

# A Study on Drivers of Organizational Structure and Design as Tool to Enhance Organizational Effectiveness: A Case Study of AMUL

Mr. BHUMIT SHAH

Faculty member, Department of Co-operative Management and Rural Studies, Faculty of commerce, The Maharaja Sayajirao University of Baroda, Gujarat, India  
Email - bhumit.shah333@gmail.com

**Abstract:** *Organizational Structure can enhance the working state of an association and a poor structure can ruin the potential outcomes of expansion and diversification and even decision making. Another vital part is played by the innovation. More an association has the capacity to adjust itself to the changing innovation the better will be its efficiencies. In the present research paper an attempt has been made to study the importance of the organizational design and structure has been outlined in the setting of AMUL, which is a successful model of Co-operatives in India. The factors related to organizational design were studied conceptually in the context to a co-operative form of organization. It was found in this research study that the design of the basic structure of AMUL is somewhat different as it believes in the federal form of structure each unit is independent of each other, leading to empowerment and organizational effectiveness. In this research study a modest attempt has been made to study and review the role of “Milk Marketing Federation Model” and the Dairy Development Board which acts as a catalyst for the sustainable growth and Development of AMUL. It is a prevalent view that co-operatives are a disappointment, yet AMUL with Co-operative Structure is a fabulous achievement. AMUL has a suitable mix of approach creators, innovation and an emotionally supportive network to the milk makers without exasperating their agro-monetary framework and furrowing back the benefits, by reasonable utilization of men, materials and machines.*

**Key Words:** *Organizational Structure, Co-operative Structure, Innovation, Agro Monetary*

## 1. INTRODUCTION:

AMUL “priceless” in Hindi. The brand name “AMUL” from the Sanskrit “AMOOLYA”, (meaning Precious) was suggested by a quality control expert in Anand.] AMUL (Anand Milk Union Limited), formed in 1946, is a dairy cooperative movement in India. It is managed by Gujarat Co-operative Milk Marketing Federation Ltd. (GCMMF). AMUL is based in Anand, Gujarat and has been a sterling example of a co-operative organization's success in the long term. AMUL Organisational structure is playing an important role in Dairy Co-operative Societies. An organization is a social unit or a gathering of individuals organized in a manner that they work for accomplishment of particular objective. Dynamic Structure can improve the working condition of an organization and a poor structure can destroyed all the possibilities of openness, dynamism and choice making. Viability is the degree to which an organization, given certain resources and means, accomplishes its destinations without setting undue strain on its individuals. Another vital part is played by communication among the representatives and the Technology. More an association has the capacity adjust itself to the changing innovation the better will be its efficiencies. AMUL's structure was established on the premise of Co-operative framework ([www.amul.coop](http://www.amul.coop)).

AMUL's growth has been significant in the recent past and it has achieved accolades as Asia's No. 1 Brand in Dairy Industry. This growth is possible due to its co-existent federal form of structure which enables it to perform its activities in autonomous and independent way.

## 2. HISTORY OF AMUL:

When milk became the symbol of protest just then AMUL was born. It was founded in 1946 as a result of exploitation to farmers and others engaged in similar activities by middlemen. The seeds of this unusual saga were sown more than 65 years back in Anand, a small town in the state of Gujarat in western India. The exploitative trade practices followed by the local trade cartel triggered off the cooperative movement. Angered by unfair and manipulative practices followed by the trade, the farmers of the district approached the great Indian patriot Sardar Vallabhbhai Patel for a solution. He advised them to get rid of middlemen and form their own co-operative, which would have procurement, processing and marketing under their control. Under the inspiration of Sardar Patel, and the guidance of leaders like Morarji Desai and Tribhuvandas Patel, they formed their own cooperative in 1946. This co-operative, the Kaira District Co-operative Milk Producers Union Ltd. began with just two village dairy co operative societies and 247 litres of milk and is today better known as AMUL Dairy.

Growth of AMUL is the result of the committed professionalism of Dr Verghese Kurien the founder chairman who was entrusted the task of running the dairy from 1950 (ibid).

### 3. REVIEW OF LITERATURE:

There are many studies on dairying, dairy co-operatives, socio-economic conditions of the members of dairy co-operatives and performance of the District Co-operative Milk Producers' Union.

**V.M. Rao (1982)** in his study has examined the prospects of increasing income and employment on small and marginal farms through Milk Cooperative Society. He summarized that the percentage contribution made to total farm income and employment by livestock production was higher on marginal and small farms as compared to large farms.

**A.K. Sharma and Kuber Ram (1991)** in their study concluded that the percentage of borrowing institution of credit from different sources constituted only 18 per cent of the total households of weaker sections and if more credit facilities along with the suitable dairy extension and assured marketing programmes are available to this section of rural community, they can improve their economy and generate higher quantum of marketed surplus of milk required by dairy industry.

**P. Sivaprakasam (1994)** in his work concluded that the higher rate of absenteeism was due to the maximum utilization of casual leave by the employees and one the major causes for absenteeism was environmental factors of the employees.

**Manob Kanti Bandyopadhyay (1996)** in his doctoral thesis found that the financial position of AMUL is much better than Milk Dairy of Himachal.

**R.O. Olekar and Dr. A.S. Shiralashetti (2007)** in their study concluded that the progress and development of Cooperatives have not been up to expectation. The Co-operatives in India have been facing many challenges during WTO regime. Therefore, everyone should fight against the WTO challenges by reforming laws and policies towards co-operative development in the interest of the economic development of India in general, and members of the co-operatives in particular.

**Ashutosh Verma (2008)** in his study observed that there were GCMMF able to have a better turnover of its current assets as compared to the companies in the industry. However, this turnover is partially due to the lower investment in its current assets as reflected by a lower current ratio for GCMMF.

Therefore, it is to be viewed whether this lower inventory and its higher turnover may not be at the risk of the customers not being able to get the product at the milk parlors and thereby a subsequent loss in revenue for GCMMF. Further, he added that one significant variation between GCMMF and the industry is credit period extended and obtained. Industry is obtaining and extending a much higher credit period. GCMMF ultimately operates through its primary credit cooperative societies and therefore it needs to make payments to its farmer members promptly. However, given the competitive scenario GCMMF needs to seriously revise its credit policies so as to maintain the competitive edge and also to serve the interest of poor milk producer farmers.

**S. B. Kolte (2010)** attempted to study about Hirkani Mahila Sahakari Dudh Utpadak Society Ltd., and found that at present there are 152 members in the Hirkani Mahila Sahakari Dudh Utpadak Society Ltd. It is run only by women's organizations and all the posts of office bearers are held by women members. Further he added that the Hirkani Mahila Sahakari Dudh Utpadak Society Ltd., has many future plans like: i) Scientific training for cattle 94 farming, ii) Management of Collection Centers, iii) Training women to use automated devices for grades, fat, degree and iv) Computerized billing system etc. ([http://shodhganga.inflibnet.ac.in/bitstream/10603/72304/7/07\\_chapter%202.pdf](http://shodhganga.inflibnet.ac.in/bitstream/10603/72304/7/07_chapter%202.pdf)).

### 4. RATIONALE OF THE STUDY:

In the present paper a relationship between the plans of an organization with its structure and effectiveness pointers has been analyzed. It was found that these pointers assume a critical part in the accomplishment of the AMUL. The variables were concentrated on in the setting to a co-agent type of association keeping in mind contrasting it and the corporate structure, it was found that the configuration of the AMUL structure is fairly diverse as it puts stock in the government type of structure every unit is free of one another. Organizational is formal, guided procedure for coordinating the individuals, type of the association as nearly as could reasonably be expected to the motivation behind an association. It is utilized to coordinate the association look to accomplish. Through the outline process, associations act to enhance the likelihood that the aggregate endeavors of individuals will be fruitful. Organizational design includes the making of parts, procedures and formal reporting connections in an association.

### 5. RESEARCH METHODOLOGY:

The research paper is an attempt of exploratory research, based on the secondary data sourced from journals, magazines, articles and media reports. Looking into requirements of the objectives of the study the research design employed for the study is of descriptive type. Keeping in view of the set objectives, this research design was adopted

to have greater accuracy and in depth analysis of the research study. Available secondary data was extensively used for the study. In this research paper the investigator procures the required data through secondary survey method. Different news articles, Books and Web were used which were enumerated and recorded. An attempt has been made to conceptualize the all the aspects related to “AMUL” organizational structure and its effectiveness.

## 6. OBJECTIVES OF THE STUDY:

- 1) The main objective of this study is to study the “AMUL MODEL” so as to identify the factors that are contributing to its overall effectiveness and efficiency.
- 2) To identify the relationship between organizational design and efficiency with special reference to AMUL co-operative Model in India.
- 3) To study and evaluate the drivers of growth of the AMUL Business Model.
- 4) To suggest an action plan to strengthen and foster the smooth functioning of AMUL co-operative in India.

## 7. THE SUCCESS STORY OF AMUL:

AMUL has a Co-agent structure with a mix of polished skill. In the corporate type of an association the shareholders are non participative individuals while in this shape the individuals are the participative proprietors of the association. There are basically three tiers structure of AMUL cooperative viz., the village society- acquisition unit, the union- which is the processing unit and the federation which is the marketing and advertising unit all being an establishment in itself. The establishments at every level have the obligation of natural and between institutional linkages and commitments which give feeling of reason and headings in their exercises. To deal with these units proficiently the pioneers felt a need of the experts. These experts have a chain of command like that of the corporate structure with the overseeing executive as their head. The Managing Director of every one of these units is selected by the governing body. The governing body includes the ranchers individuals who originate from the particular social orders. In this way, at every level the choice making lies in the hands of the makers just, which give them a sentiment proprietorship to them ([www.amul.com/organization.html](http://www.amul.com/organization.html)).





## 8. NATIONAL DAIRY DEVELOPMENT BOARD (NDDDB) :

The National Dairy and Development Board was founded in 1965, with the mission of organizing poor milk producers, thereby transforming dairying into an instrument for the economic development of India's rural people. The formation of the NDDDB stemmed from the vision of the Prime Minister of India, the late Lal Bahadur Shastri, to extend the success of the Kaira Cooperative Milk Producer's Union (in the state of AMUL) to other parts of India. The National Dairy Development Board (NDDDB) is the national-level body involved in promoting, financing, and supporting milk-distribution organizations in India that are owned and controlled by the producers themselves. The main focus of the "Operation Flood" (OF) program initiated by NDDDB was to streamline the production of milk in the country by organizing milk producers at the grassroots level ([http://siteresources.worldbank.org/INTEMPOWERMENT/Resources/14655\\_NatlDairy-web.pdf](http://siteresources.worldbank.org/INTEMPOWERMENT/Resources/14655_NatlDairy-web.pdf)).

## 9. OPERATION FLOOD:

Operation Flood, launched in 1970, was a project of India's National Dairy Development Board (NDDDB), which was the world's biggest dairy development program. It transformed India from a milk-deficient nation into the world's largest milk producer, surpassing the USA in 1998, with about 17 percent of global output in 2010–11. In 30 years it doubled milk available per person, and made dairy farming India's largest self-sustainable rural employment generator. It was launched to help farmers direct their own development, placing control of the resources they create in their own hands. All this was achieved not merely by mass production, but by production by the masses. Operation Flood is the program behind "the white revolution." It created a national milk grid linking producers throughout India with consumers in over 700 towns and cities, reducing seasonal and regional price variations while ensuring that the producer gets a major share of the price consumers pay, by cutting out middlemen. The bedrock of Operation Flood has been village milk producers' co-operatives, which procure milk and provide inputs and services, making modern management and technology available to members ([https://en.wikipedia.org/wiki/Operation\\_Flood](https://en.wikipedia.org/wiki/Operation_Flood)).

## 10. GCMMF TODAY:

Gujarat Co-operative Milk Marketing Federation Ltd., which markets the popular AMUL brand of milk and dairy products, has registered a provisional turnover of Rs. 23,005 crores for the financial year 2015-16 which ended on 31st March. This is 11% higher than last financial year's sales turnover of Rs 20733 crores. The entire sales turnover growth has come because of volume. Turnover of GCMMF has increased by 187% during last six years. The provisional unduplicated group turnover of member unions of AMUL group has crossed Rs. 33,000 crores which is also higher by 14% compare to last financial year. It may be noted that GCMMF has planned to achieve sales turnover of Rs. 30,000 crores by 2017-18. GCMMF has been achieving a value growth of more than 20% since last six years because of higher milk procurement, continuous expansion in terms of adding new markets, launching of new products and adding new milk processing capacities across India. In order to reach interior markets, GCMMF has started twelve new branches in India during last three years. The 17 member Unions of GCMMF with farmer member strength of more than 36 lakhs across 18,600 villages of Gujarat are procuring on an average 180 Lakhs liters of milk per day. Because of better milk procurement prices paid by member unions of GCMMF, milk procurement by member unions has increased by 91% during last six years. GCMMF ranks among the top 15 dairy companies in world in terms of milk processing (<http://www.amul.com/files/pdf/GCMMF-turnover.pdf>).

## 11. CONCLUDING REMARKS:

The research study is indicative of the fact that the AMUL Model is successful in terms of the Collaborative growth that it has achieved over the years. Looking back at the path traversed by AMUL, the following features make it a pattern and model for emulation elsewhere. The Public private partnership can also be leveraged in order to further grow the success story of AMUL. It can be leveraged by producing an appropriate blend of the policy makers, farmer's board of management and the professionals, bringing the best of the technology to rural producers, providing a support system to the milk producers without their agro-economic system and ploughing back of the profits, by prudent use of men, material and machines.

Thus in this research paper the author makes an attempt to conceptualize the AMUL Growth Story by pin pointing some of its aspects. Even though growing with time and on scale, it has remained with the smallest producer members. AMUL is an example par excellence, of an intervention for rural change. The organization structure of AMUL has a perfect base. But it can be improve in some areas. AMUL's growth story has just begun and it's due to its all inclusive approach where it enables village dairy producers to grow and flourish the organizational design is of great value in performance of complex business environment specifically in case of AMUL. AMUL has directly aligned its organization to its strategy and business model.

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