Case II: The Run Away Board

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Baldwin Cooperative is a wheat and farm supply cooperative in Kansas. The cooperative headquarters and its 4 branch locations include feed, fertilizer, petroleum, and service station operating departments.

The co-op has struggled financially for the past 5 years primarily because of its high operating cost structure. The manager has repeatedly asked the board for permission to shut down unprofitable business departments, to consolidate fertilizer, feed and petroleum facilities and to switch some locations to seasonal operation. Unfortunately, every proposed cost control strategy seems to pit one of its region's service areas against another. Moreover, the directors are elected by region and are adamant about preserving services in their respective regions. Numerous strategies for improvement have been developed during strategic planning retreats but nothing gets done. The bank has threatened to discontinue credit if a cost control plan is not put in place.

The manager grumbles that board members are focusing on local politics at the expense of the cooperative. The manager also feels that the board encroaches on management functions. The most recent conflict came when the board questioned the manager's authority to contract with an outside party to manage one of the cooperative's unprofitable service stations.

Board members complain that the manager focuses only on the bottom line and ignores the impact of decisions on the members. The board also feels that the manager oversteps his authority. Several board members feel that the service station management contract should have been a board decision. The board also discovered that the manager has been extending credit to the firm retained to manage the co-ops service station operations. The board has instructed the manager to discontinue credit to this firm.

All of the tension came to a head at last night's board meeting. The board announced they were tired of hearing about cost control that hurt the co-op's members. The board voted to sell the manager's truck and let him drive "old blue" a 1991 model. The board also voted to sell the co-op's headquarter office building, instructing the manager to disperse administrative office activities among the co-op's small branch offices. The manager reported that he had drastically reduced the credit line to the service station venture. However he had not completely cut off credit, a move he felt result in bankrupting the firm managing the co-op's service stations necessitating closure of the service stations (a move he felt was not in the best interests of members). And, before the board could react the manager stated that he was leaving the cooperative for another opportunity. His last comment was that the board was "out of control".

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. Did the board do anything wrong? If so, what?

2. Did the manager do anything wrong? If so, what?

3. What could the board and the manager have done to address the co-op’s high operating cost structure?

4. Was the board too involved in management’s functions and day-to-day operating decisions?

5. How could this matter have been handled well on behalf of member interests?

6. Going forward, what strategy, tactics, and action plans should the board adopt for resolving the co-op’s current issues and for creating a “partnership” relationship with its new manager?