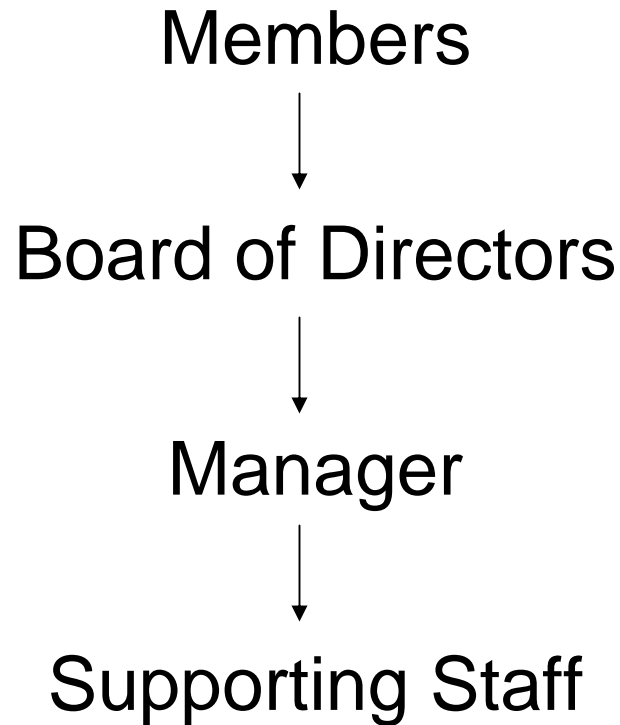

Management of Agriculture Cooperatives

Kentucky Center for Agriculture and
Rural Development



Typical Organizational Chart of a Cooperative



Cooperative Management Team

- The Board of Directors elected by the members. The Board employs manager, establishes operating policies, and supervises management of the cooperative.
- A professional business manager hired by the board of directors. Reports to the board of directors and responsible for day to day activities.

Working together, both the board and manager have the same overall objective but each has separate and divisible functions. When either doesn't know, or fails to recognize the division of functions conflicts will arise.



Board Responsibilities

- Serve best interest of the members
- Hiring best possible manager
- Determine operational policies and hold manager accountable to these policies
- Know and understand co-op's financials
- Inform membership about co-op
- Call regular meetings and conduct them properly
- Avoid nepotism and conflicts of interest

Board Powers

- Hire and fire manager
- Elect and remove officers (for cause)
- Keep records of board meetings
- Call special meetings
- Select accounting system
- Establish operating policies
- Follow by-laws; Change & update as needed
- Maintain membership records
- Determine patronage refunds or dividends



Manager Responsibilities

- Supervise day-to-day operations according to co-op policies
- Maintain an adequate accounting system
- Attend all board meetings
- Develop operating budgets
- Confer with board on need and development of new policies
- No financial interest in competitor or supplier of the co-op

Powers of the Co-op Manager

- Hire, fire, and train co-op employees
- Plan, organize, direct, coordinate, and control the cooperative's administrative and financial operations
- Report periodically to the board and recommend actions
- Conduct all activities as assigned by the board
- Represent the cooperative to the public

Five Management Functions

Business Management is the process of getting things done by and through others.

Management functions are actions or activities needed to perform a particular role.

Five recognized functions: Planning, Organizing, Directing, Coordinating and Controlling

Board and Manager perform same functions BUT have different roles and responsibilities



Function #1: Planning

Planning involves collecting information concerning business alternatives, synthesizing the information, and evaluating it to make sound decisions for the business.

Board: Long-term and broad in scope, e.g. strategic planning

Manager: Short-term, annual financial projections, and assists board with long-term goals and planning



Function #2: Organizing

Organizing involves arranging all of the resources of the cooperative so that the business operates as a productive unit.

Board Role:

- Human resources – hire a competent manager; design the overall organizational structure for staffing; set staff salaries; see that job descriptions and personnel policy handbook is in place.
- Capital Resources – Collect initial equity capital from members by membership fees, stock purchase and borrow sufficient funds to capitalize the co-op.
- Physical Assets – Lease or purchase buildings, equipment, etc. to start the business and for future operation of the business.

Manager Role:

Groups operational processes, assets, personnel and establishes their relationships for efficient day-to-day business operations.



Function #3: Directing

Directing involves setting well-defined, clearly understood and consistently administered policies, providing clear direction, and leading employees and members to achieve goals.

Board Roles:

Set Administrative policies, Credit policies, Financial policies, Membership policies, Patronage refund policies, and Record Keeping policies

Manager Roles:

Create positive working conditions, supervises, trains, and evaluates employees, and acts as spokesperson for cooperative.



Function #4: Coordinating

Coordinate all phases of that business so that each supports the other. Use physical assets, financial assets and human resources to accomplish predetermined goals & objectives of the business. Examples are:

1. Overseeing use of physical facilities
2. Arranging timely financing
3. Developing Manager's job description and fixing his/her compensation
4. Purchasing or selling assets to meet members needs



Function #5: Controlling

Directors exercise control of the business by:

1. Keeping themselves informed of the progress of the business.
2. Assuring acceptable performance in all phases of the business i.e. business plan bench marks.
3. They initiate corrective action when things go wrong with the business.
4. By preventing unauthorized actions by others – staff, members, business associates.
5. Accepting & approving financial reports.
6. Reviewing physical assets periodically.
7. Evaluating the manager.



Function #5: Controlling

This supervisory function assures satisfactory performance in all phases of the business.

- Manager measures and evaluates the results of employee performance.
- Executes board policies.
- Oversees physical assets of Cooperative.
- Responsible for recording keeping and bank accounts.
- Takes corrective actions when business goals and objectives aren't being met.



Interrelationships Manager & Directors

- Different roles within the same management function.
- They must function as a team.
- To avoid conflict and “to get the job done” they must:
 - Know the differences in the roles each play.
 - Respect each other’s different role.
 - Recognize how the separate roles interact.
 - Relate and accept each other’s independent role and judgment in the same function.

Harmonizing Director & Manager Roles

- Well defined organizational charts.
- Frequent and open communication with each other plus members.
- Executive Committee for quick action.
- Formal and written evaluations for the manager.
- Annual Business Plan development.
- Recognize that you are working together in a user-owned business to satisfy the majority of the customers.