



# Understanding Cooperatives: Who Runs the **Cooperative** Business? General Manager and Employees

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When you buy a car, there are key considerations in doing so — the right vehicle (make, price, options, and color), the right financing (affordability, interest rate, terms, and length), and the right sales job (sales person's honesty, believability, and pressure). When the parts all come together, it's the right time to buy.

Cooperatives, as a form of business owned and controlled by the people who use it, can be compared to buying a car, in that several parts must come together to make it right. The most essential one is the people:

- ◆ Members, as the owner-users;
- ◆ Board of Directors, as the policymaking body;
- ◆ Hired Management, as the supervisor; and
- ◆ Employees, as the work force.

Each has specific roles and responsibilities in the overall operation of a cooperative.

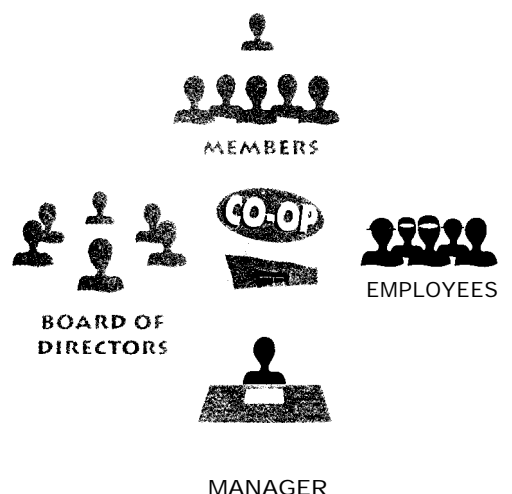
**Cooperative Management**  
Management of a cooperative is often incorrectly thought of as including only the hired manager and his key staff. This is far from the truth. Cooperative management should be regarded as a team consisting of four elements — members

(owners), board of directors (elected), the manager (hired), and other responsible employees (paid). Each part of the team has its own distinctive duties and responsibilities for performing management functions in a cooperative. This allows them definite, reserved rights in the ownership and control of the business. These important rights give them the privilege of taking an active part in the management of the business. To be effective, each must exercise these rights; otherwise they will have no voice in management.

Successful management of a cooperative, therefore, is based on intelligent and active cooperation of the members with the board and with the manager/employees, each group shouldering its own responsibilities to the best of its ability.

## Board/Manager Relationship

This section now specifically discusses the responsibilities of the hired management and employees. (Sections describing the responsibilities of the members and the board of directors are numbers 4 and 5, respectively.)





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The working relationship between a cooperative's board of directors and general manager is one requiring respect and an understanding of each other's responsibilities for it to function properly. The manager is an employee of the board and accountable to them for his/her actions. He/she should therefore not be a part of the board that hires or sets the salary for the position. The manager should be required to attend all board meetings though, and be an active, nonvoting participant.

The manager is responsible for the overall operation of the cooperative, as delegated by the board, relating to the management functions of planning, organizing, directing, coordinating, and controlling. This includes such operating decisions as planning the co-op's day-to-day activities, directing personnel, and coordinating operations.

### Responsibilities of General Manager

In a cooperative, the board of directors decides what the cooperative will do; the general manager and immediate staff decide how it can best be done — subject to board review — so as to achieve the basic objective of serving members effectively.

Under ideal conditions, the general manager's principal tasks are planning, reporting to the board of directors, conferring with key supervisors, maintaining good organizational relations, and controlling the cooperative's operations.

Responsibilities of the general manager are:

◆ Supervises and coordinates, under board direction, the business activities of the co-op by managing the people, capital, and physical resources.

◆ Oversees the detailed operations of the cooperative, within the policies established by the board of directors, and recommends changes and additions to the board when necessary. Management's job is to implement those policies, for example, the purchase of inventory and sale of commodities, the general appearance of the co-op, and employees of the cooperative.

◆ Hires, trains, supervises, and sets compensation for employees. He/she also needs to review their performance, and replace those employees not meeting acceptable performance levels. This reinforces the need for having clear job descriptions for all employees. Development and additional training of employees also should be provided as an opportunity for personnel to acquire new skills and qualify for added responsibilities.

◆ Maintains, and revises as necessary, an adequate bookkeeping and accounting system; develops for board approval a financial budget annually; prepares proper financial reports regularly for board review; and presents to the cooperative membership at the regular annual meeting, a report of the cooperative's operational highlights.

◆ Furnishes information needed for long-range planning. This will bring matters, such as fixed asset additions or revisions, to the board's attention for review. He/she also should make recommendations that will assist in reviewing the organization's objectives and goals in establishing policies, regulations, and programs, and making related plans. Based on those objectives, the manager sets goals and makes short-range plans involving the daily business of the co-op, subject to board approval.



MANAGER



◆ Represents the cooperative and portrays a positive image to members and others in the community. He/she needs to 1) encourage membership and active patronage; 2) communicate developments of the cooperative with members; 3) educate the general public about the cooperative and its activities; and 4) keep current on issues, local, State, and Federal regulations, and pending legislation affecting cooperatives.

## Selecting a General Manager

Selecting a qualified and imaginative manager is the most important single act of the cooperative's board of directors. The success of the cooperative depends more on the manager than on any other individual. It is the manager who directs the day-to-day operations, the one in charge full time.

There are not necessarily any behavioral, physical, educational, age, or gender standards that assure success as a manager. The men and women who move businesses forward successfully come from a wide variety of backgrounds. Some of the leadership skills and qualities important to the business they serve include:

- ◆ experience as a manager and leader;
- ◆ ability to convey ideas and communicate effectively;
- ◆ genuine interest and belief in the cooperative system;
- ◆ a desire to succeed and continually improve performance;
- ◆ ability to carry forward the details of operating the business;
- ◆ ability to recognize differences in people and be flexible in dealing with them; and
- ◆ good oral and written communication skills.

## Responsibilities of Employees

1. *Understand the purpose and objectives of the cooperative.* Employees need to know what cooperatives are and how they compare with other methods of doing business. By understanding cooperative purposes, objectives, operations, and their role as employees, they can help improve member relations, the cooperative's image, and the general public's understanding of cooperatives.

Management can inform employees about the cooperative through staff meetings, training programs, and printed materials. Many employees may be hired right out of high school or college and have received little or no education about the cooperative form of business before employment. This means that while employees are the ones responsible for understanding the purpose and objectives of cooperatives, management must pay particular attention to providing this type of employee education and training program.

2. *Fully perform duties.* In many cooperatives, like other business firms, the largest operating expense is for personnel. In addition to salaries and wages paid, these costs include interviewing, hiring, training, and fringe benefits. Training and developing employees, both formally and informally, must be the result of planned conscious efforts. It is a continuing process and may include on-the-job and programmed outside training. This requires sizable investment in employees to help them become productive.

Cooperatives, like other business firms, expect fully performed duties for the invested training, compensation, and benefits provided. Cooperative managers know they must pay competitive salaries and provide comparable

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EMPLOYEES



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benefits if they expect to recruit and hold qualified employees.

While the cooperative has responsibility for recruiting and providing training situations, the employee is responsible for using these opportunities to better perform service to members.

**3. Understand the relationship to member-owners.** In a small local cooperative, the manager can maintain good relations between the cooperative organization and its members. That personal contact keeps the members informed of their cooperative's activities. Immediate feedback from members is encouraged to keep the manager informed of problems, needs, and evaluation of services.

Situations can be quite different in larger cooperatives. Personnel hired by regional cooperatives may have sole responsibility for building cooperative image as they serve members. The only cooperative employees that members may encounter regularly from annual meeting to annual meeting may be the individual pumping the gas, the person answering the telephone, the truck driver picking up their milk, or the cashier. To the average member, they are the voice of the cooperative.

Employees, as representatives of the cooperative, must understand the relationship of the business to the member-owners. They must realize the members, not employees or the manager, own the cooperative, and that services provided are the primary function of the cooperative.

**4. Favorably represent the cooperative.**

Employees help build the cooperative's image as they serve members and the community — both on and off the cooperative's premises. Employees should keep the premises clean and attractive; make sure equipment and service tools are operating; serve members pleasantly, promptly, and in the order promised; and take an extra step to give members satisfactory service.

Employees, within limits of cooperative policy and like their manager, can be community boosters by taking part in religious, school, or community affairs. Their efforts can positively affect the cooperative image held by members, the general public, and other businesses.

## Conclusion

In the cooperative organization, the people involved — members, directors, management, and employees — must:

1. Understand their responsibilities in the organization;
2. Understand the roles of the others involved; and
3. Be motivated to help the organization function effectively.

Understanding the uniqueness of the relationship between the cooperative business and the people who own it provides an opportunity for the manager and employees to develop and maintain positive public and member relations. All will help contribute towards a successful organization for a cooperative's members, directors, manager and employees, and the community it serves. ■

This circular is one in a continuing series that provides training information and presentations for education resource persons who may or may not be familiar with the cooperative form of business. This series provides the basic background material they need, in a form that can be readily adapted, with limited preparation time, to a lecture or other presentation.

For a complete listing of the series, write to Rural Business/Cooperative Service, 1400 Independence Ave., SW, Stop 3257, Washington, DC 20250-3257.

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