

ICA's Sample Policies for Democratic Corporations



Sample Powers of the Board of Directors

The Board of Directors

The Board of Directors are the elected representatives of the members of the cooperative (and if applicable potentially other shareholders). While state laws and the cooperative's bylaws and rules define the manner in which the cooperative will conduct its affairs, generally, the role of the Board of Directors is to set policy for the firm, to provide leadership and to speak for the members in governing the direction that the cooperative pursues as a company.

Some smaller co-ops elect to not have a separate Board of Directors or have all the members serve on the Board. While this is an option that you can consider, it is important to recognize that the role of the Board, the role of the members, and the role of management are different – even if the same people fill each position. In LLCs, the board is called a Board of Managers. In general, the breakdown of these roles is as follows:



The Membership: The members, or shareholders are responsible for all corporate matters and significant policy matters. The by-laws can specify issues that should be addressed by the membership as a whole.



The Board of Directors: The Board is responsible for all Policy and Governance matters not handled by the Membership. They select key managers, approve the budget, and set the firm's strategic direction.



Management: Management is responsible carrying out the regular business of the firm. Management has influence and can generate or review policy proposals, but do not have the authority as managers to set policy.

BOARD “JOB DESCRIPTION”

This policy sets out, for the guidance of the Board and the cooperative, what the Board's role is, and the results it is responsible for achieving. In order to be useful as an organization-wide touchstone, this policy is stated very generally. The more specific activities by which the Board carries out its job should be outlined in the operating rules your co-op establishes.

- 1. The Assets of the Membership are securely held.** It exercises legal control over the assets of the membership and acts as trustee of the assets of the membership.
- 2. The Cooperative is guided by a comprehensive Vision.** The Board articulates the values and perspectives which guide the co-op. The Board ensures a common understanding of the cooperative guiding values and perspectives throughout the organization.
- 3. The Cooperative is led effectively.** The Board directs the organization to implement the vision and provides clear and consistent direction.
- 4. The Cooperative functions effectively.** The Board assures itself that the activities of the organization are effective and in keeping with the direction given by the Board.
- 5. The Cooperative retains its value to the Membership.** The Board ensures the continuity of the cooperative.

Some organizations have Board members sign a contract specifying their roles and duties as a board member. The Board policies and operating rules do not need to be complicated or drafted by an attorney, they should reflect the culture of your workplace. It is important to remember that the governing documents, the articles and by-laws, will trump any internal documents and that each state may have specific rules regarding the duties of a member of the Board. It's good practice to provide each board member with a binder that includes copies of your co-op's governance chart, by-laws, articles of incorporation, and board policies.

A SAMPLE STATEMENT OF BOARD POWERS

In addition to the more general policy or 'job description' outlined on the previous page, it is helpful for co-ops to specify in its operational policies the specific duties of the Board of Directors.

1. Defining the goals (operational, financial, social, etc.) of the organization and setting the policies that will be followed to achieve those goals.
2. Selecting the CEO / General Manager of the co-op, defining his or her duties, and setting his or her salary.
3. Evaluating the performance of the CEO annually, recommending training as needed, and replacing them if necessary.
4. Controlling the finances of the co-op, including:
 - ✓ Approving all budgets and financial plans and authorizing all loans sought by the co-op.
 - ✓ Approving all personnel policies. [Note: In the case of policies about hiring, firing, and laying-off personnel, the board may be obligated to obtain approval from the membership as well.]
5. Making all other decisions that¹:
 - ✓ Significantly affect more than [50%] of the membership, or
 - ✓ Commit [\$25,000] or more of the co-ops funds, or
 - ✓ Commit the co-op to a course of action (e.g. in a lease) for more than [one] year.
6. Making any other decisions specified in the governing documents of the firm or specified by state law.

¹ This item illustrates how the "extensiveness test" described in the ICA Publication *Democratic Governance* might be used in defining board powers. The percentages, dollars, and periods of time will vary and should be set by the Board or the Membership.

ROLE OF BOARD OFFICERS

Corporations generally have at least three officers; a President, a Treasurer, and a Secretary. As Officers of the corporation, these individuals have the legal authority to enter into contracts for the corporation. In addition to the President, the Board needs a Chairperson, in many small companies one person serves as the chair and the President. While LLCs are generally not required to have officers, only natural persons are allowed to sign contracts, therefore, some executive function is necessary.

President: The president is the top executive in a company responsible for managing a company's operations and performance. They implement corporate policy as established by the Board.

Chairperson: The Chairperson typically sets the agenda for board meetings and leads meetings. In general terms, the Chair oversees the operation of the Board to ensure that it operates efficiently and effectively. Often boards elect to have a Vice Chair who performs the Chairperson's role when the Chairperson is absent and assists the Chairperson as needed.

Secretary (Called a Clerk in some States): The Secretary is responsible for ensuring that legal records of the corporation are properly kept and that minutes of the board meetings are kept and preserved. In most cases, the Secretary takes the minutes of meetings.

Treasurer: The Treasurer is responsible for insuring that accurate financial records are produced and kept for the company. The Treasurer usually takes an active role in reviewing budgets and financial statements prepared by the CEO / General Manager and the bookkeepers. Because the Treasurer is responsible for reviewing the bookkeeper/accountant's financial reporting the Treasurer and the bookkeeper should never be the same person. If a finance committee exists the Treasurer often chairs this committee.

BOARD OF DIRECTORS COMMITTEES

There can be as many standing committees of the Board as the board wishes to create in order to deal with specific issues. Committees can also be established on an 'ad-hoc' or as needed basis. These committees are given authority by the Board to work on certain areas of specialization and provide reports and recommendations to the Board for approval. Usually two directors sit on each committee, one director chairs each committee, and in most cases at least two staff members sit on each Committee. Some potential committees include:

Governance: Reviews the operation of the co-op governance system, and recommends changes when required to meet governance objectives. Receives nominations, interviews candidates and oversees the election process for the election of Directors. This committee is recommended for all co-ops.

Finance: Works with managers to develop financial plans, to devise strategies for meeting capital and cash needs, and to monitor the financial status of the cooperative. Reviews and approves monthly or quarterly statements, recommends approval of the budget, deals with the annual audits, acts as a liaison with the cooperative's auditor and examines financing and capitalization questions for recommendations to the Board.

Long Range Planning: Develops alternative long range plans for the co-op, based on (a) analyses of market trends and the likely future availability of resources (such as capital or new members), and/or (b) emerging changes in the wishes of organization members.

Management Oversight: Consults with managers as they develop their business plans, helps managers obtain the training or resources they need to do their work well, and monitors the degree to which managers achieve their stated objectives. Discusses any needed changes in management structure or management personnel before the matter is brought to the board as a whole.

Personnel: Reviews the organization's need for members with different skills and experience, and develops policies for recruiting, hiring, and developing membership to meet these needs. Develops personnel policies (e.g. regarding vacation practices, career paths, discipline practices) and oversees the implementation of these policies.

Education: Determines the kinds of educational programs needed to help directors, managers, and members fulfill their responsibilities, and arranges for these programs to be offered.

Executive: Deals with any issues which are Board specific and is usually made up of the Executive Officers. Consults with chair of the board of directors regarding board agendas and procedures, and takes action on behalf of the board when urgent matters come up that must be dealt with between regularly-scheduled board meetings.

Rules Committee: Receives proposed extraordinary resolutions from members and recommends potential Rule changes to the full Board for proposal to the general membership.

Grievance Council: The basic task of a grievance council is to deal with questions of perceived unfairness or mistreatment. The grievance council should go to work on a problem only after its members are convinced that reasonable attempts to resolve the matter directly have failed. The kinds of grievances considered by the council should be restricted to issues that violate existing policy, matters where there is no applicable policy, or where the fairness of a policy is questioned. The “Grievability Test” outlined in the ICA Publication *Democratic Governance*, can help you determine whether a matter should be addressed by the Grievance Council.