

*2nd ICA/Japan Training Programme
January 25-February 24, 2008*

Leadership and Governance (L&G)

Faculty

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Second ICA/Japan Training Course
on
Enhancement of Farmers' Income and Poverty
Reduction Through Cooperatives
IRMA Module on Project Management in
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Reading Materials

Topic: Leadership and Governance (L & G)
Sessions: 8

Faculty

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Attitudes and Values relevant to Cooperatives¹

Is human nature essentially 'short, nasty, and brutish', as understood by Hobbes, is essentially hostile and aggressive to one another? Or is it by nature friendly and co-operative, ready to help others when they are in trouble and share what we have with them? If people are bound to behave aggressively and take more than their fair share, then society or organizations based on equality and co-operation is simply impossible.

The debate on human nature has been carried since the days of early civilization and philosophers from Socrates to present day Gurus of management offer their own interpretation of human nature. No doubt that it is an extremely complex subject. But recent advances in the field of evolutionary psychology throws some light on the nature of human beings as result of the very process of evolution. One recent academic contribution to these issues is the theory of evolutionary psychology, which attempts to apply Darwin's way of explaining biological evolution to human behaviour and psychology. Darwin's theory of natural selection explains how organisms change by adapting to their environment and so becoming more fitted to survive and reproduce.

Evolutionary psychology uses the same kinds of arguments in attempting to account for human behaviour and the nature of the human mind which underlies this behaviour. Steven Pinker, a leading evolutionary psychologist, in his book *How the Mind Works* mentions:

"The mind is organized into modules or mental organs, each with a specialized design that makes it an expert in one arena of interaction with the world. The modules' basic logic is specified by our genetic program. Their operation was shaped by natural selection to solve the problems of the hunting and gathering life led by our ancestors in most of our evolutionary history."

¹ Prepared by Prof. SN Biswas, IRMA

This, to take one of Pinker's own examples, according to evolutionary psychology our disgust at unpleasant food is not due to any innate dislike for particular tastes. Rather, it would be an adaptation that emerged as a safety device: we don't eat things unless we are pretty sure that they are unlikely to harm us; thus we stand a good chance of avoiding foodstuffs that may well be poisonous—an invaluable trait in a world where humans relied on hunting and gathering but were surrounded by masses of potentially toxic plants and animals.

Michael Alvard, a socio-cultural anthropologist who uses evolutionary theory to learn about human behaviour, says the hunting and scavenging for meat, by humans, that developed perhaps as early as two million years ago, may have been a trigger for human mental abilities to evolve. Hunting and gathering (sometimes known as foraging) is the way that humans lived for 90 percent of our species' time on earth. People lived in smallish tribes, moving frequently from place to place, gathering wild plants and hunting animals. Money did not exist, nor did any form of government, and there was no distinction between rich and poor. The rise of settled agriculture about ten thousand years ago put an end to hunting-gathering communities in most parts of the world, though some are still just about surviving nowadays. "Many important aspects of human nature revolve around solving problems related to the cooperative acquisition, defense and distribution of hunted resources," Alvard says.

Cooperative hunting is a complex operation. It needed coordination and planning before the actual hunting, execution (hunting activity being carried out), and distribution of the fruit of labour at the end of the process. Thus, the mental skills required for cooperative hunting developed as responses to attendant problems related to the hunting process as well as to the need for keeping a track of contribution to the group and consequently the distribution and consumption of the food. In other words, the development of big game hunting, forced our ancestors to refine concepts such as cooperation, negotiation, communication, insuring against possible cheating, and tracking for who got what - all concepts that would be unknown to the lonely hunter and scavengers.

Early humans, he explains, soon learned that hunting large game by themselves was unsuccessful, so they banded together to achieve their goals. In this sense, the concept of cooperation and team work was being learned and developed by these people. Not only were early social concepts being developed during the hunt, but social complexity reached new levels after the hunt was over.

A lot would seem to rest, then, if the evolutionary psychologists are right, on the nature of hunting-gathering society: if it was essentially peaceful and based on sharing, then the human brain and mind would have evolved to fit in with a peaceful way of doing things, whereas if hunter-gatherers were often violent, then (on the evolutionary psychologists' view, anyway) our minds are adapted to survive in a violent world. Let's quote Pinker again, as he makes the political issues here quite explicit:

"One of the fondest beliefs of many intellectuals is that there are cultures out there where everybody shares freely. Marx and Engels thought that preliterate peoples represented a first stage in the evolution of civilization called primitive communism, whose maxim was 'From each according to his abilities, to each according to his needs' . . .

Foraging peoples, to be sure, really do share with nonrelatives, but not out of indiscriminate largesse or a commitment to socialist principles. The data from anthropology show that sharing is driven by cost-benefit analyses and a careful mental ledger for reciprocation. People share when it would be suicidal not to . . . warfare itself is a major fact of life for foraging tribes. Many intellectuals believe that primitive warfare is rare, mild and ritualized, or at least was so until the noble savages were contaminated by contact with Westerners. But this is romantic nonsense. War has always been hell."

Most work in evolutionary psychology takes a similar view, that hunting-gathering society was built around—or at least marked by—power and aggression, and that therefore the human mind has evolved along lines designed to enable us to cope with power and aggression. More recently, however, an alternative has begun to emerge within evolutionary psychology itself. Andrew Whiten of St Andrew's University in the U.K. has argued that egalitarianism, sharing and lack of domination were the most prominent features in hunter-gatherer societies, and that it is this that lies behind human psychological evolution. In papers such as "The evolution of deep social

mind in humans" and "Egalitarianism and Machiavellian intelligence in human evolution" (the latter co-written with David Erdal) he has presented a very different picture from that offered by most evolutionary psychologists.

Recently, many evolutionary psychologists have opined that our ancestors evolved through sharing and co-operation. Examination of a wide range of studies of present-day hunter-gatherers shows that they share food, especially meat, and that this sharing takes place even when food is scarce. This sharing occurs, essentially because it reduces the risk for all individuals, enabling them to get by on unlucky days, secure in the knowledge that some time soon they are likely to be successful in their own hunting. Sharing meant that nobody has priority of access to food. Therefore, making rank and power redundant (access to food is not contingent on rank or power) thus, there are no permanent leaders. However, if anyone who has ambitions for dominance and tried to usurp the leadership position was ridiculed or ostracized. Co-operation extended beyond food-sharing and countering would-be chiefs, as it also involves co-ordination, such as the organization of hunting expeditions and care for the sick.

Non-human primates (chimps and gorillas) do have dominance hierarchies, so the human capacity for egalitarianism is an evolutionary innovation. According to Whiten possibly people who put time and effort into trying to dominate others found they had less time to devote to foraging and enjoyable leisure pursuits, so the would-be leaders discovered that they were living less well than their more co-operative colleagues. This last part is speculative, but it does help to emphasise the point that humans are different from our closest non-human relatives, so that it is quite invalid to argue that whatever holds for chimps must be valid for people too.

It would be quite comforting to conclude that human beings, as they have evolved over the millennia, are essentially egalitarian and co-operative. However, our behaviour is not just influenced by our evolutionary process but also by the social conditions we live in and our cultural response to these conditions. We may conclude that humans are not condemned to be endlessly competitive or selfish, and that cooperation and teamwork is not contrary to human nature. However, the way we have constructed our phenomenal world

constrains our ability to cooperate. This construction is often referred to as the perceptual world.

Perception helps us to understand the world around us. It is a process through which we select, organise and interpret external stimuli. Our behaviour depends on how we perceive the external environment, which may not necessarily reflect the actual reality. Two people exposed to similar environmental stimulus may perceive it differently because of their differing backgrounds, different dispositions and motivational levels. Acknowledging the difference between the real world and perceptual world is important in understanding behaviour in organisations. The manager who is aware of these differences is more likely to make decisions after careful consideration than the manager who is not aware of such differences.

All of us are directed to interpret a stimulus that impinges on us in a meaningful way. To make sense of our environment we first select stimuli from the environment because of our physical limitations we cannot pay attention to everything that goes on in the external environment. Thus, we interpret only those which we have selected to pay attention to. There are both internal factors and external factors, which affect our selection process. The internal factors that affect our selection process are:

- ✓ Our Personality make-up
- ✓ Our past experiences
- ✓ Our motivation

On the other hand external factors that affect our perception, which we call stimulus characteristics, are:

PRINCIPLES OF PERCEPTUAL ORGANISATION

After we select stimuli from external environment we organise them into meaningful pattern. Psychologists have discovered certain principles, which govern our organising process. These are:

- Figure-ground principle. This refers to our ability to distinguish 'figure' from the background. We tend to select a stimulus as 'figure', which we pay attention to. For example, in the midst of all sounds on the shop floor of the factory we are able to engage in a meaningful conversation with our colleague because in that case our colleague and the discussion takes most our attention (figure) and everything else dissolves into background.

- Continuity. The tendency to perceive objects in a continuous pattern.
- Closure. The tendency to complete an incomplete stimulus based on our past experiences.
- Proximity. Tendency to perceive stimuli, to be related, which are in close proximity to each other.
- Similarity. Tendency to perceive similar stimuli as a common group.

One of the most important areas of perception, which is of special interest to managers, is social perception. It refers to the process of attributing characteristics or traits to other people. All the principles outlined above apply to social perception as well. Interpersonal perception is influenced by number of factors such as, physical appearance, verbal communication, overt expressive behaviour, etc.

Perceptual Errors

The most important aspect of understanding others is how accurately we perceive others. In this we commit certain errors. If we become aware of the potential biases in our perception we may make more accurate judgements about others.

Stereotyping. As a result of our socialisation process in a given culture, we perceive certain traits as being associated with certain groups of people. It leads them to respond to others as being members of one group or another, ignoring in the process the specific characteristics of individuals. A

stereotyped perception of one's boss, colleagues and subordinates will only reinforce one's blindness to the real boss, colleague and subordinate as individuals.

- Halo Effect. This is the tendency to judge specific qualities or traits from an overall impression or from the knowledge of just one trait. It was found in one study that officers, who were liked, were judged as more intelligent though their scores on an IQ test were same. Supervisors who are engaged in

The Royal Pigeon

*Nasruddin became Prime Minister to the king. Once while he wandered thorough the palace, he saw a royal falcon. Now Nasruddin had never seen this kind of a **pigeon** before. so he got out a pair of scissors and trimmed the claws, the wings and the beak of the falcon.*

"Now you look like a decent bird," he said.

"Your keeper had evidently been neglecting you."

performance evaluation should guard against this tendency to judge a person with regard to an overall impression or based on only one trait.

- Projection. This is said to occur when a person sees in others qualities, which are undesirable or too humiliating to accept. Recognition and acceptance of this tendency can help us to save us from mistaking ourselves for others and help us perceive others as they are.
- Expectancy effects. Our prior expectations of people, events and objects bias our perception.

Another important individual difference factor that affects our behaviour in organisations is attitudes.

Attitudes are likes and dislikes. Social psychologists have given various definitions of the concept; most of them view attitudes as inclinations or predisposition. Our response to an "object" is often in line with what we believe about and how we feel toward that object. Attitudes are, thus, said to have a cognitive component, an affective component, and a conative or behavioural component. Having an idea or belief about the object is the minimum condition for having an attitude with regard to it. When the object of which you have an idea becomes associated with pleasant or unpleasant events or with your aspirations and goals, you attach a corresponding affect or an emotional tinge to that object. This "affected" belief energises and directs your response with regard to the object. An attitude may thus be understood as an idea or belief charged with emotion predisposing an individual to act in a particular way to persons, things, situations, issues, etc.

Attitudes and Behaviour

An Attitude is a relatively permanent association between objects (virtually any aspect of the world) and evaluations of those objects which is emotionally charged and predisposes the individual to behave in a certain way.

Attitudes signify what people think of, how they feel about, and how they intend or would like to behave toward an attitude object. How about the actual behaviour of people? Could we predict a person's

overt behaviour from our knowledge of his attitudes?

Overt behaviour of people is determined not only by what they would like to do but also by what they think they should do, by what they are used to doing, and by the consequences which they anticipate. That is, social norms, peer expectations, established habits, expected consequences, and situational factors also influence one's behaviour. Attitudes are facilitative causes, but their strength may not always be sufficient to overcome the forces produced by other variables such as, social pressure: A boy may be fond of cricket and yet not go to witness a match in town, because it coincides with his father's death anniversary. When there are no conflicts, however, between attitudes and other factors, attitudes are reasonably good predictors of behaviour.

Stimulus situations in real life are complex and a person is likely to have different attitudes to the different elements, which constitute a given situation.

Functions of attitudes

To live in harmony with the world, humans have to in some contexts control the environment and in other contexts they need to accommodate to the control of the environment. In order for man to be able to do so, he first requires knowledge of the world he lives in. But the world contains millions of objects and events -- enough to drive any person to his wits' end if he were to study each of them individually. As a feasible alternative, therefore, man has recourse to a parsimonious understanding : he classifies stimuli, gives them category names and simplifies his dealing with them. Thus, he reduces the multiplicity by conveniently grouping the raw phenomena and develops general or category-specific orientations to knowing them and dealing with them. A hit-or-miss approach of ever freshly responding to individual stimuli as and when they present themselves would keep us incompetent to the end of time. Attitudes serve as a personal strategy or an informal and empirical theory, based on direct experiences and communications from others, to help reduce the anxiety in acquiring a working knowledge of the world.

We also strive to maximise success and minimise failures in our interaction with the world. Therefore, we develop favourable attitudes toward those objects, which we perceive will facilitate success, and unfavourable attitudes toward those, which we perceive, will hinder success or lead to failure. Besides developing such positive and negative affects toward correspondingly valenced

objects, we also adopt the attitudes of peers, authority figures, etc. to conform and feel accepted. Thus, attitudes help us lead an adjusted social life.

Also to protect ourselves from unpleasant truths about our own selves, we develop some attitudes, which predispose us to defensive behaviours such as projection and rationalisation.

A person may also derive emotional gratification by expressing himself in terms of attitudes appropriate to his basic, personal values and self-concept. That is, some attitudes provide an opportunity for expressing or materialising a person's basic values and give him an immense pleasure of actualising himself. For instance, if you had strong humanitarian values, you would develop positive attitudes toward the poor and the destitute. Aided by these attitudes, you would support their cause and thereby bring your values into fruition.

In sum, attitudes help people to understand the world around them, to lead an adjusted life in the world, to protect their self-esteem, and to express their fundamental values. An attitude may perform one or more or all of these functions. For example, you might develop a hostile attitude toward a particular "clique" of fellow students for ego-defensive reasons. Quite soon this attitude guides your selection of student acquaintances and friends and thus becomes instrumental in fulfilling your need to belong to a peer group. It can also lead you to assert your views and derive satisfaction from being able to take an open stand. It can also facilitate your further dealings with the group by disposing you to act in a clear-cut and well-defined fashion rather than feel fresh and lost every time you encounter the group or any of its members.

Attitude Formation

We learn our attitudes from direct experience with attitude objects as well as from other people. Early in life parents are the source of our attitudes. As we grow up the sources multiply. Vester and Green (1932) studied the genesis of anti-religious attitudes among the members of the American Association for the Advancement of Atheism. Their study is an illustration of the sources of attitude learning after childhood. These investigators found that many of the members had accumulated atheistic influences from readings of history and science. For some members their atheistic attitude was a by-product of their

general philosophy of materialism. Traumatic experiences, like the death of a well-loved father, had driven some to atheism. Some others revealed that they had just adopted the view from friends.

There is a considerable overlap of factors, which influence the development of the three different components of an attitude. But, direct experience with the object and related material seems to contribute more to the development of the cognitive and affective components, and other people contribute more to the behavioural component -- especially when powers of sanction rest with them.

Regardless of the source of one's attitudes, the function or role of an attitude is directly or indirectly concerned with suitably responding to one's phenomenological world. If the changing environment demands a new "strategy", the individual will develop or adopt such adaptive orientations (attitudes) as will facilitate his personal way of coping with the environmental exigencies. At least on principle, therefore, attitudes are not immutable: If attitudes are devices developed in response to needs and if needs are not static, then attitudes should not be static, either. In reality, however, attitudes resist change. One reason for this resistance may be advanced as follows: the scientific, technological and socio-economic progress around us is so fast that not all of us on our own manage to perceive or take cognisance of the changing needs, which are to be fulfilled in order to keep pace with the progress. It is often only a few individuals or groups which recognise the urgency of the needs and adapt themselves effectively. Some of them become leaders and agents of change among those who "lag behind". It is in this context that most of you will be facing the problem of attitude change.

Attitude change: Approaches

Numerous studies have been done on the subject matter of attitude change and over a dozen (Insko lists fourteen) theories have been advanced to interpret and accommodate the facts related to the dynamics of attitude change. Here we shall take a look only at a few salient points of the theories.

The psychological structure of man is said to be composed of integrated sets of cognition regarding himself and the world. Any new information that enters his system - if out of tune with the existing structure -- produces a disequilibrium,

which gives rise to psychological discomfort. Such discomfort urges the person to alter the existing structure in him.

Banking on the tendency of the attitudinal components to be consistent, your approach to change attitudes may be to engineer any one of the three components. You may, for example, choose to change the cognitive component by introducing new, reliable and cogent information about the attitude object in question. The other two components will then tend to align themselves to the altered cognitive component, resulting in a new attitude. By the same logic, you may influence the affect part by associating the attitude object with pleasant or unpleasant experiences. Traumatic experiences are extreme cases of the affective component being influenced. If you wanted to start with behaviour itself, you could coax people into behaving in a way that is at variance with their present attitude and the resulting cognitive dissonance will motivate them to change their attitude in line with their behaviour.

The individual may also reject the new information and maintain the old structure intact, if the information is considered useless for him or the change required to accommodate it is too cumbersome.

Another approach to attitude change may arise from an analysis of the functions, which a particular attitude fulfils for a person. (Recall the four functions we discussed above.) If the attitude you are trying to influence has been serving a knowledge function, i.e., if it has helped him in structuring and understanding his universe, then your attempt to change it will be successful if you give him information that serves the function even better. In the same way, you must show that the advocated attitude is instrumental in leading a better-adjusted life in his situation, if the attitude you want to change in him has been fulfilling an adjustive function. If the attitude in question is an offshoot of the subject's basic values, there is no use trying to change just the attitude; his basic values have to be tackled. Influencing attitudes, which fulfil a person's ego-defensive function, is a pretty difficult affair and you may have to study his self-concept and help him take a re-look at himself.

Effective Communication

No matter what approach is adopted for changing attitudes, communication of some kind (informational, persuasive, or coercive) is always at the root of it all. While it is true that not all communication or information leads to attitude change, any attitude change requires and is related to some information about the attitude object and about the consequences of the advocated attitude. Therefore, effective communication is a must for any attempt to succeed in changing others' attitudes.

Communication involves a source (who says), a message (what), a channel (in what medium), and an audience (to whom). The process of change as a result of communication has the following elements: attention, comprehension, yielding, retention, and action.

Various characteristics of the source, the channel, the message, and the audience interact and in complex ways influence the dependent variables mentioned above (i.e.: the elements in the change process). Such interaction effects have been demonstrated in studies, but as of today we do not have one comprehensive model to include all interactions. All the same, it would be useful for us to be aware even of some of the variables which characterise effective communication, if we were to attempt to influence and change people's attitudes and behaviour.

People have a tendency to be selective in what they want to listen to; they prefer the information, which supports their attitudes, and avoid what is not supportive. So, how would you first of all get them to listen to your message? Mark Anthony's style may help.

As for the channels, mass media like the TV gets a lot of attention, but doesn't lead to change. What should you do? The idea of a two-step flow of influence may be utilised: The media message is tailored to opinion leaders, who will then influence the rest of the target population.

Repetition of messages, active participation by the target person or group, creating new reference groups, providing supportive environment, etc. help attitude change and facilitate sustenance of the change.

Group discussion and getting the persons to make a public commitment to behave in a particular way has proved to be more influential in changing attitudes than a one-way persuasive communication. Subtle pressure towards uniformity in a group, coupled with the fear of being rejected from the group and the need to be accepted in it, is also a powerful way of influencing an individual's attitude.

Whatever approach you adopt to change attitudes, a practical assumption you can go by is that attitude change occurs because of some conflict, inconsistency, or dissatisfaction with the status quo. Armed with this assumption, you may set out to create the appropriate "conflict" or dissatisfaction in the target population, offer the necessary support to resolve the conflict and ensure adequate reinforcement to sustain the emergent change. To change attitude, the first step is to listen with empathy.

There are various kinds of listening such as, the passive listener who is not interested in what the speaker says; then we have the fault finding listener who listens for contradictions, irrelevancies, errors and weaknesses; and there is a third type of listener who wants to understand the person in order to help him/her and establish proper communication. It is an important way to bring about changes in people. Research results have shown that active listening is one of the most effective agents for individual personality change and development of teams. Active listening is done under situation, which is non-threatening to the speaker. When we feel threatened we become defensive and stop communicating our real feelings. Therefore, Active listening entails certain responsibility for the listener. The listener, while listening Actively, should follow certain steps.

- 1) Refrain from passing judgements. We do not open ourselves when we feel 'threatened'. The threat is not a physical one rather a 'threat to ego'. I do not know what the other person will think once he knows about my real feelings. This threat is further accentuated when the other person passes his/her judgement on what I said. Therefore, do not pass your judgements and thereby, block the person's initiative in opening up to you.
- 2) Ask questions, which are clarificatory in nature. Do not ask questions, which are evaluative in nature. Ask for clarification when you genuinely feel that clarification is needed.

- 3) Note all the verbal and non-verbal cues. Our facial expressions and gestures reveal a lot. Look for cues that are contrary to the spoken words. Try to understand the feelings behind the words and seek clarification whenever needed.
- 4) Show interest in speaker as a person. If the speaker starts doubting your intentions or realises that you are not interested in him/her he/she will go back to his/her own shell. Show your interest in the speaker as a person.
- 5) Use feedback mechanism to check understanding. Feedback is an important element in communication. Use feedback mechanism. Use it to review your understanding of what the speaker said. Check with the person whether your understanding of the message is at par with the intended message.
- 6) Be attentive. Avoid distractions and be attentive. Engage in active listening only when you are prepared to allocate adequate time. Do not let your mind drift from the person or the topic.
- 7) Be empathic. Appreciate the emotion behind the speaker's words. Your own facial expressions and gestures should not contradict the emotions behind the words spoken. Put yourself in the shoes of the speaker.
- 8) Be patient with the listener. At times we become restless while listening to others and have a strong urge to cut-short the other person. Avoid this and let the person say whatever needs to be said. Often, because of our impatience we supply words and fill in the sentences on half of the speaker. Refrain from doing so. You are breaking his/her chain of thought.
- 9) Create a positive listening environment. This can be done when you maintain confidentiality of the information shared. Maintaining transparency and sharing information which are not confidential in nature will also help in building trusting climate.

Stop talking and start listening

Participative Decision Making and Problem Solving

Team based problem solving, though shares some common characteristics with individual problem solving approach but distinguishes itself including a different dimension – learning to think together. All teams are partly problem

solvers. In this section we will go through different steps of problem solving approach and try to emphasize the processes which are important in the team approach.

Steps to Problem Solving

Problem Identification. It may seem obvious that the first step to solving a problem is figuring out exactly what that problem is. However, large number of teams fails in their problem-solving effort when they skip right to the solution part of the process without first identifying the concerns of all team members. Taking the time in the beginning to identify everyone's concerns facilitates the Team's task by decreasing misunderstanding about the problem and increasing awareness about its multiple dimensions. Secondly, and just as important, it enhances interpersonal relations by giving everyone a chance to participate and voice his or her concerns. It sends the message that everyone's opinion is important and helps create an environment that is conducive to working together effectively.

The Problem Identification Process

Teams having difficulties might want to back up and try to determine if any of them stem from inaccurate assumptions about what team members perceive the problem to be. While it may seem intuitive how to go about identifying the concerns of other team members, many give up on the whole problem-solving process as soon as they realize that others don't seem to share their concerns.

Identify possible concerns. One should begin at the most obvious level and start by probing the others in the Team to find out their orientation toward the problem. The key here is not to defend one's own concern as the most important, but to find out what the issue means to the team and explore other facets of the problem that may otherwise not have been considered. It is important to avoid taking sides this early in the discussion.

In a team situation the following steps to be taken while trying to solve problems.

- Determine mutuality of concerns
- Identify complementary goals
- Identify superordinate goals

Reflective Problem Solving

Reflective problem solving emphasizes the importance of basic tasks: defining concepts, identifying needs, identifying and evaluating solutions. Teams using reflective problem solving make sure to cover an agenda of these key tasks, usually in a standard order. This lesson will give you a brief checklist of tasks and suggestions about how to organize discussion effectively to address them.

Problem Solving Tasks

- Define the problem
- Establish criteria for evaluating solutions
- Propose solutions
- Take action (test if the solution has worked)

Organizing Discussion

- Problem solving Teams tend to encounter a set of common trouble areas. The following attitudes and strategies will help your team can avoid these trouble areas
- Avoid focusing too much attention on solutions too soon.
- Refrain from acting on the first suggestion of a solution before the problem has been thoroughly defined, its causes discussed, and a range of solutions evaluated.
- Don't avoid problems.
- Work on cultivating endurance for ambiguity and doubt and become actively involved in the entire problem-solving process.
- Refrain from fixed ideas. At all times maintain an open mind and be willing to consider new problems and new ideas.
- Be wary of your own biases and the biases of other sources when evaluating the facts of a case.

- Don't make sweeping generalizations or accept facts or beliefs without sufficient evidence that comes from reliable sources.
- Don't misinterpret honest disagreement for dislike.
- Recognize that team members all have different backgrounds, values, experiences, and thinking styles that have significant bearing on how an individual views a problem.
- Receive Criticisms positively.

Problem Solving in case of alternative solutions

Many problems that teams face are complex and ambiguous and there are several alternative solutions that might be adopted. Brainstorming is one of the major techniques through which the team arrives at a solution.

Brainstorming

To run a team brainstorming session effectively, do the following:

- Define the problem
- Set criteria to be met
- Keep the session focused on the problem
- Ensure that no one criticizes or evaluates ideas during the session
- Encourage an enthusiastic, uncritical attitude among members of the team
- Involve everyone in the team to participate.
- Encourage the silent ones to participate.
- Have fun during brainstorming session
- Encourage team members to come up with as many ideas as possible

- Encourage creativity
- Ensure that no train of thought is followed for too long
- Encourage people to develop on other people's ideas
- Appoint one person to note down ideas that come out of the session.

More the heterogeneity you have in the team higher is the chance of generating creative solutions.

Few more thoughts on brainstorming

The assumption behind brainstorming is that the more ideas there are on the table, the more likely a suitable solution will emerge.

Incubation

This is the break which the team needs in-between brainstorming session.

Synthesis and Verification

Out of all the possibilities the team has generated during its brainstorming session, the ideal solution should be a combination of the best qualities of each idea. While during the orientation and analysis phases of the process the team's job was to break apart the problem, the task at hand now is to construct a whole out of the ideas generated by brainstorming.

One good way to do this is to make a list of all the desirable qualities or disadvantages that a solution might have, and then rate each idea generated. Each quality or disadvantage can be weighted in terms of its importance or applied without weighting. The idea with the best overall profile can then be identified.

A second way of synthesizing ideas is to create an outline or Teaming of ideas, with similar ideas assigned to the same Team and relations between Teams of ideas mapped out.

Verification is the final phase of the process and requires testing the solution the team has chosen to see if it achieves all the team's goals.

Leadership and cooperation in groups

Tom R Tyler. The American Behavioral Scientist. Thousand Oaks: Jan 2002. Vol. 45, Iss. 5;
pg. 769, 15 pgs

[Headnote]

Two major types of motivation underlie the ability of leaders to gain cooperation in groups. First is the desire of people to gain rewards and avoid punishments. Leaders can tap into such motivations to the extent that they control resources and/or instruments of surveillance and sanctioning. Second is people's internal attitudes and values, which shape what people want or feel they ought to do. Leaders can draw on these internal motivations by appealing to or creating attitudes and values. Both strategies influence behavior, but there are clear advantages to leadership based on connecting to people's attitudes and values. In particular, people voluntarily follow leaders who engage their internal motivations.

Studies of organized groups suggest that all groups have some form of leadership or authority structure. This is true of small groups, of organizations, and of large societies. Furthermore, when groups are faced with scarcity or conflict, their motivation to organize and create leaders or other authority structures increases and they create and/or empower leaders and rules (Messick et al., 1983).

Of course, building structures of authority and identifying leaders is not a magic solution to a group's cooperation problems. Those leaders must be able to use their authority to effectively shape the behavior of the members of their group. If leaders cannot motivate group members to cooperate, then they will be unable to fulfill their role as a leader. The existence of leaders and authority structures, therefore, is necessary, but not necessarily sufficient, for efforts to effectively manage groups by securing needed cooperation from group members.

TYPES OF COOPERATIVE BEHAVIOR

Obtaining the following two types of cooperative behavior is potentially relevant to the viability of groups: stimulating desirable behavior and lessening the occurrence of undesirable behavior

(Tyler & Blader, 2000). Desirable behavior involves those activities that help the group, such as **engaging** in one's assigned group role (i.e., "doing one's job") or engaging in voluntary activities to help the group. Leaders must be able to motivate group members to engage in such beneficial behaviors. This can involve encouraging community residents to clean up their streets, citizens to vote, workers to work, and children to study hard in school. In general, the more that people engage in desirable cooperative behaviors, the greater the viability of the group.

Undesirable behavior involves activities that hurt the group, such as stealing, sabotage, or absenteeism. Leaders must be able to motivate group members not to engage in such harmful behaviors. Again, undesirable behavior can involve a wide variety of types of behavior, ranging from destroying national parkland to stealing office supplies. The more that people engage in such undesirable (un)cooperative behavior, the lower the viability of the group.

The leaders of groups occupy a dominant hierarchical position within their groups from which they encourage the members of their groups to engage in both types of cooperative behavior. The question is: What might motivate such cooperation among the members of a group? This question is addressed more fully by Tyler and Blader (2000), who propose and test a group engagement model of motivation in groups. This article outlines the primary conceptual issues that guide that discussion of cooperation in groups.

RATIONAL MOTIVATIONS FOR COOPERATIVE BEHAVIOR

One type of motivation for cooperation is rational motivation. People might cooperate with leaders because they feel that their own outcomes, in terms of rewards and sanctions, are influenced by their cooperation. By shaping the contingencies of the situation, leaders can shape behavior.

Leaders can shape people's outcomes in two ways. First, they can provide incentives or rewards for engaging in socially desirable behaviors. Many work organizations depend heavily on pay incentives and stock options as devices for motivating employees to perform well. Through systems such as pay-for-performance, corporations seek to get the most from their members by rewarding desired behavior.

Incentive systems have several advantages. Probably most important from the perspective of leaders is that they encourage group members to bring their behavior to the attention of the leader. Because people expect to be rewarded for their actions, they are motivated to communicate what they are doing to the group. Second, incentive systems have the potential to encourage positive feelings toward leaders and groups because they are associated with distributing rewards.

Research suggests that incentive systems work. For example, in a study of worker's job-related behavior, Tyler and Blader (2000) found that approximately 10% of the variance in cooperative behavior on the job was explained by incentive variations in people's work situations. Hence, management is able to shape employee behavior by changing reward structures on the job.

A disadvantage of incentive systems is that they encourage people to engage in clearly delineated in-role behavior rather than thinking more broadly about what might help their group. By controlling and directing behavior, leaders encourage their followers to focus on those types of actions that will be rewarded. In fact, clear systems of reward undermine people's intrinsic motivations for action, making it especially likely that they will focus on those aspects of behavior clearly linked to incentives.

The second type of strategy that seeks to gain cooperation via shaping people's outcomes is the social control or deterrence model. This model discourages people from engaging in behavior that harms the group through the threat or use of force. Such threats are necessary when the behavior in question has immediate possibilities of gain for the individual. For example, a person gains when they steal money or leave work to do personal business. Adding the possibility of punishment to behavioral choices balances against such possibilities of gain. So, the person recognizes that they might gain by stealing, but that potential gain is balanced by the potential loss of going to jail or losing one's job.

The primary disadvantage of a social control approach is the problem of surveillance. Because of the possibility of punishment, people do not bring their behavior to the attention of authorities. On the contrary, they try to hide it, and it is necessary to have social regulatory authorities-for example, the police and the courts-to find and punish rule-breaking behavior. The success of

deterrence strategies depends on having reasonable ways to detect rule breaking. So, such strategies work well in controlled settings, such as work environments, and poorly in uncontrolled environments, such as out on the average street.

Research suggests that deterrence often has an influence on the frequency of rule following. In the area of law and law breaking, studies report mixed findings, with some studies finding deterrence effects and others failing to find such effects. One common finding is that, when effects are found, they are weak. For example, MacCoun (1993) estimated that variations in the likelihood of punishment for drug use account for around 5% of the variance in drug use. Similarly, in work settings, the possibility of punishment for rule breaking shapes behavior, but the influence is small. Tyler and Blader (2000) estimated that approximately 10% of the variance in rule-breaking behavior can be understood through an examination of estimates of the likelihood of being caught and punished for such rule-breaking behavior. Both estimates suggest that most of the variance in people's cooperative behavior is not the result of differences in their estimates of the likelihood of being caught and punished for wrongdoing.

These findings suggest that the use of incentives and sanctions are two mechanisms through which leaders can shape cooperative behavior within groups. Although these strategies work, in both cases their influence is small in scope. This suggests that it is difficult for authorities to gain high levels of cooperative behavior by relying only on their ability to reward people and/or the credibility of threats of punishment.

INTERNAL MOTIVATIONS FOR COOPERATIVE BEHAVIOR

What alternative types of motivation might be found for cooperative behavior? In his classic work on motivation, Lewin (cited in Gold, 1999) distinguishes between the following two types of motivation: environmental contingencies, of the type already outlined, and internal motivations. These two motivations combine in his field theory formula of behavior (behavior = f [person, environment]). That formula recognizes that behavior develops partly from the nature of the environment, which is shaped by the incentives and sanctions that might follow from behavior, as well as other environmental factors. Of course, leaders can never completely control the environment. For example, criminal behavior is not only shaped by sanction risk. It is

also shaped by whether a person is able to get a job and has an alternative way to make a living, as well as by whether inviting criminal opportunities exist. Nonetheless, as already noted, the aspects of the environment that the leader can control do shape behavior.

The second aspect of Lewin's formula (cited in Gold, 1999) involves the factors within the person. People have internal motivations that shape their behavior, motivations that flow from their attitudes and values. What distinguishes these motivational forces is that they are similar across situations and time. Think of the analogy of a ship at sea. One factor that shapes the direction of the ship's movement is the wind and the waves (the environment). Turn off the motor and pull down the sails, and the ship will drift through the sea in response to these environmental forces. However, ships have motors and sails, and these allow the ship to move in a particular direction. Of course, that direction is not a straight line because the ship is influenced by forces in the environment. However, across variations in the wind and waves, the ship will be seen to be moving in a particular direction-propelled by its internal forces (the motor, the sails). These internal forces are like the factors in the person that are motivated to achieve certain goals. Though buffeted by the environment, which influences direction, these motivational forces are consistent across changes in the external forces that shape direction.

The first type of internal motivation develops from attitudes-the things that a person wants to do. There are two types of attitude of particular interest. The first is intrinsic motivation. People like or enjoy certain types of activities and do those activities out of their intrinsic interest. People may like playing baseball, entertaining friends, or cleaning up their yard. These activities are their own reward and people engage in them for internal reasons, not for external reward.

An example of the motivating power of intrinsic motivation is provided by the recent golf victories of Tiger Woods. Woods is an excellent golfer with many recent victories in major tournaments. His victories flow from a lifelong enthusiasm for golf, which has led him to endless hours of practice to improve his performance. For example, following his recent Master's tournament victory, Woods immediately expressed interest in watching tapes of his performance to identify weaknesses that he might correct. Although Woods receives financial rewards for his victories, his motivation for superior performance seems to be more than the goal of being wealthy. He appears to be motivated by enthusiasm for his chosen career and a desire to excel at

it. This intrinsic motivation leads him to continue to practice and strive to improve, even when his performance is at a high level. Woods is not unique; many people strive to excel at their work because they are intrinsically excited about and motivated by their jobs. In another example, consider the many university professors who, although they have tenure (job security), work long hours motivated by enthusiasm for advancing their particular areas of research. Again, professors receive rewards for their performance but their efforts are not only motivated by rewards. They are also motivated by interest in the topics they study and teach about. Law and business professors, for example, could quickly double or triple their financial rewards by abandoning academic positions for positions in the private sector but would lose some of their freedom to do the work that intrinsically motivates them.

A second type of attitude shaping cooperation is loyalty or commitment to the group or organization. People in groups come to identify with those groups and to care about the well-being of the group and its members. In fact, two of the key findings of social identity theory (Hogg & Abrams, 1988) are the following: (a) people in groups come to identify with those groups, merging their sense of themselves with the identity of the group and (b) that once people identify with groups, they put the welfare of the group above their own welfare. For example, when group members are given the choice of maximizing personal or group outcomes, they maximize group outcomes. So, acting in ways that benefit the group becomes an internal motivation, and people act in these ways without the expectation of reward.

An example of such research is the work of Brann and Foddy (1988). Using a simulated commons dilemma, they examined how people reacted when they felt that a commonly held resource was being rapidly depleted in a community. Those people low in loyalty to their group reacted by taking more of the remaining scarce resource for themselves ("hoarding"). Such behavior is personally rational because, as a result of this behavior, the individual has some of the collective resource available for their own use when the pool is depleted, but it accelerates collective disintegration. People high in loyalty, on the other hand, took less of the resource. Those individuals took a personal risk in an effort to slow the deterioration of the group. Their response to crisis was to take more risks on behalf of the group, not fewer. Such individuals are motivated by internal values of commitment to the group and act in ways inconsistent with their own short-term self-interest.

Of course, the social dilemma literature makes clear that acting in one's short-term self-interest is often harmful to one's long-term self-interest. By taking a short-term risk on the group, people may be increasing the prospects for their long-term future. This is true because those people who hoard scarce resources only assure their well-being for a brief period of time. They can gather a set of rapidly disappearing resources, which will sustain them for a short period of time. However, once those resources are depleted, there are no more resources; the common pool of resources is gone. This is especially true of resources that replenish themselves, resources such as fish and trees. Once a species is extinct, it cannot be renewed. It is, however, also true of social capital-- the collective attitudes and institutions that sustain groups.

If, for example, the cooperative behavior of concern is working to keep one's neighborhood clean, the short-term self-interested tendency is to let other people do the work. However, such "free riding" undermines everyone's interest in this activity, and there is no effort to clean up the neighborhood. Fortunately, in such a situation it is possible to renew the institutions and motivations that lead to efforts on behalf of the community. But, this requires re-creating commitment to the community and its welfare.

So, both intrinsic motivation and commitment to the group are two types of internal motivations that lead people to act on behalf of groups. In each case, people act in cooperative ways, without the need for incentives or sanctioning. Groups gain from such internally motivated behavior because the group, its authorities, and institutions, do not need to deploy group resources for resource-based motivational strategies. Instead, the members of the group act in cooperative ways due to their own motivations.

CREATING AND SUSTAINING INTERNAL MOTIVATIONS

Clearly, supportive attitudes are important. The question is how leaders might create and sustain these motivations. The clearest case is that of commitment to the group. Leaders play an important role in creating and sustaining a group with which members can identify and to which they become loyal and committed. This feeling of group identification encourages cooperation on behalf of the group because people merge their sense of themselves in the group, and the welfare of the group becomes indistinguishable from personal welfare.

The literature in social psychology describes identification with the group as superordinate identification and notes a variety of ways that such identification can be developed and sustained. Gaertner and Dovidio (2000) discuss this issue in the context of their "common ingroup identity model." They suggest that a range of factors can shape the strength of people's awareness of group boundaries as well as the degree to which people identify with their own group. A review of this literature is beyond the scope of this article beyond saying that there are a variety of ways in which groups and their leaders can encourage people to both organize their perceptions of group boundaries in desired ways and to identify with their own group.

It is also clear that situational factors shape the development of intrinsic motivation. In particular, the use of incentives or sanctions to promote desired behavior diminishes or "crowds out" intrinsic motivation (Deci, 1975; Frey, 1997). This suggests that the use of these basic strategies, though promoting cooperative behavior, also has the effect of undermining other motivations for that behavior. In the long-term, the use of incentive or sanction-based strategies of motivation may diminish cooperation. What promotes intrinsic motivation? Again, there is a large psychological literature on this issue, which cannot be fully considered here. It is clear, however, that leaders can encourage such motivation by the way that they structure groups and group tasks (Deci, 1975, 1980; Lepper & Greene, 1978).

VALUES AND COOPERATIVE BEHAVIOR

A second type of internal motivation involves the influence of people's values on their cooperative behavior. Values are people's feelings about what is right and proper-what they "ought" to do. In other words, although attitudes motivate people to cooperate by engaging in desirable behaviors, values motivate people to cooperate by refraining from engaging in undesirable behaviors. People with values that support the group, for example, feel it is wrong to steal office supplies, to take long lunches, and to otherwise break work rules. Similarly, in society more generally, supportive values lead people to follow the law by not using drugs, not robbing banks, and not murdering their neighbors.

There are two basic types of values potentially relevant to cooperation in groups. The first is personal morality. Personal model values are internal representations of conscience that tell

people which social behaviors are right or wrong to engage in within social contexts. Following moral rules is self-directed in that when people violate moral rules they feel guilt, an aversive emotional state (Hoffman, 2000). Consequently, people follow moral rules for internal motivational reasons, distinct from the contingencies in the environment.

Morality is an important force shaping people's compliance with rules (Robinson & Darley, 1995; Tyler, 1990). In fact, in the context of ordinary citizen's relationship with the law, morality has a greater influence on people's behavior than does the threat of being caught and punished for wrongdoing. As a consequence, if the people in a group feel that it is morally wrong to break group rules, the level of rule-breaking behavior will diminish considerably. Leaders benefit from creating and sustaining a moral climate in which it is viewed as morally wrong to break group rules.

Despite the value of morality as a motivator of rule-following behavior, from the perspective of leaders, morality is a double-edged sword (see Tyler & Darley, 2000). If people's morality supports the group and group authorities, the group gains a powerful motivational force supporting group rules. However, if the moral values of the members of a group are linked to a different moral code, that undermines the leader of a group. The classic example of such conflicts is the history of conflicts between government authority and the authority or religion of the church (Kelman & Hamilton, 1989). When government leaders can successfully gain the support of religious leaders for their policies, they gain a powerful motivational force leading people to follow those policies. However, when religious leaders oppose government policies, people have a set of moral values that motivate them to disobey the law. Draft resisters, for example, refuse to fight for their country because of their moral values (Levi, 1997), and soldiers refuse to carry out orders they regard as immoral (Kelman & Hamilton, 1989).

A second type of social value is legitimacy. Legitimacy is the feeling of obligation to obey the rules, authorities, and institutions of a group. A group leader who has legitimacy can issue directives and the people in the group feel that the leader is entitled to be obeyed. Again, people are self-regulatory. They follow the directives of the leader because they feel that it is their personal responsibility to do so. Hence, the leader does not have to deploy incentive or sanctioning systems to gain cooperative behavior from group members.

Studies similarly find that the laws with which people deal in their everyday lives vary in their legitimacy. Tyler (1990) found that the legitimacy of laws had a direct influence on whether people followed those laws in their everyday lives. Furthermore, that influence was a more important influence on behavior than was the influence of the likelihood of being caught and punished for rule breaking. Tyler and Blader (2000) found similar results in work organizations in the case of work rules. Those who viewed work rules and managerial authorities as legitimate were more willing to follow those rules. Again, the influence of legitimacy was greater than the influence of sanctioning possibilities. Legitimacy had an especially strong influence on voluntary rule-following behavior (deference to rules). As was true with morality, legitimacy shapes cooperative behavior. The problem with legitimacy as a form of authority is that people are found to suspend their own personal moral values when dealing with legitimate authorities. They authorize those authorities to make decisions about what is appropriate and reasonable in a given situation (Kelman & Hamilton, 1989). As a consequence, legitimacy can lead group members to engage in immoral actions that would typically be against their own sense of what is appropriate. In the classic Milgram experiments on obedience to authority, for example, people were willing to engage in behaviors that they thought were harming others when ordered to do so by a legitimate authority (Milgram, 1974). These findings suggest a need to be sensitive to the potentially socially destructive consequences of legitimacy.

THE BASIS OF LEGITIMACY

The results outlined that being viewed as legitimate is a key feature of effective leaders. What leads to legitimacy? Studies suggest that the legitimacy of leaders is linked to the fairness of their decision-making procedures (i.e., to procedural justice). Procedural justice has more impact on legitimacy judgments than does either the fairness or the favorability to the decisions made by leaders. Interestingly, this is equally true of small group leaders and authorities with whom people have direct personal contact (police officers, work supervisors) and of authorities in national-level institutions such as the Supreme Court or Congress (see Tyler, Boeckmann, Smith, & Huo, 1997). Leaders are judged by process, not by results.

This does not mean that people are happy to receive unfavorable or unfair decisions or outcomes; they are not. However, they are more willing to accept those outcomes and more satisfied with

the decision maker when the decisions made are made fairly. The implications for cooperation are clear: If leaders are trying to motivate cooperation among group members, they need to make clear that they are acting following fair procedures.

Interestingly, the procedural justice findings outlined here are linked to the earlier discussion of identification with the group. Studies show that if people identify with a group, they judge its leaders more in terms of their procedural justice and less in terms of the favorability or fairness of their decisions and policies. In other words, leaders benefit when the people they lead identify with their group because they have greater freedom to act in fair ways and have their decisions accepted on that basis (Huo, Smith, Tyler, & Lind, 1996; Smith & Tyler, 1996; Tyler & DeGoey, 1995). This finding suggests why it is that leaders can more easily encourage cooperation in groups-because they can motivate people in the group based on the justice of their procedures rather than the fairness or favorability of their decisions.

SOLUTIONS TO PROBLEMS OF COOPERATION

The contributions to this volume address the issue of cooperation. They take as their starting point the question of how cooperation can be created and maintained within groups, organizations, and societies. One way to create and maintain cooperation is to develop hierarchical systems of authority, with leaders and institutions. These systems of authority provide a mechanism through which cooperation can be motivated by group members.

One basic approach to using authority to motivate cooperation is for group leaders to use the resources of the group to provide incentives for cooperative behavior and/or sanctions for uncooperative behavior. For example, leaders can promote cooperation in the use of energy by making energy cheaper at off-peak hours or by providing financial incentives for using solar energy. Sanctions involve the threat or use of punishment to lower the frequency of uncooperative behavior. Leaders might encourage the ticketing of motorists who speed or fines for those who water their lawns.

The review of evidence on the impact of incentives and sanctions suggests that these approaches can be effective in shaping the level and type of cooperation that occurs in groups. As a consequence, one set of solutions that groups can and do develop when dealing with problems of

cooperation within themselves is to create and empower leaders to use group resources to stimulate cooperation.

On the other hand, the literature also makes clear that such approaches have limited impact. In general, they are found to have at best a modest influence on cooperative behavior. Even in favorable situations, therefore, these approaches are only the beginning of any effort to stimulate cooperation.

In addition, the influence of incentive and sanctioning systems depends on the circumstances. Incentive schemes work best when the type of cooperative behavior of concern is very concrete and easily quantifiable. If assembly workers are making widgets, pay-for-performance can work. Sanctioning schemes work when behavior can be easily observed. In controlled settings, for example, behavior is difficult to hide, and sanctioning systems are easier to implement.

Efforts to stimulate cooperation by appealing to attitudes and values are more effective ways to encourage cooperation than are approaches that rely on the use of incentives or sanctions to achieve the same objectives. These approaches are found to be more influential in stimulating cooperation than are incentive- or sanction-based systems. Furthermore, they have the advantage of being self-motivating. When acting in response to their attitudes, people are responding to their own feelings about what they like and want to do. So, people are motivated to engage in cooperative acts without focusing on the rewards for such actions. When responding to their values, people are focusing on their own sense of what is right, and their behavior is self-regulating.

The important role of attitudes and values in stimulating cooperation suggests the importance of creating a supportive culture or value climate within a group. Leaders need to stimulate intrinsic interest in group roles, identification with the group, and the development of moral values and feelings that group authorities are legitimate. Such a culture can then be drawn on when authorities are seeking to motivate cooperative behavior within a group.

Of course, these attitudes and values do not only stimulate actions in response to leaders; many acts of cooperation are initiated by group members informally without being formulated by

leaders, especially formal leaders. These develop from the bottom up, rather than from the top down.

Attitudes should play a similarly important role in stimulating these types of bottom-up behaviors. In fact, they may be central to motivating such actions because people are less likely to be motivated by the issues of incentives and potential sanctioning when leaders are not involved. This does not mean that such issues will be absent because peers can shape incentives and sanctions for the individual. In studies of rule breaking, for example, peer opinion is a potent force shaping cooperation with social rules.

Furthermore, moral values are a feature of the people within groups, and those personal moral values govern the actions that the people in the group engage in. So, people's spontaneous efforts to help the needy are motivated by longstanding personal feelings of responsibility and obligation to others in the community. These values can be tapped by leaders, as in appeals from church leaders, or they can be activated by people's own experience with problems in the community.

It is legitimacy that is a motivational force potentially less relevant to the informal cooperation that arises in groups. Legitimacy is a motivation linked to feelings of obligation to authorities. Hence, it is directly connected to the directives of formal authorities and is unlikely to shape behavior unless people are responding to the requests of such authorities.

Because of the motivational power of legitimacy, leaders, who represent the group, are in a unique position of being able to call on the members of the group to engage in behaviors that involve risks and sacrifices in the name of the group. Such legitimate authority is typically associated with formal leaders and authorities. Although it can be developed by informal leaders in spontaneous and temporary groups, legitimacy is not easily acquired nor are people especially willing to forego personal gains in deference to the directives of others.

Because of the unique ability of authorities to use legitimacy as a motivational force, leadership is most important when a situation calls for restraint on the part of group members-in particular, the willing deference to group rules. Such motivation is different from the willingness to make

personal sacrifices for the group that may flow from attitudes of commitment and loyalty and may lead to volunteerism.

One aspect of the study of social dilemmas involves exploring the conditions under which people voluntarily restrain their actions, using less water during a drought or less electricity during a heat wave (Kramer, 1990; Messick & Brewer, 1983; Sato, 1987). Such actions are different from the proactive efforts of group members to cooperate by making spontaneous and self-organizing efforts to clean up neighborhoods, patrol neighborhoods for crime, take food to the elderly and needy, or raise money for the high school band. Voluntary restraint involves not doing things that are rewarding, whereas proactive behaviors involve doing things that the person finds rewarding.

Because restraint develops out of the need to allocate limits and losses among group members, it may be more directly linked to authorities and leadership than are the proactive efforts of group members to contribute to the welfare of the group. In other words, leaders may be most needed when the question is how to allocate the burdens of group membership. Volunteerism may be more responsive to individual attitudes and values and can more easily occur without formal direction.

Why is this distinction between restraint and proactive action relevant to solving problems of cooperation in groups? It points attention to situations in which issues of hierarchy and authority are more important. Those situations are those in which the welfare of the group is linked to the willingness of group members to limit their behavior by not engaging in actions that, although personally rewarding, hurt the group. In contrast, situations in which the welfare of the group is linked to the willingness of group members to engage in voluntary proactive behaviors to help the group-volunteerism-are more open to informal and spontaneous actions on the part of group members.



Understanding Cooperatives: The Structure of Cooperatives

Cooperative Information Report-45, Section 3

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Cooperatives exist in nearly every business sector and are organized in a variety of ways. Like other businesses in our economy, they range in size from organizations with only a few member-owners to massive and complex organizations with thousands of member-owners. The way a cooperative is organized determines how it is operated, managed, and controlled by its members, and the types of benefits offered.

Cooperative structure can be classified into five types as follows: geographic, governance, functions, financial, and other arrangements. Each will be defined and discussed in this circular.



Geographic Territory Served

Cooperatives can differ in structure, depending on the size of the area served: local, super local, regional, interregional or national, and international,

Local cooperatives operate in a relatively small geographic area, typically within a radius of 10 to 30 miles. Individuals are the members of these local cooperatives.

Super local cooperatives operate over two or more counties, with several branch facilities.

A *regional* cooperative usually serves an area comprising a number of counties, an entire State, or a number of States.

Interregional or national cooperatives are organized, owned, and controlled by regional cooperatives, usually to provide specific services. They may serve a major portion or virtually all of the United States.

International cooperatives operate on an international basis, with headquarters in the United States or other countries.

Governance or Control Structures

Based on membership structure, cooperatives can be classified as centralized, federated, or mixed.

A local cooperative is a *centralized* cooperative — individual producers make up the membership. A centralized regional may serve members in a large geographical area, such as a major portion of all of an entire State or all or part of several States. A centralized regional has one central office, one board of directors, and a manager (chief executive officer) who supervises the entire operation which may be conducted through several or many branch offices.



Based on membership structure, cooperatives can be classified as centralized, federated, or mixed.

A **federated** cooperative is a cooperative of cooperatives. The members of a federated cooperative are local cooperatives, operated by a manager hired by and responsible to local boards of directors. Each local association in a federated cooperative is a separate business entity that owns a membership share entitling it to voting rights in the affairs of the regional.

The federated cooperative has its own hired management and staff, and a board of directors elected by and representing the local associations.

A **mixed** cooperative is a combination of the two - their members may be individual producers as well as local cooperatives.

Marketing

The need to meet consumer demands and expand markets for products presents an increasing problem for farmers acting independently. Few farmers produce in quantities needed to deal directly with large wholesalers or retailers. The marketing cooperatives as quantity assemblers provide an increasing variety of off-farm processing and marketing services for about one-fourth of all products that farmers produce.

Marketing cooperatives help farmers produce and process quality products to market specification. Cooperative marketing includes the operation of grain elevators, milk plants, wool pools, cotton gins, livestock markets, vegetable markets, and fruit packing plants. Some marketing cooperatives include the coordination of processing, canning, drying, blending, concentrating, extracting, freezing, or consumer packaging of animal and animal products, such as dairy, fish, meat, and poultry and the same for fruit, nut, and vegetable products, and many other products in integrated organizations.

Marketing cooperatives enable farmer-members to extend control of their products as long as the cooperative retains physical or legal title to a commodity handled through processing, distribution, and sale.

Some marketing cooperatives also can be called bargaining associations, which may not handle the actual product but rather act as the selling agent on behalf of the member.

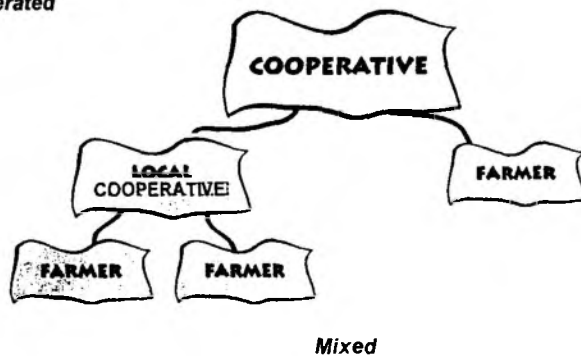
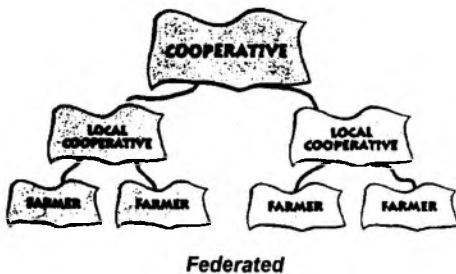
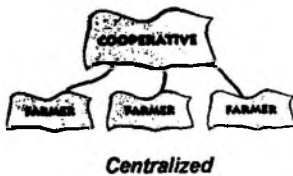
Purchasing

Farmers first turned to cooperatives as economic tools to gain advantage of quality and quantity of farm production supplies such as feed, fuel, fertilizer, and seed. These early efforts often became

Functions Performed

Cooperatives may perform one or more of these functions for members:

- ◆ marketing products,
- ◆ purchasing supplies, and
- ◆ providing services.





businesses having full-time managers and warehouses to handle other production supplies and services such as farm chemicals, animal health products, fencing, building supplies, construction contracting, automotive accessories, etc.

Most cooperatives have affiliated with other cooperatives, often through regional and interregional cooperatives. These efforts reduce farmer costs and strengthen purchasing power through owning large-scale facilities such as petroleum refineries; phosphate, potash, and nitrogen manufacturing plants; feed mills; research farms; and laboratories.

One of a purchasing cooperative's objectives is to reduce production costs for members through quantity purchasing, manufacturing, and distributing, procuring quality products, and providing related services as needed. Distribution to producer members is a major concern at the local level because added services are needed. Another objective is to provide a dependable supply of quality products for members.

Many cooperatives now perform both marketing and purchasing functions, although they started as single-function organizations.

Service

Agricultural service cooperatives provide services related to the production and marketing of farm commodities, or they may provide general services.

Related service cooperatives offer unlimited possibilities and are used in ever-widening circles to solve mutual problems and provide specialized services that affect the location, form, or quality of farm products or supplies for members. Services may be part of the operation, or they may be performed by separate cooperatives. Examples of ser-

vices related to handling farm supplies are recommending and applying fertilizer, lime, or pesticides; animal feed processing; and crop harvesting. General service cooperatives provide a number of specialized services assisting farmers in their business such as credit, electricity, and telephone service.

Financial

Cooperatives are incorporated as either stock or nonstock organizations. The type of capital structure is specified in the articles of incorporation.

If the association is a capital *stock* organization, members receive stock certificates as evidence of their ownership interest. More than one type of stock may be issued, but usually no more than two types are necessary. Most stock cooperatives issue one share of common stock per member to show membership. Preferred stock is issued to show additional capital contributions. (Common stock is usually the voting stock; preferred stock is generally nonvoting.)

If the association is a *nonstock* organization, it issues some kind of certificate to show capital contributions of members. Two types are usually used — a membership certificate as written proof of the right to vote and capital certificates in a manner similar to the way stock cooperatives use preferred stock.

Other Structural Arrangements

Subsidiary

A corporation organized, owned, and controlled either totally or partially by a parent cooperative. Its purpose is to assume certain duties and functions of the parent cooperative.

The cooperative can be most effective by serving its members needs.



Marketing Agency-in-Common

Organized by two or more marketing cooperatives to market products or provide services for member cooperatives. It does not physically handle products, and it generally does not take title to them. Its sole responsibility is to arrange for the sale of its members' products.

Joint Venture

An association of two or more participants, persons, partnerships, corporations, or cooperatives to carry on a specific economic operation, enterprise, or venture. The identities of these participants remain separate from their ownership or participation in the venture.

Holding Company

A corporate entity with a controlling ownership in one or more operating companies. The degree of ownership can vary widely, as long as the holding company can exercise control through the operating company's board of directors. Usually the holding company generates no revenues from operations; income is limited to returns from investments in the operating companies.

Contract Agent

A county or community cooperative may organize, owning nothing but contracts and paying only the money to hire an agent to handle the goods and keep patronage records. The cooperative then pays patronage refunds on the basis of the agent's records.

Private Dealers

The dealer, as a franchise, keeps records. If the franchiser cooperative makes money and pays patronage refunds, these go to the dealer's customers and the dealer is paid a commission on sales.

Conclusion

Cooperatives are classified as a way to easily identify the nature of the business. The classifications do not mean that one type may necessarily be better or worse than another. It simply means that there are distinguishing differences among the types, and shows the wide variety of cooperatives and the differences in their operations, management, control, etc.

What is important for cooperative members to understand about cooperative structure and their own organization is:

- ◆ what type of cooperative it is;
- ◆ how it is structured; and
- ◆ how the cooperative, whatever classification it might be, can be most effectively used by its members for serving their needs and achieving objectives.

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For a complete listing of the series, write to RDA—Cooperative Services, U. S. Department of Agriculture, Education and Member Relations Program Area, Ag Box 3253, Washington, DC 20250-3253.

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Understanding Cooperatives Who Runs the Cooperative Business Members

Cooperative Information Report 45, Section 4



United States
Department of
Agriculture

Rural
Development
Administration

Cooperative
Services

October 1994

developed by
Tammy M. Meyer
Cooperative
Education
Specialist

When you think about sports, whether it be football, baseball, or basketball, you realize several key ingredients are needed to set the stage for a successful, winning season — a coach, players, fans, and a game plan. People, using these ingredients, work together to make it happen -the coach serves as the guider; the players are the executors; the fans are the support system; and the game plan is the blueprint for the team to come together and perform. Each segment is an important part to the whole.

Cooperatives, as a form of business owned and controlled by the people who use it, are the same as a sports team in that they, too, have several important ingredients needed to make a complete team. The most essential one is people:

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

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

Cooperative Management

Management of a cooperative is often incorrectly thought of as including only the hired manager and his or her key staff. This is far from the truth. Cooperative management should be regarded as a team consisting of four elements — members (owners), board of directors (elected), the manager (hired), and other responsible employees (paid). Each part of the team has its own distinctive duties and responsibilities for performing management functions in a cooperative. This allows them definite, reserved rights in the ownership and control of the business. These important rights give them the privilege of taking an active part in the management of the business. To be effective, each must exercise these rights; otherwise they will have no voice in management.

Successful management of a cooperative, therefore, is based on intelligent and active cooperation of the members with the board and the manager/employees. Each group must shoulder its responsibilities.





Members are the foundation of the cooperative business. They organized it. Their needs are the reason for its existence:

Rights and Responsibilities of Members

This section specifically discusses the responsibilities of members. (Sections describing the responsibilities of the board of directors and management /employees are numbers 5 and 6, respectively.)

Members are the foundation of the cooperative business. They organized it. Their needs are the reason for its existence. Their support, through patronage and capital investment, keeps it economically healthy. And their changing requirements shape the cooperative's future.

But along with all of this comes rights and responsibilities that members must accept and exercise for the cooperative to meet effectively the needs of its owners — specific rights under the law and as outlined in the cooperative's bylaws and articles of incorporation, and responsibilities, both moral and legal, regarding those rights.

Rights

Rights of a cooperative member normally include:

- ◆ Adopt and amend the articles of incorporation and bylaws.
- ◆ Elect and, if necessary, remove directors of the business.
- ◆ Dissolve, merge, or consolidate the cooperative or form a joint venture with others.
- ◆ Require officers, directors, and other agents to comply with the law under which the business was set up, and with its articles of incorporation, bylaws, and membership contracts.
- ◆ Hold directors and officers liable for damage injurious to members.
- ◆ Examine the annual reports.

Responsibilities

1. Patronize the cooperative. Members must make a conscious decision to be committed to the cooperative and to maintain that commitment even when short-term prices or services may be better elsewhere, or competitors make more attractive offers. If members do not want to use the cooperative, the need for it must be reexamined.

2. Be informed about the cooperative. To carry out their responsibilities, members must know what the cooperative is, what it can do for them, its purpose, objectives, policies, and the issues it faces. They can obtain information through annual reports and newsletters, and from talking to the manager, staff, directors, and other members. To effectively exercise their right of ownership, a member needs a good understanding of the present situation and projected future operations.

3. Participate in selecting and evaluating directors. As owners, members assume a positive, broad role in the cooperative's management. Although the cooperative is a user/owner (democratically) controlled form of business, members cannot make all the decisions directly. They select from among their peers individuals with the best judgment and business management skills to represent them in most management affairs as the cooperative's board of directors. This is definitely one of the most important responsibilities.

Selecting the most popular or least controversial person is not the wisest choice for this job. Members need to study carefully the strengths and weaknesses of the cooperative and determine how the leadership skills of the candidates address them. Loyalty, integrity, the ability to make wise business decisions, and willingness



to serve are necessary characteristics for board members.

But this election does not mean the end of the members' responsibility. They need to keep in contact with the directors to ask questions, make comments, and request changes or new services. They also need to observe and evaluate how directors perform.

4. Provide necessary capital. A primary responsibility is to finance the cooperative for the purpose of acquiring needed goods and services, not for financial returns. This is done initially through the purchase of stock or a membership. It is continued through patronage and/or use of the cooperative. One-time assessments or investments also may be necessary to finance special fixed assets or services. For a cooperative to be successful, it must have a volume of business. Normally, the greater the volume of business, the greater the efficiency obtainable, the more services available, and the higher the earnings (profit) are for members. Members' patronage finances the cooperative so the business can continue. The greater the patronage, the more likely the cooperative will be able to provide, expand, and improve its services. But if that is not the case, and the cooperative loses money, members have the same responsibility to share in those losses as they do in the earnings.

5. Adopt legal papers. Members are responsible for understanding, adopting, and amending legal papers. They should read and understand the cooperative's articles of incorporation and bylaws to know how the business is to operate and what services it can provide. Before voting to approve bylaw amendments, they need to analyze them to determine how they will affect the business. Members

must also become acquainted with the contents of legally enforceable marketing contracts or other legal papers before signing them so that they can fulfill their obligation to the business.

6. Evaluate performance of the cooperative. Members should examine the annual report, observe whether the cooperative is meeting their needs, and analyze efforts of the cooperative to communicate with members and the public.

Certainly this list is not all-encompassing, and some of the responsibilities listed are more important than others. But to be a meaningful and useful business organization, the cooperative must have members who understand it and take their rights and responsibilities seriously.

Qualifications of Members

Requirements for membership in cooperatives can consist of the following:

- ◆ Members must be producers of farm products (if an agricultural cooperative). They may be a landowner receiving share rent as well as an owner-operator or tenant-operator. The bylaws of many cooperatives provide that if members do not patronize their cooperative for (1 or 2) consecutive years, they lose the right to vote, and the membership stock or certifi-

Members select from among their peers individuals with the best judgment and business management skills to represent them in most management affairs as the cooperative's board of directors. This is definitely one of the most important responsibilities.



MEMBERS



.....
The sole reason for any cooperative's existence is to serve the needs of its user-owners.

cate is transferred to a non-voting status.

◆ They must have a financial investment ranging from \$1 to \$10,000 or more. A few agricultural cooperatives do not have any financial requirements — only that a person must be a farmer patron, or in some cases also do a specified minimum amount of business a year.

◆ A formal application for membership must be completed, including payment of a membership fee or purchase of a share of common stock for membership.

Members are obligated to patronize their cooperative. This varies from a loosely implied obligation to a legally binding contract between members and their association to patronize it on a specific basis. Types of service that members want dictate the nature of the patronage obligation. Generally, these agreements are more binding in cooperatives providing marketing services than in those purchasing supplies or providing specialized services. Some cooperatives require in their bylaws or legally enforceable marketing contracts that members must do a specified percent of their business with the cooperative annually.

Farm Credit System cooperatives require eligible persons seeking loans to purchase membership stock before com-

pleting the loan. Rural residents, nonfarmers as well as farmers, in areas served by rural electric or telephone cooperatives, become members to receive service. Persons wanting to participate in rural housing, recreation, credit unions, or other cooperative programs must become members to receive these services.

Conclusion

The sole reason for any cooperative's existence is to serve the needs of its user-owners. But these needs can neither be flashed on a computer screen in response to the push of a button nor drawn from a hat at the opening of each board meeting.

In truth, there is no way to learn what these needs are unless the cooperative member voices them to the board of directors and paid management. The annual meeting is the vehicle for this. Cooperative members attending their annual meeting are not intended to be only an audience, but rather a vital part of the meeting. This is their opportunity to evaluate the operations, finances, and policies of the cooperative, along with expressing their needs and views.

Exercise your rights and responsibilities in participating in the business you own and control, as a cooperative member. ■

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Understanding Cooperatives: Who Runs the Cooperative Business? Board of Directors

Cooperative Information Report 45, Section 5

United States
Department of
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Rural Business/
Cooperative Service

October 1994
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developed by
Tamm y M. Meyer

When you think about an opera, there are several key elements you need for a successful performance -the conductor, the musicians, a score, and the staging. These elements work together to make it happen — the conductor serves as the guider; the musicians are the performers; the score is the composition each person follows; and the staging is the process of putting it all together.

Cooperatives, as a form of business owned and controlled by the people who use it, are the same as an opera in that they, too, have several important elements needed to be successful. The most essential one is the people:

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

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

Cooperative Management

Management of a cooperative is often incorrectly thought of as including only the hired manager and his key staff. This is far from the truth. Cooperative management should be regarded as a team consisting of four elements — members (owners), board of directors (elected), the manager (hired), and other responsible employees (paid). Each part of the team has its own distinctive duties and responsibilities for performing management functions in a cooperative. This allows them definite, reserved rights in the ownership and control of the business. These important rights give them the privilege taking an active part in the management of the business. To be effective, each must exercise these rights; otherwise they will have no voice in management.

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





The board of directors occupy a key position between members and hired management.

Duties, and Responsibilities of the Board of Directors

This section specifically discusses the responsibilities of the board of directors. (Section 4 describes the responsibilities of members, while Section 6 discusses responsibilities of management/employees.)

A cooperative is a user-owned and user-controlled business in which benefits are received in proportion to use. But it is not possible for member-owners to directly make all cooperative decisions. That control is preserved by members electing directors to represent them in much of the operation of the cooperative.

The board of directors occupy a key position between members and hired management. They represent the members as users of the cooperative's services, and consequently must be informed about the needs and directions of the members. The board must also remember that the cooperative functions for the benefit of those members.

Acting as a group, the primary responsibilities of the directors are to employ the manager, establish operating policies, and direct the cooperative toward its overall objectives.

In discussing the roles of directors, those that reflect an obligation on the part of the individual person are listed as duties. Those that require board members to act collectively are listed as responsibilities.

Duties

1. Become familiar with the articles of incorporation and bylaws of the cooperative and conduct the business in accordance with their provisions.
2. Attend regular and special meetings of the board.

3. Understand the terms of all contracts into which the cooperative has entered by authority of the board — leases, loan agreements, membership and marketing agreements, supply and other contracts, etc.

4. Be familiar with the State law under which the cooperative was incorporated.

5. Understand the general legal responsibilities of serving on a board of directors.

6. Be responsive to new ideas and changes that are in the best interest of meeting member needs.

7. Commit to participate in training programs to better understand the cooperative's operations, and a director's role in it.

Responsibilities

In addition to the general duties and powers of directors as set out in the association's articles of incorporation and bylaws, the following responsibilities are particularly important:

1. Hire a competent manager; determine the salary, outline the duties and authority of the position, and formally review his/her performance at least annually.
2. Adopt broad, general policies to guide the manager and make them a part of the minutes. They should include such items as credit to patrons, source and limits of supply inventories, general personnel regulations, etc. It is the manager's job, rather than that of the board as a whole or as individual members, to make the detailed decisions on how to implement the board's policies. Once established, the board needs to monitor and review policies annually and make changes when necessary. Remember, board members make policy decisions. They should not assume responsibilities that are clearly part of day-to-day operations.



Understanding Co-ops Who Runs the Cooperative Board of Directors

3. Develop and adopt long-range business strategies.
4. Require written monthly financial reports and operating statements for board meetings in order to be informed of adverse as well as favorable operations.
5. Direct the manager to prepare before the close of each year an operating budget for the next fiscal year for board approval. This budget should estimate the volume of sales and gross income of various items to be handled, the expenses by account classifications, and the net income expected. This constitutes necessary forward planning on the part of the board and management. The budget should be reviewed at intervals throughout the year to determine the trends of the business.
6. Employ a qualified auditor to make an independent audit at least once each year to determine the accuracy of the financial records. This audit, reported directly to the board, is used to evaluate the effectiveness of the policies and budget, performance of the manager, and insight into the effect of past decisions and the need for new ones. An audit is the primary method the board uses to report the financial condition of the cooperative to its members.
7. With the aid of the manager, plan and conduct the annual meeting to keep the membership informed about the status of their business, including operations, finances, and policies.
8. Determine the patronage refund allocation, weighing legal requirements against the need for reinvesting refunds to provide money to retire old equities and still meet current capital needs.
9. Obtain competent legal counsel.
10. Keep a complete record of the board's actions.

A cooperative director should not expect to be granted special favors from the manager or employees and does not have the following responsibilities:

1. To act independently on matters that should be decided by the entire board.
 2. Be a representative of special interests, factions, or political entities.
- He/she was elected to direct the business activities of the cooperative, not serve as a representative of these groups.

Each officer has specific duties as detailed in the cooperative's bylaws.

Board Size

Incorporation law normally sets the minimum number of cooperative members serving on the board of directors. Most have an odd number such as five, seven, or nine. Extremely large boards can be cumbersome, slow, and expensive, while smaller boards can be more efficient and effective. Generally, small boards will have more frequent and effective meetings.

Board Officers

The board officers are usually elected from within the board members, frequently at a re-organization meeting after the annual meeting. Each officer has specific duties as detailed in the cooperative's bylaws.

Board officers are:

- ◆ The president who presides at all meetings, carries out the members' wishes, and watches over the association's affairs linking communication between hired management and members.
- ◆ The vice president who, in the absence or disability of the president, performs the duties of the president.
- ◆ The secretary who keeps a complete record of all meetings of the board of directors and general membership and also is the official custodian of the cooperative's seal, bylaws, and membership records.



BOARD OF DIRECTORS



In a cooperative, the board is responsible to its members as users rather than to investors whose first objective is to maximize profits.

- ◆ The treasurer who keeps watch over the bookkeeping and accounts to ensure accuracy and proper handling and also is responsible for presenting periodic financial reports.

Selection of Board Members

At most cooperatives, before the annual meeting, the president of the board of directors appoints a nominating committee to develop a slate of candidates for election to the board. This committee nominates cooperative members they feel can direct their cooperative in meeting its overall objectives and improving its operations.

In serving, they often look for guidelines to use in selecting the right individual. The following are some of the important qualifications to consider.

Is the candidate?

- ◆ objective, willing, and anxious to learn;
- ◆ accepted by the members for having good judgment and business sense;
- ◆ successful in his/her own business operation;
- ◆ a loyal, participating member of the cooperative;
- ◆ willing to take the time necessary to prepare for, attend, and take an active part in board meetings;
- ◆ able to protect highly sensitive, confidential material, that if disclosed could damage the cooperative, but still be willing to give, and even insist on giving,

members all possible information;

- ◆ knowledgeable about cooperatives and the job of a director, including listening to members;
- ◆ willing to accept the responsibilities and obligations of a director;
- ◆ someone who will work well with others as a team, and support majority decisions, even if not agreeing with them;
- ◆ open-minded in considering issues;
- ◆ representative of the goals and direction of the members;
- ◆ recognized as a community leader; and
- ◆ honest and fair.

If the candidate is seeking the job of director to gain a personal advantage or favors for friends, it is questionable whether that candidate should be elected. Electing someone to the board to gain that person's patronage is not in the long-term interest of the cooperative.

Conclusion

The ultimate control of any corporation is legally in the hands of the board of directors. In a cooperative, however, the board is responsible to its members as users rather than to investors whose first objective is to maximize profits. Taking the time to listen to member-users, learning the issues, understanding the responsibilities of directors and how their role differs from other key people, and making decisions based on what is in the best interests of the membership, will allow the cooperative director to serve members effectively. ■

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

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Tammy M. Meyer

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

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

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

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

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

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

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

Board/Manager Relationship

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





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

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

Responsibilities of General Manager

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

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

Responsibilities of the general manager are:

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

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

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

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

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



MANAGER



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

Selecting a General Manager

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

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

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

Responsibilities of Employees

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

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

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

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

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EMPLOYEES



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Employees, as representatives of the cooperative, must understand the relationship of the business to the member-owners.
.....

benefits if they expect to recruit and hold qualified employees.

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

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

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

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

4. Favorably represent the cooperative.

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

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

Conclusion

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

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

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

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

For a complete listing of the series, write to Rural Business/Cooperative Service, 1400 Independence Ave., SW, Stop 3257, Washington, DC 20250-3267.

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