



NATIONAL OPEN UNIVERSITY OF NIGERIA

SCHOOL OF MANAGEMENT SCIENCE

COURSE CODE: COP 317

COURSE TITLE: PRODUCERS COOPERATIVE MANAGEMENT



**COP317**

**PRODUCERS' COOPERATIVE MANAGEMENT**

Course Team

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## **Introduction**

The course- Producers' Cooperative Management (COP317) is a two-credit unit course for students of B.Sc. Cooperative Management and B.Sc. Entrepreneurial and Small Business Management. This is a programme tenable in the School of Business and Human Resources Management. The course will be useful to you in your academic pursuit, as well as in your workplace as managers and administrators.

## **What You Will Learn in This Course**

The course is made up of sixteen units, covering areas such as the nature of producers' cooperative, fundamentals of cooperative management, the structure of management committee (manager) and the objectives of management of producers' cooperative. This course also touches areas of producers' cooperative management such as production plan, procurement and movement of material, inspection of products and management of transportation system. Accounts, cost accounting and statistics, which are the main instruments of management, are explained. Issues such as team work, relations (both internal and external) and management controls, which promote good management and its sustenance, are also considered. In the last unit, efforts are made to highlight problems militating against the development of producers' cooperatives in Nigeria.

This course guide is meant to provide you with necessary information about the course, the nature of the materials you will be using and how to make the best use of the materials towards ensuring adequate success in your programme, as well as the practice of producers' cooperative management. Also included in this course guide are information on how to make use of your time and how to tackle the tutor-marked assignments (TMAs). There will be tutorial sessions during which your instructional facilitator will take you through your

difficult areas and at the same time have meaningful interaction with your fellow learners.

### **Course Aims**

The main aim of the course is to equip you with adequate information on producers' cooperative management to enable you acquire sufficient knowledge to advise people on the management of producers' cooperative. The course also aims at making you have a greater appreciation of the role of government officials in the management of producers' cooperative.

The aims of the course will be achieved as stated below.

- Explaining the nature of producers' cooperative
- Discussing the fundamentals of cooperative management
- Explaining the structure of cooperative management
- Stating the objectives of producers' cooperative
- Discussing producers' cooperative production plan
- Explaining procurement and movement of material
- Describing the process of product inspection
- Identifying and explaining factors determining the management of transport system
- Explaining the various instruments of management
- Discussing internal and external relations affecting the management of cooperatives;
- Identifying and discussing problems of producers' cooperative development in Nigeria.

### **Course Objectives**

After completing this course, you should be able to:

- discuss the nature of producers' cooperative
- explain the fundamentals of cooperative management
- identify the factors determining the structure of cooperative management
- state the objectives of producers' cooperative
- discuss producers' cooperative production plan
- explain procurement and movement of materials
- describe the process of product inspection
- identify and explain factors determining the management of transport system
- describe accounts, cost accounting and statistics as instruments of management
- discuss internal and external relations as they affect management in cooperative; and
- identify and discuss the development of producers' cooperative in Nigeria.

## **Course Materials**

The major components of the course are as listed below.

1. Course guide
2. Study units
3. Textbooks
4. Assignment file
5. Presentation schedule

## **Study Units**

There are sixteen units in this course and they should be studied carefully. These units are in three modules as follows.

**Module 1**

- Unit 1 Nature of Producers' Cooperative
- Unit 2 Definition of Management and Fundamentals of Cooperative Management
- Unit 3 Structure of Management and Management Committee (Manager)
- Unit 4 Objectives of Management of Producers' Cooperative

**Module 2**

- Unit 1 Producers' Cooperative Management and Production Plan
- Unit 2 Procurement and Movement of Materials
- Unit 3 Inspection of Products
- Unit 4 Managing Transportation

**Module 3**

- Unit 1 Accounts as Instrument of Management
- Unit 2 Cost Accounting for Management Decision in Producers' Cooperative
- Unit 3 Statistics and Management, Appraisal and Planning
- Unit 4 Staff Management and Team Work

**Module 4**

- Unit 1 Relationship of Staff and the Members of Producers' Cooperative
- Unit 2 External Relations
- Unit 3 Management Control



#### Unit 4            Problems of Producers' Cooperative and Its Management in Nigeria

Each study unit will take at least two hours, and it includes the introduction, objectives, main content, self-assessment exercises, conclusion, summary, tutor-marked assignments and references/further reading. You may have to contact some organisations on some of the self-assessment exercises. You are advised to do so in order to observe industrial relations in practice.

### **Textbooks and References**

There are also textbooks listed under the references/further reading section. They are meant to give you additional information if only you can lay your hands on any of them. You are advised to practise the self-assessment exercises and tutor-marked assignments for greater understanding of the course. By so doing, the stated learning objectives of the course will be achieved.

### **Assessment**

There are many assignments on this course and you are expected to do all of them by following the schedule prescribed for them in terms of when to attempt them and submit same for grading by your tutor.

### **Tutor-Marked Assignment**

In doing the tutor-marked assignment, you are to apply your transferred knowledge and what you have learnt in the contents of the

study units. These assignments, which are many in number, are expected to be turned in to your tutor for grading. They constitute 30% of the total score for the course.

### **Final Examination and Grading**

At the end of the course, you will write the final examination. It will attract the remaining 70%. This makes the final score to be 100%.

### **Course Marking Scheme**

The marks that make up the total score for this course are as shown in the table below.

<b>Assessment</b>	<b>Marks</b>
Assignments (the best three will be selected)	10% of the selected marked assignments, totalling 30%
Final examination	Examination score 70%
<b>Total</b>	Overall course score 100%.

## **How to Get the Most from This Course**

In distance learning, the study units replace the lecturer. There is the advantage of reading and working through the course material at the pace that suits the learner best. You are advised to think of it as reading the lecture as against listening to the lecturer. The study units provide exercises for you to do at appropriate periods instead of receiving exercises in the class.

Each unit has common features which are designed, purposely, to facilitate your reading. The first feature is an introduction to the unit and it deals with the manner in which each unit is integrated with other units and the entire course. The second feature is a set of learning objectives. These objectives should guide your study. After completing the unit, you should go back and check whether you have achieved the objectives or not. The next feature is the main content. Interspersed within the main content are self-assessment exercises. These are study questions which are found throughout each unit. The exercises are designed basically to help you recall what you have studied and to assess your learning by yourself. You should attempt each self assessment exercise as you come to it in the study unit. The next features are conclusion and summary at the end of each unit. These help you to recall all the main topics discussed in the main content of each unit. There are also tutor-marked assignments at the end of each unit. Working on these questions will help you to achieve the objectives of the unit and to prepare for the assignments which you will submit and the final examination.

It should take you just above one hour, to complete a study unit, including the exercises and assignments. Upon completion of the first unit, you are advised to note the length of time it took you, and then use this information to draw up a timetable to guide your study of the remaining units. The margins on either sides of each page are meant for you to make notes on main ideas or key points for your usage when revising the course. These features are for your usage to significantly increase your chances of passing the course.

## **Facilitators/Tutors and Tutorials**

There are many ways of learning at a distance. You learn when you interact with the content in your course material just as a student interacts with the teacher in a conventional institution. You also learn when you are guided through the course. Though you are not taught the course, your course material is however your teacher and as such, you will not be able to get answers to any question which may arise from your study of the material. For this reason, apart from the course material which you have received, the delivery of this course is aided by tutorial facilitation and counselling support services. These services are not compulsory but you are encouraged to, maximally, take advantage of them.

A number of hours have been scheduled for this course, and they form a part of your learning process; you also have an opportunity to receive face-to-face interaction with your informal facilitator and to receive answers to questions or classifications which you may have. Also, you may contact your tutorial facilitator by telephone or e-mail.

As a learner at a distance, you are expected to prepare ahead of time by studying relevant study units, write your questions so as to gain maximum benefit from tutorial sessions. Information about the location and time schedule for facilitation will be available at your study centre.

Note that tutorial sessions are flexible arrangements between you and your tutorial facilitator. You will need to contact your study centre to arrange the time schedule for the sessions. You will also need to obtain your tutorial facilitator's phone number and e-mail address.

Tutorial sessions are optional, however; participating in them provides tremendous benefits because they provide a forum for interaction and group discussions which will maximise the isolation you may experience as an open and distant learner. Your tutorial facilitator guides you by doing the following things.

- i. Providing answers to your questions during tutorial sessions on phone or by e-mail
- ii. Coordinating group discussions
- iii. Providing feedback on your assignments
- iv. Posing questions to confirm learning outcomes
- v. Coordinating, marking and recording your assignments/examination score(s)
- vi. Monitoring your progress.

English language is the language of instruction for this course. The course material is available both in print and on CD. It is also on the National Open University of Nigeria website. However, on your part, you are to prepare ahead of time by studying and writing your questions so as to maximally benefit from facilitation.

Information about the location and time of facilitation will be available at your study centre. This is a flexible arrangement between you and your tutorial facilitator. You should contact your tutorial facilitator whenever:

- i. you do not understand any part of the study unit
- ii. you have difficulty with the self assessment exercises
- iii. you have a question or a problem with an assignment, or your tutorial facilitator's comments on an assignment or with the grading of an assignment.

## **Summary**

All the features of this course guide have been designed to facilitate your learning, so as to ensure the achievement of the aims and objectives of this course. These features include the aims, objectives, course summary, course overview, self assessment exercises and study questions. You should endeavour to make maximum use of them in your study to achieve maximum results.

By and large, this course exposes you to the issues involved in cooperative management. On the successful completion of the course,

you would have been armed with the requisite knowledge for efficient and effective management of producers' cooperative.

Course Code	COP317
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**MODULE 1**

Unit 1	Nature of Producers' Cooperative
Unit 2	Definition of Management and Fundamentals of Cooperative Management
Unit 3	Structure of Management and Management Committee (Manager)
Unit 4	Objectives of Management of Producers' Cooperative

**UNIT 1 NATURE OF PRODUCERS' COOPERATIVE****CONTENTS**

1.0	Introduction
2.0	Objectives
3.0	Main Content
3.1	Nature of Producers' Cooperative
3.2	Areas of Business of Producers' Cooperative
3.3	The Differences between Producers' Cooperative Business and Businesses Set up by other Societies
4.0	Conclusion
5.0	Summary
6.0	Tutor-Marked Assignment
7.0	References/Further Reading

**1.0 INTRODUCTION**

Producers' cooperative as an enterprise requires good and effective management. Its management is like that of other cooperative management such as agricultural credit, thrift and credit, consumers, marketing etc. except that management functions are fully the responsibilities of owner-member employees. The sincerity and locality of such member-owner employees will be an impetus for management success.

This unit therefore, examines the nature of producers' cooperative, its product and services and what makes producers' cooperative different from other types of cooperative organisations.

## 2.0 OBJECTIVES

At the end of this unit, you should be able to:

- discuss the nature of producers' cooperative
- explain why its management is different
- state the areas of business of producers' cooperative- in terms of goods and services.

## 3.0 MAIN CONTENT

### 3.1 Nature of Producers' Cooperative

A producers' cooperative is a cooperative business where skilled workmen and workwomen set up their own factories (business). Members (skilled) of such producers' cooperative employees (shareholders) are paid wages and receive bonus from the surplus (profit) of the enterprise. Such producers' cooperatives are identified as industrial cooperative or industrial productive cooperative (Youngjohns, 1978).

Another characteristic of producers' cooperatives is that their products are usually not for members but for individual consumers, cooperative organisations, private companies and the general public.

Farmers' producers' cooperative as a kind of producers' cooperative must be based on joint ownership. It is common to have farmers' cooperative with joint ownership of land and at the same time members being employees. In this case however, the absence of skills being the basis of formation of the cooperative deprived it of the privilege of being a proper producers' cooperative.

#### Recycling cooperative

A recycling cooperative is an industrial [cooperative](#), co-owned and maintained by either workers or consumers, which specialises in the [recycling](#) of various materials. Such cooperatives are either [non-profit](#) or [not-for-profit](#). A major theoretical benefit of mass co-ownership is that raw recycled materials can become increasingly and equally distributed among the membership population at a low cost, be it for reuse at home or for reuse in manufacturing new goods or versions of goods to be sold to customers at cheaper prices than would be possible with freshly-obtained raw materials. A subset is the business recycling cooperative, which, according to the [Northeast Recycling Council](#), is a group of businesses in a particular region, which can separate recyclable waste,

usually produced by their own functions, for prearranged collection by a shared hauler.

**Examples are the followings:**

- [Free Geek](#)- a cooperative non-profit which recycles old computer parts and e-waste for re-use in refurbished computers which are sold preinstalled with [free and open source software](#)
- Headwaters Cooperative Recycling
- South Shore Recycling Cooperative
- Bio-fuel Recycling Cooperative
- Oregon Beverage Recycling Cooperative
- Central Recycling Cooperative
- Orange County Recycling Cooperative
- North Central West Virginia Recycling Cooperative
- Recycling Marketing Cooperative for Tennessee
- Magpie Recycling Cooperative
- Connecticut Agricultural Plastics Recycling Cooperative
- Environmental Cooperative

**Worker cooperative**

A worker cooperative is a [cooperative](#) owned and democratically controlled by its worker-owners. This control may be exercised in a number of ways. In 'pure' forms of worker cooperatives, all shares are held by the workforce with no outside or consumer owners, and each member has one voting share. In practice, control by worker-owners may be exercised through individual, collective or majority ownership by the workforce, or the retention of individual, collective or majority voting rights (exercised on a one-member one-vote basis). A worker cooperative, therefore, has the characteristic that the majority of its workforce own shares, and the majority of shares are owned by the workforce.

**SELF-ASSESSMENT EXERCISE 1**

Explain the nature of producers' cooperative.

**3.2 Areas of Business of Producers Cooperative**

Producers' cooperative (small scale industries) at the early stage of industrialisation, in Western Europe, succeeded especially in trade such as printing, shoemaking and light metal work (ILO, 1978). Producer cooperatives' have since extended to many areas such as bakeries, fertilizers, pesticides, tools, animal feeds, and so on, Youngjohns(1978)

also notes best areas of producers' cooperatives to include building, clothing, manufacture, general labouring (on contract), furniture making and transport services.

Producers' cooperatives also engage in production of butter, cheese, cocoa drinks and powder, vegetables oil etc. This is, however, different from processing of agricultural products carried out by agricultural or marketing cooperative societies. It is possible for a group of farmers to pool their land, labour, implements and livestock and carry on the whole business of agricultural production on a basis of joint ownership and management. In essence, this is not producers' cooperative. Their areas of operation cannot be included in areas of producers/industrial cooperative.

There are, however, some cooperatives which exist for the sole purpose of running a transport fleet. The members are usually the drivers of the vehicles, but there are cases where farmers have formed a cooperative transport pool to carry their produce to the market, even though they have not attempted to sell it, cooperatively. Some of the better-known worker-owned transport cooperatives (producers) operate buses, taxicabs; furniture removal vans and general service lorries.

## **SELF-ASSESSMENT EXERCISE 2**

Mention five areas of producers' cooperative business.

### **3.3 The Difference between Producers' Cooperative Business and Businesses Set up by other Societies**

This type of producers' cooperation is quite different from agricultural manufacturer business and production of fertilizers, seedlings, pesticides etc. set up by cooperative bodies such as primary societies, unions and federations where hands are engaged and paid for the work the employees do. Production works are carried out by the members of producers' cooperatives.

**Significant difference between workers cooperatives (producers' cooperative) and private owned corporations**

<b>Commercial Criteria</b>	<b>Private Corporations</b>	<b>Worker Cooperatives</b>
<b>Purpose</b>	a) To earn profit for owner, to increase value of shares.	a) To maximise net and real worth of all owners.
<b>Organisation</b>	a) Organised and controlled by investors.  b) Incorporated under relevant incorporation laws - varies by country.  c) Except for closely held companies anyone may buy stock.  d) Stock may be traded in the public market.	a) Organised and controlled by worker-members.  b) Incorporated under relevant incorporation laws - varies by country.  c) Only worker-members may own stock, one share per member.  d) No public sale of stock.
<b>Ownership</b>	a) Stockholders	a) Worker members
<b>Control</b>	a) By Investors  b) Policies set by stockholders or board of directors.  c) Voting on basis of shares held.  d) Proxy voting permitted	a) By worker members  b) Policy set by directors elected by worker-members, or by assembly of worker-members.  c) One person, one vote.  d) Proxy votes seldom allowed.
<b>Sources of Capital</b>	a) Investors, banks, pension funds, the	a) By members or lenders who have no

	public.  b) From profitable subsidiaries or by retaining all or part of the profits.	equity or vote.  b) From net earnings, a portion of which are set aside for reinvestment.
<b>Distribution of Net Margin</b>	a) To stockholders on the basis of number of shares owned.	a) To members after funds are set aside for reserves and allocated to a collective account.
<b>Capital Dividends</b>	a) No limit, amount set by owner or Board of Directors.	a) Limited to an interest-like percentage set by policy.
<b>Operating Practices</b>	a) Owners or managers order production schedules and set wages and hours, sometimes with union participation.  b) Working conditions determined by labour law and collective bargaining.	a) Workers set production schedules either through elected boards and appointed managers or directly through assemblies.  b) Working conditions determined by labour law and assembly of worker-members, or internal dialogue between members and managers.
<b>Tax Treatment</b>	a) Subject to normal corporate taxes.	a) Special tax treatment in some jurisdictions.

### SELF-ASSESSMENT EXERCISE 3

What is the difference between fertilizer producers cooperative and fertilizer cooperative set up by societies or unions?



## 4.0 CONCLUSION

In this unit, you have learnt that producers' cooperative is a special type of cooperative and its management is special too. Its operations extend to many areas. Owner-employee members are sincere and loyal.

## 5.0 SUMMARY

This unit has thrown light on the nature of producers' cooperative. It highlighted the area of production of goods and services. You have also been exposed to the difference between producers' cooperative and other type of businesses.

## 6.0 TUTOR-MARKED ASSIGNMENT

1. Are producers' cooperatives in anyway different from marketing cooperative societies?
2. Based on areas of operations, mention five potential producers' cooperative in your area of abode.

## 7.0 REFERENCES/FURTHER READING

[http://en.wikipedia.org/wiki/Recycling\\_cooperative](http://en.wikipedia.org/wiki/Recycling_cooperative)

[http://en.wikipedia.org/wiki/Workers\\_cooperative](http://en.wikipedia.org/wiki/Workers_cooperative)

ILO (1978). *Cooperative Management and Administration*. Geneva: ILO Publications.

Youngjohns, B.A. (1978). *Cooperative Organisation: An Introduction*. London: Intermediate Technology Publication Ltd.

## **UNIT 2      DEFINITION OF MANAGEMENT AND FUNDAMENTALS OF COOPERATIVE MANAGEMENT**

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- 1.0    Introduction
- 2.0    Objectives
- 3.0    Main Content
  - 3.1    Definition of Management
  - 3.2    Principles of Management
  - 3.3    Fundamentals of Cooperative Management
- 4.0    Conclusion
- 5.0    Summary
- 6.0    Tutor-Marked Assignment
- 7.0    References/Further Reading

### **1.0    INTRODUCTION**

Management is about managing human, material and monetary resources towards realising an objective. In cooperative organisation however, apart from the above, management incorporates the principles of cooperatives. Cooperative laws and bye-laws are also fundamentals of cooperative management.

This unit therefore defines management and sheds light on the bye-laws which make management of each cooperative special.

### **2.0    OBJECTIVES**

At the end of this unit, you should be able to:

- define management
- explain the fundamentals of cooperative management
- discuss the importance of bye-laws in management of cooperative organisation.

### **3.0 MAIN CONTENT**

#### **3.1 Definition of Management**

In general term, management may be defined as the art of managing human and materials resources in an organisation. It could also be defined as the art of directing the activities of a group of people towards an agreed objective (ILO, 1978). The four functions of management are, to:

- i. plan
- ii. organise
- iii. direct
- iv. control

##### **(i) Planning**

This is the foundation area of management. It is the base upon which all the areas of management should be built. Planning requires administration to assess where the company is presently set, and where it would be in the upcoming year. From there an appropriate course of action is determined and implemented to attain the company's goals and objectives.

Planning is an unending course of action. There may be sudden strategies which companies have to face. Sometimes they are uncontrollable. You can say that they are external factors that constantly affect a company both optimistically and pessimistically. Depending on the conditions, a company may have to alter its course of action in accomplishing certain goals. This kind of arrangement is known as strategic planning. In strategic planning, management must analyse the inside and the outside factors that may affect the company's objectives and goals. Here, they should have a study of the strengths and weaknesses and also the opportunities and threats. For management to do this efficiently, it has to be very practical.

##### **(ii) Organising**

The second function of the management is getting prepared, that is, getting organised. Management must organise all its resources well beforehand to put into practice the best course of action. . Through this process, management will now determine the inside directorial configuration; establish and maintain relationships, and also assign required resources.

While determining the inside directorial configuration, management ought to look at the different divisions or departments. They also see to the harmonisation of staff, and try to find out the best way to handle the important tasks and expenditure of information within the company. Management determines the division of work according to its need. It also has to take a decision on suitable departments to hand over authority and responsibilities.

### **(iii) Directing**

Directing is the third function of the management. This function helps management to control and supervise the actions of the staff. This helps them to assist the staff in achieving the company's goals and also accomplishing their personal or career goals which can be powered by motivation, communication, department dynamics, and department leadership.

Employees who are highly provoked generally surpass in their job performance and also play important role in achieving the company's goal. And here lies the reason why managers focus on motivating their employees. They come about with prize and incentive programs based on job performance and geared towards the direction of the employees requirements.

It is very important to maintain a productive working environment, building positive interpersonal relationships, and problem solving; and this can be done only with effective communication. Understanding the communication process and working on area that need improvement help managers to become more effective communicators. The finest technique of finding the areas that require improvement is to ask themselves and others at regular intervals, how well they are doing. This leads to better relationship and helps the managers for better directing plans.

### **(iv) Control**

Control, the last of the four functions of management, includes establishing performance standards which are of course based on the company's objectives. It also involves evaluating and reporting of actual job performance. When these points are studied by the management then it is necessary to compare both. This study of comparison of both will decide further corrective and preventive actions.

In an attempt to solve performance problems, management should adhere to high standards. It should speak to the employee or department

having problem. On the contrary, if there are inadequate resources, management has to lower standards, as per requirement. The controlling process in comparison with the other three is an unending process. With this, management can make out any probable problem. It can take necessary preventive measures against unsavoury consequences. Management can also recognise further developing problems that need corrective actions.

Effective and efficient management leads to success- attainment of the objectives and goals of the organisations. Of course, for achieving the ultimate goal and aim, management needs to work creatively in problem solving in all the four functions. Management not only has to see the needs of accomplishing the goals, but also has to look into the process that is feasible for the company.

In essence, management entails planning, directing, controlling, supervising labour, materials and money towards the realisation of the organisation's objective.

### **3.2 The Principles of Management**

Management principles are statements of fundamental truth. These principles serve as guidelines for the decisions and actions of managers. They are derived through observation and analysis of events which managers have to face in practice.

#### **1. Division of work**

This involves the specialisation of the workforce, creating specific personal and professional development within the labour force, thereby increasing productivity and the efficiency of labour. By separating a small part of work, the workers speed and accuracy in performance increase. This principle is applicable to both technical as well as managerial work.

#### **2. Authority and responsibility**

These relate to issuing of commands followed by responsibility for their consequences. Authority means the right of a superior to give order to his subordinates; responsibility means obligation for performance. This principle suggests that there must be parity between authority and responsibility. They go together and constitute the two sides of the same coin.

**3. Discipline**

Discipline refers to obedience, proper conduct in relation to others, respect of authority, etc. It is essential for the smooth functioning of all organisations.

**4. Unity of command**

This principle states that every subordinate should receive orders and be accountable to one and only one superior. If an employee receives orders from more than one superior, it is likely to create confusion and conflict.

Unity of command also makes it easier to fix responsibility for mistakes.

**5. Unity of direction**

All those working in the same line of activity must understand and pursue the same objectives. All related activities should be put under one group, there should be one plan of action for them, and they should be under the control of one manager.

It seeks to ensure unity of action, focusing of efforts and coordination of strength.

**6. Subordination of individual interest**

The management must put aside personal considerations and put company objectives first. Therefore, the interests of the goals of the organisation must prevail over the personal interests of individuals.

**7. Remuneration**

Workers must be paid sufficiently as this is a chief motivation of employees and therefore greatly influences productivity. The quantum and methods of remuneration payable should be fair, reasonable and rewarding.

**8. The Degree of centralisation**

The amount of power wielded with the central management depends on company size. Centralisation implies the concentration of decision-making authority at the top management. Sharing of authority with lower levels is called decentralisation. The organisation should strive to achieve a proper balance.

**9. Scalar chain**

Scalar chain refers to the chain of superiors ranging from top management to the lowest rank. The principle suggests that there should be a clear line of authority from top to bottom linking all managers at all levels. It is considered a chain of command. It involves a concept called a "gang plank" in which a subordinate may contact a superior or his superior in case of an emergency, defying the hierarchy of control. However the immediate superiors must be informed about the matter.

**10. Order**

Social order ensures the smooth operation of a company through authoritative procedure. Material order ensures safety and efficiency in the workplace.

**11. Equity**

Employees must be treated kindly, and justice must be enacted to ensure a just workplace. Managers should be fair and impartial when dealing with employees.

**12. Stability of tenure of personnel**

The period of service should not be too short and employees should not be moved from positions frequently. An employee cannot render useful service if he is removed before he becomes accustomed to the work assigned to him.

**13. Initiative**

Use of initiative on the part of employees, can add strength and new ideas to an organisation. Initiative on the part of employees is a source of strength for the organisation because it provides new and better ideas. Employees are likely to take greater interest in the functioning of the organisation.

**14. Esprit de corps**

This refers to the need of managers to ensure and develop morale in the workplace, individually and communally. Team spirit helps develop an atmosphere of mutual trust and understanding. These can be used to initiate and aid the processes of change, organisation, decision-making, skill management and the overall view of the management function.

Fayol has also divided management function into five key roles:

- to organise
- to plan and forecast
- to command
- to control
- to coordinate

The bigger and more complicated the operations of the business, the more challenging is the area of management. Management of producers' cooperative begins with the setting of objectives, formulation of marketing strategies, supply policies etc.

### **SELF-ASSESSMENT EXERCISE 1**

In your own words, define management.

### **3.3 Fundamentals of Cooperative Management**

In cooperative and in addition to the above element of management, however, management is strictly practical under the observation of cooperative principles of open membership, democratic control, limited interest on share capital, patronage bonus, education etc. Youngjohns (1978) explains the principles as follows.

#### **(a) Open membership**

Membership of a cooperative should be open to all who can benefit from it. The principle must be interpreted in a reasonable manner. It means that there should be no artificial restriction or exclusion. It does mean that, for example, a cooperative may not confine membership to a particular geographical area or to a particular type of producer. A village farmer's cooperative must be open to all the farmers in the village, but it does not offend against the principle if it excludes non-farmers, or farmers who live in another village.

#### **(b) Democratic control**

A cooperative is owned by members and is run for the benefit of members. All members, irrespective of social status or wealth, are equal. The cooperative is governed by a general meeting which all members have the right to attend and at which each member has one vote and one vote only. The general meeting will, normally, elect a committee to supervise the running of the cooperative in between general meetings.



Every member has the right to be nominated for election to the committee.

**(c) Limited interest on share capital**

The cooperative is not in business to make profit for shareholders. Nevertheless it needs to attract share capital from its members, and, to do this, it should pay a rate of interest competitive with that obtainable on saving bank deposits and the like. It is quite common for the maximum payable to be prescribed by law. The principle is that members should be rewarded for investing in the society, but not to the extent of profiteering. Unfortunately, in many cases, the principle has been interpreted in a negative sense with the result that members regard share capital as a kind of entrance subscription and do not invest more than minimum.

**(d) Patronage bonus**

The term 'patronage bonus' has been coined, as a short phrase, to explain the, rather, complicated way a cooperative deals with the distribution of surpluses. After making allocation to reserve and after paying the limited interest on share capital, any surplus to be distributed to members is shared out in proportion to each member's trade of cooperative. This does not mean that additional surpluses must be shared out. They need not be distributed at all. What it means is that, if surpluses are shared out, there is a way it must be done. It is not necessary for the bonuses actually to be paid out in cash– they could be deposited in their accounts. The principle has the double advantage of being fair and of encouraging members' loyalty to their cooperative.

**(e) Promotion of education**

Although the cooperative is first and foremost a business, it is not just a business. It is formed by members to promote their common economic interests and is, therefore, concerned with improving their performance, whether as consumers or producers. Education is an important aspect of this concern. A farmer's cooperative, for example, is concerned with improvement of farming methods, packaging, processing, and marketing and so on. Education is important for the proper running of the cooperative itself. The members must understand the basic principle upon which the cooperative is based. Committed members and employees must understand their duties. Experience all over the world has shown that education and training, together with rules (usually, called bye-laws) which govern the way in which the cooperative is run,

are the factors which decide whether the cooperative will succeed or fail.

Furthermore, for example, management of producers' cooperative must be in line with its special bye-laws and laws governing the operation of cooperative business in a country or region. The bye-law of the society spells out the way the producers' cooperative should be managed in accordance with its objectives.

Cooperative laws and regulations state the conditions for registrations of producers' cooperative like other types of cooperatives. The management of producers' cooperatives is greatly influenced by the supervision, inspection, arbitration, liquidation and other roles of government departments and the ministries, as specified by the cooperative laws of the country.

The bye-laws determine the number of committees and the number of members that should be in each committee. It indicates how management committees should be formed, the duties of the committees and manager, the responsibilities of president, vice-president, treasurer, secretary and other important officers.

For example, concerning the secretary, usually, bye-laws have the following provisions.

1. The committee shall appoint a secretary, who, if he is not a member of the committee, may receive pay or an honorarium with the approval of the general meeting.
2. The powers and duties of the secretary shall be as follows:
  - a) to maintain correctly and up to date the prescribed account and registers.
  - b) to prepare all receipts, vouchers and documents required by the notified rules or these bye-laws or called for the committee.
  - c) to sign on behalf of the society and conduct its correspondence.
  - d) to summon and attend general meetings and meetings of the committee.
  - e) To record the proceedings of such meetings and have them duly signed.
  - f) to prepare annual statements.
  - g) to maintain such other books, accounts and records as may be laid down by the registrar.

## SELF-ASSESSMENT EXERCISE 2

State the principles guiding cooperative management.

### 4.0 CONCLUSION

In this unit, you have been taken through what management, in any organisation, entails. However, in cooperative management, management must be practiced strictly under the principles guiding cooperative society, as an entity. In addition, bye-laws, unique to every cooperative, spell out how the business must be managed. Producers' cooperative is therefore managed in line with its special bye-laws.

### 5.0 SUMMARY

In this unit, you have been exposed to the definition of management, in general term. In addition, the unit has highlighted that in cooperative management, the principles of cooperation and bye-laws of cooperative are very vital and indispensable.

### 6.0 TUTOR-MARKED ASSIGNMENT

1. What differentiates cooperative management from managing other organisations?
2. Is the management of marketing cooperative society entirely the same as that of producers' cooperative?

### 7.0 REFERENCES/FURTHER READING

ILO (1978). *Cooperative Management and Administration*. Geneva: ILO Publications.

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## **UNIT 3      STRUCTURE OF MANAGEMENT AND MANAGEMENT COMMITTEE (MANAGER)**

### **CONTENTS**

- 1.0    Introduction
- 2.0    Objectives
- 3.0    Main Content
  - 3.1    Structure of Management and Management Committee
  - 3.2    Functions of Management Committee and the Qualities of a Good Manager
- 4.0    Conclusion
- 5.0    Summary
- 6.0    Tutor-Marked Assignment
- 7.0    References/Further Reading

### **1.0    INTRODUCTION**

The structure of the management of a cooperative organisation is determined by its level in a tier-system and size of the society or union. In a small primary society, the management committee may be adequate for its management, while in a large primary society or a union or apex organisation a manager is responsible to the management committee or board of directors. This unit sheds light on the function of the management committee and the quality of a good cooperative manager.

### **2.0    OBJECTIVES**

At the end of this unit, you should be able to:

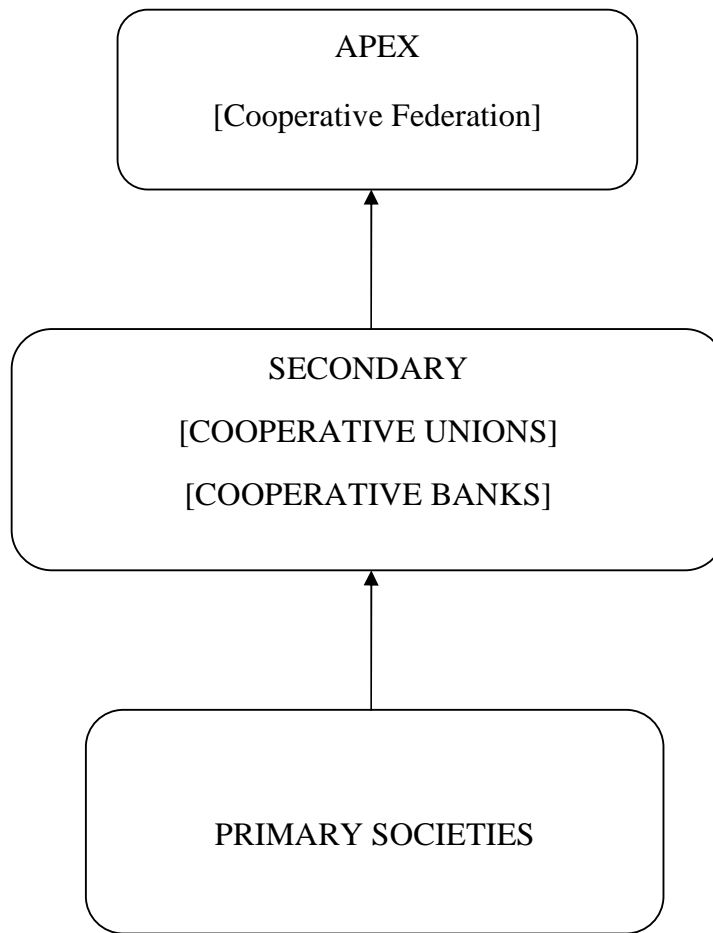
- explain how the tier-system determines the structure of management
- illustrate the structure of a management committee
- discuss the function of a management committee and the quality of a good manager.

### **3.0    MAIN CONTENT**

#### **3.1    Structure of Management and Management Committee**

The general structure of cooperative in a country or region may be described by its tier-system which could be three or four i.e. the primary societies, secondary (union) societies and apex organisation (federation). In essence, the structure of management at the primary level (also

depending on the size of the societies) will differ from that of the unions (secondary societies) and the federation apex organisation).



*Fig. 3.1:* An example of a three tier-system

From the above, the factors which determine the structure of management are level of the tier-system, size of the society, the type of business, the complexity (simplicity) of the society's business and the volume of operation. Furthermore, the number of committees at various levels may differ. Essentially, the management committee which seemed adequate at the lower level may be inadequate at the higher level (depending on the type of business) where skill or higher level of skill is demanded. This situation confirms the employment of manager/secretary who will carry out the day to day activities of the cooperative.

Such managers will eventually report to the management committee. "If the work of the society was fairly simple, they (committee of

management) did the job of a manager” (ILO, 1978). The management committee is saddled with jobs’ interview, appointment and dismissal. They assign duties, supervise work, fix prices etc. In a large society, however, the management committee is referred to as board of directors. Decisions are made based on the advice of the manager/ secretary.

### **SELF-ASSESSMENT EXERCISE 1**

What do you understand by tier-system in cooperative management?

### **3.2 Functions of Management Committee and the Qualities of a Good Manager**

**The main functions of a management committee or board of directors are as listed below.**

1. Direct and control the society to manage according to the law, bye-laws and the regulation of the general meeting.
2. Decide policy in order to direct society to reach objectives.
3. See that the affairs of the society are efficiently and honestly conducted.
4. Appoint the manager/secretary.
5. Decide main lines of a society’s business within the objectives set by the rules or by-laws.
6. Decide on the investment capital.
7. Decide the price policy – to increase or decrease.
8. Decide how surplus should be distributed, what sums should be placed in reserve.
9. Ensure that true and accurate records and accounts are kept.

On the other hand, a good manager/ secretary of cooperative must demonstrate the following competences.

1. The knowledge of cooperative principles.
2. Knowledge of cooperative methods.
3. The technical knowledge of the business of cooperative where he/ she is employed.
4. Good understanding and management of staff under him/ her.
5. Ability to plan.
6. Accounting knowledge.
7. Ability to write report and advise the management board.
8. Maintain good relation-ship with members and the public.
9. Ability to work with the management committee without becoming domineering or unduly subservient.
10. He must be honest and motivating, among others.

## **SELF-ASSESSMENT EXERCISE 2**

To whom is the manager responsible? State some of the required qualities a manager must have.

### **4.0 CONCLUSION**

This unit had shown you that the management structure of cooperative is determined by the level of the tier-system and size. The functions of management committee or board of directors have, equally, been stated. Where managers are employed, it must be guaranteed that such a manager possesses certain qualities and is responsible to the management committee.

### **5.0 SUMMARY**

The unit, as earlier mentioned, has shown to you that the management structure of cooperative organisation depends on the level of their tier-system and size of such organisation. Also, the functions of a management committee have been highlighted, and the qualities required of a good manager were also enumerated. All these should boost your knowledge of the operations/management of a cooperative society.

### **6.0 TUTOR-MARKED ASSIGNMENT**

1. Discuss and identify the factors that determine the structure of management in cooperative.
2. What are the functions of a cooperative management committee?

### **7.0 REFERENCES/FURTHER READING**

- ILO (1978). *Cooperative Management and Administration*. Geneva: ILO Publications.
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## **UNIT 4      OBJECTIVES OF MANAGEMENT OF PRODUCERS' COOPERATIVE**

### **CONTENTS**

- 1.0    Introduction
- 2.0    Objectives
- 3.0    Main Content
  - 3.1    Objectives of Management of Producers Cooperative
- 4.0    Conclusion
- 5.0    Summary
- 6.0    Tutor-Marked Assignment
- 7.0    References/Further Reading

### **1.0    INTRODUCTION**

At the beginning of the formation of the Producers' Cooperative, the members are convinced by the main objective of the venture or business. Although other objectives would be known at the formation but majority of them will come to be during the period of increasing business. This unit is about stating the objectives of the Producers' Cooperative.

### **2.0    OBJECTIVES**

At the end of this unit, you should be able to:

- state the main objectives of producers' cooperative
- state other objectives
- describe the objectives of varieties of producers' cooperative based on examples reflected in the text.

### **3.0    MAIN CONTENT**

#### **3.1    Objectives of Management of Producers' Cooperative**

Cooperatives are complex organisation. They rarely have a single objective. Often they strive to achieve benefits for members through providing a range of services. These services are intended to reduce costs, or increase members' revenue or provide them with improved materials, or in some ways develop the best uses of members' resources.

It is expected that the main objective producers' cooperative will reflect among others is the utilisation of members' skills for end result(s) of their production activity. The first and foremost objective will be to



harness or manage the members' skill for effective production of goods or services.

Others are listed below.

- Determine level of production.
- Aim at producing at minimum cost what will guarantee surplus.
- Obtain/employ efficient method of production of goods and services.
- Obtain loans/credit at reasonable cost.
- Seek other expert advice on purchase of equipment, installations for production of goods/ services.
- Achieve economic advantage on raw materials purchase.
- Economic advantage on marketing of the products.
- Evolve efficient transportation for movement of raw materials, machinery and finished goods or services.
- Promote cooperation by educating or setting up enlightenment programmes for members and general public.
- Promote cordial relationships between members and other cooperative bodies and the general public.
- Ensure that business is carried out in accordance with the society's bye-laws.
- Take advantage of better bargaining power.
- Ensure that producers' cooperative activities do not clash with the natural interest.
- Support cooperative movement unions, apex etc.

### **Example 1**

A major objective of fertilizer producers cooperative is to produce fertilizers of various types in adequate quantity and for a large community of farmers and farmers' cooperative. (The produced fertilizer is not for producers cooperative members who, as experts/professional, are paid wages for their skilled labour offered in their own company.

### **Example 2**

For general labour on producers' cooperative, the main objective is to offer labour services to the community or organisation. The services offered are not for producers' cooperative members but for other business concerns.

## **SELF-ASSESSMENT EXERCISE**

1. State the main objective of a producers' cooperative.
2. Is the main objective enough for operation of the society?

## **4.0 CONCLUSION**

In this unit, you have learnt how to state the objectives of producers cooperative. While the main objective is known at the inception of the cooperative, others emerge during business activities.

## **5.0 SUMMARY**

The unit has shown the main and other objectives of a producers' cooperative. It provided examples to demonstrate how the main objective is realised.

## **6.0 TUTOR-MARKED ASSIGNMENT**

1. State as many objectives of a cooperative society as you know.
2. What will be the objectives of generator technicians who joined together to form a producers' cooperative.

## **7.0 REFERENCES/FURTHER READING**

ILO (1978). *Cooperative Management and Administration*. Geneva: ILO Publications.

Olubanjo, M.O. (1968). *Handbook for Managers of Cooperative Marketing Societies*. Ibadan: Western Nigeria Co-operative Press Ltd.

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## **MODULE 2**

Unit 1	Producers' Cooperative Management and Production Plan
Unit 2	Procurement and Movement of Materials
Unit 3	Inspection of Products
Unit 4	Managing Transportation

### **UNIT 1      PRODUCERS' COOPERATIVE MANAGEMENT AND PRODUCTION PLAN**

#### **CONTENTS**

1.0	Introduction
2.0	Objectives
3.0	Main Content
3.1	Producers' Cooperative Production Plan
3.2	Production Plan Process
4.0	Conclusion
5.0	Summary
6.0	Tutor-Marked Assignment
7.0	References/Further Reading

#### **1.0    INTRODUCTION**

The main business of producers' cooperative is to produce goods and services. It is understandable, therefore, why the society accord production plan great importance. The plan could be for a year, two or three years, broken for example, into monthly, quarterly, plans and so on.

This unit will explain to you the production plan of producers' cooperative.

#### **2.0    OBJECTIVES**

At the end of this unit, you should be able to:

- state how production plan ensures steady output
- illustrate some important items considered in the plan
- demonstrate (by example) a production plan.

### **3.0 MAIN CONTENT**

#### **3.1 Producers' Cooperative Production Plan**

This is going to be treated under a number of sections, taken one after another.

##### **(a) Preparatory work**

It is assumed that, generally speaking, the decision to set up a cooperative manufacturing and processing plant has been taken, not primarily in order to provide a return on capital or to create employment, but to serve the interests of members as producers or consumers. The factory manager (or the factories subcommittee (if there is one), will probably start with a fairly definite idea of the quantities of product, or the number of manufactured articles to sell every week. This will probably determine the initial size of the factory, while development in recent years may give some clues as to whether and how quickly it will have to be expanded. In some ways, this makes it easier for a cooperative than for a private business to make the first decision regarding output and size.

It may well be, however, that the proposed output is not an economic one (too small, for instance, to keep the necessary technicians fully occupied) or that proposed location is too far from the markets or from source of raw materials, skilled labour or power to enable the cooperative to operate at a reasonable cost per unit produced. In that case, the project may have to be abandoned or at least postponed until a more economic volume of produce can be handled, or the road network and the power transmission system have been extended.

The cooperative will also have to give very careful attention to the capital needed to cover the buildings, machinery, power, raw materials and workers' wages until payment for product begins to come in. If adequate capital is again not available, then a choice will have to be made between deferring the project and beginning with inadequate equipment and therefore probably inefficient or unprofitable factory. If the service to be performed is urgently needed by members, it may be tempting to take this risk, but it may not always be wise.

It is also necessary to consider the expected cost of raw materials, wages, overheads and transport, and the prices at which the products can be sold. Therefore, it is a reasonable certainty of a profit margin from which, especially in the first ten years, it will be possible not only to pay interest on capital, but also to pay instalment on loans and to create

reserves. If this can be achieved by paying low prices to producers or charging high price to consumers, the cooperative would have failed in the purpose for which it was established. It will also be likely to find itself deserted by its own members before it has operated for long.

Producers' cooperative starts with a certain initial advantage in that they have a ready made source of raw materials or market for their products, as the case may be, provided by their own members. A workers' productive society, on the other hand, has to rely in both cases on private trade and the general public. This introduces one or more element of uncertainty which must be taken into account before a worker productive enterprise is set up.

#### **(b) Premises and machinery**

Once a decision has been taken, it is necessary to design the plant and decide on the type of machinery to be used. The building should be suited to its purpose, strong enough to bear the weight of machinery and stores; properly equipped with light, power and water, and conveniently located for receiving and dispatching goods. Machinery of the type required may be manufactured by more than one firm, and various cooperative organisations may differ in the method of operation, cost and perhaps in the quality of the product.

A choice will have to be made, taking into account the availability of the desired equipment, capital layout involved, the need for foreign currency and other factors. The firm supplying the machinery will, especially if the latter is complicated and consists of an interlocking series of machines, be able to advise on how it is to be up in order to ensure easy working, smooth flow of raw materials, economical use of space and protection of workers against accidents. The manager, if he has already been appointed and has had previous experience of process, should also have sound view of the subject. One of the national cooperative federations may have an expert adviser- or in some countries, a government department may be able and willing to help.

#### **(c) Staff**

Before engaging staff members, it is necessary to estimate the number of persons required, the skills needed, and then find men and women who already have the necessary skills or arrange for personnel to be trained. This may cause difficulty at the onset, particularly if the cooperative is pioneering an industry without any industry in the district. It should become easier once the factory has been running for some time.

Staff members will undoubtedly come and go for a variety of reasons; it will be necessary to be vigilant so that staff strength (numerically) does not go below the required minimum. Particular care should be taken so that key workers, who cannot be easily replaced, are not allowed to go thereby disrupting the smooth working of the plant. However, in a well-managed factory, there should be, before long, constant nucleus of tried and trained workers who pass on their training to newcomers, while every worker will have, at least one support staff that can, if necessary, carry on in his or her absence.

#### **(d) Production plan**

At this stage, the producers' cooperative is assumed to have acquired premises where machineries are installed in readiness for production before the production plan. As a matter of routine, the manager's preparation for production starts by asking for memoranda from some of his subordinates – the chief accountant, the sales manager or marketing manager, the engineer etc. before coming to his own conclusions.

The production plan must ensure steady output aimed at the full utilisation of the facilities such as workshop, storage space, skilled labour, the labour of other workers, materials, machinery for processing etc., taking into account the rate at which the products can be absorbed by the markets, the extent to which it will be kept and the space and capital available for storage.

An important input in planning is time. The whole production process—from the time the raw materials arrive at the plant until they are transformed into finished goods, should be looked upon as a series of separate actions. The manager must know how long each process takes.

### **SELF-ASSESSMENT EXERCISE 1**

What is the aim of a production plan?

### **3.2 Production Plan Process**

Once the manager knows what process will be necessary to ensure a given output, how long each will take, he begins to put the price together concerning how much raw materials to order; how many men to unload and inspect them; how much storage space is needed, how many machines; how many workers to man each machine; how many foremen to look after them; how many maintenance men are needed in case of breakdown; how many electricians to keep up steady supply of power;

how many packers with so many machines and so much packing materials on hand.

In practice, the manager considers the quality of the goods and services to be produced by breaking these into weeks, months and yearly outputs. In the same manner, having identified the sources of the supply of inputs, he must consider the quantity with time frame indicated. The production plan is supported with financial plan to ensure smooth production process and guaranteed cash flow for payment of wages and other expenses.

After taking into consideration the skilled labour supplied by members of producers' cooperative, the manager makes estimates for the other categories of workers in time and quantity. It is equally within the management and planning of production to make sure that water, electricity, roads and other infrastructures are not in short supply.

**Table 2.1:** A Sample Production Plan of a Producers' Cooperative

S/N	OUTPUT	ANNUAL	1 <sup>st</sup> quarter	2 <sup>nd</sup> quarter	3 <sup>rd</sup> quarter	4 <sup>th</sup> quarter
1	Fertilizer	200 tons	50	50	50	50
2	Expenditure	N25m	N10m	N5m	N5m	N5m
3	Skilled labour(staff)	20	20	20	20	20
4	Other categories of workers	10	10	6	4	4
5	Sales	180 tons	40	50	40	50

Let us look at other important components of the planning process.

#### **(a) Marketing**

The manager and the management committee of producers' cooperative must, in essence, accompany the production plan with the marketing plan. Such a plan must be based on an orientation, in marketing context, relating to the attitude a firm holds towards its products or services concerning consumers or end users. There exist several common orientations.

**(b) Product orientation**

A firm employing a product orientation is chiefly concerned with the quality of its own product. A firm would also assume that as long as its product is of a high standard, people would buy and consume the product.

This works most effectively when the firm has good insights about customers and their needs and desires. Examples are the cases of Sony Walkman and Apple iPod. They are derived from intuitions and research.

**(c) Sales orientation**

A firm using a sales orientation focuses primarily on the selling/promotion of a particular product, and not determining new consumer desires as such. Consequently, this entails simply selling an already existing product, and using promotion techniques to attain the highest sales possible.

Such an orientation may suit scenarios in which a firm holds dead stock, or otherwise sells a product that is in high demand, with little likelihood of changes in consumer tastes diminishing demand.

**(d) Production orientation**

A firm focusing on a production orientation specialises in producing as much as possible of a given product or service. Thus, this signifies a firm exploiting economies of scale, until the minimum efficient scale is reached.

A production orientation may be deployed when a high demand for a product or service exists, coupled with a good certainty that consumer tastes do not rapidly alter (similar to the sales orientation).

**(e) Marketing orientation**

The marketing orientation is, perhaps, the most common orientation used in contemporary marketing. It involves a firm essentially basing its marketing plans around the marketing concept, and thus supplying products to suit new consumer tastes.

For example, a firm would employ market research to gauge consumers desires, and then develop a product attuned to the revealed information, utilising promotion techniques to ensure that people know the product



exists. Marketing orientation often has three prime facets, which are discussed below.

**(i) Customer orientation**

A firm in the market economy survives by producing goods that the people are willing and able to buy. Consequently, ascertaining consumers demand is vital for a firm's future viability and even existence as a going concern.

**(ii) Organisational orientation**

In this sense, a firm's marketing department is often seen as of prime importance within the functional level of an organisation.

Information from an organisation's marketing department will be used to guide the actions of other department's within the firm. As an example, a marketing department can ascertain (via marketing research) that consumers desired a new type of product, or a new usage for an existing product. With this in mind, the marketing department will inform the appropriate department to create a prototype of a product/service based on consumers' new desires.

The production department will then start to manufacture the product, while the marketing department will focus on the promotion, distribution, pricing, etc., of the product. Additionally, a firm's finance department will be consulted, with respect to securing appropriate funding for the development, production and promotion of the product.

Inter-departmental conflicts may occur, should a firm adhere to the marketing orientation. Production may oppose the installation, support and servicing of new capital stock, which may be needed to manufacture a new product. Finance may oppose the required capital expenditure, since it can undermine a healthy cash flow for the organisation.

**(iii) Marketing mix**

Let us look at the basic components of this mix.

**(1) Product**

The product aspects of marketing deal with the specifications of the actual goods or services, and how it relates to the end-user's needs and wants. The scope of a product, generally, includes supporting elements such as warranties, guarantees, and support.

**(2) Pricing**

This refers to the process of setting a price for a product, including discounts. The price need not be monetary; it can simply be what is exchanged for the product or services, e.g. time, energy, or attention. Methods of setting prices optimally are in the domain of pricing science.

**(3) Placement (or distribution)**

This refers to how the product gets to the customer; for example, point-of-sale placement or retailing. This third *P* has also sometimes been called *Place*, referring to the channel by which a product or service is sold (e.g. online vs. retail), which geographic region or industry, and to which segment (young adults, families, business people), etc. It also entails how the environment in which the product is sold can affect sales.

Producers' cooperative must determine its distribution outlets, should the sales of the products be organised directly to consumers or through the wholesalers and the retailers.

**(4) Promotion**

This includes advertising, sales promotion, including promotional education, publicity, and personal selling. Branding refers to the various methods of promoting the product, brand, or company.

Another very important area of marketing is marketing communications. Communication with the consumers can be through the following channels- newspapers, posters, mail circulars, television, and printing of the packages. Others are cinema advertisements, fairs and exhibitions, sales representatives, information given to journalists for inclusion in editorials, competitions, and carrier bags. The choice must be geared towards the minimisation of costs.

**SELF-ASSESSMENT EXERCISE 2**

Itemise some of the items considered in a production plan.

**4.0 CONCLUSION**

This unit has shown you that production plan is very important and it ensures steady output among other objectives. The process of production plan is highlighted, as the manager considered vital items. An example of production plan considered serves as a guide. Also, you have been

made to understand that marketing plan is a guide which spells out the process of disposal of product planned for.

## **5.0 SUMMARY**

This unit has thrown light into the objective of production plan. The act of production planning by the manager has been demonstrated to you. Considerations of output plan based on time frame, financial plan, labour etc., are also very vital.

## **6.0 TUTOR-MARKED ASSIGNMENT**

1. Why is production plan very important to producers' cooperative?
2. Discuss the process of preparing a production plan.

## **7.0 REFERENCES/FURTHER READING**

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## **UNIT 2     PROCUREMENT AND MOVEMENT OF MATERIALS**

### **CONTENTS**

- 1.0    Introduction
- 2.0    Objectives
- 3.0    Main Content
  - 3.1    Procurement and Movement of Materials
- 4.0    Conclusion
- 5.0    Summary
- 6.0    Tutor-Marked Assignment
- 7.0    References/Further Reading

### **1.0    INTRODUCTION**

A good and efficient management is paramount in producers' cooperative. That is why the acquisition of quality materials, stock control and movement of materials must be accorded priority.

This unit therefore examines the procurement and movement of materials in such a way that cost will be minimised.

### **2.0    OBJECTIVES**

At the end of this unit, you should be able to:

- illustrate the types of material needed for producers' cooperative production
- discuss managers' function in the acquisition and movement of material
- explain what the movement of materials in a factory entails.

### **3.0    MAIN CONTENT**

#### **3.1    Procurement and Movement of Materials**

In a producers' cooperative, raw materials, parts and tools are obtained from outside the cooperative, as members contributions remain their skills. There is also the need to move these materials into and out of storage, within the production premises from one machine to another. These operations of procurement and movement affect the efficiency of the cooperative; the cost can seriously deplete the surplus of the cooperative.

The manager must ensure that right decisions are made on quality, quantity and price; also, he must ensure that there is strict (according to plan) adherence to timely deliveries. He must monitor the supply of raw materials so that no shortage is experienced during production. Equally important is the adequate control of the stock of such material so that expenses are not short up in respect of stocks, and that losses are minimised in terms of storages/ damages and spoilage of raw materials. As for the finished goods they must not be allowed to accumulate in the warehouses. The manager must ensure that consumers' orders are attended to promptly.

In case of the producers' cooperatives offering services, such as repairs of generator for instance, the manager must ensure that spare parts are available. Also, he is to ensure that necessary tools are within the reach of workers, and that prompt attention is paid to calls for service outside the workshop. In case of service or repairs of big generators, the manager must make arrangement or open credit line for purchase of expensive parts and other accessories.

### **SELF-ASSESSMENT EXERCISE**

1. State the types of materials that are needed for production
2. What are the things the manager must pay attention to in the procurement of raw materials?

## **4.0 CONCLUSION**

This unit has exposed you to the types of material needed for production in a producers' cooperative set up. Materials are moved into, in and out of the factory for effective management. The manager must manage acquisition and movement of materials very well in order to minimise cost.

## **5.0 SUMMARY**

This unit has highlighted the management of materials in the factory, in and out of the storage and that of finished goods. It has been noted that the manager's actions and decisions have effects on the cost of production.

## **6.0 TUTOR-MARKED ASSIGNMENT**

1. What are the things a manager should do to minimise cost in the procurement and movement of goods?
2. Discuss the management of a producers' cooperative of your choice in respect to procurement and movement of materials.

## **7.0 REFERENCE/FURTHER READING**

ILO (1978). *Cooperative Management and Administration*. Geneva: ILO Publications.

## **UNIT 3 INSPECTION OF PRODUCTS**

### **CONTENTS**

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main Content
  - 3.1 Inspection of Products
- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor-Marked Assignment
- 7.0 References/Further Reading

### **1.0 INTRODUCTION**

Another very important aspect of management in producers' cooperative is the inspection of production. The incoming goods (raw materials) must be well managed to avoid losses in form of receipts of substandard goods for prices of standard ones. In the same vein, finished products are inspected to avoid rejections etc.

This unit looks at inspection of products as a management function.

### **2.0 OBJECTIVES**

At the end of this unit, you should be able to:

- state the types of product to be inspected
- explain why it is necessary to inspect products.

### **3.0 MAIN CONTENT**

#### **3.1 Inspection of Products**

There are two directions of inspection of products in the producers' cooperative. The first is the inspection of the raw materials (supply) from the other cooperatives, private enterprises and individuals. The second side of the inspection is the inspection of the products produced through the utilisation of members' skills.

Raw materials are products of primary sector industries intended for use as inputs to production. The main groups of raw materials are plants-such as cotton, animal products such as wool and leather, and assorted mineral products from bauxite ore, used to make aluminum, to zinc (Black; 2002).

Raw materials are first extracted or harvested and divided into a form that can be easily transported and stored, then processed to produce semi-finished materials. These can be used as inputs into a new cycle of production and [finishing](#) processes to create finished materials, ready for [distribution](#), [construction](#), and [consumption](#).

An example of a raw material is [cotton](#), which is harvested from plants. Cotton can be processed into thread (also considered a raw material), which can then be woven into [cloth](#), a semi-finished material. Cutting and sewing the fabric turns it into a [garment](#), which is a finished product. [Steelmaking](#) is another example – raw materials in the form of [ore](#) are mined, refined and processed into [steel](#), a semi-finished material. Steel is then used as an input in many other industries to make finished products. In chemistry, materials can be divided into two- [metals](#) and [non-metals](#).

Where the manager is not equipped to carry out the inspection of the product because of its technical nature, experts are recruited or invited periodically for the job. Actually, the inspection of the supply (raw material) is about testing for quantity and quality. If raw materials are substandard it will affect the product of the cooperative. However, the quality test is necessary to ascertain the payment for poor quality supply is not based on the high price of the quality ones.

As for the output of the producers' cooperative, the manager and his /her team carry out inspection at different points during processing. At the end of the production, the products are also subjected to inspection before they are dispatched to the customers. This is to ensure that orders are not rejected for poor quality or defects, as the cost of rejection will add to expenses with its eventual impact on the surplus of the producers' cooperative. Furthermore, the last inspections help appropriate pricing of the products.

Periodic inspections of packing containers are very important but costly. If, however, this is not done, the cooperative will end up putting faulty goods into the market and having them returned, with a resulting loss of money and goodwill.

### **SELF-ASSESSMENT EXERCISE**

What types of products are inspected in producers' cooperative business?



## **4.0 CONCLUSION**

The unit states the types of products to inspect in a producers' cooperative. It also sheds light on the reasons why inspection is essential. In case the manager and his team are not well equipped for quality and quantity inspection, experts are engaged to carry the assignment.

## **5.0 SUMMARY**

In this unit, you have been exposed to the type of products for inspection by management. The manager, his teams of inspectors or experts carry out the inspection. Furthermore, you have also been made aware of the reasons for and consequences of such inspections.

## **6.0 TUTOR-MARKED ASSIGNMENT**

1. Identify the types of products that are inspected in producers' cooperative.
2. Who inspects products during processing, and what are the likely consequences of not inspecting the finished products?

## **7.0 REFERENCES/FURTHER READING**

ILO (1978). *Cooperative Management and Administration*. Geneva: ILO Publications.

<http://en.wikipedia.org/wiki/Materials>

## **UNIT 4      MANAGING TRANSPORTATION**

### **CONTENTS**

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main Content
  - 3.1 Types of Transport Available to Producers' Cooperative
  - 3.2 The Role of Producers' Cooperative Manager in Managing Transportation
- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor-Marked Assignment
- 7.0 References/Further Reading

### **1.0 INTRODUCTION**

Transportation is essential to any enterprise and to the producers' cooperative. Its management is therefore of paramount importance for the efficiency of an organisation. Efficient management of transport will, without doubt, translate into benefits such as quick delivery of goods and services, surplus or profits, reduction of wastage of products etc.

This unit therefore examines the management of transportation system in a producers' cooperative.

### **2.0 OBJECTIVES**

At the end of this unit, you should be able to:

- illustrate the factors on which the need for transportation system depends
- state the types of transport system that are available to producers' cooperative
- differentiate between internal and external transportation
- discuss the duties of a manager in managing transport system.

### **3.0 MAIN CONTENT**

#### **3.1 Types of Transport Available to Producers' Cooperative**

Every cooperative makes use of transport, either for bringing goods into the premises, for moving them about while they are there, or for delivering them to members or markets. Well organised, economical use

of transport may contribute a great deal to the success of the cooperative. Carelessness may give rise to delays, inefficiencies and unnecessary cost which may turn profit into loss.

The simplest form of transport is the traditional human means, and many peasants still bring in their produce and carry off their purchase in this way. The next stage is the farmer's cart drawn by horse, bullock or donkey. None of these costs the cooperative or its manager anything in difficult calculations. If roads do not exist or are impassable for vehicles, there may be no alternative.

The main disadvantage of such transport is that it limits the cooperative area of operation to a radius of few miles, and makes it impossible to undertake anything which requires much capital or a large volume of business. A number of small, relatively weak cooperatives tend to be formed. Later, when perhaps transport conditions have improved, it is seen that there are far too many of them, and their overheads are too high and their equipment inadequate. The situation then can only be saved by a process of amalgamation, which most of those concerned will resent.

In producers' cooperative, like in other cooperatives, the transportation system necessary for operations depends on a number of factors like, size of the producers' cooperative, the type of its products, the raw materials, location of the cooperative, location of consumers of products and services, types of transport available in the area – railways, water ways/transport, road transport, air transport etc.

Principally, transport needs of a producers' cooperative may be classified into two categories – internal and external transports. While internal transport takes care of the movement of materials and machines within the factory premises, the external transport is responsible for receiving raw materials from the suppliers or from the railway station for example and distributing finished products to consumers. For internal transport, equipment such as cranes, conveyors etc., are used. In case of external transportation, lorries, tankers, passenger buses, cars etc. are popular for road transportation. In similar manner, for water transport, we have small vessels, barges, schooners, boats, etc.

The most usual resource is the railway, which is especially suitable for carrying large quantity of bulky goods over long distances. Some cooperatives, indeed, originated in an agreement by a group of farmers to hire a railway wagon. Rail transport is especially convenient where the cooperative is near a rail station and has a private siding, so that no

other form of transport is needed to carry the goods between the station and the warehouse, and there is no need for unloading and reloading.

The successful use of rail transport requires a good deal of knowledge, including information on the types of wagons available for bulk transport, details about goods in containers or refrigeration. Other necessary information includes the unloading and storage facilities which exist at the destination point and the charges made, if the recipient does not collect goods immediately, and who has to bear them. There should be a good understanding of freight rates and possibility of obtaining concessions; the risk and liabilities involved in delay (and, again, who bears them) and whether it is worthwhile to insure the product while on transit.

In some countries, it may be possible or even necessary to use water transport- by canal, river, and lake or by sea. Small vessels, barges may be owned or chartered by the cooperative itself or by cooperative federation, or they may be owned by private individuals or by the governments, which use them for carrying mail. Cooperative importing or exporting on a large scale may have the problem of finding cargo space in large oceangoing ships. In the last 20 years, however, this task has been taken over by statutory marketing or export boards, partly or wholly representing the producers, through which all marketing cooperative export their produce. In some cases, it is the consumers' cooperatives in importing countries which buy grain or chilled meat overseas, usually from cooperative producers, and arrange for ships to carry it.

Probably few cooperatives make much use of air transport, except for letters; but there are certainly two or three, selling expensive and highly perishable products, such as hothouse flowers, which find it profitable to have them delivered by air. It may well be that air transport will come to be more widely used for goods that are valuable in proportion to their bulk and come from places which are difficult to reach by other means. It will probably be a long time, however, before cooperatives will own and operate their own aircraft, except perhaps for rather different purpose of spraying members' crops with insecticides. Most of them will rely on public or private air lines.

Now, let us look at certain crucial aspects of transport management in a producers' cooperative.

**(a) Road transport**

Probably the most important form of transport for cooperatives, however, is the long-distance motor vehicle, usually the lorry; apart from these, you can also include tankers for petrol, milk and flour, house to house delivery vans, commuter buses and personal cars. It is a point of some interest how far all these should be owned and operated by the cooperative itself. A cooperative, which is at a distance from a railway, may well employ a public or private road transport services to bring in or take out goods.

A cooperative with a strictly seasonal business may find it more economical to hire lorries from one or more contractors while the rush lasts than to have a fleet of its own which would stand idle three-quarters of the year. A society, running a fairly continuous business, but with seasonal peaks may have enough transport facilities of its own to meet up average daily requirements. It may also hire during the busy season.

It is to be assumed that a cooperative which decides to purchase its own vehicles has, after careful consideration of the matter, come to the conclusion that it would be more economical and also add to the prestige of the society and the goodwill of its members if it owned its own fleet of lorries, rather than hiring from others or allow members to be responsible for their own transport. The fleet may, of course, be large or small, but either way, it must be carefully chosen and run according to a system under the supervision of someone.

In deciding on the number and type of vehicles to be purchased, the first step is to make a close estimate of the quantity and kind of goods to be moved daily. It is necessary to think not only of weight, but also of bulk; as no one, for instance, can load ten tons of hay into a five-ton lorry. Some articles are awkward in shape (an iron plough, for instance), others are dusty or wet giving up bad smells and cannot be close to foodstuffs, and others again are wet.

The second point to consider is the distance to be covered daily and the time available for the journey. A lorry picking up milk for a dairy can, by running all day, cover a substantial part of the country. In actual fact, it will not be able to run before morning milking is finished on the farms, nor after the dairy's deadline for receiving milk for pasteurising or butter making has elapsed. If the climate is hot and the milk is liable to go sour quickly, this may only leave a few hours time for the lorry to travel, and two or more have to be used even if total distances are not great.

Again it is unnecessary to send a lorry, daily, to a port or railhead so far away that the driver cannot return the same evening. This will necessitate two lorries running on alternate days. It is also necessary to reckon time spent in servicing and overhauling, as well as the chance of breakdown and the need to keep vital services running without interruption.

The third point is the kind of roads through which lorries will have to travel. Are they paved or not? Do they deteriorate heavily at times of rain or snow? Are they narrow with steep gradients and sharp turns? Are there bridges which will take limited weight or with limited width? Are there fords, and how deep are they? There is also the question of conditions at destination point. If a lorry succeeds in reaching an outlying village or farmhouse, can it turn around or will it have to reverse all the way to the road? It may also be necessary to consider loading and unloading facilities at cooperative premises (although these can perhaps be modified) or elsewhere, e.g. at railheads or wharves at which goods are picked up or delivered.

#### **(b) Choice of vehicles**

Once transportation had been taken care of, an idea of the type of vehicle required- light and easy to handle, or heavy and powerful- will have to be given consideration. It is then time to consider the types actually available, and the cost. Here again, a good many of the same questions arise as in the case of any machinery of any kind. Will the vehicle have to be imported? Is foreign currency available? Has the firm an agency in the country? Are spare parts, repairs and servicing facilities available? If the cooperative has enough capital, and if proper servicing and handling can be guaranteed, it is, certainly, a good policy to buy the best. It will last longer, and be cheaper in the end.

However, the capital may not be available; in which case the cooperative may have to be content with something less than the best and hope eventually- thanks to expanding trade and increased resources, to be able to replace it with something better. Many will be tempted or perhaps forced to make do with a second-hand or refurbished vehicle. Here, considerable action is required, and unless the vehicle is bought from a well known source or examined by an expert, and used with more than ordinary care, it may turn out to have been an ill-advised purchase.

Since most commercial vehicles run on petrol or diesel, it is necessary to ensure availability. If there is a choice between two types of vehicles, not only the relative cost, but the fuel consumption of each will have to

be calculated. In some countries, the tax on fuel oil is much lighter, and this makes a diesel engine cheaper to run, though it is much likely to be more expensive to buy. Cooperatives using transport on any scale will need their own petrol tanks and pumps. Consumers' cooperative delivering milk and bread in towns, either to their members' homes or to a large number of small shops, may find it easy to use light electric vehicles (as common in some advanced countries).

In addition to the lorry fleet, the manager of a cooperative of any size will almost certainly need a car, and this may be the case for other members of staff if they have to travel, more frequently, on business. Some cooperatives own these cars, others allow their staff to buy their own and give them some mileage allowance to cover running costs. Some cooperatives own buses, either hiring them out to members for excursion or using them as exhibition stand at agricultural shows.

### **(c) Transport staff**

As the transport fleet come into being, staff must be built up to handle it. It is obvious that there must be drivers; and it is equally necessary that there should be well trained maintenance men supervised by skilled personnel. It may not be so obvious that there should be also a clerical staff to do the necessary paper work. This is more complicated than might at first be supposed. The position varies somewhat from country to country, but most road transport is controlled by public regulations, mainly to guaranty safety and proper maintenance. Each vehicle must be licensed and so must each driver.

Vehicles and drivers must be insured, for their own protection and that of the cooperative; sometimes, this is required under a compulsory national scheme. The principal form of insurance cover damages to vehicles or outright; liability of the cooperative as an employer for accidents suffered by its drivers in the course of their work; and liability- as a vehicle owner, for damages to third parties. All licences and insurance must be checked at intervals and renewed when necessary.

It is important to keep a complete record of each vehicle, including a description of the type and make, the dates at which it was delivered and put in service, the date at which it will have completely depreciated and will be due for sale on the second-hand market, and the actual date of disposal. To this should be added the initial cost, the cost of branding the vehicle, and the cost of the first set of tyres and of any additional equipment.

In most cases, it is compulsory and desirable for a driver to keep a record of their hours of duties each day. It is obviously not possible for all of them to begin and end work at exactly the same hour each day, as in a factory or office; but there is safety limit to the number of hours which a man can drive in a day, especially along bad roads, and it is for the cooperative to see that the limit is not exceeded. The driver will be handed a list of goods carried, including the address or addresses to which they should be delivered.

He should also fill up a daily form recording the number of journeys made, the number of calls (which should correspond with his delivery instructions), the mileage travelled, the total weight carried, and the petrol and lubricant drawn from the cooperative's stocks or purchased else where. The statement for petrol and lubricant drawn can later be compared with the cooperative's records of stocks issued. Records must also be kept of all spare parts issued and every maintenance and overhaul jobs carried out either in the society's own workshops or on contract by local garage.

All this may sound complicated, and to carry it out may mean employing extra staff; but the mere fact that the drivers work independently and unsupervised for most of the day, and the vehicles are subjected to risk and strains which are less easy to estimate than those of stationary machinery, means that records must be kept and checks made, if waste, mishandling or even misappropriation are not to go undiscovered until serious losses have occurred.

The information is not only a check on work progress. It can be used by the traffic manager to answer a number of questions which will help him to plan the work of his department, keep it running smoothly and avoid needless cost. A final area in which paper work is required is that of drivers' and mechanics' wages unless this is handled by the general wages department of the cooperative.

#### **(d) Maintenance**

Nothing is more essential to transport system than good maintenance and overhaul. Damage to a vehicle while on duty will not only cost the cooperative money, especially when it happens far out in the country; it will also affect consumers and members, negatively. The aim, therefore, should be to avoid breakdowns altogether by making careful checks at regular intervals; these should include a daily check of fuel, oil, water and tyres pressure. There should also be a weekly check of brakes, batteries, steering wheel, gear and springs; a monthly check of parts not easily examined, and perhaps a complete overhaul for every vehicle



once a year during the slack season. Drivers can be trained to make the simpler checks themselves; for other ones, it is necessary to draw up a schedule showing when each vehicle should be taken to the garage for examination, and ensuring that the schedule is observed.

A cooperative with a lorry fleet of any size will almost certainly find it worthwhile to keep its own overhaul and repair garage, with skilled workmen, an inspection pit, welding facilities and a full range of spare parts. Societies with only one or two vehicles may have to use a local garage or possibly the workshop of federal cooperative of which the local society is a member. Whatever the system adopted, the importance of maintenance cannot be overstressed. It must be considered with special care in countries where machines have been introduced recently and where people are not mechanically minded by tradition. Such people often make good drivers, but too often they treat the machines as though it were a horse or bullock, needing only to be fed.

#### **(e) Planning routes**

Another very important aspect of transport organisation is the planning of rounds (i.e. circular tours in course of which the vehicle calls at a number of places to pick up produce or deliver goods) and journeys (i.e. straight runs from one point to another). The aim in devising a well-planned round is that it should be as direct as possible, and that the vehicle should be loaded for the greatest possible time during travels. Running empty lorries is wasteful and costly and should be avoided as much as possible. Once a round has being planned, it should always be entrusted to the same driver. He will become used to difficulties on the route. He will get to know those on whom he calls and will build goodwill. The main difficulty about journeys is that, they are usually for a single purpose; it may be difficult to arrange backloads. Every effort should be made to find a solution to this problem. Perhaps marketing and a supply cooperative can use the same lorry going in different directions.

However, there may be a legal difficulty here if the lorry is only licensed to carry the goods of one cooperative. Perhaps it is better to hire a lorry, the owner of which will make his own arrangements for load in the other direction. As already pointed out, many cooperative employ both their own transport for average day to day needs and hired transport for peak periods. It may be that the hired lorries can be used for one-way journeys.

**(f) Loading and unloading**

The cooperative will probably be unable to control the conditions under which goods are delivered or picked up; but careful thought should be given to loading and unloading at the cooperative premises. There should be a platform of the right height for easy movement of goods to or from the lorry. It should be under cover both for the comfort of workers and in order to protect goods from the rain, and there should be rooms for several lorries at the same time, though loading and unloading should not, if possible, go on together. Lorries waiting are nearly as costly as though running empty.

The loading itself should be carried out with care. An unbalanced load can be dangerous. Mixed articles in the same load can damage one another. In any case, if there are to be a series of deliveries, the goods to be delivered first should be at the back of the lorry or on top of the pile, where they can easily be reached.

**SELF-ASSESSMENT EXERCISE 1**

Mention the types of transport that can be used by producers' cooperative.

**3.2 The Role of Producers' Cooperative Manager in Managing Transportation**

It is the duty of the manager to carry out the following functions.

1. Identify the type of transport suitable for the business he is managing.
2. Acquire motor vehicles for road transport.
3. Determine the number and type of vehicles etc.
4. Make contact with provider of transport where purchase is unnecessary or economically impossible.
5. Ensure that it is economical to buy rather than hire.
6. Maintain and overhaul the acquired vehicles and machineries.
7. Supervise the transport staff.
8. Manage the routes of the vehicles.
9. Make sure that vehicles are licensed with other particulars.
10. Make sure that drivers have drivers licences and renewed when due.
11. Arrange for insurance of vehicle to cover goods and passengers.
12. Monitor the movement of vehicles, and
13. Advise management committee/ board of directors on the need to replace obsolete or unserviceable vehicles.

**SELF-ASSESSMENT EXERCISE 2**

List some duties of a manager in charge of transportation in a producers' cooperative

**4.0 CONCLUSION**

This unit has highlighted some factors that underline the need for transportation. It also lists the types of transport necessary for both internal and external transportation. The unit also examines the duties of a manager for efficient performance.

**5.0 SUMMARY**

In this unit, you have learnt the factors that underline the need for transportation system. You have also been exposed to various means of both internal and external transportation. Also, you have seen how crucial the role of the manager is to the efficient management of the transport system of a producers' cooperative.

**6.0 TUTOR-MARKED ASSIGNMENT**

1. Mention the factors that determine the transportation needs of a producers' cooperative.
2. What do you expect the manager to do to achieve efficient management of the transportation system in a producers, cooperative?

**7.0 REFERENCES/FURTHER READING**

ILO (1978). *Cooperative Management and Administration*. Geneva: ILO Publications.

**MODULE 3**

Unit 1	Accounts as Instrument of Management
Unit 2	Cost Accounting for Management Decision in Producers' Cooperative
Unit 3	Statistics and Management, Appraisal and Planning
Unit 4	Staff Management and Team Work

**UNIT 1      ACCOUNTS AS INSTRUMENT OF  
MANAGEMENT****CONTENTS**

- 1.0    Introduction
- 2.0    Objectives
- 3.0    Main Content
  - 3.1    Accounts as Instrument of Management
- 4.0    Conclusion
- 5.0    Summary
- 6.0    Tutor-Marked Assignment
- 7.0    References/Further Reading

**1.0    INTRODUCTION**

Management, without information (especially accounting information) in a producers' cooperative is practically impossible. It will be difficult to know how much has been produced over the years and how much has been realised from sales of products. Profit or surplus will not be known, and bonus will be difficult to calculate.

This unit therefore, examines the usefulness of accounts as an instrument of management.

**2.0    OBJECTIVES**

At the end of this unit, you should be able to:

- state how vital accounting is, to the management of producers' cooperative
- list questions which answers can be obtained by management only through proper accounting.

### **3.0 MAIN CONTENT**

#### **3.1 Accounts as Instrument of Management**

The manager of producers' cooperative must be well versed in cooperative accounting. His knowledge of accounting will enable him to extract information from profit and loss account and balance sheet for management of the society. While profit and loss account contains some vital information such as balance of credit carried forward, interest in shares, allocation to reserves, and bonus on business etc., the balance sheet shows the assets and liabilities of the society, as at the last day of the financial year. Let us look at some basic aspects of the accounting system of a producers' cooperative.

##### **(a) Profit and loss account**

In trading account, the gross profit is set against all the cost incurred in running the society, with the exception of the cost of manufacture. Some of these costs are direct payment, e.g. salaries and wages, which are usually by far the biggest item; others are rent and insurance, postage and telephones, repairs and renewals, and transport and travelling expenses. Others are deductions and allocations, e.g. interest on banks and other loans; depreciation of plant and buildings; and reserves for bad or doubtful debts. When all these are set against the gross profit, the difference between the two will be the net profit or the net loss, as the case may be.

The society and auditors have to decide on what they are going to do with the net profit or how they are going to cover the net loss. First, the position existing at the beginning of the year, as set out in the "profit and loss appropriation account" is examined. This account shows the balance of profit carried forward from the previous year, and how, in accordance with the decision of the last annual general meeting, it was used. "Interest on shares", "allocation of reserves" and "bonus on business done" are the usual heading under which profit is distributed. Some society also pay bonus to staff. Most leave something in the society's account, under the heading "undistributed profit" or "undistributed balance". If in the following year the society incurs a net loss, this undistributed balance may make it possible to continue paying interest, or even bonus. If there is a profit, this is added to the balance from the previous year (less any provision which has to be made for payment of taxes) and the total is entered in the balance sheet for the current year. In the mean time, the committee, with the advice of the auditor, will work out a plan- subject to confirmation at the next general meeting, for apportioning it among reserves, interest and bonus.

**(b) The balance sheet**

The balance sheet, unlike other accounts, does not show the year's operations. It shows the position of the society at a precise moment- the last day of the financial year. The "balance" is between the society's asset and liabilities. Put in the simplest terms, the assets side of the balance sheet shows what the cooperative owns in the way of property or money or claims for money. It covers land, building, plants and machinery, office furniture and motor vehicles. It also covers stocks at hand, the society's investments in, for instance, a cooperative wholesale society, and so on.

The liability side of the account shows, primarily, the debts of the society. It includes share capital, loan capital, bank overdrafts, as well as the obligation of the society to its creditors and to the tax collector. It is quite easy to see that the last two are liabilities; they are debts that society owes; but in fact, a moment's thought shows that, in certain eventualities, the society is liable to someone or another for nearly all the other items as well. The bank, for instance, is a creditor for overdrafts or loans; share capital belongs to the members, not the society.

The purpose of setting out, in two columns, what the society owns and what it owes is to see that what it owns, really, does cover what it owes. If it does not, then a loss will be shown which may have to be met by deduction from the profit balance of previous years, or perhaps from the reserve fund. In any case it will be a clear warning that all is not well within the society and that careful examination of, not only the balance sheet itself is necessary, but also that of the trading and manufacturing accounts. In actual fact, it will be necessary, at this point, to review the whole conduct of the business, to see how and where the loss has crept in. A balance sheet can clearly be a value only if it is absolutely honest and based on accurate information. A distinction may have to be made between good, doubtful and bad debts, and stocks may have to be written down below their purchase value or cost of production. Undue optimism in these matters is of no importance to the society.

For management purpose, the balance sheets and other accounts for several years of producers' cooperative will allow the manager or the management committee find answers to the following questions for effective running of the cooperative (ILO, 1978).

1. How high are running costs in different departments?
2. If they are higher in one than in another, is there a good reason?
3. Why is the cost of transport much greater than last year's?

4. Are “overheads” too high or too low?
5. Is the society using too much borrowed capital?
6. Could the same funds be obtained from other source at lower rate of interest?
7. Are the level of trade credit or trade debts rising or falling?
8. Are buildings and machineries properly depreciated, and if they had to be repaired or replaced tomorrow, would funds be available for the purchase?

### **SELF-ASSESSMENT EXERCISE**

What is the vital information that can be obtained from the profit and loss account for the management of producers' cooperative?

## **4.0 CONCLUSION**

This unit shows you that the accounts (profit and loss account and balance sheet) contain important information for management of producers' cooperative. Furthermore, it reveals some salient questions, the answers of which can be obtained from the account for the manager or management committee to use in management process.

## **5.0 SUMMARY**

This unit has shown accounting as an instrument for management of producers' cooperative because it contains some vital information on allocation of reserves, bonus on business etc. The unit also put forward some salient questions which can help managers and management committee in making decisions.

## **6.0 TUTOR-MARKED ASSIGNMENT**

Why are profit and loss account and balance sheets very important for the management of producers' cooperative?

## **7.0 REFERENCES/FURTHER READING**

Etuk-Udo, J.S. (1978). *Principles of Accounts for West Africa-Book One*. Ibadan: Oxford University Press.

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## **UNIT 2     COST ACCOUNTING FOR MANAGEMENT DECISION IN PRODUCERS' COOPERATIVE**

### **CONTENTS**

- 1.0    Introduction
- 2.0    Objectives
- 3.0    Main Content
  - 3.1    Cost Accounting and Its Usefulness
  - 3.2    Procedure for Costing
- 4.0    Conclusion
- 5.0    Summary
- 6.0    Tutor-Marked Assignment
- 7.0    References/Further Reading

### **1.0    INTRODUCTION**

It is important to know when a line of products or section or department is no longer contributing to the profitability of the producers' cooperative business. This knowledge enhances decision-making in choosing between alternative plans.

This unit therefore considers cost accounting as an important input in management decision-making in the producers' cooperative.

### **2.0    OBJECTIVES**

At the end of this unit, you should be able to:

- explain the usefulness of cost accounting
- illustrate how costing is carried out.

### **3.0    MAIN CONTENT**

#### **3.1    Cost Accounting and Its Usefulness**

Cost accounting involves the preparation of some financial statements containing items such as income, expenditure and profit or loss on a particular commodity or section/ department of a business.

Cost accounts are of particular value in budgeting, enabling an accurate forecast to be made of the cost of future operations and producing a firm basis for fixing prices, allocating scarce resources and choosing between alternatives plans for development (ILO, 1978:161).



In industrial production societies, it can be used to ascertain the comparative costs of producing different types of commodities and their power to compete in the market. Furthermore, cost accounting often gives signals of necessary changes in purchasing or in stock control methods.

The accuracy of cost account cannot be guaranteed in the same way as that of an ordinary financial account (which can be checked, for example, against a bank statement), owing precisely to the difficulty of apportioning overheads among the various departments or commodities or processes.

What separate rent or depreciation should be charged for the garage? How much time of the manager's time is spent on certain commodity or department? The answer will necessarily depend on certain assumptions. However where such assumptions are based on long term experience they should, when added to the ascertainable costs, yield data on each section of the society's business which can form a basis for secure judgment and sound policy decisions.

### **SELF-ASSESSMENT EXERCISE 1**

What is cost accounting?

### **3.2 Procedure for costing**

The procedure for costing involves estimation of direct expenses (payment for raw materials, wages handling expenses etc) and indirect expenses (storage cost, electricity bills rents, stationery costs, depreciation, and management remunerations) which are reasonably confirmed to be direct to the process of production of a commodity. The outcomes of these calculations over the years when made available to the manager become tools for management decisions. Suffice it to say that the manager must be able to use the facts intelligently.

It is equally important to understand that cost accounting can only be undertaken by specially trained personnel (cost accountant). The results may be misleading unless the system is applied to the whole business of the cooperative and not only to selected items which it is especially desired to investigate. Success of costing also depends on the ability and willingness of other employees, including lorry drivers, to keep accurate records which the cost accountant needs. Cost accounting is a fairly labourious and, consequently, expensive business but the information obtained are very useful.

## **SELF-ASSESSMENT EXERCISE 2**

Mention some of the items included in costing of commodity.

### **4.0 CONCLUSION**

In this unit, you have learnt that cost accounting is very important for management decision involving making a choice between alternatives. The procedure for estimation has been explained as emphasis is on the use of direct expenses. Information obtained is, however, to be used intelligently in decision-making.

### **5.0 SUMMARY**

This unit dealt with cost accounting as a financial statement on a commodity or department or section. It also described the usefulness of cost accounts in choosing between alternative plans for development. The procedure for the estimation of cost has been explained to you and the outcome of calculations becomes tools for management decision.

### **6.0 TUTOR-MARKED ASSIGNMENT**

1. Discuss the usefulness of cost accounting.
2. Carefully explain the procedure for costing in respect of a product, among others produced by a producers' cooperative.

### **7.0 REFERENCE/FURTHER READING**

ILO (1978). *Cooperative Management and Administration*. Geneva: ILO Publications.

## **UNIT 3     STATISTICS AND MANAGEMENT, APPRAISAL AND PLANNING**

### **CONTENTS**

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main Content
  - 3.1 Statistics and Sources of Statistic Data
    - 3.1.1 The Primary Sources of Data
    - 3.1.2 Secondary Sources of Data
  - 3.2 Presentation of Statistical Information
- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor-Marked Assignment
- 7.0 References/Further Reading

### **1.0 INTRODUCTION**

Statistics, a wider concept, like accounts and cost accounting, is very crucial for effective management. Statistics data are obtained from inside and outside of the producers' cooperative or enterprise, generally. This unit looks at the sources of statistical data, presentation of data and their uses for management decisions.

### **2.0 OBJECTIVES**

At the end of this unit, you should be able to:

- state what statistics is all about
- identify the sources of statistical information
- discuss the modus operandi for the presentation of statistical information for decision-making.

### **3.0 MAIN CONTENT**

#### **3.1 Statistics and Sources of Statistic Data**

Statistics is a scientific method of decision-making under uncertainty, when numerical data and calculated risks are involved (Adam & Johnson, 1975). Statistics is a method of obtaining facts in numerical terms; it is an effective way of measuring contribution which different causes make to the same effect (ILO, 1978). For effective management, appraisal and planning of producers' cooperative statistical information

is indispensable. Statistical data of producers' cooperative has to do with the analysis of the quantity, and quality of labour, materials and money.

Sources of statistical data in producers cooperative are mainly secondary (i.e. data from the business records of the cooperative) supplemented with primary data obtainable from enquiries and observations. It is vital that a manager is well equipped to be able to identify the types of data and how to collect them. He can always, where possible, engage the services of experts in respect of primary data (i.e. from enquiries and observations) for relevant information about movement of prices in the market, competitors, consumers and their taste etc. These will enhance decision-making and planning.

### **3.1.1 The Primary Sources of Data**

The primary sources of data include the following:

- (i) Questionnaire design
- (ii) Interviewing and
- (iii) Experimentation

A questionnaire can be defined as a list of drawn questions or statements in which the interviewee is required to give a reply. There are two types of questionnaires, namely- the open ended response and close response questionnaires. In open ended response, the questions are constructed in such a way that the format of the reply cannot be controlled. In other words, the interviewee is given the opportunity to express himself in his own words without necessarily being influenced by any outside body.

In close response questionnaires, the questions are drawn in such a way that the answers are given within some defined specific types of replies. Both the open ended response and close response questionnaires have their merits and demerits. In open ended responses, questions are answered in considerably greater depth and they permit a wide range of replies. However, among its demerits is the laborious pattern of collecting data which creates logistic problems in analysis.

In close responses, replies are relatively easy to interpret and they do not require the use of highly skilled labour for analysis. They also permit the use of a very large sample size. It should be realised that while the close response questionnaires are suitable for large sample size, the open ended response questionnaires are suitable for small sample size.

Interviewing is a process by which an investigator (interviewer) attempts to obtain direct information from a respondent (interviewee) about a

given phenomenon. Interviews can be conducted to supplement information obtained from desk research and to substantiate a hypothesis indicated by desk research. There are three types of questions used for interviews namely, structured, unstructured and semi structured questions.

In structured question interviews, the investigator (interviewer) is provided with questionnaires indicating the way and manner the questions are to be asked. The respondent (interviewee) can be supplied with a copy of these questions either prior to, or at the time of, interview. The questions should not overlap from the pattern shown. In other words, there should be no deviations from the order in which the questions are to be used. You cannot change the structure of the pattern of questions, nor can you deviate from accepted norms.

Unstructured question interview represents a framework within the interviewer's research interest. The discussion is defined within the investigator's (interviewer's) purpose of study, objectives and scope of study. The unstructured question interview permits the investigator to pursue a research in an area which the respondent (interviewee) has a specific interest.

The semi-structured question interview represents a middle way between the structured and unstructured question interviews. Thus, there is an outline of topics of interview to be considered and of the construction of some of the questions employed. It should be borne in mind that once the various types of questions to be asked in the interview are completed, we can now determine the methods of interview to be adopted.

Experimentation is a process by which we measure the relationship between one or more variables on some other variables. In experimentation, we can manipulate one or more variables such that we are able to establish and measure its effect upon one or more other variables. Some examples of experiments conducted in business and economics are- measuring the effects of financial liberation on economics growth; measuring the effects of military spending on economic growth; measuring the effectiveness of monetary policy; and assessing the impact on sales.

Thus in conducting an experiment, we should consider the existence of random errors which are inherent part of the total variation in the dependent factor.

### 3.1.2 Secondary Sources of Data

Secondary sources are sources for which data already exists, but have not been collected for any investigation. Secondary sources can be divided into two main categories, namely- internal sources and external sources.

Internal sources are sources for which data are collected within the organisation of the firm. Data collected from internal sources are easily accessible and are time and cost saving. Examples of internal data are company records such as sales statistics, production records, employment statistics, inventory records, financial accounts etc.

External sources are those for which data are collected from outside the organisation. A major type of external sources is government statistics which include, among others, general statistics, production, the economy, employment and overseas trade. General statistics deals with issues such as the monthly and annual digests relating to wages and salaries and the social trends of events such as the demographic statistics, housing, education, health, population, recreation etc. The general published statistics on the economy reveals economic trends, problems and prospects, inflation and exchange rates, employment, crimes, population census, etc.

The department of labour and productivity publishes data on employment trend, index of industrial output and statistics on wages and salaries. The Federal Office of Statistics now Bureau of statistics, is empowered to collect data relating to economic and social issues. It publishes data on overseas trade, unemployment etc.

Other external sources are journals, directories and yearbooks. The Nigerian Journal of Social and Economic Studies, and the Nigerian Financial Review are journals commenting on the social, economic and political situations in the country. There are also private sources such as Banking Almanac published by Redasel (a publishing firm).

Secondary sources for comparative data can be acquired through the international organisations listed below.

- i. **United Nations-** the United Nations statistical yearbook provides information on the country's population, gross domestic product, national income, growth rate of population.
- ii. **International Monetary Fund-**the yearbook of International Financial Statistics is published by IMF. It gives information on

the population, the GNP, balance of payment, exchange rates, direct investment and other economic statistics of nations.

- iii. **Organisation for Economic Cooperation and Development-** this organisation has about thirty member nations from the developed countries including U.S.A., Japan, Canada, Australia, New Zealand and other European countries. It publishes the main economic indicators which show the member countries economic activity relating to inflation rate, index of cost of living, employment rate, wages and salaries etc. Other international organisations that publish statistical data are UNESCO, United Nations Agreement on Tariffs and Trade (GATT), United Nations Economic Commission for Europe, Asia, Africa and Latin America.

The International Bank for Reconstruction and Development or the World Bank publishes data on member countries' economic activity. Its publications include the following.

- a. The World Bank Economic Review
- b. The World Bank Atlas
- c. The World Bank Catalogue etc.

There are also international research organisations that publish data; we have the Brookings Institute-Washington, the Research Triangle in North Carolina U.S.A. etc.

In preparing statistics, factual truth and accuracy are of the first importance. A statistical conclusion is only as good as the figures on which it is based. Equally, good results may be obtained by using round numbers or studying samples, provided that the samples are really typical. Most cooperatives, for example, are familiar with the technique of sampling. The preparation of more elaborate statistics may well cost more than it is worth from the point of view of business management. Indeed, before deciding to collect statistics at all, it is always necessary to ask exactly what the final aim is. Is it really important? Can it be attained by using figures which are already available? If not, what is the easiest and cheapest way of collecting new figures which are really indispensable? (ILO, 1078)

## **SELF-ASSESSMENT EXERCISE 1**

What are the sources of data you know?

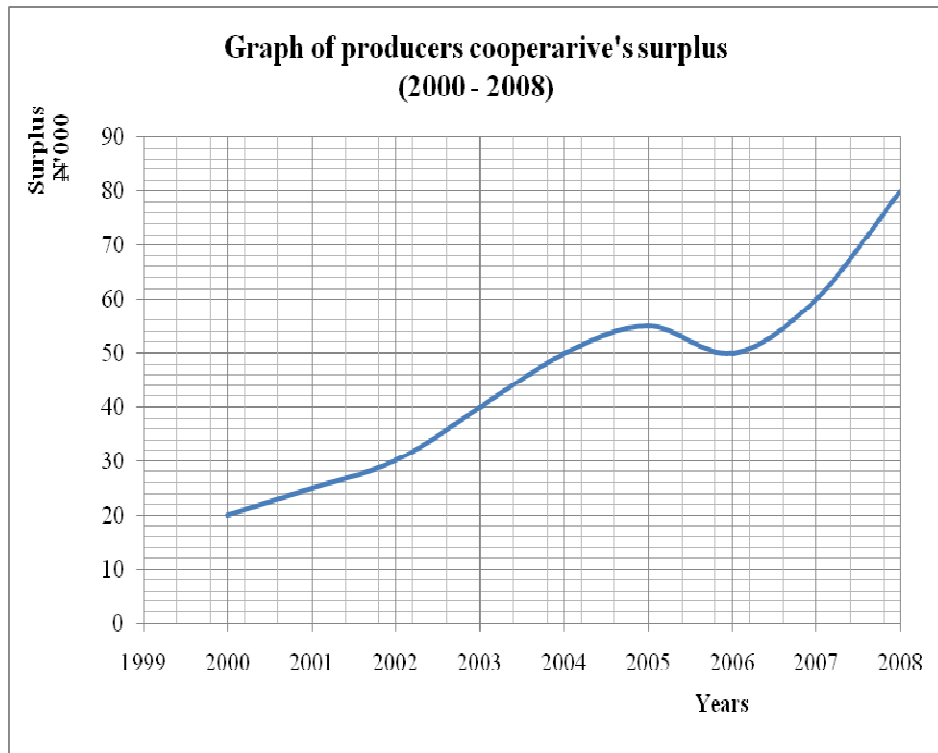
### 3.2 Presentation of Statistical Information

Presentation is a very important area of statistics which management must not take with levity. Precisely, the manager must be able to present statistical information in form of tables, graphs, and charts. Such information could be in form of output for some years, future trends, ratio of output to the amount invested, ratio of output to number of workers, ratio of workers to machines, etc.

**Table 3.1:** Table of Activities of Producers' Cooperative (2000 – 2008)

<b>YEAR</b>	<b>MEMBERSHIP NUMBER</b>	<b>PRODUCTION ₦'000</b>	<b>SALES ₦'000</b>
2000	20	500	400
2001	20	600	500
2002	22	750	600
2003	25	800	700
2004	28	1,000	850
2005	30	1,500	1,100
2006	35	1,600	1,200
2007	40	1800	1,400
2008	50	2,500	2,000

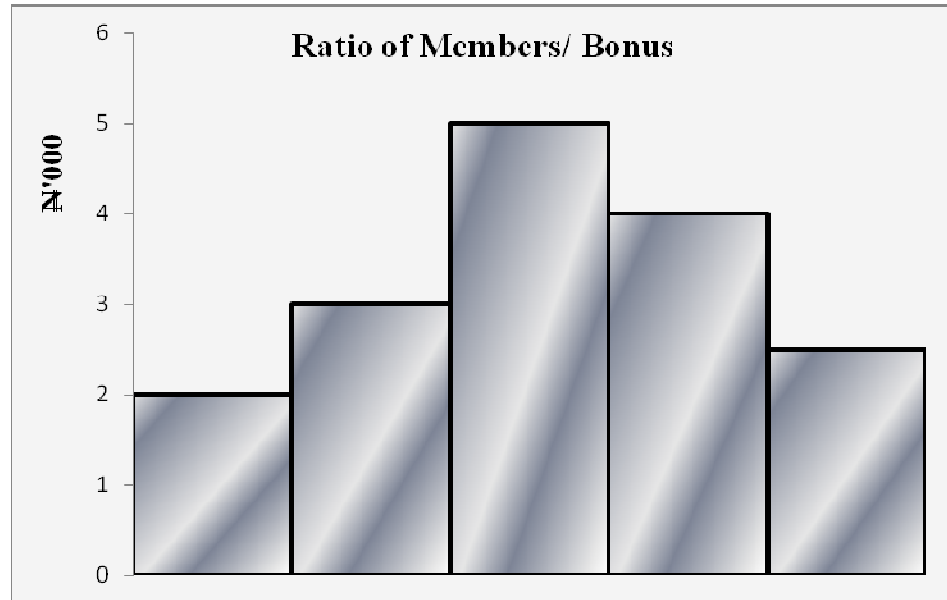




*Figure 3.1:* Graph of the Surplus of a Producers' cooperative (2000-2008)



*Figure 3.2:* Increases in Share Capital of a Producers' Cooperative (2000- 2008).



*Figure 3.3: Ratio of Members/Bonus*

The management of a producers' cooperative must make decision with the statistical information gathered and analysed, any departure from that is like a man groping in the darkness. The manager should make the information available to members and the general public by placing the tables, graph and charts of operational ratios and future trends of business in conspicuous places like offices, workshops, entrance to the factory, halls of meetings etc.

One of the principal uses of statistic in business is to illustrate trends over a period of time. Everyone is familiar with the devices used for this purpose – the column of figures, the rising line of a graph, or the picture of a member getting bigger and bigger by which the progress of the cooperative membership over the years is symbolised. The same thing can be some aspect of the society's affairs.

### **SELF-ASSESSMENT EXERCISE 2**

Mention three practical ways in which statistical information of producers' cooperative can be presented.

## **4.0 CONCLUSION**

This unit, in defining statistics, has highlighted the importance of statistical information. Sources of statistical information have also been made known to you. Furthermore, the unit sheds light on various ways

of presenting statistical data so that it can be meaningful to the manager and members the producers' cooperative.

## **5.0 SUMMARY**

This unit has exposed you to the definition of statistics and highlighted the sources of information in a producers' cooperative. You have also been shown the ways statistical data are presented for decision makers and members generally.

## **6.0 TUTOR-MARKED ASSIGNMENT**

1. Differentiate primary sources of data from secondary sources in producers' cooperative.
2. Discuss presentation of data in producers' cooperative.

## **7.0 REFERENCES/FURTHER READING**

- Adamu, S.O. & Johnson, T.L. (1975). *Statistics for Beginners*. Ibadan: Onibonoje Press.
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- Oyeniya, T.A. (2002). *Statistical Techniques in Economics and Business*. Lagos: Cedar Publications Inc.

## **UNIT 4      STAFF MANAGEMENT AND TEAM WORK**

### **CONTENTS**

- 1.0    Introduction
- 2.0    Objectives
- 3.0    Main Content
  - 3.1    Staff Management and Team Work
- 4.0    Conclusion
- 5.0    Summary
- 6.0    Tutor-Marked Assignment
- 7.0    References/Further Reading

### **1.0    INTRODUCTION**

Team work is crucial to the effective management of producers' cooperative because it is the lubricant for a good job. Team work, without doubt, is responsible for excellent performance, but it can only be achieved where cordial relationship, responsibilities and job description are well spelt out. Everyone knows what to do and when to do it.

This unit therefore examines team work in the light of good staff management.

### **2.0    OBJECTIVES**

At the end of this unit, you should be able to:

- illustrate the importance of team work
- identify who is responsible for the establishment and sustenance of team work
- explain the place of trust and encouragement in building a culture of team work.

### **3.0    MAIN CONTENT**

#### **3.1    Staff Management and Team Work**

In a producers' cooperative, staff management and team work should be easy, since the members or almost all the members constitute the staff. However, the manager's ability to organise, delegate and coordinate remains very crucial; otherwise, achievements under teamwork will be almost impossible.

Delegation underpins a style of management which allows your staff to use and develop their skills and knowledge to their full potential. Without delegation, you lose their full value. Delegation is, primarily, about entrusting your authority to others. This means that they can act and initiate independently; and that they assume responsibility with you, for certain tasks. If something goes wrong, you remain responsible since you are the manager; the trick is to delegate in such a way that things get done, but do not go wrong.

Now, let us look at some basic components of delegation.

**(a) Objective**

The objective of delegation is to get a job done, by someone else. It is not just the simple tasks of reading instructions and turning a lever, but also the decision-making and changes which depend upon new information. With delegation, your staff members have the authority to react to situations without referring back to you.

To enable someone else to do the job for you, you must ensure that

- they know what you want
- they have the authority to achieve it
- they know how to do it.

These all depend upon communicating clearly, the nature of the task, the extent of their discretion, and the sources of relevant information and knowledge.

**(b) Information**

Such a system can only operate successfully if decision-makers (your staff) have full and rapid access to relevant information. This means that you must establish a system to enable the flow of information. This must, at least, include regular exchanges between your staff so that each is aware of what others are doing. It should also include briefings by you on the information which you have received in your role as manager; since if you need to know this information to do your job, your staff will need to know also if they are to do your (delegated) job for you.

One of the main claims being made for computerised information distribution is that it facilitates rapid dissemination of information. Some protagonists even suggest that such systems will instigate changes in managerial power sharing, rather than merely support them: that a "well-informed" workforce will rise up, assume control and innovate

spontaneously. You may not believe this vision, but you should understand the premise.

If a manager restricts access to information, then only he/she is able to make decisions which rely upon that information; once that access is opened to many others, they too can make decisions - and challenge those of the manager, according to additional criteria. The manager who fears this challenge will never delegate effectively; the manager who recognises that the staff may have additional experience and knowledge (and so may enhance the decision-making process) will welcome their input. Delegation ensures that the staff will practise decision-making and will feel that their views are welcome.

**(c) Effective control**

One of the main phobias about delegation is that by giving others authority, a manager loses control. This should not be the case. If you train your staff to apply the same criteria as you would yourself (by example and full explanations), then they will be exercising control on your behalf. And since they will witness many more situations over which control may be exercised (you can't be in several places at once) then that control is exercised more diversely and more rapidly than you could exercise it by yourself. In engineering terms, if maintaining control is truly your concern, then you should distribute the control mechanisms to enable parallel and autonomous processing.

**(d) Staggered development**

To understand delegation, you really have to think about people. Delegation cannot be viewed as an abstract technique, it depends upon individuals and individual needs. Let us take a lowly member of staff who has little or no knowledge about the job which needs to be done.

The key is to delegate gradually. If you present someone with a task which is daunting, which he/she is not able to cope with, then the task will not be done and your staff will be severely demotivated. Instead, you should build-up gradually; first a small task leading to a little development, then another small task which builds upon the first; when that is achieved, add another stage; and so on. This is the difference between asking people to scale a sheer wall, and providing them with a staircase. Each task delegated should have enough complexity to stretch that member of staff - but only a little.

**(e) Constrained availability**

There is a danger with "open access" that you become too involved with the task you had hoped to delegate. One successful strategy to avoid this is to formalise the manner in which these conversations take place. One way of approaching this is to allow only fixed regular encounters (except for emergencies); you may even insist on a drawn-up agenda. A second approach is to refuse to make a decision unless a subordinate has provided you with a clear statement of alternatives, pros and cons, and his/her recommendation.

**(f) Outcomes and failure**

Let us consider your undoubtedly high standards. When you delegate a job, it does not have to be done as well as you could do it (given time), but only as well as necessary. Never judge the outcome by what you expect you would do (it is difficult to be objective about that), but rather by fitness for purpose.

When you delegate a task, agree then upon the criteria and standards by which the outcome will be judged. You must guide against failure. With appropriate monitoring, you should be able to correct mistakes before they become catastrophic; if not, then the failure is yours.

**(g) What to delegate**

There is always the question of what to delegate and what to do yourself, and you must take a long term view on this: you want to delegate as much as possible to develop you staff to be as good as you are now.

The starting point is to consider the activities you used to do before you were promoted. You used to do them when you were more junior, so someone junior can do them now. Tasks in which you have experience are the easiest for you to explain to others and so to train them to take over. You thus use your experience to ensure that the task is done well, rather than to actually perform the task yourself. In this way you gain time for your other duties and someone else becomes as good as your once were (increasing the strength of the group).

Tasks in which your members of staff have more experience must be delegated to them. This does not mean that you relinquish responsibility because they are experts, but it does mean that the default decision should be theirs. To be a good manager though, you should ensure that

they spend some time in explaining these decisions to you so that you learn their criteria.

Decisions are normal managerial function: these too should be delegated - especially if they are important to the staff. In practice, you will need to establish the boundaries of these decisions so that you can live with the outcome, but this will only take you a little time while the delegation of the remainder of the task will save you much more.

In terms of motivation for your staff, you should distribute the more mundane tasks as evenly as possible; and sprinkle the more exciting ones as widely. In general, especially with the boring tasks, you should be careful to delegate not only the performance of the task, but also its ownership. Task delegation, rather than task assignment, enables innovation.

The point you need to get across is that the task may be changed, developed, upgraded, if necessary or desirable. So, someone who collates monthly figures should not feel obliged to blindly type them in every first Monday; but should feel empowered to introduce a more effective reporting format, to use computer software to enhance the data processing and to suggest and implement changes to the task itself.

#### **(h) Negotiation**

Since delegation is about handing over authority, you cannot dictate what is delegated or how that delegation is to be managed. To control the delegation, you need to establish at the beginning the task itself, the reporting schedule, the sources of information, your availability, and the criteria for success. These you must negotiate with your staff; only by obtaining both their input and their agreement can you hope to arrive at a workable procedure.

#### **(i) When all is done for you**

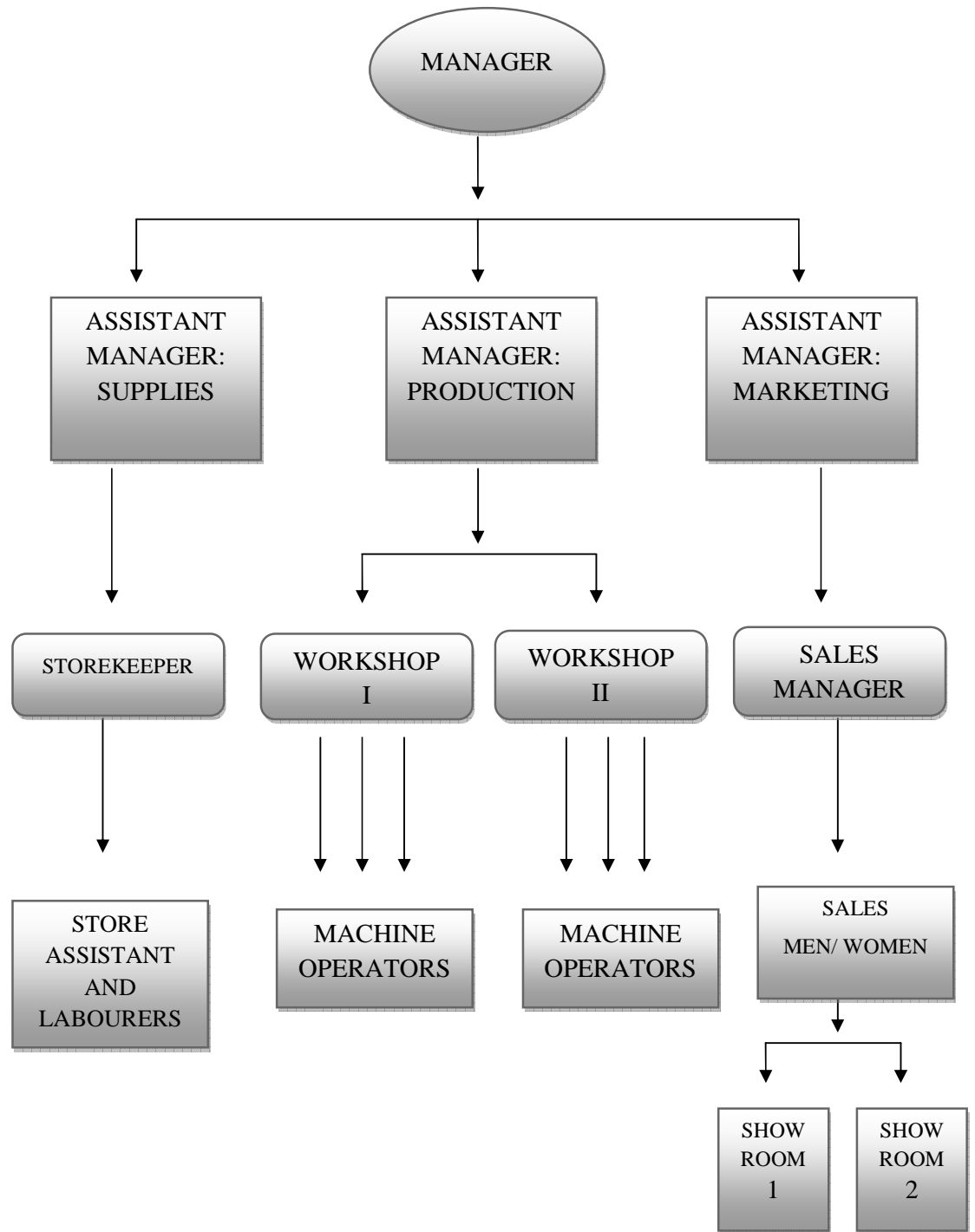
Once you have delegated everything, what will you be doing then? You still need to monitor the tasks you have delegated and to continue the development of your staff to help them exercise their authority well. There are managerial functions which you should never delegate - these are the personal/personnel ones which are often the most obvious additions to your responsibilities as you assume a managerial role. Specifically, they include- motivation, training, team-building, organising, praising, reprimanding, performance reviews and promotion. As a manager, you have a responsibility to represent and to develop the effectiveness of your group within the company; these are tasks you can



expand to fill your available time - delegation is a mechanism for creating that opportunity.

The manager has to set out and define the jobs to be done, determine the type of people required to perform the task, and determine the procedures for carrying them out. He also gives them the authority to carry out the job and establish the relationship between them. Usually, this is best done with a staff organisation chart which will show the job description of each officer, the span of his authority, who is or are responsible to him and to whom he is responsible. In this way, each employee knows exactly what to do, how to do it, from where to take instructions, whom to consult for advice and guidance and that he is responsible to only one person at a time.

Staff members must be trusted, encouraged and praised for work/job done very well. Opportunities for team work must abound because some people take pride in belonging to a group. The manager must learn to ask why things are done badly and who did it. It is only in this way the manager will create a good atmosphere and a right attitude for work and team work.



*Figure 4.1:* An Organisational Chart Showing Division of Responsibilities and Line of Authority at a Glance

## **SELF-ASSESSMENT EXERCISE**

Does the attainment of teamwork depend on the manager?

### **4.0 CONCLUSION**

The unit has revealed to you that the manager's ability is responsible for successful team work in producers' cooperative. The manager's responsibilities towards the achievement of team objectives have been set out. Furthermore, you have learnt that for the establishment and sustenance of team work, trust and encouragement must be embraced.

### **5.0 SUMMARY**

The unit highlighted that team work for excellent performance can only be achieved if a manager has the ability to organise, delegate and co-ordinate. The manager's duty, as regards the establishment and sustenance of team work, has been clearly stated. Members of staff have to be trusted and encouraged to put in their best.

### **6.0 TUTOR-MARKED ASSIGNMENT**

1. Why is it easier for workers of the producers' cooperative to work as a team and achieve a lot?
2. Discuss the responsibilities of a manager for the establishment and sustenance of team work in producers' cooperative.

### **7.0 REFERENCES/FURTHER READING**

ILO (1978). *Cooperative Management and Administration*. Geneva: ILO Publications.

<http://www.see.ed.ac.uk/~gerard/Management/art5.html>

## MODULE 4

Unit 1	Relationship of Staff and the Members of Producers' Cooperative
Unit 2	External Relations
Unit 3	Management Control
Unit 4	Problems of Producers' Cooperative and Its Management in Nigeria

### UNIT 1 RELATIONSHIP OF STAFF AND THE MEMBERS OF PRODUCERS' COOPERATIVE

#### CONTENTS

1.0	Introduction
2.0	Objectives
3.0	Main Content
3.1	Relationship of Staff and Producers' Cooperative Members
4.0	Conclusion
5.0	Summary
6.0	Tutor-Marked Assignment
7.0	References/Further Reading

#### 1.0 INTRODUCTION

Good relationship between members of staff and members of the producers' cooperative will increase productivity. This is why the manager needs to exert energy at building cordial relationship with the non-members who are working for the cooperative.

This unit, therefore, examines the relationships between non-member staff and member employees.

#### 2.0 OBJECTIVES

At the end of this unit, you should be able to:

- discuss how the manager can improve relationship between non-member workers and the member-employees
- explain the likely relationship between staff members after the pioneer members must have retired
- state what it takes to motivate members to cultivate cordial relationship.

### **3.0 MAIN CONTENT**

#### **3.1 Relationship of the Staff and Producers' Cooperative Members**

In most producers' cooperatives, especially the industrial producers' cooperatives, a small percentage of labour is made up of non-members, and this small percentage consist mostly of non-skilled workers, casual labourers etc. In this instance, it is the manager's duty to make sure, that non-member staff's welfare is taken care of in terms of appropriate remuneration, promotions, education, interactions with members outside the office or work hours etc., to make them relate well with the management and the members as a whole.

At the beginning of the establishment of a producers' cooperative, members' relationship will be natural and cordial. All members will work with great enthusiasm. The fact that members depend on their wages from the society will make them more committed and loyal. Other motivating factor is expected bonus from the surplus of the society at the end of each financial year. If, however, the expectations in form of greater or increased revenue, adequate or increased surplus, bonus etc., are realised, members interest may wane, and subsequently, relations may be adversely affected.

After many years of operations of a producer's cooperative and when many of the pioneer members must have retired, new members may not attach appropriate importance to the business of the society and relationship with members. If, for instance, new members do not accord attendance at meetings and other society's programmes required importance, they may not be able to interact with members and be well informed about the society's' business. This may lead to so much complaints and misunderstandings.

Members of cooperative must be encouraged to use society's services regularly to its fullness; they must be made to increase share capital, contribute to the production of standard products, work hard to get jobs done, contribute new ideas and make constructive criticism in order to enrich the cordial relations in the society. Efforts to improve and maintain good relations must be geared towards regular general meetings and other types of meetings where both the present and the future business of the cooperative are discussed and thoroughly explained to members. Educating members through workshops, seminars, exhibitions, film shows, excursions etc., are genuine ways of getting members to interact and build cordial relations in the interest of the cooperative.

The president of the society has a lot to offer in promoting relations between members. His leadership role point to this; the president is the leader of the producers' cooperative. He exercises this leadership both inside and outside the society. He represents the society in the community. Hence, on him lies the task of maintaining harmonious relations with the community at large and with other cooperatives.

He must be able to command the respect of members, government officials, and outsiders. He must be able to speak well in public and be willing to work hard for the cooperative. This is not just an honorary position, thus care must be taken not to choose a person who accepts the "honour" but does little.

Within the society, he is the superior officer and has the greatest responsibility. He carries out his leadership in many ways. He must familiarise himself with the duties assigned to each officer and to each committee so that he may confidently be in a position to judge whether they are doing their jobs properly or not. He must be on the alert for potential leaders in the ranks of membership upon whom he can call when committees are being appointed, or when replacements are being sought e.g. in the event of resignation. He must encourage good relations and a spirit of dedication within the society, among members, in the committees, and in particular, within the management. He must encourage those with difficulties. If a member is totally failing in his job he must tactfully persuade him to resign voluntarily.

The president's leadership is particularly crucial during meetings. Purposeful leadership is vital to management success. It will, in large measure, determine the success of all the other relationships throughout the organisation. During meetings, an experienced chairman shows his worth. He must allow freedom of speech and allow members to express their opinions; but he must keep discussions within bounds and free from personalities. That is why members must address the leader, and questions must be channeled to him and not directly to another member. He must be able to persuade members at the meeting to reconcile their differences in order that decisions that are acceptable to the majority of those present can be reached and passed.

### **SELF-ASSESSMENT EXERCISE**

1. Why is it not difficult to have cordial relationship in an industrial producers' cooperative
2. How can members (member-employees) be encouraged to build rich cordial relationship?

## 4.0 CONCLUSION

In this unit, you have been exposed to the need for a cordial relationship in a producer's cooperative. You have also been taken through the trend of relationship at the beginning of the establishment of the producers' cooperative and the relations after many years of operation. The unit suggested ways by which members can be encouraged for sustenance of cordial relationships.

## 5.0 SUMMARY

This unit has shown you that there is a tendency to have cordial relations in the industrial producers' cooperative. Furthermore, relationship changes after many years of operations when pioneer members must have retired. The unit suggested ways by which members of producers' cooperatives can sustain and enrich cordial relations for effective management.

## 6.0 TUTOR-MARKED ASSIGNMENT

1. Discuss the duty of the manager of a producers' cooperative in maintaining cordial relationship between member-employees and non-members who are workers.
2. Why is it that the relationships between members who are also employees are likely to change after many years of operation?

## 7.0 REFERENCES/FURTHER READING

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## **UNIT 2     EXTERNAL RELATIONS**

### **CONTENTS**

- 1.0    Introduction
- 2.0    Objectives
- 3.0    Main Content
  - 3.1    Producers' Cooperative Relations with the General Public
  - 3.2    Producers' Cooperative Relations with Government Officials
- 4.0    Conclusion
- 5.0    Summary
- 6.0    Tutor-Marked Assignment
- 7.0    References/Further Reading

### **1.0    INTRODUCTION**

Members of the business community will be reluctant about (and may want to avoid) any enterprise that has no good reputation. The public wants to deal with enterprises with genuine and transparent business. It is quite clear why producers' cooperative must have good external relations. Apart from this, the producers' cooperatives, by law, relates with government officials right from the time of formation.

This unit, therefore, examines the relationship of producers' cooperative with the outside world and how it can be managed.

### **2.0    OBJECTIVES**

At the end of this unit, you should be able to:

- discuss the producers' cooperative relations with government officials
- illustrate what the producers' cooperative management should do to maintain good external relations.

### **3.0    MAIN CONTENT**

#### **3.1    Producers' Cooperative Relations with the General Public**

External relations of producers' cooperative may be looked at in two different ways, as outlined below:

1.    producers' cooperative relationship with the general public, and
2.    producers' cooperative relationship with government officials.



The interaction of producers' cooperative with the public is based on the fact that cooperative is a form of business competing with private businesses, and that it transacts business with the private businesses, individuals and general public. Producers' cooperative must maintain good relationship with its supplier of raw materials, and consumers; and it must enter into a contractual agreement with labour. Those who transact business with the cooperative society expect integrity, honesty, transparency etc. to be the watch words of the manager, management committee and the members of the societies. These are essential ingredients for good and cordial relationship.

In order to build good relationship with the public therefore, the producers' cooperative must educate the public about its business. In this direction the society can organise conferences, workshops, talks, film shows and other programmes to inform the public about its business. Publications like leaflets, and so on, may be used to disseminate information to the public. The publication of the audited accounts of the producers cooperative will demonstrate to the world its genuineness and transparency; it will also serve as an incentive to business partners and general public to continue to trade with the society.

### **SELF-ASSESSMENT EXERCISE 1**

Mention the entities that the producers' cooperative relates (business) with.

### **3.2 Producers' Cooperative Relations with Government Officials**

Producers' cooperative relations with government official must have started at the point of formation of the society. This is because in almost every country, there are laws and regulations for the formation, operation and supervision of cooperative societies. In addition to these laws and regulations, there may be special bye-laws which cooperative can adopt.

Officials of government departments and ministries are empowered by cooperative laws and regulations to register, supervise, promote, arbitrate and liquidate cooperative societies or unions. Relations with officials of government and ministries must not be taken with levity. It is worthy of note that government agencies do give assistance in form of provision of raw materials, machineries and equipment, financial resources, storage facilities, staff etc., to cooperative societies.

Cooperatives, producers' cooperative in particular, often need the assistance of legislators for special laws, programmes, subsidies, and so on. This is only possible if the cooperatives extend a hand of friendship to the agencies of government, generally. For this assistance to come, however, the cooperative must let the legislator know the importance of their programmes to the social upliftment of the populace.

The powers and responsibilities of the cooperative department are derived from the cooperative law. We have already seen that in order to be legal entities, cooperatives must be registered under the law. Normally, the powers given to the registrar of the cooperative societies (or equivalent) by law include the following.

- a) Registration or refusal of registration
- b) Liquidation
- c) Audit
- d) Inspection and enquiry
- e) Arbitration
- f) Intervention

The powers of the registrar vary greatly from country to country, and are subject to much controversy – especially where intervention in management is concerned. No one disputes that government must provide a legal framework for cooperative movement and machinery to administer it, but there is much debate about the powers of government to actually control the cooperative movement. To explore the matter a little further, the powers listed above are discussed in the next few paragraphs.

#### **(a) Registration**

In most countries, the law gives the registrar the power to register or refuse to register a cooperative. Frequently, the law stipulates that the registrar may register a cooperative society, if he thinks fit. This means that he has absolute discretion to decide whether a cooperative should be allowed to exist or not. Before accepting a cooperative for registration, the registrar will, of course, have to satisfy himself that its objectives, membership and bye-laws are in accordance with the law and with cooperative principles. He will, for example, reject an application for registration if the bye-laws provide that members can vote according to their share capital.

So far, it is straight forward enough but, even if the proposed cooperative is within the law and in accordance with cooperative principles, the registrar may still refuse to register it. He may, for

example, refuse on the grounds that the proposed cooperative can never be financially successful. He may, also refuse on the grounds that there is already a similar cooperative operating in the same area. Finally, he may refuse because he does not think that the members are yet capable of running the cooperative properly, or that they have not got a suitable manager or secretary.

There is usually the right of appeal to a higher authority (or sometimes to a court) in protest of the refusal of the registrar to register a cooperative. This right is, however, merely a safeguard against an unfair or arbitrary decision by the registrar.

### **(b) Liquidation**

Just as the registrar has the power to register a cooperative, so has he the power to close it down. He may do so for many reasons. It may be that the cooperative is no longer operating in accordance with the law or cooperative principles. It may be that the number of members has fallen below minimum. The most common reason is when the cooperative has gone bankrupt. When the registrar decides to close down a cooperative, he makes an order putting it into liquidation, and appointing a liquidator. The liquidator takes over all the assets and liabilities and is responsible, under the law, for winding up the cooperative's affairs to the best advantage of all concerned, and with a special regard to the cooperative creditors.

As with registration, there is, usually, provision in the law for appeal to the Minister or a court, against a decision of the registrar to close down a cooperative.

### **(c) Audit**

The registrar is, under the law, given the responsibility of ensuring that the accounts of all cooperatives are audited regularly. He may carry out this responsibility through members of his own staff, or he may agree to the appointment of commercial auditors. In either case, it is the registrar who is responsible and who must approve the accounts before they are presented to the members or published. This power protects the individual members, who may not, themselves, have the knowledge to ensure that the accounts are properly kept. In addition, however it gives power to the registrar, because it gives him access to knowledge. From the audited accounts, he knows the financial state of the cooperative, and knows whether to exercise any of the powers which the law gives him.

**(d) Inspection and enquiry**

The law gives the registrar powers to inspect a cooperative at any time. The committee and officials of the cooperative are required to produce any books of account or property of the cooperative which the registrar or his representative may require to carry out the inspection. The registrar, also, has the power to order a more formal enquiry into the affairs of a cooperative.

**(d) Arbitration in disputes**

In most cooperative laws, disputes arising from the business of a cooperative, whether between the cooperative and one of its members, between one member and another, between the cooperative and its officials, or between one cooperative and another cooperative, cannot, under the law, be taken to a normal civil court. They must be referred to the registrar, who can either try the matter himself or appoint an arbitrator. The registrar's decisions in these cases are final, and cannot be called into question in a civil court. Pronouncements made are enforced as if they are judgments of a civil court.

This provision of the law is beneficial to a cooperative movement in that it provides for cheap and speedy machinery to settle disputes, avoiding the expensive and time-consuming process of hiring lawyers and going to court. Lawyers are usually not allowed to take part in the arbitration proceedings. It does at the same time give very considerable powers to the registrar to take decisions in the overall interest of the cooperative movement.

**(e) Intervention in management**

A more recent, but very general trend has been to put into the law, powers for the registrar actually to intervene in the management of cooperatives. Sometimes such powers may only be exercised if the cooperative is in serious trouble. For example, if an enquiry has been held as described above, and the conclusion is that the cooperative is badly managed, the registrar may dismiss the committee and appoint a manager of his own choice. Normally, the manager may only be appointed for a limited time. The object is to rescue a cooperative which has got into trouble which might otherwise lead to its liquidation.

In some countries, the powers of intervention are taken further and apply not merely to cooperatives that have got into difficulties but to all the others as well. For example, the registrar may be empowered to demand estimates of expenditures from every cooperative and to forbid

expenditure except within the estimates which he has approved. Cheques for more than a relatively small amount must be countersigned by the registrar, or his representative. The registrar may have the right to appoint some members of the committee or to appoint the manager. He may have the powers to order amalgamations or divisions.

## **SELF-ASSESSMENT EXERCISE 2**

What empowers producers' cooperative relations with the government officials?

## **4.0 CONCLUSION**

This unit highlights and discusses the external relations of the producers' cooperative. The management of external relations is crucial to ensure sustainability.

## **5.0 SUMMARY**

This unit has made known to you two facets of the external relations of the producers' cooperative. In this unit as well, suggestions have been put forward on the management and sustenance of good relations. In the same vein, the unit examines the producers' cooperative relations with government officials and legislators.

## **6.0 TUTOR-MARKED ASSIGNMENT**

1. Discuss the producers' cooperative relationship with the general public.
2. How can the producers' cooperative manage its relationship with the public?
3. Shed light on the producers' cooperative relations with government officials.

## **7.0 REFERENCES/FURTHER READING**

ILO (1978). *Cooperative Management and Administration*. Geneva: ILO Publications.

Northern Region Cooperative Societies Regulations, Cooperative Societies Law, 1956.

## **UNIT 3      MANAGEMENT CONTROL**

### **CONTENTS**

- 1.0    Introduction
- 2.0    Objectives
- 3.0    Main Content
  - 3.1    Management Controls in a Producers' Cooperative
- 4.0    Conclusion
- 5.0    Summary
- 6.0    Tutor-Marked Assignment
- 7.0    References/Further Reading

### **1.0    INTRODUCTION**

It is necessary in producers' cooperative, that management should be concerned with fulfilling or meeting production plans, sales plan etc. Management must also ensure that works are done as specified, workers are doing what they are assigned to do, machine breakdown are avoided, and vehicles are overhauled at the appropriate time etc., for efficient running of the enterprise. This unit therefore examines management controls for smooth functioning of the producers' cooperative.

### **2.0    OBJECTIVES**

At the end of this unit, you should be able to:

- itemise various ways of management control
- illustrate the objectives of management control
- explain methods of management control.

### **3.0    MAIN CONTENT**

#### **3.1    Management Control in a Producers' Cooperative**

The highest hierarchy of control of the producers' cooperative is the supervisory committee. The objective of the supervisory committee is to assist the management in carrying out the purpose of the organisation. While the supervisory committee may not interfere with management decisions, its duty is to ensure the following.

- i.      Members of the management committee should meet regularly.
- ii.     Decisions are to be in accordance with the laws and the rules of the society.
- iii.    Keeping to the policies which they themselves set.
- iv.    Implementation of resolutions.

The committee must do everything necessary to ensure that the society is being managed properly. The committee should see to it that the reports submitted by management during general meetings show the actual condition of the society. In this report, the committee must take nothing of importance for granted.

The supervisors act as protection for the other committees, not by finding fault but by reporting faults so that they may be eliminated. It does not set out to discover if officers are honest, but to prove that they are. The committee is required by law to do inspectorial work. Their investigations in no way reflect judgement on the character or motives of any individual.

In producers' cooperative, there are many ways by which the manager and the management committee can exercise control over production plan, sales of products, staff, machinery, wages, salaries, loans, expenditures, and unforeseen events. The manager must determine the methods of control which may be budget, reports from senior employees, personal visits, regular follow-ups etc.

The manager breaks the production plan, as reflected in the budget, into monthly, quarterly plans. At the end of each month, for instance, he checks the actual production with the plan. In similar manner, he looks at the sales plan and examines how it has been fulfilled. This process allows him to find out what is responsible for the variance and takes necessary decision that will ensure the plan is on course.

**Table 3.1:** Quarterly Analysis for Budget Control

S/N	Items	Budget	Actual	Variance
1	Production (kg)	50,000	45,000	-5,000
2	Sales(million Naira)	200	180	-20
3	Capital expenditure (thousand naira)	500	550	+50
4	Wages and salaries (thousand naira)	50	50	—
5	Raw materials (thousand naira)	100	195	-5
6	Overhead expenses (thousand naira)	20	22	+2

The manager needs to find out the reasons for the variances in production output [-5000 tons] and sales (~~N~~-20 million) (see Table 3.1 above). There is also the need to investigate the causes of increase in overhead expenses (N2, 000), and step up budgeting control, otherwise the trend will extend to other quarterly budgets.

Daily, weekly or monthly reports are received from senior employees or heads of departments and sections. These reports are then used by the manager as the basis for instructions to control the business. There may also be unforeseen events such as damage to buildings, machines, equipment, change in interest rates, and others. These unforeseen events place heavy demands on the flexibility and resourcefulness of managers and management and they are to be taken care of.

#### **(a) Various administrative controls**

Organisations often use standardised documents to ensure complete and consistent information is gathered. Documents include titles and dates to detect different versions of the document. Computers have revolutionised administrative controls through the use of integrated management information systems, project management software, human resource information systems, office automation software, etc. Organisations, typically, require a wide range of reports like, financial reports, status reports, project reports, etc., to monitor what is being done, by who, when and how.

The manager may decide to visit the departments and sections regularly to see and assess situations himself for action. If something happens due to the negligence of any staff, it is his duty to take disciplinary action against such a staff. Manager and management committee must ensure that members and other workers are trained for necessary special skills for handling of new machines and equipment. By so doing standard and quality products are guaranteed and breakdowns of machines and equipment are minimised.

It is also within the control jurisdiction of the manager to obtain feedbacks on quality from consumers of the producers' cooperative products so that necessary adjustments and changes can be made. The manager must also ensure that buildings are repaired and painted, vehicles are overhauled, wages are paid out correctly, and insurance premiums, rates and taxes etc., are paid.

### **SELF-ASSESSMENT EXERCISE**

Mention some methods of control the manager of a producers' cooperative can use.

## **4.0 CONCLUSION**

This unit identifies the objects of management control in a producers' cooperative. It also sheds light on the methods of control available to the



manager. These methods are then explained in details and at the end of the text, suggestions are put forward for effective control.

## **5.0 SUMMARY**

In this unit, you are now acquainted with the objects of management control and the methods by which the manager can affect controls. Furthermore, the unit has mentioned to you the management control methods identified in details. The unit put forward some suggestions as to how the manager and management committee could strengthen management controls.

## **6.0 TUTOR-MARKED ASSIGNMENT**

1. Identify methods of management control in a producers' cooperative.
2. Carefully discuss two methods of management controls in producers' cooperative.

## **7.0 REFERENCES/FURTHER READING**

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<http://managementhelp.org/cntrlng.htm>

## **UNIT 4 PROBLEMS OF PRODUCERS' COOPERATIVE AND ITS MANAGEMENT IN NIGERIA**

### **CONTENTS**

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main Content
  - 3.1 Problems of Producers' Cooperative and its Management in Nigeria
- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor-Marked Assignment
- 7.0 References/Further Reading

### **1.0 INTRODUCTION**

The tardiness in the development of producers' cooperatives may be attributed to a number of problems. These problems range from inconsistent policies, lack of awareness on the part of skilled workers, infrastructural inadequacy, to poor management in the producers' cooperative and the entire cooperative movement in Nigeria.

This unit will highlight the problems of producers' cooperative and its management in Nigeria.

### **2.0 OBJECTIVES**

At the end of this unit, you should be able to:

- state the problems militating against producers' cooperative in Nigeria
- discuss management problems affecting the producers' cooperative.

### **3.0 MAIN CONTENT**

#### **3.1 Problem of Producers Cooperative and its Management in Nigeria**

Producers' cooperative, like other cooperatives no doubt, contributes to the development of the economy. The social wellbeing of members of the society and the community is a noble course. It is known that producers' cooperative, most especially the industrial cooperative, has

long been recognised since the industrial revolution in Western Europe in the small scale industry as agent of economic development. In Nigeria, however, its formation and operation have been crowded or shrouded with many problems, as listed below.

- Lack of deliberate policy to assist in the development of producers cooperative among other cooperatives
- Lack of awareness on the part of potential skilled persons qualified to set up producers' cooperatives.
- Since this type of cooperative is practised by skilled and poor people whose financial resources are not enough for the required amount of capital, lack of fund constitutes a constraint.
- Loans cannot be obtained by these poor skilled members for lack of collateral
- Even if loans are available, the rates of interest on such funds are very high and uneconomical.
- Industrial machines, equipment and tools necessary for production of goods and services are often not available, and when they are available they can only be obtained at very high cost.
- Products and services of producers cooperative are usually not for members, sales of such products and services take place in a situation of severe competition with the private sector entrepreneurs who have advantages of producing at considerable reasonable cost.
- The graduates of the National Directorate of Employment (NDE) are not trained and supported to form producers cooperative. They are only given skills and loans/supports to be on their own.
- Since not many people have the experience of running producers' cooperatives in Nigeria, the managers of such societies may not also be well experienced to steer the business out of serious challenges.
- Infrastructural problems (erratic electricity supply, inadequate water, bad roads etc.), in no small way, constitute major challenges to the management of producers' cooperative in Nigeria.

### **SELF-ASSESSMENT EXERCISE**

List the problems militating against the development of producers' cooperative in Nigeria.

## 4.0 CONCLUSION

This unit highlighted the problems retarding the development of producers' cooperative in Nigeria. It delved also into the management problems of the producers' cooperative.

## 5.0 SUMMARY

In this unit, you have learnt the problems militating against the development of producers' cooperative in Nigeria. The unit also revealed management problems of producers' cooperative in Nigeria.

## 6.0 TUTOR-MARKED ASSIGNMENT

1. Discuss the problems militating against the development of producers' cooperative in Nigeria
2. Identify and carefully explain management problems affecting producers' cooperative in Nigeria.

## 7.0 REFERENCES/FURTHER READING

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