



## **Unit 6 - The Cooperative Business Team: Manager and Employees - Coordination & Operations**

### **Objective**

The objective of this unit is to teach the student the roles and responsibilities of the cooperative manager and employees in the coordination and operations of a cooperative.

*After completion, the student should:*

1. Understand and explain the responsibilities of a manager in a cooperative.
2. Understand and explain the responsibilities of an employee in a cooperative.
3. Identify the differences between the primary job tasks of the manager and job tasks of cooperative employees.
4. Fully understand the key people in a cooperative system.

### **Instructor Directions**

1. Become familiar with the instructional information provided as well as the suggested reference materials.
2. Lead the discussion using the PowerPoint slides and selected references provided. The discussion guide serves as an outline. There are three handouts provided for further discussion.
3. If possible, make contact with the cooperatives in your area, and arrange for a cooperative manager or employee to speak to the class/workshop about their role in their cooperative.

## **Unit 6 – Index and References**

### **Teaching Tools**

Instructor Discussion Guide

Handout 6.1 - Responsibilities of Key People

Handout 6.2 - The Business Team and Related Responsibility, Authority, and Accountability

Handout 6.3 - Decisionmaking in a Cooperative

Case Study 6 - Expansion of a Cooperative Business (optional exercise)

Case Study 6 Answers

Quiz 6

Quiz 6 Answers

Unit 6 PowerPoint Slides

(from CIR 11, Chapters 3 & 4)

S 6.1 - S 6.11 Cooperative Manager

S 6.12 - S 6.23 Cooperative Employees

S 6.24 Key People in a Cooperative

### **Teacher References**

CIR 11: Cooperatives What They Are and the Role of Members, Directors, Management, and Employees (Chapters 3 and 4 used in this unit).

CIR 45, Section 6: Who Runs the Cooperative Business: General Manager and Employees

### **Student References**

CIR 11: Cooperatives What They Are and the Role of Members, Directors, Management, and Employees (Chapters 3 and 4 used in this unit).

CIR 45, Section 6: Who Runs the Cooperative Business: General Manager and Employees

## Unit 6 – Instructor Discussion Guide

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

- I. What the Cooperative Manager Does - reference CIR 11, Chapter 3 (S 6.1)
  - a) The Manager (S 6.2)
    - 1) Understands the cooperative's purpose and follows board policy (S 6.3)
    - 2) Advises the board (S 6.4)
    - 3) Controls daily operations (S 6.5)
    - 4) Hires staff (S 6.6)
    - 5) Sets tactical goals in line with long-range plans (S 6.7)
    - 6) Reports to the board (S 6.8)
    - 7) Reports to members (S 6.9)
    - 8) Represents the cooperative (S 6.10)
  - b) Cooperative Manager - A Unique Position (S 6.11)
  
- II. What Cooperative Employees Do - reference CIR 11, Chapter 5 (S 6.12)
  - a) Employees are the Glue that Binds Members to their Business (6.13)
  - b) Cooperative Employee Responsibilities (S 6.14)
    - 1) Promote the cooperative
    - 2) Deliver supplies
    - 3) Handle members' products
    - 4) Order and maintain inventories
    - 5) Keep accurate records
    - 6) Recommend products/services
    - 7) Handle complaints
    - 8) Represent the cooperative
    - 9) Maintain facilities
  - c) Cooperatives Need Quality Cooperative Employees (S 6.15)
    - 1) They understand the cooperative (S 6.16)
    - 2) They follow cooperative policies and rules (S 6.17)
    - 3) They respect all customers/members and treat them fairly (S 6.18)
    - 4) They are well trained (S 6.19)
    - 5) They communicate well (S 6.20)
    - 6) They properly maintain member-owner assets (S 6.21)
    - 7) They often participate in community activities (S 6.22)
    - 8) They maintain personal appearance (S 6.23)
  
- III. Review: Key People in a Cooperative (S 6.24)
  - a) Key People Make up the Business Team
    - 1) Members - as the user owners
    - 2) Directors - as the policy-making body
    - 3) Manager - as the supervisor
    - 4) Employees - as the work force
  - b) Review different aspect of key people - distribute and discuss handouts
    - 1) Responsibilities of Key People ([Handout 6.1](#))

## **Unit 6 – Instructor Discussion Guide (continued)**

- 2) The Business Team and Related Responsibility, Authority, and Accountability ([Handout 6.2](#))
- 3) Decisionmaking in a Cooperative ([Handout 6.3](#))

Optional Exercise: Divide students into groups and have them complete [Case Study 6](#). Then openly discuss solution.

Have students complete Quiz 6 and then discuss answers.

## Handout 6.1 - Responsibilities of Key People

<b>Members</b>	<b>Directors</b>	<b>Manager</b>	<b>Employees</b>
1) Understand the cooperative	1) Function as trustees for members in safeguarding their assets in the cooperative	1) Manage or direct daily business activities	1) Perform duties of service to members
2) Adopt legal papers	2) Determine objectives and general policies	2) Set goals and make short-range plans	2) Understand the relationship to member owners
3) Select and evaluate directors	3) Adopt long-range plans	3) Implement board policy	3) Understand the purpose and objectives of the cooperative
4) Provide necessary capital	4) Employ a competent manager	4) Employ and discharge employees	4) Favorably represent the cooperative
5) Use and support the cooperative	5) Preserve the cooperative character of the organization	5) Organize and coordinate internal activities and subordinates	
6) Participate in affairs	6) Require accounts and records	6) Control daily operations	
7) Provide information	7) Appoint an outside auditing firm		
8) Help obtain new members	8) Control the total operation		
	9) Distribute cooperative's net income		
	10) Approve distribution of equities		

## Handout 6.2 - The Business Team and Related Responsibility, Authority, and Accountability

<b>Business Team</b>	<b>Group Responsibility</b>	<b>Authority</b>	<b>Accountability to</b>
<b>Members</b>	For overall democratic control of the cooperative	All authority not delegated in the articles and bylaws to directors	Themselves
<b>Board of Directors</b>	For specified democratic control of the cooperative as defined in articles and bylaws	All authority not delegated to the general manager as day to day operational authority	The membership and the State and Federal government laws and regulations
<b>General Manager (CEO)</b>	For operational management and control not reserved for the board of directors in the bylaws by board policy	Day to day authority not delegated to department heads/assistant managers	The board of directors
<b>Department Head/Assistant Manager</b>	For operational management of department or business unit not reserved by the general manager	Day to day authority as delegated by general manager	The general manager

## Handout 6.3 – Decisionmaking in a Cooperative

Members	Board of Directors	Manager
<ul style="list-style-type: none"> <li>• Selection and election of directors</li> <li>• Change articles of incorporation</li> <li>• Change bylaws</li> <li>• Consolidation with another cooperative</li> <li>• Merger with another cooperative</li> <li>• Dissolution</li> <li>• Sale of major assets</li> <li>• Recall directors</li> <li>• Adoption of resolutions</li> </ul>	<ul style="list-style-type: none"> <li>• Selection and compensation of general manager</li> <li>• Purchase of major fixed assets</li> <li>• Credit policy</li> <li>• Selection of auditor and attorney</li> <li>• Levels of long- and short-term debt</li> <li>• Lines of major business activity</li> <li>• Policy on affiliation with regional cooperative</li> <li>• Authority given to management</li> <li>• Long-term or strategic plans</li> <li>• Approval of budget</li> <li>• Equity management</li> <li>• Cash patronage refunds</li> <li>• Sources of short- and long-term credit</li> <li>• Long-term leases and contracts</li> </ul>	<ul style="list-style-type: none"> <li>• Maintenance of fixed assets</li> <li>• Selection and compensation of employees</li> <li>• Interpretation of government regulations</li> <li>• Day-to-day operations</li> <li>• Marketing of products for members</li> <li>• Allocation of expenditures within budget approved by board</li> <li>• Inventory management</li> <li>• Personnel assignments and evaluation</li> <li>• Credit decisions (within board policy)</li> <li>• Setting pricing and margins within budget and board policy</li> <li>• Accounting and management information</li> <li>• Patron complaints</li> </ul>

## **Case Study 6 - Expansion of a Cooperative Business**

A successful grain-marketing cooperative with a strong and experienced general manager (Mr. Johnson) has decided to enter the fertilizer and chemical business by purchasing an existing private company (FertX Inc.) in town. The acquisition deal is set and ready to proceed.

The manager (Mr. Blum) of FertX, Inc. is very popular in the community. Many of the cooperative's members have been purchasing their fertilizer and chemicals from FertX, Inc. over the years.

Mr. Blum is very knowledgeable about fertilizer and pesticides, but does not fully understand how cooperatives operate. Mr. Johnson, the cooperative's general manager, has experience in the fertilizer and chemical business from when he previously managed a different cooperative.

The general consensus of the board of directors is to try to retain the popular manager of FertX, Inc., and the employees, if possible. The directors think the employees can be used in other parts of the cooperative's operations.

### **Questions**

- 1. How was the decision made for the cooperative to acquire FertX, Inc.?**
- 2. Who develops the cooperative's overall goal for completing the acquisition? What is that goal? Are there any sub-goals that should be defined? If so, what are they?**
- 3. What issues/problems might arise from trying to bring the manager and all the employees of FertX, Inc. into the cooperative when the acquisition takes place (identify the pros and cons)?**
- 4. Who makes the decision as to what employees from FertX, Inc., should be retained by the cooperative when the operations of the two businesses are combined?**
- 5. What other actions should take place to ensure an effective and efficient blending of operations, employees, and member services?**



## Case Study 6 Solution - Expansion of a Cooperative Business

1. How was the decision made for the cooperative to acquire FertX, Inc.?

- **First, the board of directors, after studying and discussing the potential purchase with input from the general manager and others, made the decision to proceed with the acquisition and bring it to the membership.**
- **Then, a quorum of the cooperative's membership (at the annual meeting, or at a special meeting) voted in favor (according to what the bylaws specify) of the acquisition.**

2. Who develops the cooperative's overall goal for completing the acquisition? What is that goal? Are there any sub-goals that should be defined? If so, what are they?

- **The board of directors develops the goal.**
- **Overall goal - a smooth transition of all operations and employees into the cooperative in a manner that will create maximum efficiency, effective overall management, and enhanced member benefits and service.**
- **Sub-goals - to maintain quality management and member service in the fertilizer and chemical business, which is new to the cooperative. To retain the business of most or all of FertX, Inc.'s clientele and volume, in addition to gaining new business and volume from members.**

3. What issues/problems might arise from trying to bring the manager and all the employees of FertX, Inc. into the cooperative when the acquisition takes place (identify the pros and cons)?

- **If Mr. Blum is brought into the cooperative in an assistant management-type position, his lack of cooperative knowledge could be a negative factor. There could also be some conflict between Mr. Blum and Mr. Johnson since both are experienced managers and only one (Mr. Johnson) will be the boss.**
- **The employees from FertX, Inc., will likely feel out of their element and will need training if they are shifted to different positions other than fertilizer and chemicals in the cooperative. Their lack of cooperative principle experience and knowledge could also be an issue.**
- **The cooperative could end up with too many employees creating an overlap of duties and also resulting in increased wage costs for the cooperative.**

4. Who makes the decision as to what employees from FertX, Inc. should be retained by the cooperative when the operations of the two businesses are combined?

- **As general manager, Mr. Johnson has the ultimate authority to decide how many and which employees from FertX, Inc. should be brought into the cooperative. However, the board of directors might provide Mr. Johnson with some input on what they know of the employees given that some of them did business with FertX, Inc. The board might provide some input on how many employees they think should**

be retained given the cooperative's employment policy (if such a policy is in place, it might be prudent to revisit it).

- **Once Mr. Johnson has made his personnel decisions (based on information, interviews, and operational structure planning), the board must give him ultimate authority to hire and manage the employees, as is his charge as general manager.**

5. What other actions should take place to ensure an effective and efficient blending of operations, employees, and member services?

- **Mr. Johnson and the board should collect as much information about the new business and employees that they can prior to making all the decision necessary when combining operations. Such information will help Mr. Johnson with making more effective hiring and delegation of employee decisions and will assist the board in its policy making and longer range planning of the cooperative that will now include greater assets, services, and a more complex structure.**
- **The new employees (including Mr. Blum if he is retained) that the cooperative keeps from FertX, Inc. should be educated about cooperatives, cooperative principles, and the unique structure, governance, and operations of cooperatives.**

## Quiz 6

1. List the four key groups of people in a cooperative.
  - a)
  - b)
  - c)
  - d)
  
2. List six major responsibilities of the cooperative manager.
  - a)
  - b)
  - c)
  - d)
  - e)
  
3. Write a short paragraph stating what you, as a cooperative employee, would be responsible for while doing your job.

## Quiz 6 Answers

1. List the four key groups of people in a cooperative.
  - a) Members
  - b) Directors
  - c) Manager
  - d) Employees
  
2. List six major responsibilities of the cooperative manager.
  - a) Implement board policy
  - b) Advise the board
  - c) Manage daily operations
  - d) Hire and train staff
  - e) Set short- and long-term tactical goals in line with long-range plans
    - Report to the board of directors
    - Report to members
    - represent the cooperative(And any others the Instructor deems acceptable)
  
3. Write a short paragraph stating what you, as a cooperative employee, would be responsible for while doing your job.

(Student's answer should include some of the following information.)

As an employee, I would need to fully understand the cooperative, follow the cooperative's policies and rules, respect customers and members and treat them fairly, communicate to the best of my ability, maintain assets and equipment, participate in community activities when possible, and maintain my personal appearance. In addition, I would promote the cooperative, deliver supplies, handle members' products, order and maintain inventories, keep accurate records, recommend products and services, handle complaints from patrons, and maintain the facilities.