A Study in Attitudes Shaping Cooperative Leadership

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Abstract
Cooperatives are a unique type of business because of linked and close roles performed by three main groups of stakeholders: members-owners, directors and managers. Cooperatives differ from other corporations because the producers-members-owners and directors who control the cooperative are composed of the same set of people, thus the members of the board are shareholders themselves. This special dynamic creates a unique situation in terms of the relationship between the board of directors, which exerts ownership control, and the manager who exerts managerial control. Success of a cooperative mainly depends on good board-manager relationships. This study focused on an evaluation of the relationship between the board of directors and managers. Data were gathered through a survey to the general managers and the chairmen of agricultural cooperatives in Texas. The coordinated responses of the board chairmen and managers from the same cooperatives were analyzed. This study examined variables such as organizational commitment, loyalty, teamwork, strategy, and communication between the board and managers. Furthermore, the study observed the differences in perceptions of priorities of certain matters. In addition, characteristics that directors and managers valued the most about each other were reported. The findings indicated that managers behaved as stewards and good players in a cooperative game as they reported high fulfillment and commitment to their cooperatives. In addition, both managers and chairmen reported a high level of satisfaction with their relationship. However, they both required more communication with each other.
Introduction

A cooperative is a user-owned and user-controlled business that is owned by and controlled for the benefit of its agricultural producer members. Cooperatives are distinctive businesses compared to proprietorships, partnerships, and other corporations. Every business has stakeholders: owners or investors, employees, patrons or customers, and stakeholders such as creditors and suppliers. Any person or business can be all four types of stakeholder but there is no direct or necessary relationship between these key roles. Nevertheless, in a cooperative these roles are very closely attached and this relationship is one of the most essential distinctive features of a cooperative (Cobia, 1989).

An overview of cooperative management

A cooperative is a unique type of business because of the linked and close roles performed by three main groups of stakeholders: member-owners, directors and managers.

Members

Cooperatives are created and controlled to serve members’ needs (Baarda, 2003). A cooperative operates mainly to provide benefits to members through transactions and through a distribution of patronage earnings from these transactions (Cobia, 1989). Members become owners of the cooperative by providing equity capital; they patronize the cooperative and exercise ultimate control by governing the cooperative (Kenkel and Park, 2011). Members control cooperatives, elect the board of directors, and vote on main policies. Members may receive a rewarding payout in terms of higher prices for their product, lower input prices or better marketing channels (Gentzoglanis, 1997). Cooperatives are popular among farmers because they can pool their financial resources and perform business activities through a cooperative that they could not individually perform with the same economic efficiency (Cobia, 1989).

Board of directors

In some circumstances, members vote directly on a cooperative issue, but members generally elect the board of directors to be their representatives. Members place their trust and authority in the board of directors they elect (Baarda, 2003).

A cooperative board of directors must understand and guide members’ expectations for the cooperative (Cobia, 1989). Being a good director of a cooperative is not simple because directors make decisions that affect the cooperative and all of its members. Directors should make decisions for the cooperative in a way that they reasonably believe to be in the best interests of the cooperative. To represent members successfully, directors should know what members need and desire, and understand the strengths and weaknesses of the cooperative. They should be aware of the cooperative’s resources, capabilities, and its employees so they can be used to the members’ best advantage. Directors also need to provide accurate and complete information to their members so that they can make decisions about their cooperative and understand whether it is successful (Baarda, 2003).
Management

Whether it is a cooperative or an investor-oriented firm (IOF), the effectiveness of management determines the success or failure of any firm (Cobia, 1989). Management skills and decision-making skills play an important role and are often treated as synonymous. A successful cooperative manager, besides the skills of an IOF business leader, needs to possess four additional qualifications (Cook, 1994). First, managers need to be comfortable with vagueness, complexity, and conflict. Second, managers need to concentrate more planning efforts on developing entrepreneurial and operating abilities rather than portfolio-related objectives. Third, communication and leadership skills are important, and becoming a professional spokesperson for members is an imperative. Finally, a cooperative manager must be comfortable with building coalitions, consensus, and inter-member loyalty, which are key components in developing group cohesiveness (Cook, 1994).

Board-management relations

Directors are part of a team which includes not only the board of directors, but management and, most importantly, the cooperative’s members. One of the most important decisions that a board makes is selection of management (Cobia, 1989). Board members hire a general manager to whom they delegate the responsibility and authority to make and perform the operational decisions of the cooperative (Cobia, 1989). Decision-making responsibilities vary from one cooperative to another and often the board and the manager make decisions jointly. Board decisions often require input from managers, and in turn, managers in many circumstances request board input before making a management decision (Cobia, 1989).

The essence of cooperative management is to pursue goals and determine the best way to achieve them. Management problems can arise from a lack of teamwork, cooperation, or communication among directors, and managers (Cobia, 1989). Managers should keep all parties adequately informed about cooperative plans, policies, and strategies because sharing information and their effective use may enhance productivity of the firm as well as its financial performance.

A good working relationship between the board of directors and managers is vital for cooperatives; however, the relative responsibilities of the board and the managers create tensions about roles and responsibilities (Baarda, 2003). Boards of directors and management frequently struggle with the division of duties, supervision, and operational detail between the board and management. Conflicts or adversarial relationships, lack of necessary management skills, or pursuit of different goals among the members of the management team may create severe issues in cooperatives (Cobia, 1989). These issues can be disadvantageous to the cooperative if conflicts are not resolved agreeably (Cobia, 1989). To prevent such problems, a clear understanding of responsibility, authority, and accountability in the cooperative is essential. The success of a cooperative mainly depends on a good board-manager relationship which requires respect and an understanding of each other's responsibilities and authorities (Cobia, 1989). If cooperative directors and managers wittingly try to avoid some of these managerial difficulties, their chances for success will likely be much greater, other things equal.
An overview of cooperative management provides fundamental knowledge about the roles, responsibilities, and relations in agricultural cooperatives. The key factor that makes cooperatives different from other types of businesses is that the members-owners and directors who control the cooperative are composed of the same set of people. The producers are the members-owners and the producers set on the board of directors, thus the members of the board are shareholders themselves. This creates a slightly different dynamic than in IOFs, where directors may be from outside the firm and act on behalf of shareholders but are not necessarily shareholders themselves. Sometimes, even managers are members themselves in cooperatives. This special dynamic creates a unique situation in terms of the relationship between the board, which exerts ownership control, and the manager who exerts managerial control. Thus, the success of a cooperative depends on good board - manager relationships.

Whether it is a cooperative or an IOF, the ultimate purpose that all stakeholders wish to achieve is the financial performance of the firm. This performance is affected by the relationship between the stakeholders. In cooperatives, this relationship depends on how well the board exerts control, how well a manager executes plans, how plans are communicated from the members-owners to the managers, how the objectives of members, directors and managers are harmonized, and how often the board and managers are engaged in strategic planning.

Although cooperatives have been studied extensively, little empirical research is available on the relationship between the board of directors and management in agricultural cooperatives. Given the unique role of the manager-director relationship in cooperatives and their large role in agriculture, understanding those relationships is essential. The primary objective of this research was to evaluate the relationship between the board of directors and management in agricultural cooperatives. Specific objectives of the study were to determine the cohesiveness, consistency of objectives, and priorities between the managers and the board of directors as well as examine the differences in their perceptions of certain matters.

**Conceptual framework**

Whether it is an IOF or a cooperative, a number of management theories have been generally accepted and broadly used to explain corporate management behavior. By the 1980’s new economic theories, decision models, and new approaches such as game theory, managerial hegemony theory, agency theory, transaction cost theory, and property rights theory were developing.

Although agency theory is mainly used to explain manager-owner relationships and managerial behavior in corporations, it may not be applicable to cooperatives. According to agency theory, managers are seen as self-interested agents who are rationally maximizing their own personal economic gain. Cooperative managers tend to have a strong relationship with the cooperative, thus they do not necessarily have the adversarial relationship with the owners-members, as in an IOF. Moreover, sometimes managers are themselves members of the cooperative. Hence, the key question would be
“who is the principal and who is the agent” in this setting? Therefore, agency theory may not be applicable to cooperatives.

In contrast to agency theory, stewardship theory argues that managers are motivated by “a need to achieve, to gain intrinsic satisfaction through successfully performing inherently challenging work, to exercise responsibility and authority, and thereby gain recognition from peers and bosses” (Donaldson, 1990). This theory views agents as good stewards and team players and replaces assumptions of opportunism and conflict of interest with those of cooperation and coordination (Donaldson, 1990). Moreover, managers identify themselves with the corporation, particularly if they have served there with long tenure and have formed its direction (Donaldson and Havis, 1991). The general manager desires to do a good job, to be a good steward of the corporate assets by merging individual ego with the corporation, consequently melding individual self-esteem with corporate prestige (Donaldson and Havis, 1991). Power and authority are concentrated in the board of directors and there is a clear understanding of who has authority or responsibility over a particular matter. Likewise, the expectations about corporate leadership will be clearer and more consistent for both managers and for members of the corporate board when the board exercises complete authority over the corporation (Donaldson and Havis, 1991). The organization will enjoy the benefits of harmony of direction and of strong command and control. Therefore, stewardship theory supports facilitative, empowering structures, and holds that union of the incumbency of the roles of the board and managers will enhance effectiveness and produce, as a result, superior returns to shareholders (Donaldson and Havis, 1991). The stewardship theory might possibly be a better explanation why managers behave in the best interest of the cooperative. Several elements of stewardship theory were examined in the methods and results sections.

The theory of cooperative games is used to model situations in which there are benefits from joint action by a potential coalition of players. Game theory assumes that each player has an invariable set of preferences (Staatz, 1987). Sometimes, individual participants in farmer cooperatives are faced with incentives that may persuade them to behave in a way that is not consistent with the welfare of the cooperative as a whole. In reality, members, boards of directors, and cooperative managers may have a wide set of objectives they are attempting to achieve (Ladd, 1982).

The elementary insights gained from game theory can assist in understanding how cooperatives must deal with several issues, especially cost allocation (Cobia, 1989). The board of directors and management need to decide how to allocate the costs and benefits among the membership (Staatz, 1983). Cooperatives create and distribute value to their customers and owners. The member acts as a user and a customer at the same time which generates tension in creating and allocating economic benefits (Kenkel and Park, 2011). Although the patrons own the cooperative, they employ the board of directors to supervise the cooperative’s management and operation. The board of directors and management establish goals and objectives (Cobia, 1989).

Cooperatives face many decisions in which preferences of the members, management and the board of directors may differ (Staatz, 1983). Individual farmers may want to expand production when farmer-members as a group would benefit if output
were restricted. Managers may not behave as stewards, and may desire to obscure their activities from the board through the manipulation of information. Members are concerned with the full return for their products, including the value of patronage refunds, while managers may be concerned about their compensation. The effectiveness of the board’s intervention becomes a critical determinant for the decision outcome in situations that involve a conflict of interest between management and members (Hendry and Kiel, 2003). Furthermore, individual board members may attempt to use their positions to pursue their own interests rather than to improve the welfare of the members (Staatz, 1987). To respond to this problem, most organizations attempt to communicate an organizational ideology that consists of shared norms and beliefs that tend to reduce the divergence between individual and group goals (Roberts, 1975).

Representing a three-player game in the form of a payoff matrix (Table 1.1) is complex, because three sets of stakeholders need to make a decision whether to cooperate or defect, while directors have a choice whether or not to follow the members’ decisions. This approach resembles a subgame between the members and the directors because directors may or may not reflect the members’ desires and needs. The basic assumption of this study is that directors follow suggestions from their members; therefore, directors’ choices reflect the members’ choices.

Table 1.1 Payoff matrix for a three-player game

<table>
<thead>
<tr>
<th></th>
<th>Cooperate (Board)</th>
<th>Defect (Board)</th>
<th>Cooperate (Manager)</th>
<th>Defect (Manager)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Cooperate (Manager)</td>
<td>Defect (Manager)</td>
<td>Cooperate (Manager)</td>
<td>Defect (Manager)</td>
</tr>
<tr>
<td>Cooperate</td>
<td>(a, b, c)</td>
<td>(a, c, b)</td>
<td>(c, a, b)</td>
<td>(a, b, c)</td>
</tr>
<tr>
<td>Defect</td>
<td>(b, 0, c)</td>
<td>(b, c, a)</td>
<td>(0, b, a)</td>
<td>(b, c, 0)</td>
</tr>
</tbody>
</table>

Where 0, a, b, and c are the payoffs.

Given that this study was focused on the relationship between the board of directors and managers, a two-player game in which the players were the board of directors on the one hand and the general manager on the other was presented. This game differed from the prisoner’s dilemma as players were allowed to bargain and communicate about their strategies.

A prisoner’s dilemma is a game in which each player has two possible strategies, cooperating with the other player or defecting and acting independently (Staatz, 1983). Optimal Nash equilibrium solutions are only possible when there is pre-game communication between players. In a prisoner’s dilemma however, the players are not allowed to communicate with one another and make binding commitments regarding mutually beneficial joint strategies. Moreover, the prisoner’s dilemma is considered as an isolated game, played only once by the participants, thus the players have no concerns about developing or preserving their reputations as reliable partners (Staatz, 1983).
To obtain benefits from acting jointly, a successful cooperative action is required; that is, the group members must communicate and bargain, as well as compromise (Cobia, 1989). To achieve the social optimum for the cooperative, that is better performance that translates into higher profitability, the board and the manager need to cooperate which is represented in the top left quadrant in the payoff matrix, where the strategies of the two players are the same (Table 1.2). Therefore, communication about their strategies and objectives becomes the key element in this game. If the preferences and objectives of all the players are consistent, conflict will not arise and the social optimum for the cooperative would potentially be reached even without coordination. However, in reality, members, boards of directors, and cooperative managers may have different objectives they are attempting to achieve (Ladd, 1982). The managers and the members may have opposing interests and they have divergent objective functions in terms of payoffs and costs, or managers may have compensation concerns while directors may be concerned about the rates of return.

Unlike in prisoner’s dilemma where communication is not permitted, in cooperative games, players (board and managers) are allowed to communicate, make binding commitments with one another, and evaluate different outcomes in terms of the utility derived from them; therefore the social optimum can be reached (Table 1.2).

Table 1.2 Generalized form of the game, with payoffs in expected utility

<table>
<thead>
<tr>
<th>Manager</th>
<th>Cooperate</th>
<th>Defect</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cooperate</td>
<td>(m11, b11)</td>
<td>(m12, b21)</td>
</tr>
<tr>
<td>Defect</td>
<td>(m21, b12)</td>
<td>(m22, b22)</td>
</tr>
</tbody>
</table>

Where m21 > m11 > m22 > m12 and b21 > b11 > b22 > b12

A basic assumption of the analysis of this study is that players participate in collective action because there are benefits in joint, as opposed to individual, actions and the joint utility exceeds the individual utilities. These benefits are represented by a super additive characteristic function that illustrates the minimum level of payoffs that any potential coalition of players can guarantee itself (Staatz, 1983). Mathematically, super additivity of the characteristic function is expressed as follows:

For any two disjoint sets M and B in the set N (M, B ⊆ N, M ∩ B = 0), the characteristic function V is super additive if the sum of the characteristic functions of M and B is a proper subset of the characteristic function of their union:

$$V(M) + V(B) \subseteq V(M \cup B)$$

(1)

This means that M and B can always gain at least as much in total by working together as they can by working independently (Staatz, 1983). M and B will work together if the total payoff to M and B is greater than the sum of the payoffs that would result from their individual actions and if both M’s and B’s individual payoffs of the joint
work are greater that the payoffs each could achieve by acting individually (Staatz, 1983). To achieve that, M and B must communicate with one another in order to create the complimentary effect that generates return to both players, which further translates into higher return of cooperative or better financial performance.

Based on the assumptions of stewardship and game theories, there is a reason to believe that as long as managers act as stewards or “good players”, the joint action will yield mutual benefits. The relationship between the board and managers is crucial, as they act together as a team in making important decisions about distribution of cost and benefits. Even though the objectives of the players may differ, pre-game communication may harmonize the goals and help reach the social optimum while resulting in lower cost for the players of the game. With a high level of communication, players are able to negotiate inside this game theoretic framework and they are more likely to reach the solution. As a result, the cooperative will enjoy the benefits of harmony of direction and of command and control as proposed by stewardship theory. Finally, the union of the board’s and managers’ roles will enhance effectiveness and produce, as a result, higher returns to shareholders.

**Methods**

*Design of the survey and pretesting*

In order to address the issues raised in the previous sections, data were collected on individual agricultural cooperatives. This research primarily focused on the relationship between the stakeholders in cooperatives; therefore, the study required perspective from both managers and representatives of the members. Given that it was not possible to obtain responses from every member-owner of the cooperative, the focus was on the board of directors who represented the members. Even with a smaller group of directors it was challenging to obtain responses from all members on the board of directors, thus the chairman of the board of directors was chosen as the elective spokesman for the board. Therefore, the survey was administered to both the general manager and board chairman of the cooperatives. The questionnaires were developed with two objectives. The first objective was to gather information that answers the questions raised in previous sections. The second objective was to incorporate the questions that were relevant to the participants to whom this research was targeted.

In collaboration with the Texas Agricultural Cooperative Council (TACC), we attended several meetings and conferences of the board of directors and managers. The purpose was to interact with the participants and audit discussions about their topics of interest and concern. In addition, to enhance the awareness of this study and thus increase the number of participants, this research was presented at the Managers Conference held July 9-11, 2014 in Ruidoso, New Mexico and the Board Conference held July 23-25, 2014 in Ruidoso, New Mexico. At these two conferences, the relevance of this study was clarified by emphasizing the benefits for participants. Additionally, managers and chairmen were individually asked to review the preliminary survey instrument. It was important to pretest a set of questions and ask for the advice and opinions of the participants as their feedback provided additional information on questions that interested
them. Lastly, the survey was finalized and administered to both the general managers and the chairmen of the cooperatives who were members of the TACC.

**Survey administration**

The survey was administered to two parties, the general managers and the chairmen, as representatives of the board of directors, across 148 agricultural cooperatives in Texas. The focus was on both the general manager and the chairman of the same cooperative, thus 296 individuals were surveyed (148 managers and 148 chairmen). After the conferences, two questionnaires, one for the general manager and another one for the board chairman, were sent via mail to 148 agricultural cooperatives. Most of the questions in the two questionnaires were the same. However, several questions were different as they were tailored to two different pools of participants. The questionnaire for the general manager (the final survey can be found in Appendix A) and a self-addressed, postage paid envelope were placed into one envelope and were mailed to the general manager. The questionnaire for the board chairman (the final survey can be found in Appendix B) and a self-addressed, postage paid envelope were placed into another envelope and were mailed to the chairman of the same cooperative.

The managers and the chairmen from cooperatives in the Lubbock, Texas area were personally interviewed at their cooperatives, instead of mailing out the survey. Appointments were scheduled with both the general manager and the chairman of the same cooperative and interviews took place at their cooperative. In order to protect confidentiality and privacy of participants, the interviews were placed at different times so that one party was not able to hear the answers of the other party.

**Results**

This study focused on analysis of paired, coordinated responses from the manager and the chairman of the same cooperative. The survey was sent to 148 agricultural cooperatives in Texas; thus, there were 296 individuals, 148 managers and 148 chairmen. In total, 78 individuals filled out the survey, 48 managers (44 males and 4 females) and 30 chairmen (all males). Therefore, the managers’ response rate was 32.43%, while the chairmen’s response rate was 20.27%. In order to explore the relationship between the manager and the chairman of the same cooperatives, this study focused on analysis of paired, coordinated responses. There were 30 agricultural cooperatives from which responses from both the general managers and the chairmen were obtained.

The age distribution (Table 1.3) indicates a majority of managers (64%) and chairmen (94%) are over 50 years old, suggesting significant experience in cooperative business.

**Table 1.3** Comparison of the managers’ and the chairmen ages

<table>
<thead>
<tr>
<th>Ages</th>
<th>25-30</th>
<th>31-35</th>
<th>36-40</th>
<th>41-45</th>
<th>46-50</th>
<th>51-55</th>
<th>≥56</th>
</tr>
</thead>
<tbody>
<tr>
<td>Managers</td>
<td>3%</td>
<td>7%</td>
<td>3%</td>
<td>17%</td>
<td>7%</td>
<td>20%</td>
<td>44%</td>
</tr>
<tr>
<td>Chairmen</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>7%</td>
<td>0%</td>
<td>17%</td>
<td>77%</td>
</tr>
</tbody>
</table>
In terms of education (Table 1.4), a higher number of chairmen earned graduate degrees (17%, compared to managers 10%); however, the number of managers who completed undergraduate degrees (40%) was higher compared to the chairmen who completed undergraduate degrees (20%). The finding that 50% of managers earned at least an undergraduate degree, compared to the 37% of chairmen, implied that more managers completed higher education.

**Table 1.4 Education of managers and chairmen**

<table>
<thead>
<tr>
<th>Education</th>
<th>High school</th>
<th>Some college</th>
<th>Undergraduate</th>
<th>Graduate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Managers</td>
<td>17%</td>
<td>33%</td>
<td>40%</td>
<td>10%</td>
</tr>
<tr>
<td>Chairmen</td>
<td>33%</td>
<td>30%</td>
<td>20%</td>
<td>17%</td>
</tr>
</tbody>
</table>

Previous research found that strategic planning was a key variable in a firm’s financial performance. Both the managers and the chairmen were asked about the frequency of engagement in strategic planning. The results (Table 1.5) illustrated the difference in perceptions of their own involvement in the strategic planning process. Although 67% of chairmen believed they engaged in strategic planning once a year, managers’ perceptions were different as 43% of the managers believed they engaged in this process once a year. In addition, 20% of the managers reported that they were never involved in strategic planning, while only 10% of the chairmen believed the same. Given that previous research has shown a strong positive relation between strategic planning and performance of a firm, a relatively large portion never engaging in strategic planning could indicate lower financial performance for these cooperatives.

**Table 1.5 Frequency of engagement in strategic planning**

<table>
<thead>
<tr>
<th>Frequency of engagement in strategic planning</th>
<th>Once a year</th>
<th>Once every two years</th>
<th>Once every three years</th>
<th>Once every five years</th>
<th>Never</th>
</tr>
</thead>
<tbody>
<tr>
<td>Managers</td>
<td>43%</td>
<td>7%</td>
<td>10%</td>
<td>20%</td>
<td>20%</td>
</tr>
<tr>
<td>Chairmen</td>
<td>67%</td>
<td>7%</td>
<td>10%</td>
<td>7%</td>
<td>10%</td>
</tr>
</tbody>
</table>

The results indicated that views as to what constituted strategic planning may differ among some managers and chairmen. Did chairmen believe that they were engaged in strategic planning more frequently than they truly were? Or were the managers less aware of their involvement in strategic planning with their board? Given that strategic planning has been shown to be an important variable affecting financial performance, it was essential to understand the differences between both sides’ opinions. In addition, it may be beneficial for managers and their board to precisely define “strategic planning” in order to avoid any misperception.
Further analysis was conducted to test the distribution of engagement in strategic planning among the managers and the chairmen. The distribution of frequency of engagement in strategic planning was assumed to be the same for the managers and the chairmen. Therefore, hypotheses were specified as follows:

**Ho:** There is no difference in distribution of engagement in strategic planning.  
**H₁:** There is a difference in distribution of engagement in strategic planning.

To test the null hypothesis that the distribution of engagement in strategic planning was the same for managers and chairmen, a Chi-squared test for differences in probabilities was used. A critical region of approximate size $\alpha = 0.05$ corresponded to values of $T$ greater than 9.488, obtained from the chi-squared distribution table. The calculated $T = 14.45 > 9.488$, therefore the null hypothesis was rejected, implying that there was a difference in the distribution of views regarding engagement in strategic planning among the managers and the chairmen.

Both the managers and chairmen were asked to rank the following six items in order of importance (1 being the most important, 6 being the least important): customer service/product quality, capital improvement, employee retention, profitability/patronage refunds, attracting new members, and stock retirement (Table 1.6). The purpose was to observe the differences in perceptions of priorities for the six items listed above. The results indicated that customer service/product quality was the most important item for both managers and chairmen. In addition, the chairmen also ranked profitability/patronage refunds as most important, while the managers ranked the same item second. Managers ranked employee retention and profitability/patronage refunds equally important. However, employee retention was less important to the chairmen. Capital improvement took fourth place from the chairmen’s perspective while the managers reported it as less important. Also, attracting new members had higher priority for chairmen than for managers, as might be anticipated. Finally, stock retirement was ranked sixth from both sides’ perspectives, implying that it had the lowest priority.

**Table 1.6** Ranking each of the following items in order of importance

<table>
<thead>
<tr>
<th>Item</th>
<th>Managers</th>
<th>Chairmen</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customer service/Product quality</td>
<td>1st</td>
<td>1st</td>
</tr>
<tr>
<td>Profitability/Patronage refunds</td>
<td>2nd</td>
<td>1st</td>
</tr>
<tr>
<td>Employee retention</td>
<td>2nd</td>
<td>3rd</td>
</tr>
<tr>
<td>Capital improvement</td>
<td>5th</td>
<td>4th</td>
</tr>
<tr>
<td>Attracting new members</td>
<td>6th</td>
<td>5th</td>
</tr>
<tr>
<td>Stock retirement</td>
<td>6th</td>
<td>6th</td>
</tr>
</tbody>
</table>

Table 1.7 gives the comparison of satisfaction levels between the managers and the chairmen, in terms of communication, their job, and the relationship with each other. The managers’ average satisfaction level with the amount of communication was 8.43 on a scale from 1 to 10 (1 being very dissatisfied, 10 being very satisfied), while the average satisfaction level with the quality of communication was 8.57.
Further analysis was conducted to test the difference in managers’ satisfaction level with the amount of communication with their chairmen. Hypotheses were specified as follows:

*Ho*: Managers do not tend to have higher satisfaction levels with the amount of communication with their chairmen.

*H₁*: Managers tend to have higher satisfaction levels with the amount of communication with their chairmen.

These hypotheses suggested an upper-tailed test. The Mann-Whitney test (also known as the Wilcoxon test) was used to test the null hypothesis. A critical region of approximate size $\alpha = 0.05$ corresponded to values of $T$ greater than 1.645, obtained from the normal distribution table. Calculated $T = |1.23| < 1.645$, therefore the null hypothesis was failed to reject, implying that managers did not tend to have higher satisfaction levels with the amount of communication compared to their chairmen.

The same test was performed to explain the difference in satisfaction level with the quality of communication and business relationship between the managers and chairmen. In both cases, the null hypotheses were failed to reject implying that managers did not tend to have higher satisfaction levels with both the quality of communication and the relationship with their chairmen.

The average satisfaction level, the extent to which the managers were overall satisfied with *amount* and *quality* of communication with their board was 8.43 and 8.57, respectively (Table 1.7). Comparing these results with the results obtained from the chairmen, it could be concluded that the average level of chairmen satisfaction was higher with both *amount* and *quality* of communication, 9.26 and 9.42, respectively. In addition, chairmen expressed the satisfaction level with the business relationship with their managers 9.40. Managers’ satisfaction level with business relationship with their chairmen was 9.02. These results indicated that both chairmen and managers felt very satisfied with the relationship they had with each other.

The managers and chairmen were asked how they felt about their fulfillment and their own performance. Employee fulfillment is crucial for organizational performance, according to Jason Young, who is the author of the book “The Culturetopia Effect” (Young, 2013), which is a guide for organizations to create and sustain a high fulfillment and high performance in the workplace. In his book, Young provides practical, easy to

<table>
<thead>
<tr>
<th>Table 1.7 Average satisfaction level</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Average satisfaction level with:</strong></td>
</tr>
<tr>
<td>Amount of communication</td>
</tr>
<tr>
<td>Quality of communication</td>
</tr>
<tr>
<td>Job</td>
</tr>
<tr>
<td>Performance of the cooperative</td>
</tr>
<tr>
<td>Business relationship</td>
</tr>
</tbody>
</table>
implement guidance to the seven key determinants that create a healthy, productive and profitable culture of any team or organization (Young, 2013).

The results showed that on average 87% of the managers felt high fulfillment and high performance, 3% felt high fulfillment but low performance, 7% fell into the group of low fulfillment and high performance, while the remaining 3% felt low fulfillment and low performance (Table 1.8). Chairmen seemed to feel more fulfilled which resulted in their own high performance, as 93% of the chairmen felt high fulfillment and high performance. Only 3% experienced high fulfillment but low performance or low fulfillment and high performance. Finally, there were no chairmen who belonged to the group of low fulfillment and low performance. According to these results, the managers were less fulfilled compared to the chairmen, which might possibly cause a lower level of performance for managers.

### Table 1.8 Fulfillment and performance

<table>
<thead>
<tr>
<th></th>
<th>Managers</th>
<th>Chairmen</th>
</tr>
</thead>
<tbody>
<tr>
<td>High fulfillment - High performance</td>
<td>87%</td>
<td>94%</td>
</tr>
<tr>
<td>High fulfillment - Low performance</td>
<td>3%</td>
<td>3%</td>
</tr>
<tr>
<td>Low fulfillment - High performance</td>
<td>7%</td>
<td>3%</td>
</tr>
<tr>
<td>Low fulfillment - Low performance</td>
<td>3%</td>
<td>0%</td>
</tr>
</tbody>
</table>

In the part of the survey related to organizational commitment, 50% of the managers reported they attended one to two managers’ conferences per year, 23% attended more than five conferences, 17% attended three to four conferences per year, while the remaining 10% of the managers never attended a conference (Table 1.9). Statistics for the chairmen were slightly different as approximately half of the chairmen declared they attended more than five conferences a year.

### Table 1.9 Number of conferences attended per year

<table>
<thead>
<tr>
<th>Number of conferences attended per year</th>
<th>None</th>
<th>1-2</th>
<th>3-4</th>
<th>≥5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Managers</td>
<td>10%</td>
<td>50%</td>
<td>17%</td>
<td>23%</td>
</tr>
<tr>
<td>Chairmen</td>
<td>7%</td>
<td>40%</td>
<td>7%</td>
<td>47%</td>
</tr>
</tbody>
</table>

In addition to organizational commitment, 67% of managers planned to spend the rest of their careers as employees of the cooperative they were working for, while the remaining 33% were not certain about their career. The chairmen were asked if they would spend the rest of their career as members of their cooperatives, and 97% of them were certain they would. Furthermore, 90% of managers confirmed that the cooperative had a mission that they believed in and to which they were committed. On the other hand, all the chairmen from our sample confirmed that their cooperative had a mission in which they believed. The findings related to organizational commitment might possibly imply
that the chairmen were more committed to their cooperatives than their managers, which was reasonable considering that they were owners of the cooperatives.

The last part of the survey contained questions related to the relationship between the managers and the board of directors (Table 1.10). Both were asked to express their perception of the type of relationship they had with each other. They were offered four categories: adult-adult, principal-agent, parent-child, and other. The results indicated that 84% of managers believed that the nature of the business relationship between them and the board was adult-adult. About 13% of the managers stated the board was acting as the principal while they saw themselves as the agents, which was anticipated given that these managers were not members of the cooperative.

Additional analysis was conducted in order to determine if the chairmen of these managers felt as principals. By contrast, these chairmen believed that they had an adult-adult relationship with their managers. This finding implied that there was a difference in the perception of this relationship which might be caused by a lack of communication. If the two parties did not communicate frequently, they might become more distant which would affect the perception of their relationship. This assumption was confirmed by investigating the managers’ satisfaction level with communication and the results indicated that their satisfaction level was lower compared to that of the managers who did not perceive themselves as agents.

Furthermore, 3% of the managers described their relationships as a parent-child relation in which the managers felt like children. The parent-child paradigm would predict that a manager did not feel satisfied with the board relationship or fulfilled with their job, which might negatively affect performance. Although only one person from the sample reported he felt like a child, further analysis indicated that this manager felt very low job satisfaction and desired a higher level of communication with the board. Additionally, the profitability of this cooperative was negative. Although there was no statistical evidence that this type of relationship would affect financial performance, there was sufficient information indicating that the board needed to avoid creating an environment where managers felt like children.

A majority of the chairmen (93%) believed that their relationship with the managers could be best described as adult-adult. However, 7% of the chairmen considered themselves as principals, while perceiving their managers as agents. By contrast, the managers of these particular chairmen perceived their relationship as adult-adult and did not feel like agents.
Table 1.10 The relationship between the board and the managers

<table>
<thead>
<tr>
<th>Board - Manager</th>
<th>Managers</th>
<th>Chairmen</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adult - Adult</td>
<td>84%</td>
<td>93%</td>
</tr>
<tr>
<td>Principal - Agent</td>
<td>13%</td>
<td>7%</td>
</tr>
<tr>
<td>Parent - Child</td>
<td>3%</td>
<td>0%</td>
</tr>
<tr>
<td>Other</td>
<td>0%</td>
<td>0%</td>
</tr>
</tbody>
</table>

Managers were asked whether they felt they had limited control over the cooperative but total responsibility for the results. The majority, 70% of the managers, did not feel they had limited control over the cooperative, 23% felt they sometimes had limited control, and 7% of the managers felt they had limited control over the cooperative. The chairmen were asked whether their managers should have limited control over the cooperative but be fully responsible for the results. More than half, 57% of the chairmen, did not feel that the managers should have limited control over the cooperative. Nonetheless, 23% of the chairmen believed that their managers should have limited control over the cooperative.

The characteristics that managers valued the most about their board chairmen were (in order of importance):
1. Trustworthiness,
2. Understanding and respecting the board-manager relationship,
3. A chairman’s total commitment and dedication to the cooperative,
4. Good communication, and
5. Very active and experienced chairman.

Still, the majority of the managers agreed that their chairmen needed to spend more time in strategic planning. The managers also indicated a need for chairman to attend chairman conferences and encourage other board members to get training as board members. Finally, the managers indicated that it was important that their chairmen determine direction and long-term goals for the cooperative.

Finally, the characteristics that the chairmen valued the most about their general managers were (in order of importance):
1. Total commitment and dedication to the cooperative
2. Understanding and respecting the board-manager relationship
3. Very active and strong experience
4. Good communication
5. Trustworthiness

However, the chairmen required from their managers more communication, involvement in strategic planning, and marketing the cooperative to expand customer base.
Conclusion

Given the unique role of the manager-director relationship in cooperatives, understanding those relationships is important. This study attempted to emphasize the importance of the relationship between managers and the board of directors in agricultural cooperatives.

Previous research has shown that factors such as: organizational commitment, satisfaction, loyalty, teamwork, strategy, and communication between the stakeholders positively affected financial performance of a firm. The ultimate purpose that all stakeholders strive to achieve is the improved performance of the firm, which is directly affected by the relationship between the stakeholders. If cooperatives are to be successful in their performance, the relationship between the board and managers is crucial as they act together as a team in making important decisions. In cooperatives, this relationship depends on how well the board exerts control, how well a manager performs actions, how often the board and managers engage in strategic planning, how the objectives of members, directors and managers are harmonized, and how plans are communicated from the members-owners to the managers.

Based on the assumptions of stewardship and game theories, there is reason to believe that if managers are fulfilled, committed, and loyal to the cooperative, they will act as stewards or team players, thus this joint action would yield mutual benefits and the outcome of increased financial performance would be accomplished. Findings from this study show that the assumption that managers behaving as stewards, with a “total commitment and dedication to the cooperative” was one of the highly ranked characteristics that the chairmen valued the most about their general managers. Moreover, the majority of managers reported a high level of fulfillment and confirmed that their cooperative had a mission in which they believed.

In order to achieve an optimal solution, effective discussions and flows of information from management to the board is crucial. The results showed that both managers and chairmen required more communication from each other. To enhance communication, cooperation, and teamwork, frequent meetings are necessary as managers and the board would feel less distant from each other, translating into better relations, cooperation, and positively affecting performance. Moreover, cooperation and teamwork is required in a process of defining the cooperative strategy, setting objectives, determining actions to achieve the objectives, and making decisions on allocating available resources to pursue this strategy. The results of this study indicated different perceptions of engagement in strategic planning. Managers and the board should define “strategic planning” precisely as there is a strong positive relation between strategy and performance of a firm.

Finally, a good relationship between the manager and the board would create a strong bond among them and they would feel more open to discuss their goals and interests. With a high level of communication and cooperation, they are more likely to respect each other and understand their objectives, and if any issue arises in the cooperative, they would have a better chance to overcome it and reach an optimal solution. Furthermore, if managers and the board are satisfied with their relationship, they
would be more effective and productive because they would have better organization and coordination of activities.

In conclusion, union, harmony, and cohesiveness between the board and the managers would enhance their productivity and effectiveness by creating higher returns for shareholders, which would further result in higher financial performance of a cooperative.

**Study limitations and future work**

The limitation of this study was that the survey was conducted among the agricultural cooperatives in Texas. Future research in this area may include wider types of cooperatives as well as extend the sample size by including cooperatives from several states in the country. To collect more extensive data, more specialized survey instruments can be employed. Furthermore, additional and more completed data can be collected in the future by conducting interviews with cooperatives rather than conducting surveys.
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APPENDIX A

Questionnaire for the General Manager
**PART I – Financial performance**

NOTE: The questions in PART 1 in the box below are related to profitability of your cooperative. If you are willing to provide audits for previous three years (2011, 2012, and 2013) to us, you are NOT asked to answer these questions. If you prefer, you can email Mr. Greg Taylor and authorize him to release electronic copies of those audit reports to us. In case the audits are not provided, please answer the questions in the box below.

Fill in the lines with the appropriate numbers.

<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Patrons equity in 2011:</td>
<td>$__________</td>
<td></td>
</tr>
<tr>
<td>2. Patrons equity in 2012:</td>
<td>$__________</td>
<td></td>
</tr>
<tr>
<td>3. Patrons equity in 2013:</td>
<td>$__________</td>
<td></td>
</tr>
<tr>
<td>4. Total assets in 2011:</td>
<td>$__________</td>
<td></td>
</tr>
<tr>
<td>5. Total assets in 2012:</td>
<td>$__________</td>
<td></td>
</tr>
<tr>
<td>6. Total assets in 2013:</td>
<td>$__________</td>
<td></td>
</tr>
<tr>
<td>7. Current assets in 2011:</td>
<td>$__________</td>
<td></td>
</tr>
<tr>
<td>8. Current assets in 2012:</td>
<td>$__________</td>
<td></td>
</tr>
<tr>
<td>9. Current assets in 2013:</td>
<td>$__________</td>
<td></td>
</tr>
<tr>
<td>10. Current liabilities in 2011:</td>
<td>$__________</td>
<td></td>
</tr>
<tr>
<td>11. Current liabilities in 2012:</td>
<td>$__________</td>
<td></td>
</tr>
<tr>
<td>12. Current liabilities in 2013:</td>
<td>$__________</td>
<td></td>
</tr>
<tr>
<td>13. Net margin in 2011:</td>
<td>$__________</td>
<td></td>
</tr>
<tr>
<td>14. Net margin in 2012:</td>
<td>$__________</td>
<td></td>
</tr>
<tr>
<td>15. Net margin in 2013:</td>
<td>$__________</td>
<td></td>
</tr>
</tbody>
</table>
PART II - Size

Please check one box for each question.

16. Indicate the current number of full-time employees in your cooperative:
   □ 1-5
   □ 6-10
   □ 11-20
   □ 21-50
   □ > 50

17. Indicate the current number of members in your cooperative:
   □ 1-5
   □ 6-10
   □ 11-20
   □ 21-50
   □ > 50

18. What best describes your cooperative (if you work in a mixed cooperative, check all that apply):
   □ Production cooperative
   □ Marketing cooperative
   □ Supply (purchasing) cooperative
   □ Service cooperative
   □ Other ______________________ (specify)

19. Indicate the total gross sales/revenues your cooperative generated on average for the last three years (approximately):
   □ < $100,000
   □ $100,000-$500,000
   □ $500,000-$1,000,000
   □ $1,000,000-5,000,000
   □ > $5,000,000
   □ $5,000,000-$10,000,000
   □ $10,000,000-$15,000,000
   □ $15,000,000-$20,000,000
   □ > $20,000,000

PART III – Economic performance

In the following questions you are asked to compare your cooperative with the largest competitor which is the largest cooperative in the same field in your area. For example, if you work in a cotton gin cooperative, your competitor would be the largest cotton gin in the same or the closest area.

Please check one box for each question.
20. Relative to our businesses’ largest competitor, we are:
   ☐ Less profitable
   ☐ About equally profitable
   ☐ More profitable

21. Relative to our businesses’ largest competitor, in terms of total gross sales/revenues, we are:
   ☐ Larger
   ☐ About the same size
   ☐ Smaller

22. Relative to our businesses’ largest competitor, we:
   ☐ Are growing more slowly
   ☐ Are growing at about the same rate
   ☐ Are growing faster

**PART IV – Team work**

Please check one box for each question.

23. How often do you meet officially with the board?
   ☐ Once a week
   ☐ Once a month
   ☐ Once every few months
   ☐ Once a year
   ☐ Once every few years
   ☐ Never

24. How often do you meet with the board chairman to discuss cooperative business?
   ☐ Once a week
   ☐ Once a month
   ☐ Once every few months
   ☐ Once a year
   ☐ Once every few years
   ☐ Never
NOTE: Mark the line at any point between “very dissatisfied” and “very satisfied” to indicate your level of satisfaction.

25. Indicate the extent to which you are satisfied with how the board establishes a code of ethics and sets the example for all personnel to follow.

very dissatisfied indifferent very satisfied

26. How often do you and your board engage in strategic planning?
☐ Once a year
☐ Once every two years
☐ Once every three years
☐ Once every five years
☐ Never

27. I was involved with the board in conducting a strategic planning session within the past three years.
☐ Yes
☐ No

28. I am constantly assessing and evaluating performance of employees in our cooperative.
☐ Yes
☐ No

29. Rank each of the following items in order of importance to you from the #1 “most important” item through the #6 “least important” item (write the number on the line before each item):

___ Customer service/product quality
___ Capital improvement
___ Employee retention
___ Profitability/Patronage refunds
___ Attracting new members
___ Stock retirement
PART V – Communication

30. Indicate the extent to which you are satisfied with how well you are informed about the board’s expectations from you.

very dissatisfied           indifferent           very satisfied

31. Indicate the extent to which you are satisfied with how well you are informed about the board’s objectives and plans.

very dissatisfied           indifferent           very satisfied

32. Indicate the extent to which you are satisfied with opportunities available for you to express your ideas to the board.

very dissatisfied           indifferent           very satisfied

33. Indicate the extent to which you are satisfied with how the board promotes a diverse culture where you can be heard without fear of punishment or loss.

very dissatisfied           indifferent           very satisfied

34. Indicate the extent to which you are satisfied with the amount of communication between you and the board?

very dissatisfied           indifferent           very satisfied
35. Indicate the extent to which you are satisfied with the *quality* of communication between you and the board?

![Satisfaction Scale]

PART VI – *Job satisfaction*

36. In terms of fulfilment and performance, what best describes you:

- [ ] High fulfilment – High performance
- [ ] High fulfilment – Low performance
- [ ] Low fulfilment – High performance
- [ ] Low fulfilment – Low performance

37. Indicate the extent to which you are satisfied with how the board supports and encourages you.

![Satisfaction Scale]

38. Indicate the extent to which you are satisfied with how meetings with the board are organized in terms of timing, carefully planned agenda, content, etc.

![Satisfaction Scale]

39. Indicate the extent to which you are satisfied with your compensation and benefits.

![Satisfaction Scale]
40. Overall (considering everything), indicate the extent to which you are satisfied with your job.

[Scale for satisfaction: very dissatisfied -- indifferent -- very satisfied]

PART VII – Organizational commitment

Please check one box for each question.

41. On average, how many managers conferences and meetings do you attend per year?

☐ None
☐ 1-2
☐ 3-4
☐ ≥ 5

42. I plan to spend the rest of my career as an employee of this cooperative:

☐ Yes
☐ Maybe/Sometimes
☐ I do not know
☐ No

43. I enjoy telling non-members about my cooperative:

☐ Yes
☐ Maybe/Sometimes
☐ I do not know
☐ No

44. I believe that a person must always be loyal to his or her cooperative:

☐ Yes
☐ Maybe/Sometimes
☐ I do not know
☐ No
45. If I received another offer for a better job elsewhere, I feel it would be justifiable to leave my current position:

☐ Yes
☐ Maybe/Sometimes
☐ I do not know
☐ No

46. This cooperative has a mission that I believe in and am committed to:

☐ Yes
☐ Maybe/Sometimes
☐ I do not know
☐ No

**PART VIII - Relationship between the managers and the board of directors**

Please check one box for each question.

47. What best describes the nature of the business relationship between you and the board?

<table>
<thead>
<tr>
<th>Board</th>
<th>You</th>
</tr>
</thead>
<tbody>
<tr>
<td>☐ Parent</td>
<td>Child</td>
</tr>
<tr>
<td>☐ Adult</td>
<td>Adult</td>
</tr>
<tr>
<td>☐ Principal</td>
<td>Agent</td>
</tr>
<tr>
<td>☐ Other</td>
<td></td>
</tr>
</tbody>
</table>

48. Do you feel that you have limited control over the cooperative but total responsibility for the results?

☐ Yes
☐ Maybe/Sometimes
☐ I do not know
☐ No
49. What do you value the most about your board chairman? (Check all that apply)
☐ His total commitment and dedication to our cooperative
☐ Very active and strong experience
☐ Good communication
☐ He understands and respects the board-manager relationship
☐ Trustworthy
☐ Other _______________________(please specify)
☐ None of the above

50. What do you need from your board chairman that you are not presently receiving? (Check all that apply)
☐ More communication and to be involved in the board meetings
☐ At least one formal manager evaluation per year
☐ For him to come to the chairman’s conference and encourage other board members to get training
☐ Direction and long term goals
☐ Time for strategic planning
☐ Other _______________________(please specify)
☐ None of the above

51. Overall (considering everything), indicate the extent to which you are satisfied with the business relationship between you and the board.

very
dissatisfied

indifferent

very
satisfied

PART IX - Demographic characteristics

52. Your gender:
☐ Male
☐ Female

53. Your age:
☐ ≤ 24
☐ 25-30
☐ 31-35
☐ 41-45
☐ 46-50
☐ 51-55
54. The highest education level completed:

- Less than high school
- High school
- College
- Undergraduate degree
- Graduate degree

55. The length of time as a general manager:

- ≤ 5 years
- 6-10 years
- 11-15 years
- 16-20 years
- ≥ 21 years

56. Are you a member of a cooperative?

- Yes
- No
APPENDIX B

Questionnaire for the Board Chairman
**PART I – Financial performance**

NOTE: The questions in PART 1 in the box below are related to profitability of your cooperative. If you are willing to provide audits for previous three years (2011, 2012, and 2013), you are NOT asked to answer these questions. If you prefer, you can email Mr. Greg Taylor and authorize him to release electronic copies of those audit reports to us. In case the audits are not provided, please answer the questions in the box below.

Fill in the lines with the appropriate numbers.

16. Patrons equity in 2011: $______________
17. Patrons equity in 2012: $______________
18. Patrons equity in 2013: $______________

19. Total assets in 2011: $______________
20. Total assets in 2012: $______________
21. Total assets in 2013: $______________

22. Current assets in 2011: $______________
23. Current assets in 2012: $______________
24. Current assets in 2013: $______________

27. Current liabilities in 2013: $______________

29. Net margin in 2012: $______________
30. Net margin in 2013: $______________
**PART II - Size**

Please check one box for each question.

16. **Indicate the current number of full-time employees in your cooperative:**
   - [ ] 1-5
   - [ ] 6-10
   - [ ] 11-20
   - [ ] 21-50
   - [ ] > 50

17. **Indicate the current number of members in your cooperative:**
   - [ ] 1-5
   - [ ] 6-10
   - [ ] 11-20
   - [ ] 21-50
   - [ ] > 50

18. **What best describes your cooperative** (if you have a mixed cooperative, check all that apply):
   - [ ] Production cooperative
   - [ ] Marketing cooperative
   - [ ] Supply (purchasing) cooperative
   - [ ] Service cooperative
   - [ ] Other ______________________ (specify)

19. **Indicate the total gross sales/revenues your cooperative generated on average for the last three years (approximately):**
   - [ ] < $100,000
   - [ ] $100,000-$500,000
   - [ ] $500,000-$1,000,000
   - [ ] $1,000,000-$5,000,000
   - [ ] > $5,000,000
   - [ ] > $5,000,000-$10,000,000
   - [ ] > $10,000,000-$15,000,000
   - [ ] > $15,000,000-$20,000,000
   - [ ] > $20,000,000

**PART III – Economic performance**

In the following questions you are asked to compare your cooperative with the largest competitor which is the largest cooperative in the same field in your area. For example,
if your cooperative is a cotton gin, your competitor would be the largest cotton gin in the same or the closest area.

Please check one box for each question.

20. Relative to our businesses’ largest competitor, we are:

☐ Less profitable
☐ About equally profitable
☐ More profitable

21. Relative to our businesses’ largest competitor, in terms of total gross sales/revenues, we are:

☐ Larger
☐ About the same size
☐ Smaller

22. Relative to our businesses’ largest competitor, we:

☐ Are growing more slowly
☐ Are growing at about the same rate
☐ Are growing faster

PART IV – Team work

Please check one box for each question.

23. How often do you meet officially with the general manager?

☐ Once a week
☐ Once a month
☐ Once every few months
☐ Once a year
☐ Once every few years
☐ Never
24. How often do you meet unofficially with the general manager to discuss cooperative business?

☐ Once a week
☐ Once a month
☐ Once every few months
☐ Once a year
☐ Once every few years
☐ Never

NOTE: Mark the line at any point between “very dissatisfied” and “very satisfied” to indicate your level of satisfaction.

25. Indicate the extent to which you are satisfied with how your board establishes a code of ethics and sets the example for all personnel to follow.

very dissatisfied indifferent very satisfied

26. How often do you and the general manager engage in strategic planning?

☐ Once a year
☐ Once every two years
☐ Once every three years
☐ Once every five years
☐ Never

27. I was involved with the general manager in conducting a strategic planning session within the past three years.

☐ Yes
☐ No
28. I am constantly assessing and evaluating the general manager’s performance in our cooperative.

☐ Yes
☐ No

29. Rank each of the following items in order of importance to you from the #1 “most important” item through the #6 “least important” item (write the number on the line before each item):

___ Customer service/product quality
___ Capital improvement
___ Employee retention
___ Profitability/Patronage refunds
___ Attracting new members
___ Stock retirement

PART V – Communication

30. Indicate the extent to which you are satisfied with how well you are informed about the general manager’s plans and progress.

very dissatisfied indifferent very satisfied

31. Indicate the extent to which you are satisfied with how the general manager is fulfilling your expectations.

very dissatisfied indifferent very satisfied

32. Indicate the extent to which you are satisfied with how the board discusses all issues and concerns as a united board.
33. Indicate the extent to which you are satisfied with how the board tracks and adjusts the objectives of your strategic plan at every board meeting.

34. Indicate the extent to which you are satisfied with the amount of communication between you and the general manager?

35. Indicate the extent to which you are satisfied with the quality of communication between you and the general manager?

PART VI – Job satisfaction

36. In terms of fulfilment and performance, what best describes you:

- High fulfilment – High performance
- High fulfilment – Low performance
- Low fulfilment – High performance
- Low fulfilment – Low performance
37. Indicate the extent to which you are satisfied with how board meetings are organized in terms of timing, carefully planned agenda, content, etc.

very dissatisfied  indifferent  very satisfied

38. Indicate the extent to which you are satisfied with the benefits you receive as a member of the board.

very dissatisfied  indifferent  very satisfied

39. Considering everything, indicate the extent to which you are satisfied with the overall performance of your cooperative.

very dissatisfied  indifferent  very satisfied

PART VII – Organizational commitment

Please check one box for each question.

40. On average, how many cooperative board conferences and meetings do you attend per year?

☐ None
☐ 1-2
☐ 3-4
☐ ≥ 5

41. I plan to spend the rest of my career as a member of this cooperative:

☐ Yes
☐ Maybe/Sometimes
I do not know
No

42. I enjoy telling non-members about my cooperative:

☐ Yes
☐ Maybe/Sometimes
☐ I do not know
☐ No

43. I believe that a person must always be loyal to his or her cooperative:

☐ Yes
☐ Maybe/Sometimes
☐ I do not know
☐ No

44. This cooperative has a mission that I believe in and am committed to:

☐ Yes
☐ Maybe/Sometimes
☐ I do not know
☐ No

PART VIII - Relationship between the managers and the board of directors

Please check one box for each question.

45. What best describes the nature of the business relationship between you and the general manager?

<table>
<thead>
<tr>
<th>You</th>
<th>Manager</th>
</tr>
</thead>
<tbody>
<tr>
<td>Parent</td>
<td>Child</td>
</tr>
<tr>
<td>Adult</td>
<td>Adult</td>
</tr>
<tr>
<td>Principal</td>
<td>Agent</td>
</tr>
<tr>
<td>Other</td>
<td></td>
</tr>
</tbody>
</table>
46. Do you feel that the general manager should have limited control over the cooperative but total responsibility for the results?

☐ Yes
☐ Maybe/Sometimes
☐ I do not know
☐ No

47. What do you value the most about the general manager? (Check all that apply)

☐ His/her total commitment and dedication to our cooperative
☐ Very active and strong experience
☐ Good communication
☐ He/she understands and respects the board-manager relationship
☐ Trustworthy
☐ Other _________________________________(please specify)
☐ None of the above

48. What do you need from the general manager that you are not presently receiving? (Check all that apply)

☐ More communication
☐ Close working relationship
☐ Be more dedicated to his/her work
☐ Be involved in the board/managers’ meetings
☐ Be involved in strategic planning
☐ Other _________________________________(please specify)
☐ None of the above

49. Overall (considering everything), indicate the extent to which you are satisfied with the business relationship between you and the general manager.

very dissatisfied   indifferent   very satisfied
PART IX - Demographic characteristics

50. Your gender:
   □ Male
   □ Female

51. Your age:
   □ ≤ 24  □ 25-30  □ 26-30  □ 31-35  □ 36-40
   □ 41-45  □ 46-50  □ 46-50  □ 51-55  □ ≥ 56

52. The highest education level completed:
   □ Less than high school
   □ High school
   □ College
   □ Undergraduate degree
   □ Graduate degree

53. The length of time as a chairman (or director if you are not a chairman):
   □ ≤ 5 years
   □ 6-10 years
   □ 11-15 years
   □ 16-20 years
   □ ≥ 21 years

54. Are you the chairman of the board?
   □ Yes
   □ No