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REINVIGORATING THE STA. LUCIA AGRARIAN REFORM COMMUNITY MULTIPURPOSE COOPERATIVE (SARC-MPC) IN DOLORES, QUEZON PROVINCE, PHILIPPINES: A CORNUCOPIA OF OPTIONS

Kevin R. Ripas (Ingram Micro Philippines)

Ma. Magdalena R. Ripas (SARC-MPC)

Jeanette Angeline B. Madamba (DAME, CEM, U.P. Los Baños)

Introduction

- Santa Lucia Agrarian Reform Community – Multi-purpose Cooperative
- Started with the goal of providing leverage for farmers
- Created three business units: microfinance, consumer store and the Banahaw Candlles

Introduction

- Initial study determined that the cooperative had problems stabilizing its performance
- This study attempts to reinvigorate the cooperative by offering strategic options it can undertake towards its sustainability.
- This paper aims to present the current status of the cooperative, identify a major business issue it needs to address, assess courses of action which could address this issue and recommend the best option.

Objectives

- Quantify the level of business progression or regression where SARC-MPC is now in comparison to what it was from the last study

Objectives

- Decide if the business delta is acceptable or not considering its capacity and the opportunity present

Objectives

- Provide strategic suggestions and recommendations that would direct SARC-MPC towards maximizing its returns and taking advantage of opportunities

Materials and Methods

- Analyses were made on the basis of key informant interviews with SARC-MPC officers and staff as well as through observation and access to records and archives of the cooperative.
- Secondary data included the unpublished Special Problem Report of Ripas in 2011 and actual records of the cooperative including available financial statements, incidence reports, minutes of meetings and annual reports from 2012 to 2014.

Materials and Methods

- Financial ratios and trend analysis were used to assess the current financial situation of the SARC-MPC.

Materials and Methods

- Operating cycle diagrams and a problem flow chart were constructed to identify the major business issue while strategic alternatives were formulated using the SWOT matrix and were assessed using the Quantitative Strategic Planning Matrix.

Results and Discussion

- No changes in competition
- Discontinued candle production
- Resorted to becoming a business liaison where the cooperative serves as a liaison to start-up businesses

Results and Discussion

- Maintains its marketing strategy of providing goods cheaper than competitor prices by way of bulk or volume selling as well as keeping most small-time resellers as their main clientele
- It was determined that recordkeeping is done manually. This significantly affects the accuracy of records, particularly, financial records. Moreover, the lack of financial control as well as overall management control has led to losses.

Results and Discussion

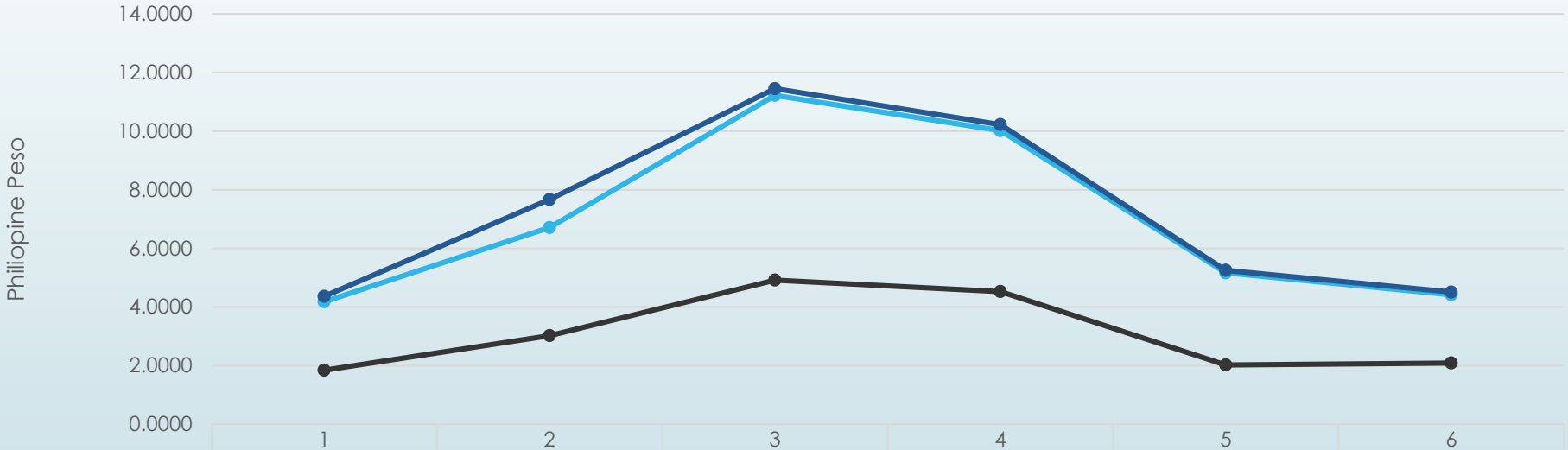
- Weak revenues coupled by cash mismanagement by a dishonest member account for how the cooperative's assets, equity and long term investments translate to minimal income or net losses over the period from 2009-2014.
- Relative to leverage or debt management, the cooperative seems to be dependent on debt rather than equity. Moreover, because of the repossession issue with UCPB as well as weak revenue generation, the cooperative has failed to meet its loan obligations.

Results and Discussion: Problem Summary

- In summary, the most critical issue of the cooperative at the moment is that due to the absence of a strategic plan aligned with its objectives, it is headed for bankruptcy, trapped in a cycle of debt dependency. Moreover, this blocks their ability to generate more revenue which is one of the keys towards long-term sustainability.

Liquidity Profile

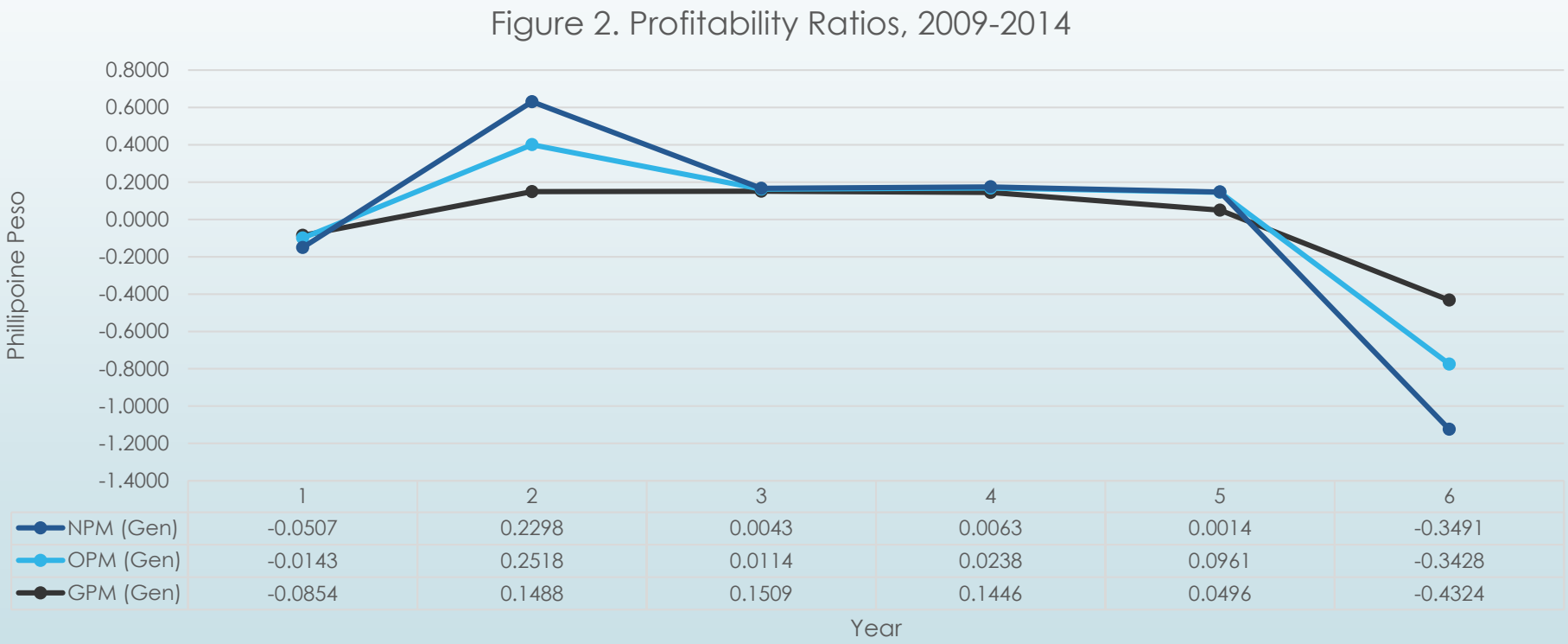
Figure 1. Liquidity Ratios, 2009-2014



	1	2	3	4	5	6
Conservative Ratio	0.1854	0.9572	0.2280	0.2049	0.0882	0.0917
Current Ratio	2.3335	3.6897	6.3050	5.4907	3.1422	2.3301
Quick Ratio	1.8440	3.0215	4.9169	4.5253	2.0223	2.0879

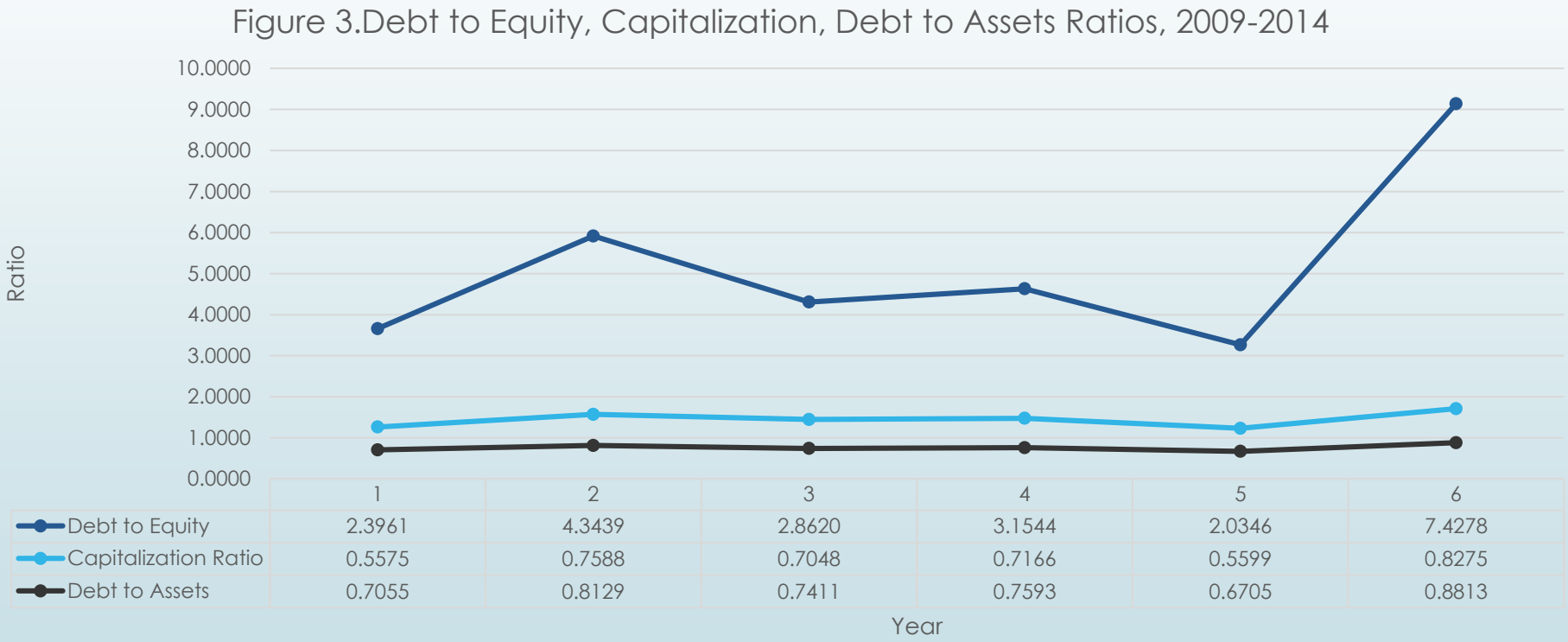
Year

Profitability Profile



	1	2	3	4	5	6
NPM (Gen)	-0.0507	0.2298	0.0043	0.0063	0.0014	-0.3491
OPM (Gen)	-0.0143	0.2518	0.0114	0.0238	0.0961	-0.3428
GPM (Gen)	-0.0854	0.1488	0.1509	0.1446	0.0496	-0.4324

Leverage Profile



	1	2	3	4	5	6
Debt to Equity	2.3961	4.3439	2.8620	3.1544	2.0346	7.4278
Capitalization Ratio	0.5575	0.7588	0.7048	0.7166	0.5599	0.8275
Debt to Assets	0.7055	0.8129	0.7411	0.7593	0.6705	0.8813

Activity Profile

Table 1. Activity Ratios, 2009-2014

Activity Ratios	2009	2010	2011	2012	2013	2014
Cash Turnover	10.0511	1.6892	11.0327	9.4625	23.1212	24.2763
Working Capital Turnover	1.4695	0.7405	0.5612	0.3559	0.7724	1.5915
Total Asset Turnover	0.6950	0.5121	0.2924	0.3015	0.3623	0.6232
Fixed Asset Turnover	2.5480	2.4307	1.6991	1.3321	2.0935	2.8401
Days Sales in Receivables	309	378	575	987	427	344
Accounts Receivable Turnover (ART)	1.1232	0.7832	0.5235	0.4488	1.0539	1.1155
ART in Days	325	466	697	813	346	327
Inventory Turnover (IT)	3.2454	1.8032	1.3225	1.5677	1.2483	11.5260
IT in Days	112	202	276	233	292	32
Operating Cycle	437	668	973	1,046	639	359
Days Payables Outstanding	206	246	279	143	208	224
Payables Turnover	2.4323	1.7371	1.7095	1.5867	1.6612	1.7007
Payables Turnover in Days	150	210	214	230	220	215

Results and Discussion: Problems

- Lack of an overall management control system
- Limited marketing
- Lack of business mindset of officers and members

Results and Discussion

- The strategies suggested range from conservative to high-risk. The goal is to implement plans that have taken in the market, consumer, as well as internal data that will lead into plans that utilize factors that are already in place for the cooperative. The recent loss in 2014 made the chances of borrowing money practically nil for the coming year. Therefore, intense capital investments cannot be part of the options.

Results and Discussion: Alternatives

- Expanding business tie-ups
- Dissolving Business Units in Candle Production and Microfinance
- Process Restructuring for the Candle Production, Consumer Store and Microfinance Units

Conclusion

- The QSPM matrix table evaluated the three alternatives based on the SWOT profile. The first alternative (**Expanding Business** Tie-Ups) shall be recommended to the cooperative to be part of its strategic plan for the next five years.
- Prior to expanding business tie-ups, however, SARC-MPC needs a business mentor to guide it through its next steps. First, it has to contact a capable mentor willing to be with SARC-MPC as it journeys through its "recovery pains". Such a mentor can be requested from the GoNegosyo team from the Philippine Center for Entrepreneurship.
- As a contingency plan, upon failure of the first alternative, the coop must adapt the second most preferred alternative which is dissolving the candle and microfinance units to provide focus on the cooperative's cash cow which is operating the consumer store.

THANK YOU