

Organizational Charting for Member Control in Cooperatives



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Toward an Assessment Tool

ABSTRACT

A fundamental aspect of cooperative organizations is “member control” or member governance of the organization. Member control is facilitated through a series of member offices, elections to those offices, and organizational bylaws. When challenges to the legitimacy of cooperative organization occurs, those challenges often revolve around questions of member control. Do members actually control the cooperative? Our current era is of no exception given a context of acquisitions, mergers, and joint ventures in the cooperative community. This report presents a series of membership charts, from simple to complex, demonstrating various ways to depict a membership structure, with the explicit highlighting of mechanisms for member control. The report begins with simple depictions of macro-membership structures, e.g. local, centralized and federated. It culminates with a “containment” method that is able to illustrate appointed and elected positions, positions with and without decision-making authority, a basis of representation in geographic districts, flows and levels of authority, and whether authority is contained by the membership or outside of members’ control and oversight.

Key Words: Agricultural Cooperatives, Member Democratic Control, Charting Methods, Assessment Tool

Organizational Charting for Member Control in Cooperatives: *Toward an Assessment Tool*

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RB-CS Research Report 235
September 2020

U.S. Department of Agriculture
1400 Independence Ave., SW, STOP 3254
Washington, D.C. 20250-3254

<https://www.rd.usda.gov/programs-services/all-programs/cooperative-programs>

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PREFACE

When the legitimacy of cooperative organizations is challenged it often involves questions about “member control.” Do members actually control the cooperative? This question has become increasingly relevant as cooperatives have merged, acquired other organizations, developed joint ventures and generally increased their organizational complexity. Organizational charting is a methodology for depicting specialization and coordination in an organization as well as relationships of authority. Agriculture cooperatives typically use organizational charts to depict business and management structures. However, missing from many co-op organizational menus are figures specifically designed to depict membership structure. Membership charts ideally can provide such detail as the bases of representation, elected and/or appointed positions, sources of authority and delegations of authority, spans of internal committees, independent authorities or advisory functions, among many others. When sourced from cooperative bylaws, charting of membership structures can make visible, member control relationships in a cooperative, and potentially can address challenges to the question: “Do members control the cooperative?” This report illustrates development of charting techniques that can help answer this question.

Organizational charting is a methodology for depicting specialization and coordination in an organization as well as relationships of authority.

HIGHLIGHTS

- A central organizing principle of cooperatives is “member control.”
- “Member control” considerations are part of the enabling legislation of agricultural cooperatives in the United States., i.e. the Capper-Volstead Act.
- When the legitimacy of cooperatives is challenged, it often involves questions concerning member control. Do members control the cooperative?
- These questions have become increasingly present as cooperatives have grown in size due to scale changes and to such organizational changes as mergers and acquisitions.
- A methodology for assessing organizational characteristics is charting. Agricultural cooperatives typically use organizational charts to depict business and management structures.
- Charting to depict member control structures is used less frequently.
- The development of techniques for charting membership structures has waned since the 1990s.
- Utilizing both conceptual and empirical examples, this report reviews various charting techniques, and highlights the development of a “member containment method” for assessing member control.
- Charts are presented from the simplest and most macro depictions, e.g., local, centralized, federated, to more complex charts focused on internal micro membership structures.
- These internal micro-structures are illustrated using various conventions to depict such factors as (1) the bases of member representation (geographic districts,), (2) the differences between elected positions and appointed positions, (3) the differences between positions and committees with independent authority and those with only an advisory role and without independent authority, (4) the spans of specializations of committees, (5) the flows of authority, and (6) charting conventions that indicate whether sub-structures are contained by member authorities or not.
- A systematic charting protocol can “help make a membership system understandable to cooperative participants and enhance their ability to access and monitor a governance system” and make more informed decisions in elections.
- Further work is left to better relate membership structure to business and management systems.
- Ultimately emphasis on standardization of charting procedures may make it possible to compare structures of various cooperatives and to assess performance consequences of alternative structures.

Organizational Charting for Member Control in Cooperatives

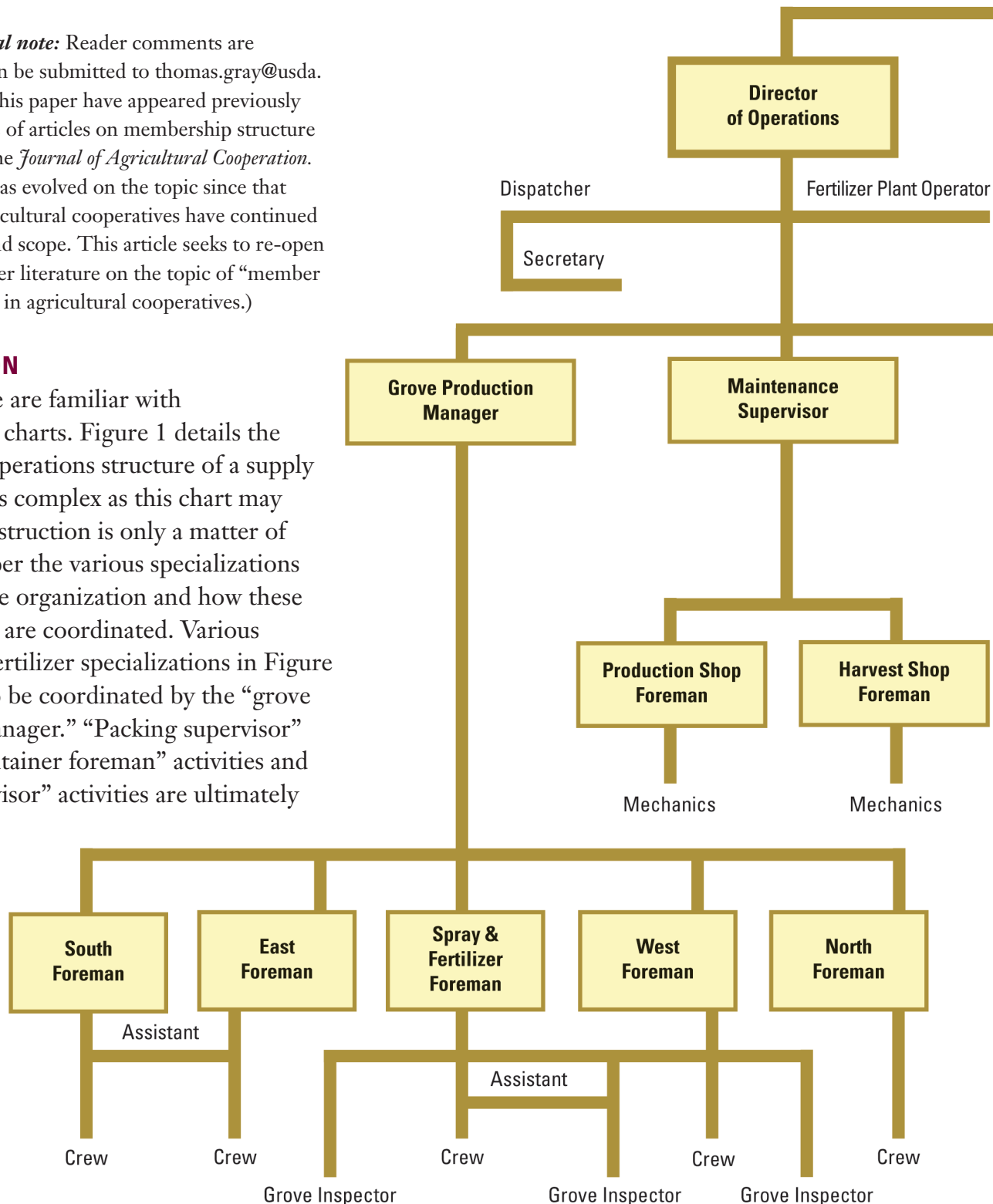
Toward an Assessment Tool

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(Author’s editorial note: Reader comments are welcomed and can be submitted to thomas.gray@usda.gov. Portions of this paper have appeared previously in an earlier wave of articles on membership structure and charting in the *Journal of Agricultural Cooperation*. Little literature has evolved on the topic since that time, though agricultural cooperatives have continued to grow in size and scope. This article seeks to re-open some of this earlier literature on the topic of “member control charting” in agricultural cooperatives.)

INTRODUCTION

Most people are familiar with organizational charts. Figure 1 details the business and operations structure of a supply cooperative. As complex as this chart may appear, its construction is only a matter of putting on paper the various specializations that exist in the organization and how these specializations are coordinated. Various regional and fertilizer specializations in Figure 1 are shown to be coordinated by the “grove production manager.” “Packing supervisor” activities, “container foreman” activities and “grader supervisor” activities are ultimately



(Butler 1988)

General Manager

Receptionist

Secretary

Figure 1:
Business and
Operations Structure

**Director
of Sales**

**Secretary/
Treasurer**

Sales Manager

Clerks

Data Processor

Assistant Sales Manager

**Maintenance
Supervisor**

**Packing House
Foreman**

**Office
Manager**

Dispatcher

Watchman

Clerks

Maintenance

**Assistant
Foreman**

**Assistant
Foreman**

**Assistant Packing
House Foreman**

**Fruit
Receiving**

Crew

Crew

Crew

**Packing
Supervisor**

**Packing
Supervisor**

**Packing
Supervisor**

**Container
Foreman**

**Grade
Supervisor**

Packers

Packers

Packers

Formers

Graders

coordinated by the “packing house” foreman. Nearly all cooperatives (and all businesses for that matter) document management and operations structures in a similar fashion in order to clarify the various authority, specialization, and coordination relationships.

However, missing from many co-op organizational menus are figures or charts on “membership” structures. Ideally charting of the membership will depict not only specializations and coordinations but more importantly, “member control” relationships. Member control is a central cooperative principle as articulated in various sets of principles, including those as stated by the International Cooperative Alliance:

“Democratic Member Control: Cooperatives are democratic organizations controlled by their members, who actively participate in setting policies and making decisions. Elected representatives (directors/trustees) are elected from among the membership and are accountable to the membership (ICA).”

Unfortunately, little literature has evolved to address these issues in a charting methodology. When the legitimacy of cooperative organizations has been challenged, it is often around demonstrating “member control” is an actual empirical reality. Do members actually control the cooperative?

The purpose of this report is to renew some of the older literature on the topic of “member

control charting” to re-surface techniques used to make such assessments. The report will progress with a presentation of simpler techniques to more complex and comprehensive depictions of membership control structures.

MACRO-MEMBERSHIP STRUCTURE

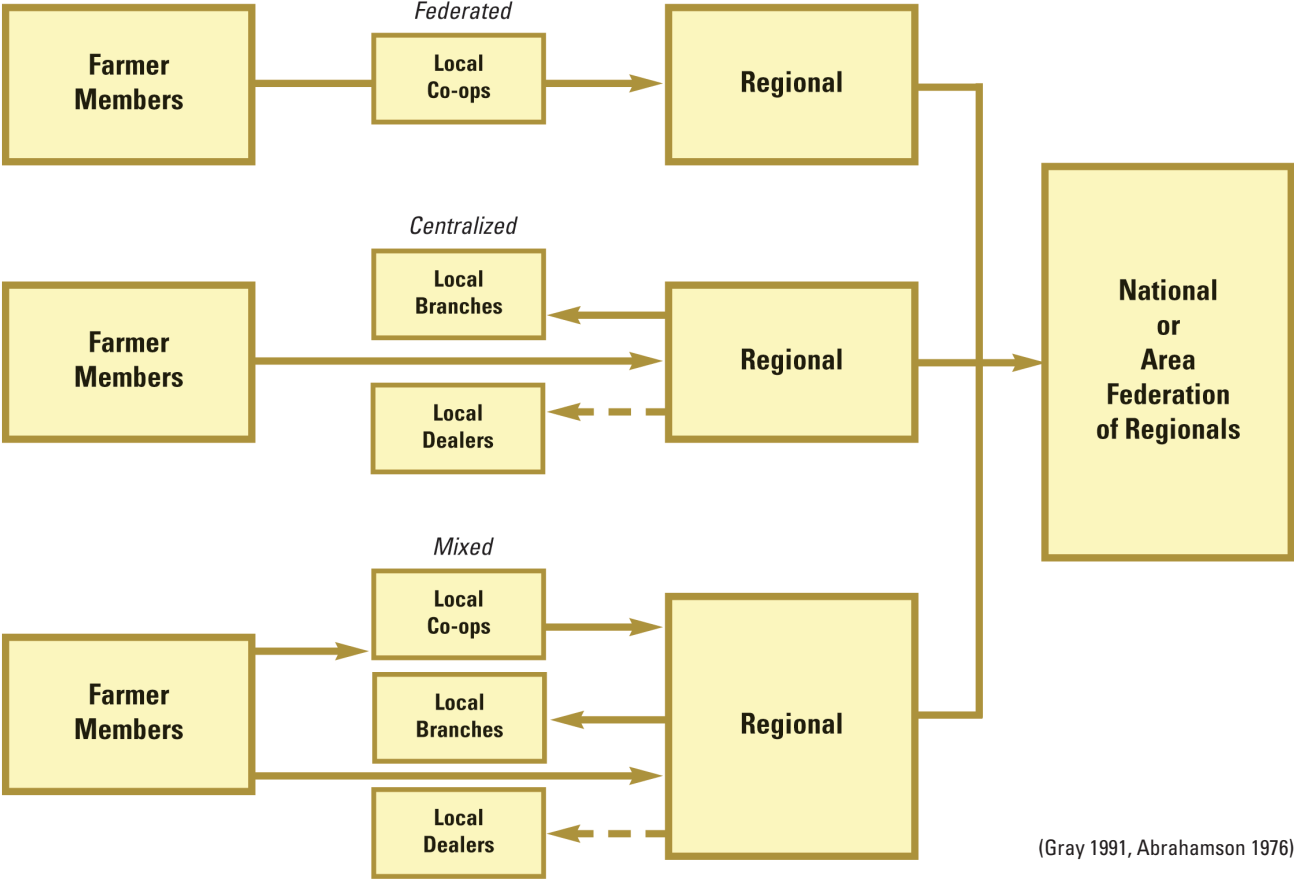
Figure 2 presents membership relationships in differing cooperative types. For example, in a federated cooperative, farmers may be members of locals and locals in turn are members of a regional of a federated organization. In a centralized cooperative, farmers can be members of the overhead organization (the regional,) but are not members of a local outlet or local service facility. In a mixed-cooperative, some farmers may hold membership in a local, others in the regional, and the local in turn may hold membership in the regional (Abrahamson 1976; Zueli and Cropp 2004).

These types of charts, as developed by Abrahamson (1976), are excellent for representing member relations among differing cooperative types, e.g., local, centralized, and federated. They say very little about the internal representative, authority, and micro-control structures of a cooperative.

AUTHORITY FROM THE MEMBERS OR THE ORGANIZATION?

Figure 3 presents local cooperatives and their respective memberships as aggregated up into an organization. This schema depicts a frequent

Figure 2:
Macro-membership Structure



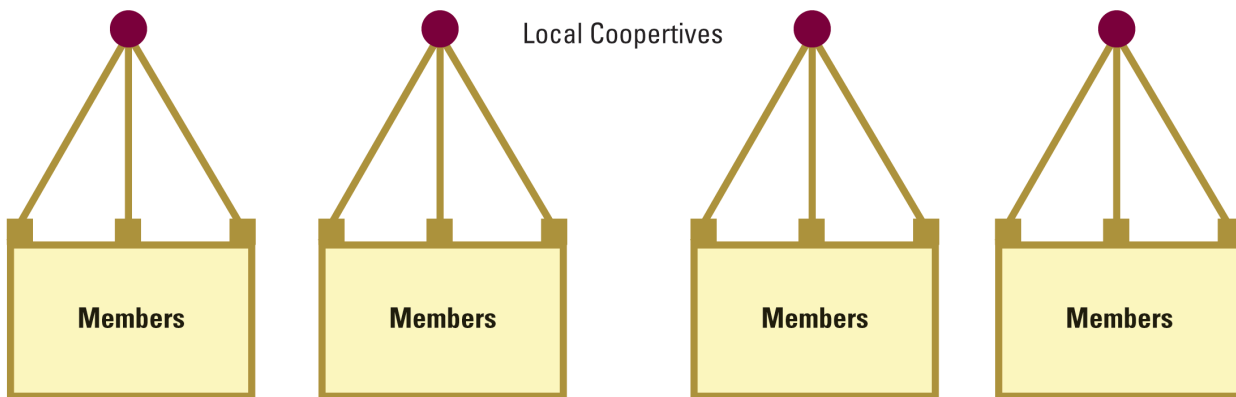
(Gray 1991, Abrahamson 1976)

representation of membership, with members placed at the bottom of a chart and underneath an organization. However, if we understand membership as controlling the organization and delegating authority to the organization (to a board of directors), then placement of members above the organization is a more appropriate placement (as in Figure 4).

Figures 4, 5, and 6 show the major macro-membership structures of agricultural cooperatives—local, centralized, federated—as

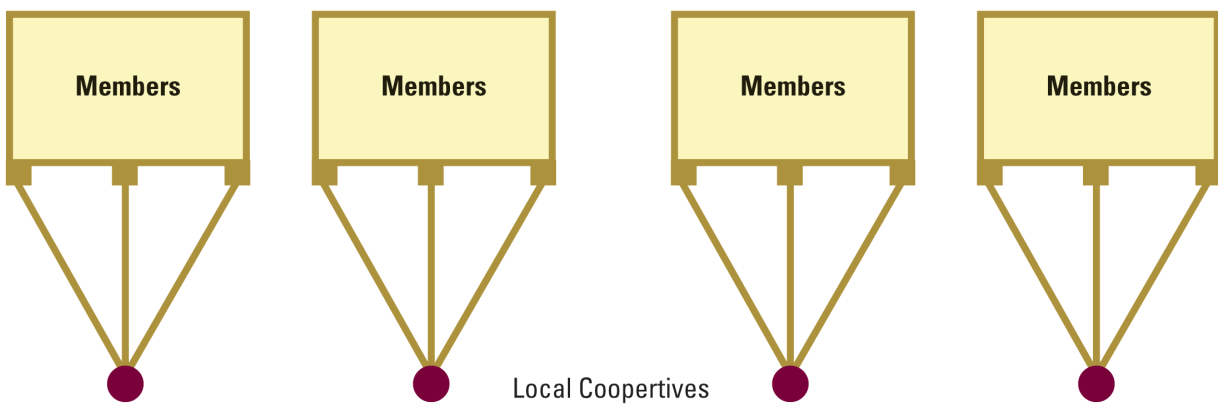
in Figure 2, but more simply, and with members shown in a position delegating authority down to an organizational body. These figures are an improvement over Figure 2, though they say very little about election relations, i.e., flows of authority from elections, delegation of authority, and internal micro membership structures.

Figure 3:
Local Cooperatives:
Members Down



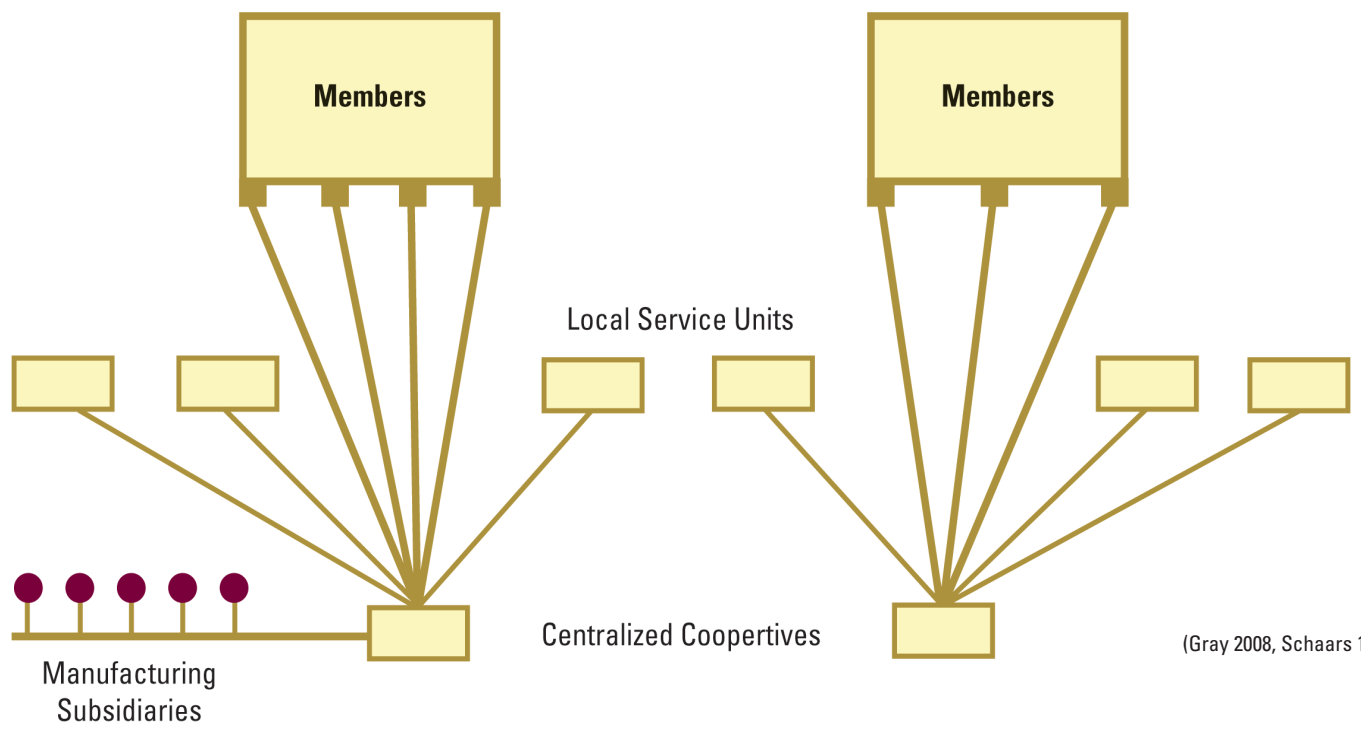
(Schaars 1980, Gray 2008)

Figure 4:
Local Cooperatives:
Members With Power



(Gray 2008, Schaars 1980)

Figure 5:
Centralized Cooperatives



(Gray 2008, Schaars 1980)

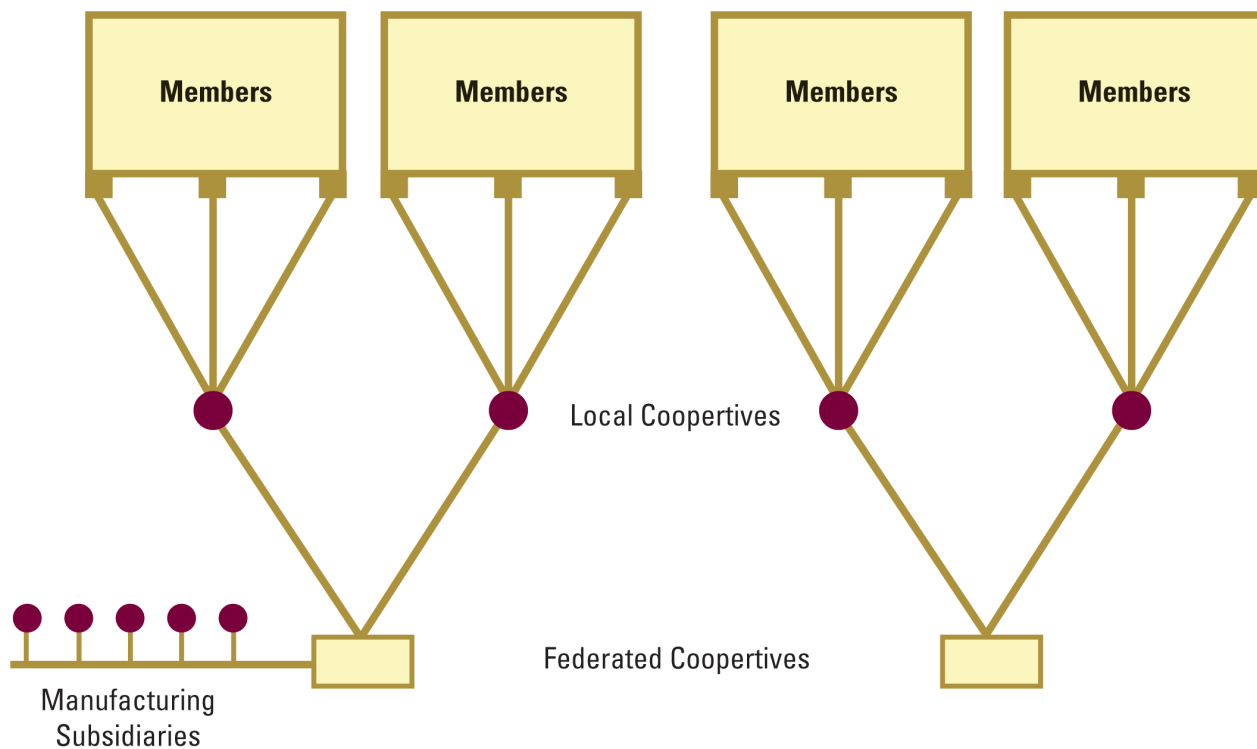
ELECTED POSITIONS

Figure 7 begins to describe the internal governance structure of a cooperative by displaying elected positions within a co-op. Shown is a representation system based on geographic districting with members placed at the top of the page—indicating delegations of authority downward through an election process.

Election provides the basis for authority and in-turn the legitimacy for delegations to other bodies.

Members are also shown electing a district director and a member (or members) to a delegate body. The district director is shown as sitting on the cooperative board of directors, representing respective district members on the board. The

Figure 6:
Federated Cooperatives

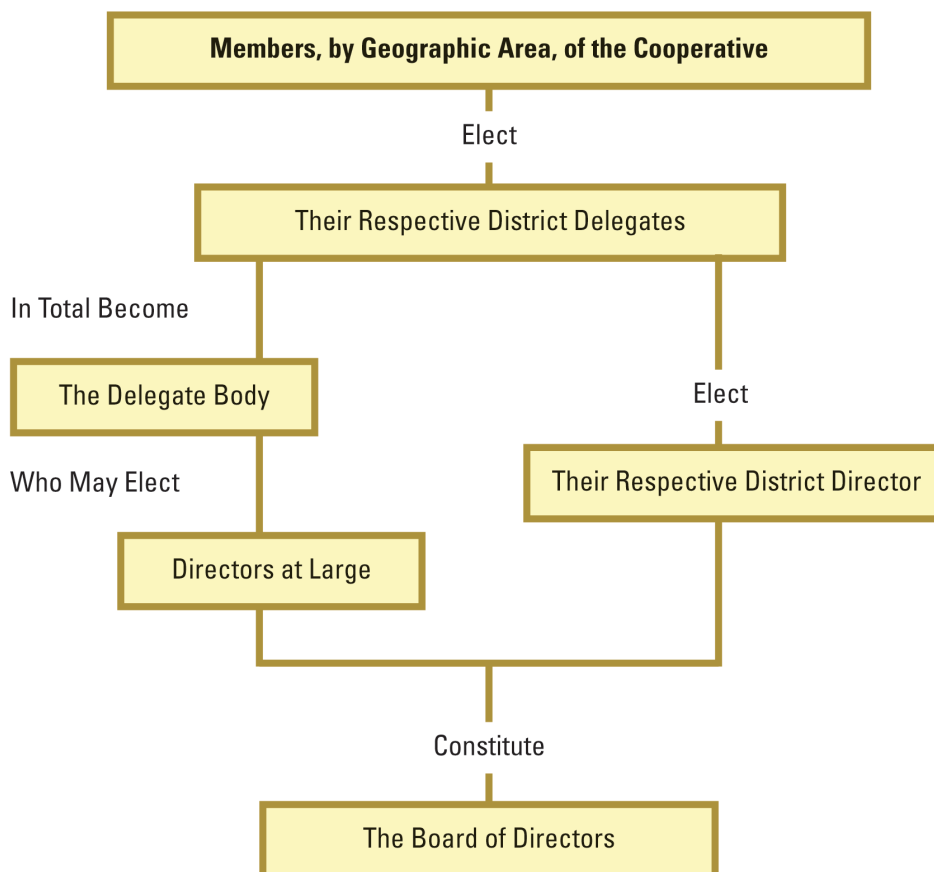


(Gray 2008, Schaars 1980)

delegate body in turn elects directors at large to the board of directors. At large directors represent district members but are also freer to speak to larger organizational concerns. As an abstract model, the figure does well in depicting delegations and flows of authority via election processes, and member representativeness as based in geographic districts.

However membership structures involve both appointed and elected positions as well as committees and bodies with and without independent authorities. A further absence in Figure 7 is the absence of any indicators for reading breaches in member control.

Figure 7:
Elected Positions



(Garoyan & Mohn 1976, Gray 1991)

MICRO-MEMBERSHIP STRUCTURES

Butler (1988) was the first to represent micro-membership structures of member control visually with the use of specific diagrammatic conventions (figure 8). She suggests depicting:

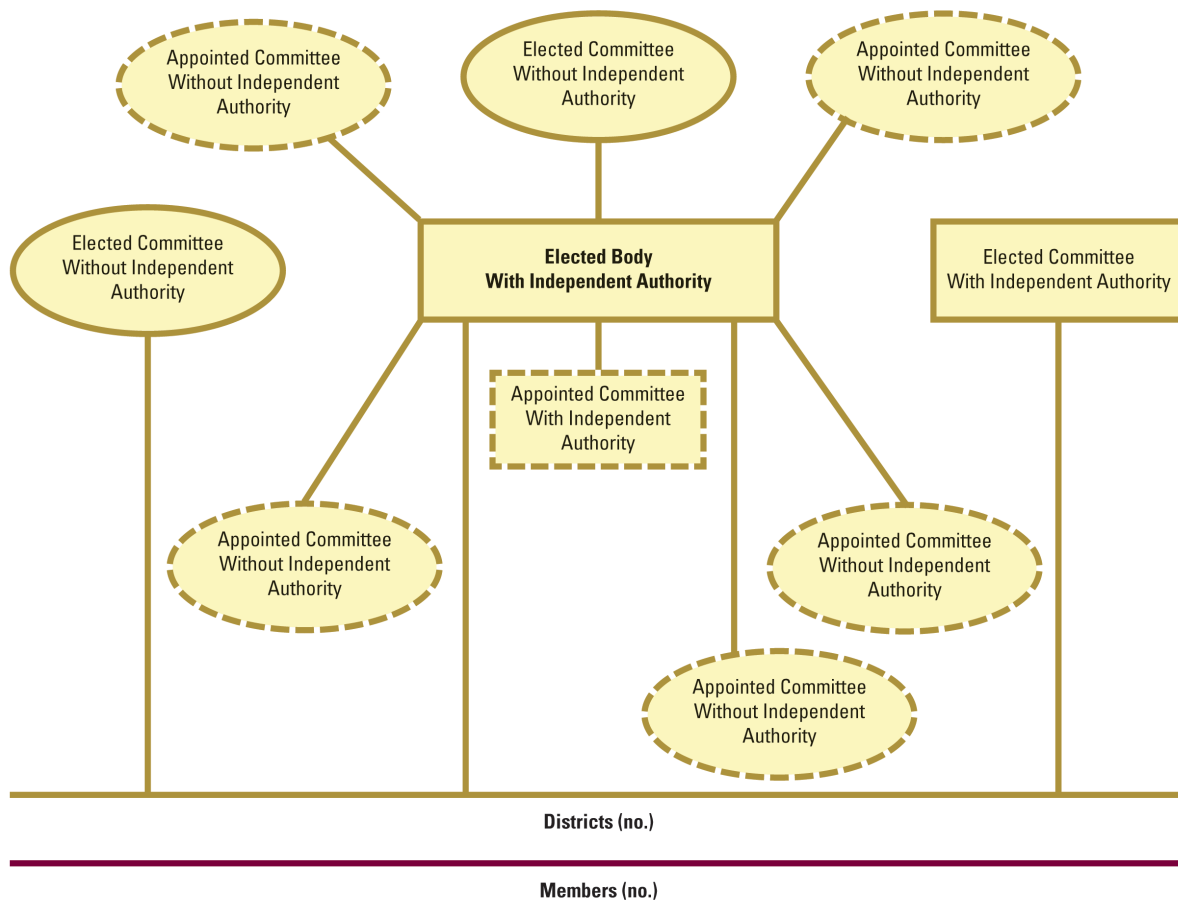
- “(1) elected positions be represented by solid outlines,
- (2) appointed positions by broken lines,

- (3) bodies with independent decision-making authority by rectangles, and
- (4) bodies with no independent authority (advisory) by circles.”

Of course, the actual shapes themselves are not important, but consistency of shapes within and across diagrams is important.

Figure 9 displays the membership structure

Figure 8:
Member Control Structure



(Butler 1988)

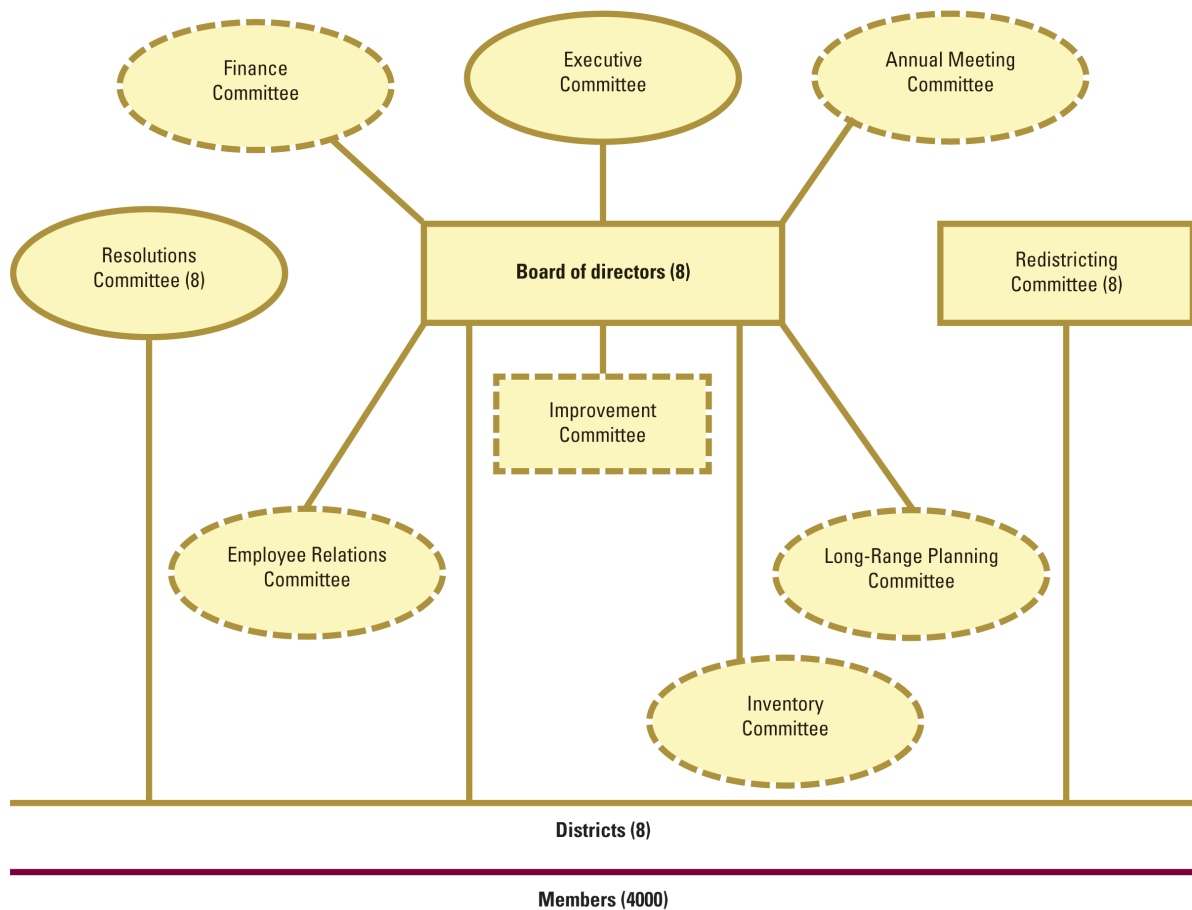
of a supply cooperative. Following Butler's conventions, six committees are depicted as appointed and as such are drawn with broken borders. Five are drawn as circles and therefore are understood as advisory—in this case, advisory to the board.

One of these appointed committees, the improvements committee, has independent authority and is therefore drawn as a rectangle.

This committee's decisions stand on their own, and do not need to be taken back to the board of directors nor to the general membership for final approval. It is an appointed committee, appointed by the board, but its decisions are independent of board approval.

Four committees are elected—the board of directors, a redistricting committee, a resolutions committee, and an executive committee—and,

Figure 9:
Control Structure
of Supply Cooperative



(Butler 1988)

as elected, are shown with solid borders. Of these four, two have independent authority, and therefore are drawn as rectangles. One is elected out of the board, the executive committee, but is advisory to it, requiring approval of its decisions by the full board. The resolutions committee is elected, but does not have independent authority. Its decisions have to go back to the general membership for approval, likely at the annual meeting of the cooperative. The basis of member representation throughout most of the cooperative is the geographic district, and ultimately the members. Farmers are members of a district by virtue of joining the cooperative and are districted into the organization depending on the geographic location of their farm.

This methodology provides much greater information than the previous charts above. It shows the basis of representation, i.e., the geographic district, the span of internal committees, elected and appointed differences, sources of authority and delegations, and independent and advisory roles. Some improvement might be made conceptually by showing members at the top of the chart as the source of authority; authority that is then delegated down to other positions in the structure, this delegation occurring via election processes as well as by appointments.

THE CONTAINMENT METHOD OF CHARTING

An important purpose of membership charts is to display member control structures in a manner that reveals questionable structuring and problem areas.

As such a member control chart ideally suggests a sense of containment, i.e., cooperative governance is derivative from its members,

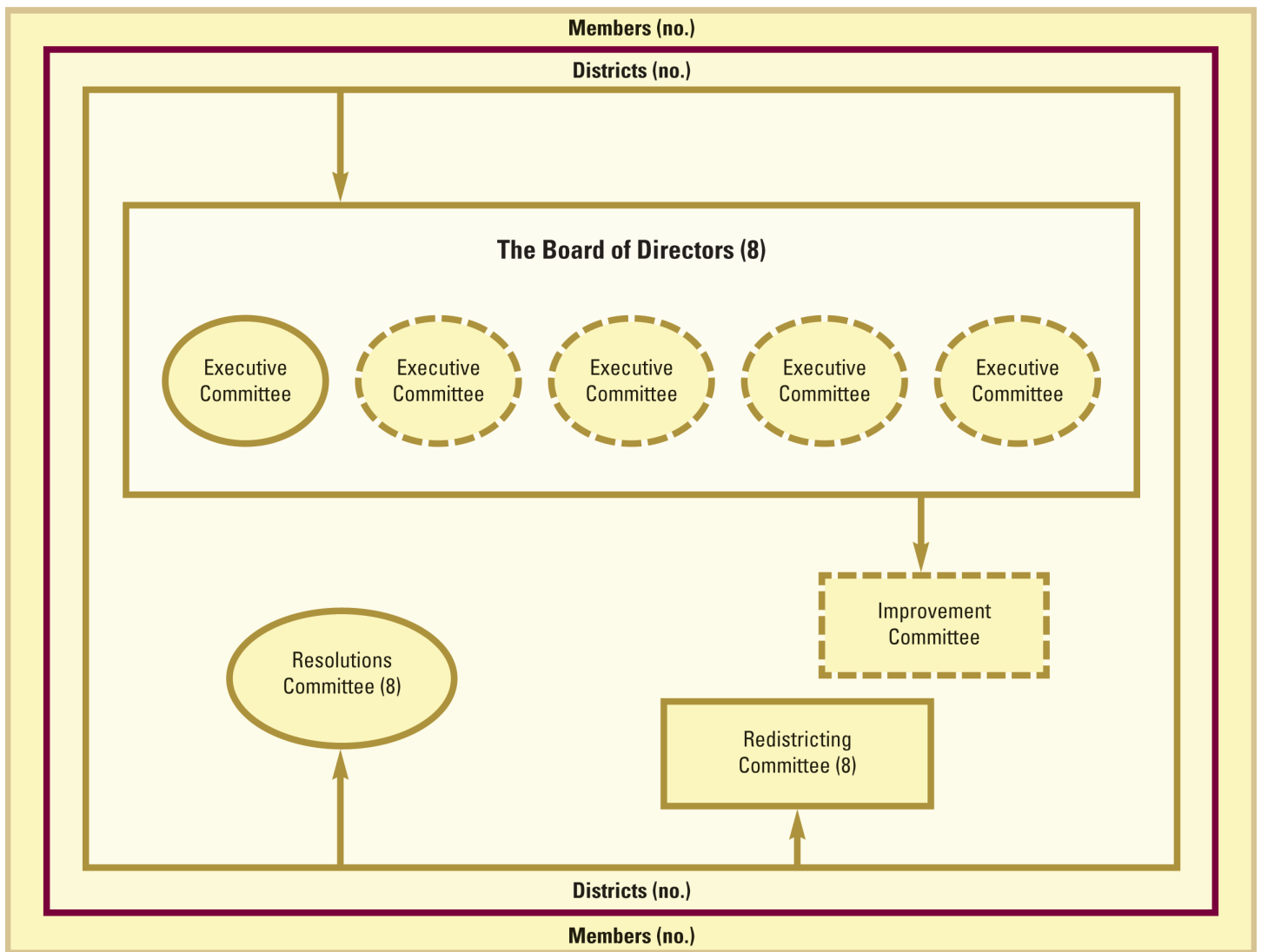
members contain the governance, with various roles specified with delegations via elections and appointments. Of course, a chart cannot show all aspects of member control. Complete specifications for an entire structure are generally made in cooperative bylaws, and charting then follows from bylaw specifications as much as possible.

Containment Method Case 1: Figure 10 presents a second supply cooperative with modifications from the previous chart. Three bodies are represented with rectangles, i.e., each has independent decision-making authority. The board of directors is elected by members out of geographic districts. The director rectangle “contains” five committees, i.e., the executive, annual meeting, and the finance, long-range planning and inventory committees. Only the executive committee is elected (shown with a solid boundary) and is elected out of the board. None of these committees have independent decision-making authority. Each must take decisions back to the full board for approval of their decisions. Their actions are contained by the larger board.

Both the resolutions and redistricting committees are elected, though only the redistricting committee has independent decision-making authority. Neither require approval by the elected board, though the “resolutions committee” is required to take its decisions back to the larger membership for approval, likely at the annual meeting. The improvements committee is appointed out of the board, but is not shown within the board rectangle due to having independent decision-making authority.

The reader will note the membership surrounds, or contains, the entire governance structure.

Figure 10:
Control Structure of Supply
Cooperative: Containment Method



(Gray 1991)

Containment Method Case 2: Figure 11 represents a deepening of the charting conventions introduced above. This writer acknowledges the chart reads with a degree of complexity in appearance; however, the conventions allow for an improved technique for member control assessment—particularly with reference to members containing the system.

Following the conventions as specified, members have a basis of representation in geographic districts, and through these districts, they elect a delegate body. This delegate body, with its independent decision-making authority, elects the “association board” of the cooperative. The “association board” in turn appoints four committees and elects an executive committee. All five of these committees are charted within the “association board” rectangle and must take their decisions to the full board for approval.

Members also elect from their respective districts eight division boards. These division boards in turn appoint four committees and elect an executive committee. And as with the “association board,” the decisions of committees of the “division boards” must return to the larger division board for approval. Accordingly, they are charted within the board rectangle.

Labeling the committees on the figure, for example, at the division board level, gives the reader an indication of board roles. The lower division boards, placed on the chart below the over-head association board, deal with functions closest to the members—hauling, quality premium, auditing, ballot counting and executive committees. The association board is much more concerned with various larger corporate functions, i.e., finance, marketing, member and public relations, as well as management evaluation.

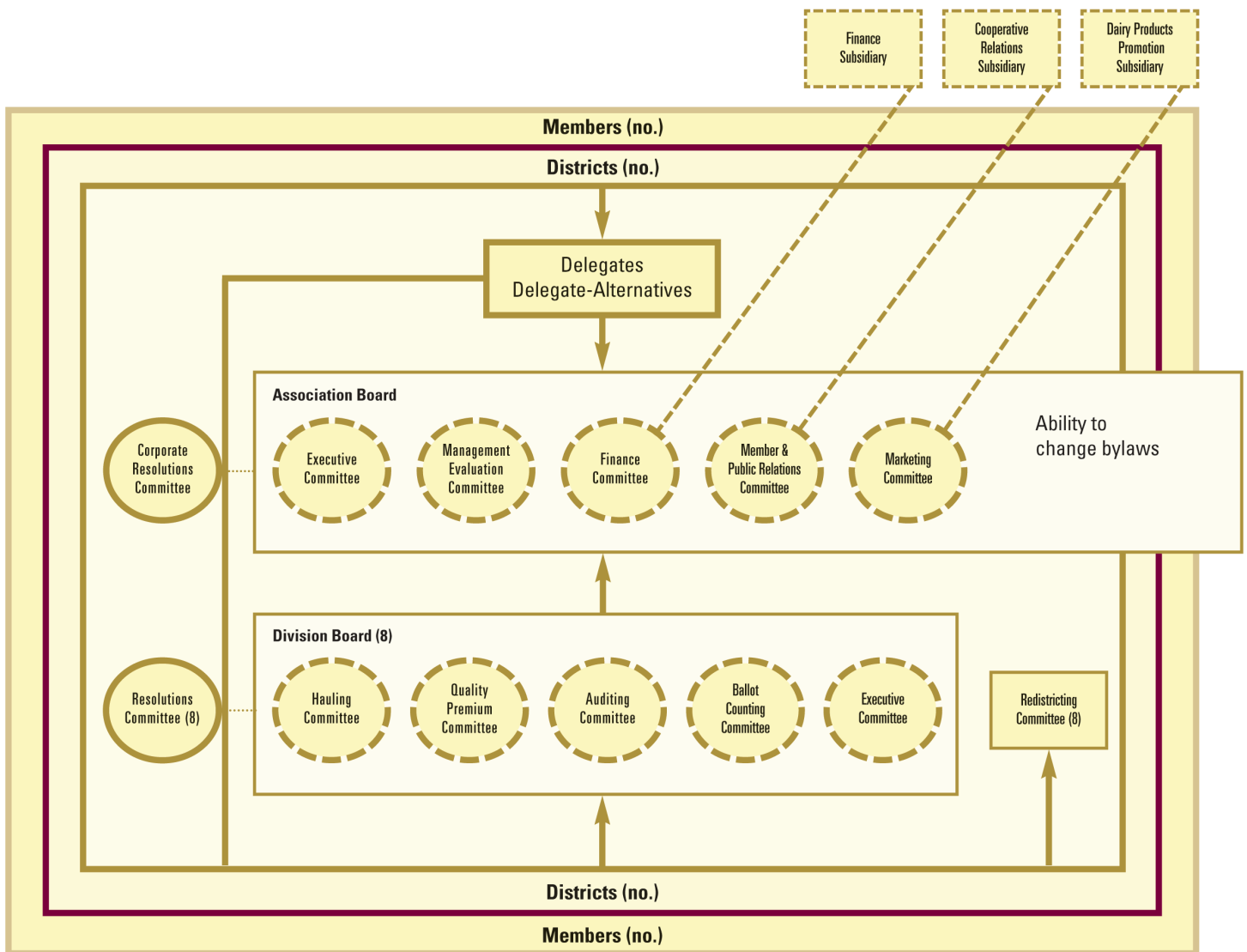
Members also elect re-districting committees at the division level (for eight division boards). They have independent authority and hence are drawn as rectangles. Resolutions committees are also elected at the division and association levels—though they are advisory to the board and are drawn as circles.

Perhaps of most significance, the reader can observe the association board rectangle cuts through the membership circle. In this cooperative, the association board of directors has the power to change the bylaws. From a “member containment” perspective of charting, since the board cuts through the member circle, members are shown as lacking an oversight function over the board. Since the board has power to change the bylaws, it has the power to make fundamental changes to the structures and rules of the cooperative, i.e., the bylaw specifications.

Similarly, the finance, dairy products promotion, and cooperative relations subsidiaries have independent authorities separate from member oversight and approval/disapproval of their decisions. They are positions (broken boundary in the chart) appointed by the Board; drawn outside the membership circle showing independent authority outside of the larger membership.

An assessment for member control might then raise questions concerning the accountability of these subsidiaries to the Association Board and ultimately to the larger cooperative membership. Do the members control the cooperative?

Figure 11:
Control Structure of Dairy
Cooperative—Containment Method



(Gray 1991)

CONCLUSION

The subtitle of this article is “Toward an assessment tool.” The word “Toward” was chosen to suggest the conventions employed here are a first step to graphically and visually depict a member control structure. Needed as well is a detailed review of cooperative bylaws keyed to various boxes in the chart to flesh out the various authorities, mandates and position roles; and ultimately to make explicit the membership-structure relationships to the management and operations structure.

A systematic charting protocol can “help make a membership system understandable to cooperative participants and enhance their ability to access and monitor a governance system. If members are aware of who is responsible for particular decisions, they will be better prepared to express their approval (or lack thereof at election time. And with further work, standardization of charting procedures may make it possible to compare structures of various cooperatives and begin to research the performance consequences of alternative structures” (Gray 1988; Butler 1988).

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