

Welcome to the Board!

New Board Member Information Packet

Name of Cooperative



Created by



MISSION WEST COMMUNITY DEVELOPMENT PARTNERS
COOPERATIVE DEVELOPMENT CENTER

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INTRODUCTION

Serving as a board member is a commitment of time, energy, and enthusiasm into the cooperative (co-op) you own. It is an exciting way to get to know others, learn the inner workings of the business, and aid in the success of your co-op. As a new board member, you will likely have a lot of questions about your role on a co-op board of directors. At Lake County Community Development Corporation, we have developed this packet to help answer those questions and to help you build a solid foundation for an effective and enjoyable board tenure. This packet is a guide - it is not meant to provide or replace legal advice. We encourage you to seek legal counsel when necessary and can refer you to a legal professional with cooperative experience. LCCDC can also offer governance training to your board of directors, including greater guidance on the topics contained within this packet.

Much of the information here is generalized; your co-op will have a specific way of doing things. There are some areas with checkboxes and others that are left blank so you and your fellow board members can fill in the appropriate information per your co-op's procedures and specifications.

Some of this information may become clearer as you gain more experience on the board and become an active board member. It is important to reflect back on this information often, even as you become more comfortable in your role. Continual self-evaluation and reflection will strengthen your engagement on the board and ultimately make you a more effective board member.

Thank you for taking on this important work for your co-op. Enjoy your tenure on the board!



COOPERATIVE MANAGEMENT

Overall management of a co-op is a team effort, consisting of four different groups of co-op participants, or some combination of these four groups.

- Members, the user-owners
- Board of Directors, the elected policy-making body
- Hired Management, the supervisor(s) of daily operations
- Employees, the paid workforce hired by the manager(s)

Successful co-op management involves two broad elements: 1) each group of co-op participants actively executes their set of responsibilities to the best of their ability, and 2) active cooperation and communication between these groups.

When you first became a member of your co-op, you committed to using and financing the co-op business. Now, as an elected director, you are committed to representing the entire membership, not just yourself. As part of the board, you must make decisions and set policies that are in the best interests of the co-op. In addition to providing governance of the co-op, you must actively communicate with the broader membership and work closely with the co-op's management. These are important responsibilities, and there are some legal requirements to ensure that boards of directors are properly governing their co-ops.

LEGAL RESPONSIBILITIES OF A CO-OP BOARD OF DIRECTORS

Participating on the board of directors. requires an understanding of some legalese, as the board receives its authority from state law. The board of directors is typically identified in state law as the key group responsible for the direction and management of the co-op. Cooperative law in Montana can be found in the Montana Code Annotated, Title 35, Chapters 15-19 (MCA-35-15 through MCA- 35-19).

Articles of Incorporation are legal documents which must be filed when a co-op is incorporated. These Articles identify basic but important information, such as the co-op's legal name, place and purpose of business, period of duration, capital structure, and instructions on how to disburse assets in the case of dissolution.

Bylaws are an important document which details how the co-op is to be governed. The board of directors must abide by your co-op's Bylaws. It is a good idea to become familiar with your co-op's Articles of Incorporation and Bylaws, as they determine the general direction and governance structures of the co-op.

In carrying out its function of governing the coop, the board of directors must abide by three overarching legal duties:

- Duty of obedience, which involves complying with federal and state law and conforming to the co-op's documented requirements for directors
- Duty of care, which involves acting in good faith in all circumstances
- Duty of loyalty, which involves protecting confidential information, avoiding conflicts of interest, and refraining from any self-dealing

If co-op members feel their board of directors is not properly performing any of these duties, they can bring legal suit against the board. Some co-ops have insurance, called D & O insurance to protect directors and officers against such litigation.

Does your co-op have D & O Insurance?

Yes,

Name of insurance provider

No



BOARD OF DIRECTORS' ROLES, RESPONSIBILITIES, AND DUTIES

The legal requirements of a board of directors only offer general guidance for the authority granted to them. The following section will give you a better idea of just what it is that a board of directors must do.

The board is an important link between your co-op's members and its hired management. As previously discussed, the general role of the board of directors is to provide guidance, or governance, for your co-op. In order to provide good governance, the board of directors must perform three primary roles:

- Act as trustees on behalf of all coop members,
- Ensure sound management of the coop, and
- Plan for the co-op's future

Next, we look more closely at what these roles mean and what duties are necessary to effectively accomplish board responsibilities.

Act as Trustees on Behalf of All Coop Members

As a board member, you are in a position of trust and responsibility and must make prudent decisions to protect the continuity of the business and to meet member needs. Acting as a trustee on behalf of your coop members involves three main responsibilities:

- Represent the interests of all members (not special interests, factions, or political entities)
- Carefully monitor the co-op's financial status and safeguard co-op assets
- Preserve the business' co-op character

To achieve these objectives, the following duties should be exercised:

To represent the interests of all members:

- Provide a mechanism for member input
- Regularly communicate with co-op members, which may include periodic reports to members and an annual membership meeting

To carefully monitor financial status and safeguard assets:

- Actively review monthly financial reports (provided by the bookkeeper)
- Approve a budget each fiscal year (prepared by the manager) and regularly review the budget to determine business trends
- Employ a qualified auditor to make an independent audit at least once each year to determine the accuracy of financial records
- Distribute financial benefits. The board determines if a patronage refund will be allocated, and its amount, by weighing the need to distribute benefits with the need to meet current and future capital requirements

To preserve the business' co-op character:

- Understand your co-op's Articles of Incorporation and Bylaws and conduct the business in accordance with their provisions
- Become familiar with the State law under which your co-op was incorporated



- Uphold the terms of all contracts into which the coop has entered by authority of the board
- Ensure the co-op continues to operate within the co-op spirit by following the co-op values and principles (see Cooperative Identity)

Ensure Sound Management of the Co-op

In order for your business to thrive, it must be properly managed. The board helps to ensure sound management of the coop by:

- Supervising management
- Setting co-op policy
- Maintaining effective board performance

To achieve these objectives, the following duties should be exercised:

To supervise management:

- Hire a competent manager
- Formally review the manager's performance at least annually
- Determine salary, duties, and authority of management

To set co-op policy:

- Originate and approve co-op policies as necessary
- Enact approved policies and continuously review them to ensure they stay current and appropriate

To maintain effective board performance:

- Efficiently distribute work through the designation of board officers and committees
- Conduct regular evaluations of the board's performance
- Participate in available training programs to better understand the co-op's operations, and a director's role in it

Plan for the Co-op's Future

The longevity of the business depends on how well the co-op is designed to take on future growth, if desired, and overcome obstacles. The board is responsible for such long-range planning, which includes:

- Participating in strategic planning processes
- Assessing the co-op's performance

To achieve these objectives, the following duties should be exercised:

To participate in strategic planning processes:

- Assess the business climate
- Establish long-range goals, with management and member input
- Develop and adopt long-range business strategies

To assess the co-op's performance:

- Establish performance goals and benchmarks
- Evaluate the co-op's performance in relation to these benchmarks and make adjustments as necessary

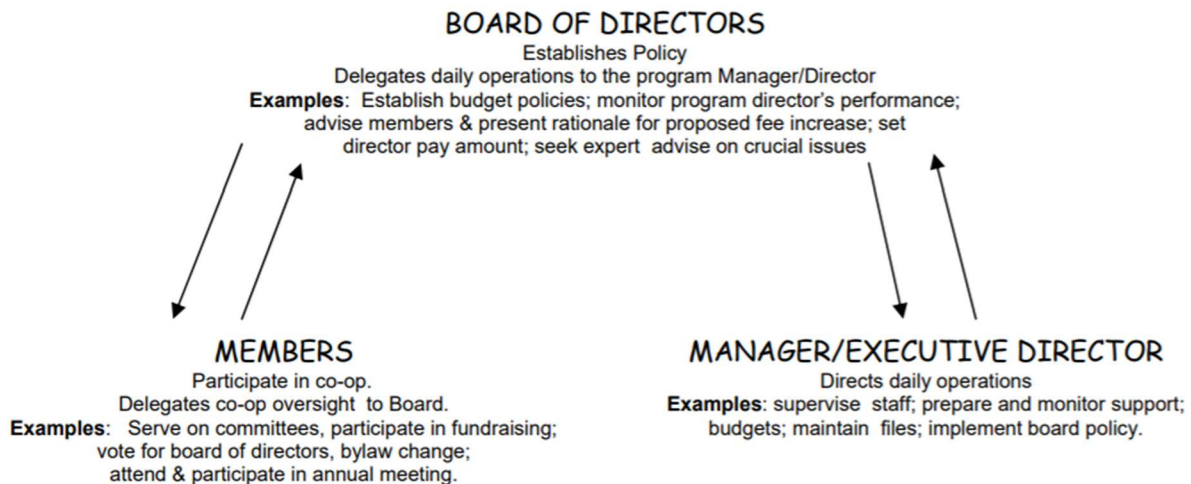
Informal Duties

Along with the explicit duties listed above, there are a number of implicit, or informal, duties which are necessary to perform as an effective director. For example, active and informed participation in meetings is essential for properly carrying out responsibilities. This means coming to meetings prepared for discussion and staying informed on both internal and external issues relating to the co-op and its business. This also means making time for proper communication with fellow directors and co-op members, as well as your co-op's community.

The board may at times need to act as a conflict-resolution body. The nature of cooperative-based decisions means that many different, sometimes conflicting, interests must be balanced. Oftentimes, issues, whether about business or finances, are quite emotional in nature. It is important to remember that as a board member you are responsible for working towards the best interest of the coop as a whole. Sometimes, what members want is not in the co-op's best interest, and hard decisions must be made.

Overview of Board of Directors' Roles, Responsibilities and Duties

In short, the board of directors is responsible for the following types of decisions: long-term decisions; idea decisions; primary control decisions. In contrast, management (who is hired by the board) makes short-term decisions involving the actions to achieve the board's ideas and to run the co-op's operations. The following chart developed by the California Center for Cooperative Development summarizes how directors', management, and members' responsibilities work together.



The table on the next page provides an overview of the roles, responsibilities, and duties of a co-op board of directors just discussed.

Roles, Responsibilities, And Duties of a Co-op Board of Directors		
Roles	Responsibilities	Duties
Act as Trustees on Behalf of Members	Represent the interests of all members	<ul style="list-style-type: none"> ▪ Provide a mechanism for member input ▪ Regularly communicate with co-op members
	Carefully monitor financial status and safeguard assets	<ul style="list-style-type: none"> ▪ Actively review monthly financial reports ▪ Approve a budget each fiscal year and regularly review the budget ▪ Employ a qualified auditor to make independent audits ▪ Distribute financial benefits/patronage refund
	Preserve the business' co-op character	<ul style="list-style-type: none"> ▪ Understand your co-op's Articles of Incorporation and Bylaws and conduct business in accordance with their provisions ▪ Become familiar with the State law under which your co-op was incorporated ▪ Uphold the terms of all contracts into which the co-op has entered ▪ Ensure the co-op continues to operate within the co-op spirit
Ensure Sound Management	Supervise management	<ul style="list-style-type: none"> ▪ Hire a competent manager ▪ Formally review the manager's performance at least annually ▪ Determine salary, duties and authority of management
	Set co-op policy	<ul style="list-style-type: none"> ▪ Originate and approve co-op policies as necessary ▪ Enact approved policies and continuously review them
	Maintain effective board performance	<ul style="list-style-type: none"> ▪ Efficiently distribute work through the designation of board officers and committees ▪ Conduct regular evaluations of the board's performance ▪ Participate in available training programs
Plan for the Co-op's Future	Participate in strategic planning processes	<ul style="list-style-type: none"> ▪ Assess the business climate ▪ Establish long-range goals ▪ Develop and adopt long-range business strategies
	Assess the co-op's performance	<ul style="list-style-type: none"> ▪ Establish performance goals and benchmarks ▪ Evaluate the co-op's performance and make adjustments as necessary

Some of these responsibilities and duties will be greater emphasized according to where a co-op is in its lifecycle and the industry within which it works. Currently, your co-op board is focusing on the following big ideas, goals, or decision areas:

1.

2.

3.

Other notes:



BOARD OFFICERS AND COMMITTEES

Managing all of the important decisions and responsibilities required of the board takes a lot of work. Many boards appoint officers and form committees to delegate this work and effectively accomplish all of its tasks.

Board Officers

While directors are elected by a co-op's members, board officers are elected from within the board of directors. Board officers make up the executive committee, and they play an important role in a co-op's development by representing issues of the board and the membership. The executive committee should regularly communicate with other board members about what they have been doing and what board decisions need to be made. It is especially important that board officers possess good meeting process and communication skills.

Each officer has specific duties, typically outlined in a co-op's Bylaws. The following provides a general description of typical board officers:

- President — acts as the liaison between the board, hired management, and the members, often taking on the role of “point” person for the co-op in the community. The president also facilitates meetings and sets the agendas.
- Vice President — performs the president's duties when he or she cannot be present, and takes on any duties that the president would like to pass on.
- Secretary — keeps a complete record of all meetings, usually by taking meeting minutes, and makes the minutes available to members and board members in a timely manner. He or she may also take on the role of coordinating a membership newsletter.
- Treasurer — watches over the bookkeeping to ensure accuracy and proper handling. He or she also presents periodic financial reports to the board and membership. The treasurer may also be a signer for the checking account.
- Other board officer roles —

Committees

All board members typically preside on one or more committees, each dealing with a particular aspect of the board's work. A committee is responsible for addressing tasks, problems, or issues and making recommendations in its' particular area of work-to the rest of the board of directors.

The following committees are used on your co-op board:

- 1.

2.

3.

4.

5.

6.



BOARD MEETINGS

A co-op board gets much of its work done at meetings; therefore, it is essential that all board members contribute to effective meetings. In fact, many Bylaws state that a co-op director can be asked to leave the board if he/she does not participate in a certain number of board meetings. Board members contribute to productive meetings by:

- Attending all, or a large majority, of board meetings
- Being on time and prepared for all meetings
- Following through on tasks you volunteered for at previous meetings
- Developing good meeting process skills

Meeting Ground Rules

Some co-ops set meeting ground rules to support effective meetings. Common meeting ground rules include:

- Be open to hearing new perspectives. If you disagree with another member, try to understand and respect their point of view.
 - Be willing to respectfully disagree. Speak up if you have a disagreement. It is often helpful to voice questions and concerns, rather than allowing them to remain unspoken.
 - Be supportive. Express agreement or appreciation when appropriate. Offer to help or support other members, and ask for help or support if you want to.
 - Step forward, step back. After you speak, make space for others to talk while you listen. Be aware of each member's speaking time, language, tone, and non-verbal cues.
 - Other(s):
-
- Other(s):

Meeting Styles and Decision-Making Processes

Co-op boards may use a variety of different meeting styles and decision-making processes. A formalized meeting process typically provides a more comfortable atmosphere for quieter participants and promotes a safe space for discussion and collaboration. Clear decision-making policies are necessary to ensure a smoother conflict-resolution experience.

A quorum is typically required in order for the group to conduct business during a meeting. A quorum is the minimal number of members required to do business. Your board's required quorum, typically 2/3rds, should be stated in your co-op's Bylaws.

Required quorum:



Some common meeting styles and processes include:

Robert's Rules of Order. Most government bodies conduct meetings according to Robert's Rules, which use "motions" to bring issues to the group's attention

Consensus Decision-Making. This process encourages the discussion of questions and concerns regarding a proposal so they can be resolved or mitigated prior to approval. The goal of this process is to achieve general consensus, or agreement, from most or all participants. Some cooperatives strive to use consensus decision-making, but allow a majority vote if a consensus cannot be reached in a reasonable amount of time.

Majority Vote. Decision items are acted upon according to a simple majority vote

Other.

Whichever meeting style(s) your co-op board uses, further training will be required so you can fully understand and participate in the meeting process.

BOARD OF DIRECTORS CODE OF CONDUCT

The following Code of Conduct summarizes the responsibilities and spirit of a coop director:

As a co-op director, I pledge to do my best for the co-op and will:

- Devote the time needed to fulfill the responsibilities of the position
- Attend all regular and special board and committee meetings
- Be prompt, attentive, and prepared for all board and committee meetings
- Contribute to and encourage open, respectful, and thorough discussions by the board
- To enhance board understanding and cohesiveness, attend and actively participate in the board's training sessions and annual planning retreat
- Consider the business of the coop and its members to be confidential in nature
- Disclose any personal or organizational conflict of interest in which I may be involved, and refrain from discussing or voting on any issues related to that conflict
- Be honest, helpful diligent, and respectful in my dealings with the co-op, other directors, and the co-op's management, staff, and members
- Refrain from becoming financially involved or associated with any business or agency that has interests that are, or could be perceived to be, in conflict with the co-op's interests
- Work for continued and increased effectiveness in the co -op's ability to serve its member-owners
- Be a team player and agree to abide by the majority action of the board, even if it is not my own personal opinion
- Present the agreed-upon view of the board of directors, rather than my own, when I speak on behalf of the coop to employees, members, shoppers, and the general public
- Refrain from asking for special privileges as a board member
- Work to ensure that the co -op is controlled in a democratic fashion and that all elections are public, fair, and open to the participation of all members
- Strive at all times to keep members informed of the coop's status and plans and of the board's work
- Continually seek opportunities to learn more about the co-op and its operations and about my responsibilities as a board member

As a co-op director, I agree to abide by this Statement of Agreement in both letter and spirit.

Signature:

THE COOPERATIVE IDENTITY

from the International Co-operative Alliance, ica.coop

The following co-op values are designated from the International Co-operative Alliance. These values and principles should inform your decisions as a co-op director. Because these values are shared amongst all co-ops, co-op members, and co-op directors, they should permeate throughout the co-op's business and your business relationships. Some co-ops place more emphasis on some of these principles over others. If this pertains to your coop, place a star next to the values most emphasized in your co-op.

Definition

A co-operative is an autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly-owned and democratically-controlled enterprise.

Values

Co-operatives are based on the values of self-help, self-responsibility, democracy, equality, equity and solidarity. In the tradition of their founders, cooperative members believe in the ethical values of honesty, openness, social responsibility and caring for others.

Principles

The co-operative principles are guidelines by which co -ops put their values into practice.

1. **Voluntary and Open Membership:** Co-operatives are voluntary organizations open to all persons able to use their services and willing to accept the responsibilities of membership, without gender, social, racial, political or religious discrimination.
2. **Democratic Member Control:** Co-operatives are democratic organizations controlled by their members, who actively participate in setting their policies and making decisions. Men and women serving as elected representatives are accountable to the membership. In primary co-operatives members have equal voting rights (one member, one vote) and co-operatives at other levels are also organized in a democratic manner.
3. **Member Economic Participation:** Members contribute equitably to, and democratically control, the capital of their cooperative. At least part of that capital is usually the common property of the cooperative. Members usually receive limited compensation, if any, on capital subscribed as a condition of membership. Members allocate surpluses for any or all of the following purposes: developing their co-operative, possibly by setting up reserves, part of which at least would be indivisible; benefiting members in proportion to their transactions with the co-operative; and supporting other activities approved by the membership.
4. **Autonomy and Independence:** Co-operatives are autonomous, self-help organizations controlled by their members. If they enter into agreements with other organizations, including governments, or raise capital from external sources, they do so on terms that ensure democratic control by their members and maintain their co-operative autonomy.
5. **Education, Training and Information:** Co-operatives provide education and training for their members, elected representatives, managers, and employees so they can

contribute effectively to the development of their cooperatives. They inform the general public - particularly young people and opinion leaders - about the nature and benefits of cooperation.

6. Co-operation among Co-operatives: Co-operatives serve their members most effectively and strengthen the co-operative movement by working together through local, national, regional and international structures.

7. Concern for Community: Co-operatives work for the sustainable development of their communities through policies approved by their members.

RESOURCES

Much of the information in this packet was compiled from online resources. These resources can provide further information on the topics touched upon in this packet, as well as plenty of information on other topics related to co-ops.

- 1) Columinate.coop
Columinate.coop offers an online library of educational tools and resources for the co-op community. Learn more at Columinate.coop/library.
- 2) University of Wisconsin Center for Cooperatives:
The UWCC publishes a number of cooperative resources for governance that are available on their website: <https://uwcc.wisc.edu/resources/governance-2/>
- 3) United States Department of Agriculture, Rural Development:
The following articles are Cooperative Information Reports (CIRs) from the USDA Rural Development program. CIRs cover a wide range of topics pertaining to cooperative management, governance, finance, planning, taxes, and legal needs. All cooperative publications from USDA Rural Development can be found at:
<http://www.rd.usda.gov/publications/publications-cooperatives>
 - ⇒ [CIR 11. \(2014\). Co-op Essentials: What They Are and the Role of Members, Directors, Managers, and Employees](#)
 - ⇒ [CIR 45, Section 5. \(1997\). Understanding Cooperatives: Who Runs the Cooperative Business? Board of Directors](#)
 - ⇒ [CIR 58. \(2000\). Assessing Performance and Needs of Cooperative Boards of Directors](#)
 - ⇒ [CIR 61. \(2003\). The Circle of Responsibilities for Coop Boards](#)