

A STUDY OF MEMBERSHIP RELATIONS IN TWELVE KANSAS  
PETROLEUM COOPERATIVE PURCHASING ASSOCIATIONS

by

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B. S., Kansas State College  
of Agriculture and Applied Science, 1937

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A THESIS

submitted in partial fulfillment of the

requirements for the degree

MASTER OF SCIENCE

Department of Economics and Sociology

KANSAS STATE COLLEGE  
OF AGRICULTURE AND APPLIED SCIENCE

1950

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## INTRODUCTION

Success of a cooperative organization, in the long run, depends upon the loyalty of its members as evidenced by their willingness to give it their business. In this way it differs from the normal business corporation which depends, not on the stockholders, but upon the general public for its business. Membership loyalty is based upon a sense of responsibility for and ownership of the association developed by the members' understanding of its purposes, policies, and operation.<sup>1</sup>

The membership relation problem faces all cooperative organizations, but the difficulty of maintaining good member relations varies with the distance between management and membership. Centralized organizations with a large, scattered membership lack close personal contact between members and management. Small local organizations have a closer relationship between members and management, but find it difficult to develop personnel and leadership necessary to maintain an effective membership program. The cooperative federation, in which local cooperatives maintain a central organization to perform certain services, can provide excellent general plans and supervision and still allow the advantage of member loyalty to the local organization. However, to be effective, the actual execution of the membership program must be the responsibility of the

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<sup>1</sup>Jesness, O. B., Cooperative Marketing of Farm Products, p. 181.

local group.

Kansas marketing and purchasing cooperatives have followed no definite pattern in their type or method of operation. Their growth and development have been influenced during their history by a number of different organizations and institutions in the state.<sup>1</sup> They are predominantly the local type, and following the pattern of agriculture in the state, purchase farm supplies and market grains. A few centralized organizations market dairy products, livestock, wool, and fruit. The increase in the use of power machinery in grain producing areas of Kansas has developed purchasing of petroleum and associated products as a major sideline for grain marketing organizations and the organization of many new purchasing organizations. Cooperatives have diversified further by purchasing hardware, lumber, machinery, appliances, and food. Purchasing operations have added new problems in financing and merchandising and have made the problem of membership relations still more important.

During the past 15 years efficient financial management has been stressed while membership management has often been neglected. This period, too, has been favorable to the business and financial operation of most cooperatives. It has been found in cooperatives, organized during this period, that the older members who realized the need and purpose of the organization are retiring from active participation. New members, who fail

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<sup>1</sup>Wilson, Lloyd C., History of Kansas Cooperatives. Topeka: Kansas Cooperative Council, 1949. Chapt. 4.

to realize that need, look upon the cooperative as just another business organization. A continual membership program must be maintained in cooperatives to extend their life from one generation to another.

### Purpose of Study

The importance of the problem of maintaining member loyalty in cooperatives indicated a need for information which may be used to develop and maintain effective membership policies. The general purpose of this study was to obtain information to help management and directors of local cooperatives improve membership relations. More specifically, the objectives were: (1) to analyse factors affecting the patronage of members (2) to determine membership policies most effective in promoting member loyalty (3) to emphasis methods of measuring member loyalty useful to management as an indicator of the effectiveness of membership policy.

In developing the study good membership policies were considered those that tend to create a feeling of ownership among members with an accompanying sense of responsibility for the successful operation of their cooperative organization. The degree of loyalty in an organization indicated by the relative number of members trading 100 per cent, during a year, was considered an effect of such policies over a period of time.

## Materials and Methods of Procedure

The data used in this study were obtained by personal interview with the manager of 12 cooperative petroleum purchasing associations. The location of the 12 associations is shown in Fig. 1. This group was a final selection from a total of approximately 70 purchasing associations in Kansas whose business was primarily petroleum and associated products.<sup>1</sup> In line with the objectives of the study, associations were selected with an average range of membership and a similar extent of operations. A study of similar associations was believed to be important in determining the effect of membership policies in creating good membership relations. Very large or small associations were not considered in the problem. Selections of similar associations were made on the basis of membership since the problem was concerned with the loyalty of members. It was considered that selection by volume of business or other methods would tend to be influenced to a great degree by factors such as size and scope of farm operation. The associations selected were considered to be generally typical of the average local cooperative in Kansas.<sup>2</sup> Table 1 shows the recorded membership, business volume and value of total assets for the 12 associations.

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<sup>1</sup>Classification based on business in petroleum and related products of at least 75 per cent of total volume.

<sup>2</sup>Wilson, op. cit., p. 81 and p. 84. Average membership of petroleum purchasing cooperatives in Kansas for 1946 was 369; average volume of business was \$120,159.

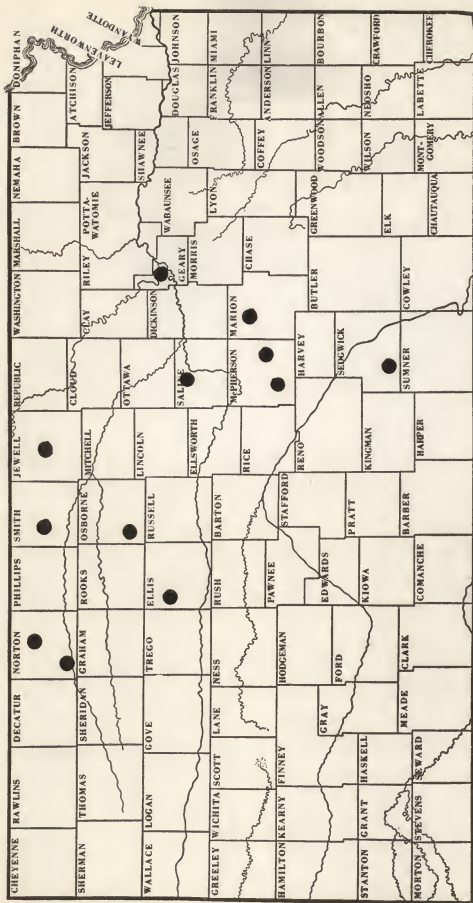


Fig. 1. Location of petroleum purchasing associations used in the study.



Table 1. Twelve Kansas cooperative petroleum purchasing associations according to size of membership showing volume of business and value of total assets, 1948-1949.<sup>1</sup>

Association number	Number of members	Volume of business	Value of total assets
1	214	95,664	54,880
2	248	81,874	66,588
3	292	81,994	66,000
4	314	58,731	27,410
5	314	65,000	40,669
6	350	150,000	53,607
7	367	50,000	26,518
8	420	119,419	63,064
9	475	114,455	70,433
10	496	147,962	70,180
11	500	227,284	132,112
12	570	161,000	43,970

<sup>1</sup>Information obtained by personal interview.



The effect of membership policies over a period of time was considered to be reflected by the per cent of business (patronage) that members gave their association during a year. To obtain a degree of patronage by members, managers were asked to estimate an individual per cent of patronage for a sample group of members for the year 1949.<sup>1</sup> This was considered the members annual business as a per cent of total business possible--100 per cent. The same sample was taken of inactive members in the trade territory. Arithmetic averages were computed for each sample to obtain an "average per cent of patronage" for each association. Associations were grouped by their averages to compare factors considered to affect member patronage. Table 2 shows the associations grouped in intervals of 15 per cent with

Table 2. Classification of 12 Kansas cooperative petroleum purchasing associations according to average per cent of patronage 1948-49.

Average per cent of members patronage	Number of : association	Range of : percentages : in groups	Average per cent : in groups
Less than 30.0	0	0.0	0.0
30.0 to 44.9	2	38.0--39.9	39.0
45.0 to 59.9	3	52.2--56.6	53.9
60.0 to 74.9	4	61.3--65.4	63.0
75.0 to 89.9	3	80.7--86.4	84.1
More than 90.0	0	0.0	0.0

<sup>1</sup>Sample was 12 per cent of membership over 300, 20 per cent for membership less than 300.

the range and average percentage for each group.

Questions were prepared to obtain information regarding membership policies. Those questions were supplemented by managers' description to determine their extent and use. Policies affecting membership were grouped under the following general divisions: (1) general information policies; (2) indirect information considering directors and employee policies; (3) member participation; (4) youth activities. To measure the effect of membership policies, associations were grouped by the per cent of members in the trade territory who were estimated to trade 100 per cent. This measure seemed to be the best indication of the degree of membership loyalty that should result from effective membership policies. The "average per cent of patronage" was also considered as a measure. However, it was felt that it was influenced, to a great degree, by factors other than those that would develop real member loyalty.

Little attempt was made to quantify the data due to the subjective nature of the problem. Data relating to membership policies were obtained by case study. Opinions of the writer were necessary to determine the effective use of such policies by individual cooperatives over a period of time. Descriptive tables were the primary device used for comparison of policies of individual associations or groups of associations. The policies of groups of associations were compared by the use of "yes" and "no" tables that indicated the number of associations in each group that followed certain policies.

### Limitations of Study

The data considered in this study were limited by several factors: (1) the extent and use of policies considered to develop a loyal membership were difficult to determine; (2) accuracy of estimates by managers of the degree of patronage of members was limited to their knowledge of members requirements for the merchandise handled by the cooperative; (3) factors other than loyalty of member may affect, to some degree, the members' decision to give the association 100 per cent patronage.

It was considered that a survey of membership to determine the knowledge and attitudes of members would provide important supplementary information for the study. However, such information would require a personal survey to be effective. The time and cost involved in securing that information made its elimination necessary at this time.

Some associations, originally considered for study, were eliminated because information given was considered unreliable. Realizing the limitations present it was believed that data were sufficiently accurate to provide the general information necessary for the study.

### REVIEW OF LITERATURE

The problem of membership relations has long been recognized as important to the success of cooperative organizations.

Much literature, dealing with the principles upon which cooperatives were founded, has emphasized and outlined the problem. Other literature, treating special problems of organization and operation, has noted effects of membership policies.

Only in recent years have special studies been made and research conducted on special problems in membership relations. Some of those studies have been summaries of policies affecting membership and others have surveyed cooperative members and farm groups to determine their knowledge of cooperatives and opinions and attitudes toward them.

Jones (6) outlined the membership relations problem and emphasized the necessity of developing local leadership and creating within the membership a feeling of ownership and responsibility for the organization. He stated that--first, the attitude of managers and directors toward the members and constructive membership policies are important in building up satisfactory membership relation; second, two stages of organization exist in a cooperative--that of obtaining an adequate membership and the organization of the members to participate in the business; third, that real interest and loyalty of members have been developed by active participation in the affairs of the association.

Jesness (5) in early writings on cooperatives developed the importance of the membership problem as distinct from that of the ordinary business corporation which depended upon its stockholders only for capital. He stated that lack of loyalty among

members of cooperatives has been one of the most frequent causes of their failure. Without loyalty, competitors may temporarily create undue competition unfavorable and disastrous to cooperatives.

Daaken and Schaars (2), in a general discussion of membership relations, stated that the motivating factor for participation in cooperative enterprise is primarily economic. Therefore, effective means of disseminating cooperative ideas must normally be developed to reach medium and low income groups. They listed effective methods in order of importance as: (a) demonstration or example--actual participation; (b) use of the spoken word; (c) use of mechanical means such as printed matter and radio.

Burley (3), in a study of a consumers cooperative association in Columbus, Ohio with a membership of 963, found: (a) that approximately one-half of the buying membership accounted for more than 90 per cent of the total volume; (b) that in a sample study of reasons for joining the cooperative that over 70 per cent of those making annual purchases of over \$150.00 joined because they believed in the cooperative form of business.

Stern and Doran (3), in a survey of 1350 Pennsylvania farmers in 1946 to determine farmer support of cooperatives, found: (a) that the use farmers made of the cooperative had a direct relationship to the number of organizations to which they belonged and the degree to which they had participated in association affairs (meetings attended, organizing cooperatives,

holding office, voting on policies); (b) that knowledge of and favorable attitudes toward cooperatives bore a close relationship to the number of meetings attended; (c) that in the total survey only a small per cent of cooperative members considered meeting and personal contact with employees as the most important sources of information, indicating a weakness in information programs; (d) that most favorable knowledge of and attitudes toward cooperatives were found in groups of medium and higher education levels and among those operating family sized farms.

Anderson and Sanderson (1) consolidated three studies made of membership of farm cooperative organizations in the state of New York between 1935 and 1943. Three of those organizations were centralized marketing and purchasing organizations and five were local type organizations. In these studies it was found generally that the length of farm service, degree of education, degree of farm ownership, length of membership, and number of cooperative organizations to which members belonged tended to have a direct relationship to favorable attitudes, loyalty and knowledge. Those who attended meetings and participated in the affairs of the association were found to be most loyal with best attitudes, and in turn promoted the organizations to others. However, only a small per cent of members indicated meetings as their best source of cooperative information. General conclusions were: (a) that those who had participated chiefly for price and short time benefits were poor and unreliable members; (b) that meetings and personal contact were the most effective



methods of promoting membership loyalty; (c) that maintenance of effective membership programs become more difficult as distance between member and management increased.

Other literature cited here dealing with the membership relations problem has not been based upon active research. It has considered, primarily, methods and procedures that are part of an effective membership policy.

Larson (7) classed information for an effective membership program as: (a) information to members from the cooperative to include volume, margins, expenses, savings, and outlook; (b) information to the cooperative from the member including services, products, and policies desired with opinions regarding operation of the organization. Information methods considered were: (a) those by personal contact through meetings, employees, directors, member groups, and by interviews; (b) those through printed information by reports, pamphlets, newsletters, and newspapers.

Hyre (4) outlined procedures for conducting a successful annual meeting, a very important factor in any membership program. He had expressed the essentials of a successful meeting as: (a) careful advanced planning of attendance, arrangements, program, and staging the meeting; (b) getting the members to help plan and assist in executing plans for the meeting. He considered successful annual meetings one of the most effective methods of creating and maintaining member interest.



## FACTORS AFFECTING MEMBER PATRONAGE

The "Average Per cent of Patronage" computed for each association in the study considered conditions that affected member's trade with each cooperative over a period of time. Inactive members in the territory were considered in each average as well as those who were active to some degree. Each member, in making a decision regarding the amount of business he would give his cooperative, was influenced by certain factors. Many have been influenced by the service given and convenience and adequacy of facilities. Others have felt that the cooperative offered a financial benefit evidenced by a patronage refund. The payment or failure to pay it in cash affected patronage. A certain per cent of the members felt that the cooperative was their organization. Their patronage was high regardless of other factors. Any of these or other factors, have been considered effective in developing a high per cent of patronage. Table 3 indicates those factors.

## Service and Facilities

Service with location, attractiveness and adequacy of facilities have been important factors in the success of any business organization. Failure to give service equal to that of competing organizations has affected the progress of many cooperatives. Well located and efficient plant and equipment

Table 3. Showing average patronage, 30-100 per cent patrons, 100 per cent patrons, service, facilities, refund methods, meeting attendance, and inactive members for 12 Kansas cooperative petroleum purchasing associations.<sup>1</sup>

Factors	Associations											
	Group 1 :			Group 2 :			Group 3 :			Group 4 :		
	1 :	2 :	3 :	4 :	5 :	6 :	7 :	8 :	9 :	10 :	11 :	12 :
1. Average per cent of patronage	30.0	39.9	52.2	52.8	56.6	61.3	61.9	63.2	65.4	80.7	85.2	86.4
2. Per cent of members trading from 80 to 100 per cent	25.0	22.8	39.9	43.8	37.9	56.0	47.5	56.1	48.2	69.2	88.4	82.2
3. Per cent of members trading 100 per cent	23.1	3.6	11.5	10.8	13.3	52.0	33.9	14.3	23.5	40.8	60.4	62.2
4. Quality of service: <sup>2</sup>												
Good			X		X		X		X		X	X
Fair		X		X		X	X	X		X		
Poor	X											
5. Good location and facilities? <sup>2</sup>	no	no	no	no	yes	no	yes	yes	yes	yes	yes	yes
6. Are current member savings paid in cash?	no	no	no	yes	no	yes	no	no	no	no	yes	yes
7. Per cent of members who attended annual meeting	15.5	#	7.2	3.3	*	24.0	12.5	24.1	33.5	22.7	30.6	33.3
8. Per cent of inactive members	38.5	23.1	24.1	25.0	15.5	30.0	10.2	10.6	16.1	4.5	6.9	4.4

<sup>1</sup>With exception of footnotes below, information was obtained by personal interview.

<sup>2</sup>atings based upon personal observations of writer during time spent with each association.

have helped to build pride in the organization. However, these factors alone cannot assure success to cooperative business since it is very probable that competing organizations would develop facilities and extend service that is comparable.

Cooperatives, in this study, that maintained higher patronage were found, in general, to offer better service and maintain better facilities than those with lower patronage.

### Refund Policies

Stress has been placed upon the advantage of the cooperative organization in financial benefit to its members. To many this has meant immediate gain in reduced price on purchases or cash payment of a patronage refund. Many cooperatives through periods of successful operation have placed a major emphasis upon cash savings as a means of maintaining the patronage of members.

It seems evident that the member patronage of cooperatives in this study was affected by the decision to pay cash or to defer refunds. Table 3 shows associations in order of the "average per cent of patronage". A comparison of associations four and six that paid cash refunds, with other associations in their respective groups that deferred refunds, showed that those two associations had a larger per cent of members who traded from 80 per cent to 100 per cent although the service and facilities were no better and sometimes were of a poorer quality.

Association 12, in Group 4, since its organization, made a practice of paying semi-annual cash refunds on purchases. A high per cent of member patronage had been maintained by the association. Those associations that deferred savings to finance operations, without the existence of a loyal membership, tended to experience loss of patronage. This, no doubt, affected membership of the associations in Group 1. It may be noted that both these associations had a large number of inactive members.

The weakness of a cash refund policy as the main incentive for member patronage was illustrated by Association 5. This association refunded savings to members in cash until 1946. At that time purchase of improved facilities at a better location made it necessary for savings to be deferred. This action resulted in the loss of patronage of over one half of its members. Later more effective methods of developing member patronage were adopted. Those policies improved loyalty of its membership and regained many of its original members. This was one example, of many that might be cited, in which desire of membership for immediate financial gains have limited cooperatives in carrying on programs that would eventually increase the benefits to members. In the absence of a well informed and responsible membership, cash refund policies offer no guarantee of loyalty in the event of adverse conditions.

#### Membership Loyalty

All cooperatives have some members who, through their

belief in the cooperative type business and a sense of ownership and responsibility, may be expected to give full patronage to their organization. An objective measurement of this type member is difficult to find. Close observation and association with individual members, comparison of patronage over a number of good and bad years, or regularity of participation in affairs and business of the association by attendance at meetings would make it possible to determine the extent of completely loyal members for an association.

The annual meeting was the only opportunity for members of the cooperative associations in the study to participate in cooperative affairs. The per cent of members attending annual meetings shown in Table 3 indicates a variation in attendance within patronage groups with a tendency for attendance to be greater in those associations with better member patronage. A comparison of meeting attendance with the per cent of 100 per cent patrons shows that in most associations those that attended meetings were a major portion of 100 per cent patrons. With the exception of Associations 6 and 7 no special effort was made to develop large attendance. Local conditions in some cases may have affected meeting attendance. The number of 100 per cent patrons shown was no doubt affected by factors other than complete member loyalty. However, it seems reasonable to assume that both measures do give some indication of the loyalty of members.

INFORMATION METHODS AND ~~MEMBERSHIP~~ RELATIONS

Knowledge of the cooperative organization, its purpose, policies, and organization has been considered the key to successful membership relations. Such knowledge develops interest and a desire to participate in the affairs of the association. Stern and Doran in a study of cooperatives in the state of Pennsylvania found that a direct relationship existed between members knowledge of their cooperatives and their favorable attitude toward cooperatives.<sup>1</sup>

Information policies should provide a continuous interchange of information between the cooperative organization and its members. They must be effective in developing new membership and maintaining the active interest of old members. They must provide management with information concerning the needs, desires and opinions of the members.

## General Information Methods

Few definite policies were found among the associations studied outlining procedures or methods of providing information. Normally, the prevailing practices depended upon the management and as a result changed as managers changed in the organizations. Directors made little effort to set membership policies that

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<sup>1</sup>J. K. Stern and W. F. Doran, Farmers Support of Cooperatives, p. 34 and p. 41.



would be permanent in nature. In general, information methods were limited to annual meetings, management and employee contact, a cooperative newspaper published by a regional purchasing cooperative, and the occasional advertising of products. None of the associations held additional member meetings for education, business, or social function; held special campaigns for personal contact of membership (membership and trade drives, information roundups); or sent local newsletters to members and patrons. Table 4 compares the use of information policies by associations grouped according to per cent of members giving 100 per cent patronage.

Personal Contact. Personal contacts with new patrons to acquaint them with the purpose, organization, and advantage of cooperatives was considered by the writer to be important in developing member loyalty. All organizations except one allowed individuals to earn memberships from savings. Unless initial contacts were made, many individuals became members automatically without acquiring any knowledge of the cooperative organization. All associations in Group 3, and three associations in Group 2 made such contacts compared to only one of the four associations in Group 1, the low patronage group. One association in each group required a payment or a written application as a prerequisite to membership. Managers who used this method felt that it provided one of the best opportunities to build their membership.

Annual Meetings. Annual meetings are required by the by-



Table 4. Comparison of general membership information policies of 12 Kansas cooperative petroleum purchasing associations grouped by the per cent of members that trade 100 per cent.<sup>1</sup>

Policies	Associations					
	Group 1		Group 2		Group 3	
	0.0-19.9		20.0-39.9		40.0-60.0	
	yes	no	yes	no	yes	no
<u>Direct Contact</u>						
1. Is history, purpose, and advantage of assn. explained to new patrons.	1	4	3	1	3	0
2. Are applications, or payments for membership required of new patrons.	1	4	1	3	1	2
3. Are member meetings, other than annual meetings held.	0	5	0	4	0	3
4. Are campaigns held to contact all members for any purpose.	0	5	0	4	0	3
<u>Annual Meetings</u>						
1. Is complete information on operations and financial condition presented to members.	1	4	3	1	3	0
2. Are business and financial reports presented by charts, graphs, etc.	1	4	2	2	2	1
3. Are plans, policies, and projects discussed with members.	1	4	2	2	2	1
4. Is general educational information presented (speaker, films).	2	3	3	1	2	1
5. Per cent of members who attended annual meeting						
less than 25 per cent	4		3		1	
25 to 50 per cent	0		1		2	
more than 50 per cent	1		0		0	
<u>Printed Materials</u>						
1. Are statements given all members of their annual patronage and savings.	3	1	4	0	2	1
2. Are annual reports given to all members.	0	5	1	3	0	3
3. Do members receive a cooperative newspaper	5	0	4	0	2	1
4. Are local news-letters sent to members.	0	5	0	4	0	3

<sup>1</sup>Information obtained by personal interview.

laws of all cooperative associations. They provide one of the best opportunities for management to effectively present information to members. In his summary of the effectiveness of the annual meeting Hyre<sup>1</sup> stated:

The annual meeting affords an opportunity for the officers of an association to sit down with the member-patrons and discuss with them the affairs of the association--its aims, purposes, objectives, and accomplishments. It affords the members a chance to ask questions and make suggestions. It provides management the occasion to explain and discuss operating policies and to sound out the reaction of the members. Most important it gives management an opportunity to instill more firmly in the minds of each member the thought that this is my association. I share in its ownership and control. It is being operated for my benefit. I have a direct responsibility for its control.

Stern and Doran found that members knowledge of cooperatives varied directly with the number of meetings attended and that those members attending three or more meetings had a much better knowledge than those attending two or less.<sup>2</sup> This indicates the importance of restating important general information at successive meetings. They found also that, while member meeting provided the most effective means of increasing knowledge of members, over 78 per cent of the members had never attended an annual meeting.

The effectiveness of the annual meeting in providing information to members and management are governed by two factors:

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<sup>1</sup>French M. Hyre, Making the Most of Your Annual Meeting, p. 1.

<sup>2</sup>Stern and Doran, op. cit., p. 17-18.

(1) the number of members who attend meetings; (2) the effectiveness of information given in developing the members interest and discussion. This must consider complete information needed by members presented in such a way that it will be understood. It seems entirely possible that a small member meeting might develop a flow of information from member to member if it is effectively planned and executed. Hyre stated that the secret of developing an effective annual meeting consists of careful planning of details far in advance to develop four (4) essentials: (1) adequate and proper meeting facilities; (2) a stimulating and well balanced program; (3) a large representative attendance (4) membership participation.<sup>1</sup>

The actual effectiveness of the annual meeting in the cooperatives studied was difficult to determine. In general, the per cent of members who attended meetings was low. The per cent of members who attended meetings tended to be higher in those associations with high patronage as indicated by the group averages shown in Table 4. One association shown in Group 1, mentioned in a previous section, had developed a large attendance to explain new operating and financial policies. It was generally felt that a large per cent of members who were loyal patrons in successful associations failed to attend meetings.

Few of the associations had realized the importance of advanced planning to the success of their meetings. Normally no planning was started over a month in advance of actual dates

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<sup>1</sup>Hyre, op. cit., p. 5.

of meeting and only one notice was sent to members about 10 days before meeting. This was a formal notice of time and place with necessary information of legal business to be contracted. Naturally, in absence of advanced plans little information could be given concerning the program, entertainment, or speakers to encourage better attendance.

Associations with higher patronage normally attempted to give complete information on the operations and financial condition of the association. Such information varied among associations. It was judged by completeness in presenting main points in financial reports, comparisons with other periods and description of the operations during the period. Some associations made it a practice to present income, expense, and savings as a per cent of total sales and to emphasize member ownership of the association.

A few associations used prepared charts and graphs or a blackboard to assist in presenting information, others passed out copies of annual reports containing the operating and financial statement. For over half of the associations information was presented to the members by reading a prepared audit report.

The importance of discussing operating policies and new plans and projects was not realized by many of the associations. As shown in Table 4, the higher patronage groups made it a practice to discuss new policies and changes in old policy with members as well as proposed improvement, buildings, or change in equipment. One organization in Group 3 did not make a practice

of presenting policies or encouraging discussion. Other associations in Group 3 stated that they had excellent discussions at meetings.

The majority of associations presented some information of general educational nature using a speaker, films, or display. All except one of the associations were members of a cooperative wholesale organization whose field representatives attended their meetings and aided in securing films and display material.

Few associations made special effort to encourage large attendance at meetings by advertising, special notices of program, speakers, or entertainment. Few associations started to plan meetings over a month in advance of meeting date. Legal notices, indicating the time and place of meeting, were normally sent from 10 days to two weeks in advance.

It would be difficult to estimate the effectiveness of the annual meetings of these associations. Table 3 showed that those cooperatives, in higher patronage groups, on the average had a greater percent of attendance by members. Those associations tended to develop better programs and discussions by members. The low meeting attendance of all associations presents the question of the annual meeting's effectiveness in improving loyalty of membership. Table 3 shows that meeting attendance exceeded the number of members estimated to be completely loyal (100 per cent) in only two cases. Those two were associations that had undertaken special programs to rebuild membership and volume from past low levels. In the

absence of special efforts to secure attendance, generally only the most loyal members attended meetings. Considering this, the annual meeting would tend to increase member loyalty only to the extent of informal discussion among members. That, in turn, would depend upon the effectiveness of meeting program in developing interest. In some cases meetings would be considered of questionable effectiveness in maintaining loyalty without the assistance of some other means of information.

Printed Materials. Written information, in the form of newspapers, letters and statements provide a means of supplementing other methods of transmitting information to members. The disadvantage of this type information to management of local cooperatives is the amount of time necessary for its preparation and mailing. The effectiveness of such information is often questionable since a large volume of printed matter is received by individuals. In surveys of cooperative members made in both Pennsylvania and New York printed material was considered the most frequent source of information for a large per cent of members, but tests indicated that it was not as effective in developing knowledge and favorable attitudes as meetings and direct contact methods.<sup>1,2</sup>

For local information, newsletters, annual reports of operations and financial condition, and statements of the member

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<sup>1</sup>Stern and Doran, op. cit., p. 18.

<sup>2</sup>Anderson and Sanderson, Membership Relations in Farmer Cooperatives, p. 18-19.



patronage and earned savings (in lieu of cash payments) were considered practical for use. The last two in particular, accompanied by letters to the members, could be used to impress upon members the feeling of cooperative ownership. Other literature and material, advertising or explaining the products and services of the local organization have been used effectively. Printed information to give general cooperative information considered were newspapers, bulletins, books, etc. prepared to explain the general purpose, objectives, and give current information on cooperatives.

As previously stated local newsletters were not used and all organizations except one furnished all patrons a cooperative newspaper published by their cooperative wholesale. No attempt was made to measure the effectiveness of this newspaper. Some comments were made by managers who felt it an excellent means of furnishing members and patrons cooperative and product information. Comments were often made by members regarding news articles and advertising published. One manager asked at an annual meeting the number of regular readers and found it to be approximately one third.

Table 4 shows that in nearly all associations members and patrons were sent some statement of their annual business and savings. The one exception in the high patronage group was an association that paid cash refunds from current savings. This practice presented an opportunity to send a letter to members summarizing the years business. However, few organizations sent



more than a notice.

Only two of the associations sent annual reports to all members. Two others prepared annual statements to hand out at meetings and during course of business but made no special effort to send them to all members.

### Indirect Information Methods

Indirect methods were considered those relating primarily to directors and employees, who acted as a source of direct member information. It is usually considered that the directors' and employees' policy is directed toward more efficient financial and merchandise operations, but they also provide a valuable means of exchanging information between members and management.

Director's Policies. Directors represent the membership of an association as their elected delegate and as such should determine the general policies. Since the cooperative is a democratic organization it should be expected that directors realize the needs of members and determine general policy to fit those needs. Close contact with the management and operations of the organization should make the director a valuable source of information for the member owners that he represents.

This section considers the effectiveness of directors' policy in developing effective member information. Those policies are shown in Table 5 with their use in associations of different groups. It considers the type and regularity of in-

Table 5. Comparison of indirect membership information policies of 12 petroleum purchasing associations grouped by the per cent of members that trade 100 per cent.<sup>1</sup>

Policies	Associations					
	Group 1		Group 2		Group 3	
	0.0-19.9		20.0-39.9		40.0-60.0	
	yes	no	yes	no	yes	no
<u>Directors' policy</u>						
1. Are directors elected to represent districts in the territory.	2	3	3	1	2	1
2. Are directors meetings held at least quarterly.	5	0	4	0	3	0
3. Are directors furnished complete information on operations and financial condition.	1	4	1	2	2	1
4. Are directors active in forming general plans and policies.	1	4	1	3	1	2
5. Are directors furnished special information concerning cooperatives.	1	4	1	3	2	1
6. Do directors attend or participate in meetings of other cooperatives (regional, federations, education).	3	2	2	2	2	1
7. Do directors actively promote the organization by member meetings or working with other groups.	0	5	0	4	0	3
<u>Employee Policy</u>						
1. Are employees meetings held regularly for any purpose (discuss operations, education, social)	2	3	1	3	2	1
2. Are employees provided with and encouraged to use information concerning operations, and purpose of cooperatives.	4	1	4	0	2	1
3. Have employees attended special training schools.	2	3	1	3	0	3
4. Are salaries for other than commissioned personnel based upon a standard salary scale.	0	5	1	3	3	0
5. Are employees ever paid a bonus.	0	5	1	3	0	3
6. Employee benefits provided:						
Retirement	0	5	0	4	0	3
Vacation	4	1	3	1	3	0

Table 5 (concl.).

Policies	Associations					
	Group 1		Group 2		Group 3	
	0.0-19.9		20.0-39.9		40.0-60.0	
	yes	no	yes	no	yes	no
7. Do employees have a good knowledge of the cooperative.	2	3	3	1	3	0
8. Do employees attend meetings of other cooperatives.	2	3	4	0	2	1

<sup>1</sup>Information obtained by personal interview.

formation furnished directors, their activity and responsibility in determining policies, and their organized activity in passing information to member groups.

Directors in all cases were nominated and elected at annual meeting. Nominating committees were not used to supplement meeting nominations. Failure of many cooperatives to develop leadership resulted in many directors serving long periods. In most instances, as shown in Table 5, directors were elected to represent districts in the trade territory. This was not a set policy, but a practice by those associations.

In all associations except one, directors met at least quarterly--many met monthly. This meeting policy indicates nothing unless directors were furnished information by which they might make necessary decisions. Information was incomplete in lower patronage associations, varying in middle group. Good information was normally given in the highest group. A closely related question concerning the activity of directors in forming general policies did not show as close a relationship. It was found to be a tendency in the cooperatives studied for directors to pass the responsibility for general policy to management. Efforts were made in those cooperatives with greater number of 100 per cent members to provide directors with special information concerning cooperatives activity. In most cases the cooperatives' wholesale furnished a service of special literature to the president and secretary of the board of directors. Managers often supplemented this with special bulletins. All

directors were not active in their attendance and participation in outside cooperative meetings. It was indicated as a general practice in some associations that one or more directors attended other meetings each year and that the majority of directors had attended such meetings over a period of time.

No cases were found in which directors held formal meetings or discussions with members or interested groups to provide information. This was rather natural since directors were farmers operating their own farm business who were normally hesitant in addressing a group. When good information has been provided to directors and they are actively interested in the cooperative they have aided in providing information to fellow members.

Employee Policies. Employees who are efficient, understand the organization, and method of operation are one of the best means of providing information. They are in daily contact with members and by personal contact can provide a most effective means of exchanging information between members and management. Many cooperatives have initiated programs to keep employees informed regarding the purposes and policies of their organizations by means of employee meetings, annual and regular meetings, by providing them house organs and periodicals, annual and periodic business reports, tours, study clubs and discussions.<sup>1</sup>

It has been considered that employees can aid in building good member relations by giving efficient service, improving

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<sup>1</sup>R. C. Beers, "Personnel Management in Farmer Cooperatives", Farm Cred. Adm. Cir. C-123, Kansas City, Mo., p. 16-17.

member's information and knowledge concerning their cooperative, and providing management with valuable information concerning needs and opinions of members. Many general membership policies discussed previously, depend upon employees for their effective execution.

Employee-management meetings held to discuss business, policy, or purpose of the cooperative give employees adequate information and develop a feeling of being a part of the organization. As shown in Table 5, employee meetings were not used consistently in many organizations. Some managers who did not hold regular meetings of employees stated employees were given that type of information through daily contacts. No special practices had been developed to provide employees with literature giving general cooperative information except that provided by cooperative newspapers. In most cases information was provided them on products handled. Key personnel (tankwagon, station managers) in most organizations had attended meetings of their cooperative wholesale as well as training schools. Such personnel was found to have a good knowledge of cooperatives and were felt to account for better member patronage in many organizations. The use of standard salary scales, incentives in form of bonus, paid vacations seemed to be related to high member patronage. The most important relationship was information of the cooperative.

The development of policies to increase knowledge, interest and efficiency of employees is practical means of increasing



both efficiency of operations and loyalty of members. In the associations studied it is believed that the general member policies followed and the efficiency of managers and other employees in executing them would show a close relationship to the degree of membership loyalty.

#### MEMBER PARTICIPATION AND MEMBERSHIP RELATIONS

The degree to which members participate in the affairs of their cooperatives has been found closely related to favorable knowledge and attitudes toward cooperatives and to the degree of member loyalty in the long run. Studies of membership of cooperatives in Pennsylvania found that a direct relationship existed between the number of members who purchased 80 to 100 per cent of their supplies cooperatively and participation in cooperative activity as helping to organize, serving as an officer, attending meetings, and voting on policies.<sup>1</sup> It is generally felt that the degree to which members are given an opportunity to participate in responsible positions will determine their loyalty and interest. Other methods have been used effectively by cooperatives such as member committees to work with directors and management to help on policies, education and information, social affairs or special committees to help to plan and arrange annual meetings. Participation in social

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<sup>1</sup>Stern and Doran, op. cit.

and study groups gives members a feeling of co-ownership of the cooperative and develops leadership. Members might be effective in assisting management in development of an interesting local newsletter. Active participation of members, in addition to building loyal membership, serves to provide management with information concerning the needs and wishes of the members.

Member participation in the cooperatives in the study was limited generally to annual meetings. Effective participation by those attending annual meetings was their opportunity to vote on officers and discuss affairs and policies of their association. Attendance and opportunity for participation were discussed in a previous section.

#### YOUTH ACTIVITIES AND MEMBERSHIP RELATIONS

Jones stated that there were two stages of organization in a cooperative. The first stage was devoted to enlisting a membership which represents volume of business adequate to support the organization but successful cooperation must depend upon a second stage--that of mobilizing the membership for participation in the affairs of the association and for mutual contact between members and management.<sup>1</sup> Cooperative organizations have become more conscious of the necessity of supple-

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<sup>1</sup>J. W. Jones, Membership Relations of Cooperative Associations, p. 2.

menting those stages of organization by developing membership from succeeding generations as age of the organization increases. This requires programs to develop an interest and understanding of cooperatives by young people who may use cooperative services. This problem was stated by one manager interviewed who said that their trouble is not with the old members who understand the purpose of the cooperative, but with the young members who think of it as just another business.

Only one of the cooperatives studied stated that they made a special effort to explain the history and purpose of the organization to young farmers to induce membership. This was not an organized program but carried on through individual contact. No work was done with youth groups to promote special interest in cooperative activity by developing projects, trips, and tours of facilities.

#### SUMMARY

The success of the 12 Kansas Cooperative Petroleum Purchasing Associations in developing member patronage depended upon a number of factors. The absolute effect of any of those factors were indeterminate. Those factors which were considered to affect patronage were: (1) quality of service; (2) location and adequacy of facilities; (3) method of refunding current member savings; (4) feeling of ownership and responsibility of members for the success of their association.

It was found that those associations providing good service and having well located, adequate facilities tended to have a greater number of members giving 80 to 100 per cent patronage. This was very evident in comparing the group of associations whose "average per cent of patronage" was over 80 per cent with lower patronage groups. Within similar patronage groups those associations that paid current member savings in cash had a larger relative number of 80 to 100 per cent patrons than associations that deferred member savings.

The per cent of members who attended member meetings, the only opportunity to participate in the affairs of the association, varied within average patronage groups and was extremely low for some low patronage associations. With the exception of two associations that had made special efforts to increase the effectiveness of meetings, attendance increased with the per cent of members trading 100 per cent.

Direct information methods used by associations were (1) personal contact with new patrons to explain the purpose, operations, and advantage of the cooperative association; (2) complete reports of operation and financial condition in membership meetings; (3) printed annual reports to all members; (4) statements of patronage and savings of members; (5) cooperative newspapers and bulletins. Annual membership meetings were often made ineffective by small attendance and inadequate information given. Few associations planned meetings in advance or gave members an opportunity to participate in planning meetings.

No member activities were sponsored other than annual meetings. No special campaigns were conducted to exchange information between members and management. The local newsletter, an excellent means of information, was not used to give members information. No opportunities were developed for extra member participation such as general or special committees, study or social groups. The management of many associations were aware of the problem of membership turnover but had not developed a program to interest young people in their organizations.

Good information was generally given to directors at their meetings. Their effectiveness in relaying information between members and management was not determined. They did not hold formal meetings of members so their effectiveness would be in informal discussion with members. The tendency prevailed in some organizations for directors to delegate their function of general policy making to management. This tendency has created instability in financial operations and membership relations of cooperatives.

The manager and employees have been the most important means of member information for the associations. The relative success of associations in developing effective membership policies have depended upon the interest and knowledge of the employees. Few associations held employee meetings to discuss operations, for educational or social purposes.

The problem of improving membership relations and patronage is affected by local conditions and require detailed study

by management of each association.

### CONCLUSIONS

From the foregoing study the following conclusions are drawn:

1. Little uniformity exists in the membership policies of local cooperative associations.

2. The fact that membership and other policies have depended upon the action of managers and employees rather than that of directors and members has been a factor in the instability of many local cooperative associations.

3. Quality of service and facilities, financial returns, and the complete loyalty of members have been important factors in maintaining member patronage; sole dependence upon any one of the above factors is not a safe policy.

4. Information provided by personal contacts of directors, employees and members is the most effective method of providing information in local associations.

5. Policies that develop the interest and knowledge of employees (good wages, incentives, information, meetings, benefits, etc.) improve membership relations through better service and a more effective exchange of information between members and management.

6. Contacts with new patrons to explain history, methods of operation, and advantage of membership provide an excellent



opportunity to develop new membership in local cooperatives.

7. Written information such as general cooperative newspapers, annual statements, and individual statements showing the members' patronage and savings are effective in maintaining a loyal membership.

8. Advance planning to provide good information and encourage member discussion of business and financial operations at the annual meeting will increase the members interest and responsibility.

9. The local association could increase member participation in the affairs of the association by using members committees to aid directors and management in developing policies, planning annual meetings, and the preparation and distribution of newsletters to members.

10. Programs to interest the young people of the community in the affairs of the cooperative should be part of the membership program in order to provide a continuous and stable organization.

11. The patronage records of the members can furnish management important information on the effectiveness of membership programs by indicating the degree of patronage of the membership.

## ACKNOWLEDGMENT

Acknowledgment is made to Prof. Milton L. Manuel, major instructor, for his valuable assistance in outlining and planning this study and for helpful suggestions and criticisms in preparation of the manuscript. Appreciation is also expressed to Prof. George Montgomery, Head of the Department of Economics and Sociology, and to other members of that department for suggestions and criticisms.

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