



Unit 5 – The Cooperative Business Team: Members and Directors - Policy & Control

Objective

The objective of this unit is to teach the student the role of members and the responsibilities of directors for setting the policies of the cooperative and providing control.

After completion, the student should:

1. Be able to identify the responsibilities of cooperative members.
2. Identify the responsibilities of the directors in a cooperative.
3. Understand and explain the duties of a cooperative director.
4. Be able to understand organized steps toward making a business decision.

Instructor Directions

1. Become familiar with the information provided as well as the suggested reference materials.
2. Lead the discussion using the PowerPoint slides and selected references provided. A discussion guide serves as an outline. (CIR 61 and CIR 62 should also be used as references for more advanced students.)
3. Distribute the student case study, review the problem solving techniques, and prepare to discuss student solutions.
4. If possible, make contact with the cooperatives in your area, and arrange for a cooperative member or director to speak to the class about their role in their cooperative.

Unit 5 – Index and References

Teaching Tools

Instructor Discussion Guide
Case Study 5 - The Busy Director
Case Study Solution 5
Quiz 5
Quiz 5 Answers
Unit 5 PowerPoint Slides
(CIR 11, Chapters 1 & 2)
S 5.1 - S 5.10 Members
S 5.11 - S 5.28 Directors

Teacher References

CIR 11: Cooperatives What They Are and the Role of Members, Directors, Management, and Employees (Chapters 2 and 3 used in this unit).
CIR 45, Section 4: Who Runs the Cooperative Business: Members
CIR 45, Section 5: Who Runs the Cooperative Business: Directors
CIR 61: The Circle of Responsibilities of Cooperative Boards
CIR 62: Cooperative Boards: Asking Necessary Questions
Supplemental Reference: Video - What Co-op Directors Do, VHS 24 minutes

Student References

CIR 11: Cooperatives What They Are and the Role of Members, Directors, Management, and Employees (Chapters 2 and 3 used in this unit).
CIR 45, Section 4: Who Runs the Cooperative Business: Members
CIR 45, Section 5: Who Runs the Cooperative Business: Directors

Unit 5 - Instructor Discussion Guide

Corresponding slides are in parenthesis with associated discussion points, denoted "S" for slide and by number.

I. Members Make Cooperatives Work - CIR 11, Chapter 2 (S 5.1)

- a) Members exercise their responsibilities (S 5.2)
 - 1) Commit to products, services, maintaining control, financing (S 5.3)
 - 2) Use the cooperative as much as possible (S 5.4)
 - 3) Carry out their ownership and control duties (S 5.5)
 - 4) Legal responsibilities are pertinent (S 5.6)
 - 5) Know and understand their cooperative's attributes (S 5.7)
 - 6) Finance the cooperative a number of ways (S 5.9)
 - 7) Member use is important for a variety of reasons (S 5.10)

II. The Cooperative Director - CIR 11, Chapter 3 (S 5.11)

- a) Directors – have important responsibilities (S 5.12)
- b) Selecting directors – traits and what to look for (S 5.13 & S 5.14)
- c) Potential directors – election requirements (S 5.15 & S 5.17)
- d) Directors have primary control (S 5.17)
- e) Directors responsibilities differ from those of management (S 5.18)
- f) A look at nine overall responsibilities (S 5.19)
- g) Responsibilities in greater detail (S 5.20)
 - 1) They safeguard cooperative assets (S 5.21)
 - 2) They hire, give authority to, and appraise the manager (S 5.22)
 - 3) They set, review, and update cooperative policies (S 5.23)
 - 4) They distribute members' financial benefits ultimately controlling the cooperative's balance sheet (S 5.24)
 - 5) They plan by knowing and evaluating the cooperative's business, setting goals, developing strategies, and monitoring progress (S 5.25)
 - 6) They evaluate themselves for self improvement, stronger board performance, and more productive meetings (S 5.26)
 - 7) They choose officers to lead the board (S 5.27)
 - 8) They appoint necessary committees to improve board effectiveness (S 5.28)

Divide students into groups and have them complete Case Study 5 and then discuss solution.

Have students complete Quiz 5 and then discuss answers.

Case Study 5 – The Busy Director

A very prominent local citizen and farmer owning a large farm is a member of your board of directors. He is one who can pull strings and get almost anything done locally. However, he almost never attends a board meeting because of his many interests and yet he refuses to resign. What action does your board take?

To complete this exercise, work through the 5 business decision steps outlined below.

Step 1. Identify the problem – It is important to understand what the major problem or issue is. Briefly (in one sentence) describe the major problem:

Sub-problems or issues stemming from the major problem should be identified. They include:

Step 2. Gather information – What information is needed to properly assess the situation and develop alternative solutions to the problem/issue?

Step 3. List potential alternative solutions – It is often important to list a number of alternatives to a problem and then evaluate them. Alternative solutions include:

Step 4. Select the best alternative (or combination of more than one) and make a decision – After identifying any alternative solutions, decide on the best course of action to take. Remember, sometimes the best course of action will involve a combination of the strong points of various identified alternatives. The best course of action is:

Step 5. Put the decision into action – What steps/actions should be taken to effectively implement the best alternative. Implementing the decision will involve:

Case Study 5 Solution - The Busy Director

Step 1. Identify the problem – It is important to understand what the major problem or issue is. The major problem is:

- The director is not living up to his important responsibilities as a director.

Sub-problems or issues stemming from the major problem should be identified. Some include:

- A partial board is making decisions and developing cooperative policy and thus, not all members are being properly or adequately represented.
- By not showing for meetings, the director is being disruptive to normal board procedures and disrespecting board decision-making policies.
- The director is showing disdain for the cooperative and his fellow members by not letting another member take his place on the board.
- The director is not using his talent for getting things done to help the cooperative.

Step 2. Gather information – What information is needed to properly assess the situation and develop alternative solutions to the problem/issue?

- Does the director have other (personal) things going on in his life that are keeping him from attending board meetings and fulfilling his responsibilities as a director?
- Does the director have other professional meetings to attend or other business commitments that are conflicting with the cooperative's board meeting schedule?

Step 3. List potential alternative solutions – It is often important to list a number of alternatives to a problem and then evaluate them. Alternative solutions include:

1. Continue in the current mode. (Not very palatable due to the continuing disruption of attendance in board meetings and the lack of member representation for the absent director's constituents).
2. Change the meeting time to better fit the director's schedule. (Only a good option if the director indeed has other commitments that have been keeping him from attending the cooperative's board meetings and it isn't merely because of attitude).
3. Give the director a set period of time to improve his attendance and participation. (This may be a necessary step for the goodwill of fairness before proceeding with a more serious action if the director does not have other conflicts and simply does not care to improve).
4. Board – fully discuss and then pass a motion to follow the cooperative's policy and bylaws for removing the director and filling his seat. (This alternative is only warranted after finding the director has no conflicts and is not interested in changing his ways. That it's his attitude causing the absenteeism. This action may have political repercussions among the membership in the cooperative so it would need to be handled in a careful and communicative manner. Using this alternative in conjunction with alternative 3 might help with the internal cooperative politics that might occur.)

Step 4. Select the best alternative (or combination of more than one) and make a decision – After identifying any alternative solutions, decide on the best course of action to take. Remember, sometimes the best course of action will involve a combination of the strong points of various identified alternatives. The best course of action is:

Case Study 5 Solution - The Busy Director (continued)

Two scenarios and solutions given each one.

Board finds that the director has other commitments and it's not merely an attitude problem. Choose alternative 2: change the board meeting time (if feasible to all) and communicate to the director that he is now expected to attend meetings and be active.

Board finds that the director does not have other commitments, but rather simply misses meetings given his mood or other personal priorities. Choose alternatives 3 & 4: first give the director a chance to improve his attendance. After a set time-period passes, if the director has not improved or changed, proceed with a board motion to follow cooperative policy and bylaws to remove him and fill his seat.

Step 5. Put the decision into action – Develop the steps/actions to be taken to effectively implement the best alternative. Implementing the decision will involve:

Strong communications – no matter what solution is ultimately chosen, communications with the director, among the board, and with members must be clear and extensive. Communicate (backed by written documentation) clearly with the absent director, in the fact/information finding phase, and in moving forward with the appropriate solution. All cooperative parties must understand the situation and what is occurring.

Put the ultimate decision into action in a defined time period. The board must not hesitate to act in the manner it chooses.

Quiz 5

- List the three overall responsibilities of a member in a cooperative.
 - a)
 - b)
 - c)
- Write YES in front of five member responsibilities in a cooperative.
 - _____ a) Understand the cooperative
 - _____ b) Staff the cooperative
 - _____ c) Select and evaluate directors
 - _____ d) Help obtain new members
 - _____ e) Report to the board of directors
 - _____ f) Adopt legal papers
 - _____ g) Carry out employee performance evaluations
 - _____ h) Provide necessary financial capital
- In the following list, write YES in front of statements that describe responsibilities of cooperative directors. (Hint: There should be six yeses.)
 - _____ a) Adopt long-range/strategic plans
 - _____ b) Staff the cooperative
 - _____ c) Approve distribution of equities
 - _____ d) Direct the day-to-day business activities
 - _____ e) Employ a competent manager
 - _____ f) Appoint an outside auditing firm
 - _____ g) Carry out performance evaluations of employees
 - _____ h) Decide on the distribution of the cooperative's net earnings
 - _____ i) Require that accurate accounts and records be kept
 - _____ j) Decide on what employees will be used to carry out cooperative strategic plans
- True/False: write true or false in front of each statement.
 - _____ 1. Members approve or hire all cooperative employees.
 - _____ 2. The board chair is elected by the members.
 - _____ 3. All members in good standing may vote in director selection.
 - _____ 4. Directors hire all cooperative employees.
 - _____ 5. The board chair is elected by the directors.
 - _____ 6. All co-op directors are co-op members.
 - _____ 7. All problems have only one correct solution.
 - _____ 8. A good director will support the cooperative with all of their business.
 - _____ 9. A strong political affiliation is important for a director.
 - _____ 10. Any member in good standing could be elected as a director.
- Write a short paragraph stating what you, as a cooperative director, would be responsible for.

Quiz 5 Answers

- List the three overall responsibilities of a member in a cooperative.
 - Commit to and use the cooperative
 - Own and control the cooperative
 - Finance the cooperative according to membership and use
- Write YES in front of five member responsibilities in a cooperative. (Answer: a, c, d, f, h)
 - Yes a) Understand the cooperative
 - b) Staff the cooperative
 - Yes c) Select and evaluate directors
 - Yes d) Help obtain new members
 - e) Report to the board of directors
 - Yes f) Adopt legal papers
 - g) Carry out employee performance evaluations
 - Yes h) Provide necessary financial capital
- In the following list, write YES in front of statements that describe responsibilities of cooperative directors.
(Answer: a, c, e, f, h, i)
 - Yes a) Adopt long-range/strategic plans
 - b) Staff the cooperative
 - Yes c) Approve distribution of equities
 - d) Direct the day-to-day business activities
 - Yes e) Employ a competent manager
 - Yes f) Appoint an outside auditing firm
 - g) Carry out performance evaluations of employees
 - Yes h) Decide on the distribution of the cooperative's net earnings
 - Yes i) Require that accurate accounts and records be kept
 - j) Decide on what employees will be used to carry out cooperative strategic plans
- True/False (Answer: True: 3, 5, 6, 8, 10; False: 1, 2, 4, 7, 9)
 - False 1. Members approve or hire all cooperative employees.
 - False 2. The board chair is elected by the members.
 - True 3. All members in good standing may vote in director selection.
 - False 4. Directors hire all cooperative employees.
 - True 5. The board chair is elected by the directors.
 - True 6. All co-op directors are co-op members (except that some cooperatives allow outside directors).
 - False 7. All problems have only one correct solution.
 - True 8. A good director will support the cooperative with all of their business.
 - False 9. A strong political affiliation is important for a director.
 - True 10. Any member in good standing could be elected as a director.
- Write a short paragraph stating what you, as a cooperative director, would be responsible for.

A director, as a part of the board, should—preserve the cooperative character, safeguard assets, hire the general manager/CEO, set policies, distribute benefits (patronage refunds & equities), plan for the future (strategic planning), evaluate the general manager/CEO, elect board officers, and appoint committees.