

## OVERVIEW

### BASIC RESPONSIBILITIES OF THE CO-OP BOARD OF DIRECTORS

At start-up co-ops develop documents that spell out how the organization will operate. The corporate code often sets legal parameters for the co-op. The Articles of Incorporation contain the purpose of the co-op and its legal definitions. This document is filed with the Secretary of State. The Bylaws include the over-arching rules of the co-ops such as when where and how decisions will be made.

The Board of Directors is the legal entity responsible for directing the affairs of the corporation. Every corporation **MUST** have a board. If a co-op operates as a collective then technically all members are on the Board. The Board must follow the rules set out in the Corporate Code, the Articles of Incorporation, and the Bylaws. Bylaw changes usually require a full membership vote to change. The members of the cooperative elect the Board.<sup>1</sup>

Three legal charges for Boards are fiduciary duty, duty of loyalty and duty of care. As trustees of the cooperative, board members have a special relationship to the cooperative to make business decisions focused only on what benefits the cooperative and all of its members. Decisions must be based on careful consideration of the issues. The fundamental legal standard for board members is to act in good faith, in a manner they believe to be in the best interests of the cooperative, and with such care, *including reasonable inquiry*, as an ordinary prudent person in a like position would use under similar circumstances.

The Board makes decisions and sets policies that are in the best interests of the cooperative. The board reports to the membership on issues and communicates to members about the policies it originates, approves, and revises. Some decisions are made by the entire membership.

The size of the board of directors is stated in the co-op Bylaws (sometimes as a range like 5-7). Most co-op board size ranges from 7 to 10 board members. Terms are usually from 1 to 3 years, with board members entrance and exits staggered for multiple year terms.

The board has three primary responsibilities:

- **To act as trustees on behalf of the members** by establishing systematic linkages with members. This includes ensuring that there are mechanisms for member input, by

---

<sup>1</sup> If members choose to make policy decisions collectively the entire membership serves as the Board of Directors.

carefully monitoring the co-op's financial status, by ensuring that the co-op follows its bylaws, policies, and appropriate regulations, and by making regular reports to members.

- **To ensure sound management of the co-op** by hiring and monitoring the co-op's management (if applicable). Boards establish policies for management then review management reports and monitor key indicators (such as financial documents), and evaluate management performance in achieving the established goals.
- **To plan for the co-op's future** by establishing long-range goals and participating in strategic planning, by approving yearly and long-range plans, and by establishing performance goals.

To work effectively the cooperative's roles and responsibilities for its three primary players—the board, the members and management—must be clear. It is particularly important that the Board and members recognize the expertise of the manager and respect his/her duty to run the day to day operations of the program.

