

# Being a Board Member in a Co-operative Business

Co-operative businesses are governed and run by boards of directors. They manage the staff, create policies and procedures, and make decisions that benefit the business. Their job is to make sure the co-op is healthy and functioning well. A co-op board is made up of members of the co-op, elected at its AGM.

This page outlines what a board of directors is, what it means to be a board member in a co-op, the roles common on most boards, and some of boards' key responsibilities.

## What is a Board of Directors?

Every co-op has a board. The board is a group of members that has been elected to make decisions for the co-op on behalf of all the other members. Boards come in all shapes and sizes and have varying degrees of responsibility.

In each province there are rules about the minimum number of board members a co-op has to have. The minimum number of directors in BC, Alberta, and Manitoba is 3, but in Saskatchewan boards need to have at least 5.

When creating a co-op, groups need to choose the number of board members they want the business to have, and put that in their articles of incorporation. Most co-ops will set a range (usually from 5 to 9). However, in very small co-ops with only 3 to 7 members, such as worker or producer co-ops, all members may serve on the board.

There are different types of boards that take on different responsibilities and roles. One type is a *policy board*. Large organizations that employ staff usually have a policy board. In this situation, the board creates policies and makes decisions about the direction for the co-op, and the managers and staff run the business. Smaller co-ops or start-up co-ops may have a *working board*. This type of board does more hands-on work, making decisions as well as carrying out much of the business.

The type of board a co-operative has is often a result of its size, ability to hire staff, and capacity of directors. Co-ops always elect the board from their membership, rather than by special appointment.

## Being a Board Member

Directors must be members of the co-operative. They must be willing to let their names stand for nomination and meet the requirements to serve as a director. Some basic requirements are written in legislation, but a co-op may add additional requirements in its bylaws. According to legislation (the law), co-op directors:

- must be 18 years old
- must be of sound mind
- must not hold the status of bankrupt

Co-ops elect their boards at the annual general meeting (AGM), where every member gets one vote. In its bylaws, a co-op has to define the term length for directors; usually it's 1 to 3 years.

It's a good idea for co-ops to provide new directors with some orientation and training, so they have the skills and knowledge they need to be effective board members. This can include taking board

governance courses, reading directors manuals, or getting a crash course in how a co-op board works from someone with more experience. There's no need to become an expert in co-op governance, but it's good to be familiar with basic procedures.

The Centre for the Study of Co-operatives at the University of Saskatchewan, University College Cork, the BC Co-op Association etc have good materials.

Board members have a "fiduciary responsibility" to manage the co-operative. This means they have to make good financial decisions, make sure the co-op is fulfilling its objectives and mandate, and generally set up the co-op for future success.

If a director is failing to act in the best interests of the co-op, the board must raise and deal with the issue. This is important in co-op federations, worker co-ops, or producer co-ops where board members may have interests in organizations other than the co-op. It's important to have a good conflict of interest policy and director code of conduct. This code of conduct includes avoiding all ageism, racism, sexism other than when specifically mandated in the objectives of the Co-op – e.g. "The Ballinahinch Men's Sewing Co-op, the Tara Girls Tennis Co-op, the Bantry Seniors' Housing Co-op.

## Roles on a Board of Directors

Being a member of the board of directors does not necessarily require specific skills. It does mean doing the best you can as an ordinary person. There are positions on boards that will require some skills, but this can be supported by staff members or supporting organizations like Co-operatives First, universities, or provincial co-op associations. Government regulation and common practice usually includes the following positions:

- **President:** this position provides leadership to the board and the co-operative. The president serves as chair for all board and general meetings, maintains a strong relationship with management, and often serves as the face of the organization. The president should be familiar with important policies and procedures governing co-operatives.
- **Vice-president:** this position is tasked with fulfilling duties assigned by the president or filling in when the president is not available.
- **Treasurer:** this position is often combined with the secretary. The duties of the treasurer require some understanding of financial reporting and accounting practices and is often given to a manager or hired expert (e.g. an accountant) that can perform the duties efficiently. The treasurer often oversees the co-operative's finances, filing the annual return, preparing a budget, and keeping the board and shareholders informed on financial matters.
- **Secretary:** this position maintains the records of the co-operative including policies and procedures, meeting minutes, and an up-to-date membership list. In many co-ops, the secretary serves as a point of contact for members on matters including share redemption, submitting resolutions, or concerns with the co-op.

Many co-operatives create additional board positions or committees that reflect the needs of the members or the sector. For example, in a housing co-operative there may be a maintenance committee with a director of maintenance.

Some co-operatives make it a priority to find directors who have the experience and qualifications to fulfill the duties of board members. This can be achieved by actively screening new board members that would be able to manage a complex organization. In most cases, people who get involved in board leadership do so because of their skill sets and desire to dedicate time and energy to

managing the co-op. An understanding of policy and financial reporting is important, but those skills can be acquired over time.

## Responsibilities of the Board

The board of directors is central to the operation of a co-operative business. Directors discuss matters affecting the co-op, make decisions that shape and guide the co-op, and prepare information and recommendations to members to discuss and decide on. Much of what a board does is responsive, reacting to events, ideas, and opportunities facing the co-operative. It's important for directors to think about the future, and look for ways to improve their practices and the co-op's well-being. This list gives an overview of the important responsibilities of the board of directors:

- 1. Manage financial matters of the co-operative:** It's important for the board to have a strong understanding of the co-op's financial position. This can be done with support from staff or an accountant (depending on the size of the co-op). The board should lead the creation of an annual budget, monitor revenue and expenses, and present the annual return and budget back to the members at the annual meeting. Some members of the board will have signing authority on the co-op's accounts and their signatures will be required for items like cheques, agreements, chequing accounts, annual returns, and applications.
- 2. Strategic Planning:** The board provides leadership to the organization and shapes its direction. It creates, updates, and maintains strategic plans that include the co-op's agenda, goals, and key opportunities. The board should regularly identify projects and manage the co-op's investments.
- 3. Create policies and procedures:** The board will create policies when first incorporating the co-op, and on an ongoing basis. Some policies will be created in response to the co-op's business, or as challenges and opportunities arise. These policies relate to things like finances, membership, conflict of interest, information and technology, safety, and elections.
- 4. Give the co-operative a voice:** Both the board and the management will promote the co-op to the public. The board, as representatives of the members, should speak on behalf of the co-op when working with partners, funders, media, or other audiences. They should provide information to members at meetings and give direction to staff. It's good to have a communications strategy for the board and management that outlines how the co-op communicates with other parties, so everyone is sharing a consistent message.
- 5. Management:** Depending on the size of the co-operative, the board may directly manage the day-to-day affairs. In larger co-ops, the board usually provides oversight to managers or an executive team. The board will have the final say on many important decisions and may have to deal with conflict or debate that could arise. For example, it's the board's job to decide how to allocate the co-op's profits. To do this, it needs to take a number of things into consideration: adding to reserve funds, investing in the co-op, and distributing profit to members. Decisions like this can lead to conflict, but the co-op can help avoid this by including members in the discussion (and listening to their ideas).
- 6. Engage the members:** At the end of the day, the co-op exists to serve its members. The board should engage members in important decisions and happenings with the co-op. The board can help ensure members have a sense of ownership with their co-op by communicating openly with them.

Overall, the board assumes the following responsibilities: **Set the direction for the association (mission and vision), perform strategic thinking and planning, establish organizational values, promote a positive public image, and approve operational and annual plans.**