

Maintain Good Board-Manager Relations

The differing responsibilities of the board of directors and the manager must be clearly understood and carried out.

- **Directors** represent members and are legally responsible for the performance & conduct of the cooperative. Most corporate powers are vested in its directors & outlined in the bylaws, State, and Federal legal statutes. Three major responsibilities are 1) to set policies 2) employ & evaluate the general manager's ability to carry them out 3) provide adequate financing for the cooperative.
- **Board's** specific management responsibilities include functioning as trustees for the members in safeguarding their assets in the cooperative; setting goals, objectives, & general policies; adopting long-term strategic plans; employing a competent manager & evaluating performance; preserving the cooperative character of the organization; establishing an accurate accounting system; adopting an annual operating budget; appointing an outside firm to perform an annual audit; controlling the total operation; & authorizing distribution of cooperative net earnings and redemption of members' equities.
- **Board** delegates responsibility to a hired general manager or chief executive officer who hires or discharges employees, including department heads, who with the manager comprises the hired management staff or team.
- **Hired management** are responsible for managing or directing daily business activities; carrying out policies set by the board; setting goals & making short-term plans; employing, training, & discharging employees; organizing & coordinating internal activities in compliance with cooperative goals, objectives, & board policies; keeping complete accounts & records & developing an annual operating budget; & providing the board with periodic reports.

Use of policy and procedure manuals & job descriptions along with frank discussions of questions when they arise can help maintain an understanding of the division of responsibility.

Factors to consider on overlap/division between board & manager:

Board Responsibilities

- Make long term decisions
- Introduce ideas
- Decide on policies
- Run broad, primary activities
- Hires manager

Manager Responsibilities

- Make short term decisions
- Implement ideas
- Decide on cooperative functions
- Run short-run operations
- Hires staff

Responsibilities of Board & Manager in Cooperative

Board of Directors

- Responsible for performance & conduct of cooperative
- Set policies, goals, objectives
- Employ & Evaluate general manager's abilities
- Provide adequate financing for cooperative
- Adopt long-term strategic plans
- Preserve coop character
- Establish accurate account system & Adopt annual operating budget
- Appoint outside firm for annual audit & Control total operation
- Authorize distribution of coop net earnings & redemption of member equities

General Manager (Chief Executive Officer)

- Employ, train, discharge employees
- Manage or direct daily business activities
- Carry out policies set by board
- Set goals & short-term plans
- Organize & coordinate internal activities
- Keep complete records & accounts
- Develop annual operating budget
- Provide board with periodic reports

Some material adapted from USDA Rural Development publications on cooperative development