

Cooperative Roles and Responsibilities

**Kentucky Center for Agriculture
and Rural Development**



Co-op Member Roles

- Providing necessary capital
- Controlling the cooperative
- Patronizing the cooperative
- Assuming business risks
- Keeping informed
- Paying the costs of operation
- Keeping realistic expectations
- Remaining loyal
- Allowing manager to manage
- Maintaining the cooperative



Cooperative Members

- Legal owners of the cooperative
- Members powers include:
 - electing directors
 - holding directors and officers accountable for damage to members
 - examining annual reports and finances
 - dissolving or merging the cooperative



Perceptions of the Role of a Director

Members' View:

- A Watchdog
- Their representative
- To express members' views
- Evaluate members' needs and wants
- Play a bigger role in running business than directors actually do
- A member problem solver
- An investigative reporter
- Keep management in line
- Run the whole show
- As legislators
- Their link to control



Characteristics Members Look for in a Director

<u>Characteristic Mentioned</u>	<u>Specifically</u>
Is a successful farmer	57%
Knows members' products	43%
Good judgement	43%
Leadership	43%
Fiscally responsible	43%
Open minded	29%
Handles himself well in public	29%
Communicates well with members	29%
Supportive of the cooperative	14%

Perceptions of the Role of a Director

Managers' View:

- As a sounding board
- As the members assembled
- Gauge of member sentiment
- As advisors
- Disseminators of information to members
- As members of a team



Perceptions of the Role of a Director

Directors' View:

- Member of a team
- Fulfill legal responsibilities
- Report back to members
- Question direction and performance
- Do what members expect
- Assess impact of policy on members
- Should not be a representative of constituents
- Bring complaints of members to board
- Hire good management
- A watchdog
- Serious policy maker
- Serve as elected representative

Cooperative Manager

- Must fill the delicate role of fulfilling member owners' needs as producers and meeting the desires of customers buying the cooperative's products
- Makes decisions based upon the cooperative's policies
- Needs information, participation, and decision making from the membership
- Can use the cooperative services, BUT IS NEVER A MEMBER OF THE CO-OP!



Cooperative Manager

- Solve technical business problems
- Manage the accounting, financing, personnel and other cooperative operation problems
- Power's include:
 - plan, organize, direct, coordinate, conduct, and control
 - hire employees, train employees, fire employees
 - supervise, conduct and direct all jobs and activities delegated by the board
 - represent cooperative to the public



Many Factors contribute to a cooperative
success...
and failures...

80% of Cooperative failures are a direct result
of management...

management includes the management staff
and the **BOARD OF DIRECTORS!!**



Board of Directors Power and Responsibilities



- Elected as the organization's governing body
- Member's elected representatives

A Potential Director

- Uses the cooperative fully
- Is interested in its performance
- Participates in decision-making
- And has time for
 - communicating
 - meetings
 - keeping informed
 - representing the co-op



Political Issues on a Board of Directors

<u>Issue</u>	<u>Specifically</u>
<u>Mentioned</u>	
Special interests of subgroups of members	60%
Election of officers	50%
Degree of board control over management	10%
Cooperative marketing philosophy	10%



Good Director Should Be Able To:

- Make good business decisions
- Think independently
- Enhance co-op's image
- Promote
- Show leadership
- Ensure co-op serves members
- Place members' interests first



Board of Director Powers

- Follow cooperative bylaws and mission of business
- Maintain membership records
- Approve membership
- Change cooperative bylaws
- Hire and fire manager
- Keep records of board meetings
- Call special board meetings
- Elect and remove officers (for cause)
- Employ auditor and select accounting system



Board of Directors Powers

- Determine patronage refunds
- Enter into contracts, sue, or be sued
- Evaluate short term and long term policies



Board of Director Responsibilities

- Moral and legal responsibility to serve the best interests of the members
- Call meetings
- Creating suitable working conditions for management
- Ensure operating policies are carried out by management



Responsibilities

- Inform membership of cooperative activities
- Ensure same treatment for everyone in cooperative
- No financial interest in private facilities providing supplies or services to the co-op
- Further knowledge and training with management, state co-op laws, and their co-ops articles and bylaws.



Board Liability

- Prevent liability by keeping sound records; provide members with records at request
- Boards can be liable for the following:
 - breach of trust
 - negligence
 - acts in excess of their power
 - fraud
 - misappropriation or conversion of co-op's assets
- Read and understand Chapter 272, Section 272.321 on liability issues



Causes of Conflict Between Manager and Board

- Conflicting views about organization's objectives
- Lack of understanding between board and manager about duties and functions
- Failure to properly reward good management
- Board's lack of focus on long-range planning



Conflicts Continued

- Failure to recommend and adopt clear cut policies
- Nepotism
- Board members' failure to represent membership
- Directors' assuming board authority outside of board meetings



A Board of Directors must be familiar with its Bylaws as a tool to guide business operations!

Bylaws define how your business makes decisions!!

