

MATCOM

- A HANDICRAFT CO-OPERATIVE
Management

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MATCOM
Material and techniques for cooperatives management training

The MATCOM Project was launched in 1978 by the International Labour Office, with the financial support of Sweden. In its third phase (1984-1986) MATCOM is financed by Denmark, Finland and Norway.

In collaboration with cooperative organizations and training institutes in all regions of the world, MATCOM designs and produces material for the training of managers of cooperatives and assists in the preparation of adapted versions for use in various countries. MATCOM also provides support for improving the methodology of cooperative training and for the training of trainers.

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A HANDICRAFT CO-OPERATIVE

– MANAGEMENT –

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PREREQUISITES

To benefit from this MATCOM Learning Element, you should:

- be able to perform simple percentage calculations
- have studied the MATCOM Element "A Handicraft Co-operative - Formation" or have the corresponding knowledge.

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Foreword

MATCOM has published two booklets ("MATCOM Learning Elements") on handicraft co-operatives. The first one, "A Handicraft Co-operative - Formation", was prepared with the specific purpose of stimulating women's interest in starting income-generating activities (such as the making of handicraft) and organising supply and marketing services on a co-operative basis. This booklet offers an introduction to co-operative principles and organisation.

The second booklet provides basic training for co-operative leaders. It covers the fundamentals of management, describing the most important tasks of committee members and managers (again in a handicraft co-operative). Additional training should deal in greater detail with specific management tasks. MATCOM has other material available for this, listed on page 53.

MATCOM Elements can be used for independent study and as the basis for non-formal group study courses. Guidelines are attached (page 55) for leaders of such programmes.

Note that the contents of these Elements can be readily adapted to local conditions and needs and used in training any group, women or men, and for various types of co-operatives, not only handicraft societies.

INTRODUCTION

The Rainbow Handicraft Co-operative is considered quite a success.

It is a service co-operative; its members buy the supplies they need from Rainbow to make the handicraft (baskets and rugs) they then sell (market) through the society. Thus, Rainbow is termed a supply and marketing co-operative.

What is it that makes Rainbow or any co-operative successful?

Many factors contribute. Most important is the attitude of the members. It is obvious that the members of Rainbow support their society: they take active part in meetings; they are willing to share in both work and responsibilities; and they are eager to learn about co-operative work and organisation.

The members offer this support because they need the co-operative and benefit from the services it provides. These services are well organised; the members are confident that their money and their products are well taken care of.

The planning, organisation and supervision of the business side of Rainbow is done by its elected leaders, the committee members and the secretary/manager. They have vital functions to perform and are all aware of their responsibilities to the members. They know the co-operative can survive only as long as they can run the business successfully.

By examining Rainbow Handicrafts and the way its committee carries out its work, we will give you an introduction to co-operative management.

Remember, you may be asked to serve on the committee of your own society; to be ready, you must learn about co-operative management.

BACKGROUND

Before we begin, you should know the following facts about Rainbow Handicrafts:

Membership

Rainbow was founded ten years ago by a small group of women who had problems getting supplies and selling the handicraft they made at home in their spare time. Today, the co-operative has 42 members.

Aims

The practical aims of the co-operative are to supply good-quality raw material at a fair price to its members for



their handicraft and to assist them in the marketing of their products. The goal is to help the members improve their economic position.

Organisation

Rainbow has the organisational structure typical of all co-operative societies:

- The members own the society together and share final power. In decision-making, each member has one vote; all have equal power.
- Each year, the members elect a committee. This committee develops the plans and policies (guidelines) for all co-operative activities. It monitors all operations on behalf of the members.
- The committee has hired a manager (Mary) to work part-time running the day-to-day operations.

The society rents a store-room with a small office. Members come here to pick up supplies and to deliver handicraft. For general meetings they use a school building.

By-laws

The objectives and the organisation of Rainbow are detailed in its rules or by-laws. These are printed in a pamphlet given to every member. They explain how the society should be organised, managed and controlled and what rights and responsibilities members and committee members have.

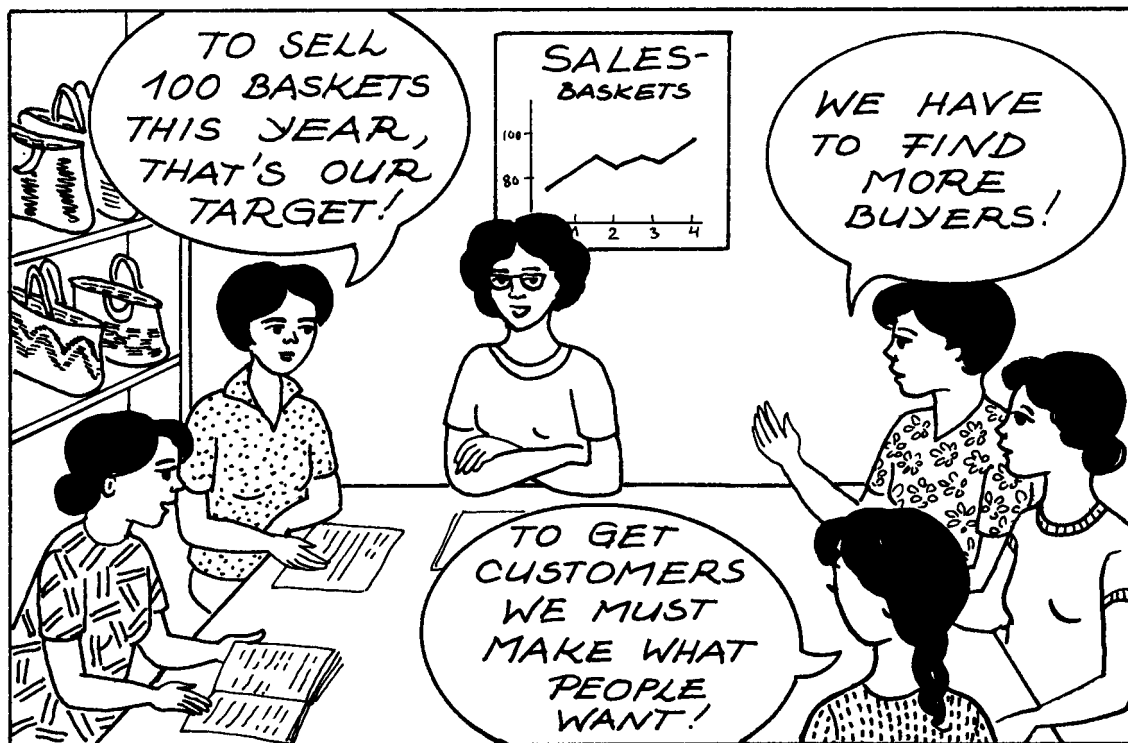
The members decided on these by-laws when the society was formed. Like all other co-operatives, Rainbow is registered by the Registrar (Chief Co-operative Officer) in the Ministry of Co-operatives. The Ministry has checked and approved the by-laws to be sure that they are in accord with national co-operative laws and regulations.

MARKETING MANAGEMENT

Finding customers

The members of Rainbow Co-operative had always been better at making handicraft items than selling them. Some of them used to go to town to look for customers but did not like travelling that distance or spending that time finding buyers. If a trader came to the village, they would sell to him, accepting whatever low price he offered.

Today Rainbow's leaders see their most important task to be helping the members sell their handicraft at decent prices.

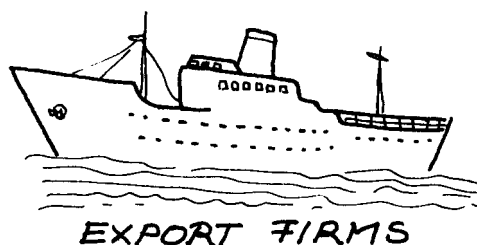
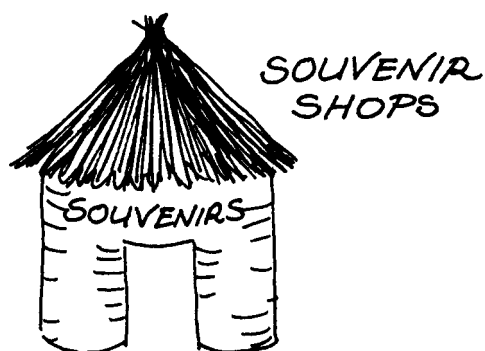
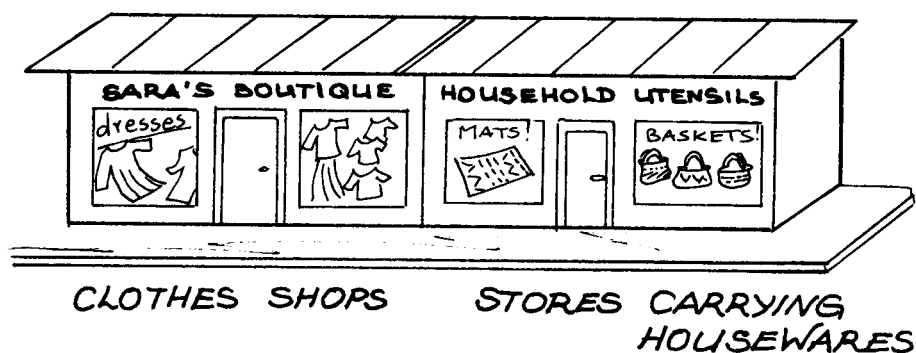
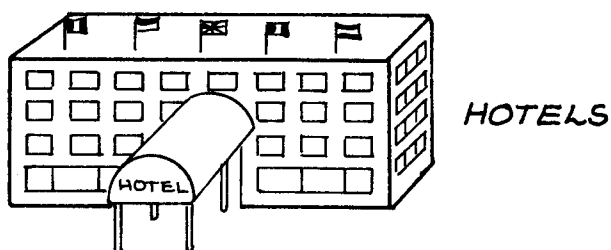


How does a handicraft co-operative find customers? It is advantageous to start out small, as Rainbow did. At first it could sell all its products to a single shop in the nearest town. As the society grew, it had to find more buyers. The leaders recognized that tourists and city-dwellers make the best customers for traditional crafts. To reach them, representatives had to go to the cities as before. But first they looked for information and advice.

They asked the Department of Co-operatives, the Tourist Board, trade organisations and other associations who might want to buy handicrafts from their village.

A number of possible customers were suggested. The leaders began their contacts, some in person and some by mail. The manager Mary sent letters of information about the society and the kind of handicraft it made, offering samples of the products. Once initial contact was made, all further dealings were carried out in person. Mary and some of the committee members had to do a lot of travelling, but their efforts paid off. Today the society has established contacts with many varied customers.

Places of sale for Rainbow products



Sales planning and promotion

From the very beginning, the leaders of Rainbow Handicrafts worried about the marketing of their products. Suppose for some reason their buyers were to stop purchasing baskets and rugs for re-sale - it would mean the end of the co-operative.

The committee members realize they must be prepared for such problems. They spend a lot of time on marketing and have asked Mary to do the same. They know it is not enough simply to find customers; they must also be able to keep them. They must always be on the look-out not only for new buyers but for new products and new marketing techniques. They must plan for the future to maintain a ready market for their products and a steady income for their members.

The following examples illustrate some of their efforts in this regard. All are techniques of sales promotion.

● Diversified production

Some years ago Rainbow's committee realized that it was becoming increasingly difficult to sell the large wide basket made by most members. Had the committee done nothing about this, it is likely that sales would have dropped disastrously, the members would have lost income, and the society would have ended up holding a lot of unsaleable baskets. But the committee "diversified production"; it introduced another type of basket which the customers liked. The members began to produce it - and subsequently other types of basket of different designs, colours and sizes, offering the customers greater choice.

More recently, the committee encouraged some members to weave a special type of rug which was then shown to a large export company in the capital. The company ordered 100 of the rugs - securing the income of many members for the near future, thanks to committee initiative.

● Displays and advertisements

The management has arranged for display of Rainbow products in several locations around the cities of the region (the offices of the Tourist Board, for example). Large signs indicate where these items and other Rainbow handicraft can be purchased. The management has also distributed pamphlets advertising Rainbow products. Most recently, Mary managed to get permission to display and sell Rainbow crafts in connection with a large conference.



Salesmanship

Mary is a naturally friendly person, good with people, as are the committee members Betty and Linda. They have all shown a talent for selling so they have been asked to do most of the sales work. But good salesmanship demands more than an ability to sell. It also requires personal integrity and honesty in business transactions. Mary is very careful to keep to all agreements

she makes as to delivery times or prices. Because she is reliable, her customers are happy to come back and do more business with Rainbow.

● Steady - supply

Mary always keeps a buffer stock (an extra supply) of the most popular items so she can deliver as soon as she receives an order. This avoids disappointing her customers.

● Quality

Rainbow's policy is to provide only handicraft of high quality. This is perhaps the most important factor in their sales promotion. Happy customers tend to buy again in the same place; they also recommend it to their friends.

Rainbow is proud of its quality of workmanship. It has begun attaching a little label to each item, indicating that it is a genuine Rainbow product.

It seems that the label itself now "helps to sell" the handicraft, according to the shop-owners.

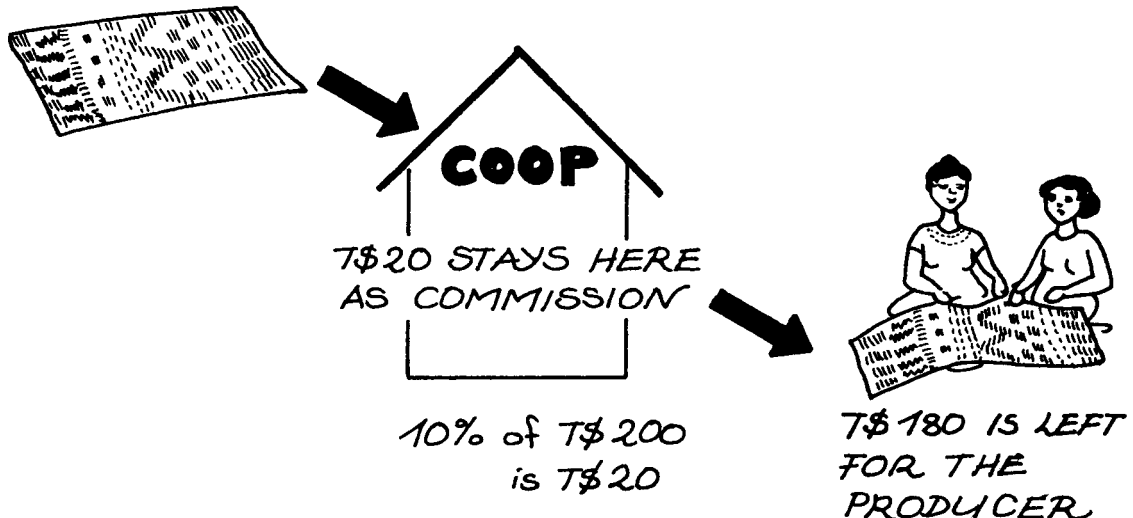


Pricing products

one of the most important and difficult tasks of the management is deciding the prices on what it sells. If prices are too low, the co-operative loses money; if too high, the customers buy less - or nothing. In each case, the co-operative and its members lose. The management must price appropriately.

When deciding selling prices, the committee must remember Rainbow's expenses - the rent for the store, the salary for Mary, the costs of travel, and such. To pay these, the co-operative keeps some of the money received from the handi-craft sales. This is called a commission. For example, if Rainbow sells a rug for T\$200, *it keeps 10% of this amount (T\$20), paying the member who made it T\$180. The committee has decided to take a commission of 10% on all sales. They know from previous years that this would be enough to cover their costs.

*T\$ 200 IS PAID
TO THE CO-OPERATIVE
FOR A RUG*



When Mary and her committee discuss the pricing of a certain type of basket, they have calculations to do and certain facts to take into consideration. Let us listen to a typical pricing discussion.

- "The raw material for this basket costs a member T\$42. It takes about six hours to make one basket. Our policy is that members should earn at least T\$8 per hour for their work. So the labour cost for this basket is T\$48. 42 + 48 makes 90; that is the lowest price a member should accept."
- "If we sell the basket at T\$100 we can keep our usual commission of 10%, that is T\$10, and we can pay the member T\$90. But I think we could get more for this nice basket."

We use an imaginary currency, because this booklet is used in many countries. We call it "Training Dollars" (T\$).

- "The trader who was here last month offered only T\$84."
- "I have seen shops in Jamestown selling this type of basket to tourists at T\$130. Fixed price, no bargaining!"
- "I know that the women in Valley sell a similar type of basket, maybe a bit smaller, at T\$100."



What price should they fix for the basket - T\$100, T\$130, or something in between? A few things are quite clear to the committee members:

- They should not sell below T\$100, as it would not be fair to the members.
- If they could sell directly to private, individual customers (like tourists) they could apparently obtain as much as T\$130, like the retail shops in the city. But this is impossible for Rainbow. It has no retail shop, and no time and staff to do the retailing. Instead, it must utilize shopowners who buy for re-sale.
- The committee knows that the average shopowner wants to earn a margin (profit) of at least 20% on handicraft.

After some calculation, the committee realizes that the shopowners could pay up to T\$104 for the Rainbow basket.

The shop selling price	T\$130.00
The shopowner's margin (20% of T\$130)	T\$ 26.00
The shopowner's buying price	T\$104.00

Using these calculations and assumptions as a basis, the committee decides to send Mary to the city to offer the basket at T\$104. She also has further instructions.

- If someone wants to order more than 20 baskets, she is to accept a price of T\$102.
- If someone offers to collect the baskets from the Rainbow village, or to pay the freight for the baskets, she, in turn, is to offer a discount.
- She is also asked to take a close look at the basket :made by the Valley women. The committee wants to know about the competitors' products and prices.

As we have seen, the Rainbow committee considered many factors in its pricing:

- it had a policy of giving members fair payment for their work (at least T\$8/hour);
- it considered market prices in general;
- it considered the competition;
- it covered the society's costs through a fixed commission;
- it considered transportation costs;
- it accepted a lower price if given large orders.

Business procedures

The marketing service is not very complicated in theory, as we just saw. The selling price was eventually fixed at T\$103, with the co-operative keeping 10% commission (T\$10.30) and the member receiving T\$92.70 for her work.

SELLING PRICE	T\$ 103.00
COMMISSION 10%	- 10.30
PAID TO THE MEMBER	<u><u>T\$ 92.70</u></u>

Although the principles are simple and straightforward, the actual procedures for payment can be arranged in various ways. Three alternative systems are described here.

- A. The co-operative pays the member her full price when she delivers a basket to the society (the fixed selling price minus the fixed commission).
- B. The co-operative pays nothing to the member at the time she delivers the basket - only after it is sold. Then she receives the selling price minus the commission.
- C. The co-operative pays a small "advance" to the member when she delivers a basket. After the basket is sold, she receives the balance minus the fixed commission.

Advance payment to members (see A and C) can of course only be offered if the society has enough money, and it is certain that the goods can be sold.

Whatever system is used, members may receive another payment at the end of the year. After all expenses are paid, there may be a surplus "left over" in the co-operative. The members themselves decide (in the annual general meeting) how to use this surplus. They may decide, for instance, that each member should be paid an additional dollar for every basket delivered. This final payment is called a "bonus" or "patronage refund".

Commission

Rainbow Co-operative deducts a commission of 10% from its sales. How much should you deduct in your co-operative?

- If you decide to deduct a high commission from the sales, you will probably have a large net surplus at the end of the year. You can then return a large bonus to your working members.
- If, on the other hand, you deduct only a small commission, most of it will probably be needed for expenses. Very little will be left as net surplus at the end of the year. It will not be possible to pay a large bonus - if any - to the members.

Should you take a large or a small commission in your co-operative?

- It is tempting to please your members by charging the smallest commission possible - but this can be risky if things don't go according to plan. Something unexpected might happen to increase your running costs, or the market for handicraft might not be good that year so you would be unable to sell your products at the anticipated price. Your society could end up losing money. You might not be able to pay for your members' next batch of goods. You could go out of business.
- If, on the other hand, you charge too high a commission, members will be unhappy. Although they know they receive a share of any surplus at the end of the year, in the meantime they must make do with less money. So if you do not pay them enough for their products throughout the year, it is tempting for them to sell to private traders for quick cash. Members may abandon your marketing service, causing it to fail.

Member education

From the above you can see that you have two crucial decisions to make in your committee: the basic procedure to adopt for payment and the amount of commission to charge.

If you choose system A or C you take some risks, and you need more working capital. Your capital costs (interest on loans) may increase, and therefore you may need to charge a higher commission. If the members can come to understand this, they may be quite willing to wait for their money in order to benefit the co-operative (and themselves). It is essential that you provide them complete and accurate information on these issues.

Business hours

The committee of Rainbow Co-operative decided to keep its store open for business on Monday and Thursday mornings. Mary was always to be there to help the members. Regular and convenient business hours like this are essential to providing reliable service. Members need to know they can depend on the co-operative to open at definite times.

Quality control

When a member brings in a basket or a rug, Mary always checks its quality. Generally, this is no problem as the members use only the good raw material supplied by the co-operative and are well informed as to the standards of quality set by the committee. Sample products are displayed in the store, for comparison. If Mary has doubts about the quality of any item, she refers it to the committee.

Paperwork

It is necessary to keep records of all transactions. When a member delivers an item, she must have a receipt. When the co-operative delivers that item to a buyer, he must sign a delivery voucher to show that he has received it. When the

co-operative receives or pays out money, it must have a signed payment voucher or receipt. But all this paperwork should be as uncomplicated as possible, with no unnecessary records.

Rainbow uses a simple buying procedure. It pays an amount to each member upon delivery and a bonus at the end of the year. Mary has designed a voucher fitted to their system which functions as both a delivery voucher and a payment receipt. When she receives a basket, for example, she fills in a voucher for it in duplicate. She signs to indicate that she has received the item, and the member signs that she has received payment for it. Each voucher is numbered and the handicraft marked with a corresponding number.

RAINBOW CO-OPERATIVE	HANDICRAFT DELIVERY VOUCHER	No: 00456
Member's name: <u>ALICE MONONG</u>		No: <u>23</u>
Product: <input type="checkbox"/> Basket	<input checked="" type="checkbox"/> Rug	<input type="checkbox"/>
Type: <u>Knotted</u>	Colour: <u>grey</u>	
Size: <u>3 x 2.5</u>	Remarks: _____	
This product received and graded as Quality <input checked="" type="radio"/> A <input type="radio"/> B <input type="radio"/> C		
Date: <u>11.3.1988</u>	Signed: <u>Mary Lee</u> for Rainbow Co-operative	
BUYING PRICE		T\$ <u>385:—</u>
Deductions for debts:		
Ref.No: _____	T\$ _____	
Ref.No: _____	T\$ _____	
TOTAL PAYMENT		T\$ <u>385:—</u>
Total payment received:		
Date: <u>11.3.1988</u>	Signed: <u>Alice Monong</u> Member	

One copy of the voucher is given to the member and the other is filed safely by Mary. It is important that no vouchers are lost. This can be ascertained through the numbers.

When goods are sold to retailers and others, Mary issues delivery notes and invoices and keeps copies of these documents. When the co-operative's accounts are prepared, all documents are used again. The books are made up so that one can readily determine how much the co-operative has paid for crafts and how much it has sold them for. Additional records show how much each member has produced and been paid. All these must be in good order when the bonus is calculated and paid out at the end of the year.

In the chapter "Financial Management" (page 34) you will learn more about the bonus payments.

..... DISCUSS

1. Should your co-operative market every kind of handicraft produced by your members? What products are easiest to sell? Which ones are most prized in the market?
2. What can you do to "present" your crafts attractively? Discuss labelling, packaging, promotional activities, etc.
3. How should quality control be organised?
4. How will you convince your members that your system for payment is best for them and for the society?
5. How do the members cheat themselves when they cheat the co-operative and sell their products to private traders?

.....

SUPPLY MANAGEMENT

When members visit the Rainbow store on Mondays or Thursdays, they not only deliver handicraft, they also take the opportunity to buy the raw material for the next thing they intend to make.

Because the co-operative can buy supplies in quantity, it can obtain them at a lower rate than its members could individually. The members appreciate this supply service not only for its low prices but also for its convenience. Now they have supplies available in their own village and need not go to town to buy them.

The committee and the manager must see to it that the supply service works to the benefit of the members and pays for itself as well.

They have many questions to discuss -



All co-operatives require adequate policies on these matters. Let us look again at Rainbow.

Stock range

We have seen that the Rainbow's committee planned the co-operative's sales very carefully and encouraged the members to produce only those baskets and rugs which could be readily sold. It stands to reason, then, that Rainbow would lay down a policy to keep in stock only the raw material needed to make these items.

Other handicraft co-operatives might have a more varied production and therefore need to stock many more items. The decision on what to stock is always difficult. For economic reasons it is usually not possible to stock everything the members need. Points to keep in mind when deciding the range of stock -

- Availability: stock primarily items which members cannot easily buy elsewhere, or which you can offer more favourably than other suppliers - lower prices, better quality or better services.
- Demand: stock items required by most members, not those needed by only a few.
- Quality: stock only high quality raw material if you want high quality products.
- Dependability of supply: stock only what you can re-supply; if your co-operative runs out of a particular material and fails to re-stock it, some members may be stuck with half-finished, unsaleable handicraft.
- Cost: stock only what you can afford to buy and store; what you know you will sell.

Your stock range is determined by your choice of supplier; if you cannot get it, you cannot stock it. Your choice, then, of supplier is crucial to your success, above all he must be reliable.

Selection of suppliers

Looking for the best supplier is not much different from shopping for your family. You are looking for the highest quality available at the lowest price. You have a responsibility to choose the supplier who best meets your co-operative's needs. Do not be intimidated - the supplier must try to convince you to use him. Beware of bribery attempts by suppliers trying to get you to choose them against the interests of your society. (It is a good idea to have several members of your co-operative present at all dealings with suppliers to lessen the possibility of corruption.)



Guidelines to help you select a good supplier-

- His prices should be fair.
- His location should be convenient. (Take into account your transportation time and cost.)
- The quality of his material should be good and consistent. (If you feel that you need to check every item to see that it is acceptable, your supplier is not a good one.)
- The quantity of, goods he offers needs to be reasonable. (While you will be buying in bulk, there is a limit to how much of an item you can buy, transport and store.)
- The choice of stock he offers should be wide enough that you can find what you need.
- He should offer credit in case you need it. (Remember, however, that some suppliers give discounts for immediate payment. You might be better off getting credit elsewhere and paying the supplier right away.)
- He should provide dependable service, be reliable and honest.

In making your decision, you may need to balance the convenience of one supplier offering complete but costly services (such as delivery of supplies to the co-operative) against the lower prices of another providing fewer services.

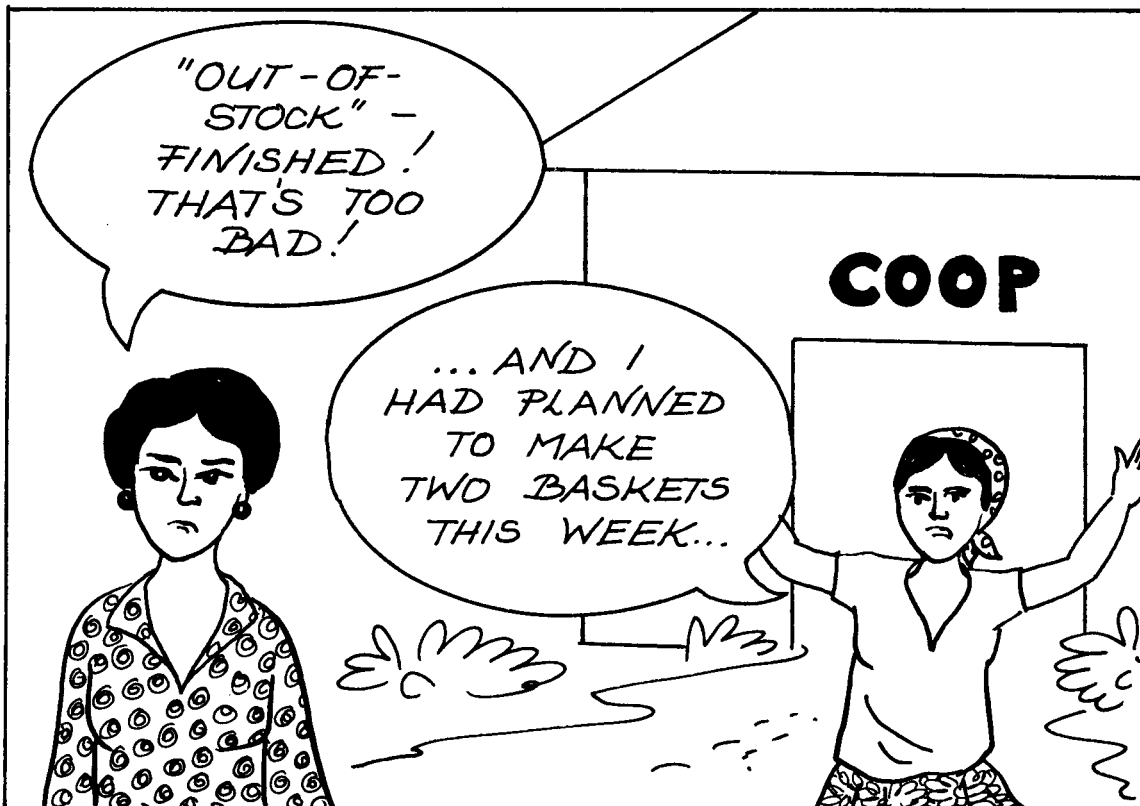
The committee of Rainbow Co-operative did a good deal of "shopping around" at first, but has now found that it pays to stay as a "regular customer" with one supplier. He knows the women from Rainbow quite well by now - knows that they

accept only high-quality material and reliable service, and that they pay their bills promptly. He does his best for them - it pays him to have well-established and regular contacts.

Ordering

Mary has learned from experience that it is important to order the right quantity of supplies. A few times she has ordered too little and then run out of stock - quite a mistake!

- She has had to make unplanned trips to town for more supplies, increasing travel and transportation costs.
- Once she was unable to get the same type of material as before, because the suppliers were also out of stock.
- She has delayed the members' work - and while they waited for supplies, they lost income.



Another time Mary and the committee were persuaded to buy too much of the fibre used in their standard baskets, because they were given a large discount. They thought they had made a good deal but came to regret it later.

- They had no cash available for other expenses for a long time because all their money was "tied up" in the fibre. Some members even had to wait for payment for their baskets.
- It had become more and more difficult to sell the standard basket - yet they still had a large stock of material for it.
- Some of the fibre was damaged during the long storage period.

Like all management decisions, the one concerning the quantity to order is a matter of finding the right point between two extremes - neither too little nor too much. Any mistake can be costly to the society.

Mary has learned that it costs money just to keep stock. She is aware of some of the obvious expenses, like paying the store rent and the costs of travelling to town to buy and collect raw material. But other costs are not as easy to calculate. Suppose she had T\$2,000 available and knew that it would earn T\$100 in interest if she put it in the bank for the next six months. But would it be better invested in a large stock of fibre instead, in case the price of fibre were to go up?

Mary does try to calculate such things but relies most on her common sense and experience. She has a basic policy: she orders enough material to last for three weeks. That way she knows that she does not spend too much on travelling and transportation and she can quickly adjust to new trends in production.

Sometimes she orders larger quantities (a buffer stock). There are two reasons for this:

- the society is given a substantial discount for the large order;
- there is a risk of shortage of that material in the future.

But Mary never purchases a large quantity, unless she is convinced that:

- the material is in constant and common demand - used by many members all the time;
- the material can easily be kept in the store-room for a longer period without risk of deterioration;
- the money is not needed for other important expenses.

Pricing stock

The principles governing the supply service are similar to those in marketing: the co-operative must earn a surplus on the operations to cover its costs. Hence, it is necessary to mark up the prices of supplies to members.

Rainbow Handicrafts can buy the fibre to make a single basket at T\$37.50. This is the total cost price, which includes the cost of transport. To this is added a 12% mark-up, or T\$4.50, making the price of one set of material to members T\$42. The margin of T\$4.50 is used by the society to pay its running costs, in the same way that the commission from marketing is used.

<i>COST PRICE</i>	<i>T\$ 37.50</i>	
<i>+ 12% MARK-UP</i>	<i>+ 4.50</i>	<i>← KEPT BY THE</i>
	<hr/>	<i>CO-OPERATIVE</i>
<i>SELLING PRICE</i>	<i>= T\$ 42.00</i>	<i>TO PAY FOR</i>
<i>TO MEMBERS</i>		<i>RUNNING COSTS</i>

The policy at Rainbow is to add a mark-up of 12% on all supplies. Some co-operatives use a low mark-up on the most common items and a higher one on others. But how did the leaders know that 12% was the right mark-up for Rainbow?

They did a lot of planning and calculation. (Read more about this in the chapter on financial management, page 34.) But they also learned from experience. One year they used a mark-up of 15%, but the members complained and said they could buy their supplies more cheaply elsewhere. The committee members tried to explain that the co-operative was actually the best place to buy the supplies because the members would get a refund at the end of the year when the surplus was distributed. But the members did not want to wait that long.

So the committee decided to lower the mark-up to 10% the following year. They planned to sell supplies for a total of T\$44,000 that year. The 10% mark-up was to give them T\$4,000 - enough for expenses, they thought.

<i>COST OF SUPPLIES</i>	<i>T\$ 40,000</i>
<i>+ 10% MARK-UP</i>	<i>+ 4,000</i>
	<hr/>
<i>SALE OF SUPPLIES</i>	<i>T\$ 44,000</i>

But look what happened. The cost of the goods was T\$40,000 as planned, but when they added up their annual sales, they found the total to be only T\$43,200 not T\$44,000. T\$800 had disappeared. This left them only T\$3,200 for expenses, not T\$4,000 as planned. What had happened?

Leakage

The loss of T\$800 could only partly be explained. Mary remembered a couple of incidents - a load of fibre damaged in a truck crash, a can of dye spilled. Both goods and money can "disappear" in various ways, accidental and otherwise.

Such unaccounted-for losses are called "leakage" by business managers. Some other examples follow:

- Merchandise is damaged by humidity and mould and cannot be sold.
- A shipment of wool is not properly inspected. Only 48 kg are delivered, but the manager signs and pays for 50 kg.
- A manager sells three kg of wool to a member, but only charges her for one kg, by mistake.



"LEAKAGE"



Leakage costs money, and it is the members who have to pay. In Rainbow, they had to increase the mark-up from 10 to 12% the next year to cover leakage. That mark-up proved sufficient. The society earns enough to cover expenses, can still pay a patronage refund, and has no complaints from the members about prices.

Of course, it is much better to reduce leakage than to increase mark-up. Mary does her best to minimize leakage.

Stock control

How can a manager find out how much leakage there is over a period of time? Here is what Mary does.

For each item she keeps in stock, she has a bin card. This is the card for grey wool.

WOOL, grey		Price: \$92:-/kg		
Date	Particulars	In	Out	Bal.
1.4	Stock			18
10.4	Purchased	4		22
16.4	Sold		3	19
18.4	Sold		2	17
30.4	Sold		1	16

First, she records how much she has in stock at the beginning of the period.

Then, each time she makes a change in the stock, she records it.

When she adds **to** the stock - buys new supplies - she records it ...

and when she takes away from the stock - makes sales - she records it.

At any time she can look at her records to see how much there should be in stock.

For example, there should be 16 kg of wool in stock at **the** end of April - according to Mary's records. To see if there actually are 16 kg of wool in store, she does a stock-taking. This means she must weigh the wool she has. She finds only 15 kg!

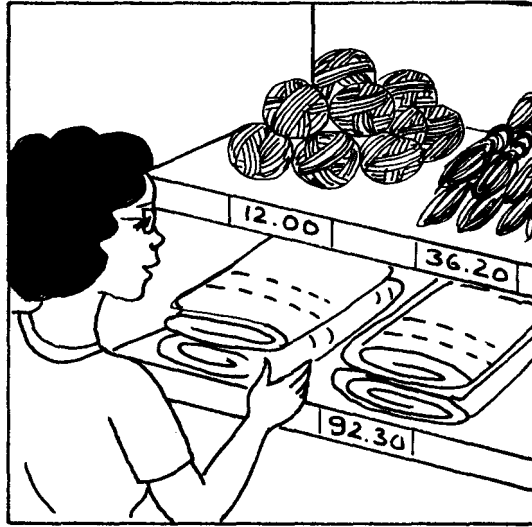
The records show the theoretical stock (what there should be in stock).

The stock-taking shows the actual stock (what there actually **is** in stock).

If the actual stock is less than the theoretical stock, it indicates that some goods are missing - a leakage. Mary has obviously discovered a leakage.

Sale of supplies

As soon as a member enters the store at Rainbow, she can easily see the kind of material available. Mary has arranged a nice display, clearly showing prices.



When a member buys a set of material, Mary fills out a Sales Note. She signs it to indicate that she has received the necessary payment and the member signs that she has received the material.

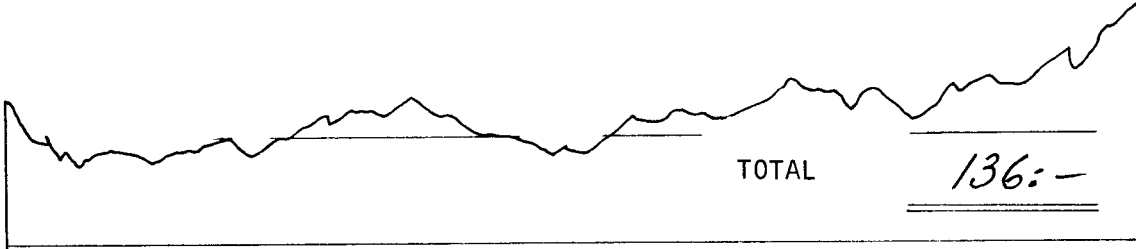

RAINBOW		No: <u>00246</u>
<u>Sales Note</u>		Date: <u>14.2.88</u>
Member's Name (block letters): <u>ALICE MONONG</u>	Member's Number: <u>23</u>	
Goods Delivered:	Unit Price:	Price:
<u>2 kg wool, beige</u>	<u>92:-</u>	<u>184:-</u>
	TOTAL	<u><u>184:-</u></u>
Goods Received:	➔ <u>Alice Monong</u>	
Member's Signature:		
PAYMENT	CHARGE	
\$ <u>184:-</u> received	\$ _____ to be charged	
<u>Mary Lee</u>	to account No: _____	
Signature	Posted by: _____	
<u>14.2.88</u>		
Date		

Credit

One of the most serious problems handicraft-makers face is credit. When they have no cash to buy their raw material they can be forced to use a money-lender. This may get them money right away - but at a cost which is unreasonable. The amount they have to pay back in addition to the loan is called interest. Many money-lenders ask exorbitant interest.

But where else can someone working on a small-scale turn? One answer is a supply co-operative. It can help the handicraftswoman by selling her raw material on credit. This service is extremely valuable to members, particularly if they are women (who generally find their sources of credit very limited).

When a member is allowed to buy on credit, Mary makes a note like this at the bottom of the Sales Note:

	
TOTAL <u>136:-</u>	
Goods Received:  <u>Tekla Pong</u> Member's Signature:	
PAYMENT \$ _____ received _____ Signature Date	CHARGE \$ <u>136:-</u> to be charged to account No: <u>S-82</u> Posted by: _____

The debt is then posted (noted) in the member's account, so that it is possible to see, at any time, how much each member owes the society.

Mary keeps all the Sales Notes safely. She needs them when she later compiles her records of sales, members' debts, etc. She has to account for all money she has received and provide accurate reports to the committee.

When Rainbow sells something on credit, it must wait for payment until the member has finished the handicraft and brought it to the co-operative. Then the debt plus a small amount of interest is deducted from the payment made to the member. This is noted on the Delivery Voucher, as we saw on page 19.

Rainbow needed an extra pool of money to provide this credit service, of course. In the beginning it used a bank loan, but now it is gradually building up a fund of its own money by using part of its annual net surplus. This will enable it to offer even better credit service to its members.

The management has to be very careful to see that all credit is repaid. If the pool of money shrinks because of repayment problems, the whole thing collapses.

..... DISCUSS

1. What are your members' main problems with regard to supplies of raw material? What more can your co-operative do to give the members better supply service?
2. How much money is usually "tied up" in your stock of supplies? What will happen if you reduce the stock? What will you do with the "freed" money?
3. Identify the causes of leakage in your supply business and try to estimate what it costs your society every month. What can you do to minimize leakage?
4. Review the paperwork involved in both the supply and the marketing sides of your co-operative. Is every entry and every copy actually used by someone for some purpose? How can you simplify the system?

.....

FINANCIAL MANAGEMENT

The balance sheet

At the end of last year the committee of Rainbow Handicrafts prepared the paper below. It is a balance sheet, showing the financial situation of Rainbow at the time. You can see what the society owns (assets) and where they got the money from (liabilities). According to their by-laws, the balance sheet was presented to the members at the last annual general meeting and was also sent to the Registrar of Co-operatives.

RAINBOW HANDICRAFTS		BALANCE SHEET		31.12.1987	
<u>ASSETS</u>				<u>LIABILITIES</u>	
CASH AT BANK	T\$23,400	SHARE CAPITAL	T\$ 4,800		
STOCK OF SUPPLIES	T\$12,500	RESERVE FUND	T\$22,200		
STOCK OF HANDICRAFTS	T\$10,700	BANK LOAN	T\$14,000		
FURNITURE, EQUIPMENT	T\$ 1,600	THIS YEAR'S SURPLUS	T\$ 7,200		
	<u>T\$48,200</u>		<u>T\$48,200</u>		



This side shows how the society has used its money; the possessions of the society at present.

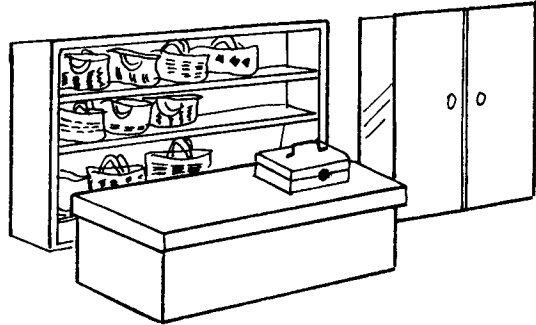


This side shows where the money came from; the sources.

on one side we describe where the money comes from, on the other, how the same money has been used. You can see that the amounts must be the same, the two sides in "balance".

Possessions

The balance sheet reveals important facts. You can see on the left hand side that the society has in its possession some furniture, a stock of goods, and money in the bank.



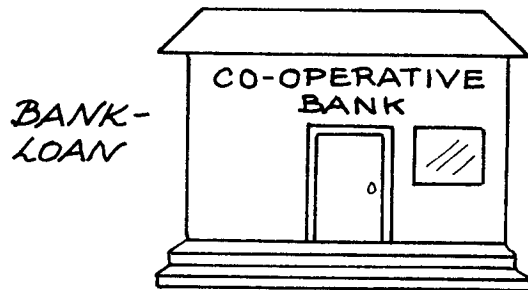
Sources

How could it buy all this? Where did the money come from?

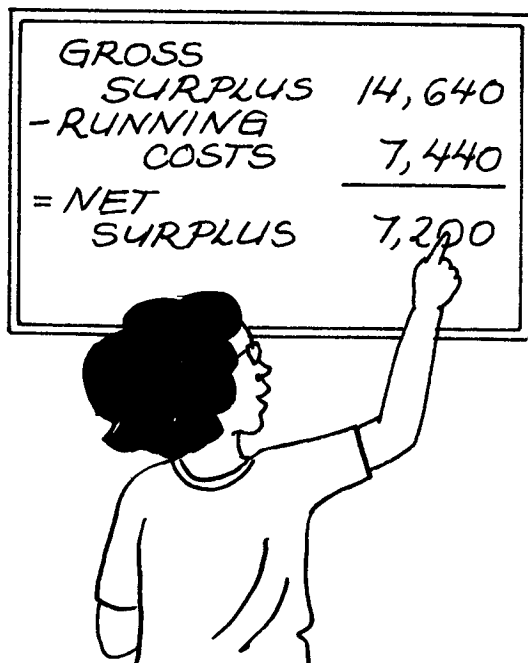
Look at the right hand side. We can see that the members have contributed their own money, called "share capital".



When the society began, it also took a bank loan. There is still T\$14,000 to repay on that loan.



Over the years, the society has earned some money from its business (a "surplus"). Some of this money has been reserved for use in the business (to increase the stock or to improve the store, for instance). That is the "reserve fund".



Last year there was a net surplus of T\$7,200. The members still have to decide how this surplus should be used. They will probably put some of it in the reserve fund.

The operations - a summary

As you can see from the balance sheet, Rainbow Handicrafts earned a net surplus of T\$7,200 last year. Study the summary of last year's operations, presented here, to see how this result was achieved. Be sure you understand the basic principles, all the business terms used, and the relationship between them.

Marketing Business

SALES	T\$91,600	On behalf of the members, the co-operative sold their products at the best possible prices.
- TOTAL PAYMENT TO MEMBERS	- T\$82,440	Most of the money received was given to the producers (they had received most of it in advance).
= COMMISSION (GROSS SURPLUS)	T\$ 9,160	The co-operative kept a fixed percentage (a commission) to cover running costs.

Supply Business

COST PRICE	T\$ 150	The cost price is what the co-operative pays to the supplier for raw material, plus freight costs.
+ MARK-UP	+ TS 18	To that price it adds the mark-up...
= SELLING PRICE	T\$ 168	so that it gets a selling price which the members will pay for the supplies.

SALES	T\$51,146	The sales to the members brought more money into the co-operative than it paid for the goods.
- COST OF GOODS	- T\$45,666	
= MARGIN (GROSS SURPLUS)	T\$ 5,480	The margin creates a gross surplus to cover running costs.

GROSS SURPLUS (COMMISSION) EARNED ON THE MARKETING BUSINESS	T\$ 9,160
GROSS SURPLUS (MARGIN) EARNED ON THE SUPPLY BUSINESS	+ T\$ 5,480
TOTAL GROSS SURPLUS EARNED	T\$14,640
COSTS OF RUNNING THE CO-OPERATIVE	- T\$ 7,440
NET SURPLUS	T\$ 7,200

Why is a net surplus necessary?

Good financial management is a prerequisite for progress. Rainbow is able to help its members because its leaders and manager understand how to take good care of the society's money and make good use of it.

The key to their success is in the figures above. The management realizes that every year it has to make a gross surplus large enough to cover running costs. It aims at having a net surplus left over when all costs have been paid.

But why is a net surplus actually necessary? A private trader makes a net surplus (he calls it "profit") but why should a co-operative make a profit? Wouldn't it be better to charge the members a little less for the supplies and pay them a bit more for their handicraft? The co-operative would still earn enough to cover running costs but not to earn a net surplus.

The reasons why you need a net surplus:

● To allow for the unexpected

In business it is difficult to get exactly the result you planned for. If you aim to make costs and sales

exactly equal to each other (which would give neither a surplus nor a loss), you may end up with a loss.

Gross surplus	T\$ 5,000
- Running costs	- 5,800
<hr/>	
= Net surplus <i>loss!</i>	T\$ 800

It is better to aim for a small net surplus which will allow for unexpected events leading to a drop in sales or extra costs. For example, the rent of the shop may be raised or the members may for some reason reduce their output. Aiming at a net surplus helps to avoid a loss.

● To improve the co-operative - and - its - service

In many countries, co-operative law says that 25% of the net surplus must be placed in a co-operative's "reserve fund". This money becomes the co-operative's own capital. The money can, for instance, be used as working capital to increase the range or quantities of raw material. It can also be used for replacing or buying new fixed assets (equipment or furniture). This way, the net surplus can be used to improve services to members.

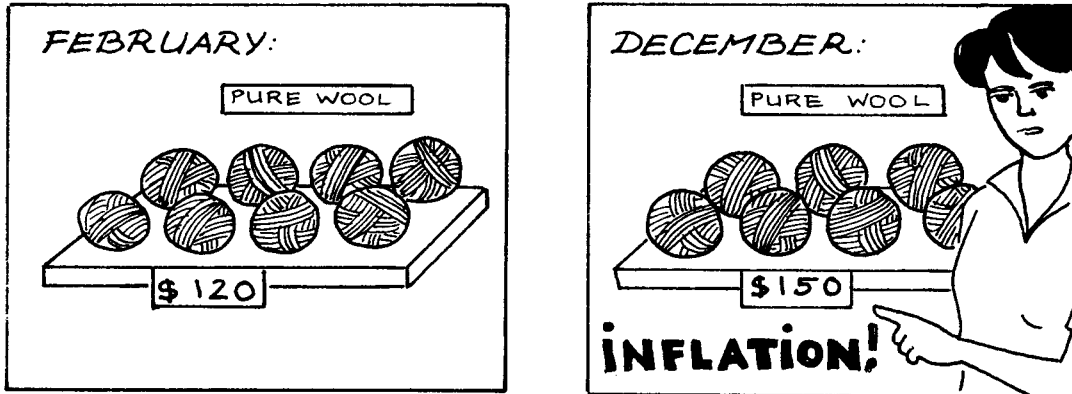
● To-replace borrowed capital with owned capital

Loans have to be repaid. If a co-operative merely pays back the loans without creating capital of its own, the total capital available to the co-operative will steadily decrease. Some of the net surplus can be used to create this "new" owned capital.

● To maintain-stock-levels

Extra working capital is needed to replace stock when cost prices are rising. Suppose a society has been buying 50 kg of wool every month at a price of T\$120 per kg. It needs T\$6,000 for wool every month. If the price goes up to T\$150 per kg, it will need T\$7,500 to

buy the same quantity. The working capital must go up by T\$1,500 just to maintain the same stock level. This is possible if a net surplus is available. . So, a net surplus can be used to maintain stock levels when cost prices are rising.



● To pay interest on snares

It is common to pay members interest on the shares they contributed. For example, members might be paid T\$0.05 each year for every T\$1.00 of share capital they contributed. The intention is not to distribute most of the net surplus in proportion to contribution - that would be against co-operative principles. But members should get about the same interest as if they had put the money in a savings account at a bank. This interest can be paid only if there is enough surplus.

● To pay bonus

After all the above needs have been considered, there may still be a surplus left over. The co-operative could then give this money to the members.

An important co-operative principle says that this surplus should then be distributed in strict proportion to the business each member has done with the co-operative. Members who have patronised the co-operative the most receive more money than those who have had little business with it. This payment is called "bonus" or "patronage refund".

BONUS DISTRIBUTION

**SALLY GETS
A BONUS**



**BECAUSE SALLY
HAD DELIVERED
3 BASKETS**

**but HELEN GETS
4 TIMES THAT BONUS**



**and HELEN HAD
DELIVERED 12 BASKETS
(4 TIMES MORE)**

Financial planning

Certainly it is important to plan the business so that "both ends meet" and you make a net surplus every year.

But how can you "plan" a business like a handicraft co-operative? How can you tell in advance how much the members will produce, how much of their handicraft will be sold, the amount of the gross surplus and the running costs?

Of course, this is a problem. In the early days, Rainbow Handicrafts had great difficulty making reliable forecasts about its income. Today they have experience and can estimate roughly the volume of business - how much handicraft they will buy and sell in a year. They also know their fixed costs. Furthermore, they plan their production carefully, encouraging members to produce only what can be sold. This way they keep their business "under control" all the time.

To learn about financial planning and forecasting we can use Rainbow's plans for next year. They are not very complicated, as they will concentrate on only one product next year, rugs. Mary and her friends in the committee are now working out estimates for the income and expenditures.

Estimating sales

As you read on page 10, Rainbow Handicrafts has received a large order and signed a delivery contract for 100 rugs with a company in the city.

Because of this order, the management feels quite confident about the volume of business for the coming year. The members will certainly produce the 100 rugs. A production plan has already been worked out with them, some promising to make two rugs, others three. A few women will continue to make baskets, as before, but it is difficult to say how many.

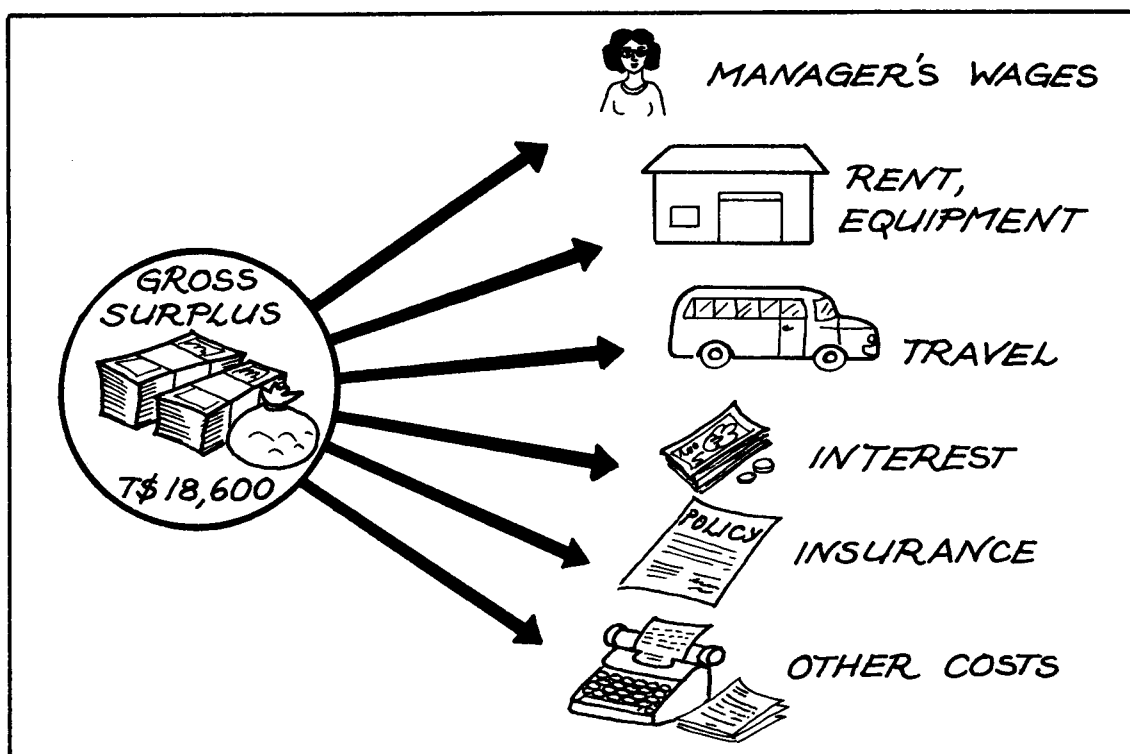
Mary says, "We are sure about the rugs, but let us not guess anything about the baskets. If we overestimate our sales, we may believe that we will make a big gross surplus. That is dangerous."

The selling price of a rug has already been fixed, after careful calculations and negotiations with the buyer. It will be T\$1,200. Members will receive T\$1,080 when the society has taken its commission of 10%. The cost of the raw material will be T\$550 to the society. It will mark up 12% and charge the members T\$616. A member will earn T\$464 for her work weaving the rug.

Here are the total estimates for the income next year:

INCOME		ESTIMATES for NEXT YEAR	
<u>SUPPLY BUSINESS</u>			
Sale of raw material	(100 x T\$616)	T\$ 61,600	
Cost of raw material	(100 x T\$550)	<u>T\$ 55,000</u>	
Gross surplus		T\$ 6,600	
<u>MARKETING BUSINESS</u>			
Sale of rugs	(100 x T\$1,200)	T\$120,000	
Payment to members	(100 x T\$1,080)	<u>T\$108,000</u>	
		T\$ 12,000	
<u>TOTAL INCOME</u>			
from the supply business		T\$ 6,600	
from the marketing business		<u>T\$ 12,000</u>	
Total gross surplus		<u><u>T\$ 18,600</u></u>	

If everything goes as planned, Rainbow Co-operative will earn a gross surplus of T\$18,600 next year. All the costs of running the co-operative will have to be paid for out of this amount.



Estimating costs

To estimate expenses, Mary has prepared a table showing all the costs during the present year (which is now coming to an end). Every item is thoroughly discussed in the committee. Before they agree on a figure, they ask, "Will this cost be the same or higher next year?" They know exactly what the rent will be, as well as the interest on the bank loan and Mary's salary. They are not quite sure about travel and other costs. Mary warns again, "If we underestimate costs, we may believe that we can earn a higher surplus than we actually do, and then we may spend too much. Although we have won the big order for the rugs, we should not sit back and do nothing. We must continue looking for buyers for the future and the travelling that requires will still cost us some money."



Finally they agree and can fill in the following cost estimates in Mary's table:

COSTS	THIS YEAR	ESTIMATES FOR NEXT YEAR
Wages	3,200	3,400
Rent	1,600	1,800
Travel	468	600
Interest	2,012	1,800
Insurance	744	800
Miscellaneous	576	1,000
Total	<u>8,600</u>	<u>9,400</u>

The operational budget

All the figures are then put together in a "budget", a projection of the business results expected for the coming year.

OPERATIONAL BUDGET		RAINBOW HANDICRAFT CO-OPERATIVE	
<u>INCOME</u>			
Sale of raw material		61,600	
Cost of raw material	-	<u>55,000</u>	6,600
Sale of rugs		120,000	
Payment to members	-	<u>108,000</u>	<u>12,000</u> 18,600
<u>RUNNING COSTS</u>			
Wages		3,400	
Rent		1,800	
Travel		600	
Interest		1,800	
Insurance		800	
Miscellaneous		<u>1,000</u>	<u>9,400</u>
<u>ESTIMATED NET SURPLUS</u>			<u>9,200</u>

If Rainbow's sales and expenditures conform to this budget, the co-operative will have another successful year, earning a net surplus of T\$9,200.

The main purpose of preparing a budget is to have an instrument with which to monitor a business. It is only useful if you "follow up" the budget, constantly keeping an eye on income and expenditures to see whether they agree with the estimates made.

However, the annual budget shown above lacks the precision needed to check business results on a monthly or quarterly basis. Mary cannot tell after a couple of months if the business is going as planned, because the budget shows only the total result for the whole year. It says, for instance, that sales of rugs will amount to T\$120,000, but not how

much money will come in during the first months or the last months of the year. And Mary needs to know this to be able to control the development of business according to plan.

Therefore, it is necessary to subdivide the budget into quarterly or monthly budgets. Mary uses the figures from the annual budget as a basis when she breaks it down into shorter periods. She has agreed with the members and the buyer as to delivery and payment dates for the 100 rugs. She has also planned when to buy and pay for supplies.

The_quarterly_budget

Let us study Mary's budget on the next page.

- The circled figures indicate the number of rugs or sets of raw material to be bought or sold during each quarter. We can see that most of the rugs will be delivered and paid for in the third quarter (50). Clearly, supplies must be available earlier for the members. Hence Mary plans to buy 20 sets of raw material in the first and 40 in the second quarter. But the members cannot pay for this expensive material on delivery. They must get credit until they bring in the finished rugs for payment. We can see that only 10 sets of material are paid for in the first and 25 in the second quarter, corresponding to the sales of and payment for rugs.
- Certain expenditures are spread over the whole year, like travel. It is difficult for Mary to say exactly how much and when travel money will be used. Other costs, like the rent and the interest on the bank loan, have fixed dates for payment.

When the budget was ready, Mary could immediately see that the income during the first quarter would not be enough to pay for the expenditures. She has a "negative" balance at the end of the period, indicated by brackets in the line "NET".

QUARTERLY BUDGET		RAINBOW HANDICRAFT CO-OPERATIVE			
Item	1 Jan-Mar	2 Apr-Jun	3 Jul-Sep	4 Oct-Dec	TOTAL
<u>INCOME</u>	(10)	(25)	(50)	(15)	
Sale of supplies	6,160	15,400	30,800	9,240	61,600
Sale of handicraft	(10) 12,000	(25) 30,000	(50) 60,000	(15) 18,000	120,000
<u>TOTAL INCOME</u>	<u>18,160</u>	<u>45,400</u>	<u>90,800</u>	<u>27,240</u>	<u>181,600</u>
<u>EXPENDITURES</u>	(20)	(40)	(30)	(10)	
Cost of supplies	11,000	22,000	16,500	5,500	55,000
Paid to members for handicraft	(10) 10,800	(25) 27,000	(50) 54,000	(15) 16,200	108,000
Wages	850	850	850	850	3,400
Rent		900		900	1,800
Travel	100	100	300	100	600
Interest				1,800	1,800
Insurance		800			800
Miscellaneous	250	250	250	250	1,000
<u>TOTAL EXPENDITURES</u>	<u>23,000</u>	<u>51,900</u>	<u>71,900</u>	<u>25,600</u>	<u>172,400</u>
<u>NET</u>	<u>(4,840)</u>	<u>(6,500)</u>	<u>18,900</u>	<u>1,640</u>	<u>9,200</u>

Fortunately, Rainbow has some money in the bank. To cope with the large expenses during the first two quarters, Mary has to use this money. But will it be enough? Suppose, for instance, that all the first quarter expenses (T\$23,000) will have to be paid before the expected income (T\$18,160) is received.

Mary has to plan carefully for such a possibility. She could work out a "cash flow budget", showing more exactly, month by month, how money will come in and be paid out. She will

then be able to see if there is a need for additional cash. Maybe she will have to arrange for a short-term loan or ask the suppliers for credit.

We can now see the importance of the budget work, it helps the management to prepare for the smooth operations in the future. A cash flow problem, for instance, will not come as a surprise; thanks to the budget they know about it in advance and can plan a solution.

The follow-up

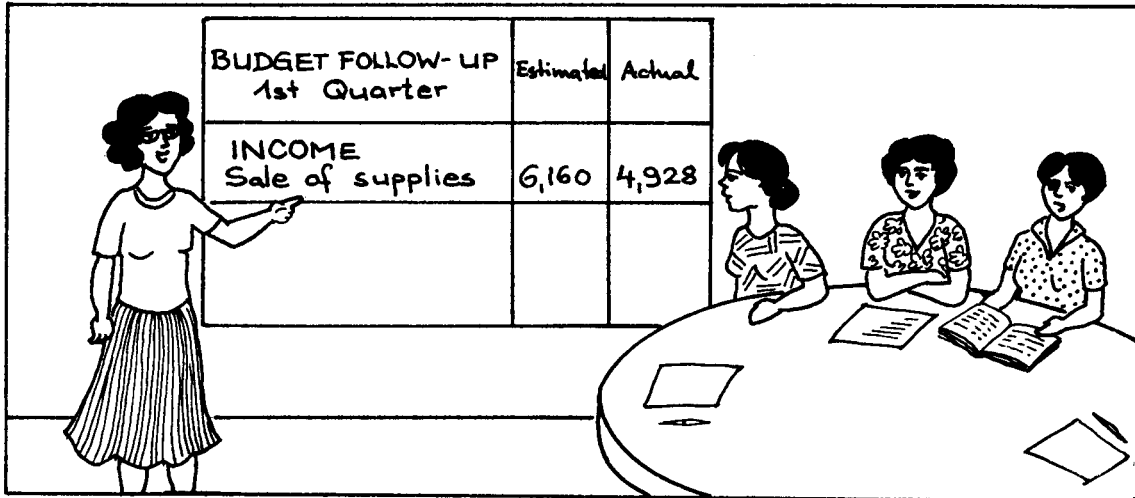
When Mary and the committee have their regular meetings, they always have the budget follow-up on the agenda.

For each meeting Mary prepares a report comparing estimated results (according to the budget) with actual.

The first quarter has now passed. Mary has presented the report you see here.

BUDGET FOLLOW-UP 1st Quarter	Esti- mated	Actual
<u>INCOME</u>	(10)	(8)
Sale of supplies	6,160	4,928
Sale of handicraft	(10) 12,000	(8) 9,600
<u>TOTAL INCOME</u>	<u>18,160</u>	<u>14,528</u>
<u>EXPENDITURES</u>	(20)	(20)
Cost of supplies	11,000	11,000
Paid to members for handicraft	(10) 10,800	(8) 8,640
Wages	850	850
Rent		
Travel	100	142
Interest		
Insurance		
Miscellaneous	250	182
<u>TOTAL EXPENDITURES</u>	<u>23,000</u>	<u>20,814</u>
NET	(4,840)	(6,286)

In the meeting, the report is analysed. Are there any problems? Well, they had estimated buying and selling ten rugs during this period, but only eight were ready. The reasons are clear: a member who had promised to deliver a rug has



fallen ill; another rug was rejected because of low quality. The committee decides to compensate for these mishaps immediately by asking other members to produce two more rugs.

The committee realizes that the deficit (the negative balance) is larger than estimated, but they know why and what to do about it. Since they have the money in the bank to cover it, they are not very worried about this difference between the budget and the actual result.

On other occasions they may have more serious problems to deal with, problems which they can discover only if they have a budget and accurate reports from the manager. Whenever they discover a serious difference between the budget and the actual results, they follow this procedure.

- They try to find out the reasons for the difference.
- They consider whether or not the differences will affect the overall result for the whole year.
- If it will, they decide what action to take.

By checking the progress each month like this and taking action as necessary, the committee and the manager guide the co-operative towards its goal - achieving the result planned for in the budget.

..... DISCUSS

1. A certain amount of money (the working capital) is always "in circulation" in a co-operative as payment for supplies and products. Why is it dangerous for a co-operative if this capital diminishes? How could it diminish?

2. Discuss a policy for pricing in your co-operative. Should you aim at a large or a small net surplus?

3. Suppose that your co-operative is not making a large enough net surplus. Discuss how you can improve the situation:
 - by selling more supplies to members and marketing more products;
 - by increasing selling prices;
 - by increasing the percentage of mark-up and commission;
 - by lowering running costs.

What action(s) would you take? How would it affect the overall result?

4. Estimate how much of your running costs concern the supply service and the marketing service, respectively. How much time does your paid staff spend on each, and how should other costs be divided between these operations? Given your conclusions, do you see any reasons to change your commission and/or the mark-up on certain items?

5. What costs could be reduced in your co-operative?

.....

THE ANNUAL GENERAL MEETING

This MATCOM Element has described some of your most important tasks as a committee member or manager of a co-operative society.

You have studied ways to carry out the planning and managing of operations of your co-operative. But a co-operative is not only figures, budgets and business decisions. A well-known definition says:

"A co-operative is people"

In most of your dealings you will be involved with people. The main body of any co-operative is its members. They own it, have set its rules, contributed their money to it and elected you to guide and lead its activities.

In your work, it is good to act as the leader of a "business enterprise", but you must never forget the people for whom you work, the members.

It is not often that all members come together to take official decisions, but they are in constant touch with their co-operative through their business dealings. In Rainbow, the members enjoy coming to their store. Mary keeps them well informed about the business, discussing it with them and asking for their opinions. She passes on their views to the committee.

The members have the opportunity to exercise their powers and take decisions in the Annual General Meeting (AGM) and sometimes other special general meetings.

It is the duty of the committee to organise the AGM. In Rainbow an invitation is sent to all members more than three weeks in advance, together with the agenda.

AGENDA FOR THE
TENTH ANNUAL GENERAL MEETING OF THE
RAINBOW CO-OPERATIVE SOCIETY

1. Opening of the AGM and welcome by the chairwoman
2. Annual report and statement of accounts for the previous year
3. The balance sheet
4. Disposal of the surplus
5. Plans, activities and budget for next year
6. Election of new committee members
7. Any other business

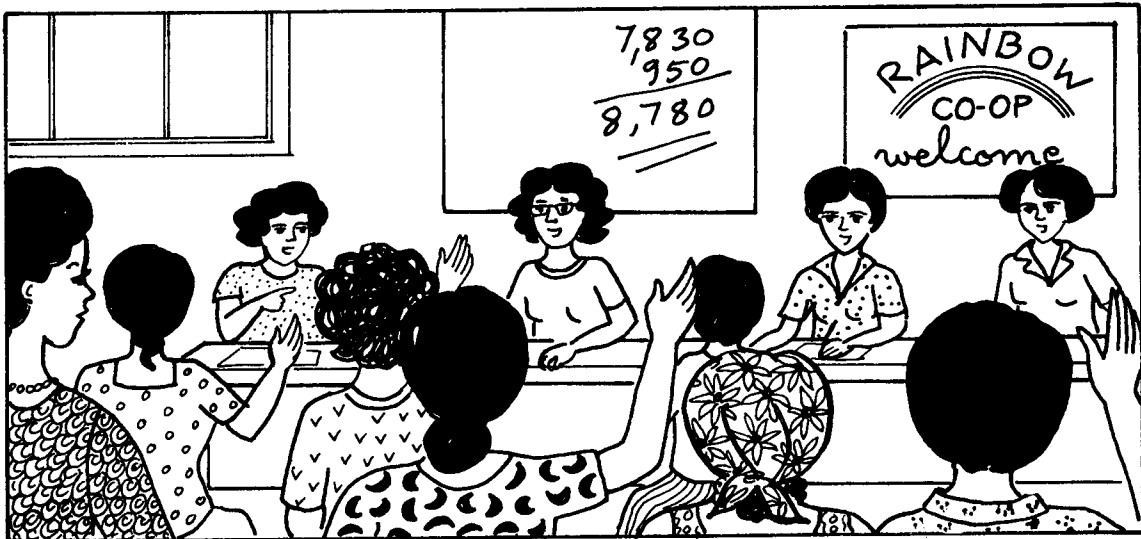
As you can see from the agenda, the members will deal with some very important matters here. It is vital that they be properly informed, so they can take the right decisions in the meeting.

Basic information can be found in the Annual Report, prepared, according to the by-laws, by the committee. The report also contains a statement of accounts and a balance sheet (see page 34). Here the members can find all the important facts about the society's business, its sales, its expenses and the surplus created over the past year. If members find the printed report difficult to read and interpret, the committee should explain it in simple terms so that all members can participate intelligently in decision-making.

The committee members of Rainbow have received help from an adviser in preparing the report and the accounts. They have

also received training on how to conduct meetings, which proves to be valuable. Discussions in the general meetings are often very lively, and it is not easy for the chairwoman to conduct the proceedings. She must make sure that everyone who wants to speak is allowed to do so and that all decisions are taken democratically. This means that

- every member present at the meeting has one vote;
- decisions are made by a majority of votes of those present and entitled to vote;
- each decision is recorded in a minute book and read out to the meeting before the next item on the agenda is taken up.



..... DISCUSS

1. In the AGM, the members decide how the net surplus should be used. What is your opinion? How should the surplus be used in your co-operative for the maximum benefit of the members?

2. Another important decision in the AGM is the election of committee members. Identify the most important skills and knowledge committee members must have. State what you yourself would like to learn more about.

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NOTES FOR THE STUDY LEADER

The following are some guidelines for those who want to organise a study course based on the contents of this booklet.

- Study the booklet thoroughly yourself; you must be completely familiar with its contents.
- Adapt and modify the contents of the booklet to include local names and conditions typical of your country. You may want to convert the main example of the handicraft co-operative into another co-operative activity. Use realistic examples.
- Arrange a study programme; decide how many meetings you will have and the topics for each meeting.
- In the meetings, go through each chapter with the participants. Present the contents in your own words. You should not read from the book; it is much easier for participants to understand if you talk freely.
- Be flexible; do not follow the material slavishly. Be prepared to change the approach, depending on what the trainees themselves suggest.
- Make effective use of visual aids. Copy some of the illustrations from the booklet on large sheets of paper and use them to support your presentation.
- Present the discussion questions at relevant times. Take good time for the discussions. Whenever suitable, organise discussions in smaller groups, and let the groups report their conclusions afterwards.
- Avoid talking too much yourself; participants' discussion should take up much of the total time. Ask, listen and guide rather than talk. Important points can be elicited from participants through skilful questioning rather than your telling them everything.
- Call on the silent and, if necessary, silence those who talk too much.
- Be sure that everyone understands what is going on; do not allow discussion to be taken over by a minority who comprehend when the majority do not.

NOTE: It is preferable that necessary adaptation/translation of this booklet be done by a co-operative apex organisation or department. Copies could then be economically reproduced and distributed to all participants.