



TREATISE ON DUTIES OF DIRECTORS AND THE MANAGER
OF A MICHIGAN DAIRY PROCESSING COOPERATIVE

by

Lee Don Adami

AN ABSTRACT

Submitted to the College of Agriculture
Michigan State University of Agriculture and
Applied Science in partial fulfillment of
the requirements for the degree of

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THE EFFECT OF LIGHT ON THE GROWTH OF
A VIOLET-ROOTED MIMICRY COCCONIA

by
Jas. Van Aartsen

ABSTRACT

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Increasing competition and lower operating margins along with increasing costs are causing a greater necessity for competently managed dairy processing cooperatives. Qualified board members are not necessarily sufficient. They must know their specific duties and perform them in harmony with the manager and the membership of the cooperative.

A check list type questionnaire was sent to a total of 54 presidents or secretaries of boards of directors and 26 managers. A return of 83.3 percent was received from directors, and 96.2 percent of the managers.

Results of the questionnaire revealed the directors need a guideline of specific duties and a more thorough knowledge of the fundamentals of business so they can evaluate the performance of management and their own policies. Sixty-four percent of the directors indicated they should evaluate a sales cost analysis study with the manager while fewer (44 percent) felt they should evaluate a more important report—the operating statement. Forty percent of the directors indicated the manager should employ the accountant for an audit at the end of the year while 56 percent of the managers disagreed, indicating this is a sole duty of the board of directors.

Consistent replies by managers and directors indicated the board should make the final decision on issues of major importance to the cooperative, for example large financial transactions, expansion programs and so forth.

ABSTRACT

Lee Don Adami

Managers and directors generally agreed that the mutual duties included: planning a 10-year member adult education program, deciding to enlarge the purchase services, planning growth goals and changing the objectives of the cooperative.

Unanimously the managers and directors agreed that the directors have no duties in the area of hiring, dismissing, evaluating or specifying duties of employees. The results revealed directors have little if any responsibility in the area of day-to-day operations.

To assist the directors in understanding their duties a guideline of duties for them and for the manager was prepared as well as for the membership. The recommendation to the cooperative members are: (a) select qualified directors, (b) require that directors know and perform the duties of their office and (c) vote on decisions of great importance to the welfare of the cooperative. The board of director's duties are: (a) decide major policies, (b) select and support a competent manager, (c) evaluate management's performance, (d) ascertain if objectives are being accomplished, (e) decide on large financial operations and (f) miscellaneous, such as hiring a consultant. Recommendations of mutual duties (board and manager) are: (a) planning and developing policies, (c) selecting an assistant manager and (c) promoting membership relations. The manager is responsible for: (a) executing policies dictated by the board, (b) directing and controlling day-to-day operations and (c) providing dynamic leadership.

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INTRODUCTION

Importance of Cooperatives and Dairy Product Cooperatives to Farmers

Historical reports indicate the individuality of American farmers in their organization of agricultural cooperatives, and the significant economic role played by these cooperatives in the American dairy industry. By 1913, the earliest available data, 3,099 cooperatives had been organized, while by 1929-30 the largest number (12,000) was in existence. By 1954-55, reported Gessner (1958), a gradual decline to 9,887 occurred in the number of cooperatives. These had a gross business of \$12,500,000,000 and although the number continued to decrease to 9,872 by 1956-57, the business increased to \$13,500,000,000. A still higher gross business of \$14,005,716,000 was handled by the 9,716 cooperatives in the latest survey of 1957-58.

Gessner (1960) explained that this decreased number should be expected since over a 30-year period from 1926 to 1956 the number of farms has decreased from 6,400,000 to 4,800,000. Significant, however, is the membership of 7,700,000, an increase of 5,000,000, in this period. By 1956-57 membership had decreased to 7,671,730 and continued to decrease to 7,485,115 by 1957-58. But a comparison of the 1913 membership of 651,186 with the 1957-58 figure shows that the farmers have supported agricultural cooperatives.

The number of Michigan agricultural cooperatives totalled 238 in 1956-57, reported Gessner (1960), and 230 were reported in 1957-58.

The membership decreased from 207,940 to 193,355. The net business by Michigan agricultural cooperatives was \$334,163,000 in 1956-57 and was \$346,728,000 in 1957-58.

Nationally, the dairy processing cooperatives retained the highest gross value of agricultural products marketed in 1958. Gesner (1960) reported 1,771 cooperatives handled dairy products; 18.2 percent of the total 9,716 cooperatives organized in 1957-58. The gross business by these cooperatives amounted to \$3,490,673,000 for 1957-58, which was 24.9 percent of the total \$14,005,716,000 gross business of all cooperatives.

Ulrey and Howland (1956) studied Michigan's dairy cooperatives in 1952-53 and reported 216 dairy cooperatives served 88,202 members and 88,115 patrons with annual sales of \$134,600,000. At this time 41 Michigan cooperatives operated dairy plants that handled products valued at \$54,548,000. These cooperatives increased the value of products 22.6 percent, or \$12,347,000.

Definition of Terms

Agricultural Cooperatives. Legal birth of agricultural cooperatives came from the February, 1922 enactment of the Capper-Volstead Act. Hulbert (1957) quoted a portion of the Act: "persons in the production of agricultural products as farmers...may act together in associations, corporate or otherwise, with or without capital stock, in collectively processing...and marketing in interstate and foreign commerce, such products of persons so engaged."

Under the act such an association of farmers could have marketing agencies in common where the cooperative and its members could make necessary contracts and agreements to accomplish their stated purposes. Emphasis was placed upon the provisions of mutual benefits for the members as the producers. The act also specified no member of a cooperative would be allowed more than one vote whether he owned large or small amounts of membership capital; the cooperative would not pay dividends on stock or membership capital in excess of 8 percent per year; the cooperative would not handle products from nonmembers in greater value than that handled from its members.

Dairy Product Cooperatives. Dairy product cooperatives are defined in this thesis as the commercial dairy plants that are owned by an association of farmers to process and/or manufacture and market milk supplied by the farmers. Michigan statutes require a 7 percent per year dividend restriction. Ulrey and Howland (1956) found dairy cooperatives of Michigan conformed to this restriction and to the other two requirements of the Capper-Volstead Act.

Administration of Cooperatives. Administration is the performance or discharge of the executive duties of a business. The term refers here to the combined actions of the board of directors and manager.

Management of Cooperatives. Management is the art of attaining objectives through other people. The manager and other supervisory personnel of lesser authority are responsible to perform this art.

Duties and Responsibilities. The duties and responsibilities of a job are the tasks demanded of a job which are assigned to the person or persons fulfilling the job, making him or them accountable for the tasks. For easy reading, the term "duty" will refer to both duty and responsibility.

The Need for This Study and Objectives

Surveys indicate directors and managers are not in agreement relative to the duties of one another. Ray (1951) reported 16 percent of the Indiana directors he interviewed felt the manager was making one or more decisions that were the responsibility of the board of directors. Hulbert et al. (1960) found 752 directors of regional co-operatives allowed the manager to make final decisions in only one phase in managing the cooperative.

Bakken (1931) warned of unclarity between directing and managing and Samuels (1958) asserted the need for a clear delineation of the duties of the board of directors and manager. Hulbert (1958a) and Gardner (1958) agreed directors must understand their duties better if the cooperative movement is to progress. Griffin et al. (1955) and Gardner (1959a) pointed out that increased complexity and integration will require directors to effectively perform their duties.

Therefore, the objectives of this study were to survey members of the boards of directors and managers of dairy product cooperatives for their opinions of the duties each should perform and to prepare a sound guideline of the duties of the board of directors and the manager.

LITERATURE REVIEW

The literature pertaining to the duties of the administration of agricultural cooperatives is voluminous. Studies have covered such wide areas as the definitions that directors had of their role in decision making, to a case study of actions and powers of a cooperative administration. Publications of both an agricultural and non-agricultural nature have contained articles delineating the duties of the cooperative's administration. The wide coverage indicates the extent of the interest in the subject.

Characteristics of Agricultural Cooperatives

Garner (1944) implied the ownership of agricultural cooperatives is the greatest difference between farm cooperatives and private agencies since farmer members must arrange for the initial capital. Adams (1960) denoted the significance of ownership in his assertion that a dissatisfied cooperative member is an unhappy owner. Earlier Bakken (1931) had insisted that the principles of cooperation demanded the farmer be owner.

McBride et al. (1926) and Garner (1944) referred to the ownership principle as the one-man, one-vote, or democratic control principle. Garner (1944) stressed that the principle is essential to a cooperative's success since the conception of cooperatives is based on each member having only one vote. Vennes and Brinkley (1950) agreed, emphasizing the cooperative is an organization of users with

democratic control as one of its main purposes. Hulbert et al. (1960) stated the principle of democratic control dates back to the days of the Rochdale pioneers. Present day adherence to the principle is evident from reports by Ulrey and Howland (1956) on Michigan dairy co-operatives and Hulbert et al. (1960) on regional cooperatives. Fallon (1958) criticized the principle. He argued the farmer-member who does not patronize the cooperative 100 percent, but still has one vote, definitely has a different relationship with the cooperative than the farmer-member who has a large rigid contract agreement with the cooperative.

Other methods of control have been employed, Hulbert et al. (1960) reported. They found the one-share, one vote; vote by tonnage; vote by dollar volume; vote by tonnage and dollar volume; and vote proportional to revolving fund investment as methods in use. McBride et al. (1926) referred to a commodity control approach whereby the number of votes was determined by the amount of product from a member. This system of control, claimed Ulrey and Howland (1956), did not appear in conflict with the principle of democratic control.

Because of the democratic control principle Bakken (1931) claimed the membership must be kept informed. Lowrie (1958) agreed this is vital, though she pointed out specific problems in informing members. Since net savings to be allocated and the patronage refunds to be distributed should be known to members, accurate and continuous information on operating costs is entailed in managing a cooperative.

She stated this involves a more detailed cost accounting system than a comparable non-cooperative business would have in use.

Though How (1950) agreed with the need to inform members, he explained a distinct advantage that cooperatives have over proprietary businesses in marketing their members' products. The advantage is the ability of the cooperative to attract patronage which develops from any action that improves the returns to members. He added the non-monetary values such as confidence in an organization by its owner-users also serve to attract members. Nelson (1959a) postulated that a large competitive advantage results from an active-attracted membership. He elucidated that this type of membership should elect an active and interested board of directors who officially represent the members and have the support of the membership. He conceded this organizational or competitive advantage can be tremendous, creating business and support, or it can be a hindrance, handicapping progressive plans and decisions as well as stifle cooperative management.

Swanton (1959b) claimed that cooperatives represent to their members and patrons a personal business of the basic form. He suggested the cooperative's activities are, next to the member's own farming operation, close personal matters. He added that the cooperative members' economic status varies more than corporate investors. As a result of this, he explained, cleavage of interests and attitudes frequently generate conflicts within cooperatives that may be reflected in the board. He asked these two factors be contrasted with the business activities of non-cooperative corporations that have

little direct connection with the investor's personal business. He pointed out that policies of cooperatives tend to develop more slowly and often are less clear. He claimed non-cooperative corporations gain from being more impersonal and are divorced from emotion, so it is easier for them to be more practical and makes decisions quickly.

Purpose of Agricultural Cooperatives

Nourse (1957) defined the cooperative movement as the means of organizing members of an industry in order to conduct and adjust the industry's affairs in the common interest of the group. He strengthened the membership orientation in asserting that "no amount of benevolent despotism or pure efficiency of a remote management will take the place of continuous, active, studious participation by members in the formulation and carrying out of plans and policies." McBride et al. (1926) and Cleveland (1959) agreed with Nourse, that a distinguishing feature of cooperatives is the aim of rendering service, though they also included the purpose of securing savings for the members. However, Cleveland (1959) emphasized that these overall purposes occasionally are overlooked. Miller and Jensen (1947) and Mischler and Hulbert (1956) pointed out that the foundation of cooperatives rest upon the psychological and economic needs of the members.

Voorhis (1957) enlarged upon the purpose of cooperatives by stating that their aim is "to secure for the farmer a fair price for his product, to protect both farmer and consumer by providing quality standards, and to enable the farmer to retain ownership over his crop

through as many steps as practical as it flows toward the ultimate consumer." But, Stokdyk (1957) specified the primary purpose of cooperatives is economic. He explained the economic objective is related to prices paid and received, quality of goods purchased and quality of services rendered, although he maintained that cooperatives aim to perform a given service or function at cost in order to increase the returns or profits of the membership. He further specified that marketing cooperatives aim to reduce the margin between terminal market prices and return a higher net margin to the farmer through patronage refunds.

Koller (1957) theorized that cooperatives in the American capitalistic economy should strive to be competitive pacemakers and not monopolistic manipulators. Lowrie (1958) described ramifications of cooperative's purposes in their stabilizing effect on markets, and their cost-of-doing business principle which presupposes that cost of production will be less or at least not more than the competitors.

The Lack of Corporate Management Skills

The history of cooperatives has shown, Crisp (1956) declared, that cooperatives possess one inherent weakness: no principle upon which they are founded assures that those who are elected to direct are possessed of sufficient know-how to direct successfully. Cooperatives, asserted Miller and Jensen (1947) usually have a large proportion of members who know little about the actual operation of their joint business. The recognized members' attitudes toward management

are instrumental for cooperative success but that a lack of concept and appreciation of business principles may be derived from the "quasi-isolated farm life" of farmers. McKay (1958) pointed out that the absentee administration of cooperative boards is most unlike the corporation's executive board members.

Gardner (1959b) and FunderBurk (1959) agreed that most directors of farm cooperatives are capable and experienced men in their own farm business, but they have had little experience in helping direct a cooperative business. Lowrie (1958) shared this belief, explaining the business problems confronted by cooperatives may be new to farmer-board members. Bakken (1931) explained that on short notice few persons are prepared to assume the responsibilities attached to the work of directing a cooperative or devote the time necessary to perform the tasks of the position. More specifically, How (1950) stated in his case studies of a group of milk marketing cooperatives of New York State that few directors had the training or experience necessary to capably analyze financial statements or thoroughly check on cooperative operations. He gave this lack of training and experience as the cause of difficulties by cooperative directors to perform the duties that proprietary directors considered to be their responsibility.

The Modern Management Concept

Anonymous (1959) expressed a prevalent contemporary viewpoint in that modern business management is a profession just as much as the

practices of law and medicine. Ragan (1958) agreed "managing" has rapidly developed into a specialized function, while Hulbert (1959b) asserted that obviously the amateur managers are decreasing in numbers since trained management has become a profession.

Ragan (1958) characterized professional management as becoming distinct from the various functions associated with producing and selling an organization's products, such as manufacturing, engineering, sales, accounting or personnel. Nelson (1959a) described the distinctiveness of management in three ways. First, he explained the technical or specialized areas of managing such as selling, accounting, personnel or manufacturing. He argued any person could become an expert in several of these areas and still not be a good manager. Secondly, the commodity or service approach of managing deals with the products managed, namely feed, ice cream, cheese, or insurance. The third way to manage, which is the essence of management according to Nelson, involves planning, organizing, directing, coordinating and control.

Ragan (1958) and Knapp (1958a) indicated that the influential cause of change in management is the industrial revolution in which businessmen, including farmers, find themselves. Ranney (1957) explained that new economic, social, and political forces are mounting at an almost "incomprehensible rate." An anonymous author (1957) indicated that "many forces are at work that when summed up cause a vastly more complex and vastly more involved business than ever before." Forces identified were population changes, customer buying

habits, expanded marketing areas, increased costs and narrowing margins. He emphasized the trend of fewer fluid milk plants and the collorary trend of larger plants. Anonymous (1959) predicted that changes will continue to occur at breath taking speed.

Hulbert (1959a) identified a change that has made management a distinctive function. He claimed that market forces are tying up functions of production, processing, distribution and marketing closer and closer together which blurs the sharp line of demarcation between on-farm and the off-farm functions.

Benham (1960) indicated the significance of management by asserting that in order for cooperatives to grow larger and more efficient as marketers of farm products "men of high managerial acumen" will be needed. An anonymous author (1957) maintained that the existence of small dairy plants depends largely upon the managerial skill of the men who manage them. Volkin and Griffin (1959) and Benson (1955) indicated the need for competent, well-trained management talent. Ragan (1958) claimed managers of agricultural cooperatives, and those to whom administrators are accountable, need adequate knowledge and skill in principles, tools, and techniques of good management, just as managers of other types of business enterprises.

General Administration

Givens (1957) and Fallon (1958) challenged cooperative administrations to keep abreast of drastic shifts, developments and changes in organizational structure. Later Givens (1958) and Manuel (1958) accused cooperative administrations of not setting the pace in

organizational structures. Givens (1958) charged cooperative administrations with loosely organized, hastily thrown together organizational setups. Therefore, he suggested that the administration of cooperatives develop an organizational structure that will compete in the growing American economy. He recommended that they: (a) clearly define authority and responsibility, (b) departmentalize sufficiently, (c) define employee patterns of progress, (d) provide a framework for an effective administration of a salary-wage scale and (e) provide a climate for effective teamwork.

Lowrie (1958) explained that a flexible dynamic organization is needed in order for a good director-manager relationship to exist. She maintained that more than friendly feelings, good-will and mutual respect are involved. Hulbert (1959b) suggested directors lend guidance and leadership to hired management to accomplish this type relationship. Nelson (1959a) charged directors to ask themselves why the cooperative is in business and then vocalize both the philosophical and ethical viewpoints. He argued that directors must be active in long-range planning and providing qualified personnel and suitable working conditions.

Knapp (1958b) asserted that if the cooperative administration is to set the pace they must improve the quality of management and improve the quality and performance of boards of directors. Hulbert (1960) explained that the value and effectiveness of the board as a management resource depends upon: (a) the grasp of duties by board

members, (b) working harmoniously in groups and (c) hired management developing director's skills. Swanton (1959a) challenged cooperative administrations to be alert to great change and be determined to help themselves, for they can be masters, not victims of the confusion and conflict around them—they can be "challengers, not the challenged."

Duties of the Board of Directors

Legal Responsibilities. Judge Morrison (1958) explained that directors occupy a fiduciary relationship to the cooperative, that is a position of trust. This relationship, he added, makes directors strictly accountable for their acts and the discharge of their duties. Bakken (1931) explained that the board is delegated power and power implies a liability. He added that under the law the director is held personally liable for any damage or injuries that occur to the cooperative because of his negligence or failure to fulfill his office. He specified that if directors exceed their authority or violate the charter, bylaws or marketing contracts they are subject to legal liability. He continued that directors are not liable for losses due to dishonest officers or employees unless they selected or employed dishonest men or retain them after dishonesty was known. Losses due, he added, to misconduct of a fellow board member is not a director's liability providing the director is without fault.

Ray (1951) found that only 25 percent of the directors he interviewed realized they could be held legally liable for mismanagement or dishonesty on the part of the manager. He forcefully stated that the position of director does carry considerable legal liability.

Meek (1958) assured directors their liability cannot be relieved by delegating management to someone else.

Hulbert et al. (1960) explained that legal liability may result from the directors' failure to observe the bylaws. Swanton (1956) and Cleveland (1959) asserted directors have the duty to carry out the purposes and procedures outlined in the basic documents of the cooperative, the articles and bylaws. Griffin (1959) and Irwin (1960) agreed directors are responsible to read and keep in mind at all times the essential provisions of the articles and bylaws of the cooperative. Ray (1951) reported only 57 percent of the directors he interviewed had read the bylaws of their cooperative. Gardner (1959b) found 73 percent of the 752 directors surveyed had copies of their cooperative's bylaws. Though he expressed concern over the fact that only 64 percent of these 752 directors had an available copy of the current articles of incorporation.

Nelson (1959a) stated that the board has the duty of maintaining the legal entity of the cooperative but especially the board has the duty to establish and maintain the charter and bylaws. Cleveland (1959) stated the board may amend or rewrite the bylaws. However, Jaynes (1949) claimed the director's job is to suggest changes in bylaws if they become obsolete and remind the board it must not ignore the bylaws. Swanton (1956) indicated the directors, along with the manager, should review the articles and bylaws, suggesting amendments in line with organizational improvements. Recently Volkin et al.

(1960) reported bylaws of regional cooperatives had been written so that the board of directors had the duty of changing the bylaws.

Hulbert et al. (1960) recommended that directors set aside time to review the bylaws every year or two.

Nelson (1959a) insisted that the board of directors retain the duty of making legal contracts. Bakken (1931) warned that the cooperative has a right to recover from directors the monetary values realized in illegal contracts. Fraser (1958) specified the board of directors execute contracts though he did not explicitly state who makes the contracts.

Bakken (1931) and Cleveland (1959) charged directors with the duty of being familiar with the law and pertinent court decisions since the law describes the areas within which directors may safely act without personal liability. This aspect was illustrated by Gray (1960) in his description of the recent Supreme Court interpretation that agricultural cooperatives are not immune from antitrust acts.

Selection of the Manager. Copeland and Towl (1947), How (1950), Ray (1951), Mischler and Hulbert (1956), Anonymous (1958a), McKay (1958), Cox (1958), Hulbert (1959b), and Volkin et al. (1960) agreed the board of directors are responsible to select and hire a competent manager and dismiss an incompetent one. Ray (1951) enlarged upon the duties by charging that directors should know how to get the most out of the manager's services and how to evaluate his services. Mischler and Hulbert (1956) specified the board of directors are responsible

to define the manager's duties, fix his compensation, and dismiss the manager with or without cause. Volkin et al. (1960) found agreement with this in bylaws submitted by regional cooperatives.

After the employment of the manager Copeland and Towl (1947), Miller and Jensen (1947), Swanton (1956), Anonymous (1958b) and Duggan (1958a) indicated the board of directors must avoid getting into the field of management. Copeland and Towl (1947) and Swanton (1956) argued that whenever the board or a member of the board meddles with management the welfare of the cooperative is menaced. Duggan (1958b) specified the directors should let the manager carry out the details of adopted policies and give him responsibility for the day-to-day affairs of the cooperative. Miller and Jensen (1947) warned directors not to take over management's prerogatives. Copeland and Towl (1947) and Cleveland (1959) pointed out that the directors are responsible not to act individually when dealing with management. They emphasized that directors have no legal power except at properly held board meetings.

Bohnsack (1960) outlined the problem created by the board's encroachment upon the manager's duties. First, the board may make unsound technical decisions. Second, the board's meddling in the duties of the manager undermines the manager, making him more dependent upon the board. Thirdly, the manager may then dodge his responsibilities and become discouraged. Finally, the board may neglect to discharge its own duties properly.

Formulate Policies. Bakken (1931), Raper (1956), Swanton (1956), Abrahamsen (1957), Anonymous (1958a), Fraser (1958), McKay (1958), Volkin (1958), Hulbert (1959b) and Brown (1960b) agreed that the formulation of policies is a major duty of the board of directors. Raper (1956) concluded that the opportunities of directors are practically unlimited since the formulation of policy is their principle responsibility. Swanton (1956) explained that directors should be looked upon as the cooperative's legislative body which formulates policy. Volkin et al. (1960) reported 42 percent of 752 directors mentioned most frequently the duty of formulating good policies. They qualified the duty by remarking that the policies formulated should be consistent with the cooperative's objectives, in order to guide the management of the cooperative.

McBride et al. (1926) warned directors not to delegate the responsibility of policy formulation to the manager. Ray (1951) and Cox (1958) asserted the general management policies should be determined by the board of directors. Miller and Jensen (1957) and Duggan (1958a) emphasized a director has a responsibility to determine policies in conjunction with other directors of the board.

Establishment of policies is a duty according to Mace (1948), Cleveland (1959), How (1950), Nervik and Gunderson (1954) and Hardy (1959). Mace (1948) specified that establishment of policies determines, among other things, the objectives, direction, nature and the character of the enterprise. How (1950) postulated the responsibility

of policy development may be assumed by either the manager, board, or members, depending upon the extent of active control by each. He added the board or membership may reserve the right to authorize the policy. Nervik and Gunderson (1954) argued the final decision to adopt major policies rests with the members.

Lowrie (1958) asserted that directors, as policy makers, decide "what." Nelson (1959b) argued the board has to make the decisions and take the accountability for the policies that are made.

Bakken (1931), How (1950), Ray (1951), Abrahamsen (1957), Anonymous (1958a), Cox (1958), Fraser (1958) and Griffin (1959) agreed that once directors enunciate the policies they likewise have the duty to see that policies are executed.

Control of the Cooperative. To discharge fully the duties the members have entrusted with directors, Bakken (1931), Garner (1944) and Anonymous (1958a) agreed the directors must attend all board meetings and maintain a record of all actions. Anonymous (1958b) advocated directors discuss problems of the board during meetings and not with individual board members to prevent "whisper campaigns."

Swanton (1956) explained a problem encountered by most democratic institutions, that is the organization's becoming a victim of internal politics. He continued that some directors are imbued with the dangerous notion that service on the board offers an opportunity to "feather their nests." He charged directors must carefully guard against being a gossip-monger and discharge their duties of stopping

unfair criticism and correct misimpressions. Swanton (1959b) argued cooperatives should not have to suffer from the paralysis of internal politics, referring directly to cliques and selfish group action.

Ray (1951) elucidated that the director's most important duty is understanding his job and the business with all its limitations and all its objectives. He insisted directors need not patronize his cooperative 100 percent, but he should decline the position when elected if he cannot do most of his buying and/or selling with the cooperative. Bakken (1931) and Abrahamsen (1957) charged that directors should not become interested in another business that may be counter to his cooperative.

Copeland and Towl (1947) and Mace (1948) elucidated that the continuity of the enterprise depends upon the existence of the board of directors. Copeland and Towl (1947) charged directors with the duties of providing spirit of enterprise and the realization that the successors to top management do not come automatically. They warned against the one-man-show type enterprise. The greatest requirement of a director, claimed Ray (1951) is to evaluate his job, which is not an easy task. Garner (1944), Miller and Jensen (1948), Abrahamsen (1957) and Anonymous (1958b) agreed a director should not accept the director's job to gain political, personal, business, social or religious advantages. McBride et al. (1926) enumerated some "pitfalls" and "snares" directors should avoid: (a) assuming undue financial responsibility--they cannot carry financial burdens personally, (b) the

lure of selfish gain—not wanted is one who directs for self interests and (c) cultivating political favors—the temptation to play politics can tear down a cooperative administration.

Folkman (1958) reported that one-third of the 51 directors he surveyed in Arkansas defined their role as a "control function." He explained this function was expressed in two ways. First, as a rather "diffuse trustee function whereby the director was oriented to watch out for the general interests of the cooperative and/or its members." But more frequently the directors expressed the function as a specific policy function where they checked on the manager, finances and cooperative aspects. Griffin (1959) charged directors must keep a watchful eye on all aspects of the cooperative to assure financial success and maintain the characteristics of the cooperative. Nelson (1959a) indicated the board, as trustees of the members' interest, guards the following: (a) soundness of investments, (b) security of assets, (c) continuity of enterprise, (d) quality of service, (e) prestige and goodwill and (f) character and personality of the organization. Garner (1944) claimed directors have the duty of making up budgets and seeing that they are followed.

In relation to the control of the cooperative Copeland and Towl (1947) explained the "watch dog theory." They defined the theory as the policing of the executive officers' functions by the directors in order to watch the interests of the stockholders. Mace (1948) broadened the theory to mean that directors act in the interest of the organization as a whole with their actions accruing to the benefit

of all stockholders whether members of the majority or minority group. Copeland and Towl (1947) and How (1950) opposed the theory arguing it was negative in nature. Copeland and Towl (1947) explained the theory implies that all executives are "rascals or irresponsible persons" that must be watched and curbed. They maintained that the theory is destructive to the spirit of enterprise. How (1950) stated the theory emphasizes that directors have a duty to guard against fraud and neglect versus their duty to promote improvements and plans for the future.

Hulbert (1958b) pointed out that there is no unanimity of opinion as to who makes the final decisions in cooperative management. McKay (1958) asserted the board has the duty of making the final decisions while Vennes and Brinkley (1950) argued the final decision rests with the members. How (1950) theorized the duty of final decisions varies between the board, manager and members depending upon who maintains the most active power. Folkman (1958) noted that the steps from the origination of an idea by a manager to the decision on the idea by the board was not immediate or clear. He found the initiator of the idea (the manager) went through his own planning stage prior to presentation to the board. Later the board would retrace the manager's stages. He claimed this "demonstrated the director's acquiescence in a role involving merely acceptance or rejection of action proposed by the manager as opposed to initiation." Volkin et al. (1960) asked regional cooperative directors, who in their judgment,

should assume the duty of decision-making in 21 different areas. The replies revealed that directors were willing to permit the manager full responsibility in very few areas.

Duties to the Membership. Jaynes (1949) explained that the members adopt the articles of incorporation and bylaws that govern the cooperative. The real boss, claimed Swanton (1956), is the membership of the cooperative. A good director, he added, is a sort of human antenna with himself and the rest of the board being the eyes and ears of the organization that reflects the heartbeat of the membership. The members expect directors, asserted Griffin (1959), to base their decisions on the best facts available, and members expect constant vigilance on the part of directors to minimize losses and maximize gains.

Bakken (1931) and McKay (1958) insisted that directors, due to their strategic position in the cooperative, should be able to assist in developing a proper membership relation. Bakken (1931) quoted a manager as stating that the director's primary job is to develop confidence of the membership. Significance of this duty was expressed by Garner (1944) when he claimed that members will give the cooperative their entire volume and confidence if they know: they can trust the organization, that good results will be obtained and that business methods are sound. Henning (1945) claimed members should express their thought to the directors, the directors to the manager, and the manager should develop his own solution.

Some cooperatives fail, claimed Baughman and Dankers (1942) because of the lack of membership understanding and loyalty which resulted from members not being adequately informed. They charged directors with keeping the members informed of progress being made and obstacles standing in the way. Crisp (1956) explained that "an enlightened membership is the only ultimate assurance that cooperative directors will be selected in accordance with those high qualifications necessary for best business direction." Members, claimed McBride et al. (1926), are entitled to know the true condition of the business so the directors should keep them informed in order to maintain the members' trust and satisfaction. Jaynes (1949) specified directors have the duty of informing members of the financial condition of the cooperative at least once a year. Recently Volkin et al. (1960) reported that 10.6 percent of 752 directors indicated the duty of keeping members and patrons informed was of the utmost importance. Earlier, Folkman (1958) found that no organized or formal attempt was made to inform members of a proposed physical expansion of the cooperative until the time came to approve the action. He indicated members did learn of the details of the proposal through informal channels. Venmes and Brinkley (1950) argued, however, that cooperative officials and employees should never attempt to assume the sole duty of keeping the members well informed.

Miller and Jensen (1947) asserted an inadequate program of rural education is one of the strong reasons cooperatives fail. The

important factor, they explained, is to have full distribution of effective and authentic information to the farmers. An anonymous author (1958a) advocated directors counsel members and strive to determine their needs. He argued the directors are responsible to keep the organization a member's cooperative and not a director's or manager's cooperative.

Bakken (1931) and Abrahamsen (1957) agreed directors should know the members' attitudes and their marketing needs, and then plan to meet their growing and changing needs. Abrahamsen (1957) specified the duty entails giving careful consideration to financial requirements to meet facility and operating needs, good employee selection and development, and an effective information program. Volkin et al. (1960) found directors frequently mentioned the duty of acting in the best interest of members and patrons and the need to be consistently alert to the members' changing needs. They expressed concern with the directors that showed a narrow interpretation of the duty of serving only members of the district from which they were elected.

Irwin (1960) itemized the director's duties in the following manner: (a) take an active part in the board meetings, (b) know how the cooperative is organized, (c) set the example by buying and selling everything possible through the cooperative along with speaking up for the cooperative and expecting no special deals, (d) know their cooperative's service facilities and equipment, (e) have a knowledge of stock and financial structure and long term obligations and (f)

listen to members' suggestions and complaints and refer them to the board for action.

Obligations to the Community. An anonymous author (1958a) asserted that directors are responsible for representing the cooperative as a whole and not just one community. He added directors are also responsible for considering the welfare of the neighboring cooperatives. Abrahamsen (1957) explained that cooperatives are continuously under scrutiny and directors can use this condition as an asset. He argued that furnishing the public with full and correct information about the cooperative could do much to dispel distrust and misunderstanding. He suggested cooperatives participate in civic affairs, encouraging employees to take part in community life and at the same time promote public relations by working harmoniously with research agencies, local universities and vocational-agricultural departments of high schools. Mace (1948) concluded boards of directors often neglect their duties to the community. He argued board members should consider the effect that each proposed policy will have upon the community.

Financial Administration. Duggan (1958a) stated directors are responsible for establishing fiscal and financial operations. Copeland and Towl (1947) maintained the board of directors is responsible for the proper utilization of the financial resources of its enterprise. How (1950) observed that the financial factors of the cooperative were given more attention than were the physical factors in the plant operations.

Griffin (1959) specified that the payment of patronage refunds is the board's duty. Volkin et al. (1960) found that regional cooperative bylaws indicated directors should determine the manner, form and amount of patronage refunds as well as declare dividends on stock. However, How (1950) stated that the final authority in the allocation and sharing of revenue and expense items rests with the members. Yet, Ray (1951) reported directors and managers agreed the board should make the decision on the distribution of savings accrued at the year's end.

An anonymous author (1958a) claimed the directors must analyze and interpret financial statements. He implied an inadequacy in asserting that directors need to learn how to analyze and interpret financial statements properly. Seventy-three of 752 directors replying to Volkin's et al. (1960) questionnaire indicated they believe the review and study of the operating and financial statements is of the utmost importance. These same directors also indicated they should keep a close check on expenses, credit extension, collection policies, budgeting and the securing of operating and seasonal financing.

Griffin (1959) enlarged the director's financial duty to include the responsibility for the extent and type of indebtedness. Volkin et al. (1960) reported that the borrowing of money and issuing evidence of indebtedness were frequently mentioned duties for directors in regional cooperative bylaws.

Garner (1944) indicated the directors should perform the duty of selecting the depository for the cooperative's funds. He added,

and How (1950) agreed, that the directors are responsible to designate the person who shall have authority to sign checks. Mischler and Hulbert (1956) specified the board shall have the power to determine the manner of receiving, depositing and disbursing of the funds. They maintain the board should have the power to change banks and person or persons signing checks at will.

Ray (1951) reported considerable disagreement as to who should determine the credit policy in the Indiana cooperatives he studied. Fifty percent of the managers thought they should make the decisions pertaining to general credit policy while only 11 percent of the directors agreed this was the manager's decision to make. McBride et al. (1926) implied the directors are responsible for credit policies in stating that one of the problems of the board is the extension of credit. They explained that the day-to-day extension of credit is the duty of the manager though a credit committee can be appointed to help the manager.

Volkin et al. (1960) found in regional cooperative bylaws the written duty that directors provide for installation of an accounting system. Garner (1944), Jaynes (1949) and Mischler and Hulbert (1956) agreed the directors must require that proper records be kept of all business transactions. They likewise agreed that the directors are responsible to secure a competent public auditor to carefully check the cooperative's books at least once a year.

Personnel Administration. Ray (1951) maintained that the board of directors should formulate the personnel policies. McKay (1958)

stated that the adoption of policies concerning hiring of employees, their duties and rate of pay may be a board of director's duty. However, Anonymous (1958a) stated the manager should be allowed to employ all personnel and Cleveland (1959) asserted the directors should not interview employees although they are responsible to see that no coercion occurs from individual board members. Mace (1948) found confusion and uncertainty resulted when board members and employees had business relationships. Cox (1958) explained that the manager and other employees legally have no authority other than that delegated to them by the board of directors.

Abrahamsen (1957) charged directors with the duty of providing employees with: (a) suitable working conditions which included sanitation and safety precautions, retirement, group insurance, and incentive pay plan as well as a realistic salary program and (b) clear-cut rules for guidance of employees. Garner (1944) implied directors are responsible to see that employees understand (a) the cooperative's principles, (b) the operation of the cooperative, (c) the aims or goals, (d) the general organization of the cooperative and reason for important actions, (e) the benefits the members receive from the cooperative and (f) the revolving capital plan.

Jaynes (1949) and Griffin (1959) stated the directors must see that the required bond coverage is maintained on responsible personnel. Garner (1944) expressed the significance of employee bondage in his assertion that directors may be liable if persons handling money and property are not bonded by the board of directors. Volkin et al.

(1960) found written in the bylaws of regional cooperatives the director's duty "to determine what employees are to be bonded and fix the amount of their bonds."

Ray (1951) reported conflict of opinions between directors and managers on who would hire the assistant manager. Twenty-five percent of the directors indicated the manager should perform this duty while 64 percent of the directors indicated this is the board's decision. Eleven percent indicated the duty is mutual. He reported 69 percent of the managers said they should hire the assistant manager while 31 percent said the directors should make the decision. None of the managers indicated this duty is shared. Garner (1944) stated directors should allow the manager to select his assistants.

Garner (1944) also charged directors with the duty of setting reasonable and adequate salaries for the manager and employees. Griffin (1959) asserted directors are responsible for employee incentives. Brown (1960a) explained the board should: (a) set the salary policies, (b) review and approve the manager's salary and wage program, (c) review proposed exceptions to wage policies and wage scales and (e) review periodic salary and wage reports from the manager on the program.

Samuels (1958) challenged cooperative administrations to overcome shortcomings of personnel through better planning. He charged guidance could be provided to the manager, employees and the board of directors if policies and plans of the organization, both short and

long term, and the duties of each employee were written out and available to all those involved. Givens (1957) concluded that the greatest resource cooperative managements have is the human resource, and the future of agricultural cooperatives rests upon management's ability to mobilize these resources in such a manner as to achieve the results which come from proficiency in any field of endeavor.

Mischler and Hulbert (1956) claimed the board of directors shall have power to employ or authorize the employment of such employees, agencies or consultants deemed necessary from time to time, prescribing their duties and fixing their compensation. Volkin et al. (1960) reported directors indicated the employment of professional consultants is a joint duty with the manager.

Plant Operations. Mace (1948) and Morrison (1958) stated directors should not concern themselves with the details of operations. They explained these details rest with the executive officers. Morrison (1958) cautioned against directors' neglecting their obligations in this respect, for directors are liable and stockholders, members or the cooperative can instigate legal proceedings enforcing the liability. How (1950) concluded from his case study of selected New York dairy cooperatives that the routine duties involved in plant operations did not appear to be a type of responsibility directors should accept.

McBride et al. (1926) maintained the directors have the responsibility to determine the cooperative's field of operation, especially

upon conception of the cooperative. Garner (1944) claimed the board and manager should jointly work out the plan of operation in keeping with the member's wishes. He added the directors have a duty to keep posted on the operations of their cooperative. Folkman (1958) observed the board of directors during board meetings concerned themselves with the "minutiae of immediate operations" and short-range rather than long-range planning. He theorized that the definition directors had of their role as directors was influential here.

Duties of the Manager

Inform the Board of Directors. Beal (1958), Cleveland (1959) and Swanton (1959a) agreed the manager must fully inform the board of directors of both good and bad factors. Beal (1958) emphasized that the manager gathers facts and then transmits the facts clearly and promptly to board members. Miller and Jensen (1947) and Nelson (1959a) shared the viewpoint that the manager should advise the board preferably through attendance at regular board meetings. Lowrie (1958) reasoned that the manager should strive to inform directors of all factors needed to qualify the directors as policymakers. Brunkow (1958), manager of an agricultural cooperative, stated he advises the board in developing policies, sound objectives and programs.

McKay (1958) charged the manager with furnishing the necessary information to directors so they can analyze the progress of the cooperative and the results of the policies adopted. Mischler and Hulbert (1956) wrote in their model cooperative bylaws the duty that

the manager shall render annual and periodical statements in the form and the manner prescribed by the board. Garner (1944) and Beal (1958) asserted the keeping of adequate records is imperative if he is to prepare the annual meeting reports besides the regular board reports. Brunkow (1958) stated he submits monthly reports on his cooperative's operations and the financial situation. Cleveland (1959) added the duty of preparing budgets belongs to the manager and his assistants. Adams (1960) explained the duty of keeping directors informed involves keeping all records common to any comparable business besides additional records necessary for the equitable allocation of savings to patrons and proof of such allocation to local, state and federal governing agencies.

Volkin et al. (1960) reported 60 percent of the 752 directors surveyed indicated the manager is responsible to make the annual report to the members that shows the conditions of the cooperative's property business and finances for the fiscal year. They found this area to be the only decision area where directors permitted managers full authority.

Eidam (1960) asserted the planning and presentation of various alternatives for decisions by the board is a duty of the manager. Ecker (1960) disagreed, indicating the planning involved in studying alternative plans or uses of resources and the presentation of these alternatives to the entire board is a duty of a committee composed of directors. Meek (1958) specified that the manager should provide directors with new projects in detailed written form including both

advantages and disadvantages of the project. Lowrie (1958) maintained the manager should outline alternate policies for director's consideration.

Meek (1958) advocated managers should help directors all they can since the compensation for the time directors devote to the cooperative is small. Hulbert (1960) agreed and recommended that managers perform the task of developing directors, recognizing director's potentials and utilizing their experience, background and capabilities. Crisp (1956) charged managers with the continuous duty of recommending ways and means directors can educate themselves on affairs responsible to them. Cleveland (1959) challenged managers to look upon the regular board meetings as an opportunity rather than an evil where the experience and advice of the directors may be utilized.

To adequately perform the duty of informing members, Jaynes (1949) asserted the manager will have to have first hand knowledge of the thinking and discussion of the board. He implied that the manager attend board meetings though McBride et al. (1926) advocated that the manager not become a member of the board. In this advocacy they enumerated three dangers for the manager to avoid: (a) becoming a "rubber stamp" for the directors, (b) poor administration deprives the manager of power needed to decide factors relative to operations besides places unwarranted details on directors and (c) attempting to function as both manager and board.

Managing the Cooperative. Swanton (1956) called the manager the executive department of the cooperative. The manager's job, he continued is to administer. How (1950) explained the manager generally has authority to initiate action in routine or the less important matters. McKay (1958) maintained that the authority of the manager should be supreme, even beyond the limits of power granted the president and other board officers. He qualified his statement to the extent that the board should only intervene when matters of policy are involved or where incompetence in management is obvious. Bohnsack (1960) helped clarify the manager's position in stating the effects of the manager's handling the board's duties. First, he pointed out, the group decision is lost, in essence less objectivity. Secondly, the board becomes apathetic leaving things to the manager which results in the manager losing the backing of the board and the good board member becomes discouraged and makes poor decisions.

An important part of the manager's responsibilities, claimed McKay (1958), involves: (a) selection of capable employees, (b) assignment of duties, (c) establishment of work standards and (d) the building of morale and effective teamwork. Mischler and Hulbert (1956) wrote in their model bylaws for cooperatives that subject to the approval of the board of directors, the manager shall employ, supervise and dismiss any or all employees of the association. Garner (1944) stated besides employing and discharging employees the manager should select his own assistants. Brunkow (1958) stressed the

significance of the manager's job in his assertion that the manager has the responsibility of getting much of the work done through others.

Ray (1951), after finding only 38 percent of the managers interviewed in Indiana were training a replacement for their positions, advocated that the manager train another employee to perform the managerial duties if necessary.

Bakken (1931) advised managers to adhere to the proper divisions of corporate functions which are conducive to business success. He explained the manager's duties are to make decisions upon questions where policy had already been established, guide the course of action charted by directors and legislate details to expedite business. He felt the duties involved here were the coordination and supervision of several departments and as the organization grows in size, delegate responsibility. Nelson (1959a) asserted the manager is responsible to plan, organize, direct, coordinate and control. He emphasized the manager's responsibility to direct the operations of the association. An effective manager, claimed Volkin and Griffin (1959), is involved in all four fundamental processes, namely planning, organizing, executing and evaluating. They stressed organizing and executing. A different viewpoint was offered by Brown (1960c). He maintained that managers should adapt policies, adapt the form of organization, adapt services, adapt management practices to contemporary changes striving to attain those practices that are ahead of trends.

Lowrie (1958) asserted the manager decides "when" and "how." Hulbert (1958b) agreed though he qualified his statement some in

asserting that in an action program involving decisions of when and how to do the job, the decision would belong to the manager exclusively. Volkin and Griffin (1959) suggested a delineation between administrative responsibilities of managers and planning responsibilities of the directors when they recommended the rule that the decision of "what" to do belongs to the directors while the decision of "when" and "how" belongs to the manager.

Garner (1944) maintained the manager's duties include having a workable plan of operations approved by the board of directors and helping directors plan for growth of the association. Brinkley (1958) charged cooperative management must keep up with research and changes in the industry, leading in as many ways as possible. Brunkow (1958), manager of a cooperative, explained portions of his time are devoted to planning both present and future programs such as sales and services. Inventories of products must be maintained, he argued, as well as purchasing, pricing and distribution. He included maintenance, insurance and repairs of all properties as responsibilities of the manager. In preparation of model cooperative bylaw provisions, Mischler and Hulbert (1956) organized the manager's job as illustrated in the following excerpt:

"Under the direction of the board, the manager shall have general charge of the ordinary and usual business operations of the association, including purchasing, marketing and handling of all products and supplies of the association; he

shall, so far as practicable, endeavor to conduct the business in such a manner that the members and patrons will receive just and fair treatment; he shall deposit all money belonging to the association which comes into his possession in the name of the association in a bank selected by the board, and if authorized to do so by the board he shall make all disbursements by check therefrom for the ordinary and necessary expenses of the business in the manner and form prescribed by the board of directors; he shall be required to maintain his records and accounts in such a manner that the true and correct condition of the business may be ascertained therefrom at any time; he shall carefully preserve all books, documents, correspondence, and records of whatever kind pertaining to the business which may come into his possession."

PROCEDURE

A list of operating dairy product cooperatives and their administrations was obtained from Howland's Directory of Farmer's Cooperatives in Michigan as of April 1, 1955, Food Science Department and Extension Service at Michigan State University, Division of Dairy of the Michigan Department of Agriculture and the Michigan Association of Farmer Cooperatives. The president and secretary of the board of directors and the manager of each Michigan dairy processing cooperative were sent a check-list type questionnaire (Appendix I). They were asked to complete the questionnaire and return it immediately.

Preparation of the questionnaire was based on personal discussion in interviews with dairy officials interested in the study and from reports in the literature. The questionnaire had three main sections. First, the goals and terms used in the study were defined. In the second section duties were listed that were believed to represent most phases of management. The duties were carefully worded for clarity and elimination of generalities. An attempt was made to be as specific as possible. Within the second section four areas were covered; namely, the major organizational duties and responsibilities followed by less important duties in personnel, finance, and production and sales. These sections provided information for ten significant areas in cooperative administration:

maintenance of legal entity	personnel policies
trustee of membership's interests	financial policies
membership relations	production policies
goals	marketing
measure and control	organizational structure

The contents of the questionnaire were such that the recipient only needed to read the duty and indicate who is responsible by checking the appropriate column headed by "manager," "board of directors," "both" or "no opinion." The final section of the questionnaire was entitled "Additional Relevant Information." Some details of the cooperative were asked and space was provided for the recipient to add his comments regarding important duties he believed were not included in the questionnaire.

Explanatory letters, one for directors and another for managers (Appendices II and III, respectively), were written and sent with the questionnaire. Emphasis was placed upon the recipient's answering the questionnaire according to his personal opinion which may not coincide with the practices of his cooperative. After the recipient completed the questionnaire he was asked to enclose it in a return addressed envelope (postage provided) by an indicated date. The enclosed envelope was coded to facilitate classification of data. One, two and three weeks following the requested return date, follow-up letters (Appendices IV, V, VI and VII) accompanied by a duplicate questionnaire, were sent managers and directors who had not returned or acknowledged receiving the prior questionnaire.

Upon return the questionnaires were classified according to the annual dollar sales submitted by the recipients. The duties within the questionnaire were numbered and grouped according to the ten major areas listed above. Tabulation of the replies provided a comparison of the opinions, expressed in percent. A tabulation of the questions are presented in Appendix VIII.

A recommended guideline of duties section was prepared from results of the questionnaire as well as the opinion of authorities expressed personally and in the literature and the profound thoughts of the author.

RESULTS AND DISCUSSION

Twenty-seven dairy processing cooperatives of Michigan participated in this study. The annual sales volume in dollars and the membership of these cooperatives are presented in Table 1.

Table 1. Annual sales and membership of Michigan dairy processing cooperatives in 1959

Annual sales range (dollars)	Number of cooperatives*	Number of members	Number of cooperatives*
100,000 to 399,999	6	0 to 499	13
400,000 to 699,999	4	500 to 999	5
700,000 to 999,999	2	1,000 to 1,499	3
1,000,000 to 3,999,999	8	1,500 to 1,999	1
4,000,000 to 6,999,999	4	2,000 to 2,499	1
7,000,000 and over	3	2,500 to 2,999	1
		3,000 and over	1

*Twenty-seven cooperatives reported sales and 25 reported membership.

Six ranges, on a basis of dollar-sales categorized the dairy product cooperatives. Six cooperatives reported annual dollar-sales in the range from \$100,000 to \$399,999 and four reported a \$400,000 to \$699,999 annual dollar-sales. Two cooperatives were in the \$700,000 to \$999,999 annual sales range and eight cooperatives had annual sales of from \$1,000,000 to \$3,999,999. Four cooperatives reported annual sales in the ranges from \$4,000,000 to \$6,999,999 and three cooperatives of \$7,000,000 and over. Examination of Table 1 shows that 44.5

percent of the 27 cooperatives had annual sales below \$999,999 while 55.5 percent had an annual dollar sales volume from \$1,000,000 or over.

Membership of 25 cooperatives is shown in Table 1. Thirteen cooperatives reported membership in the range from 0 to 499. Five and three cooperatives indicated membership in the 500 to 999 and 1,000 to 1,499 ranges, respectively. Hence, 21 of the 25 cooperatives that submitted membership figures have 1,499 members or less. Of the four remaining cooperatives there was one cooperative in each of the following membership ranges: 1,500 to 1,999; 2,000 to 2,499; 2,500 to 2,999; and 3,000 or over.

A total of 80 participants (54 directors and 26 managers*) was sent the questionnaire (see Appendix I). The return of 70 of these questionnaires, an 87.5 percent return, reflected excellent cooperation and interest of directors and managers. Forty-five directors or 83.3 percent of the total 54 surveyed returned the completed questionnaires and 25 managers, representing 96.2 percent of the 26 contacted, answered and returned the questionnaire.

Data from 70 questionnaires provided the tabulations presented in Table 2. To present the results, each item will be discussed with a comparison of the replies from each item. The column headed with the letter "C" in Table 2 designates the combined replies from managers and directors while the columns headed with "M" and "D" refer to the replies from managers and directors, respectively.

*One manager managed two cooperative associations.

TABLE 2. Summary of replies to the questionnaire sent 25 managers and 45 directors of Michigan dairy product cooperatives

No.	Question	Manager's duty			Director's duty			Joint duty		
		Reply in percent*			Reply in percent			Reply in percent		
		M**	D**	C**	M	D	C	M	D	C
1	<u>Maintenance of Legal Entity</u> To be sure the charter and bylaws are observed	8	4	5.7	16	36	38.5	76	60	65.7
2	To present amendments on the bylaws at annual meetings	8	11	10.0	64	76	71.4	28	13	18.5
3	To make contracts with bulk tank route drivers	52	64	60.0	12	9	10.0	20	24	22.8
4	<u>Trustee of Membership's Interests</u> To make the final decision to purchase additional land	0	2	1.4	76	87	82.8	20	11	14.2
5	To make the final decision to expand the plant	4	0	1.4	80	84	82.8	16	13	14.2
6	To decide to merger with another production cooperative	4	2	2.8	60	64	62.8	32	31	31.4
7	To select the cooperative's bank	4	4	4.0	56	67	62.8	40	29	32.8
8	To initiate the ideas for expansion of the physical plant	84	68	74.2	8	0	2.8	4	31	21.4
9	To plan the expansion of the physical plant	56	36	42.8	0	4	1.4	36	57	51.4
10	To negotiate contract with realtor for the purchase of additional land	28	47	40.0	24	22	22.8	44	31	35.7

*Omitted from this table are the participants' replies of no opinion (tabulated in Appendix VIII).

**M column refers to the percent replies from managers; D column refers to the percent replies from directors, and the C column refers to the percent combined replies.

TABLE 2. (Continued)

No.	Question	Manager's duty			Director's duty			Joint duty		
		Reply in percent		M	Reply in percent		M	Reply in percent		M
		D	C		D	C		D	C	
11	<u>Membership Relations</u> To plan a 10-year member adult education program	24	20	21.4	4	13	10.0	60	48	52.8
12	To decide on the adoption of a new adult education program	12	4	7.1	28	51	42.8	56	27	37.1
13	To review the marketing services performed for the members	20	38	31.4	32	17	22.8	44	44	44.2
14	To decide to change marketing services performed	12	13	12.8	40	53	48.5	44	31	35.7
15	To decide to enlarge purchasing services for members	28	9	15.7	24	26	25.7	44	60	54.2
16	To make the final decision to purchase washing compounds for members	76	42	54.2	12	29	22.8	8	20	15.7
17	To decide to have a publication for members	12	8	10.0	24	36	31.4	44	53	52.8
18	To prepare the financial reports for members	84	82	82.8	8	2	4.4	8	13	11.4
19	To plan the annual meeting of members	32	16	21.4	24	11	15.7	44	68	60.0
20	<u>Goals</u> To establish the cooperative's growth goals for the coming 5 years	24	16	18.5	8	4	5.7	64	73	70.0
21	To review and change the cooperative's objectives	4	2	2.8	36	24	28.5	60	69	65.7
22	<u>Measure and Control</u> To plan the cooperative's yearly budget	56	51	54.2	8	4	4.2	36	44	41.4
23	To accept the proposed yearly budget	4	2	2.8	76	84	81.4	16	11	12.8

TABLE 2. (Continued)

No.	Question	Manager's duty			Director's duty			Joint duty		
		Reply in percent			Reply in percent			Reply in percent		
		M	D	C	M	D	C	M	D	C
24	<u>Measure and Control (Cont.)</u> To evaluate the monthly profit and loss statement	24	17	20.0	28	36	32.8	44	44	44.2
25	To evaluate the results of the sales cost analysis study	52	11	25.7	12	18	5.7	32	64	52.8
26	To secure an external accounting concern to perform the year-end audit	16	40	31.4	56	38	44.2	28	22	24.2
27	To employ competent business consultants to resolve major problems	20	26	24.2	28	26	27.1	52	47	48.5
28	<u>Financial Policies</u> To decide if non-members shall receive dividends	0	0	0	72	71	71.4	8	24	18.5
29	To decide the amount of current earnings to be distributed to members	0	4	2.8	52	60	57.1	48	33	38.5
30	To obtain a loan from the bank	4	6	5.7	40	49	45.7	56	44	48.5
31	To decide to set aside a financial reserve for future expansion	0	0	0	40	56	50.0	60	44	50.0
32	To decide the amount or number of revolving fund certificates to retire in 20 years	12	0	4.2	40	56	45.7	44	44	48.5
33	To decide to apply to the Bureau of Internal Revenue for income tax exemption	20	28	30.0	36	26	25.7	40	36	37.1
34	<u>Personnel Policies</u> To hire or dismiss a plant employee other than manager or assistant manager	96	96	95.7	0	2	1.4	4	2	2.8
35	To specify the duties of the employee(s) operating a pasteurizer	92	96	94.2	0	0	0	4	4	4.2

TABLE 2. (Continued)

No.	Question	Manager's duty			Director's duty			Joint duty		
		Reply in percent			Reply in percent			Reply in percent		
		M	D	C	M	D	C	M	D	C
36	<u>Personnel Policies (Cont.)</u> To conduct an employee training program	84	80	81.4	0	4	2.8	8	13	11.4
37	To establish an employee evaluation program	84	64	71.4	4	7	5.7	8	26	20.0
38	To specify the assistant manager's duties	80	60	67.1	12	13	12.8	8	24	18.5
39	To decide if employees provide their own plant clothing or if the cooperative should	40	18	25.7	28	37	34.2	28	42	37.1
40	To negotiate the labor union contract	24	15	18.6	8	15	12.8	56	65	61.4
41	<u>Production Policies</u> To counsel a patron who consistently has a high bacterial count	92	93	92.8	0	0	0	8	4	5.7
42	To decide to adopt a new butterfat testing procedure	60	33	42.8	4	16	11.4	36	44	41.4
43	To make the final decision to purchase a new homogenizer	24	0	8.5	44	80	67.1	28	20	22.8
44	To start a product development program	44	46	45.7	12	0	4.2	40	46	44.2
45	To change the package design or color	64	26	40.0	4	4	4.2	28	67	52.8
46	To plan a sales cost analysis	76	77	77.0	0	0	0	24	17	18.5
47	<u>Marketing Policies</u> To plan a sales promotion program	72	46	55.7	4	0	1.4	16	44	34.2
48	To plan a market research program to determine potential sales	56	51	52.8	0	2	1.4	32	42	38.5
49	To set a 5-year sales quota	44	22	30.0	4	4	4.2	36	64	54.2
50	To decide to increase or decrease the number of products manufactured and sold	40	8	20.0	12	22	18.5	48	67	60.0

TABLE 2. (Continued)

No.	Question	Manager's duty			Director's duty			Joint duty		
		Reply in percent			Reply in percent			Reply in percent		
		M	D	C	M	D	C	M	D	C
51	<u>Organizational Structure</u> To review reorganization of responsibilities of the sales department To decide to reorganize the sales department's responsibilities To execute the reorganization of the sales department's responsibilities	80	62	68.5	4	4	4.2	16	31	25.7
52		76	40	52.8	0	15	10.0	24	42	35.7
53		84	67	74.2	4	6	5.7	8	15	12.8

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Maintenance of Legal Entity

Analysis of the replies to the first question in Table 2 revealed managers and directors agree they both are responsible to see that the charter and bylaws are observed. Seventy-six percent of the managers and 60 percent of the directors indicated they share this responsibility. Thirty-six percent of the directors and 16 percent of the managers indicated the board has sole responsibility for this duty while fewer managers (8 percent) and directors (4 percent) placed the responsibility solely on the manager. The indication here of joint responsibility in observing documentary papers suggests the directors and managers recognize that their directives in administration of the cooperative are included in these papers.

Presentation of amendments to the bylaws at annual meetings appears to be a board of director's duty. Seventy-six percent of the directors and 64 percent of the managers indicated the board has sole responsibility to perform this duty. A small percentage of the managers (8 percent) and directors (11 percent) gave the duty to the manager and a few of the directors (13 percent) and managers (28 percent) indicated the duty is shared. These results suggest that a revision to the documentary papers follows the channel from the originator (member, director, manager) to the board before it is presented to the annual meeting for decision.

Over half the managers (52 percent) and directors (64 percent) indicated the duty of making a contract with a bulk tank route driver belongs to the manager. Twenty and 24 percent of the managers and

directors, respectively, agree this duty is shared while only 12 and 9 percent of the managers and directors, respectively, indicated the board has the duty. One manager commented that this duty rests jointly with the manager and a hauling committee from the board of directors. These results do not agree with assertions made by Fraser (1958) and Nelson (1959a). They explicitly stated the board of directors are responsible to make legal contracts.

Trustee of Membership's Interests

There are indications from the results in Table 2 that the board of directors is responsible to make the final decision to purchase additional land. Managers unanimously agreed they should not decide while only 2 percent of the directors indicated the manager should make the decision. Seventy-six percent of the managers and 87 percent of the directors selected the board of directors to be responsible here. Similar results were obtained from the question asking who is responsible to decide to expand the plant. Eighty percent of the managers and 84 percent of the directors indicated the board should make the decision. In this case, 4 percent of the managers indicated they should have responsibility in this area while the directors unanimously agreed the manager has no responsibility here.

These data clearly suggest the board of directors make the final decision in these two important areas; plant expansion and purchase of additional land. One director, a president, commented that the "...major policy decisions relative to expansion" should be left



to the board of directors, though the manager should advise the board relative to this matter." Another president stated he thinks "the board should insist on having the final decision on important issues."

A third question in this area is, who is responsible to decide that the cooperative is to merge with another processing cooperative. Again the replies from managers and directors revealed the board of directors have the responsibility here. Sixty and 64 percent of the managers and directors, respectively, indicated this response, yet 32 and 31 percent of the managers and directors, respectively, selected this as a joint responsibility. A president and secretary from the same cooperative board pointed out the final decision of whether to merge or not rests with the membership of the cooperative. This same attitude may be the explanation for the percentage of replies in the joint duty area, because directors' and managers' checking the joint duty may reflect their opinion that members should be consulted in deciding upon a merger.

Over half the managers and directors agreed the responsibility of selecting the bank for the cooperative belongs to the board of directors. Forty percent of the managers, however, felt they should share this responsibility while only 4 percent indicated they should bear the sole responsibility. Over a fourth of the directors (29 percent) agreed that the responsibility is joint, though a substantially larger number (66 percent) indicated the board has sole responsibility.

The consistency of the replies to Questions 4, 5, 6 and 7 is to be noted. All three questions reveal a decision needs to be made and

all four were found to have over half the responses indicating the decision should be made by the board of directors, while not more than 4 percent of the responses indicated the manager should have sole responsibility. These questions were dispersed in the questionnaire rather than grouped as they are illustrated in Table 2.

While the final decision to expand the plant was revealed here to be invested in the board, the duty of initiating the ideas for expansion of the plant was unanimously indicated by the directors to be a manager's duty. Only 8 percent of the managers indicated the board should perform this duty. Eighty-four and 68 percent of the managers and directors, respectively, choose the manager as the responsible person to initiate the ideas. However, the planning of expansion is not as clearly defined. Over half the managers (56 percent) indicated they have sole responsibility, while 57 percent of the directors felt the duty should be shared. This divided opinion was displayed also in the 36 percent of the directors who believe the manager should perform this task and the 36 percent of the managers that replied the duty should be shared. The discrepancy between the duty of initiating the ideas of expansion and planning the expansion is confusing. Although initiation and planning the idea may be separate, realistically the two processes may occur simultaneously with the initiation being supported by plans.

A final question considered under the area of trustee of membership's interests remains unclear. To negotiate a contract with a

realtor for the purchase of additional land was not indicated to belong to either the board, manager or be shared. As the results reveal in Table 2, no substantial percent of the participants in the survey indicated the responsible group. The postulation is offered that the question was confusing or background for making a decision was lacking.

Membership Relations

Managers indicated the planning of a 10-year member adult education program is a duty of both the manager and board of directors. Less than half the directors (48 percent) agreed with this opinion, but this still represents twice as many directors (20 percent) who indicated the managers have sole responsibility. Thirteen percent of the directors felt the board of directors have sole responsibility, yet only 4 percent of the managers agreed with this opinion.

Although the decision as to who should plan the adult member education program is not clear, the duty to adopt such a program is even less clear. Fifty-one percent of the directors as compared to 28 percent of the managers indicated this decision belongs to the board of directors. The reverse was revealed in the preference of a joint duty, with 56 percent of the managers versus 27 percent of the directors indicating the decision is shared. A smaller percent, 12 and 4 of the managers and directors, respectively, felt the manager has this responsibility. One postulation may be that planning of an educational program for the members will require both the manager and

the board in order to adapt the program to the membership. Another interpretation of the data might be that the percent of the managers who indicated a joint responsibility wished to share in the consultation.

The question of who is responsible to review and decide on changes in the services performed for the members of the cooperative was asked. The results were not clear regarding the responsibility to review the marketing services performed for the cooperative's members. As shown in Table 2, forty-four percent of both the managers and directors felt this responsibility should be shared while 32 and 17 percent of the managers and directors, respectively, indicated the board has this responsibility. Twenty and 38 percent of the managers and directors, respectively, indicated the manager has sole responsibility.

The decision to change marketing services provided for members was indicated by 53 percent of the directors and 40 percent of the managers should belong to the board of directors. However, the decision to enlarge purchasing services for the members was indicated by 60 percent of the directors and 44 percent of the managers to be a joint duty. Twenty-eight percent of the managers indicated they should make this decision. An interpretation of this data may be that the significance of the decision to change marketing services is greater, thus the reason for the board's having this decision, while the enlargement of purchasing services is more of an internal decision and should be shared.

A question that illustrated the responsibility for a minor policy formulation revealed that 76 percent of the managers and 42 percent of the directors felt this should be the manager's. The final decision to purchase washing compounds for members would establish a policy and perform a purchasing service for the members. Possibly the reason for these results is that the decision to purchase washing compounds belongs to the manager, while the decision to enlarge purchasing services, more of a policy formulation, belongs to the board and manager jointly.

The managers and directors agreed (Table 2) that the managers should prepare the financial report. This is in agreement with a recently reported study by Volkin et al. (1960). In fact, the preparation of the annual financial and business reports was the only decision area where the 752 directors surveyed in Volkin's et al. (1960) study that gave full responsibility to the manager. Two other communication forms, a cooperative publication for members and the annual meeting of members, were thought to be joint responsibilities. Forty-four percent of the managers indicated the responsibility to decide to have a publication and the responsibility and duty to plan the annual meeting is jointly shared and performed by the board and manager. Over half the directors, 53 percent, agreed the decision to have a publication is shared and 68 percent felt the planning of the annual meeting is shared.

Two managers emphasized the responsibility the board of directors has in the area of membership relations. One stated: "A

cooperative board is vastly different than a non-cooperative board. The cooperative board members must be a strong link in securing membership loyalty and support. A coop must have this; a stock corporation does not need the loyalty and support of the stockholders as long as it can pay a satisfactory dividend." The second manager asserted the membership relations work is in the board member's neighborhood. A president of the board commented that the board of directors "... should be a 'go between' of the management and the membership..." which may be interpreted to mean the board has a liaison capacity as was found in the study reported by Volkin et al. (1960).

Goals

Establishment of a 5-year goal was revealed to be a joint responsibility with 64 and 73 percent of the managers and directors, respectively, indicating they both are responsible. Few of the managers (8 percent) and directors (4 percent) felt the board has sole responsibility while a larger percent of the managers (24) and directors (16) indicated the manager has sole responsibility.

Managers and directors agreed the responsibility to review and change the cooperative's objectives should be shared. However, 36 percent of the managers and 24 percent of the directors felt the board has sole responsibility here. The results show that few managers and directors felt the manager has sole responsibility.

Nearly the same percentages of managers and directors indicated a joint responsibility in the establishment and review of goals, which

indicates consistency of replies in this area. The implications of these data are that the board as well as the manager will need to be vigilant to numerous factors influencing established goals for the future. The postulation can be made that the board of directors will need to supply a quantity of the facts and ideas that may influence the planning of goals for the next five years.

Measure and Control

Managers and directors agreed, as shown in Table 2, that the manager is responsible to plan the cooperative's yearly budget. However, 36 percent of the managers and 44 percent of the directors indicated this duty should be shared. The data clearly indicate the board should not perform this duty alone. The acceptance of this proposed yearly budget is on the other hand the board of director's duty as shown by the 76 and 84 percent of the managers' and directors' replies, respectively. These data suggest the manager prepares and plans the yearly budget and presents the proposal to the board for its approval, thus exercising control over financial budgeting.

Responses from Question 21, to evaluate the monthly profit and loss statement, did not clearly indicate who should be responsible. Identically the same percentages of managers and directors (44) indicated this is a joint responsibility and that they both should evaluate the statement. Although the percent of opinions is not high, this would agree with general authoritative management recommendations.

A division of opinions between managers and directors was revealed upon analysis of the replies from Question 22. Fifty-two percent of the managers indicated they have sole responsibility to evaluate the results of a sales cost analysis study while 64 percent of the directors indicated the responsibility is shared. A substantially smaller number of the directors (11 percent) agreed this is the manager's sole responsibility as compared to the percent of managers (32 percent) that indicated both should evaluate the study.

The author is concerned with the results of the two preceding questions. More replies were offered by the managers and the directors for the responsibility of evaluating a cost study than a profit and loss statement. A profit and loss statement provides a means for measuring and control, and should be more significant than the sales cost study. However, the results do not show a definite trend of opinions from the managers and directors. The implication is not that a sales study is not important; on the contrary it also offers valuable information. But, the usefulness of the profit and loss statement should be more valuable for general control.

Fifty-six percent of the managers indicated the board is responsible to secure an auditor to perform the year-end audit. Forty percent of the directors indicated the manager has this responsibility. Two recent studies by the Farmer Cooperative Service do not agree with the director's opinions reported here. Volkin et al. (1960) reported that most of the bylaws submitted by regional cooperatives revealed

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the directors have the duty to employ an auditor, and 47.9 percent of 752 directors indicated the engaging of an auditor is a primary board responsibility.

The responsibility to employ a competent business consultant to resolve major problems was indicated by over half the managers (52 percent) and nearly half the directors (47 percent) to be a joint responsibility. This would be in agreement with the results of a study by Volkin et al. (1960) whereby 58.6 percent of the 752 directors surveyed indicated the board and manager share this responsibility.

Financial Policies

Indications are in the area of financial decisions that the manager has little, if any, sole responsibility. There was unanimous agreement by managers and directors that the manager has no responsibility in making the decision in regard to non-members receiving dividends. The replies of 72 and 71 percent of the managers and directors, respectively, clearly indicated that the board of directors make this decision. One manager emphasized that the non-members must be treated the same as members while a second manager stated this duty belongs to the common stockholders and the means of handling depends upon the bylaws.

Managers unanimously agreed they have no responsibility in deciding the amount of current earnings to be distributed to members. More than half the managers (52 percent) indicated the board should decide the amount of earnings the members should receive. However, 48

percent of the managers indicated the decision should be shared.

Sixty percent of the directors indicated the board is responsible for this decision.

Data in Table 2 show the responsibility for obtaining a loan is not the manager's duty. Fifty-six percent of the managers and 44 percent of the directors replied that this is a joint responsibility, although 40 and 49 percent of the managers and directors, respectively, indicated this is the board's responsibility solely.

The question of who decides to set aside a financial reserve for future expansion revealed unanimous agreement by managers and directors that the manager should not have sole responsibility. Sixty percent of the managers, however, indicated the decision is a joint duty. This suggests that managers desire to counsel on this matter. Consultation prior to setting aside a financial reserve would seem logical since definite facts, such as trends and internal operational details will influence the decision. However, over half the directors (56 percent) indicated the board should make this decision while considerably less than half (44 percent) of the directors replied that the decision should be shared.

A similar question concerning who decides the amount or number of revolving fund certificates to retire in 20 years revealed that the directors unanimously agreed the manager has no responsibility. Twelve percent of the managers disagreed, however, replying they have sole responsibility. Forty-four percent of the managers and directors

alike indicated the duty should be shared, while 40 and 56 percent of the managers and directors, respectively, indicated the board should be responsible.

Personnel Policies

Replies to the questions dealing with personnel administration revealed that the manager should have full responsibility. Ninety-six percent of the managers and directors, agreed the manager should hire or dismiss any plant employee other than the assistant manager. The managers unanimously agreed the board has no responsibility and only 2 percent of the directors disagreed. Similarly, 92 and 96 percent of the managers and directors, respectively, indicated the manager must specify the duties of the employee operating a pasteurizer. Directors and managers were in complete agreement that the board has no duty in this area. The conduction of an employee training program clearly belongs to the manager as indicated by 84 and 80 percent of the managers and directors, respectively. The duty of establishment of an employee evaluation program likewise belongs to the manager, since 84 percent of the managers and 64 percent of the directors were in agreement. The twenty-six percent of the directors that indicated they should share in the establishment of an evaluation program for employees thereby revealed a tendency to interfere in an area that should be directed by the manager entirely.

Specification of the assistant manager's duties should be done by the manager according to the results obtained here. Although 13

percent of the directors and 12 percent of the managers indicated the board should specify the assistant manager's duties, 80 percent of the managers and 60 percent of the directors agreed the manager should perform this task. Nearly one-fourth of the directors (24 percent) felt the duty should be accomplished jointly.

The duty of deciding to provide employees with plant clothing or to have the employee furnish his own was not distinctly indicated by the replies. Forty percent of the managers indicated the manager should have the responsibility while 42 percent of the directors responded the responsibility is joint. The duty of formulating policy has been shown in other studies and the literature to be the board's responsibility although only 37 percent of the managers and 28 percent of the directors surveyed in this study would agree. One interpretation of the results may be that this is a minor policy and thus worth less of the board's time.

Negotiation of the labor union contract was indicated to be a joint responsibility according to 56 and 65 percent of the managers and directors. A much smaller percentage of the managers and directors (8 and 15, respectively) indicated this was a board's responsibility. Griffin et al. (1960) found in their study of committees in regional cooperatives that a labor relations committee composed of directors was common for bargaining with the union.

Production Policies

Managers and directors (92 and 93 percent, respectively) agreed the responsibility to counsel a patron who consistently has a high

bacterial count rests with the manager. There was unanimous agreement from both groups that the board has no responsibility. This can be interpreted to mean the manager is responsible for the production of a high quality raw product. This responsibility has numerous ramifications in that the manager will be responsible for enforcement of the rules upon his bosses in order to have an effective program that insures a high quality raw milk or cream.

The replies from Question 42 (to decide to adopt a new butterfat testing procedure) indicate divided opinion. A substantial percentage of the managers (60 percent) felt they have sole responsibility with a third of the directors agreeing, yet 44 percent of the directors indicated the decision should be made jointly. The results reveal that the board has little sole responsibility. Perhaps the directors wish to be informed of the idea since the membership is sensitive about fat testing and possibly make the final decision, on the basis of the manager's explanation.

The final decision to purchase a new homogenizer was revealed to be the responsibility of the board of directors. Eighty percent of the directors and 44 percent of the managers agreed the board has sole responsibility. Directors agreed unanimously that the manager should not have sole responsibility while 24 percent of the managers believed they should make the decision. These data are in agreement with other questions in this study where a final decision of similar importance occurs.

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Distinctly divided opinions were held in regard to who is responsible to change a package design or color. Sixty-four percent of the managers indicated they should have this responsibility while 67 percent of the directors felt the change should be a joint consideration. The results show the board should have little sole responsibility for this.

A difference of opinion was revealed in the replies to the question of initiating a product development or research program. Forty-six percent of the directors indicated the manager is responsible and an identical percentage indicated both the board and manager are responsible. The directors agreed unanimously that the board does not have sole responsibility. The managers' opinion was divided with 40 percent indicating both are responsible while 44 percent felt they are solely responsible to start the program.

Marketing Policies

Marketing here refers to the wide range of activities involved in distributing, selling, advertising of the concern's products. The replies revealed the manager is responsible to plan programs in this area. Seventy-six and 77 percent of the managers and directors, respectively, indicated the manager should plan a sales cost analysis study. The two groups agreed unanimously that the board has no responsibility here. Planning a sales promotion program was considered by the managers to be their responsibility with 46 percent of the directors agreeing but 44 percent indicating the planning should be

done jointly. The directors agreed unanimously that they do not have sole responsibility and only 4 percent of the managers felt the board was exclusively responsible. Over half the managers and directors designated the manager to plan a market research program to determine potential sales. The managers agreed unanimously that the board should not be solely responsible. Only 2 percent of the directors indicated the board should have the responsibility.

The trend continued in the responses to the duty of setting a five-year sales quota. However, 64 percent of the directors and 36 percent of the managers indicated this goal should be set by both manager and the board. On the other hand, 44 percent of the managers and 22 percent of the directors felt the manager should set this goal. This, too, is planning although the importance may be reflected here in that a larger percent of the directors felt they should share this goal setting as compared to planning programs to sell or determine costs and potentials in the market.

Included in the area of marketing was the decision to increase or decrease the product line, or the number of products manufactured and sold. Sixty-seven percent of the directors and 48 percent of the managers indicated the decision to change products manufactured and sold should be handled jointly. Twelve percent of the managers and 22 percent of the directors, indicated the board should make the decision. A considerably smaller percent (8) of the directors felt the manager should make this decision while 40 percent of the directors indicated they should make the decision.

Organizational Structure

Alteration of the internal structure of the organization was revealed to be the manager's responsibility. Reviewing the reorganization of duties of the sales department was indicated by 80 and 62 percent of the managers and directors, respectively, to be the manager's responsibility. Seventy-six percent of the managers indicated they should likewise make the decision to reorganize the duties of the sales department and 84 percent of the managers felt they should execute the change. Directors' replies were divided as to who should decide on the change with 40 percent indicating the managers should, yet 42 percent felt the decision should be made jointly. Sixty-seven percent of the directors indicated the manager should execute the change.

RECOMMENDED DUTIES FOR DIRECTORS, MANAGERS AND MEMBERS

Economic, social and political pressures cause the need for directors and managers to effectively perform their duties. A prerequisite for good performance by the directors and managers of cooperatives is their recognition and understanding of general and specific duties. The administration of a cooperative must review and measure the cooperative's operations if the objectives are to be realized. This should indicate the effectiveness of the performance of the duties by the administration.

To provide a guide for board members, especially new members, general and specific duties and responsibilities will be delineated in this section. Also included are the cooperative membership's duties and the duties of the manager. Recommendations also are presented that will assist directors to train themselves in the fundamentals of dairy business, particularly the evaluation of financial activities. Conscientious application of this guide and adoption of the subsequent recommendations will assist the cooperative's administration, especially the board, to discharge its duties more effectively.

Outline of Duties

A. Duties of the membership

1. Select qualified directors
2. Require each director to know and perform the duties of his office

3. Vote on decisions of great importance to welfare of cooperative

B. Duties of the board of directors

1. Decide major policies
2. Select and support a competent manager
3. Evaluate management's performance
 - a. Hire certified public accountant
 - b. Evaluate financial statements
 - c. Conduct a financial ratio analysis
 - d. Review sales volumes and trends
 - e. Evaluate processing indexes
 - f. Consider public relations
4. Ascertain if objectives are being accomplished
5. Decide major financial actions
6. Miscellaneous

C. Mutual duties of the board of directors and manager

1. Plan and develop policies
 - a. Review policies
 - b. Long-range planning
2. Select assistant manager
3. Membership relations
 - a. Inform members of operations
 - b. Provide desired services
 - c. Provide educational program

D. Duties of the manager

1. Execute policies dictated by the board
2. Direct cooperative's operations
3. Perform short-range planning
4. Provide dynamic leadership

Duties of the Membership

Members entrust their board with the authority to preserve and guard memberships' interests in the cooperative. Therefore, the most important duty of the members of dairy processing cooperatives is their selection of well qualified directors.

Members must require that directors possess certain essential qualifications. One is the willingness to devote the necessary time that will be required, especially the time to acquire the essential background desired of a director. Personal sacrifices will have to be made. But his willingness to make the sacrifices indicates his enthusiasm and his desire to serve the cooperative.

A second essential of unquestionable value is knowledge of his job as director and sufficient technical information in business principles and dairy product manufacturing and marketing to fulfill the requirements adequately. The members' insistence that directors learn the duties of their job within the first six months of their tenure as director will insure a knowledgeable board as well as hasten the transition from the role of member to the role of director. Methods for members to enforce this requirement are mentioned under the next duty of the members.

Another qualification that members should consider in their selection of a director is his loyalty to the cooperative. Candidates should have a good record of utilizing the services of the cooperative, preferably 100 percent participation. Associated with loyalty is the sincere belief in the principle of cooperation--acceptance of the philosophy that joint effort by a group will accomplish more than the individual.

Another essential should be the candidate's demonstrated success on his own farm. An efficiently operated farm indicates technical farm-practice knowledge and its application. Members should be able to recognize this qualification and should feel reassured to entrust the duties of the directorship to a fellow member with this attribute.

Certain personal characteristics should be possessed by a director or candidate. One is the director's ability to think analytically, utilizing systematic reasoning, yet retaining an open mind. Secondly, the ability to express his beliefs, balanced with the philosophy of supporting the decision of the majority. Thirdly, the possession of initiative, energy, and persistence are valuable characteristics for a director. Demonstration of integrity by the directors in personal and business matters is of major importance. His combining originality, practicality and resourcefulness with experience should make the trait of sound judgment pronounced. Mental alertness and sensitivity to situations, changes and his environment in general, would enhance the director's ability to serve capably.

Another duty of the members is the arrangement of means for checking on the directors' performance and replacement of directors when necessary for the good of the organization. The membership must resist apathy which can be combatted by appraisal of the prospective or present board members.

One possibility members have is the engaging of a disinterested expert, such as a member from a management consulting firm or the state university. This consultant can assist members in enforcing the criteria of new or inexperienced directors. The consultant could likewise assist the members in scrutinizing the directors' performance.

One method could be for the members to appoint or select a separate committee, composed of past board members or members of the cooperative, that performs the functions of evaluating and teaching directors their responsibilities. This committee, delegated its duties by the membership, could ascertain whether or not the director possesses the desired qualification and evaluate the director's performance. If the director is deficient, the committee should take the necessary corrective action.

Members have a responsibility to be loyal to their cooperative. Continuation of the cooperative is dependent upon members' support. Members should not expect the cooperative's administration to carry all the burdens of the organizations to make the cooperative a success. Expression of needs and services is a ramification of this duty for the members.

The third major duty of the membership is its responsibility to vote on matters of great importance to the welfare of the cooperative. Prerequisites to performing this duty are the members' attendance at annual and special meetings and demonstrated willingness to take initiative in becoming informed about issues by reading reports and publications from the cooperative's administration. The members' reasonable inquisitiveness and awareness of the course of business of the cooperative and of the industry (sources of assistance in this area are presented in Appendix IX) will likewise help in fulfilling this duty.

Decisions such as merging with another cooperative, changing objectives, altering bylaws, taking on huge financial obligations, should have the vote of every member. This duty should not be delegated because of the probable effects of the decision upon each member.

Duties of the Board of Directors

The board of directors decides all of the major policies that are not handled directly by the membership. A policy is a statement of intention that commits the administration to a general course of action which then will guide and direct the operating management.

Examples of major policies which the board might decide may be the following: (a) provide members (and nonmembers) through the cooperative another method of distribution, (b) provide members (and nonmembers) a new service, (c) secure new markets, (d) establish

better public relations, (e) process and distribute other food products, (f) improve morale of cooperative employees and (g) develop an international market for the products.

A second major duty of the board of directors, that is of great importance yet seldom performed, is the selection of a competent manager. The unquestionable importance of this duty demands that the board be prepared to select and replace the manager. Present trends indicate more and more the need for a competent manager in dairy plants for survival as well as success. Therefore, it is the board's duty to have a good idea of the qualifications a manager should possess. The board must subsequently recognize the importance of establishing a selection procedure that can be initiated with little loss of time. In the event of a crisis the succession of competent management would be assured. Frequently when the board fails to insure continuity of management costly errors and unnecessary expenses result.

The board also has the duty of specifying in general terms the duties of the manager. Emphasis should be placed upon general terms because of the ease of directors' neglecting their own duties and encroaching upon the manager's duties. The directors' indication of their expectations of the manager will give him direction and purpose and, most important, assist him in carrying on the operations of the cooperative.

The third major duty of the board of directors is their evaluation of management's performance. This duty represents a very important phase in the preservation and guardianship of the membership's interests.

A specific detail of evaluating management's performance is the hiring of a competent public accountant for a yearly audit of the accounting records. The directors should review specific details of the audit (explained in detail later in this manuscript) in order to judge the business health of the cooperative. They should read the accountant's report, recommendations and opinions of the audit. If certain factors are not understood the board should request the accountant to explain his audit at a board meeting. The manager should be directed to follow the auditor's suggestions.

One of the reports consists of a balance sheet. The directors in studying the balance sheet should notice the cash on hand and in the bank, the amount of accounts receivable, the current liabilities which mature within the year and the amount in the revolving fund reserve which may be distributed to members. Similarly the operating statement should be reviewed carefully. The net sales, gross margin on sales and net margin are a few of the important items. The directors should understand specific factors, namely the working capital, the common expenses, extraordinary expenses and the other entries on the balance sheet.

The board is responsible for noticing the auditor's statements relating to the consistent application of properly accredited accounting principles. Consistency is important from the standpoint that, without it, the financial statements and the yearly comparison have less or little value between two accounting systems although both may be accredited. This is not to suggest that accounting methods cannot be changed; but if they are changed the effect of the change upon the financial statements must be disclosed by the auditor. Also the auditor should state whether he approves of this change or not.

Once a year, or more often, the balance sheet should be prepared. A sample copy is illustrated on page 76. The balance sheet itemizes the assets which are owned by the cooperative or that are due the business from others. Land, buildings, inventory and equipment are assets owned by the cooperative. These items should be checked to ascertain if a fair value has been assigned. Accounts receivable and prepaid expenses such as insurance are assets.

A second section of the balance sheet is the liabilities and capital equities section which equals the total assets. Liabilities are the items which the cooperative owes, such as accounts payable, notes or mortgage payables. The capital equities represent the amount of ownership held by stockholders in capital stock, and also includes capital reserves for the membership's revolving fund or future expansion.

One analysis of the balance sheet that the board should perform is the ratio that current and fixed assets are to total assets.

Balance Sheet for July-December, 1960
Farmers' Cooperative Association
Any Town, Michigan
(Sample Illustration)

ASSETS

Current Assets (Rapidly converted to cash in normal course of business)			
Cash (On hand and in the bank)		\$15,000	
Accounts Receivable (Owed to coopera- tive by customers)	\$40,000		
Less Reserve for Bad Debts	<u>3,000</u>	37,000	
Inventories (Stocks of merchandise on hand)		<u>40,000</u>	
Total Current Assets			\$92,000
Fixed Assets (All land, buildings and equipment owned)			
Cost Value (All items at original cost)		40,000	
Less Reserve for Depreciation (A charge made against past operations)		<u>28,000</u>	
Net Book Value (Remaining value to be charged against future operations)			12,000
Other Assets			
Investments in Other Cooperatives (Patronage refunds received in stock)		40,000	
Prepaid Expenses (Expense items paid up ahead)		<u>2,000</u>	
Total Other Assets			<u>42,000</u>
TOTAL ASSETS			<u>\$146,000</u>

LIABILITIES

Current Liabilities (Debts due in one year)			
Accounts Payable (Due suppliers for pur- chases and services)		13,000	
Accrued Expenses (Expenses due but not yet paid)		<u>2,000</u>	
Total Current Liabilities			15,000
Long-Term Liabilities			
Notes Payable (Debts of longer duration than one year)			20,000
CAPITAL EQUITIES (Amount owned by stockholders)			
Common Stock		95,000	
Patronage Refunds Payable		6,000	
Capital Reserves		<u>10,000</u>	
Total Capital Equities			<u>111,000</u>
TOTAL LIABILITIES AND CAPITAL EQUITIES			<u>\$146,000</u>

The computation involves dividing the amount of total assets into the items that constitute the current assets (see sample balance sheet on page 76) and similarly the items in the fixed assets. This division will indicate the distribution of capital in the total assets of the cooperative and may assist directors in making a more objective analysis of the business conditions. For example, a relationship of 1:0.4 between total and fixed assets is suggested as a standard. A higher relationship may indicate that the amount of capital tied up in fixed assets is larger than necessary and unavailable, while a lower relationship may indicate additional fixed assets are needed.

The second financial statement which the board is responsible for evaluating is the monthly operating statement (sample copy on page 78) which indicates the results of business operations of the cooperative for a specific period, usually a month, but may be a quarter. Actually the operating statement itemizes the earnings of the period and also the expenses incurred; the difference between these two items is the profit margin.

The operating statement is composed of the gross sales from which merchandise returns and allowances are subtracted (illustrated by \$2,300 in the sample copy) to indicate the net sales of \$108,700. Accordingly, the gross margin on sales of \$30,634 shown in the sample copy is derived by subtracting the cost of materials sold from the net sales. The beginning product inventory plus the raw milk and cream purchased, ingredients used such as chocolate powder, finished

Operating Statement for December, 1960
Farmers' Cooperative Association
Any Town, Michigan
(Sample Illustration)

Sales:

Retail	\$51,000.00	
Wholesale	55,000.00	
Miscellaneous	<u>5,000.00</u>	
Total Gross Sales		\$111,000.00
Less Merchandise Returns and Allowances		<u>2,300.00</u>
Net Sales		\$108,700.00

Cost of Materials Sold:

Beginning Product Inventory	9,800.00	
Raw Products Purchased	73,524.00	
Ingredients Used	750.00	
Finished Dairy Products Purchased	1,500.00	
Other Products Purchased	<u>500.00</u>	
Total Cost		86,074.00
Less Ending Product Inventory		<u>8,008.00</u>
Total Cost of Materials Sold		<u>78,066.00</u>

Gross Margin on Sales \$30,634.00

Processing Expenses:

Salaries and Wages	11,475.07	
Fringe Benefits	2,185.73	
Containers	1,793.90	
Operating Supplies	680.16	
Repairs	194.60	
Taxes	397.10	
Insurance	875.63	
Depreciation	2,823.13	
Rentals of Equipment	475.66	
Services Purchased	553.03	
Advertising	1,170.59	
General Expenses	<u>143.40</u>	
Total Processing Expenses		22,768.00

Sales and Administration Expenses:

Delivery and Sales	5,236.64	
Administration	<u>455.36</u>	
Total Sales and Administration Expenses		<u>5,692.00</u>

Total Operating Expenses \$28,460.00

Net Profit \$ 2,174.00

products purchased such as ice cream novelties, and other products purchased for resale such as ice, minus the ending product inventory make up the cost of materials sold. Itemized operating expenses (listed in the sample operating statement on page 78) are then subtracted from the gross margin on sales as are the sales and administrative expenses to give the net margin for the operating period.

Comparative analysis of the operating statement should help the board become aware of changes which can be investigated if desirable. One is the comparison of last month's operations with the present month's operations. Likewise the board should compare the present month with the same month last year and possibly the monthly average of the last five years.

A second comparative analysis that may be performed on the operating statement is the percentage difference that each item in the statement is of net sales. For example, in the sample copy on page 78 the gross margin on sales is 28.18 percent of net sales (computed by dividing \$30,634 by the net sales of \$108,700). The percent that net margin is of net sales definitely should be calculated which in the sample copy is 2.00 percent. This type of analysis will provide such information as the percentage change in gross margin, expenses and net margins as well as indicate sales volume change. One caution is that the percents computed be studied carefully and not held as conclusive. The fact must be made clear that a change in the percent

that one item is of another can be caused by either or both the figures. The significant question is, was the change in one figure justified by the change in the other.

Another opportunity of the board of directors in their evaluating financial statements is the use of ratios. A ratio means a computation expressing the numerical relationship between two figures. Analysis by ratio is the process of determining and presenting the relationship of items and groups of items so as to reveal favorable or unfavorable conditions and trends.

Although technically not a ratio, the working capital is mentioned here since two of the ratios that will be discussed are based on the items which give the working capital. The computation of the working capital involves subtracting the current liabilities from the current assets (balance sheet). Current assets are those items that are or can be converted to cash in the normal course of business and current liabilities are those short term obligations that are due or will be paid within the period of the statement.

The current ratio reflects the working capital of the business and is one the board should know especially. It is derived by dividing current liabilities into current assets. A suggested rule of thumb for the ratio is 2:1, that is the current assets should be double the current liabilities. A lower ratio suggests the cooperative may have difficulty meeting financial obligations because of slow sales and/or collections while a higher ratio suggests extra funds are available for use.

Several factors should be considered in studying this ratio; one is the dairy product inventories, which if excessive could cause a 2:1 ratio, but actually the cooperative financial position may not be good since high inventories may be caused by many factors, for example slow movement of product and overstocking. Secondly, accounts receivables, if high, could cause a 2:1 ratio but again the financial position may not be favorable. Thirdly, a large idle cash balance could give the favorable ratio. This fact would indicate the resources are not being used gainfully.

Supplementary to the current ratio is the relationship between the sum of current liabilities and the amount of cash and accounts receivable of a business. Dividing the current liabilities into the sum of cash and accounts receivables is called the acid-test ratio which checks the adequacy of the current ratio. The amount of available cash and the capital closest to cash are likewise indicated. A desirable acid-test ratio is 1:1.

The turnover of the accounts receivable is important. It is computed by dividing annual sales, preferably credit sales, by the average or year-end trade accounts receivable. The liquidity of the accounts receivable is measured by this turnover. An annual turnover of six means that today's receivables will on the average be collected in two months or if the turnover is four the return of receivables will be within three months. An exceptionally high receivables turnover ratio, for example over 12, might indicate a tight credit policy that may be hurting sales by discouraging slower paying customers.

In contrast, an unusually low ratio would indicate a build-up of funds in the receivables assets indicating that the flow of funds has been cut down.

The application of the receivables turnover must be considered in respect to seasonal sales. If cash sales increased markedly at the end of the year, the accounts receivables would reflect this increase and could be misleading. Therefore, comparison of credit sales with an average monthly accounts receivables balance or an average balance of the beginning and ending of the year is warranted.

The average collection period which can be expected for the average credit sales should be calculated. The average daily credit sales divided into the accounts receivable gives the average collection period. An average collection period of 30 days or less should be the goal.

Besides the receivable turnover the receivables should be "aged," especially those due over the 30-day collection period. Aging of receivables involves classifying the accounts according to the length of time outstanding. A 30-day aging period should be the first classification with additional less desirable classes as 30 to 60 days, 60 to 90 days and over 90 days.

Unfortunately a complete awareness by the board of the magnitude of the debt in relation to changing operations is not always true. A ratio that shows the dollars that the cooperative's creditors have loaned in relation to the owners' investment is the debt to net worth.

The division of the total debt by the tangible net worth* gives this ratio. If the ratio is 1:1 the assets of the cooperative may decline 50 percent in value before threatening the actual solvency of the business. Although when a 2:1 (debt to net worth) ratio occurs only one-third of the asset value could be lost before causing insolvency.

More and more investment ratios are becoming the efficiency index of the financial aspects of management. Several of the ratios in this area are the investment turnover, earning rate and the return on investment.

The investment turnover is the ratio of net sales to investment by members that measures the degree of utilization of the resources. Computation of the ratio involves dividing the sum of the investments into the net sales for the year.

A second investment ratio is the earning rate which provides another measure of how efficiently the plant was operated. This ratio is computed by dividing net margin by net sales for the period. The dairy industry currently has an average return of 2.1 percent on sales.

The return on investment is the ratio of the net margin to the total assets. This ratio indicates the efficiency of the plant by showing the level of utilization of the assets.

*Tangible net worth, according to Sanzo (1958) is, "The worth of a business minus any intangible items in the assets such as good will, trademarks, patents, copyrights and leaseholds. The tangible net worth would consist of the sum of all outstanding capital stock and surplus minus the intangibles."

A study of trends in sales volume to spot weaknesses, and thus the deficient sales activities, may be beneficial. A comparison of the total sales volume to the total sales force will indicate the general effectiveness of the sales department. Accordingly the determination of the cost of selling per 100 pounds of product will provide a guide and a more objective standard upon which to establish goals. More significant is a comparison of the sales volume per salesman. An analysis of the individual salesman's records may point to weaknesses. The board should recognize that several factors influence sales volume, namely, economic conditions, credit policy changes, management policies, price changes or amount of sales promotion and advertising.

An analytical comparison of the volume of sales to the market price of products will inform the board of the selling practices of the management. Especially in manufactured products such as natural cheeses, butter and dried milk products there is little need for the sales price to be below the government support price for these products. Evidence of selling below the support price or market price would indicate a need to study the actual reasons.

The board should assess the sales volume in relation to the potential market in both local and state markets if of sufficient size. This is not to imply that cooperatives serving only local markets should not compare its sales on the state basis for a guide may develop from doing this. Likewise, knowledge of the present sales of

the cooperative with the industry's national sales figures indicates trends and may help guide the board in its evaluation of sales.

To conclude the discussion on ratios, the fact must be emphasized that they are not a panacea for business ills but if properly used they provide valuable information. Similarly, ratios present a hazard of being used as ends in themselves while actually they should act mainly as rules-of-thumb and be used with sound judgment.

The directors must review proposed budgets of the cooperative in detail since they provide a simplified means of control over financial transactions for each activity. Budgets help to force management to plan and coordinate activities of the various sections of the entire operation as well as clarify programs and delineate responsibilities. An understanding of the budgetary program will better prepare them to make evaluations of management's aims and later the progress that was accomplished.

The board should insist on management setting goals for major operations, for example sales, sales margin, efficiency of processing, quality improvement, reduction of losses, etc. A review of previous goals and the establishment of realistic goals for the next year will stimulate and direct management.

The board should know processing efficiency indexes and their value. One index is the pounds or gallons of product processed per man-hour worked. The computation involves dividing the plant processing volume by the total number of man-hours worked in the plant. The goal is for an index characterized by a large volume of product

processed per few number of employee hours worked. Nationally in 1959 the average gallons of milk processed per man-hour was 53 and 125 was the best reported. A realistic goal should be set above the average and a little higher than the present yearly average of the cooperative. Further sources of information along this line can be found in Appendix IX.

Shrinkage reports serve a useful purpose by indicating product loss. A true report reflects the difference in both fat and solids-not-fat purchased and the amount that was sold. One guide is the 2 percent loss allowed by Federal Milk Marketing Orders which is liberal for a fluid milk operation. One percent or less would be more of a challenge. All phases of the operation are potential loss points. Consequently, the more products processed and the more steps involved inevitably the higher the shrinkage that results.

Although directors are not involved directly in employee relations they should be interested in general morale. One measure of morale is the labor turnover, which is computed by determining the average number of employees and dividing that figure into the total number of separations for the month and multiplying by 100 (rate in percent). The United States Department of Labor (1961) reported the average labor turnover for the Food industry for 1959 and 1958 was 4.0 and 3.8 per 100 employees, respectively.

Directors should be concerned with accident frequency and accident severity rates. The accident frequency rate is computed by

multiplying the number of injuries by 1,000,000 and dividing the product by the total man-hours worked. An average frequency rate for all industrial manufacturing industries was 13.5 per year in 1959. The accident severity rate measures the number of days lost through injuries per 1,000 man-hours worked. The number of days lost through injuries is multiplied by 1,000 and the product is divided by the number of man-hours worked.

The board should check on the upkeep and improvement of the physical facilities. The maintenance of equipment is important, as well as the upkeep and improvement of plant and premises.

Some directors may fail to appreciate the full value of the cooperative's public relations. Included are customers, general public, competitors, supply representatives, newspaper men, farmers (especially members) and employees. The board should encourage management's participation in civic affairs as a means of promoting better relations with the general public.

The fourth major duty of the board of directors outlined in this section is ascertaining the accomplishment of the objectives of the cooperative. This may include simply the greatest return to the producer or also it may involve conveniences and extra services at the least cost to the producers.

Directors have the duty of making final decisions on major financial expenditures of the cooperative. The board may establish a maximum expenditure level above which the manager must obtain approval

by the board. This may be based on a percentage of monthly income. The amount allowed the manager should be realistic for the size of the organization. An arbitrary figure set many years ago that bears little relationship to current total income or expense is a handicap to efficient management.

The board may engage a consultant to assist in evaluating or resolving major problems. Consultants can provide a valuable aid for the board in guarding and preserving members' interests. Their broad knowledge, yet specialized talents, can provide solutions, corrections and viewpoints that may readily solve difficult problems. The cost of a consultant is usually a good investment for these occasions.

Finally every member of the board of directors should keep himself informed on current dairy business trends and developments. In fact, a self-improvement program is imperative. In Appendix IX a list of suggested readings and other aids is presented that will assist a director in keeping informed as well as broaden his knowledge and perspective.

Mutual Duties of the Board of Directors and Manager

Jointly the board of directors and manager have essential duties to perform. One of these is the planning and developing of policies. Jointly the board and manager should work together in planning and developing policies with the final decision invested in the board. Joint consultation is imperative since the jobs of the directors and manager pertain to different tasks and each will need to contribute

facts and viewpoints that may influence the planning and development of policies. The establishment of a policy to promote and sell the cooperative's products in a larger market area would require both the board and manager to provide information and ideas.

Hence, a ramification of this duty is the requirement that both the board and manager review the documentary papers (articles of incorporation, bylaws and charter) of the cooperative in light of current conditions. Although these provisions are relatively stable, their revision is conceivable in view of the rapid change of businesses to meet business conditions. Therefore, it is the duty of the board and manager to review the documentary papers every 2 or 3 years.

The planning and developing of long-range goals is difficult but essential for good administration. These are best attained as mutual endeavors. Specifically the board and manager must define and qualify the long-range goal. Secondly, assumptions relative to the plan must be established such as estimates of financial needs, longevity of the plan, influence of competition, transportation aspects and others. These premises guide and provide a foundation for the plan. Thirdly, information should be obtained relative to the plan, both within and outside the organization, such as needs in the way of facilities, consultation with authorities and others. The information should be obtained, studied, analyzed and classified so discussions relative to costs and benefits will be possible. Next a mutual decision on the goal and course of action stimulates the best use of

labor, management and capital in the accomplishments. A systematic plan that helps chart the future in view of changing economic conditions and desire for growth will add confidence.

A board's concern should be with the succession of the manager in case a replacement becomes necessary. Consequently, the second mutual duty (board and manager) is the selection of an assistant manager. Jointly they should review the candidates' qualifications and agree upon the person. Once a selection is made, the assistant manager must be responsible to the manager although the board has an interest in the training of the assistant through the manager. A qualified assistant is the best insurance against delays and losses whenever a change of the manager takes place.

The third mutual duty of the board of directors and manager is membership relations. This covers a wide realm of activities; the major one is keeping the membership well informed of the business by communications through cooperative publications, reports, special bulletins and other media. Annual and special meeting dates, as well as advanced information on factors requiring decisions at these meetings, should be conveyed to members well in advance. Communicative channels from the members back to the board should be effective. The feed-back of members' views is often neglected and consequently public relations is less than optimum. A well informed membership is a step towards the elimination of apathy.

Duties of the Manager

The major duties of the manager are: (a) execute the policies dictated by the board, (b) direct the day-to-day operations, (c) make short-range plans and (d) provide dynamic leadership for the cooperative.

In executing policies dictated by the board the manager specifically puts into effect procedures that follow the course of action outlined to him. For example, if a policy adopted by the board was to process a new product from milk, the manager would plan a program to develop and evaluate a potential new product. In the achievement of this the manager has executed the policy.

Essentially the manager plans, organizes, directs, coordinates and controls the daily activities of the cooperative. Included in this wide realm of daily activities are the segments that overlap all phases of the operations. One activity is the budget preparation. The manager should plan a budget that predicts the income and expenses by departments of the entire operation for the next fiscal year. It is imperative that the budget be reviewed periodically (usually quarterly) in light of changing conditions or expected changes in the immediate future. Accordingly, adjustments should be made if necessary in order to coordinate with the changes as they occur. The manager must maintain adequate working capital for the normal operating expenses.

The manager should be responsible for the financial activities under the policies established by the board. Financial records

adequate to meet the requirements of good accounting are his responsibility. He must direct the preparation of the balance sheet, operating statement and special reports.

Effective labor utilization is a responsibility of the manager. Control of personnel programs in selection, training, working, evaluation and safety of the employees is under his supervision. The employee morale is his responsibility. Morale is influenced by job descriptions, work standards, incentives, working conditions, salaries and wages and fringe benefits.

The manager is also responsible for efficiency in all phases of the operation. Knowledge of the outputs of labor and machines is imperative for the manager so that he can immediately determine the degree of efficiency of operations. Comparison of operations in the past and with comparable sized operations provides guides in respect to efficiency of the operation. (Sources of information for guides on efficiency are presented in Appendix IX.) Establishment of realistic short-term goals for all phases of the operation which are reviewed and revised yearly may provide direction and incentives.

The internal organizational structure is an aspect that influences the efficiency of all operations. A well managed organization has a current chain of command and each employee knows his duties and responsibilities under normal and emergency conditions. Flexibility in organizational structure is desirable to meet rapidly changing conditions.

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The manager is responsible for an effective public relations program involving customers, members, employees, competitors, news reporters, civic and private groups, suppliers, farmers and officials of the local, state and possibly national governments. A favorable image can be obtained only by an effective, continuous program.

The manager controls usually by indirect means the procurement program of the raw milk supply. The program should have its basis in accurate, sanitary and low cost handling of all the milk supplied by members and other patrons.

The manager is responsible for directing the purchase of supplies, product ingredients and the selection of equipment.

Direction of all processing is a duty of the manager. Coordination of methods, men, materials and machines should lead toward an effective operation. Evaluation of processing methods aids in attaining simplification and quality at minimum expense. Good direction of a maintenance and engineering program in the processing operation is imperative for keeping the equipment in a satisfactory condition and maintaining the physical facilities as a whole.

Another major operation which the manager is responsible for directing is composition and quality control which are vital to the business. A well balanced program includes realistic standards for the chemical and microbiological quality of the product during procurement, processing, packaging, storing and distributing. The manager usually delegates to the laboratory personnel the responsibility for research and development. With the present competitive

circumstances, improvement or creation of products will help guard against lower margins and provide improved or new outlets for milk.

The third major operation directed by the manager is the sales and distribution of the dairy products. Particularly significant is his responsibility for an aggressive sales department that plainly reflects a desire to serve the customers. Establishing and continuing an effective promotional advertising program rests with the manager; such a program should add impetus to the sales effort and create a favorable image of the cooperative. These efforts could be in vain unless an adequate distribution program is in effect. Continual study of new distribution channels besides improvement of present methods is warranted. Carefully structured communication channels in the area of sales and distribution will assist the manager in making decisions more readily and objectively. Application of marketing research techniques will help the manager to keep informed of the customers' desires as well as provide a channel of communication.

The third major duty of the manager is making short-range plans for the immediate future period of six months to a year. Forecasts and data from other analyses are instruments for short-range planning. The benefit of short-range plans is more efficient plant operations. Better coordination is assured where the future plans and finances, supplies, labor and other phases are studied and plans made for their efficient utilization. Plans for emergencies can be made whereby steps of action could be initiated in order to cope with sudden demands. Vision of the future demands helps the manager to adapt to

changing circumstances caused by economic conditions, future production demands and trends.

Discussions in preceding paragraphs have assumed that the manager possesses a most important qualification, namely leadership ability. The manager is responsible to provide dynamic leadership. His role in leading the cooperative should center around a philosophy of how he can serve his cooperative. Creativity plays a role in his serving as the leader of the cooperative. Continually he must assume challenges, especially to improve management.

The manager should provide leadership in civic affairs by participating in community functions that demonstrate his desire to serve his fellow man, community, state and nation. His encouragement of employees, members and board members to participate will prove beneficial to the cooperative.

Also important is the manager's duty to protect the members' interests politically. He must keep abreast of local and state political activities in order to inform members of legislation which they may wish to support or oppose.

In conclusion, the manager is responsible for an adequate net profit under the prevailing business conditions. The record of the manager in this area is constantly under examination by members. His leadership and management ability in all phases of the operation will determine the success of business in fulfilling the objectives.

SUMMARY AND CONCLUSIONS

Replies from a questionnaire to managers and boards of directors of Michigan dairy processing cooperatives showed that members of the board need their specific duties delineated and need a more thorough knowledge of the fundamentals of business so they can evaluate more thoroughly the cooperative's operations. Sixty-four percent of the directors indicated they jointly should evaluate a sales cost analysis study with the manager while less (44 percent) indicated they should jointly evaluate a more important report—the operating statement. Forty percent of the directors indicated the manager should secure the accountant to perform the audit at the end of the year while 56 percent of the managers felt this duty is solely the board of director's.

Managers and directors consistently agreed that the board of directors should make the final decision on major issues. Consistency was noted in the replies in the area of personnel policies. Managers and directors unanimously agree that the board has no responsibility in hiring, dismissing, evaluating or specifying duties to employees.

Results indicate both the manager and directors share duties in membership relations. Sixty and 48 percent of the managers and directors, respectively, indicated they jointly should plan a 10-year member adult education program. Forty-four and 60 percent of the managers and directors, respectively, indicated that the decision to

enlarge purchasing services for members should be made jointly.

Planning the annual meeting was indicated by 44 percent of managers and 68 percent of the directors to be a mutual duty.

The establishment of 5-year goals was indicated by 64 and 73 percent of the managers and directors to be a mutual duty as was the review and change of objectives by 60 and 69 percent of the managers and directors.

On the basis of the questionnaire replies, personal interviews with authorities, literature review and personal convictions of the author, the principal duties and responsibilities are designated as follows:

It is the responsibility of the members of a cooperative to:

- (a) select qualified directors, (b) require that each director know and perform the duties of his office and (c) vote on decisions of great importance to the welfare of the cooperative. Major duties of the board of directors are to: (a) decide major policies, (b) select and support a competent manager, (c) evaluate management's performance, (d) ascertain whether or not the objectives are being accomplished, (e) decide major financial operations and (f) miscellaneous, such as hiring a consultant. Mutual duties (directors and manager) are to: (a) plan and develop policies, (b) select an assistant manager and (c) promote membership relations. The manager is responsible for: (a) executing policies dictated by the board, (b) directing day-to-day operations, (c) perform short-range planning and (d) providing dynamic leadership.

In conclusion the careful adherence to the recommendations for the discharging of duties and responsibilities should result in an improved administration of the Michigan dairy processing cooperative.

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APPENDIX

APPENDIX I. Questionnaire

PURPOSE of this study is to compile your present opinions on duties and responsibilities of Boards of Directors and Managers of dairy plant cooperatives. It is the goal of the study to summarize your opinions so to establish sound managerial recommendations which should assist directors and managements in dairy plant administration.

A **DUTY** is the expected tasks performed by a person to fulfill the demands of his job

A **RESPONSIBILITY** implies one is answerable or accountable for things or tasks that one person, or a group, has delegated to him.

Please check who, in your personal opinion, should be responsible for the following to have consistent, sound administrative practices in dairy cooperatives:

MAJOR ORGANIZATIONAL RESPONSIBILITIES AND DUTIES	Board of Manager Directors	No Both Opinion
To be sure the charter and bylaws are observed	() ()	() ()
To present amendments on the bylaws at annual meetings	() ()	() ()
To make contracts with bulk tank route drivers	() ()	() ()
To negotiate contract with realtor for the purchase of additional land	() ()	() ()
To make the final decision to pur- chase additional land	() ()	() ()
To initiate the ideas for expansion of the physical plant	() ()	() ()
To make the final decision to ex- pand the plant	() ()	() ()
To plan the expansion of the physi- cal plant	() ()	() ()
To plan a 10-year member adult edu- cation program	() ()	() ()
To decide on the adoption of a new adult education program	() ()	() ()
To review the marketing services performed for members	() ()	() ()
To decide to change marketing ser- vices performed	() ()	() ()

APPENDIX I. (Continued)

	Manager	Board of Directors	Both	No Opinion
To decide to merger with another pro- duction cooperative	()	()	()	()
To employ competent business consul- tants to resolve major problems . .	()	()	()	()
To secure an external accounting con- cern to perform the year-end audit	()	()	()	()
To establish the cooperative's growth goals for the coming 5 years	()	()	()	()
To decide the amount or number of re- volving fund certificates to re- tire in 20 years	()	()	()	()
To prepare the financial report for members	()	()	()	()
To plan the annual meeting of members	()	()	()	()
To decide the amount of current earn- ings to be distributed to members .	()	()	()	()
To decide if non-members shall re- ceive dividends	()	()	()	()
To decide to have a publication for members	()	()	()	()
To decide to enlarge purchasing ser- vices for members	()	()	()	()
To make the final decision to purchase washing compound for members . . .	()	()	()	()
To review and change the cooperative's objectives	()	()	()	()

Personnel:

To hire or dismiss a plant employee other than manager or assistant manager	()	()	()	()
To specify the assistant manager's duties	()	()	()	()
To specify the duties of the em- ployee(s) operating a pasteurizer .	()	()	()	()
To establish an employee evaluation program	()	()	()	()
To conduct an employee training pro- gram	()	()	()	()
To decide if employees provide their own plant clothing or if the co- operative should	()	()	()	()
To negotiate the labor union contract	()	()	()	()

APPENDIX I. (Continued)

	Manager	Board of Directors	Both	No Opinion
<u>Finance:</u>				
To select the cooperative's bank . . .	()	()	()	()
To obtain a loan from the bank	()	()	()	()
To decide to set aside a financial re- serve for future expansion	()	()	()	()
To decide to apply to the Bureau of Internal Revenue for income tax exemption	()	()	()	()
To plan the cooperative's yearly bud- get	()	()	()	()
To accept the proposed yearly budget .	()	()	()	()
<u>Production and Sales:</u>				
To evaluate the monthly profit and loss statement	()	()	()	()
To start a product development pro- gram	()	()	()	()
To change the product design or pack- age color	()	()	()	()
To make the final decision to purchase a new homogenizer	()	()	()	()
To decide to increase or decrease the number of products manufactured and sold	()	()	()	()
To decide to adopt a new butterfat testing procedure	()	()	()	()
To counsel a patron who consistently has a high bacterial count	()	()	()	()
To review reorganization of responsi- bilities of the sales department .	()	()	()	()
To decide to reorganize the sales de- partment's responsibilities	()	()	()	()
To execute the reorganization of the sales department's responsibilities	()	()	()	()
To plan a sales cost analysis	()	()	()	()
To evaluate the results of a sales cost analysis study	()	()	()	()
To plan a sales promotion program . .	()	()	()	()
To plan a market research program to determine potential sales	()	()	()	()
To set a five-year sales quota	()	()	()	()

APPENDIX I. (Continued)

ADDITIONAL RELEVANT INFORMATION

Please check or reply to the following questions as you personally believe they should be handled:

Should the number of board members vary with the size of the cooperative's membership? Yes _____ No _____

What number would you recommend as the ideal size board? _____

Number of directors on your present board _____

Total membership of cooperative _____

Gross sales per year \$ _____ Pounds, gallons or units of
Product sold per year _____

What should be the maximum dollar expenditure by the manager without the Board of Director's approval \$ _____

Please list important duties and responsibilities for the Board of Directors not mentioned above.

Please list any important manager's duties and responsibilities not mentioned above.

APPENDIX II. Introductory letter to directors

MICHIGAN STATE UNIVERSITY East Lansing

Department of Food Science • Dairy Plant

Mr. John Doe, President (or Secretary)
Farmers' Cooperative Association
Any Town, Michigan

Dear Mr. Doe:

What, in your opinion, are the specific duties the Board of Directors should perform to effectively direct its cooperative dairy plant?

Your enumeration of director's duties will be valuable to a study being conducted to establish the general opinions of the duties of the Board of Directors of dairy plant cooperatives. The survey is important because responsibilities between the manager and the Board are not at all times specific, which may cause inefficiencies in the plant operations. Your assistance will help establish specific recommendations for present Board members, and inexperienced new Board members, so they may serve more effectively.

Please check or reply to questions on the attached sheets according to your personal opinion. This does not have to be consistent with the practice in your cooperative dairy plant, but should be indicative of an administrative practice which you believe will be most effective. Feel assured, Mr. Doe, the information which you provide will be used for research purposes, and handled in whatever degree of confidence you specify.

Please enclose the answered questions in the return addressed envelope by August 19. Your answers will be immediately compiled with others and made available if you wish.

Cordially yours,

Lee D. Adami
Dairy Plant Management
Michigan State University

LDA:mba

Enc.: Question sheets
Return addressed envelope

APPENDIX III. Introductory letter to managers

MICHIGAN STATE UNIVERSITY East Lansing

Department of Food Science . Dairy Plant

Mr. John Doe, Manager
Farmers' Cooperative Association
Any Town, Michigan

Dear Mr. Doe:

Usually new Board members of dairy plant cooperatives have little previous business experience in dairy plant administration. Some regular directors have misconceptions of their duties. These deficiencies and the lack of defined areas of responsibilities between the Board and the Manager can cause misunderstandings and a decrease in the effectiveness of the plant operations.

Your suggestions for a study to establish specific duties of the Board members will be valuable. Summarized opinions will constitute recommendations for directors who can then execute their obligations without interfering with the manager's duties. The aim of the study is to increase the effectiveness of management and particularly increase the understanding and cooperation between the Board and their manager.

Please check or reply to questions on the attached sheets according to your personal opinion. This does not have to be consistent with the practice in your cooperative dairy plant, but should be indicative of an administrative practice which you believe would be most effective. Feel assured, Mr. Doe, the information which you provide will be used for research purpose, and handled in whatever degree of confidence you specify.

Please enclose the answered questions in the return addressed envelope by August 19. Your answers will be immediately compiled with others and made available if you wish.

Cordially yours,

Lee D. Adami
Dairy Plant Management
Michigan State University

LDA:mba

Enc.: Question sheets
Return addressed envelope

APPENDIX IV. First follow-up letter sent to managers

MICHIGAN STATE UNIVERSITY East Lansing

Department of Food Science • Dairy Plant

Mr. John Doe, Manager
Farmers' Cooperative Association
Any Town, Michigan

Dear Mr. Doe:

We have not received your reply to the recent questionnaire. But your reply is valuable, therefore, we would appreciate your immediate attention in checking the enclosed duplicate questionnaire and returning it in the addressed envelope by September 8.

If you have returned the first questionnaire after August 25, please ignore this letter.

A summary and results of the study will be available if you desire them.

Cordially yours,

Lee D. Adami
Dairy Plant Management
Michigan State University

IDA:mba

Enc.: Questionnaire
Return addressed envelope

APPENDIX V. First follow-up letter sent to directors

MICHIGAN STATE UNIVERSITY East Lansing

Department of Food Science • Dairy Plant

Mr. John Doe, President (or Secretary)
Farmers' Cooperative Association
Any Town, Michigan

Dear Mr. Doe:

Your knowledge of the duties and responsibilities the Board of Directors perform is too important to be overlooked in any valid research study.

Probably because of vacations or the pressure of this busy time of the year your reply to the study being conducted to delineate the duties and responsibilities of the Board of Directors has not been received by August 25, so I have enclosed a second questionnaire.

To emphasize as I did in the first letter, your personal opinion, though not necessarily consistent with your cooperative's practices, will be valuable. Feel assured your suggestions will be used for research only and handled in whatever degree of confidence you specify.

For your convenience enclose the checked questionnaire in the return addressed envelope by September 8. As soon as the results have been compiled, you who have contributed will receive a reprint of my tabulated findings.

Cordially yours,

Lee D. Adani
Dairy Plant Management
Michigan State University

LDA:mba

Enc.: Questionnaire
Return addressed envelope

APPENDIX VI. Second follow-up letter

MICHIGAN STATE UNIVERSITY East Lansing

Department of Food Science • Dairy Plant

Mr. John Doe, Manager (President or Secretary)
Farmers' Cooperative Association
Any Town, Michigan

Dear Mr. Doe:

The absence of your answers to the recent questionnaire sent you is detaining the completion of a study for cooperatives and delaying the progress of a required thesis project. Your opinions are needed, so we would appreciate your checking the enclosed duplicate questionnaire immediately and returning it to me by September 28.

Cordially yours,

Lee D. Adami
Dairy Plant Management
Michigan State University

LDA:mba

Enc.: Questionnaire
Return addressed envelope

APPENDIX VII. Third follow-up letter

MICHIGAN STATE UNIVERSITY East Lansing

Department of Food Science . Dairy Plant

Mr. John Doe, Manager (President or Secretary)
Farmers' Cooperative Association
Any Town, Michigan

Dear Mr. Doe:

Your answers to the recent questionnaire sent to cooperative managements is needed so that a complete over-all coverage of opinions is obtained of cooperative management's job. However, you are one of the ten persons from whom I have not received answers. The lack of your answers has detained the completion of the study and the progress of a thesis project. We would appreciate your checking the enclosed duplicate questionnaire immediately.

Please mail me your answers in the provided return addressed envelope or may I hear from you soon.

Cordially yours,

Lee D. Adami
Dairy Plant Management
Michigan State University

LDA:mba

Enc.: Questionnaire
Return addressed envelope

APPENDIX VIII. Replies to questionnaire on duties sent to 25 managers

Questions	Managers' replies							
	Manager		Board		Both		No Opinion	
	No.	%	No.	%	No.	%	No.	%
To be sure the charter and bylaws are observed	2	8	4	16	19	76	0	0
To present amendments on the bylaws at annual meetings	2	8	16	64	7	28	0	0
To make contracts with bulk tank route drivers	13	52	3	12	5	20	4	16
To negotiate contract with realtor for the purchase of additional land . .	7	28	6	24	11	44	1	4
To make the final decision to purchase additional land	0	0	19	76	5	20	1	4
To initiate the ideas for expansion of the physical plant	21	84	2	8	1	4	1	4
To make the final decision to expand the plant	1	4	20	80	4	16	0	0
To plan the expansion of the physical plant	14	56	0	0	9	36	2	8
To plan a 10-year member adult education program	6	24	1	4	15	60	3	12
To decide on the adoption of a new adult education program	3	12	7	28	14	56	1	4
To review the marketing services performed for the members	5	20	8	32	11	44	1	4
To decide to change marketing services performed	3	12	10	40	11	44	1	4
To decide to merger with another processing cooperative	1	4	15	60	8	32	1	4
To employ competent business consultants to resolve major problems	5	20	7	28	13	52	0	0
To secure an external accounting concern to perform the year-end audit . . .	4	16	14	56	7	28	0	0
To establish the cooperative's growth goals for the coming 5 years . . .	6	24	2	8	16	64	1	4
To decide the amount or number of revolving fund certificates to retire in 20 years	3	12	10	40	11	44	1	4
To prepare the financial report for members	21	84	2	8	2	8	0	0
To plan the annual meeting of members	8	32	6	24	11	44	0	0

APPENDIX VIII

and 45 directors of Michigan dairy processing cooperatives

Directors' replies								Combined replies							
Manager		Board		Both		No Opinion		Manager		Board		Both		No Opinion	
No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%
2	4.4	16	35.5	27	60.0	0	0	4	5.7	20	28.5	46	65.7	0	0
5	11.1	34	75.5	6	13.3	0	0	7	10.0	50	71.4	13	18.5	0	0
29	64.4	4	8.8	11	24.4	1	2.2	42	60.0	7	10.0	16	22.8	5	7.1
21	46.6	10	22.2	14	31.1	0	0	28	40.0	16	22.8	25	35.7	1	1.4
1	2.2	39	86.6	5	11.1	0	0	1	1.4	58	82.8	10	14.2	1	1.4
31	68.8	0	0	14	31.1	0	0	52	74.2	2	2.8	15	21.4	1	1.4
0	0	38	84.4	6	13.3	1	2.2	1	1.4	58	82.8	10	14.2	1	1.4
16	35.5	2	4.4	26	57.7	1	2.2	30	42.8	1	1.4	36	51.4	3	4.2
9	20.0	6	13.3	22	48.4	8	17.7	15	21.4	7	10.0	37	52.8	11	15.7
2	4.4	23	51.1	12	26.6	8	17.7	5	7.1	30	42.8	26	37.1	9	12.8
17	37.7	8	17.7	20	44.4	0	0	22	31.4	16	22.8	31	44.2	1	1.4
6	13.3	24	53.3	14	31.1	1	2.2	9	12.8	34	48.5	25	35.7	2	2.8
1	2.2	29	64.4	14	31.1	1	2.2	2	2.8	44	62.8	22	31.4	2	2.8
12	26.6	12	26.6	21	46.6	0	0	17	24.2	19	27.1	34	48.5	0	0
18	40.0	17	37.7	10	22.2	0	0	22	31.4	31	44.2	17	24.2	0	0
7	15.5	2	4.4	33	73.3	3	6.6	13	18.5	4	5.7	49	70.0	4	5.7
0	0	25	55.5	20	44.4	0	0	3	4.2	32	45.7	34	48.5	1	1.4
37	82.2	1	2.2	6	13.3	1	2.2	58	82.8	3	4.2	8	11.4	1	1.4
7	15.5	5	11.1	31	68.8	2	4.4	15	21.4	11	15.7	42	60.0	2	2.8

APPENDIX VIII. (Continued)

Questions	Managers' replies							
	Manager		Beard		Both		No Opinion	
	No.	%	No.	%	No.	%	No.	%
To decide the amount of current earnings to be distributed to members .	0	0	13	52	12	48	0	0
To decide if non-members shall receive dividends	0	0	18	72	2	8	5	20
To decide to have a publication for members	3	12	6	24	13	52	3	12
To decide to enlarge purchasing services for members	7	28	6	24	11	44	1	4
To make the final decision to purchase washing compounds for members . . .	19	76	3	12	2	8	1	4
To review and change the cooperative's objectives	1	4	9	36	15	60	0	0
To hire or dismiss a plant employee other than manager or assistant manager	24	96	0	0	1	4	0	0
To specify the assistant manager's duties	20	80	3	12	2	8	0	0
To specify the duties of the employee operating a pasteurizer	23	92	0	0	1	4	1	4
To establish an employee evaluation program	21	84	1	4	2	8	1	4
To conduct an employee training program	21	84	0	0	2	8	2	8
To decide if employees provide their own plant clothing or if the cooperation should	10	40	7	28	7	28	1	4
To negotiate the labor union contract .	6	24	2	8	14	56	3	12
To select the cooperative's bank . . .	1	4	14	56	10	40	0	0
To obtain a loan from the bank	1	4	10	40	14	56	0	0
To decide to set aside a financial reserve for future expansion	0	0	10	40	15	60	0	0
To decide to apply to the Bureau of Internal Revenue for income tax exemption	5	20	9	36	10	40	1	4
To plan the cooperative's yearly budget	14	56	2	8	9	36	0	0
To accept the proposed yearly budget .	1	4	19	76	4	16	1	4
To evaluate the monthly profit and loss statement	6	24	7	28	11	44	1	4
To start a product development program	11	44	3	12	10	40	1	4
To change the package design or color .	16	64	1	4	7	28	1	4

APPENDIX VIII. (Continued)

Directors' replies								Combined replies							
Manager		Board		Both		No Opinion		Manager		Board		Both		No Opinion	
No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%
2	4.4	27	60.0	15	33.3	1	2.2	2	2.8	40	57.1	27	38.5	1	1.4
0	0	32	71.1	11	24.4	2	4.4	0	0	50	71.4	13	18.5	7	10.0
4	8.8	16	35.5	24	53.3	1	2.2	7	10.0	22	31.4	37	52.8	4	5.7
4	8.8	12	26.6	27	60.0	2	4.4	11	15.7	18	25.7	38	54.2	3	4.2
19	42.2	13	28.8	9	20.0	4	8.8	38	54.2	16	22.8	11	15.7	5	7.1
1	2.2	11	24.4	31	68.8	2	4.4	2	2.8	20	28.5	46	65.7	2	2.8
43	95.5	1	2.2	1	2.2	0	0	67	95.7	1	1.4	2	2.8	0	0
27	60.0	6	13.3	11	24.2	1	2.2	47	67.1	9	12.8	13	18.5	1	1.4
43	95.5	0	0	2	4.4	0	0	66	94.2	0	0	3	4.2	1	1.4
29	64.4	3	6.6	12	26.6	1	2.2	50	71.4	4	5.7	14	20.0	2	2.8
36	80.0	2	4.4	6	13.3	1	2.2	57	81.4	2	2.8	8	11.4	3	4.2
8	17.7	17	37.7	19	42.2	1	2.2	18	25.7	24	34.2	26	37.1	2	2.8
7	15.5	7	15.5	29	64.4	2	4.4	13	18.6	9	12.8	43	61.4	5	7.1
2	4.4	30	66.6	13	28.8	0	0	3	4.2	44	62.8	23	32.8	0	0
3	6.6	22	48.8	20	44.4	0	0	4	5.7	32	45.7	34	48.5	0	0
0	0	25	55.5	20	44.4	0	0	0	0	35	50.0	35	50.0	0	0
13	28.8	12	26.6	16	35.5	4	8.8	21	30.0	18	25.7	26	37.1	5	7.1
23	51.1	2	4.4	20	44.4	0	0	38	54.2	3	4.2	29	41.4	0	0
1	2.2	38	84.4	5	11.1	1	2.2	2	2.8	57	81.4	9	12.8	2	2.8
8	17.7	16	35.5	20	44.4	1	2.2	14	20.0	23	32.8	31	44.2	2	2.8
21	46.6	0	0	21	46.6	3	6.6	32	45.7	3	4.2	31	44.2	4	5.7
12	26.6	2	4.4	30	66.6	1	2.2	28	40.0	3	4.2	37	52.8	2	2.8

APPENDIX VIII. (Continued)

Questions	Managers' replies							
	Manager		Board		Both		No Opinion	
	No.	%	No.	%	No.	%	No.	%
To make the final decision to purchase a new homogenizer	6	24	11	44	7	28	1	4
To decide to increase or decrease the number of products manufactured and sold	10	40	3	12	12	48	0	0
To decide to adopt a new butterfat testing procedure	15	60	1	4	9	36	0	0
To counsel a patron who consistently has a high bacterial count	23	92	0	0	2	8	0	0
To review reorganization of responsibilities of the sales department . .	20	80	1	4	4	16	0	0
To decide to reorganize the sales department's responsibilities	19	76	0	0	6	24	0	0
To execute the reorganization of the sales department's responsibilities	21	84	1	4	2	8	1	4
To plan a sales cost analysis	19	76	0	0	5	20	1	4
To evaluate the results of a sales cost analysis study	13	52	3	12	8	32	1	4
To plan a sales promotion program . . .	18	72	1	4	4	16	2	8
To plan a market research program to determine potential sales	14	56	0	0	8	32	3	12
To set a five-year sales quota	11	44	1	4	9	36	4	16

APPENDIX VIII. (Continued)

Directors' replies								Combined replies							
Manager		Board		Both		No Opinion		Manager		Board		Both		No Opinion	
No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%
0	0	36	80.0	9	20.0	0	0	6	8.5	47	67.1	16	22.8	1	1.4
4	8.8	10	22.2	30	66.6	1	2.2	14	20.0	13	18.5	42	60.0	1	1.4
15	33.3	7	15.5	20	44.4	3	6.6	30	42.8	8	11.4	29	41.4	3	4.2
42	93.3	0	0	2	4.4	1	2.2	65	92.8	0	0	4	5.7	1	1.4
28	62.2	2	4.4	14	31.1	1	2.2	48	68.5	3	4.2	18	25.7	1	1.4
18	40.0	7	15.5	19	42.2	1	2.2	37	52.8	7	10.0	25	35.7	1	1.4
31	68.8	3	6.6	7	15.5	4	8.8	52	74.2	4	5.7	9	12.8	5	7.1
35	77.7	0	0	8	17.7	2	4.4	54	77.1	0	0	13	18.5	3	4.2
5	11.1	8	17.7	29	64.4	3	6.6	18	25.7	11	15.7	37	52.8	4	5.7
21	46.6	0	0	20	44.4	4	8.8	39	55.7	1	1.4	24	34.2	6	8.5
23	51.1	1	2.2	19	42.2	2	4.4	37	52.8	1	1.4	27	38.5	5	7.1
10	22.2	2	4.4	29	64.4	4	8.8	21	30.0	3	4.2	38	54.2	8	11.4

APPENDIX IX. Selected sources of information for members, directors and managers

Professional and Trade Associations:

American Butter Institute. 110 North Franklin Street. Chicago 6, Illinois

American Dairy Association of Michigan. 3000 Vine Street. Lansing, Michigan

American Dairy Science Association. 32 Ridgeway Circle. White Plains, New York

American Dry Milk Institute, Inc. 221 North LaSalle Street. Chicago 1, Illinois

American Cottage Cheese Institute. Post Office Box 393. Ithaca, New York

American Institute of Cooperation. 1616 H Street, N.W. Washington 6, D. C.

American Public Health Association. 1790 Broadway. New York, New York

Cooperative League of the U.S.A. 343 South Dearborn. Chicago, Illinois

Dairy Industries Supply Association, Inc. 1145 19th Street, N.W. Washington 6, D. C.

Dairy Products Improvement Institute, Inc. 302 East State Street. Ithaca, New York

Evaporated Milk Association. 228 North LaSalle Street. Chicago 1, Illinois

Food and Allied Industries Division of the American Society for Quality Control. Tentative Address: Mae Goodwin Tarver, Continental Can Company, Inc. 1350 West 76th Street, Chicago 20, Illinois

International Association of Ice Cream Manufacturers. 1105 Barr Building. Washington 6, D. C.

Michigan Association of Farmer Cooperatives. 4000 North Grand River Avenue. Lansing, Michigan

APPENDIX IX. (Continued)

Michigan Dairy Products Association. 3030 Vine Street.
Lansing, Michigan

Milk Industry Foundation. 1145 19th Street, N.W. Washington
6, D. C.

National Council of Farmer Cooperatives. 744 Jackson Place,
N.W. Washington 6, D. C.

National Dairy Council. 111 North Canal Street. Chicago,
Illinois

National Milk Producers Federation. 1731 Eye Street, N.W.
Washington 6, D. C.

Periodicals:

American Milk Review. Monthly. Urner-Barry Co. 92 Warren
Street. New York 7, New York

Agricultural Marketing. Monthly. Agricultural Marketing
Service. Superintendent of Documents. Government Print-
ing Office. Washington 25, D. C.

Cooperative Digest. Monthly. Roy H. Park, Inc. East State
Street. Ithaca, New York

Dairy Record. Weekly. 396 Minneapolis Street. St. Paul,
Minnesota

Dairymen's Price Reporter. Monthly. The Dairymen Cooperative
Sales Association. The Dodge Publishing Company, Inc.
1023 East State Street. Salem, Ohio

Dun's Review and Modern Industry. Monthly. Dun and Bradstreet
Publications Corp. 300 West Adams Street. Chicago, Illinois

Food Business. Monthly. Putman Publishing Company. 111 East
Delaware Place. Chicago 11, Illinois

Food Engineering. Monthly. Chilton Company. Chestnut and
56th Streets. Philadelphia 39, Pennsylvania

Food Processing. Monthly. Putman Publishing Company. 111
East Delaware Place. Chicago 11, Illinois

APPENDIX IX. (Continued)

Ice Cream Field. Monthly. Ice Cream Field Publishing Co.,
Inc. 3110 Elm Avenue. Baltimore 11, Maryland

Ice Cream Review. Monthly. The Olsen Publishing Company.
1445 North 5th at West Cherry. Milwaukee 12, Wisconsin

Inter-State Milk Producers Review. Monthly. Inter-State
Milk Producers' Cooperative, Inc. Philadelphia 8,
Pennsylvania

Milk Dealer. Monthly. The Olsen Publishing Company. 1445
North 5th at West Cherry. Milwaukee 12, Wisconsin

Milk Distributors Sales and Costs. Quarterly. Agricultural
Marketing Service. U. S. Department of Agriculture.
Washington 25, D. C.

Milk Product Journal. Monthly. The Olsen Publishing Company.
1445 North 5th at West Cherry. Milwaukee 12, Wisconsin

Nation's Business. Monthly. 1615 H Street, N.W. Washington
6, D. C.

News for Farmer Cooperatives. Monthly. Farmer Cooperative
Service. U. S. Department of Agriculture. Washington 25,
D. C.

Sales Management. First and Third Friday of every month.
Bill Brothers Publications Corporation. 630 3rd Avenue.
New York 17, New York

St. Paul Bank for Cooperatives' News. Monthly. Farm Credit
Banks of St. Paul. St. Paul 1, Minnesota

Aids in Economic Forecasting

Agricultural Outlook Digest. Agricultural Marketing Service.
U. S. Department of Agriculture. Washington 25, D. C.

Dairy Situation. Agricultural Marketing Service. U. S.
Department of Agriculture. Washington 25, D. C.

Farm Business Service. National Agricultural Research, Inc.
1616 H Street, N.W. Washington 6, D. C.

APPENDIX IX. (Continued)

Kiplinger Agricultural Letter. 1729 H Street, N.W. Washington 6, D. C.

Letter from American Institute of Cooperation. 1616 H Street, N.W. Washington 6, D. C.

Consultants

Dr. A. H. Bayer. Consultant to the Dairy Industry. Wendell Avenue. Schenectady, New York

Cooperative Extension Service. College of Agriculture. Michigan State University. East Lansing, Michigan

Edward B. McClain. Accounting Consultants to the Milk Industry. Post Office Box 5921. 11 North Montgomery Street. Memphis, Tennessee

Farmer Cooperative Service. U. S. Department of Agriculture. Washington 25, D. C.

G. P. Gundlach and Company. 1201-1207 West Eighth Street. Post Office Box A. Cincinnati 3, Ohio

Michigan Association of Farmer Cooperatives. 4000 North Grand River Avenue. Lansing, Michigan

Paul Potter and Associates. Deerfield, Illinois

Ramsey Laboratories. Cleveland 4, Ohio

W. M. Sprinkman Corporation. 4975 North Santa Monica Boulevard. Milwaukee 17, Wisconsin

Dairy Technological Societies

Central Michigan Technological Society. Mr. J. L. Jensen, Secretary. Food Science Department, Michigan State University. East Lansing, Michigan

Detroit Technological Society. Dr. L. O. Harmon, Secretary. Food Science Department, Michigan State University. East Lansing, Michigan

APPENDIX IX. (Continued)

Western Michigan Technological Society. Mr. D. L. Murray,
Secretary. Dairy Department, Michigan State University.
East Lansing, Michigan

Newspapers

Local newspapers

Barron's National Business and Financial Weekly. Barron
Publishing Co., Inc. 388 Newbury Street. Boston 15,
Massachusetts

The Journal of Commerce. Twin Coast Newspapers, Inc. 80
Varick Street. New York 13, New York

The Wall Street Journal. Dow Jones and Company, Inc. 711
West Monroe Street. Chicago 90, Illinois

Annual Conferences in the State

Michigan Association of Farmer Cooperatives' Annual Meeting
in conjunction with St. Paul Bank for Cooperatives

Agricultural Marketing Clinic. Held in the month of March.
Sponsor: Agricultural Economics Department, Michigan State
University, East Lansing, Michigan

National Dairy Engineering Conference. Held in the month of
February. Sponsors: Agricultural Engineering and Food
Science Department, Michigan State University, East Lansing,
Michigan

Dairy Manufacturing Conference. Held in the month of November.
Sponsor: Food Science Department, Michigan State University,
East Lansing, Michigan

Farmer Cooperative Service Publications

Estimating the "Market Value" of a Milk Distributing Business.
D. E. Hirsch. U. S. Dept. of Agr., Farmer Cooperative
Service Gen. Rept. 3. April, 1954. 36 pp.

APPENDIX IX. (Continued)

Selling Milk Ideas for Cooperative Managements. D. E. Hirsch. U. S. Dept. of Agr., Farmer Cooperative Service Gen. Rept. 20. October, 1955. 44 pp.

Farmer Cooperatives in the United States. U. S. Dept. of Agr., Farmer Cooperative Service Bul. 1. December, 1955. 252 pp.

Meeting Seasonal Problems of Dairy Cooperative Through Education. S. F. Krause. U. S. Dept. of Agr., Farmer Cooperative Service Bul. 9. June, 1956. 42 pp.

Employee Incentive Plans in Farmer Cooperatives. U. S. Dept. of Agr., Farmer Cooperative Service Gen. Rept. 62. June, 1959. 33 pp.

Legal Phases of Farmer Cooperatives. L. S. Hulbert and R. J. Mischler. U. S. Dept. of Agr., Farmer Cooperative Service Bul. 10. Revised, January, 1958. 376 pp.

Revolving Fund Method of Financing Farmer Cooperatives. H. H. Hulbert, N. Griffin, K. B. Gardner. U. S. Dept. of Agr., Farmer Cooperative Service Gen. Rept. 41. March, 1958. 60 pp.

Seasonal Milk Pricing Plans. S. F. Krause. U. S. Dept. of Agr., Farmer Cooperative Service Bul. 12. November, 1958.

Farmer Co-op Publications: List of Magazines, Newspapers and Newsletters. U. S. Dept. of Agr., Farmer Cooperative Service Information 9. June, 1958. 98 pp.

Multiquart Containers—Their Significance in Dairy Cooperatives. W. J. Monroe. U. S. Dept. of Agr., Farmer Cooperative Service Gen. Rept. 54. January, 1959. 16 pp.

Grade A Milk Marketing by Manufacturing Co-ops. Findings in Minnesota, Wisconsin, and Iowa. D. R. Davidson. U. S. Dept. of Agr., Farmer Cooperative Service Gen. Rept. 56. May, 1959. 46 pp.

Integrated Dairy Operations Through Farmer Cooperatives. A. L. Gessner. U. S. Dept. of Agr., Farmer Cooperative Service Gen. Rept. 69. November, 1959. 39 pp.

APPENDIX IX. (Continued)

Number of Full-time Employees of Farmer Cooperatives. N. Griffin. U. S. Dept. of Agr., Farmer Cooperative Service Gen. Rept. 73. January, 1960. 21 pp.

Statistics of Farmer Cooperatives, 1957-58. A. L. Gessner. U. S. Dept. of Agr., Farmer Cooperative Service Gen. Rept. 76. June, 1960. 83 pp.

Milk Receiving Costs During Shift from Can to Bulk. J. B. Roof. U. S. Dept. of Agr., Farmer Cooperative Service Gen. Rept. 77. July, 1960. 27 pp.

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