



The Farmers' Cooperative Yardstick

Role of the Co-op Manager

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Co-op failures are probably no more numerous than failures in other businesses. However, listing the causes of co-op failures will almost always include cheaply priced management, which is the most expensive item in cooperatives. High-priced management is usually the least expensive.

In a cooperative, the manager spearheads all management. He must (1) solve the technical business problems, including sales promotion, purchasing, and everything relating to the physical distribution and pricing of commodities and services and (2) manage the accounting, financing, personnel, and other problems of the cooperative's operations. The manager is selected by the cooperative's board of directors and is accountable to them for his or her actions.

Powers of the Co-op Manager

Usually the co-op board of directors will give the co-op manager the authority necessary to operate the cooperative on a day-to-day basis. Typically, the co-op manager can:

- Hire and fire subordinates according to a general policy created by the board,
- Report periodically to the board and recommend actions,
- Plan, organize, direct, coordinate, conduct, and control the cooperative's administrative and financial operations,
- Train employees of the cooperative or have them trained,
- Supervise, conduct, and direct all jobs and activities delegated by the board of directors,
- Represent the cooperative to the public as the board decides.

Manager Responsibilities

The manager is an employee of the board and therefore should not be part of the board which hires managers and sets their salaries. However, the manager should be required to attend all board meetings and be an active, nonvoting participant.

The board may outline the manager's responsibilities to include the following:

- The manager shall supervise the detailed operations of the cooperative according to policies agreed upon by the board and shall recommend policies to the board.
- The manager shall maintain an adequate bookkeeping and accounting system; provide for its regular examination by competent outside auditors, selected by the board of directors, and at the regular annual meeting present a statement to the members of the co-op's financial condition.
- The manager shall attend all board of directors' meetings and make available a business report and a monthly financial statement as a minimum requirement.
- The manager shall devote full time to the affairs of the cooperative. No employee shall have a financial interest in any business concern with which the cooperative does business or engage in sideline activities or businesses in competition with the cooperative.
- The manager shall develop budgets of anticipated income and expected operating costs and present such budgets to the board as it may require.
- The manager shall bring to the board's attention all matters requiring board consideration and action.
- The manager shall confer with the board of directors on the development of new policies and appraise the effectiveness of policies already adopted.

Qualifications of a Manager

Most cooperatives will need a manager who can work at the job full time. Strong managers make strong co-ops. Weak managers make weak co-ops. A good co-op manager should possess all or most of the following qualifications:

- Intelligence—able to reason through technical and administrative problems.
- Creativity—able to devise new methods and techniques.
- Vision—able to look ahead at the trends in the business.
- Leadership—able to get others to follow him or her.
- Organized—able to carry forward the details of operating the business.
- Decisive—able to make decisions without hesitating.
- Ethical—able to distinguish right from wrong and having high standards of conduct.
- Effective speaker and writer.
- Flexibility—able to recognize differences in people and able to deal with change.
- Able to coordinate—able to bring together different viewpoints, analyze them, and compromise these views.

Relationship of Manager to Board

All operating decisions, employing and supervising personnel, choosing ways to implement policies, planning the co-op's day-to-day activities, and coordinating operations are a part of the manager's responsibility.

The manager shares some responsibilities jointly with the board, such as long-range planning. The manager usually provides the initiative and then helps the board make intelligent decisions. The purpose, future directions, broad basic policies, and aims and objectives of the cooperative are decided upon by this process. It should be noted that the board members make the policy decisions, and the manager should confine his or her activities to helping them make these decisions.

Causes of Conflicts Between Manager and Board

For a cooperative to provide maximum benefits to member-patrons, management conflicts must be minimized. Some of the major causes of a breakdown of sound relationships between the co-op manager and its board of directors are:

- Conflicting views about the organization's objectives. General ideas are not enough; the understanding must be definite and specific.
- Lack of understanding between the board and manager about duties and functions of each.
- Failure to properly reward good management.
- The board's tendency to concentrate on routine matters and overlook important functions such as long-range planning.

- The manager's failure to recommend, and/or the board's failure to adopt, clear-cut policies to serve as guidelines within which the manager can conduct the operations.
- The board's establishment of policies without consulting the manager.
- Employment of relatives of the manager or of a director.
- Individual directors' assuming board authority outside of board meetings.
- Board members' failure to represent the entire membership's interests.
- The board's failure to require periodic reports with enough information to show whether operations are being carried on satisfactorily.

Selecting a Manager

Several approaches can be used to recruit management personnel:

- Hiring both senior and junior executive personnel from other cooperatives;
- Hiring executive personnel from related or unrelated for-profit businesses;
- Hiring local or area professional personnel, such as vocational agricultural teachers, county agents, lawyers, economists, etc., who demonstrate executive ability;
- Utilizing news papers, trade magazines and other media to advertise for executive personnel, both locally and outside the immediate area;
- Utilizing junior and senior college and university placement bureaus to locate promising executive talents;
- Contacting bankers and other financial institutions for recommendations, since they usually develop keen insight into company executives and company personnel;
- Utilizing contacts with public trade and vocational schools or institutes on a local or area basis;
- Utilizing national co-op personnel bureaus which maintain lists of and contacts with promising executives.

What Subordinates Seek in an Effective Leader

- (1) They want to follow a leader who is not afraid of the position, of his or her own boss, of the people who work for him/her, of honest mistakes (theirs or his or hers).
- (2) They want a leader who believes his or her work is important, as well as those who are in it.
- (3) They want a leader who gets a kick out of work and helps followers enjoy their own work.
- (4) They want a leader who will fight for them if the leader believes they are right.
- (5) They want a leader who will tell them what's what when they know darn well it's coming—and a leader who will do it without losing his/her temper.

- (6)** They want a leader who recognizes them as people regardless of experience, school or training, religion, race, etc.
- (7)** They want a leader who knows most of the answers, but who will admit it if not, and go out and get the right answers.
- (8)** They want a leader who is predictable, one they can depend on to be the same most of the time.
- (9)** They want a leader they can't put anything over on, but who is human enough to look the other way when they occasionally make a fool of themselves.
- (10)** They want a leader who understands them, to whom they are not afraid to go when they have a problem.
- (11)** They want a leader who will give them a chance to try something hard or different from what they are doing now or have done in the past.
- (12)** They want a leader who can show them how to do a job without showing them up.
- (13)** They want a leader who will listen to them when they have something to say—and will consider their suggestions.
- (14)** They want a leader who wants them to succeed and who will be proud of them when they do.
- (15)** They want a leader who seems to be working him/herself out of his/her own job and them into it.
- (16)** They want a leader who respects them and never harshly corrects them in the presence of others or gossips about them.
- (17)** They want a leader who knows all that is going on first hand and turns a concerned ear to gossip and rumors.
- (18)** They want a leader who, if he/she cannot be loyal to the management or business, quits rather than work for and talk about their company or business.

The 22 Biggest Mistakes Managers Make

- (1)** Failing to keep abreast of developments in your own field.
- (2)** Confining yourself to your own specialty.
- (3)** Refusing to seek higher responsibility or take responsibility for your own actions.
- (4)** Failing to make sound and timely decisions.
- (5)** Neglecting to conduct personal inspections properly.

- (6)** Failing to make sure the job is understood, supervised, and accomplished.
- (7)** Wasting time on details or work that belongs to others.
- (8)** Refusing to assess your own performance realistically.
- (9)** Accepting the minimum performance instead of going for the maximum.
- (10)** Using your management position for personal gain.
- (11)** Failing to tell the truth—to always keep your word.
- (12)** Not setting a personal example for people to follow.
- (13)** Trying to be liked by everyone rather than respected.
- (14)** Failing to give cooperation to your employees.
- (15)** Failing to ask your subordinates for their advice and help.
- (16)** Failing to develop a sense of responsibility in your subordinates.
- (17)** Emphasizing rules rather than skills.
- (18)** Failing to keep your criticism constructive.
- (19)** Not paying attention to employee gripes and complaints.
- (20)** Failing to keep people informed.
- (21)** Failing to treat your subordinates as individuals.
- (22)** Refusing to train an assistant to take your place.

Compensating the Manager

A cooperative, like other business institutions, must pay salaries high enough to attract and retain good management. Such management must be capable of attaining the membership's goals and objectives, as expressed through its board of directors. Various compensation methods may be used including

- Straight salary
- Salary plus commission
- Salary plus a percentage of net savings
- Salary plus fringe benefits such as paid vacation, sick leave, sabbatical leave, auto use, life insurance, hospital and medical insurance, discounts on merchandise and retirement plans.
- Salary plus bonus on net sales
- Salary plus bonus based on percentage of annual salary
- Straight commission
- Salary plus stock and debenture options. The cooperative might consider paying costs.

