



## Cooperative Management Series

# Director Roles and Responsibilities

Phil Kenkel

Professor, Bill Fitzwater Cooperative Chair

Oklahoma Cooperative Extension Fact Sheets  
are also available on our website at:  
<http://osufacts.okstate.edu>

### 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.**

<p><b><i>Director's Duties</i></b>            Establish Credit Policy            Determine Director Compensation            Establish Pricing Policy            Plan annual meeting            Set manager's salary            Engage and auditing firm            Establish per-unit retain</p>	<p><b><i>Manager's Duties</i></b>            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</p>
--	---

Oklahoma State University, in compliance with Title VI and VII of the Civil Rights Act of 1964, Executive Order 11246 as amended, Title IX of the Education Amendments of 1972, Americans with Disabilities Act of 1990, and other federal laws and regulations, does not discriminate on the basis of race, color, national origin, gender, age, religion, disability, or status as a veteran in any of its policies, practices, or procedures. This includes but is not limited to admissions, employment, financial aid, and educational services.

Issued in furtherance of Cooperative Extension work, acts of May 8 and June 30, 1914, in cooperation with the U.S. Department of Agriculture, Robert E. Whitson, Director of Cooperative Extension Service, Oklahoma State University, Stillwater, Oklahoma. This publication is printed and issued by Oklahoma State University as authorized by the Vice President, Dean, and Director of the Division of Agricultural Sciences and Natural Resources and has been prepared and distributed at a cost of 20 cents per copy. 0104 JA