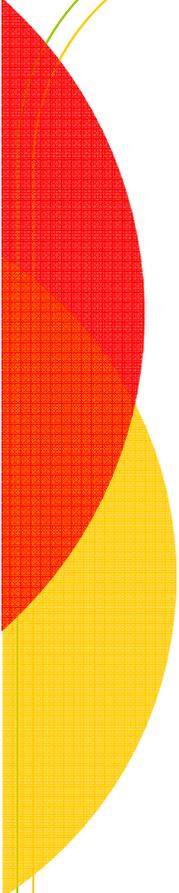
Availability of Organizing Structures – Meso Level

- Availability of party organization –
 - branches of Indian National Congress at district (Kheda District Congress), and state (Gujarat Pradesh Congress) levels
 - connections of TK Patel to youth Congress political activists and social workers – network appropriated by social entrepreneur



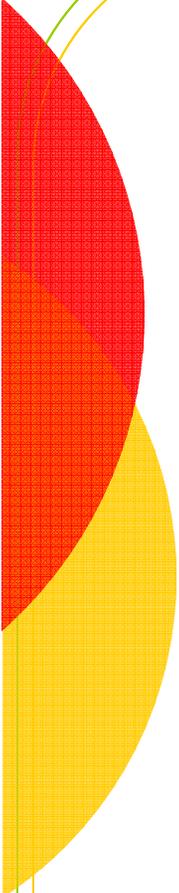
Horizontal Recruitment - Ties of Kinship and Activism

- Objective: To obtain loyalty and material support for the emerging enterprise from ordinary constituents
- Facilitated through “Recruitment” of:
 - Direct approach - communal and friendship ties
 - Directors on AMUL’s Board
 - Voluntary social workers and youth political activists - INC
 - Employees of Cooperative Department
 - Individual Shareholders - wealthy individuals



Vertical Brokerage – Use of Ties to Political Elites and Government

- Objective: Leverage political ties to powers-that-be to secure the survival of a people's enterprise, especially during its resource-constrained, emergence phase.
- Variety of resources obtained from Government
 - Favorable **policies**
 - Higher **prices**
 - Government **loans and grants**
 - **Exclusive contracts** – political lobbying



Vertical Brokerage – Quote

- “Fortunately for AMUL, both the state (province) and the centre were run by Congress party and TKP was a Congressman. You see political party is the basic structure; coops and other public bodies are just ancillaries.” (Senior Society Manager, AMUL)
- It was the **“policy of the Civil Supplies Minister (D.R. Desai), who when he took charge, let it be known that his government would increase the supply of milk from rural producers in Anand, assistance would be given to them and cooperative effort would be encouraged in handling milk”** (Heredia, 1997)

Obtaining a Leased Pasteurizer for Processing Milk

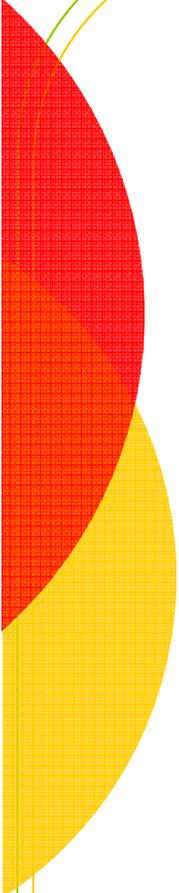
- “Next door to the creamery, half of the government creamery was given to Kaira Union (AMUL) in 1947. That was possible because of KL Munshi who knew TKP.” (General Manager, AMUL)

Note:

1. KL Munshi was vice-Chair of Institute of Agriculture, Anand, and was later elected Union Minister of Agriculture in 1950.

Obtaining Grants, Preferential Prices

- As a result of Bombay state's recognition for AMUL's contribution as a source of low cost milk, the Bombay Government **announced an annual grant of Rupees 3,00, 000...AMUL got this benevolent grant each year 1950 onwards until 1960**, for “dairy development in Kheda district”. (Senior Vets, AMUL)
- D.R. Desai, **Minister of Law and Civil Supplies**, (with BMS portfolio) who was sympathetic to the cooperative effort, **paid AMUL a slightly higher rate for processing and handling as compared to Polson**, between 1st June 1948 and 31st December, 1949 since AMUL was in the “educational period” (Singh and Kelley, 1981).



Obtaining Monopoly Supply Contract

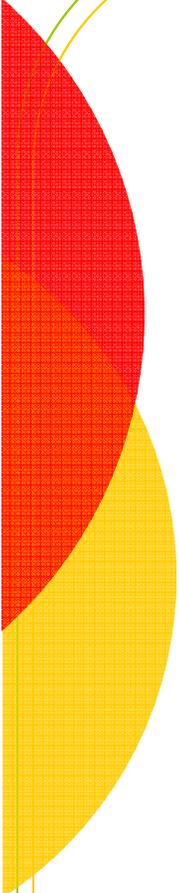
- From 1st January 1952, the **BMS**, recognizing AMUL's growing strength, **cancelled their contract with Polson, and awarded AMUL the exclusive monopoly for milk supply from Kheda district.** (Dr. Kurien interview)
- This was the result of vigorous lobbying by AMUL's leadership

Findings - Early Growth (1946-52)

Unique Political Embeddedness

➤ AMUL's early growth was uniquely embedded in India's nationalist movement. Founding conditions were crucial (Stinchcombe, 1965)

- world war/ongoing non-violent movements
- weakening of British-Indian regime
- capture of power by Indian National Congress at various levels – through TKP, an important Congressman, AMUL had direct access to powers that be – ministers at state and centre.
- Policy shifts – self-sufficiency, people-centered development, preference to **Swadeshi** (indigenous goods)

- 
-
- The linkages of its elected leadership to the powers that be enabled access to critical resources needed for growth. AMUL's managers were able to leverage political linkages to government bodies and agencies to obtain “resources” and “favors” for the cooperative's growth. This finding is very significant because, during their nascent stages, social enterprises need access to a variety of resources for growth. This is especially true in resource-constrained contexts.

Findings

Embedded Growth – Product Diversification

4. **Strategic intent:** Serving farmers of Kheda to ensure their wellbeing and economic independence.
5. **Strategic initiatives** emerged in interaction with elements of broader political economy

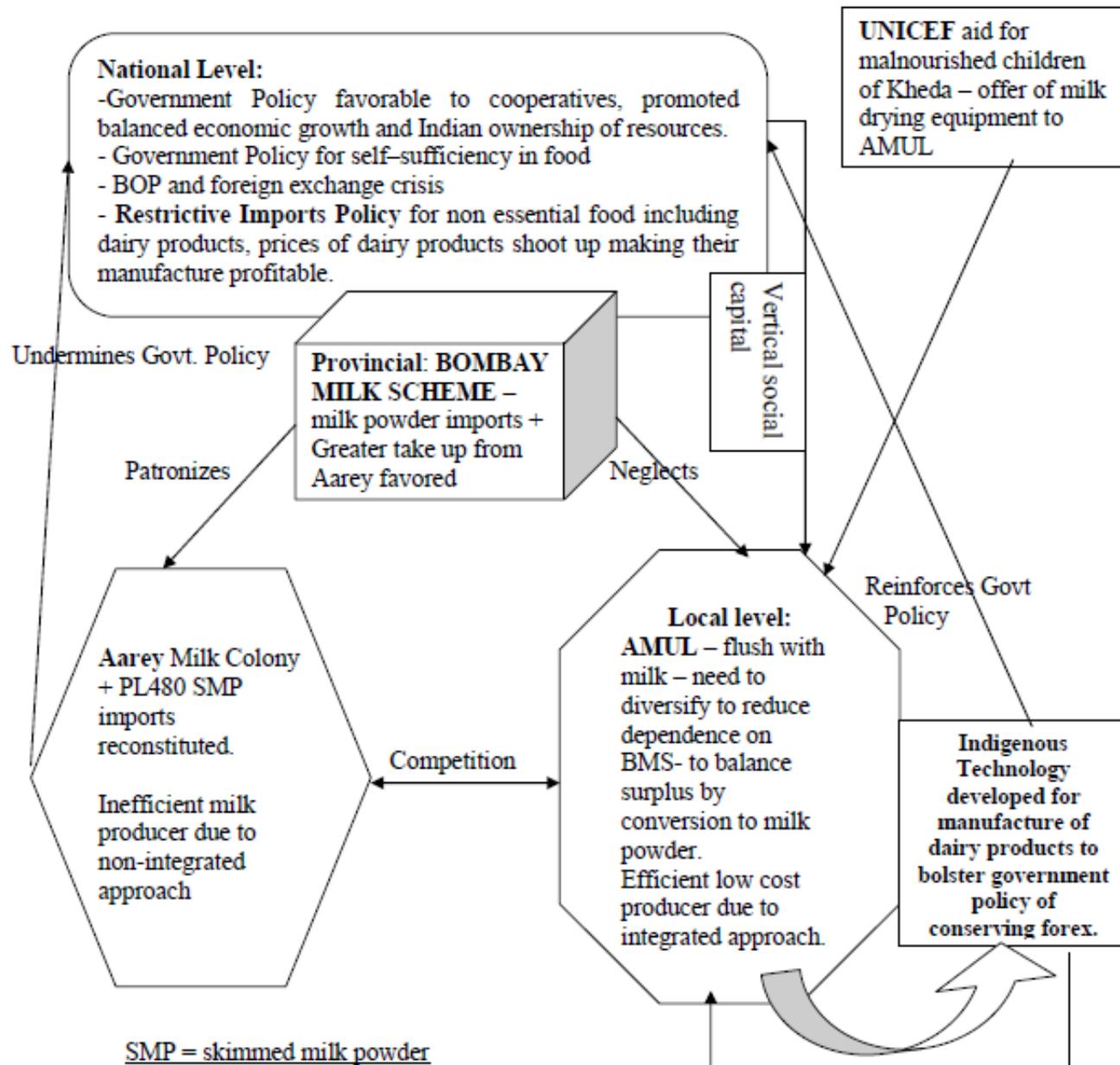
AMUL's strategy was embedded in

- Food insecurity, socialist policy, a forex crisis
- Made possible through
 - **Trial-and-error strategic initiatives**
 - **Serendipitous interventions.**
 - **Purposive embedding** by leadership to secure favors.
 - Reducing competition - reciprocal interactions

Quote – Reciprocal Favor

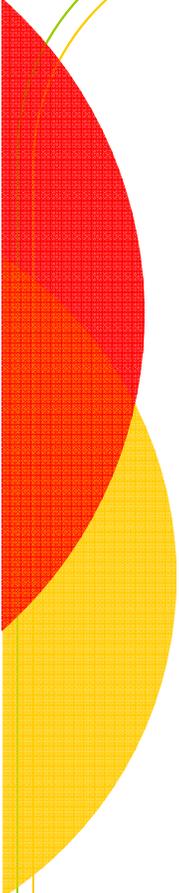
"A person came to our dairy and after having met me said that if I needed any help from him, I can ask for it. That was TT Krishnamachari (TTK). He was a businessman initially, before he went on to become a politician and a Minister. So once we got his blessings, I wrote him a letter saying 'Would you **cut the import of butter by 25%?**' He wrote back, '**As desired by you, I am ordering a cut back of 25%.**' No discussion, no meetings, no files nothing."

"After 6 months, I wrote him another letter saying 'I am making more butter, **can you cut the import by 62.5%?**' He wrote back, '**As desired by you, I am ordering a cut of 62.5%.**' Then, after some time, he **mentioned the foreign exchange crunch** and said that he is ordering a 100% cut in imports. 'Please make sure that the nation faces no shortage of butter; I leave that job to you.' That was the end of the matter." (Interview Dr. Kurien, 12/7/2008)



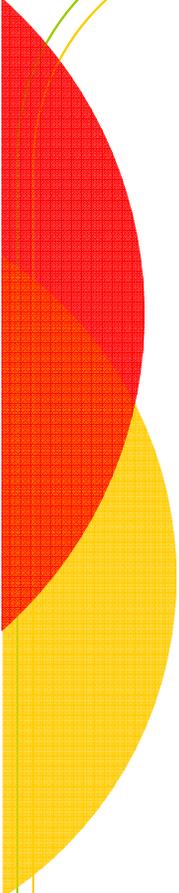
Helps Amul Diversify and balance surplus milk

Figure 4: Capturing the Dynamics of Micro and Macro



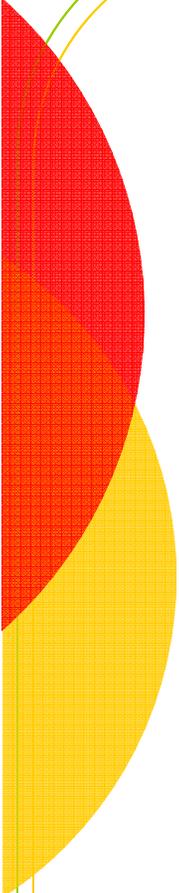
Contributions

- In-depth understanding of the dynamic reciprocal interplay between the strategic initiatives of actors at the micro level (individual and firm) and the **context** comprising other competitors, governmental actors, multilateral agencies etc.
 - strategy formation literature
 - goes beyond economic/ahistorical reasons attributed to their growth (Economies of scale/scope).

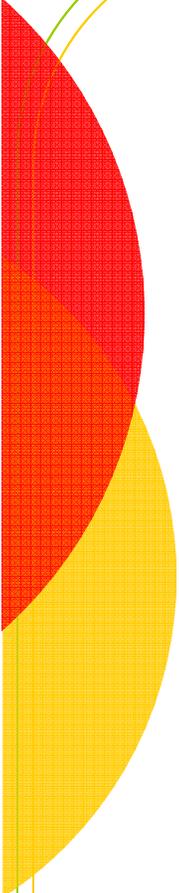


Contributions

- Provide a deep understanding of the dynamics of embeddedness - multi-level processes of strategy formation that underlie economies of scale and scope in cooperatives.



Questions?



Thank You!