Establishing and Maintaining Favorable Attitudes Among Cooperative Members

By

Gerald E. Korzan

Agricultural Experiment Station
Oregon State College
Corvallis

Station Bulletin 535
June 1953
Foreword

Most Oregon cooperative managers have discovered that there is more to managing a business than the assignment of responsibility and supervising employees, the maintenance of plant and equipment, and the making of collections, paying of bills, and setting up of an adequate accounting system. An efficient manager, of course, must be an expert in the conduct of the business activities of the association. In addition, however, he must work continuously to do those things that will establish and maintain favorable attitudes of the membership toward the association.

This bulletin summarizes what managers are doing to build and maintain favorable attitudes. It also summarizes and appraises the opinions of managers concerning which devices may be most effective in creating favorable attitudes among members. The annual meeting was considered to be the most important way of creating a good impression and understanding among cooperative members. Consequently, a well-planned annual meeting is essential.

The final section of this bulletin outlines the important characteristics of a good manager. Many managers of Oregon cooperative associations, and also other types of business, may be doing what is proposed. All managers, however, may find the points covered useful in establishing a well-integrated membership relations program.

F. E. Price
Dean and Director
Summary and Conclusions

This study summarizes a survey of 43 Oregon farmer cooperative managers in 1951 and 1952. The smallest of the cooperative associations included did an annual dollar volume of business of less than $100,000; the business of the largest one exceeded $18,000,000.

There is considerable evidence to indicate that many Oregon cooperative managers are aware of the importance of maintaining and improving favorable member attitudes toward the association. Managers are actively trying to do something about it. Most managers believed that the annual meeting was the best means available to disseminate important information and to build favorable attitudes among the members. However, several additional lines of action were advocated and followed by many managers. The monthly newsletter, field men, personal contact, financial reports, local discussion groups, and circular letters were looked upon as desirable devices to use to help maintain and improve favorable member attitudes toward cooperatives. Motion pictures and film strips, contests and awards, exhibits, and radio programs were generally rated low by managers as effective means.

About one-half of the managers thought they had some directors who were doing excellent public relations work in the community, which reflected favorably upon the association. The other one-half believed that the directors could do more to help maintain interest among the members.

Some managers pointed out that more attention needs to be given to selection and election of directors. Good men should be found and encouraged to serve on the board for a reasonable period of time. Many managers felt that smooth functioning nominating committees can go a long way in selecting desirable candidates. Of course, it is always appropriate to nominate additional candidates from the floor. However, it may be highly desirable to start with a slate of competent individuals.

The report is concluded by listing and briefly discussing some of the most important characteristics of a good manager.
Establishing and Maintaining
Favorable Attitudes Among Cooperative Members

by

GERALD E. KORZAN
Associate Agricultural Economist

Cooperative managers play a major role in creating favorable attitudes and feelings among their members and other patrons. Farmers who do not have a favorable attitude towards their cooperative are inclined to reduce patronage and finally become inactive or drop out entirely. Cooperatives, like other businesses, cannot survive without customers.

This study was designed to show what cooperative managers are doing to maintain and improve member attitudes and feelings in their association.* By showing the relative importance of techniques and devices used by Oregon cooperative managers, others will be able to use those that are most effective in their membership relations work. This report will serve as a vehicle for an exchange of ideas among cooperative managers.

In addition, a short section is presented to show what managers think directors are doing to help with the membership relations work. This includes some background information on how directors are selected and elected.

Finally, the report includes a section listing and analyzing the important characteristics of a good manager.

Procedure

By systematic sampling, one cooperative in every four in Oregon was to be included in this survey. Because some of the cooperatives on the original list had failed, changed to another type of organization, or were very small, adjustments were made so that it was possible to obtain a record from one out of every three active associations in the state.

The 43 cooperatives finally included are a good cross-section of cooperatives in Oregon. They include associations of all types and from all parts of the state. Data and other information were obtained from each by means of personal interview with the manager of the association.

*A previous study dealt with member attitudes. See Gerald E. Korzan, Member Attitude Toward Cooperatives, Oregon Agricultural Experiment Station Bulletin 509, January 1952.
Eighteen associations did a dollar volume of business in either 1950 or 1951 in excess of $1,000,000; 12 did a dollar volume of business between $500,000 to $1,000,000; and the other 13 had a volume of less than $500,000. The smallest association in the study did a dollar volume of business of $74,000; and the largest more than $18,000,000.

How Managers Keep Members Informed

Monthly newsletters

Only about one out of every three cooperatives in Oregon distributed a regular newsletter to their members. Two out of three of the large associations had monthly newsletters, whereas only one in six of the small associations had such a publication (Figure 1).

Cooperative managers indicated that the publication of a newsletter required considerable time and, of course, some direct outlay of funds. In all likelihood, these were the main reasons why some cooperatives did not publish a regular newsletter. Another reason, as shown later in this report, was that some managers felt these newsletters accomplish very little in maintaining favorable member attitudes.

Some estimates of the cost of preparing newsletters were obtained together with the approximate circulation. Costs varied greatly from one cooperative to another but averaged about $2,300 per year. The average circulation was nearly 2,700. It was felt that some of the associations did not include all of their costs. The time spent by some employees in preparing the copy was not included, because these employees did this work in addition to their regular duties. Only one cooperative in the study defrayed part of the cost by the sale of advertising space.

The newsletters ranged in size from a one page mimeographed letter to a small magazine. Most of the newsletters were printed and contained some excellent information—information of real concern to farmers. Prices and price trends were frequently shown. Almost every issue contained some information concerning the thinking of the directors and management. Sometimes the job of the cooperative was featured by departments, with names of key employees mentioned frequently. For example, one issue of a medium size cooperative explained the service performed by the field department. Some cooperative newsletters ran feature stories about prominent members. Frequently included were hints to farmers on use of spray, fertilizer, seed, feed, etc. Some publications have a section of interest to housewives. Nearly all newsletters had a section devoted to want ads or a “come and get it” column.
News columns

Few Oregon cooperatives maintained a regular news column in a farm paper or the local newspaper. However, most of the managers indicated that they furnished the local press with news releases when they had any news. Nearly all of the managers said that the local newspapers were willing to give them space in the paper for newsworthy items. Relationships between cooperatives and the press were generally good. In fact, local newspapers usually gave space freely to publicizing such things as the annual meeting and what transpired there. Managers also have indicated that local newspapers publicize highlights of managers' talks and speeches as well as those of others in the organization.

Cooperative managers may find it to their advantage to work more closely with the local press and farm papers. Worthwhile achieve-
ments need to be publicized. The farmer's attitude for being a part of a successful business organization may be favorably stimulated. Unless overdone the officers and directors of the association will very likely not be accused of "tooting their own horns." It is safe to say that most newspapers would like to receive periodic news releases even though they cannot publish them all. Space and newsworthiness will largely determine whether or not a particular release will be published.

Special pamphlets

Two out of every five cooperatives distributed some kind of special pamphlets to their members during the year. In some cases, a special pamphlet was sent only to new members, while in others something was sent out nearly every month.

A wide variety of information was disseminated by Oregon cooperatives through the medium of special pamphlets. For example, one cooperative sent a pamphlet to new and prospective members explaining services, policies, and philosophy of the organization. Some dairy cooperatives use special pamphlets to explain quota allocations, prices, and general market conditions. Some cooperatives sent out the latest material on taxes and legislative matters. Still others disseminated information concerning availability of supplies, credit policy, support prices, and growing conditions. A few sent out a "letter of advice" each year in which members were advised as to what the cooperative is trying to do and progress being made. Special pamphlets are undoubtedly being used to good advantage by a number of Oregon cooperative associations. They are particularly useful to cooperatives that do not publish a monthly newsletter.

Explanation of distribution of savings to members

In view of the fact most Oregon cooperatives do not pay net savings in cash to members, it is important that the way savings are handled be explained.* Managers apparently felt that members needed to know how savings were handled, because all of those included in the study made some effort to explain it. The most common way to explain the handling of savings was at the annual meeting, with 84 per cent using this method. About one-half of the cooperatives had their field men trained to explain their policy concerning the handling of savings as well as other aspects of the business. Nearly one-half of the associations felt savings were fairly well explained

*The details of how savings are retained for capital and revolved will be covered in a report entitled, Financing Oregon Cooperative Associations, to be published in 1953.
in the annual report. Also, nearly one-half of the managers explained how savings were handled through correspondence. This method will very likely become more important, because it is necessary for cooperatives to advise members of accrued savings in order that the members may report the appropriate amount for income tax purposes. Only about one cooperative in five used either the local discussion group method or the newsletter to explain savings.

Most cooperatives used more than one method to try to explain savings to the membership. Only about 25 per cent of the associations used but one method. Most of this latter group used the annual meeting to explain savings and did nothing more about it.

Availability of annual report

Five out of six cooperatives made a copy of the annual report available to all the members. All of the largest organizations distributed the annual report to the members in printed form. About one-half of the smallest ones that prepared an annual report for general distribution mimeographed their material. Only one association published its annual report in the local newspaper, and one used its own monthly newsletter.

While it is recognized that not all members take time to study the annual report or a simple summary of it, it appears highly desirable that all members receive it in one form or another. Managers place themselves in a much better position to successfully handle criticism if they can share some of the responsibility by asking and expecting members to study and understand the financial reports of the association.

Family gatherings

It has been felt by some that educational work aimed at the whole family can be very effective. In Oregon only one cooperative in seven used this method to help in maintaining favorable member attitudes. Nearly all of these were large associations.

Some of these family affairs have been quite educational while others have been entirely social. In almost all instances, however, a lunch or meal was part of the program. One association has sponsored a "co-op dance" to which the local businessmen were invited. It is apparent that some cooperative managers felt family gatherings sponsored by the association were worthwhile. This sort of thing may be quite important in establishing esprit de corps among cooperative members. In any event members are bound to become better acquainted.
Appraisal of Member Relations Methods

Annual meeting

<table>
<thead>
<tr>
<th>Importance</th>
<th>No Experience</th>
</tr>
</thead>
<tbody>
<tr>
<td>Major</td>
<td>Minor</td>
</tr>
<tr>
<td>88%</td>
<td>12%</td>
</tr>
</tbody>
</table>

Nearly 9 out of 10 Oregon cooperative managers said that the annual meeting was of major importance in helping them maintain and improve member attitudes. Managers further indicated that if they could use only one method to help members learn more about their cooperative, the annual meeting would be the most valuable (Figure 2). However, some managers said that the annual meeting needs to be well planned and geared to create member interest. A poor annual meeting may conceivably be worse than no meeting at all.

A few managers felt that the annual meeting was of minor importance, because it was so difficult to obtain satisfactory attendance. A carefully planned, well organized, and generally worthwhile annual meeting does not help the member at all who cannot be prevailed upon to attend.

Figure 2. A well planned and interesting annual meeting is essential to successful farmer cooperation.
Personal contacts

Managers as a group felt that personal contact was the second most important device to create favorable membership feeling. The experienced managers realized that many members often want to “talk things over” with one of the officers. However, this does take time and may require some additional staff. A manager and his assistants, who make themselves easy to see by the members, may do much to create a friendly feeling among the patrons. Members have clearly indicated that they place a great deal of importance on friendly service. Oregon cooperative managers have a good record in this respect.

Financial reports

Managers rated financial reports as being the third most important method to be used to maintain favorable member attitudes. Several managers indicated that operating statements and balance sheets need to be as simple as possible and yet present an accurate picture of the financial condition of the association. Some Oregon cooperatives have very detailed financial statements sent or given to their members. Others give their members a simple operating statement and balance sheet. A few do not send or give their members any information concerning the financial condition of the association except that brought out at the annual meeting. Most managers felt, however, that this was not adequate.

Field men

Although rated fourth, two out of three managers considered a field department to be of major importance. Good field men carry the policy of the association to the members on an individual basis. New production and marketing techniques are brought to the attention of members. Probably most important of all, the ideas and feelings of members are carried back to the association by the field men, and management is kept informed about member attitudes.

Several cooperative managers planned to add a field service department. Some supply cooperatives were employing men as com-
bination salesmen and field men to improve both sales and service. It is becoming apparent that Oregon cooperatives of all types and sizes are giving new emphasis to the value of a well-organized field department. It is a step in the right direction.

**Monthly newsletter**

Next in importance was the monthly newsletter. About half of the managers felt this method of keeping members informed to be of major importance, and they were enthusiastic about it. The newsletter is an easy way to disseminate information, but it needs careful planning to be of interest to the members. Other studies indicate that this method is highly satisfactory. An interesting and informative newsletter will be read by most of the members.

**Local discussion groups**

Although not considered to be of major importance by more than two out of five managers, local discussion groups were used with success by a number of Oregon cooperatives. It serves as a vehicle for members to come into personal contact with the officers of the association. Managers and members alike consider this to be important. Furthermore, local discussion groups are usually attended by members from the same locality. As a rule they have similar problems. In a small group, members are more likely to ask questions and make comments. In this manner, problems may be more easily resolved than in a meeting of all the members. The local discussion technique may be developed to the point where it is even more important than the annual meeting. It deserves further attention of managers as a logical means of creating favorable attitudes among members.

**Circular letters**

From time to time some cooperative managers send out a circular letter. These letters may deal with such topics as price prospects, financial condition, policies (such as credit policy), growth, accomplishments, or problems. Circular letters
are an excellent method of disseminating timely information, particularly if the cooperative has no monthly newsletter. However, like local discussion groups this method was considered to be of major importance by only two out of five managers. Perhaps it could be more fully appreciated and thus used more by Oregon cooperatives.

**Motion pictures and film strips**

<table>
<thead>
<tr>
<th>Importance</th>
<th>No Experience</th>
</tr>
</thead>
<tbody>
<tr>
<td>Major</td>
<td>Minor</td>
</tr>
<tr>
<td>23%</td>
<td>46%</td>
</tr>
</tbody>
</table>

It appeared that this method was used mostly by those cooperative managers who enjoyed motion pictures or film strips themselves and did this sort of thing as a hobby. Several managers felt this was an easy and painless way of creating favorable member attitudes.

**Contests and awards**

<table>
<thead>
<tr>
<th>Importance</th>
<th>No Experience</th>
</tr>
</thead>
<tbody>
<tr>
<td>Major</td>
<td>Minor</td>
</tr>
<tr>
<td>16%</td>
<td>42%</td>
</tr>
</tbody>
</table>

This method also received a relatively low rating. Most managers either had no experience with contests and awards or felt they were of minor importance. It seems likely that contests or awards may play a minor role in creating and maintaining good member attitudes. A contest may only temporarily arouse the interest of members. It is highly important that interest and good attitudes be maintained continuously. Contests or awards, however, may augment the membership relations programs of some cooperatives. In such cases their use may be worthwhile.

**Educational exhibits**

<table>
<thead>
<tr>
<th>Importance</th>
<th>No Experience</th>
</tr>
</thead>
<tbody>
<tr>
<td>Major</td>
<td>Minor</td>
</tr>
<tr>
<td>14%</td>
<td>42%</td>
</tr>
</tbody>
</table>

Cooperative managers in Oregon generally felt educational exhibits were of little use to them. They may have some merit in promoting favorable public relations but other devices may prove to be more effective with the members. Some cooperative dairy associations have felt educational exhibits have worked well in promoting favorable public and member attitudes.
Radio programs

Cooperative managers gave radio programs the lowest rating as a means of improving member attitudes. Most Oregon cooperatives have had little or no experience with radio. Some cooperatives use the radio for advertising, but only a few tried directly to improve membership relations in this way. Radio advertising is slanted to obtain new members and to increase the participation of the old ones. This undoubtedly does have some direct as well as indirect effect in improving member attitudes. The use of the radio may have more potential merit than managers have credited it with up to this time. Relatively small businesses, such as many cooperatives, may feel that the radio is too expensive to use as a medium for disseminating information. This may account in part for the fact that it is used so little by cooperatives.

<table>
<thead>
<tr>
<th>Importance</th>
<th>No Experience</th>
</tr>
</thead>
<tbody>
<tr>
<td>Major</td>
<td>Minor</td>
</tr>
</tbody>
</table>

Directors

How nominated

More than three out of four cooperatives nominated their directors from the floor. This means that less than one-fourth of the cooperatives had a nominating committee present a slate of candidates to the membership for their consideration. In all cases where nominating committees were used, further nominations from the floor were encouraged so as to give everyone an opportunity to be heard which is as it should be.

How elected

All of the larger organizations elected their directors by secret ballot. Five out of 14 of the smallest associations elected their directors by acclamation. It goes almost without saying that the use of the secret ballot is superior to a voice vote. Unless there is no opposition for a particular vacancy, all cooperative organizations need to adopt the accepted practice of voting, namely, the secret ballot.

Compensation of directors

All of the larger organizations allowed their directors some compensation for attending meetings. However, one in three of the smaller associations allowed no compensation. For the associations allowing compensation the most common amount was $5.00 per diem. Several associations allowed their directors $10.00 per diem. In ad-
dition to per diem, most cooperatives paid the travel expenses of their directors for attending meetings. This ranged from 5 to 10 cents per mile.

It seems reasonable to conclude that directors should be allowed a reasonable amount of money to attend meetings and to defray the expenses of travel. Very likely better directors will be obtained over a period of time if they can at least cover expenses while serving the association.

**Frequency of board meetings**

Nearly all of the cooperatives in this study had monthly board meetings. Two met twice a month, while one board met quarterly. Three of the cooperatives had board meetings only at the call of the president.

**Number of directors on board**

Most of the boards in Oregon consisted of either five or seven members. Three associations had 13 members and one had 15.

**Work done by board members to help with member and public relations**

Nearly one-half of the managers said their directors were doing good member and public relations work. Several managers pointed out that some of their directors were leaders in the community and, in some cases, the state. It was said that some directors were good will emissaries among patrons and in the community. Directors frequently belonged to service clubs and gave talks when asked to do so. It was also pointed out by managers that some directors participated in community activities which reflected favorably upon the cooperative.

In the managers' opinions, about one-half of the boards of directors did little or nothing to help maintain favorable member and public attitudes. A few managers said that their boards expect them (the managers) to do all the work. Some managers said that, on the whole, they had good directors who watched the business affairs of the association carefully but paid little attention to member attitudes.

**Selection and election of boards of directors**

One-half of the managers said their present method of selecting and electing boards of directors was satisfactory. The other one-half had some definite ideas as to how the system might be improved. These recommendations largely fell into two categories. First, several managers felt a nominating committee would go a long way in
improving the quality of directors. Most cooperative managers using a nominating committee were convinced that it was a desirable procedure. A competent hard-working nominating committee reviews the qualifications of all members proposed as likely directors. Members who are known to be credit problems, irregular patrons or poor farmers are rarely given serious consideration as likely directors. Second, some managers were concerned about the "bunching" of directors in one or two parts of the marketing and/or sales area. Because of this they favored dividing the area into districts and electing a board member (or two) from each district. Members usually feel they receive more equitable representation if one of the directors lives in their vicinity.

Characteristics of a Good Manager

The administration of farmer cooperatives can be divided into two parts. First, the manager has under his charge all of the business activities of the association. This usually includes planning for adequate financing, assignment of responsibility and supervising employees, maintenance of plant and equipment, collections, expenditures, adequate accounting and many other things. Many Oregon cooperative managers find this to be such a full-time job that there is little or no time remaining for the accomplishment of their second administrative responsibility. This second part is often referred to as membership relations. Membership relations simply means the attitude and feeling of the members toward the cooperative and their understanding of it. The manager as an employee of the association can play an important part in creating favorable attitudes among the members and in keeping them informed.

The purpose of this section is to indicate briefly how managers may promote and maintain good will and understanding among the membership. Many managers in Oregon already are doing all or most of the things that are listed below. However, even these managers may find the points covered here useful in establishing an integrated membership relations program.

Be a sympathetic and friendly manager

This may be more important in building membership loyalty and understanding than almost anything else. When members come to the manager with problems they usually consider them to be of major importance. It is the responsibility of the manager to give the members a sympathetic and friendly audience whenever he can. Managers need to be good listeners. Every reasonable effort should
be made to help members whenever they have problems. This kind of policy usually will go a long way in making the manager's job easier in the long run.

Be an enthusiastic manager

The manager needs to have the feeling that the association he manages is the best business in the community. It will soon become apparent to the membership whether the manager has faith in the organization. Such feeling and enthusiasm, if sincere, becomes contagious.

A friendly and enthusiastic employee with even average ability will prove to be a real asset in any business. Too much emphasis cannot be given to the employment of friendly and faithful workers. Technical skill alone is not enough.

Be honest with the members

First of all do not promise the members too much. There has been a marked tendency among cooperative leaders to promise the members more than can be realized. This has been done in an attempt to gain new members and to hold the old ones. This policy seldom works because sooner or later the members become disappointed. The manager has not been able to carry out his promises. This means members lose confidence in the manager and in some cases members may actually drop out of the organization.

Second, do not "pass the buck" to others to avoid criticism. It is difficult to admit making mistakes but all cooperative managers, as well as others, make errors in judgment from time to time. Managers need to honestly face up to mistakes made by themselves or other employees. More than likely the members will have more respect for a manager of this type than one who always professes to making the correct decision. Of course, errors in judgment need to be kept to a minimum.

Treat all the members alike

There is nothing that will get the manager into difficulty sooner than playing favorites. Some members doing a large amount of business with the cooperative may ask for special treatment. This also is true of some of the other members. Above all, the manager needs to treat every member courteously and fairly. There are times when this will not be easy. However, most experienced managers know that secrets are difficult to keep. Members or employees will want to talk about any preferential treatment they may receive. This will cause dissatisfaction among the other members. In the long
run most managers have found that treating all members alike is the best policy. When it becomes known that a manager treats all the members alike, very few members will ask for preferential treatment.

**Keep members informed concerning established operating procedures**

This may be done in a number of ways. The annual meeting is an excellent vehicle for disseminating information, but it should not necessarily be the only one. Local or district meetings are usually a desirable means to inform members about operating policy and to answer questions. Another method is a regular newsletter. Members of Oregon cooperatives have clearly indicated they like a field man. A field man gives the member a chance to ask questions with no one else around. Likewise, the field man can tell the member about the policies of the cooperative on an individual basis.

**Keep directors informed regarding association affairs**

Even though the directors are the policy-making body of the cooperative, the manager can do much to help them do a good job. In almost all cases, directors have other full-time employment which means they cannot spend a major part of their time working for the cooperative. A manager can help directors do a good job by supplying them with the minutes of the last meeting and by providing them with an agenda for the next meeting. In this way directors will come to meetings better informed than otherwise might be the case. Outstanding Oregon cooperative managers keep their directors briefed concerning the financial status, employee and membership attitudes, and status of policies established by the board.

A good manager welcomes the interest of his directors. It may, however, be necessary for the manager to stimulate some of this interest in the first place. Every manager needs the help and advice of his board. A competent manager is not content to work long for an association with an indifferent and disinterested board of directors.

In cooperatives where directors can hold their positions for only a limited time, a hard core of well informed members is soon established. One large Oregon cooperative, less than 25 years old, has a membership heavily sprinkled with ex-directors. When directors are properly stimulated in the first place, they will often help to create and maintain interest in their organization long after their term of office expires.
Be alert to reaction of members and patrons

Like any other businessman, a cooperative manager must give continuous attention to the attitudes and feelings of the membership and other patrons. Whenever these attitudes begin to become unfavorable, prompt action is required to find the source of the difficulty. This may, at least temporarily, cause the manager some embarrassment. Perhaps he has erred in his judgment. In any event, it is imperative that the root of the difficulty be found and eliminated.

On the other hand, it is also desirable to find the source of favorable attitudes and feelings among the members. In this way favorable attitudes and feelings toward the cooperative may be maintained and even intensified.

Assume responsibility in community affairs

The cooperative will undoubtedly gain the respect of businessmen and others in the community by a show of interest and demonstrations of good citizenship on the part of the manager and other officers. In a number of Oregon cooperatives the managers are leaders in the community and have become acquainted with its programs and plans for progressive development. A cooperative business enterprise has the same responsibilities and privileges in community affairs as any other business.

Be an efficient manager

While all of the points listed above are important, it is absolutely necessary that the manager be devoted to the task of operating the association efficiently. The manager must be alert at all times and continuously strive for up-to-date methods and procedures that will increase efficiency. The manager cannot expect to achieve maximum efficiency alone. He must not only follow the policies of the board of directors but seek their advice and judgment. A wise manager also expects and asks his employees to help him do his job efficiently. Employees need to be given an opportunity to assume certain responsibilities in order to stimulate their interest and thus increase their productivity.

Although efficiency is extremely important, successful managers have found there is no substitute for courteous and tactful treatment of members, directors, and employees of the organization. Efficiency needs to be coupled with courtesy, friendliness and enthusiasm in the conduct of the business affairs of the association.