

Training Manual

“Improving Business Acumen in Fisher Cooperatives in Saint Lucia”, Caribbean

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Country: Saint Lucia**

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A project implemented by:





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BACKGROUND AND INTRODUCTION

There are currently nine functional Fishermen Cooperative in Saint Lucia: Gros Islet; Castries; Anse la Raye/Canaries; Soufriere; Choiseul; Laborie; Goodwill/Vieux Fort; East Coast/Micoud; Dennery; and each run by a Manager and Board of Directors. These Cooperatives perform a critical role within the fisheries sector which includes the procurement and supply of inputs to its members.

These Co-operatives are guided by The Cooperative Societies Act of 1999. There is also currently a draft bill which is expected to replace the current act as this is in keeping with decisions of the OECS governments with leadership from the ECCB to strengthen the regulatory framework for the financial services sector in the sub region.

Fisher-folk Cooperatives do not engage in the marketing of fish, they mainly provide fishing inputs for their members, other fishers and the public. Most Cooperatives have fuel stations and are able to sell to the general public. The profit margin on this commodity is small and as such it is important that good management systems are instated to ensure profitability.

It is also recognized that the sustainability of these fisher folk cooperative will depend to a great extent on the business decisions they take in the near to medium term. Once such initiative which is being considered is bulk purchasing so that procurement costs can be reduced and hence resale at a more affordable rate. A now defunct entity called the National Association of Fishermen's Cooperatives (NAFCOOP) failed as a result of management's lack of business acumen and its inability to operate profitably.

A key issue which this intervention seeks to address is one whereby some Cooperatives sell inputs to their members at a cost high than the competition thus leaving members no choice but to withdraw their patronage. It is anticipated that bulk purchasing by all members will allow for economies of scale thus making the cooperatives more competitive.

DESIGN AND STRUCTURE



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This Manual sets out a two-day training course. The content of the training combines materials on theory and brief exercises with tools that enable participants to apply the theory in practice.

At the end of the training, participants will have:

- Shared and gained experiences with other participants.

At the end of the training, all participants will be asked to briefly explain:

- What they learned during the training
- How they can apply what they have learned to their daily operations
- How they can apply what they have learned in their work from now on.

The training comprises four training modules; monitoring, self-assessment and evaluation of the training are included in the modules.

COURSE CONTENT

The content of this guide deals with the basic principles, knowledge, concepts and skills which relate to governance, inventory control, credit management and membership development. Each module begins with an overview and general information about purposes and length of time needed. Times throughout the modules are estimated—and can be shortened or lengthened depending on the trainer's facilitation.

In each module, there are a number of individual sessions. Each session begins with information about objectives and preparation. The procedure for each session is laid out step by step, with discussion points.

COURSE OBJECTIVES

The Objectives of this training is to:

- Develop economically strong cooperative societies, capable of facing competitive challenges
- Develop strong savings and credit cooperatives, providing better services and offering a source of capital.
- Introduce participants' to principles and concepts of good governance and accountability in cooperative societies.
- Help form a network of cooperatives with efficient and cost effective structures, able to respond easily to the needs of their members.

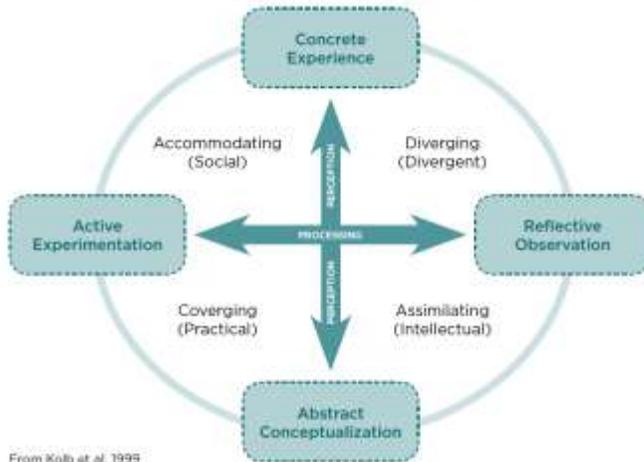
- Equip participants with the skills and knowledge of effective management of cooperatives to realize bulk purchasing and distribution to cooperatives Island-wide and improve their overall operations generally.

METHODOLOGY

This training approach is based on the principles of adult learning with a focus on experiential learning and models of participatory methodologies in keeping with experiential learning. The concept of experiential learning has been with us for almost 2,500 years. Around 450 BCE, Confucius wrote: “Tell me, and I will forget. Show me, and I may remember. Involve me, and I will understand”.

The most recent significant theoretical development in ‘learning by doing’ is the experiential learning model and learning style theory, which was originally introduced in 1984 and which has been further developed since then.

Figure A- illustrates the experiential learning approach as a four-stage, continuous cycle.



In the experiential approach, learning is a process in which a person experiences something directly, reflects on the experience as something new or related to other experiences, and uses the concept in subsequent actions. As a result of the four steps, the learner derives a new set of experiences that lead to a repeat of the learning cycle again and again.

According to the experiential learning approach, a learner, to be fully effective, needs four different abilities:



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1. To be able to involve him/herself fully, openly, and without bias in new experiences
2. To be able to observe and reflect on these experiences from many perspectives
3. To be able to create concepts that integrates his/her observations into logically sound theories
4. To be able to use these theories to make decisions and solve problems.

Handout 1 - Training Sessions Plan

AGENDA DAY ONE

DATE	TIME	SESSION
23/01/2013		Arrival
	08.30 – 09.00	Registration
	09.00 – 9:40	Opening Prayer Participants introduction Remarks by ACP Fish II Project Coordinator
	09.40 – 10.00	Introduction to the training
	10.00 – 10.30	What is Governance/Principles of Good Governance
	10.30 –11.00	TEA BREAK
	11.00 –12.00	Functions and Duties of the Board
	12.00 –12.30	Characteristics of an Effective Board
	12.30 – 13:00	Differences between the managers and board roles
	13.00 – 13.45	LUNCH BREAK
	13.45- 14:15	What is Inventory Control
	14.15- 14.45	Key events of inventory control
	14.45-15.30	Inventory control records
	15.30 –16.00	Controlling inventory including costs
	16:00 – 16: 30	Summary/Daily Evaluation form/departure



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AGENDA DAY Two

DATE	TIME	SESSION
23/01/2013		Arrival
	9.00 – 9:40	Prayer Ice-Breaker
	09.40 – 10.00	What is Credit Management
	10.00 – 10.30	Developing a credit Policy
	10.30 –11.00	TEA BREAK
	11.00 –11.30	Major concepts in credit Management
	11.30 –12.00	Credit Sanction
	12.00 – 12.30	Debt Collection Strategy
	12.30 – 13.00	Techniques and Skills required for debt collection
	13.00 – 13.45	LUNCH BREAK
	13.45- 14:15	Importance of membership growth to cooperatives sustainability
	14.15- 14.45	Membership management
	14.45-15.30	Membership Recruitment
	15.30 –16.00	Developing a membership development Action Plan
	16:00 – 16: 30	Summary/Evaluation/Departure

MONITORING, SELF-ASSESSMENT, AND TRAINING EVALUATION

Monitoring, self-assessment, and training evaluation are important for both trainees and trainers. Training participants will get more out of the training through self-assessment and providing daily feedback during the training. Monitoring and training evaluation enable trainers to assess



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whether training objectives have been achieved and help identify ways to improve the training content and delivery.

A self-assessment tool is provided in Handout 2. The self-assessment tool will be used at the end of every training day for reflection and to encourage training participants to monitor and evaluate their own learning.

An evaluation will be completed at the end of the training (Handout 3). It is important to learn whether the training has achieved its objectives, from the participants' perspectives. The training evaluation makes use of an anonymous feedback questionnaire as well as a plenary discussion.

Handout 2 - Daily Training Evaluation

Please complete this evaluation by circling the number which you think is most appropriate.

- 1 – Very satisfactory
- 2 – Satisfactory
- 3 – Needs improvement
- 4 – Unsatisfactory

Please add specific comments about each session to help us refine each session before finalizing the training manual. Thank you for your participation and cooperation.

Module _____ **Topic:** _____

1. The method for this session was	1	2	3	4
2. The competence of the resource person was	1	2	3	4
3. My questions were answered	1	2	3	4
4. The time allocation was	1	2	3	4
5. This session was useful	1	2	3	4

Comments:

MODULE 1 – GOVERNANCE

Corporate Governance Framework™



Figure 1 – Showing the basic framework for good corporate governance



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SESSION 1.0 - Orientation to Workshop

Overview:

This session is designed to give participants and the facilitators a chance to get acquainted and initiate the process of two- way communication and interactive discussions on governance

Objectives:

At the end of this section participants should:

- Develop relationships with each other and together with the facilitators work towards achieving the workshop goals.
- Establish two-way communication with each other

Materials:

None

Time:

15-20 Minutes

Method:

Participation by all who are present through open discussions

Activity 1. Getting to know one another

Step 1 - Welcome the participants.

Step 2 - Encourage participants to introduce themselves, this introductions is carried out in pairs.

Ask each participant to find a partner that she/he does not know and explore the following points:

- a. Name
- b. Organization
- c. How she/he is involved in his/her cooperative
- d. A surprising fact about her or him which other participants do not know.

Allow five minutes for each participant to interview her/his partner, for a total of ten minutes for each pair of partners.



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Step 3 - After all partners have interviewed each other, ask each one to introduce her/his partner in turn until all participants and trainers have been properly introduced.

SESSION 2.0 - What is Governance?

Objectives:

At the end of the session participants should be able to:

- Define governance and its importance for the success of fisher folk cooperative operations and sustainability.

Materials:

Activity sheet 1 – General Questions on Governance

Power point

Flip chart stand & charts

Markers

Time: 1 hour

Method: Facilitated presentation & group discussion.

Process:

Step 1 - Give a broad overview governance: definition and on the responsibilities of the board of a cooperative.

Step 2- Ask the participants to discuss the Questions in activity sheet 1..

Step 3- Allow each group to present their findings and later, lead a plenary discussion on the responsibilities of the board and board of directors. Allow time for questions and sharing of experiences among the participants.

Step 4 – Wrap up the session with the emphasis that an understanding of governance is an important factor for the board and governance has a direct impact on the organizations' development process and strategic positioning. Ask each of the participants to list at least one



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thing they will undertake to change in their cooperative's governance and leadership structure and processes.

ACTIVITY SHEET 1

GENERAL QUESTIONS – ON GOVERNANCE

- Q1. What do you understand by the word governance?
- Q2. What is the role of governance in the fisher folk cooperatives you represent?
- Q3. Who is charged with the role of governance in your cooperative?
- Q4. What are the challenges of balancing social and commercial objectives of cooperatives?
- Q5. What principles of good governance are to be observed in cooperatives?

What then is Governance?

The following definitions are offered:

A process that involves;

- A system of check and balances between management and other stake holders who set the standard and objectives of accountability of a given entity.
- Leadership and commitment to ensure fulfillment of the cooperatives mission and protection of its assets over time.
- Guidance by the board of directors, the governance is under the direction of the board

It is a process through which a board of directors, guides a cooperative in fulfilling its corporate mission and protects the organization's assets over time¹

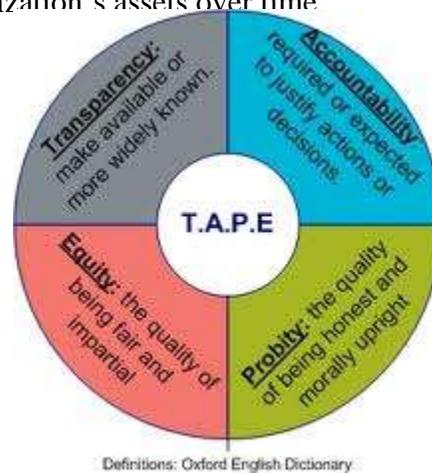


Figure 2 – Governance model as defined in the Oxford English Dictionary.

¹ This definition taken from Rock, Otero and Saltzman, p.1.

Principles of Good Governance

Good governance is concerned with the establishment of an appropriate legal, economic and organisational environment that would facilitate and allow fisherfolk cooperative enterprises to grow, thrive and survive as organisations for maximizing shareholder value while being conscious of and providing for the well-being of all other stakeholders and the society.

It is the responsibility of the members of the fisherfolk cooperatives to elect competent directors and to ensure that they govern the organisation in a manner that is consistent with their stewardship.

Good governance dictates that the Board of Directors governs the organisation in a way that maximizes shareholder value and in the best interest of the society. It is neither in the long-term interest of the enterprise or society to short-change members, exploit labour, pollute the environment nor engage in corrupt practices.





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Figure 3 – Good Governance model

The following are the principles of good governance:

1. Authority and duties of members/shareholders
2. Leadership
3. Appointments to the Board
4. Strategy and values
5. Structures and organization
6. Organisational performance, viability and financial sustainability
7. Organisational Compliance
8. Organisational Communication
9. Accountability to members
10. Responsibility to stakeholders
11. Balance of powers
12. Internal control procedures
13. Assessment of performance of the board of directors
14. Induction, development and strengthening of skills of board members
15. Appointment and development of executive management
16. Adoption of technology and skills
17. Management of organisational risk
18. Organisation culture
19. Social and environmental responsibility
20. Recognition



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SESSION 3.0- Functions of the Board

Objectives:

At the end of the session Participants will be able to

- List and appreciate the responsibility and the role of the board.
- Understand the duties of each individual director.

Materials:

Activity sheet 2 – Director Self Assessment Checklist, Power point presentation.
Flip chart stands & charts, Markers.

Time: 2 hours

Method: Facilitated presentation, which should be highly interactive among the Participants. Depending on the participants needs the group discussion may be carried in the plenary or in groups made up of participants from similar Fisher folk cooperatives.

Process:

Step 1 - Give a broad overview on the position of the board in an organisation:

Step 2 - Ask the working groups to complete and discuss Directors Self Assessment Checklist (Activity sheet 2)

Step 3 - Allow each group to present their findings and later, lead a plenary discussion on the responsibilities of the board and board of directors. Allow time for questions and sharing of experiences among the participants.

Step 4 - Wrap up the session with an emphasis that a governance structure assists in the facilitation of board management and performance evaluation

Step 5 - Carry out a brain storming session on the ways in which the board can be developed especially in young fisher folk cooperatives.



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Duties of the Board

Legal Obligations

- The board must ensure that the following is fulfilled:- The organisation complies with its articles of incorporation, bylaws, and internal policies and procedures.
- The board must ensure that the cooperative maintains its legal status.
- The board must also ensure that the organisation complies with government rules and regulations.

Strategic Direction

The board ensures that the cooperatives' Mission is well defined, reviewed periodically and respected over time.

- The board ensures that the cooperative has a formal vision and mission statement that clarifies the purpose of the organisation
- The vision and mission is understood and provides management with direction and an enabling environment to fulfil the same.
- Review the vision regularly every 3-5 years and amend the vision statement if necessary to respond to a changing environment or shifting priorities.
- Effective strategic planning, the management prepares the plan and the board oversees and approves the plans.
 - ✓ setting the cooperative's strategic course
 - ✓ setting broad operational policies for the Cooperative
 - ✓ resolving strategic issues as they arise
- Enhances the image of the organisation, the board of directors invests their personal time, networks in promoting the organisation's image.

Fiduciary

- The board serves as the cooperative's steward as the highest authority within the cooperative



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- Ensures that the cooperative's properties are managed in a manner that is consistent with agreed-upon values and goals
- Ensure that the cooperative has adequate resources to implement the agreed upon plans
 - Understanding the short- term and long-term financial position in relation to the strategic plan
 - Taking necessary action to secure additional resources needed for implementation of the plans
 - Guarantees the long-term viability in balancing between long term and short term objectives on use of funds.

Oversight

The board oversees/governs the cooperative and in the oversight it undertakes the following:

- Appoints and oversees the performance of the manager
- Assigns responsibility for the daily operations to the manager
- Monitors operations and business performance through frequent and transparent reports, regular board and committee meetings, periodic on site visits and internal and external audits
- Evaluates the cooperative performance against other cooperatives.
- Assesses and responds to internal and external risks
 - Internal risks include portfolio deterioration, fraud, over expansion and membership desertion.
 - External risks e.g. natural calamity, civil strife, financial crisis and government intervention
 - Board should establish a system that established early warning signals and ensure that the cooperative operated prudently in such challenges.
- Protects the cooperatives in times of crises by intervening as necessary and developing plans to address the problem

CHARACTERISTICS OF AN EFFECTIVE BOARD

Individual directors should have the following characteristics:

- Deep commitment to the institution's mission demonstrated in terms of time and energy investment by the board.
- Skills as leaders, visionary thinkers, and managers

- Technical expertise and experience relevant to the organization (i.e., financial, legal, and marketing), etc.
- Independent minds that are not beholden to the Chairperson;
- Basic genuine commitment to the activities of the organization;
- Willingness to set aside time for the institutional activity.
- Good communication skills
- Good interpersonal skills
- Integrity and trustworthiness
- Objectivity/independent thinking



Figure 4 – A list characteristics model of a good cooperative board.

Clearly defined responsibility between management and board



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Responsibility between the board and management should be clearly defined. This translates into the fundamental understanding by both board and management that the role of the board is at the strategic rather than the operating level.

Well-defined and regularly implemented measures of management (and board) performance are needed and should be based on merit and hence shielded from personal or political influence. Strong communication channels must be in place within the organisation to provide relevant and timely information to measure the performance of the organisation in areas such as portfolio quality, profitability, human resource management, and programmatic goals. In too many cases, information provided to boards is biased toward accounting data, which alone is insufficient.

A skillful chairperson is needed to run effective meetings by focusing the agenda on big picture issues and policies. The chair also must be able to direct actions and build a consensus by bridging the gap in opinions, which often arises among independent-minded directors. Good mechanisms should be established to allow for individual director participation, such as committees.

Board	Manager
Provides guidance on strategic approves major strategic decisions	Manage the day to day operations and recommends strategy to the board
Approves a framework of policies and plans which is mutually agreed upon by the manager	Recommends to the board and implements approved policies and plans to achieve objectives
Ensure that the organization operations do not overwhelm its strategic priorities	Ensure that the institution's board is informed, and that it considers itself a part of the organization.
Ensure a healthy separation of board management roles to ensure that difference between the roles and responsibilities are clear	Develops a strong management team for the effective implementation of roles
Does not execute authority in the voting structure	Does not serve as a voting member of the board

Figure 5 – The correlation of the role of the board of directors and the management of the cooperatives in achieving their vision and mission.

Role, Functions and Responsibilities of the Board



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- Exercise leadership, enterprise, integrity and sound judgment in directing the Fisherfolk cooperative so as to achieve continuing prosperity. In so doing, directors shall act in the best interest of the cooperative while respecting the principles of transparency and accountability.
- Ensure good corporate governance in fisherfolk cooperative.
- Determine the fisherfolk cooperative's purpose, values and the strategy to achieve its purpose and to implement its values, including the review of appropriate technologies and skills
- Approve and review overall business strategies, significant policies and the structure of the fisherfolk cooperative
- Be absolutely responsible for the performance of the fisherfolk cooperative in meeting its stated objectives and obligations.
- Ensure effective accountability to the regulatory authorities
- Provide oversight and guidance to the senior management so as to enhance the efficiency and effectiveness of the fisherfolk cooperative
- Ensure that effective systems of control are in place to manage major risks faced by the fisherfolk cooperative and to safeguard the assets of the fisherfolk cooperative
- Appoint the fisherfolk cooperative Manager and by the same token, participate in the dismissal of these officers whenever deemed necessary
- Regularly assess its own performance and effectiveness as a whole and that of individual directors
- Ensure that the shareholders and stakeholders are effectively informed of the performance of the fisherfolk cooperative
- Take due regard of, be responsive to, and deal fairly with other stakeholders interests, demands and expectations, including those of employees, suppliers, creditors and the members.
- Ensure that the fisherfolk cooperative complies with all statutory and legal requirements, including prescribed codes of best practice
- Ensure the fisherfolk cooperative has sufficient and appropriate resources to achieve its strategic goals
- Ensure on annual basis that the fisherfolk cooperative will survive, thrive and continue as a viable going concern



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Activity Sheet 2- Board of Directors Self-Assessment Checklist
In groups complete the following self assessment checklist.

1.1 Board of Directors

	SELF-ASSESSMENT QUESTION	YES	NO
1.	Are the mission and vision of the society reviewed periodically to ensure relevance to the objectives of the society?		
2.	Has the board devised a strategic Action Plan?		
3.	Are the roles of the Directors of the Board clearly defined and documented?		
4.	Is delegation of powers by the Board documented?		
5.	Is the number of Board meetings as well as attendance at these meetings disclosed in the society's annual report?		
6.	Is the demarcation of responsibilities between the Chairperson and the Chief Executive/Manager/Secretary clearly defined and documented?		
7.	Does the Board ensure that appropriate internal control systems are in place?		
8.	Does the Board ensure that the society complies with all statutory and legal requirements?		
9.	Does the Board ensure that up to date accounting records are maintained?		
10.	Does the Board ensure that systems are in place for safeguarding the assets of the society and for preventing and detecting fraud, corruption and other malpractices?		
11.	Does the Board ensure that risk assessments are being conducted regularly?		
12.	Is the Board monitoring and reviewing performance of management on a regular basis?		



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1.1 Conflict of Interests

	SELF-ASSESSMENT QUESTION	YES	NO
1.	Has the Board established clear written policies and procedures on measures to avoid any conflict of interests in areas where such conflicts may arise?		
2.	Is there a policy requiring declaration of such interests by Directors and officers?		
3.	Is delegation of powers by the Board documented?		
4.	Has the society established Human Resource procedures on recruitment of staff who are closely related to current Directors and staff?		
5.	Are loans and benefits to Directors, staff and related parties disclosed in Board Meetings?		

1.2 Accountability and Transparency

	SELF-ASSESSMENT QUESTION	YES	NO
1.	Is expenditure regularly monitored by Management and the Board?		
2.	Does the Board ensure that regular assessment of the society's performance; position and prospects are being conducted?		
3.	Has the Board established effective and ongoing communication with stakeholders at all levels?		
4.	Does management ensure that policy decisions taken by the Board are implemented in a timely manner?		
5.	Does Management provide the Board with monthly management accounts?		
6.	Does the Board ensure that a proper system of accountability is established at different levels of the cooperative?		
7.	Does the Board ensure that members are provided with details of their accounts on request and all relevant information?		
8.	Does the Board ensure that transparency is observed at all levels in respect of access to information and the operation of the society?		
9.	Does the Board have a clearly defined written policy on the use of capital and funds?		
10.	Have the programme of activities and the estimates of income and expenditure for the year been approved at the Annual General Meeting?		



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1.5 Risk Management

	SELF-ASSESSMENT QUESTION	YES	NO
1.	Does the society have a Plan of Action to identify and monitor risks?		
2.	Has a Committee been set up to address risks faced by the society?		
3.	Does risk identification form part of officers' and employees' schemes of duties?		
4.	Are brainstorming sessions/interviews held by management with staff on possible risks within the organization?		
5.	Are measures being taken by management to mitigate the risks?		

2.1 Access to Information

	SELF-ASSESSMENT QUESTION	YES	NO
1.	Is there a proper documented system for stakeholder to access information for effective decision making?		
2.	Is the Board provided with complete and timely information for effective decision making?		
3.	Are Directors provided with information on the risks facing the society by management?		
4.	Do members have access to information?		
5.	Is the member's statement of account issued to him/her at least once a year or on request?		
6.	Has management established guidelines/rules for disclosure of confidential information?		



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2.2 Internal Control

	SELF-ASSESSMENT QUESTION	YES	NO
1.	Has the Board established an internal control function?		
2.	Does the internal control function ensure that all activities follow approved and established procedures?		
3.	Does the Internal Controller carry out his duties?		
4.	Are quarterly internal controller's reports provided to the Board and to the Registrar of Co-operative Societies for monitoring purposes?		
5.	Does the Board ensure that the effectiveness of the society's internal control system (Including financial, operational, compliance controls and risk management) is conducted and reviewed biennially?		

2.3 Complaints Handling System

	SELF-ASSESSMENT QUESTION	YES	NO
1.	Is there a complaints handling system in place for members and other stakeholders of the society to express their grievances/representations?		
2.	Can complaints be lodged verbally or in writing?		
3.	Are all complaints made recorded?		
4.	Have responsibilities been assigned for taking, recording, analyzing and resolving complaints?		
5.	Is there a complaint form to facilitate the lodging of complaints?		
6.	Are redress provided for justified complaints?		

7.	Are actions taken communicated to parties concerned?		
8.	Is there a timeframe to resolve complaints?		

MODULE 2 – INVENTORY MANAGEMENT



Figure 6 – The inventory management model.



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SESSION 1.0 – What is Inventory control?

Objectives:

At the end of the session participants should be able to:

- Define what is inventory control
- Explain the goal of inventory control
- List the key events involved in inventory control

Materials:

Activity sheet 2

Power point

Flip chart stand & charts

Markers

Time: 1hour

Method: Facilitated presentation, which should be highly interactive among the Participants. Depending on the participants need the group discussion may be carried in the plenary or in groups made up of participants from similar cooperatives.

Process: Lecture method and guided brain storming sessions geared towards the Appreciation of best practice governance



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Session 1.0 -What is Inventory Control

Many businesses have too much of their limited resource, **capital**, tied up in their major asset, **inventory**.

Inventory Control is the supervision of supply, storage and accessibility of items in order to ensure an adequate supply without excessive oversupply.

It can also be referred as internal control - an accounting procedure or system designed to promote efficiency or assure the implementation of a policy or safeguard assets or avoid fraud and error etc.

Inventory control involves the procurement, care and disposition of materials. If a manager effectively controls inventory, capital can be released that may be tied up in unnecessary inventory, control can be improved and can protect against obsolescence, deterioration and/or theft.

Goal of Inventory Control

If you sell or make products, inventory is critical – after all, without inventory, what do you have to sell? While some businesses serve as affiliate for companies by taking orders and passing those orders on to a distribution facility for fulfilment – thus allowing the affiliate to stock no inventory – most companies need at least some amount of inventory to ensure products are readily available.

The problem is determining the correct inventory levels. If too little inventory is on hand, delays and even lost sales could result, creating customer frustration. If too much inventory is on hand, costs are high, including:

- Storage



- Handling



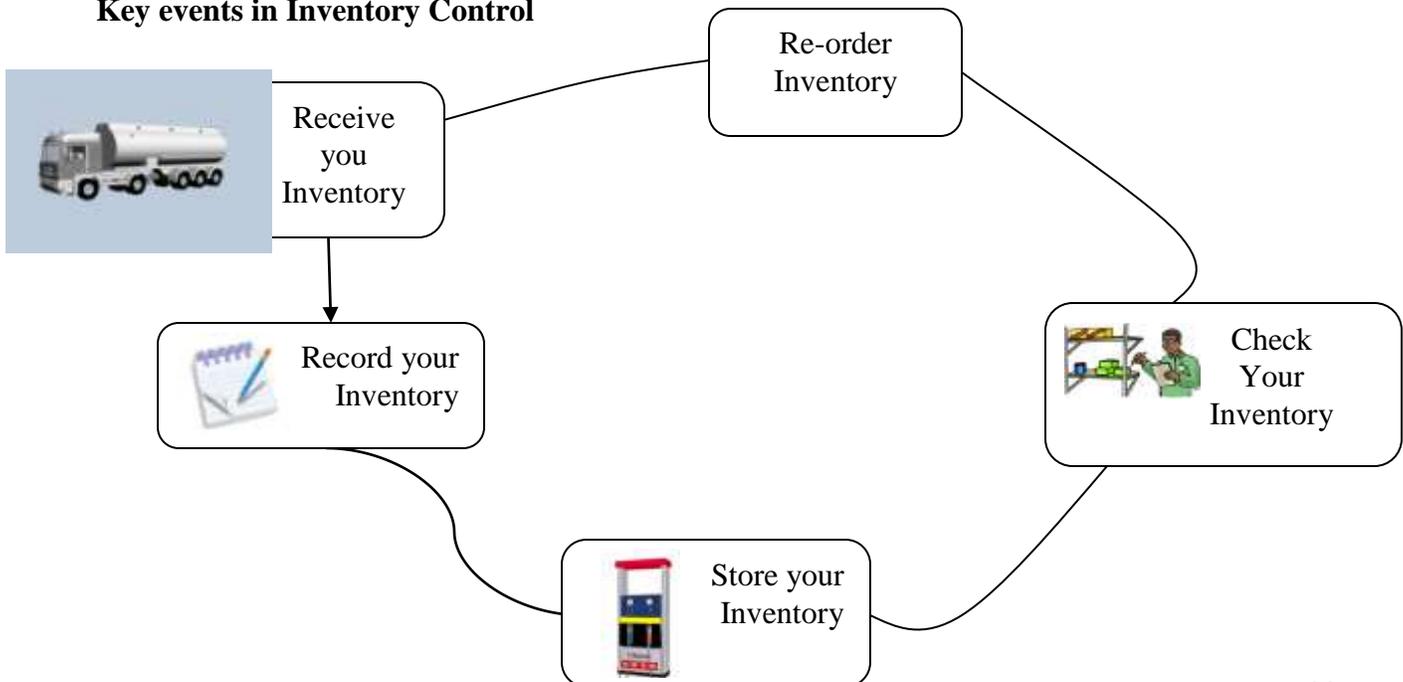
- Damage or loss



- Obsolescence or spoilage

The goal is to manage inventory effectively to ensure quick turnaround, minimize cost, and maximize member satisfaction.

Key events in Inventory Control





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Figure 7 – Inventory control cycle

1. Receive your inventory
 - a. Count and check the condition of goods or materials you receive against the invoice or delivery note.
2. Record your inventory
 - a. Write down all goods or materials coming into or going out of your organization.
3. Store your inventory
 - a. Keep the right amount of inventory in a safe and practical way.
4. Check your inventory
 - a. Check and count your inventory often to make sure that it is in good condition and that no inventory is missing.
5. Re-order your inventory
 - a. Re-order the right inventory, in the right quantity at the right time.

SESSION 2.0 – Inventory control Records

Objectives:

At the end of the session participants should be able to:

- Identify the types of inventory control records
- State the purpose for inventory control records
- Utilize basic skills to record inventory correctly

Materials:

Power point

Flip chart stand & charts

Markers

Time: 1 hour 20 mins

Method: Facilitated presentation, which should be highly interactive among the Participants.

Process: Lecture method



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Session 2.0 - Inventory Control Records

Inventory control records are essential to making buying and selling decisions. Some organisations control their stock by taking physical inventories at regular intervals, monthly or quarterly. Others use a dollar inventory record that gives a rough idea of what the inventory may be from day to day in terms of dollars. If your stock is made up of thousands of items, as it is for a convenience type store, dollar control may be more practical than physical control. However, even with this method, an inventory count must be taken periodically to verify the levels of inventory by item.

Perpetual inventory control records are most practical for big-ticket items. With such items it is quite suitable to hand count the starting inventory, maintain a card for each item or group of items, and reduce the item count each time a unit is sold or transferred out of inventory. Periodic physical counts are taken to verify the accuracy of the inventory stock card.

Stock Ledger Card										
Stock Description: A4 White Photocopy Paper		Stock Code: F7706								
Stock Reorder Point: 150		Costing Method: FIFO								
Minimum Quantity: 150		Maximum Quantity: 300								
Date	Particulars	In			Out			Balance		
		Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost
1/6/06	Balance							100	\$4	\$400
2/6/06	Purchases	50	\$4	\$200				150	\$4	\$600
4/6/06	Sales				20	\$4	\$80	130	\$4	\$520
6/6/06	Purchases	40	\$5	\$200				170	\$4	\$680
								40	\$5	\$200
8/6/06	Sales				20	\$4	\$80	150	\$4	\$600
								40	\$5	\$200
11/6/06	Sales				20	\$4	\$80	90	\$4	\$360
								40	\$5	\$200
13/6/06	Purchases	60	\$5	\$300				90	\$4	\$360
								40	\$5	\$200
								60	\$5	\$300
17/6/06	Sales				90	\$4	\$360	0	\$5	\$0
								60	\$5	\$300
23/6/06	Purchases	60	\$4	\$240				60	\$5	\$300
								40	\$5	\$200
								60	\$4	\$240
29/6/06	Sales				40	\$5	\$200	20	\$5	\$100
					40	\$5	\$200	60	\$4	\$240

Figure 8– Sample inventory stock card

Out-of-stock sheets, sometimes called want sheets, notify the buyer that it is time to reorder an item. Experience with the rate of turnover of an item will help indicate the level of inventory at



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which the unit should be reordered to make sure that the new merchandise arrives before the stock is totally exhausted.

Open-to-buy records help to prevent ordering more than is needed to meet demand or to stay within a budget. These records adjust your order rate to the sales rate. They provide a running account of the dollar amount that may be bought without departing significantly from the pre-established inventory levels. An open-to-buy record is related to the inventory budget. It is the difference between what has been budgeted and what has been spent. Each time a sale is made, open-to-buy is increased (inventory is reduced). Each time merchandise is purchased; open-to-buy is reduced (inventory is increased). The net effect is to help maintain a balance among product lines within the business, and to keep the business from getting overloaded in one particular area.

3 Turns (4 months supply)

	Sales	+ Ending Inventory	- Beginning Inventory	= Purchases (Open-to-Buy)
Aug	XX	AA		
Sept	XX			
Oct	XX			
Nov	XX			
Dec	XX			
Jan	XX			
Feb	XX			

Figure 9 – Sample Open to buy sheet

Purchase order files keep track of what has been ordered and the status or expected receipt date of materials. It is convenient to maintain these files by using a copy of each purchase order that is written. Notations can be added or merchandise needs updated directly on the copy of the purchase order with respect to changes in price or delivery dates.



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Finance corporation

Purchase Order

Ordered By: _____

PO Number: _____
 PO Date: _____
 Delivery To: _____

Buyer Name: _____
 Buyer Function: _____
 Buyer Phone: _____

Supplier Name: _____
 Supplier Function: _____
 Supplier Phone: _____

Item No.	Description	Quantity	Unit Price	Amount
Terms and Conditions				Total
				Shipping Charge
				Grand Total

Authorized By: _____

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Figure 10 – Sample purchase order form

Supplier files are valuable references on suppliers and can be very helpful in negotiating price, delivery and terms. Extra copies of purchase orders can be used to create these files, organized alphabetically by supplier, and can provide a fast way to determine how much business is done with each vendor. Purchase order copies also serve to document ordering habits and procedures and so may be used to help reveal and/or resolve future potential problems.

TOWN	SHOP	CONTACT NO	ADDRESS
ALIWAL NOORD	Aloe Health Shop Doran's Apteek	June: 072 1894 503 051 - 634 2438	Shoprite Centre Somersetstraat 48
BALFOUR	Greylingstad Apteek	017 - 773 1364	12 Stewart Street
BETHLEHEM	Bux Cosmetics Kroon Apteek	083 192 6346 058-307 0200	19 Malan Street Louwstraat 26B
BETHAL	Enyangeni Store	017 - 647 2969 Pepsi	48 Chris Hani Street
BLOEMFONTEIN	Voortrekker Apteek	051 - 448 4757	Middestad Sentr Nr 8
BOKSBURG	Boksburg Apteek	011 - 917 5055	286 Commisioner Str
BOTHAVILLE	O K Grocer Aunt Elize Supermarket	056 - 515 4017 056 - 515 6460	Fonteinstraat 8 2053 Maile Street
BRITS	Madikarata Health Corner	012 - 2525 885 012 - 252 2550	Spoorwegstraat 44
CARLETONVILLE	Junxion Pharmacy (Rahaba) Carletonville Apteek	018 - 786 1387 018 - 788 3339 Adri	Shop 7A, Gateway Mall 20 Gold Street
CHRISTIANA	Apteek	053 - 441 2064	Pretorius str. 10A
DEWETSDORP	Apteek	051 - 541 0700	Voortrekkerstr 23
EVANDER	Enyangeni Store	017-632 4282	Shop 3, Anchor House
FICKSBURG	L Mabeleng Maradebe Impilo Trading Bokamoso Pharmacy	083 382 7073 073 256 9669 051 - 933 3365	61 Erwee Street 48 Erwee Street
FRANKFORT	Wilge Apteek Anita Meiring Apteek Jurg v/d Westhuizen Apteek	058 - 813 3858 058 - 813 3091	Brandstraat 46B Brandstraat 12 JJ H
HARTSWATER	Hartswater Apteek	053 - 474 0129	CF Malanstraat 16
HEILBRON	Riemland Apteek	058 - 852 1580	Piercestraat 38
HOOPSTAD	Apteek	053 - 444 1014	Van Zyl Straat 31
KESTELL	Lizybon Trading	083 432 9018	51 van Rensburg

Figure 11 – Sample Suppliers list

Price books, maintained in alphabetical order according to supplier, provide a record of purchase prices, selling prices, markdowns, and markups. It is important to keep this record completely up to date in order to be able to access the latest price and profit information on materials purchased for resale.

ACTIVITY:

Jenifer and Lawrence employees of the Greenfield Fishermen cooperative have just finished the scheduled annual stock. After the do their physical count the record the following quantities of items in stock.



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Wiremesh – 324 yds
 Oil – 3000 litres
 Tackles – 235

We will now go through the process of taking an inventory count of tackles in stock at Greenfield Fishermen Cooperative. Each of you is required to read the scenario above and fill in the blank spaces for each step where required.

This exercise will help each of you learn the steps involved in keeping Perpetual inventory control records.

Step 1. Prepare your inventory-taking list

Make your **inventory-taking list** before you do inventory-taking. You can use loose sheets of paper, an exercise book or anything else that suits your organisation. At the bottom of this page, you can see part of an inventory-taking list.

Details	Quantity			Value	
	Stock Taking	Stock Card	Difference	Cost per Item	Total Value

Figure 12 - Inventory Taking list example

Step 2. Count the inventory and write down the quantities on the inventory-taking list

When two people do the inventory-taking together, one person calls out the name of the product or material and the amount counted. The other person repeats the name and the amount and writes the information on the inventory-taking list. This is a good way to avoid mistakes.

For each product, write down the details and the quantity you count on the inventory-taking list. Make sure that you do not forget to count any inventory, for example, in the storeroom or other places.

Details	Quantity			Value	
	Stock Taking	Stock Card	Difference	Cost per Item	Total Value
Tackles					

Step 3. Copy information from your inventory cards to your inventory-taking list

STOCK CARD				
Product – Shimano terminal tackle				
Cost per Item: \$5.46				
Selling price: \$6.70				
Reorder Levels: 200				
Date	Details	Stock		
		In	Out	Balance
24.05.2012	B/F			260
18.07.2012	Sold		22	238

Details	Quantity			Value	
	Stock Taking	Stock Card	Difference	Cost per Item	Total Value
Tackles	235				

NOTE: Make sure that your inventory cards are up to date before you copy the quantities onto your inventory-taking list. Remember that an inventory card which is not up to date gives you incorrect information and you may make wrong decisions in your organisation.

Step 4. Compare your inventory cards with the inventory-taking list

Compare the inventory-taking list (how much inventory **you really have**) with the balance on the inventory cards (how much inventory **you should have**) to get the difference (how much inventory is missing).

Formula: Stocking Taking – Stock Card = Difference

Details	Quantity			Value	
	Stock Taking	Stock Card	Difference	Cost per Item	Total Value
Tackles	235	238			

Inventory-taking helps you to find out if there is a problem of missing inventory. But the inventory-taking list does not explain why the real quantity is higher or lower than the balance on your inventory card. You must find out the reasons yourself.

Maybe there are problems with your inventory cards. For example:

- Did you forget to write down some new inventory you bought?
- Did you forget to write down some items that you sold or used?
- Did you remember to write down damaged or broken inventory that you could not sell or use?
- Have you made mistakes in your calculations?

Maybe there are problems with your inventory-taking. For example:

- Did you forget to count some inventory?
- Did you count correctly?
- Have you made mistakes in your calculations?



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Maybe there are problems with theft, for example by your customers, your employees or other people who deal with your organisation.

Missing inventory usually means that there are other, more serious problems in the way you look after and organize your inventory. Use the information from your inventory-taking to improve the inventory control in your organisation.

Step 5. Write the correct quantities on your inventory cards

The inventory-taking list shows the correct quantities of inventory. It tells how much inventory you really have:

Details	Quantity			Value	
	Stock Taking	Stock Card	Difference	Cost per Item	Total Value
Tackles	235	238	-3		

But the inventory cards must also be correct:

When the inventory-taking list shows a **smaller** quantity than the inventory card, write the difference as Inventory Out on the inventory card. For example, to get the correct balance for Best Foods cooking oil, 750 ml. The General Store write the missing amount, 3 bottles, under **Inventory Out**.

When the inventory-taking list shows a **larger** quantity than the inventory card, write the difference as Inventory In on the inventory card. For example, to get the correct balance for Star sugar, 2 kg, The General Store write the difference, 1 bag, under **Inventory In** on the inventory card.

Correct the stock card below to reflect correct quantities for Greenfield fishermen cooperative.

STOCK CARD				
Product – Shimano terminal tackle				
Cost per Item: \$5.46				
Selling price: \$6.70				
Reorder Levels: 200				
Date	Details	Stock		
		In	Out	Balance
24.05.2012	B/F			260
18.07.2012	Sold		22	238

Step 6. Write the cost per item for each product on the inventory-taking list

The cost per item for a product is the price you paid your supplier for one item of the product. Write the cost per item for each product on the inventory-taking list. Make sure that you write the latest price your supplier charged you for a product.

Details	Quantity			Value	
	Stock Taking	Stock Card	Difference	Cost per Item	Total Value
Tackles	235	238	-3		

Step 7. Calculate the total value in inventory of each product and write it on the inventory-taking list

Multiply the quantity from the inventory-taking with the cost per item to get the total value.



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Details	Quantity			Value	
	Stock Taking	Stock Card	Difference	Cost per Item	Total Value
Tackles	235	238	-3		

When you add up the total value for each product you get the total value for your whole inventory.

SESSION 3.0 – Controlling Inventory

Objectives:

At the end of the session participants should be able to:

- Explain the basic five step process of inventory control

Materials:

Activity sheet –

Case Study Sheet

Power point

Flip chart stand & charts

Markers

Time: 1hour

Method: Facilitated presentation & group **discussion**.

Process: Step 1 - Give a broad overview and explanation of the five step process of inventory control with examples.

Step 2 - Ask the participants to discuss the Case Study on page ?

Step 3 - Wrap up the session by going over the five step process.

Session 3.0 - Controlling Inventory

Controlling inventory does not have to be an onerous or complex proposition. It is a process and thoughtful inventory management. There are no hard and fast rules to abide by, but some extremely useful guidelines to help your thinking about the subject. A five step process has been designed that will help any organisation bring this potential problem under control to think systematically through the process and allow the organisation to make the most efficient use possible of the resources represented. The final decisions, of course, must be the result of good judgment, and not the product of a mechanical set of formulas.

STEP 1: Inventory Planning

Inventory control requires inventory planning. Inventory refers to more than the goods on hand. It also represents goods that must be in transit for arrival after the goods in the store are sold or used. An ideal inventory control system would arrange for the arrival of new goods at the same moment the last item has been sold or used. The economic order quantity, or base orders, depends upon the amount of cash (or credit) available to invest in inventories, the number of units that qualify for a quantity discount from the manufacturer, and the amount of time goods spend in shipment.



Figure 12 – Inventory planning process

STEP 2: Establish order cycles

If demand can be predicted for the product or if demand can be measured on a regular basis, regular ordering quantities can be setup that take into consideration the most economic relationships among the costs of preparing an order, the aggregate shipping costs, and the economic order cost. When demand is regular, it is possible to program regular ordering levels so that stock-outs will be avoided and costs will be minimized. If it is known that every so many weeks or months a certain quantity of goods will be sold at a steady pace, then replacements should be scheduled to arrive with equal regularity. Time should be spent developing a system tailored to the needs of each cooperative. It is useful to focus on items whose costs justify such control, recognizing that in some cases control efforts may cost more the items worth. At the same time, it is also necessary to include low return items that are critical to the overall sales effort.

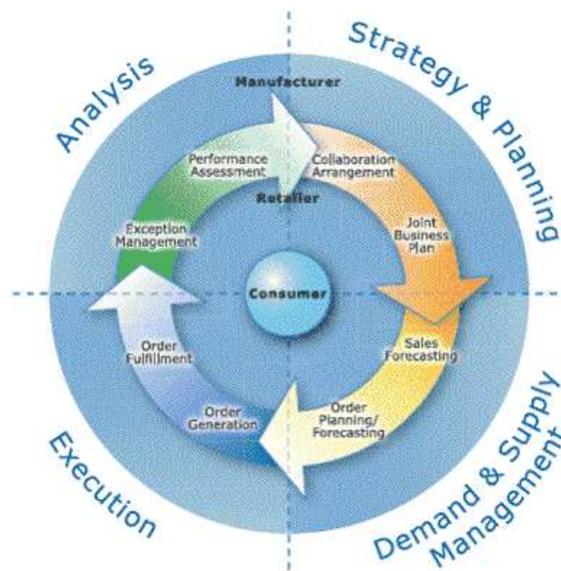


Figure 13 – Sample inventory cycle

If the business experiences seasonal cycles, it is important to recognize the demands that will be placed on suppliers as well as other sellers.



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A given firm must recognize that if it begins to run out of product in the middle of a busy season, other sellers are also beginning to run out and are looking for more goods. The problem is compounded in that the producer may have already switched over to next season's production and so is not interested in (or probably even capable of) filling any further orders for the current selling season. Production resources are likely to already be allocated to filling orders for the next selling season. Changes in this momentum would be extremely costly for both the supplier and the customer.

On the other hand, because suppliers have problems with inventory control, just as sellers do, they may be interested in making deals to induce customers to purchase inventories off-season, usually at substantial savings. They want to shift the carrying costs of purchase and storage from the seller to the buyer. Thus, there are seasonal implications to inventory control as well, both positive and negative. The point is that these seasonable implications must be built into the planning process in order to support an effective inventory management system.

How to calculate Order Quantities

Formula: Order quantity = (Number of Months Supply desired x Average usage)

EXAMPLE

• Average Monthly Usage	• 50 Units
• Number Months Supply Required	• 3 mths
• Order quantity	• 50 x3 =150 Units

When preparing a purchase requisition and the quantity available is below the reorder point, the order quantity must be increased by the difference between the order point and quantity available.

EXAMPLE:

• Average Monthly Usage	• 50 Units
• Number Months Supply Required	• 3 mths
• Reorder Point	• 110 units
• Quantity Available	• 45 units
• Difference (Reorder Point – Quantity available)	• 110-45=65 Units
• Order Quantity (Order quantity + Difference)	• 215 Units (65+150)



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Activity

Greenfield Fishermen Cooperative sells an average of 60 litres of oil per month. They usually require a 2 month supply. Their re-order point is set at 130 litres when employees check their records it shows that they currently have 50 litres in stock. Calculate the re-order quantity for the cooperative following the example above.

STEP 3: Balance Inventory Levels

Efficient or inefficient management of merchandise inventory by a firm is a major factor between healthy profits and operating at a loss. There are both market-related and budget-related issues that must be dealt with in terms of coming up with an ideal inventory balance:

- Is the inventory correct for the market being served?
- Does the inventory have the proper turnover?
- What is the ideal inventory for a typical fisherman cooperative?

To answer the last question first, the ideal inventory is the inventory that does not lose profitable sales and can still justify the investment in each part of its whole.

How to set Reorder Points

Formula: $\text{Reorder Point} = (\text{Average Monthly Usage} \times \text{Lead time in Months}) + \text{Safety Inventory}$

EXAMPLE:

• Average Monthly Usage	• 50 Units
• Lead Time	• 2 Mths
• Safety Inventory	• 10 Units
• Re-order Point	• $(50 \times 2) + 10 = 110$ Units

STEP 4: Review Stocks

Items sitting on the shelf as obsolete inventory are simply dead capital. Keeping inventory up to date and devoid of obsolete merchandise is another critical aspect of good inventory control. This is particularly important with style merchandise, but it is important with any merchandise that is turning at a lower rate than the average stock turns for that particular business. One of the



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important principles newer sellers frequently find difficult is the need to mark down merchandise that is not moving well.

Keeping an inventory fresh and up to date requires constant attention by any organization, large or small. Stock turnover is really the way businesses make money. It is not so much the profit per unit of sale that makes money for the business, but sales on a regular basis over time that eventually results in profitability.

Turnover averages are available for virtually any industry or business maintaining inventories and having sales. These figures act as an efficient and effective benchmark with which to compare the business in question, in order to determine its effectiveness relative to its capital investment. Too frequent inventory turns can be as great a potential problem as too few. Too frequent inventory turns may indicate the business is trying to overwork a limited capital base, and may carry with it the attendant costs of stock-outs.

How to set Safety Inventory Levels

Formula: Safety Inventory = (Maximum Monthly Usage – Average Monthly Usage) x Lead time in Months

Example:

• Maximum Monthly Usage	• 55 units
• Average Monthly Usage	• 50 units
• Lead Time (Time Required for suppliers to Arrive)	• 2 Months
• Safety Inventory	• (55-50) x 2 = 10 Units

If the inventory is recorded at cost, stock turn equals cost of goods sold divided by the average inventory. If the inventory is recorded at sales value, stock turn is equal to sales divided by average inventory. Stock turns four times a year on the average for many businesses.

If the dollar value of a particular inventory compares favorably with the industry average, but the turnover of the inventory is less than the industry average, a further analysis of that inventory is needed. Is it too heavy in some areas? Are there reasons that suggest more inventories are needed in certain categories? Are there conditions peculiar to that particular firm? The point is that all



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markets are not uniform and circumstances may be found that will justify a variation from average figures.

STEP 5: Follow-up and Control

Periodic reviews of the inventory to detect slow-moving or obsolete stock and to identify fast sellers are essential for proper inventory management. Taking regular and periodic inventories must be more than just totalling the costs. Any employee can do the work of recording an inventory. However, it is the responsibility of key management to study the figures and review the items themselves in order to make correct decisions about the disposal, replacement, or discontinuance of different segments of the inventory base.

Inventory quantities must be organized and measured carefully. Minimum stocks must be assured to prevent stock-outs or the lack of product. At the same time, they must be balanced against excessive inventory because of carrying costs. Caution and periodic review of reorder points and quantities are a must. Individual market size of some products can change suddenly and corrections should be made.

Activity - Case Study/Group work

Instructions: Please read the case study below and answer the question. Each group will present their answers.

Greenfield Fishermen Cooperative

You have been hired as the inventory manager for Greenfield Fishermen Cooperative. The organization has two main sources of inventory outsourced from other manufacturers. They have been in operation for just over a year and have not instituted an inventory management process, although they have purchased computer software for that purpose. Your first task as inventory manager is to determine safety inventory and reorder points for the three main outsourced construction parts: tackle, wire mesh and oil.

Item	Average Monthly Sales (Units)	Max Monthly Sales (units)	Lead Time	Safety Inventory	Reorder Point
Tackle	25,000	45,000	1 month		
Wire Mesh	4,500	5,000	2 months		
Oil	14,000	20,000	1month		



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MODULE 3 – CREDIT MANAGEMENT



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SESSION 1.0 - Developing Credit Policies

Overview:

Policies define and guide the delivery of credit. They define the rules to be followed, state values and set standards. On the whole they protect the interests of both the lending institutions and borrower. This session is designed to enable the participants understand and participate in developing guidelines for credit policies to address some other issues currently affecting fisherfolk cooperatives.

Objectives:

At the end of this session participants should be able to:

- Explain what is credit management and its importance
- Identify and set guidelines for credit granting policy using a set of guiding questions.

Materials:

Activity Sheet No. 4, flip charts, felt pens, flip chart stand, sample credit policy from one of the fisherfolk cooperatives.

Time: 1 Hour

Process

1. Introduce the session by elaborating on the overview.
2. Give out a set of guiding question on developing credit policies (Activity Sheet No. 4).
3. Break participants into working groups. Explain the activity and allow time for participants to develop guidelines based on the reality on the ground.
4. During the activity sit with each group and provide assistance/guidance as necessary. Explain to the participants that the set of questions will guide them to generate discussions. They are not test type questions with correct or wrong answers.



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5. Reconvene the participants to plenary and lead a discussion on the guidelines the participants have defined for each aspect.



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What is credit Management

Credit management is the whole process and systems through which the Cooperative credit granting operations strive to:

- Offer services which meet the demands of the clients; Operate as efficiently as possible by minimizing costs;
- Charge interest rates and fees, which are sufficient to cover all costs.
- Motivate clients to repay credit as per agreed terms;
- Achieve sustainability of operations through high degree of efficiency exercised
-

Importance of Credit Management

- Increase sales



- Improve customer loyalty



- Reduce losses



- Increase profitability





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- Serve members better

Developing credit policy and guidelines

Studies conducted have concluded that organisations, which operate a credit policy, suffer less with late payment than those, which do not. A sound clearly defined credit policy should be in the form of an operation manual. For small organisations a written statement or summary embodied in your business plan will suffice. It must state precisely who is accountable for its operation, and define the levels of authority for approving credit facilities, stopping deliveries, issuing credit notes. A credit policy serves to:

- Minimize the amount of exposure to commercial risk
- Reduce bad debts
- Let your customers know your terms of trade
- Standardize practices throughout the organization
- Ensure that members interest are preserved
- Creates a more equitable organisation
- Allows for continuity of best practice

The credit guidelines must be drawn up with the full cooperation of all parties. The size of the business must never be an excuse for not having or not following a procedure for managing your credit.

Activity - Developing a credit policy

A policy must be relevant to the way the organisation actually operates. To be relevant, the credit policy must be current and it must be kept current.

Directions: Create guidelines for a credit policy by answering the questions below. Each group will be given some time for discussion after which each group will be asked to share their guidelines with the wider group.



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A well-written credit policy will answer the following questions: (tailored for relevance)

1. Will a credit application be required? (members/non members)
2. Must it be signed? If so, by who?
3. Will the application include a personal guarantee?
4. When must it be signed?
5. How will the creditworthiness of the guarantor be confirmed?
6. What are the company's standard terms of credit? (credit limit/ payment terms)
7. Under what circumstances will a extended date be considered?
8. Who must approve requests for extended dating, and what form will this approval take?
9. What is the manager's authority limit?
10. What are the consequences of exceeding this authority limit?
11. Who in management can override credit decisions?
12. What form does that override take?
13. What are the sanctions for unauthorised credit?
14. Will the company sell to a debtor with an overdue balance? If so, under what conditions?
15. What forms of security will the company accept to reduce credit risk?
16. Under what conditions the company requests will updated financial statements?
17. Under what conditions will we require financial statements?
18. How frequently will credit files/ cards be updated?
19. Who will review the information, and what constitutes an unacceptable credit risk?
20. How frequently and how will customers be contacted about past due balances?
21. How soon will the customers be contacted?
22. At what point may orders be placed on credit hold?
23. Who authorizes credit holds?
24. Who must be informed of the credit hold?
25. How will this notification take place?
26. Who has the authority to withdraw open account terms?
27. Who has the authority to place accounts for collection?
28. What are the options for debt collection?
29. What methodology will be used to calculate bad debt reserves?
30. When will accounts be considered eligible for write off?
31. Who will write-off accounts



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32. What level of reporting and with what frequency will financial matters be looked at by the board or supervisory committee?

SESSION 2.0 – Credit Granting Process

Objectives:

At the end of this session participants should be able to:

- Develop the participants appreciation of the credit approval process
- Identify effective ways to assess credit applications
- Explain what is credit sanction and the process involved

Materials: Powerpoint presentation, flip chart stand and chart, markers

Time: 2 hours 30 minutes

Process:

1. Draw the participants' attention to the guidelines for credit policy developed in previous session.
2. Explain that this session completes the design of the delivery process and that the procedures need to be developed in relation to the previous part.
3. In plenary session the trainer guides the participants through the lending process.



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Major concepts in credit management

Credit Appraisal

- The systematic evaluation of the credit applicant to determine whether to grant the credit or not and if so how much.
- It involves determining in advance the various lending parameters likely to affect the successful recovery of the debt.
- Assessment is done of the client's willingness and his/her ability to repay the debt i.e. repayment capacity as per the agreed terms without the cooperative having to enforce recovery

Elements of the credit appraisal process in a cooperative should include:

- Business aspects including financial performance, the market, management capability etc
- Character issues including the clients credit history, household stability and support as well attitude towards credit repayment

Ask participants what are their key objectives when reviewing a Credit application?

How are these objectives achieved?

- Ensure that complete and accurate information is obtained from the customer.
- Ensure especially for first time customers, that all the information provided is validated. Information should also be updated for existing customers.
- Ensure that the credit offer being proposed for the customer is commercially sound.
- Consider doing a credit check

Important Considerations

High Risk Accounts

- Third Party Accounts
- Suspended Accounts
- Customers who have had previous bad debt write off accounts.
- Customers who have had challenges with other Cooperative Unions



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New Customer

- No previous credit history.
- Degree of risk unknown.
- All details required.
- 100% validation and verification of details required.
- More prudent credit offer recommended.
- Customers' attitude to Debt – Ask pertinent questions – read between the lines.

Repeat Customer

- Credit history available
- Information to be updated
- Degree of risk known
- Full details and verification not always necessary
- Credit offer may be more relaxed where the risk is known to be good

Customer Aspect

- Customer name and mailing address
- Customers home address
- Employment details
- Reference details
- Income and Expenditure details.
- Required Deposits

What is Credit Sanction?

- Credit Sanction is that aspect of the Credit Process, which ensures that the risk that is being taken on by the Cooperative is as commercially sound as possible taking all relevant information into account.
- Credit Sanction validates the information that is provided by the customer to **ensure their eligibility for Credit** (i.e. likelihood of repayment + ability to repay).
- Credit Sanction reviews the customer's application in the context of the policies and lending requirements of the Credit



Figure 15– Credit Sanctioning Process

Ask participants - Does the Cooperative have a system to ensure that persons who are not credit worthy do not receive additional credit? How does the cooperative determine the eligibility of customers for credit?

Steps in the Credit Sanction Process

- Check current and/or previous credit history with the Cooperative. Look at the customer's payment pattern.
- Verify customer address
- Verify employment details
- Verify references
- Ensure that all existing accounts are being maintained and are up to date.
- Ensure that all relevant information has been captured.
- Review member share balance / deposit paid by the customer.
- Review the purpose for which the credit is being sort.
- Ensure that the credit is not a third party credit – ask probing questions.
- Ensure that the customer has signed the Agreement, and that the signature is consistent with that on the customer's ID or the records of the Cooperative.
- Ensure that where applicable, the customer's information is updated. e.g. increased salary, change in marital status, change of address etc.



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- Ensure that a realistic breakdown is recorded for the following items of expenditure: Food, electricity, telephone, transportation, dependencies.
- Ensure that previous home and work address details are entered, where the current addresses are less than 3 years.
- Ensure that spouse details are correctly entered where applicable.
- Ensure that the telephone contacts for the customer include at least one land line where applicable.

Self Employed Customers (Including Businesses)

All basic requirements apply where available. For Proof of Income current business registration/certificates or the last years accounts should be submitted, plus cash receipts for the last 6 months' e.g. bank statements, Western Union etc.

- Fisherman - Current licence & boat ownership

Deposits - Why are they important

- Deposits minimise the risk to the cooperative in terms of bad debt exposure, particularly on high risk accounts.
- A deposit facilitates the payment of a more affordable instalment by the customer and spreads the burden.
- Deposits create cash flow for the Cooperative

A word of caution on Deposits

- Deposits do not change the risk profile of the customer.
- If a customer is deemed to be high risk from the information provided paying a higher deposit would not make the customer any less risky? The deposit merely reduced the level of risk that the cooperative may incur via bad debt write off. Gut feelings can also play an important part in the decision making process, if you have a hunch by all means indicate it to the person or persons approving the credit.



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Ability to pay is a critical factor in the credit granting process. If someone works for \$1,000.00 per month they certainly cannot afford a repayment schedule of \$800.00 per month. That individual will have to provide proof of other legitimate sources of income.

Ask Participants - What is the cooperative's policy on source of funds or is this a foreign concept to your organisation?

SESSION 3.0 – Debt Management

Overview

Debt management is a serious challenge to the success of fisherfolk cooperatives. Regardless of whether a cooperative has a policy on zero tolerance for non payments, there is always going to be some small level of non payments, and if these are not checked could spiral into a vicious circle which can in turn lead to a waste of resources.

Objectives

By the end of the session, participants will be able to:

- Define Default and Arrears as stipulated prescriptions.
- Understand and describe the process of Management of Debt at every level
- Utilise basic techniques in action taken toward curbing debt.

Materials

Flip charts, markers

Time:

Process

Step One - Introduce a brainstorming session to help draw the definitions of:

- Arrears
- Default

Step Two - Together with the participants, list the causes of default.

Step Three - Using the causes listed above; facilitate a discussion on how to curb them.

Step Four - Ask the participants to describe their experiences in curbing default at their level:

- member visits
- Exerting peer pressure



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- Monitoring and follow-up
- Demand notices
- Legal Action

Effective Debt Collection Strategy

Causes of delinquency

- Lack of, or failure to implement loan policies and procedures
- Incompetence; Board, staff, committees (should we include supervisors?)
- Poor appraisal and monitoring
- Insufficient collateral
- Poor sensitization of clients on policies,
- Natural causes; death, calamities

Dealing with delinquency

- Soft policies e.g. polite reminders
- Community/peer pressure
- Attach savings (client, guarantors and group)
- Consider rescheduling, restructuring or refinancing
- Apply legal process (last resort)
- Write off

Handling Non-Payment

Until a payment has been missed you have no way of spotting a possible delinquent payer. But what you can do is act swiftly and decisively when non-payment happens. Contact must be made immediately after you are aware of a late payment, attempt to discover the reason for non-payment, and if there is none the borrower must be told firmly but politely:

- There's been a lapse in payment
- What he or she must do to rectify the problem
- The time-scale they have
- To re-confirm their obligations under the terms of the agreement.
- If they fail to correct the default, in the time allowed you must
- Contact them again using stronger terms.



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- Inform them of the consequences if they fail to pay this time

Making Sure You Get Paid

Credit can cost your business. Preventing accounts becoming overdue is easier and offers better business prospects, than chasing for late payments.

So what can you do to reverse this trend is:

- Take the initiative with collections
- Start your collection practices early
- Avoid giving your customer an excuse to delay payments
- Do you take legal action against the defaulting customer or not?
- In arriving at a right answer you might need to consider the following:
 - Is it that the customer can afford to pay, but for some reason won't?
 - Is the customer unable to pay?

Using effective telephone collection techniques



Having a positive attitude to telephone collections is half the battle.

Do not think that your customers will be annoyed if you chase them for overdue payments – they most certainly chase their own customers.

Ask positive questions, be fluent and emphasize key words.

Above all do not be:

- Contemptuous
- Patronizing
- Apologetic
- Aggressive



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- Submissive

Your voice needs to be steady, warm, and most of all sincere.

Using effective telephone collection techniques

The telephone is one of the best collecting tools you can have. But to be effective you must retain control of the conversation. Always be polite, and never be abusive or make threats you do not intend to follow through. Before dialling your customer's telephone number know what you want to say, and what you expect the call to achieve. Be ready at all times to respond positively to any excuses given. Keep a note of what was promised including dates of any follow-up action which may be required. This will most certainly include the date the customer said you will receive payment. If it is not received on the stated day, call back immediately.

Be prepared

Before picking up the telephone have in your possession all details on the customers accounts.

There is nothing more frustrating for your customer than being asked to hold on, because they have raised a question during the call about an outstanding invoice, and you do not have the information on hand.

Having the right attitude

How you come across to your customer over the telephone is important.

BE ASSERTIVE

- This means you must be open, honest, and direct and show understanding of your customer's problems.
- Stand up for your rights, without violating the rights of your customer

Ask positive questions, be fluent and emphasize key words.

Your voice needs to be steady, warm, and most of all sincere.

PRACTICE MAKES PERFECT

- Role play – Make a phone call to a delinquent customer

LISTENING

- One of the most important, yet often overlooked, aspects of telephone collecting is not talking but listening.
- Evaluate what your customer is saying, discover what she/he actually means.
- Anticipate what the customer is getting at, and review mentally what has been said. Speculate on the real message, and understand customer's difficulties.

Degrees of Active Listening

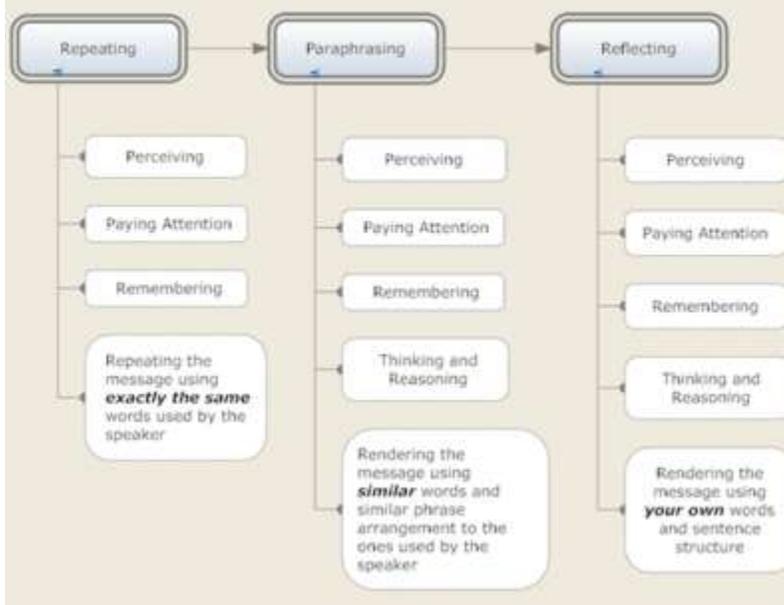


Figure 16- Degrees of Active Listening

Participants will now view a DVD a short clip on telephone techniques for debt recovery.

<http://www.youtube.com/watch?v=MxjyPqyBLAY>

Discussion – From what you have just learnt in telephone techniques section what this a proper demonstration of proper techniques in debt collection? Explain?

Skills Required For Debt Collection

- Always be polite without demeaning yourself or the customer.
- Then act instead of reacting to situations by:



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- Good Communication Skills – Being able to Tell the customer what is expected of them.
- Being precise
- Projecting credibility at all times.

Negotiating payment and handling customer visits

One reason your customer may not be paying you is because they have a temporary hitch in their own cash, flow. In these circumstances it is far better to negotiate a planned settlement of your account than to cut off further communication – an action which could leave you in exactly the same position as they are. Rather than trying to reach an agreement on the telephone, or by letter, it is often better to do it in person. Invite the customer to visit the office or pay the customer a visit.

Recovering Debt through the Courts

Suing a customer for non-payment should only be considered once every other collection method has been exhausted.

Your lack of success in getting the debtor to respond to normal collection techniques leaves you with an agonizing decision to make.



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MODULE 4 – MEMBERSHIP BENEFITS & GROWTH

RECRUIT
RETAIN
COMMUNICATE
GROW



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Session 1.0 – Importance of membership growth to cooperatives sustainability

Objectives:

At the end of this session participants should be able to:

- List and explain the importance of membership growth

Materials: PowerPoint presentation, flip chart stand and chart, markers

Time: 45 mins

Process:

4. Draw the participants' attention to the guidelines for credit policy developed in previous session.
5. Explain that this session completes the design of the delivery process and that the procedures need to be developed in relation to the previous part.
6. In plenary session the trainer guides the participants through the lending process.



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Session 1.0 Importance of membership growth to cooperatives sustainability

Membership growth is critical to cooperative success. It measures how well we meet member service goals with existing members and how effectively we present our values to prospective members.

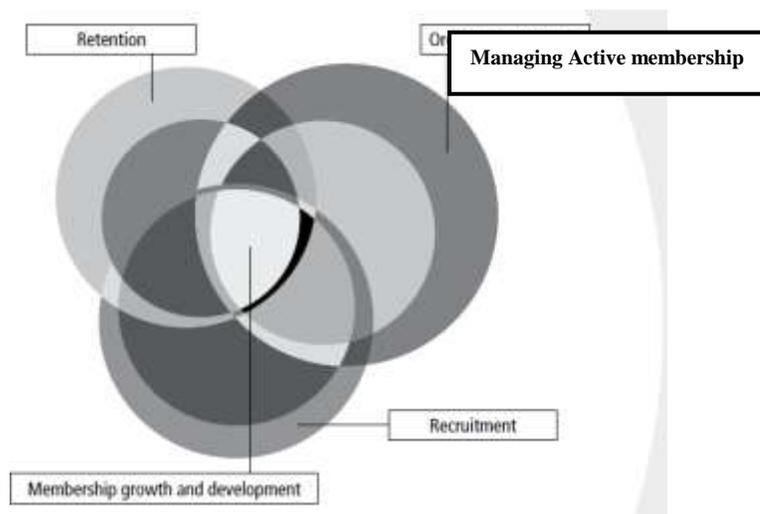


Figure 13- Membership growth and development model

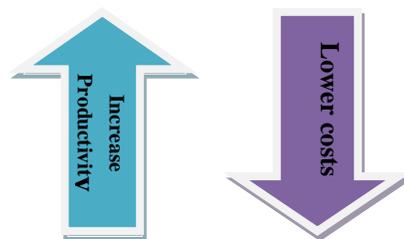
Once an existing or potential member walks through the door of your cooperative, your cooperative must connect with that individual. In this section, you will learn about opportunities for expanding membership, as well as some possible roadblocks to recruitment and retention. Understanding these opportunities and pitfalls will help you demonstrate the true value of membership to everyone you encounter and forge that crucial member-cooperative connection



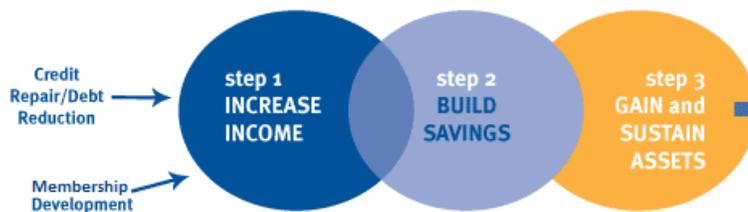
- **Power in Numbers**

Cooperatives need to grow to serve their members, and a great deal of effort goes into expanding membership. As cooperatives, must not only serve members, but must also generate sufficient revenue to cover the costs of doing business. Membership growth enables them to achieve both of these objectives. There are several benefits of increasing membership.

- **It improves efficiency of operations and lowers costs.** The cost savings from these efficiencies can be passed on to members in the form of higher dividends, lower cost of goods, higher patronage refunds. In the long run, this is a win-win situation for both the cooperative and its members.



- **It ensures long-term financial stability.** Steady growth supports long-term financial stability. Members need to feel confident that their cooperative will be there for them in years to come.



- **It supports strong financial performance.**



Membership growth keeps cooperatives going. Just as any other business needs the support of new customers, cooperatives must recruit new members to maintain strong financial performance and respond to changes in the competitive financial services marketplace. Membership growth is a strategic necessity: It's not just about growing this year, but in the years to come.

- **It gives members access to new services and better ability to influence decision makers.**



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Membership Benefit and Growth

Fisher Cooperatives currently provide a range of benefits to their members. This includes patronage refund, gas refund, access to credit, death benefit, emergency response, distress support, scholarships. In order to attract new members they must be able to tune in to WIIFM. The membership of the Cooperatives is made-up of Fishers, boat owners and in some cases the end user or consumer.

Activity - We will now assess the benefits which each cooperative provide to their members. Complete the table below on a separate sheet of paper.

List of current membership benefits	Who are the major beneficiaries	Are members satisfied with the range of benefits provided	What type of benefit or service would you like to see offered?	Who will benefit from the new service	What are the challenges which must be addressed to?	How can the challenges be addressed?



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SESSION 2.0 – Membership Management

Objectives:

At the end of this session participants should be able to:

- Define what is membership
- Identify who forms part of the membership
- Discuss ways to manage active membership

Materials: Activity sheet – Questions on governance

Power point

Flip chart stand & charts

Markers

Time: 1 hour

Method: Facilitated presentation & group discussion.

Process:

Step 1. Give a broad overview and information on managing active membership

Step 2. Ask the participants to discuss the Questions in activity sheet. Specifically, lead a plenary discussion on the components of membership development. Allow time for questions and discussions that will enhance learning and sharing of experiences among the participants.

Step 3. Wrap the session with an emphasis that an understanding of how important members are on the development of the cooperative.



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Session 2.0 - Membership Management

What is membership?

Becoming a member of a fisher e cooperative provides new ways in which these people can sustain their livelihood and, can contribute to the community success. Cooperatives should seek to achieve membership growth through an active membership, an effective board and well trained staff.

Not all members will be able to serve on the board but the board should strive to involve as many of its members as possible. The strategy for membership involvement should seek to ensure that members are enabled to participate at the level they feel is more appropriate.

Membership means participation and responsibility – where fishers, boat owners, community members and staff get involved in their cooperative not for personal gain but for the benefit of the local community in keeping with cooperative principles as enshrined in the Act.

This means that they can:

- have a say
- vote in the election for the Cooperative
- stand for election to the Governing Body/Board of Directors
- put themselves forward as a volunteer
- influence proposed changes to services and future plans for the development of the country
- Benefit equally in the services and benefits provided.

We appreciate that not all members will want to be active to the same extent or in the same way. However, we want to keep all members up to date and involved. You should also strive to show members how being involved has an effect on the cooperative, its decisions, resources and services.

Defining the membership community

Membership of the Fisher Cooperative is drawn from three user groups:



- **Boat Owners**



- **Fishers**



- **Community members**



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Membership Recruitment

Activity – In groups discuss how membership recruitment can be addressed? and then develop a strategy to achieve this objective.

Key objectives of membership recruitment are:

- to widen membership to all members of the qualifying communities identified above
- to provide a simple, accessible and publicised process for becoming a member
- to strive for the composition of membership to reflect the diversity of the local fisher communities
- to recognise and use members as a valuable resource, unique to cooperative organisation.

Managing active membership

Managing active membership has the following key objectives:

- to increase the number of active and informed members
- to encourage members to stand for election and to provide good leadership.
- to encourage a partnership approach between members and the board so as to enable constructive working relationships and dialogue.

Actions needed to manage active membership:

- agree regularity and timings of recruitment campaigns
- identify initiatives for widening the pool of potential members for the board
- establish a programme for identifying and meeting with the community and potential members to promote participation
- identify initiatives where members can be used as a source of feedback on service and quality issues
- ensure the membership database reflects existing members



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Communicating with members

Ask the participants: Are you satisfied with the level of communication within your cooperative? What can be done to improve the communication process?

Key objectives

- to seek to inform members , the community and the wider public and opinion formers about the Cooperatives values and principles in order to promote understanding, promote partnerships and contract new members
- to ensure members receive appropriate communications to improve their understanding about the affairs of the cooperative and its relationship with their local communities
- to ensure communications are used to stimulate membership including encouraging new candidates for the board
- to ensure members receive appropriate, user friendly and timely information about the cooperative, in order to make informed decisions.

Actions

- Ensure all communication is clear and easily understandable
- Develop a communications package for members and potential members to ensure content and distribution is appropriate to members at different levels.
- Use the media in an effective way to inform the wider public and opinion formers about the cooperative and community issues
- Identify initiatives which inform the wider public and opinion formers about the cooperative and community issues
- Provide to all new members relevant information about the Cooperative , the benefits of membership and the role of members

Playing a key community role

Key Objectives

- to play a role in the development and well being of the community served by the Cooperative



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- to maximise opportunities for membership and other relationships amongst all who live in the communities in which the Cooperative operates
- identifying groups or communities which are under-represented in terms of the diversity of the whole membership community

Actions

- target under-represented groups or communities for membership recruitment
- identify ways of making better links with the community and increasing active membership
- identify and maximise opportunities for them to benefit from the services provided by the cooperative. .

Making Cooperative membership status distinctive

Objectives

- to ensure that the members who serve and volunteer their time are recognise
- To make the members recognise that service is beneficial to both the individual and the community at large.
- To ensure that the cooperative has a pool of members able and willing to serve

Actions

- Recognise good service annually



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Session 3.0 – Developing a Membership Development Action Plan

Objectives:

At the end of this session participants should be able to:

- List and explain the steps involved in developing a membership development action plan
- Utilise the steps to develop an action plan for their cooperative

Materials: PowerPoint presentation, flip chart stand and chart, markers

Time: 45 mins

Process:

Step 1. Explain the action steps involved in developing a membership development action plan

Step 2. Allow each group to present their findings and later, lead a plenary discussion each groups action plan. Allow time for questions and sharing of experiences among the participants.

Step 3. Wrap the session with an emphasis on the role of the board and management on the development of membership

Session 3.0 - Developing a Membership Development Action Plan

To recruit and retain high quality cooperative members, your membership development plan should have the following action steps:

- Identify
- Introduce
- Invite
- Inform and orient
- Involve
- Educate

1. Identify

Identify persons who are qualified to become members of your cooperative?



2. Introduce

Introduce prospective members to the cooperative by informing them about cooperative programs and benefits. Compile this information in an organization profile that can be presented to potential members and visitors. The prospective member must be provided with a full indication of how they can join as well as the benefits of membership to themselves and their family.

3. Invite

Invite a prospective member to become a member with a personal visit from both the proposer and a member of the cooperative's membership committee. This two-person visit provides the direct contact and the ability for the potential member to get answers to their questions. The member/ director extending the invitation should know the benefits of membership and should be able to provide personal experience on how membership have benefited them.

4. Inform and Orient



Inform new members about your cooperative by focusing on the following areas:

- The Cooperative Principles and Philosophy
- Benefits of membership
- Responsibilities of membership
- Opportunities for service

Consider scheduling a formal orientation program in several sessions to enhance retention of information.

5. Involve

Involve new members in the cooperative activities, on committees, fundraisers, half year meetings of the board with the members, and social activities. An involved member will feel a part of the cooperative and support the work of the cooperative.

- Assign new members to a committee, or give them a weekly meeting assignment.
- Create special name badges for new members to wear.



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- Assign a new member to be a greeter, take attendance, or introduce a new speaker.
- Have a new member serve as a delegate to a conference to learn about the work of the cooperative.
- Introduce a “commencement” program, where all cooperative members who join in the same year work together on a project.
- Ask new members to find two or three other new members from among their peer group. When new members promote cooperative to their friends, they become stronger and more enthused about it.

Educate

Educate all members so they have enough knowledge to take the initiative and become more active.

Activity –

Use the steps to formulate a membership development action plan for your cooperative. You are to work in groups.

Strategy	Activity					
	Identify	Introduce	Invite	Inform and orient	Involve	Educate
How						
When						



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By whom						



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TRAINING EVALUATION FORM

(To be completed by participant)

Please indicate your impressions of the items listed below:

1. What are the three most important things [or topics] you learned during this training?

Two horizontal lines for writing the answer to question 1.

2. Was an appropriate amount of material covered during the two days? If not, was too much material covered or too little?

Three horizontal lines for writing the answer to question 2.

3. To what extent do you expect this training will make a difference in the way you do your job?

1	2	3	4	5
No Difference				Tremendous Difference

Comments:

Two horizontal lines for writing comments.



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	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
1. The training met my expectations.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
2. I will be able to apply the knowledge learned.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
3. The training objectives for each topic were identified and followed.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
4. The content was organized and easy to follow.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
5. The materials distributed were pertinent and useful.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
6. The trainer was knowledgeable.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
7. The quality of instruction was good.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
8. The trainer met the training objectives.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
9. Class participation and interaction were encouraged.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
10. Adequate time was provided for questions and discussion.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
11. How do you rate the training overall?	Excellent <input type="radio"/>	Good <input type="radio"/>	Average <input type="radio"/>	Poor <input type="radio"/>	Very poor <input type="radio"/>
12. What aspects of the training could be improved?					



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13. Other comments?

THANK YOU FOR YOUR PARTICIPATION!

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