



Cooperative Management Series

Director Roles and Responsibilities

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Introduction

Cooperative directors have a unique position in that they are both the decision making body for the association, as well as the protectors of members' investment. Directors must act in good faith and for the interests of the cooperative. This means keeping within the authorized powers of the board and obeying the laws of the land. Any deviation from this may result in company and personal liability. For this reason, today's boards of directors must be competent and have a clear idea of what their roles and responsibilities are. This fact sheet will discuss the major roles and responsibilities of the director as well as some areas of possible liability that should be avoided.

Welfare Duties

The first priority of the director is the welfare of the cooperative and its members. The duties of loyalty, obedience, due care, and diligence help insure this remains a top priority. In recent years, confidentiality in particular has become a major concern of businesses. Directors gain special access to privileged information, not only of the company, but of individual private customers. This information should be kept confidential for several reasons including competitive reasons, insider information, and individual privacy. Sensitive information that is leaked could cause any number of serious repercussions ranging from losing a customer to a major lawsuit. Members must consider carefully a potential director's loyalty to the company as well as their obedience to laws, their care in decision-making, and their diligence in making decisions that are best for the association. These kinds of directors hold the complete trust of the members who have entrusted them with this position.

Basic Duties

More basic and measurable responsibilities of the board include: hiring and evaluating the general manager, setting long term goals and objectives for the association, determining the best allocation of the companies resources, approving the hire of key personnel, and overseeing the financial performance of the association. One should note that this list does not include the daily operations of the cooperative or the short-term goals that will be used to implement the vision and objectives of the cooperative. These duties as well as employee relations fall

to the manager and should not be encroached upon by the directors. A strong manager will appreciate the trust placed in him or her to do the job well. For a more complete list on manager and director duties see the section entitled "Director vs Manager Duties" on page 2. Strong managers like strong boards and visa versa.

Hiring the General Manager

Hiring the general manager is a decision that will change the face of the cooperative and could be the most important decision a board makes. Today's CEO is very different than twenty years ago or even ten. In this highly competitive business environment, managers must not only maintain, in some cases, very large business but also analyze the cooperative's participation in joint ventures and LLCs in order to help the board make a better informed decision. This means that today's CEO will need different skills, like delegation, project management, leadership, communication, and conflict resolution skills. Today's board cannot just be a "watch dog" but must also be a part of a planning team with the CEO. Competent management is a must because there are many new challenges in understanding facility needs and market issues. There is an increased need to encourage and invest in management development as well as a need to actively plan for management succession.

Other Duties of the Board

There are also some duties of the board that may not be as obvious, but can have just as great of an impact. All of the duties we have discussed so far (e.g. decision making, resource allocation, and member confidence) have fallen under the broad category of stewardship. Other categories include active participation, informed participation, and compliance. Active participation and informed participation are primarily the directors responsibility of diligence and due care discussed earlier. The best decisions that are made for an association are developed out of careful consideration and complete information. Compliance involves maintaining moral standards and abiding by the by-laws and articles of incorporation of the cooperative, as well as the laws of the land.

Director Vs. Manager Duties

There are some duties that the manager and directors share; however, there are many that fall exclusively in the realm of responsibility for one or the other. The following table compares some of the exclusive duties of the manager with the duties of the board.

Conclusion

The roles and responsibilities of the board are there to protect the members and the cooperative as well as to grow the business. Good boards of directors provide dynamic leadership by being honest, aggressive, and continually looking for opportunities to grow the business. A strong board of directors is an essential part of a growing and successful cooperative.

Table 1. Director versus Manager Duties.

<i>Director's Duties</i>	<i>Manager's Duties</i>
Establish Credit Policy Determine Director Compensation Establish Pricing Policy Plan annual meeting Set manager's salary Engage and auditing firm Establish per-unit retain	Purchase of small assets (e.g. pickup) Hiring employees Training employees Negotiating market contracts Purchase of office supplies Adjust employee wages Terminating employees Setting employee policy