



Board Functions

Outline

- I. Board functions
 - A. Supreme Decision Center
 - B. Advisory
 - C. Trustee
 - D. Perpetuating
 - E. Symbolic
- II. Board Self-Assessment

Board Functions

In The Board of Directors of Cooperatives, Leon Garoyan and Paul Mohn identify five functions of a board of directors, regardless of the size or scope of operations of the corporation. These are as follows:

Supreme Decision Center Function

The concept of the board as the ultimate and supreme decision-making body recognizes the fact that a cooperative must have one center for decision-making for basic corporate accountability. In a large organization there are multiple decision centers and the board is established as that which is central and superior to all others. A board's authority is partly the result of the legal authority granted by the members, the bylaws, and the articles of incorporation. The primary decisions a board makes are: 1) financial; 2) management; and 3) planning. A minor, fourth area of board decision-making is legal and policy development and compliance. Ideally, the board sets and approves the aim, objectives, and policies of the organization, thus establishing a framework within which the manager is asked to carry out the wishes of the members. This means that the board makes decisions dealing with direction, ideas, and policy, whereas managers deal with decisions relating to day-to-day operations, short-term implementation, and allocation of resources to meet specific problems.

Advisory Function

The Board serves in an advisory capacity for management and for members. The board acts as an advisor to members at general meetings, counselling them of changes requiring their action or sanction. The Board's advisory function to members is closely related to its function as trustee. Directors should always be prepared to make a recommendation (as a whole) to members on any action put to members for a vote.

The Board's role in advising management is more difficult to specify but potentially more important towards building an effective board/management team. In areas where the broad course of action is being determined, the board has a definite responsibility to advise, and sometimes to take the initiative. Astute managers will seek the advice of the board in helping to come up with possible solutions to problems. Directors must remember that in these cases, their involvement is purely advisory and that it is management's prerogative to accept or to reject the advice offered.

Trustee Function

The Board functions as a trustee for members, creditors, and the general public by assuming responsibility for the effective management of the cooperative. This responsibility dictates that