

# POLICIES FOR COOPERATIVES

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LAULIMA CENTER

FOR RURAL AND COOPERATIVE  
BUSINESS DEVELOPMENT™



A program of  
The Kohala Center

# Legal Aspects

- Three Main Organizational Documents:
- Articles of Incorporation
- Bylaws
- Policies



# What Are Policies?

- Written statements of position that guide the cooperative to consistent decisions in recurring situations.
- Give direction to plans.
- A road map management can follow to reach goals and attain objectives.
- Allow delegation of authority to the lowest feasible level.
- Reflect the cooperative's basic philosophy.



# Policy Characteristics

- Policies can be either broad and general or detailed and specific.
  - Broad policies leave room for interpretation and the exercise of judgment and initiative.
  - Specific policies require predetermined conduct.
- Developed by the Board.
- Implemented by Management.



# Policy Characteristics

- Deals with:
  - a recognized need
  - with practical and specific matters
  - recurring situations
- Clearly indicates:
  - the conditions,
  - to whom,
  - to what extent it applies,
  - who is responsible for applying it.



# Sources of Policy

- Precedent--the fact that "we've always done it this way"
- Printed materials issued by the cooperative:
  - letters to the membership,
  - advertisements about services,
  - price schedules,
  - employee handbooks,
  - contracts (marketing - purchasing - leases - loans),
  - accounting records,
  - consultants notes,
  - invoices, and
  - sales tickets.



# Writing Policy

- A board committee should research and compile a list of the present policies now being followed. The topic or subject of either written or implied policies should be listed in their order of importance to the cooperative based on the group's judgment.
- After appropriate study, and usually upon recommendation of the committee, the board should agree on the specific policy topics needed.



# Major Topics

- Board - General Manager Interrelationship
- Financial
- Employee/Employment
- Operations
- Membership Services
- Board Operation
- Internal Controls



# Writing Policy

- Appoint a committee from the board and management to prepare a draft policy on each topic accepted by the board.
- Policy drafts are presented in a special board meeting.
- A final draft of each policy is written and include recommendations as accepted in the special board policy session.



# Writing Policy

- A second special board meeting is held to read and discuss the proposed policies. If major revisions are necessary, the draft should be referred back to the original committee. If major revisions are not necessary, the board may adopt written policy by majority vote.
- Adopted policy (new or revised) is signed by the President and Secretary, dated, and recorded in the board minutes.



# Writing Policy

In drafting policies, three factors are especially important:

- compliance with the statute of incorporation and other relevant local laws
- accuracy in reflecting how the members want the cooperative to operate
- consistency throughout



# Writing Policy

- Each director and management team member shall be given a complete manual of all adopted policies.
- An official updated policies manual shall be on file in the corporate offices of the cooperative and maintained by an elected official of the board.
- Each policy should be reviewed annually by a committee with recommendations going to the complete board.



# Example Policy

## 104.02 POLICY COMMITTEE

The adoption of the following policy and any subsequent amendment(s) by the Board of Directors are recorded in the minutes of May 23, 2003.

The Policy Committee shall be responsible for developing, reviewing and keeping up-to-date all policies relevant to the operation of XXXXXX. The committee shall do this on a continuous basis. It shall be open to receive suggestions regarding policies from the Manager, the Board of Directors, and the other standing committees.

The Policy Committee shall submit it's recommendations for new policies or revisions of existing policies in final form and wording to the Board of Directors. All such additions and revisions must be approved by the full Board.

This Policy Committee shall oversee the maintenance of an official updated copy of a manual containing a complete set of all existing polices of XXXXXX.

Each policy shall contain information on the date of adoption/and amendments made by reference to the specific minutes of the Board of Directors meeting and shall contain the following statement:

"The adoption of the following policy and any subsequent amendment(s) by the Board of Directors are recorded in the minutes of (specify dates):



# Policy Governance

- Policy Governance emphasizes vision and, the empowerment of both Board and staff, and the strategic ability to lead leaders.
- Boards lead by setting policy in four areas:
  - Ends,
  - Executive Limitations,
  - Board-Executive Relations, and
  - Board Process.



# Ends

- The Board's most important job is to devise a mission and mission-related statements which clearly set out what the desired results; the Ends of the Cooperative's actions are to be.
  - What human needs are to be met, for whom, and at what cost?
  - How will the world be different as a result of the Cooperative's actions?
- The Board leaves it up to the staff to decide on the means by which to achieve these ends, and evaluates staff performance based on how well the results of the Cooperative's actions match the desired ends.



# Ends

## Example

Our Vision: “ . . .

Our Mission: “ . . .

Our Values: “ . . .

Our Goals: “ . . .



# Executive Limitations

- While the Board prescribes what ends it wants to achieve, it only sets limits on the means with which the staff operates.
- These limits are principles of prudence and ethics that form a boundary on staff practices, activities, circumstances and methods.
- The Board states clearly what they will not allow, but it is otherwise silent regarding staff actions. This empowers staff to use their full creative powers but at the same time safeguarding against potential abuses, enabling the Board to concentrate its energies on ends issues.



# Executive Limitations

## Example

- General Executive Constraint
- Emergency Executive Succession
- Communication and Counsel to the Board
- Treatment of Members
- Staff Treatment
- Compensation and Benefits
- Financial Conditions and Activities
- Budgeting
- Asset Protection



# Board-Executive Relations

- The Board sets policies about how it relates to staff.
  - approach to delegation,
  - view of the General Manager's role,
  - how it will assess staff performance.
- The only specific duty of the General Manager is to be accountable to the entire Board for the performance of the Cooperative -- on how well the Board's ends are being met and the limitations not violated.



# Board-Executive Relations

## Example

- Delegation to the General Manager
- General Managers Job Description
- Monitoring General Manger Performance



# Board Process

- The Board sets policies for its own internal workings:
  - how meetings will be conducted,
  - what topics will be addressed,
  - the role of officers and committees,
  - how the Board will discipline itself.



# Board Process

- An effective design of Board process ensures that the Board fulfill its three primary responsibilities:
  - Maintain links to the ownership,
  - Establishing and maintaining the four categories of written policies,
  - Assuring executive performance.



# Board Process

## Example

- Governance Commitment
- Governing Style
- Board Job Description
- Chairperson's Role
- Complaints to the Board
- Board Committee Principles
- Committee Structure
- Annual Board Planning Cycle
- Board Members' Code of Conduct
- General Manager Role

