

Case III - The Outside Offer

John was a long tenured board member at Johnson Farmers Cooperative. Last night he received a phone call from the board chair announcing an emergency board meeting for the next day. The meeting was in response to an offer made by an outside private firm expressing interest in purchasing all of the assets of the cooperative. The members would presumably receive substantially more than the face value of their equity but the cooperative would be dissolved. John encouraged the board chair to remind board members of their duty to represent the best interests of the cooperative membership.

As John put down the phone he began to think about the emergency board meeting. He was sure there would be heated discussion. He began to consider his responsibility as a board member. He has always viewed his primary responsibility as protecting the viability of the cooperative so that it could serve the current membership and be positioned for future generations of producers. He also realized he was responsible for protecting the members' financial interest. He had always assumed that keeping the cooperative strong and profitable was the key to protecting the members financial interest but now he realized there could be another dimension.

John also knew that the board has responsibilities in communicating with the members and educating them on the affairs and status of the cooperative. He knew that he also has a responsibility to maintain confidentiality. Now he pondered under what conditions, if ever, does the board have a responsibility to communicate a purchase offer to the membership? He knew that the board was elected to make decisions for the membership. Still ultimately, it was the members that owned the cooperative and they had the right to vote on major decisions. John realized that there were many conflicting issues involving the board's role and the member's role in governance, protecting the cooperative versus protecting the members' financial opportunities and confidentiality versus transparency. It looked like tomorrow was going to be a challenging day!

TEAM GROUND RULES

1. Appoint a Chairperson to Lead Analysis and Discussion – Invites all Team Members to Participate and Share Perspectives during Analysis and Discussion; Keeps Discussion on Point in Line with Case Analysis Steps.
2. Appoint a Recorder of Your Team's Case Analysis and Discussion Key Points and Conclusions (The Recorder will Report the Key Points and Conclusions during the Team Report Outs for Each Case)

Over

GENERAL CASE ANALYSIS STEPS

1. Review the “Guiding” case questions to obtain clues on what the key issues are to be resolved.
2. Identify the key issue(s) of concern, problems, challenges, or opportunities] and their significance. Focus on the most important key points and facts surrounding the case.
3. Specify alternative courses of action
4. Evaluate each course of action.
5. Recommend the best course of action.
6. Summarize and Record key points, conclusions, answers to questions, and recommended courses of action.
7. Report summary during team report outs.

Guiding Questions for Discussion:

1. Does the board have any responsibility to evaluate an offer to purchase and dissolve the cooperative? If so, on what basis should they evaluate the offer (e.g. what considerations justify considering selling the cooperative)?
2. Does the board have any responsibility to communicate an outside offer to the membership?
3. Does the board have the authority to reject an outside purchase offer if they conclude it is not in the member’s financial interest?
4. What strategically, structural or policy decisions, if any, make a hostile takeover more or less likely?