


**WHAT**  
**THE**  
**CO-OP**



**MANAGER**  
**DOES**

The graphic features a stylized building with a blue roof and light blue walls, with a red window. A blue signpost with two legs holds a blue oval sign with the text 'CO-OP' in yellow. To the right, the word 'MANAGER' is written in green with a yellow person icon for the letter 'A', set against a blue wavy background. Below this, the word 'DOES' is written in large red letters.



## PREFACE

*This publication is part of a series designed to visually present basic information about cooperatives. Illustrations have been created for easy conversion to 35mm slides or overhead transparencies.*

*The series consolidates and updates an initial group of highly illustrated publications developed by C. H. Kirkman, Jr., former cooperative education specialist and Gene Ingalsbe, former ACS director of information, both now retired. Series content covers what a cooperative is and how one is organized, what functions cooperatives perform, and the responsibilities of key participants — members, employees, the manager, and directors.*

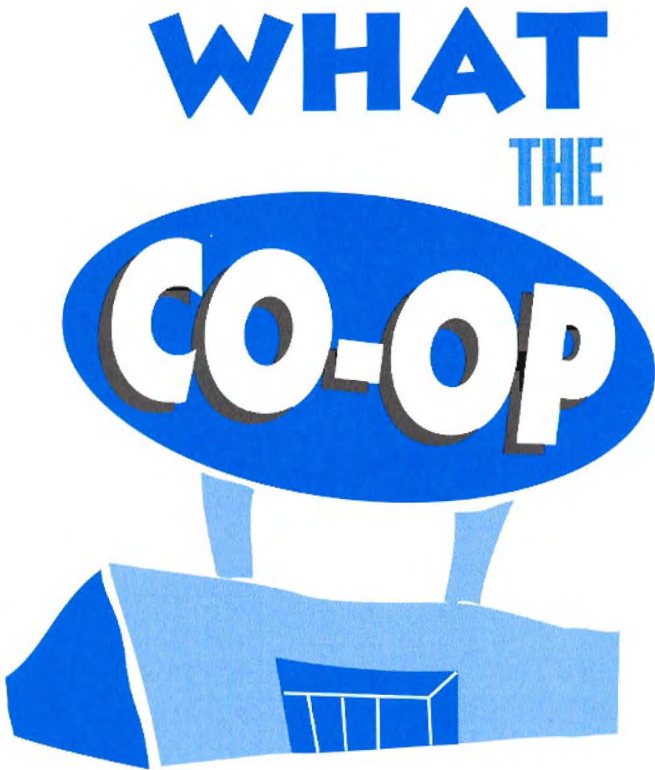
*This publication focuses on managers. It covers what their management responsibilities are, with particular emphasis on differences between cooperative management and that of other forms of business.*

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Cooperative Information Report 16  
April 1993

Supersedes CIR 16,  
Manager Holds Important Key to Co-op Success.





**MANAGER**  
**DOES**

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## WHAT THE CO-OP MANAGER DOES/THE CO-OP DIFFERENCE



cooperative — like any business — is managed to benefit its owners. Unlike other businesses, most, if not all, of the cooperative's business is conducted with or for its members who are also the owners. When the customers are also the owners, managing a cooperative is different.

Management technique may be similar, but the cooperative's purpose and operating principles are factors of decisionmaking that may produce vastly different conclusions and courses of action.

A purchasing cooperative — farm supplies, for example — focuses on obtaining quality products that farmers need, rather than on searching for products that maximize the cooperative's net income. The manager knows that the farmer invested money in the cooperative to get certain supplies rather than a monetary return on the investment.

A marketing cooperative is obligated, often by a pre-existing agreement, to receive and market products of its members. The manager cannot pick and choose among member producers to the advantage of the cooperative and disadvantage of some of its members. The marketing manager has the delicate role of fulfilling member owners' needs as producers and meeting the desires of customers buying the cooperative's products.

A service cooperative — electricity, credit, health care, for example — by management objective, may make little or no net income because the user-owners formed the cooperative to get that certain service at the least possible cost.

People form cooperatives as a supportive business to get a product or service that benefits them individually or contributes to the profitability of their primary business, such as a farm operation. That fundamentally different business objective carries a unique set of decision factors that make managing a cooperative different from managing a profit-oriented business.



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DOING BUSINESS WITH THE OWNERS MAKES  
MANAGING DIFFERENT.



THE **U**STOMERS OWN THE **BU**SINESS

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## THE CO-OP DIFFERENCE, continued

**T**he manager of an investor-owned corporation basically needs to satisfy stockholders with the yield they're getting on the money they have invested. The manager of a cooperative, likewise, needs to satisfy its member-owners but needs a lot more from them — information, participation, and decisionmaking help.

Members are encouraged to attend the annual meeting, discuss cooperative operations and direction, express their changing needs, serve on committees, and elect their representatives on the board of directors. A formidable communications task is needed — and, indeed, is essential — if members are to carry out their duties intelligently. And that's what makes managing a cooperative different.

The experienced manager and board of directors know that a cooperative will be only as progressive as the membership will allow it to be. The cooperative will change with the times only if at least the majority of the membership is aware of the need to change.

In the user-owned and democratically controlled cooperative, the management communications challenge is more complex, not just because of the greater number of owners needing to be kept informed, but also because of the reasons the owners invested in the business. Investors are primarily concerned with financial performance. Member-owners of a cooperative are also concerned about its financial performance, but they are far more concerned about its products and services — these have much greater impact on their lives and/or businesses. A marketing cooperative's greatest value to its members is providing the market for the member's original product. Added value comes when the cooperative processes and packages the member's product into a desirable consumer product.

The manager must cultivate the involvement of the member-owners to formulate a cooperative business operation and strategy that are always focused on providing the products and services members need.



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## THE CO-OP DIFFERENCE, *continued*



cooperative's manager has a far closer and more personal relationship with the owners than does the manager of other kinds of businesses. This is because the owners of a cooperative constitute a majority, if not nearly all, of the cooperative's customers. This daily contact with many of the owners makes managing a cooperative different.

In addition to questions and opinions about products and services, the manager may get the same queries about employees, facilities and equipment, how the business is doing, and even about how the cooperative is being managed. And regardless of whether the questions are appropriate or the opinions accurate, the cooperative manager knows that answers to customers who are also owners need to be thought out and worded carefully. "Managing in a fishbowl" is how the job has been described.

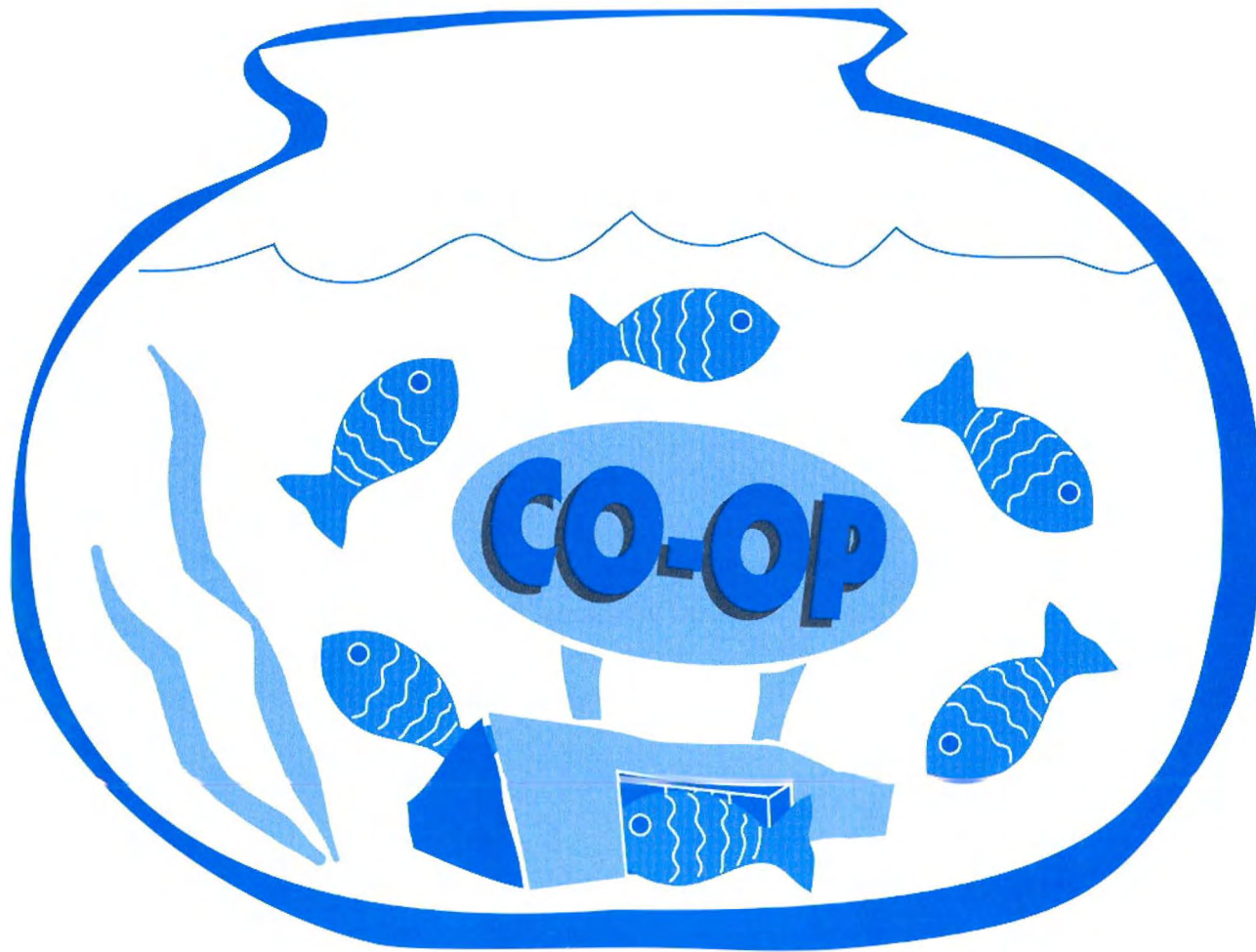
In small cooperatives, the manager may be among the employees who fill orders and ring up sales on the cash register. In large cooperatives, a typical practice is to sponsor member tours of the cooperative's facilities. Open houses, appreciation days, and other activities aimed at generating member involvement in the cooperative's affairs places the manager in frequent personal contact with members.

Most cooperatives produce various types of written communications for their members, such as a manager's newsletter or a manager's column as part of the newsletter or magazine.

Frequent contact with the owners of the business may be a problem at times, but it is always an opportunity for the manager to communicate what the cooperative is doing for members and to learn how members believe the cooperative can better serve their needs.

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CO-OP MANAGEMENT IS LIKE:





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## THE CO-OP DIFFERENCE, continued



Managing a cooperative can be similar to managing other businesses in terms of functions performed, compensation received, and personal satisfaction gained. But an important difference is that the manager of a cooperative is always a hired employee and can never acquire ownership rights.

Cooperatives, as user owned, focused, and controlled businesses, make a sharp separation between operating management and ownership in contrast to the involvement of management in the ownership of other types of businesses. Even if the manager uses the cooperative's services and could otherwise qualify as a member, the separation is maintained to avoid the possibility of conflict of interest. The manager is hired to manage the business, focusing energies and effort on serving members.

Managers can be motivated by factors such as pay, power, prestige, and gaining a "place in history," and these motivations are available to managers of cooperatives as well. But stock options, leveraged buyouts, or other power plays to gain control are out of the question. A board of directors interviewing manager candidates makes the ownership issue clear, and further stresses that the manager is totally accountable to the board. Candidates then weigh those conditions against their desired management style and personal ambitions.

Cooperatives attempt to match their competition in getting the best managers, offering comparable wages and benefits, performance incentives, and retirement programs. Except to emphasize the need to involve member-owners in ways unique to a user-owned and democratically controlled business, the wise board will leave the managing of the cooperative to the manager.



## PURPOSE AND OBJECTIVES

**I**deally, all of the key participants in a cooperative — members, directors, employees, and the manager — should be familiar with the purpose and objectives of a cooperative. But the person who really needs to know the “nuts and bolts” that hold a cooperative together and make it work is the manager. That’s why a board hires a professional — someone who’s a skilled technician, not only in business management, not only in a certain industry such as dairy marketing, fertilizer manufacturing, or farm credit, but also in the particular business form known as the cooperative.

Members and directors of some cooperatives own profit-oriented businesses such as farming operations while others may be individuals just looking for lower-cost housing or a service such as child day care. These people are drawn together by a common need, and they’ve learned enough to believe a cooperative will fulfill that need. They may not have a thorough knowledge of exactly what a cooperative is and how it works. It is the professional manager who needs to know cooperative organization and operation and how it can fulfill their special needs.

It is not uncommon for the manager to be the “teacher” of cooperative principles and practices for the membership, board and employees, including explaining their roles and responsibilities. The manager is fortunate if the board, in particular, includes directors with present or prior experience and involvement in other kinds of cooperatives. But it usually is the manager conducting planning, suggesting policies and policy changes, presenting facility proposals, developing the formulas for distribution of benefits, and submitting the results of that work to the board and membership for approval.

Members and directors do know what they want from the cooperative. It is up to the manager to determine how the cooperative can respond.



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THE CO-OP MANAGER UNDERSTANDS THE . . .

PU  POSES AND

 **OBJECTIVES** 



## RESPONSIBILITIES

**U**nderstanding the difference between manager and director roles is a key requirement for an effective and harmonious relationship. For most corporations these roles are generally the same. There is one important distinction in a cooperative. That distinction revolves around the employee-only status of the manager. In a cooperative, the manager does not share in ownership and is seldom an official member of the board. This decisive difference from other corporations produces a cleaner separation between manager and director responsibilities.

Directors maintain a longer term and more strategic perspective. They are concerned with how the cooperative can better serve members' needs and what general changes may be necessary in organizational and operating policies. The board hires the manager to handle details.

The manager is action and tactics oriented in running the day-to-day operations in response to objectives set by the board. Members delegate direct control of the cooperative to the board of directors, which in turn delegates operational control to the manager.

Personalities often influence, and sometimes even dominate, the manager/board relationship, but the ability of directors and managers to know when they are stepping on each other's turf is key to a cooperative, harmonious working relationship.



DIVISION OF RESPONSIBILITY



## IMPLEMENTS BOARD POLICY

**P**olicies set by the board of directors guide the manager's actions and decisions. These policies are discussed, written in final form, approved, and reviewed at least annually by the board. To promote clear understanding, a policy manual is made available to each director and the manager.

Policy statements may be general in content, reflecting the board's philosophy of what kind of business the cooperative should be: "... strive to provide leadership and cooperate with other businesses and community and civic groups in promoting and carrying out programs of mutual interest and benefit to the community." Thus, the manager has a basis for making a decision on minor commitments to participate in community events without first getting board approval. Policies may also be specific: "No additional credit shall be extended to any patron whose account is 120 days past due." Such a policy gives the manager authority to refuse extending additional credit even to a director.

Some other simplified examples of how a manager implements board policy follow:

**Policy**—An independent Certified Public Accountant shall audit the financial records at the end of each fiscal year. **Implementation**—The manager keeps appropriate records and provides other information that is necessary to complete the audit.

**Policy**—An annual business plan shall be prepared for approval and progress reports made at monthly board meetings. **Implementation**—Without further specifics, the manager prepares a budget for approval, then compares the budget to actual business transacted, and reports any other information that would help the board understand the cooperative's financial status.

**Policy**—Employee pay raises shall be based on job performance. **Implementation**—Job descriptions and performance standards are written for each employee and performance is reviewed.

**Policy**—An annual membership meeting shall be held. **Implementation**—Various meeting committees are formed to plan the time, place, content, physical arrangements, and publicity.

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MANAGER'S

**DECISIONS**  **ARE BASED ON**

**CO-OP**  **POLICY**



## ADVISES THE BOARD



Members and their elected board of directors may not be experienced in running a business, or their business experience may be quite different from operating a cooperative. For example, running a family farm business for profit is different in many ways from running an agribusiness cooperative with many owners and a function to create profit for the owners based on use rather than for the cooperative itself. In essence, the cooperative is a “subsidiary” to the farm. This supportive orientation is different. The way that commodities are handled and functions are performed is different. Facilities, personnel, and much of the equipment are different.

So the professional manager is hired not only to manage the cooperative but also to advise the board of directors on how the business can be operated most effectively.

The manager is expected to provide technical advice in many areas, including:

- **competitive strategy**—cost cutting, pricing policy, service packages, cooperative benefits;
- **financial management**—credit control, debt load, cash-flow, member equity;
- **operational efficiency**—product storage and handling, pickup and delivery schedules, administrative procedures, store traffic organization, staffing;
- **new technology and equipment**—industry innovations, improved machinery, research results;
- **new products and services**—additions or replacements, product information;
- **policy changes**—made necessary because of problems with implementation, or by changes in business environment;
- **regulatory changes**—chemical use, worker safety, environmental contamination; and
- **governmental affairs**—new or changed legislation, government assistance programs, involvement in public policy.

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THE MANAGER ADVISES:

THE  
**M**  **NAGER** **ADVISES**

THE



**BOARD OF DIRECTORS**

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## MANAGES DAILY OPERATIONS

**S**ome textbooks describe management as the process of planning, organizing, directing, coordinating, and controlling. But something happens to those five straightforward functions in the transformation to real-life application, whether the manager heads a small or large department, organization, or business—including a cooperative.

A more realistic description of the atmosphere in which these functions are performed is something like this: planning, bookkeeper calls in sick so the financial report won't be ready for the afternoon board meeting, fire safety inspector arrives unannounced; organizing, feed delivery truck driver calls in to report breakdown on the road, cash register computer locks up, board president drops in for a chat; directing, high school student waiting to solicit ad for school paper, member waiting, also, to complain about new credit policy; coordinating, wife calls to report water heater leaking, a supervisor arrives for performance review; controlling, director walks in complaining about treatment from employee, railroad dispatcher calls to say a railcar shortage means only six instead of eight cars will be available for a grain shipment.

That more typical scenario of managing takes place also in times of headaches and heartaches, irritation or elation, and winter and summer ... year after year. And the scenario applies not only to the manager but also to the entire staff.

In managing people, money, and facilities, the manager wears many hats at different times, in assuming the roles of coach and player, educator and motivator, diplomat and dictator, mediator and magician, judge and jury, leader and follower, analyst and activist. The manager is always accountable.

To most people, however, the manager is simply the person who gets things done.



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THE MANAGER DIRECTS AND CONTROLS DAILY OPERATIONS:



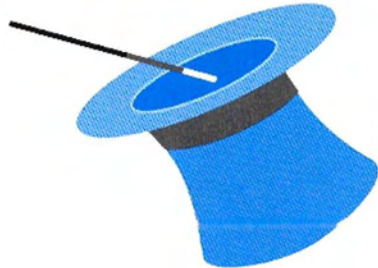
**PLANNING**



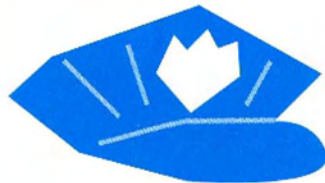
**ORGANIZING**



**DIRECTING**



**COORDINATING**



**CONTROLLING**

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## HIRES STAFF

**H**iring and maintaining a competent staff is the manager's most important job. It is through people that the manager gets things done. In fact, how well the manager selects employees directly bears on how difficult the job of managing will be.

The rare opportunity is to assemble a staff from the start. Usually, the manager inherits a staff and makes changes as employees leave, retire, or—in extreme situations—are fired.

In either case, the board of directors needs to provide the manager with the proper tools to build the best possible staff.

Hiring tools given the manager include a wage and salary plan, an attractive benefits package — performance incentives, health care, vacation and sick leave, retirement, and so on — safe and acceptable working conditions, clear personnel policies in writing, an organization chart, job descriptions, and performance standards.

The organization chart and the job descriptions are the blueprint tools for the manager. They describe what functions must be performed and the knowledge, skills, and abilities needed for the cooperative to accomplish its purpose. The manager then finds candidates with the right education or experience and desirable personality traits and work habits.

Assembling a cohesive workforce is just the beginning of the manager's personnel responsibilities. Effective communications with employees are maintained through daily contact, regular employee meetings, and at least an annual formal performance appraisal.

The employees make the cooperative work for members and must understand the business they work for. But the manager is the key employee, providing direction, leadership, and motivation that results in a harmonious and purposeful work atmosphere.

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MANAGER PROVIDES:





## SETS GOALS

**I**n one sense, managers continually plan as they direct the daily affairs of the cooperative, reacting to events as they occur. This informal, almost subconscious planning comes with informal, and perhaps similarly subconscious, goals summed up simply as “getting the job done.”

Formal planning and goal setting is a more deliberate process that takes place to implement the policies, directives, and long-range goals of the board of directors. Planning and goal-setting provides a basis for measuring how well the cooperative is meeting members’ needs.

The manager is responsible for developing short-range tactical plans, typically a year ahead, while the board is responsible for long-range and more strategic planning that may look up to 5 years ahead. It is not uncommon, however, particularly in progressive cooperatives, for the manager and key staff to also develop long-range plans for review and approval by the board of directors.

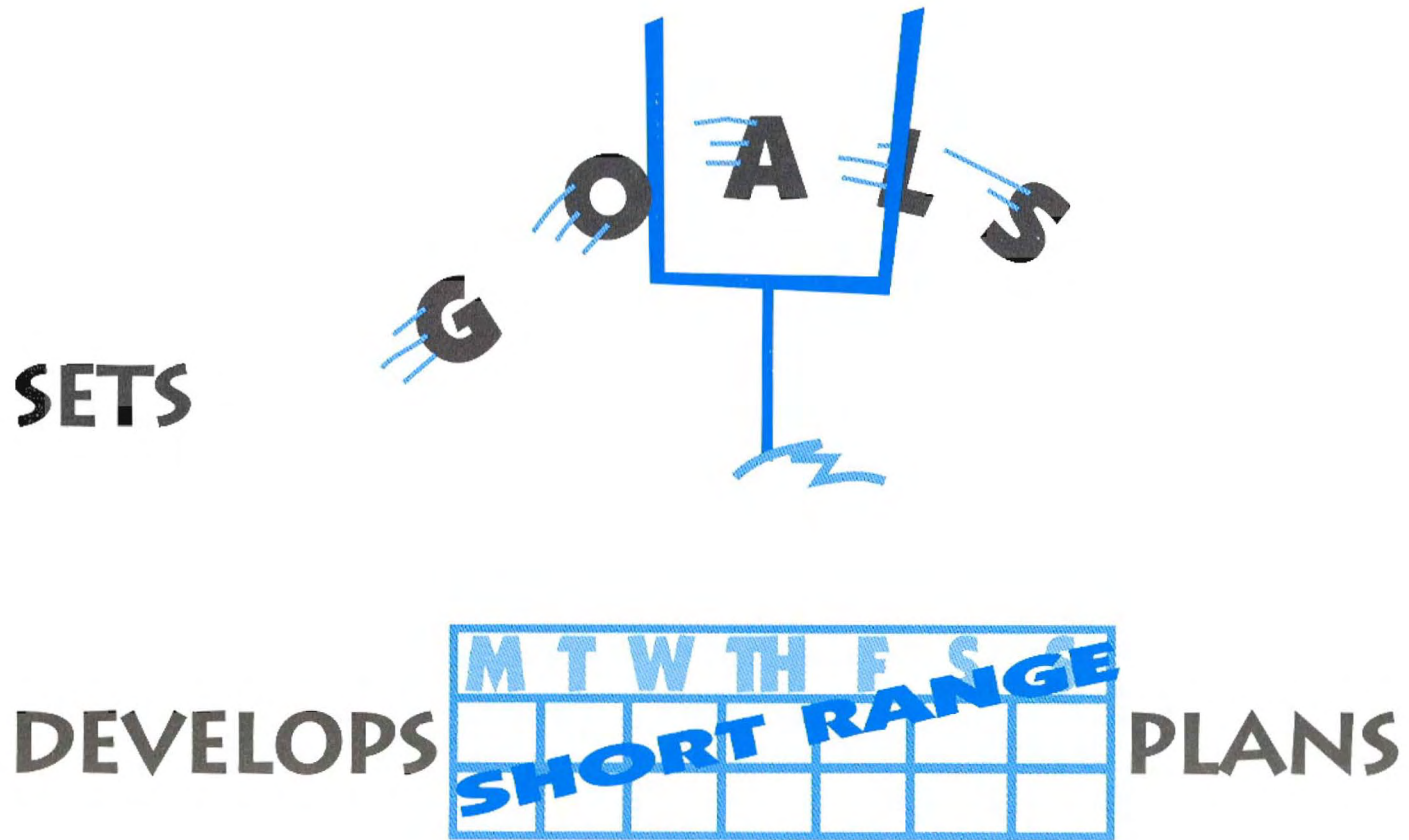
A short-range plan may be limited to developing a budget for the coming year, or may be a more involved business plan containing more than just financial goals. Short-range plans, for example, might be developed for increasing sales or marketing volume, increasing operating efficiency, expanding territory served, increasing the number of member meetings, or entering the final phase of a long-range plan such as merging with a neighboring cooperative.

The manager’s planning and goal-setting also applies to his or her own performance and to the performance of each employee. This exercise is an integral part of evaluating job performance, including identifying training requirements or needed changes in policies or operating procedures.

Setting goals and laying plans to reach those goals is a deliberate process to improve the effectiveness of the cooperative in returning benefits to its member-owners.

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THE MANAGER:



## REPORTS TO BOARD

**O**ne of the important responsibilities of the manager is to ensure that the board of directors is not surprised by events that occur at the cooperative. Even if the bylaws or board policy do not require information to be reported, the prudent manager keeps the board well informed on anything that could affect operations. The manager should “sound out” the board president on intended plans or actions, or should report some decisions to directors so they know before the rest of the membership.

Formal reporting, however, takes place at regularly scheduled meetings of the board of directors, usually monthly. Bylaws and/or board policy will prescribe what required information should be in the manager’s report. Financial statements and information on major issues or proposed actions should go to directors at least 1 week before the board meeting so they can study the material and be prepared to ask questions or make decisions. Major items in the manager’s report include:

- a **statement of operations** with budget comparisons;
- a **balance sheet** with comparisons to 1 or more previous years;
- **accounts receivable** status, with particular attention to delinquent accounts;
- **progress toward goals** set as part of planning at the beginning of the year;
- **activities summary** of operations during the most recent period; and
- **proposals** for immediate action or longer term consideration.

Some managers also report to directors periodically by personal letter or regularly in a newsletter format. Content is designed to keep directors informed not only about the cooperative specifically but also about industry trends, research results, governmental regulations, and even the manager’s philosophy about running the cooperative and improving its performance.

Complete and accurate reports to the board are necessary for good business management, and effective reporting also helps build mutual respect and trust between manager and board.



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THE MANAGER REPORTS TO THE BOARD:

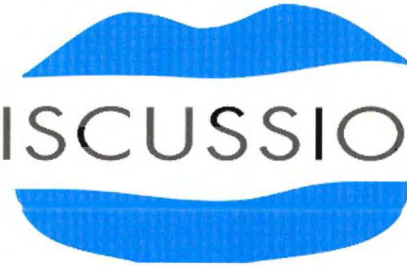
FORMAL

REPORTS



*informal*

DISCUSSION





## REPORTS TO MEMBERS

**I**n cooperatives where the manager has daily contact with members as they transact business, informal reporting often takes place just in conversation. This is a natural time for members to comment on the quality of products and services, or on needs unfilled, or to raise questions about policies. Likewise, it's a time when the manager is likely to talk about new products and services, or other changes around the cooperative.

The manager may use special events for more organized reporting, as part of meeting with member committees, holding an open house or appreciation day, or conducting product demonstrations.

Some managers write letters to members periodically. Others visit with members on an individual basis at the farm or in their home. More typically, the cooperative will publish a member newsletter, newspaper, or magazine to cover a wide range of information about cooperative operations and information related to the industries in which the cooperative operates. Often, the member publication will contain a manager's column as a regular feature.

The official report to members, required by the bylaws, takes place at the annual meeting. Although it is not as detailed, the manager's report contains the same type of financial information as presented to the board of directors throughout the year. Additionally, the manager will discuss operational highlights, problems encountered, and the outlook for the coming year.

Frequent and varied reporting to members often generates important feedback to the manager. Encouraging member feedback, whatever the reporting format, may provide the manager with some of the better ideas or advice for improving the cooperative's service to members. And members' ideas and suggestions are important. After all, they are the owners.

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THE MANAGER REPORTS TO THE MEMBERS:





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## REPRESENTING THE COOPERATIVE



As the person in charge on a day-to-day basis, the manager is called upon to represent the cooperative in many ways. How that function is carried out is guided by the cooperative's policies and specific directives from the board. The manager's own interests may also influence the type and extent of representation on behalf of the cooperative. The manager represents the cooperative in at least four areas: community, cooperatives, industry, and Government.

**Community** — As a business leader, the manager is called upon to participate in a variety of community activities, such as helping raise funds for charities, speaking at business and social events, and becoming a member of the chamber of commerce or community service organizations.

**Cooperatives** — The board of directors may select the manager to be the cooperative's voting delegate or official representative to other cooperatives or cooperative organizations. And at the discretion of the board, the manager may serve on the board of directors for other cooperatives.

**Industry** — Most industries have professional or trade associations to protect or enhance their business interests. The manager may get involved in one or more of the key organizations closely related to the cooperative's functions.

**Government!** — Managers who are particularly convincing speakers are often called upon to speak to regulatory officials and policymakers on issues affecting the cooperative or its members.

Even in personal actions and activities, many people see the manager — even if indirectly — as representing the cooperative. It is a responsibility that requires constant and careful attention.

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**THE MANAGER REPRESENTS THE CO-OP:**



## INFORMATION



Agricultural Cooperative Service (ACS) conducts research, collects statistics, provides onsite technical assistance, and develops educational materials. The agency helps farmers and other rural residents organize cooperatives and provides continuing assistance as needed.

The agency develops both general and specific educational materials on cooperative organization and operation. Periodically, the staff conducts workshops for the key participants in new cooperatives.

ACS publishes *Farmer Cooperatives*, a monthly magazine oriented to the cooperative business community. The catalog *Farmer Cooperative Publications*, Cooperative Information Report 4, lists about 150 titles on cooperatives. A few publications particularly valuable to managers include:

- Cooperative Benefits and Limitations, CIR 1, Sec. 3
- Cooperative Communications, CIR 1, Sec. 11
- Cooperative Education and Training, CIR 1, Sec. 10
- Cooperative Finance and Taxation, CIR 1, Sec. 9
- Cooperative Organization and Structure, CIR 1, Sec. 6
- Cooperative Principles and Legal Foundations, CIR 1, Sec. 1
- Cooperative Management, CIR 1, Sec. 8
- Cooperatives in Agribusiness, CIR 5
- Keeping Cooperative Membership Roles Current, CIR 37
- Organizing and Conducting Your Cooperative's Annual Meeting, CIR 21
- Recruiting and Training Co-op Employees, CIR 36
- Policies for Cooperatives, CIR 39
- Understanding Cooperatives, CIR 6