



Guides for Electric Cooperative Development and Rural Electrification



NRECA International Ltd.
Your Touchstone Energy® Partner 

Glossary of Abbreviations

| | |
|----------------------|--|
| A | Ampere |
| AH | Amp-hour |
| AC | Alternating current |
| ACSR | Aluminum conductor, steel reinforced |
| A&G | Administrative and general |
| AWG | American wire gauge |
| CARES | Central American Rural Electrification Support Program |
| CCT | Correlated color temperature |
| CDA | Cooperative Development Authority (Philippines) |
| CEF | Fronteriza Electric Cooperative (Dominican Republic)* |
| CFC | National Rural Utilities Cooperative Finance Corporation, also known as NRUCFC (U.S.) |
| CFL | Compact fluorescent light bulb |
| CLARITY | Cooperative Law and Regulation Initiative |
| CONELECTRICAS | National Consortium of Electrification Companies of Costa Rica (Costa Rica)* |
| DC | Direct current |
| DISCEL | Electric Distributor of the Hydroelectric Executive Commission of Rio Lempa (El Salvador)* |
| EBIT | Earnings before interest and taxes |
| EBITDA | Earnings before interest, taxes, depreciation and amortization. |
| EEGSA | Electric Company of Guatemala, PLC (Guatemala)* |
| ESMAP | Energy Sector Management Assistance Program (World Bank) |
| FUNDAP | Foundation for Economic Development |
| G&T | Generation and transmission cooperative |
| GIS | Geographic information system |
| GPS | Global positioning system |
| HVD | High voltage disconnection |
| I | Electrical current, measured in amperes |
| ICE | Costa Rican Institute of Electricity (Costa Rica)* |
| IEC | International Electro-technical Commission |
| INDE | National Institute of Electrification (Guatemala)* |
| INE | National Institute of Statistics (Bolivia)* |
| IRR | Internal rate of return |
| ISPRA | National Institute for Protection and Environmental Research (Italy) |
| K | Kelvin |
| klmh | Kilo-lumen hour |
| kV | Kilovolt |
| kVA | Kilovolt-ampere |
| kVAR | Reactive kilovolt-ampere |
| kW | Kilowatt |

| | |
|----------------|---|
| kWh | Kilowatt hour |
| LED | Light-emitting diode |
| LPG | Liquefied petroleum gas |
| LVD | Low voltage disconnection |
| LVR | Low voltage reconnection |
| MRT | Single wire earth return* |
| MW | Megawatt |
| MWh | Megawatt hour |
| NEA | National Electrification Administration (Philippines) |
| NESC | National Electrical Safety Code |
| NGO | Non-governmental organization |
| NOAA | United States National Oceanic and Atmospheric Administration |
| NPV | Net present value |
| NRECA | National Rural Electric Cooperative Association International, Limited |
| OCDC | Overseas Cooperative Development Council |
| O&M | Operations and maintenance |
| PDB | Power development board |
| PUC | Public utility commission |
| PUE | Productive use of electricity |
| PV | Photovoltaic |
| PWM | Pulse width modulation |
| R | Electrical resistance |
| R&D | Research and development |
| RE | Rural electrification |
| REA | Rural Electrification Administration, an agency of the Department of Agriculture of the United States, now known as RUS |
| REB | Rural Electrification Board (Bangladesh) |
| RFP | Request for proposal |
| RFQ | Request for quote |
| ROE | Return on equity |
| RUS | Rural Utilities Services, an agency of the Department of Agriculture of the United States, previously known as REA |
| SWER | Single wire earth return |
| TAG | Technical assistance guide |
| UL | Underwriters Laboratory |
| USAID | United States Agency for International Development |
| USDA | United States Department of Agriculture |
| USTDA | United States Trade and Development Agency |
| V | Volt |
| W | Watt |
| WH | Watt-hour |
| Wp | Watts peak |
| WtP | Willingness to pay |

*English translation of Spanish abbreviation

Roles and Responsibilities of Electric Cooperative Boards of Directors

MODULE 3 OF NRECA'S TECHNICAL ASSISTANCE GUIDES



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EXECUTIVE SUMMARY

The success of any institution depends on the quality, knowledge, experience, and integrity of its Directors and employees. This is also true for electric cooperatives. Being a cooperative does not guarantee success. Directors of electric cooperatives must know their role, their responsibilities and the responsibilities of the General Manager.

For the orderly operation of an electric cooperative, the Board of Directors must understand and ultimately fulfill their responsibilities. Directors also need to understand the boundaries of their responsibilities, so as to refrain from interjecting themselves where it is neither necessary nor convenient that they do so. NRECA prepared this module as a guide to help the directors of electric cooperatives to better understand their responsibilities and boundaries.

Cooperatives have existed for more than 150 years and electric cooperatives for more than 70. In that time, much experience has accumulated regarding how the boards of cooperatives should function.

The Board of Directors is the representative body of the members of the cooperative. It represents the legitimate cooperative owners and acts on their behalf. The owners elect the Board and place in its hands the administration of the assets and responsibilities of the cooperative. The Board of Directors has five principal functions:

1. *Legal*: Ensure the legal right of the cooperative to exist
2. *Trusteeship*: Act in the best interest of the members

3. *Planning*: Develop programs and carry out plans based on ideals that reflect the thinking of its members, with realistic goals adjusted to the purposes of the cooperative
4. *Resources*: Assure the availability of basic resources, including personnel, loan funds, wholesale power, and revenue, according to the cooperative's size and needs
5. *Control*: Monitor operations to assure compliance with Board policy, budgets, member relations, loan covenants, contractual compliance, and long-range planning

In these five areas, Directors must delicately balance their responsibility to establish policies and procedures for the cooperative with their responsibility to allow the staff to control day-to-day operations.

In addition to the above responsibilities, Directors also have certain duties and rights. Director duties include loyalty, obedience, and due care. Loyalty requires a Director to be loyal first to the cooperative entity. Obedience requires a Director to perform his or her duties in accordance with applicable laws, bylaws, contracts, and policies. Due care requires a Director to perform his or her duties as a member of the Board, or any committee of the Board upon which he or she serves, in good faith, in a manner he or she reasonably believes to be in the best interests of the cooperative, and with the care that an ordinarily prudent person in a similar position would use under similar circumstances.

Director rights include access to management personnel, access to books and records, proper and timely notice of meetings, ability to review

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A Board is extremely important to the success of the organization. Boards represent owners and have final responsibility for the organization. It therefore follows that Board members must understand their duties and responsibilities and diligently carry them out.

meeting minutes, access to outside advice, and ability to hear the prudent judgment of others.

Serving on a Board of Directors carries several responsibilities. Each Board member must conduct himself or herself in a professional manner that properly reflects the cooperative's mission. This is typically called a code of ethics. Key code of ethics considerations are:

- representing the interests of all – not special interests
- respecting and supporting the majority decision of the Board
- being prepared to make constructive decisions
- acting as a trustee of the cooperative

Directors will find success if they thoughtfully manage the interrelationships between the Board and General Manager. This module identifies several distinct duties that delineate the responsibilities of the Board and management. It also emphasizes the need to recognize the personalities of each Board member and management staff.

Proper meeting conduct, when Directors review operational results, plan, and make decisions is also important to the success of the Board.

Finally, not everything goes right. Board members may make mistakes and create difficulties. Some problem areas include:

- attempting to be a spokesperson for the cooperative
- expressing personal and public opinions on Board actions
- bypassing the chain of command
- acting out of friendship with staff members
- procrastinating

- failing to establish goals and objectives

Other handicaps to Board success include the oversimplification of issues, myopic focus on limited alternatives, unwillingness to try something new or discard old methods, making decisions from preconceived attitudes, paying attention only when certain topics arise, focusing decisions on a limited geographical area, and demanding perfection before going ahead.

This module will help guide prospective or current Board members of electric cooperatives, as well as those interested in establishing electric cooperatives.

INTRODUCTION

Every formal organization consisting of more than two people must establish an owners' governance group. In very small organizations that are not formally organized, not incorporated, and not government entities, the governance group consists simply of those individuals who have financial ownership in the organization. As an organization grows, in owners and/or employees, it formalizes this governance group.

Governance groups represent their owners. Generally, there are two types of governance groups: those created within private (non-government) organizations and those created for government entities at the national, regional or local level. This module focuses on the first group – private organizations.

In private organizations, the governance group is usually called a Board of Directors (or simply "the Board"). The Board represents the owners of the organization. However, it is important to note the four distinct groups within most organizations:

- *Owners:* These individuals have invested resources through money, property, or time to create and maintain the organization. A

golden rule is that the organization must satisfy its owners. Without owners, there is no organization. Other than compliance with applicable laws, the owners have final say in all matters dealing with the organization.

- *Employees:* Owners hire management and staff to operate their organization. The employees work for the owners. Employees follow policies established by the owners.
- *Purchasers of the organization's services:* Every organization serves customers or consumers. These customers/consumers provide regular income to keep the organization going and create a return on the investment of its owners.
- *Resource providers:* Organizations provide goods or services. The organization must acquire raw materials, financing, training, and other support materials/information in order to provide services and earn a return for its owners.

As noted, employees work for the owners, customers purchase goods and services provided by the owners, and resource providers supply resources as needed by the owners. Again, the golden rule is that the organization must satisfy its owners.

In a cooperative, the owners are normally members as well as purchasers. However, in some cooperatives not all purchasers are also members.

Private organizations fall into two basic groups: profit and non-profit (also called not-for-profit) organizations. This module relates to non-profit organizations. Boards of non-profit organizations are generally less professional compared to Boards of profit organizations. This occurs for two primary reasons. First, non-profit organizations have difficulty attracting qualified candidates due to a lack of profit motivation and minimal (or non-existent) personal remuneration for Board service.

Second, non-profit Board members usually work full-time elsewhere and cannot spend significant time on the non-profit Board.

Owners of formal organizations elect a Board of Directors, or other governance group. Regardless of its title, the Board must represent the owners. All democratic nations have ratified laws identifying responsibilities and limitations of Boards serving formal organizations. These laws state that elected Boards have the legal authority and responsibility to conduct the business of the organization on behalf of the owners. Concurrently, these laws also limit the involvement of individual owners (outside of the elected Board) to become involved in the affairs of the organization. For cooperatives, this means that cooperative members who are not part of the Board do not have the right to become involved either in cooperative operations or in setting policy.

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This module identifies duties, responsibilities, limitations, and problem areas of rural electric cooperative Boards that are non-profit and legally incorporated under the laws of applicable governing bodies.

I-BEAM FORM OF MANAGEMENT

The I-Beam form of management is a method of assigning responsibilities between the Board of Directors and staff, or employees.

Figure 1 shows the I-Beam form of Management. In construction, the "I-Beam" is a strong structural element. In management, the I-Beam embodies the same strength and clearly illustrates how a Board of Directors and its staff should collaborate and function.

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Both the General Manager and Board perform planning and controlling functions to ensure that plans are completed effectively.

Figure 1. I-Beam Form of Management



In the I-Beam model, certain functions are shared between the Board and staff, who are represented by the General Manager. These include planning and controlling. Both the General Manager and Board perform planning and controlling functions to ensure that plans are completed effectively.

While there are common functions, the Board and General Manager must also perform distinct functions and responsibilities. The Board is responsible for the legal aspects of the cooperative, a trustee relationship with the owners, and providing resources. The General Manager must not attempt to perform these functions for the Board. Similarly, the General Manager’s responsibilities include organizing, directing, and coordinating all cooperative work functions that the Board must not perform.

If the Board and General Manager jointly plan the objectives of the cooperative effectively, then each should be able to carry out their respective functions without causing frustration to the other.

BOARD RESPONSIBILITIES

Board responsibilities are critical to any organization. In Figure 1, the “I-Beam” diagram

listed five distinct duties and responsibilities of the Board. A detailed explanation of each Board function contained within the “I-Beam” structure follows.

Board Responsibilities – Planning

Planning is a significant task of any cooperative’s Board. Whereas the staff carries out Board plans and operates the organization, the Board must plan continually, with an eye to the cooperative’s future. In establishing plans, the Board must understand the goals and objectives of the cooperative members.

The Board plans for both the long term and short term. Therefore, the Board must consider and adopt all plans with respect to all of the following:

- Seek ideas, viewpoints, objectives, major goals, and results desired by the cooperative members.
- Determine, in consultation with the General Manager, the guiding policies of the cooperative; review policies at least annually to ascertain that they meet changing operating conditions and comply with all policies, procedures, and regulations of lending, regulatory, and administrative agencies.
- Review and approve broad operating programs, services, and activities developed and recommended by the General Manager, taking into account the costs, the benefits and the financial conditions of the cooperative.
- Review and approve the annual work plans and budgets to achieve the desired end results from operations and to provide the best possible service to the members.
- Consider and adopt, in consultation with the General Manager, broad personnel and wage and salary policies essential to provide opportunities for growth and

development of employees, including annual revisions to wage and salary plans and wage adjustments.

- Consider and adopt, in consultation with the General Manager, financial plans and policies essential to maintain a sound financial structure for the cooperative.
- Determine, in consultation with the General Manager, policies for maintaining good member, public, and governmental relations and programs for community and economic development.
- Consider and approve long and short-range plans to ensure an adequate and reliable supply of power at the most reasonable cost for cooperative members.
- Schedule and conduct effective Board and member meetings in accordance with the cooperative bylaws.

Board Responsibilities – Legal

Legal responsibilities can present challenges for individuals serving on cooperative Boards. In many cases, Board members may not be familiar with legal matters pertaining to electric cooperatives. Therefore, the Board should hire an attorney who reports directly to the Board. Ideally, the attorney should have knowledge of electric cooperative law. At a minimum, he or she should be thoroughly familiar with business law, as well as have a desire to learn its application to electric cooperatives.

The Board has a responsibility to establish and maintain the legal status of the cooperative as follows:

- Comply with legal requirements as set forth in the cooperative's articles of incorporation, bylaws and other applicable regulations. Select and appoint qualified legal counsel to the Board.

- Study, consider and propose revisions and other changes to the bylaws, as necessary or required.

- Review and approve all major legal contracts, including wholesale power contracts, construction contracts, and loan agreements.

- Assure proper issuance of membership certificates and accounting for memberships.

- Ensure that complete and accurate minutes of Board and member meetings are prepared, maintained, distributed, and that the signed originals are kept safe.

Board Responsibilities – Trusteeship

According to *Webster's Dictionary*, a "trustee" is "a person appointed to administer the affairs of a company" or "a person who holds title to property for the benefit of another."¹ "Trusteeship" is the act of performing trustee functions. Thus, Board members are entrusted with the owner's (the membership's) interests in administering the Cooperative's affairs. Boards of Directors have a legal responsibility to carry out this function.

Board members must act as trustees of the membership as follows:

- Conduct well-planned membership/representative meetings to adequately inform the members/representatives, obtain their ideas and suggestions, develop leadership among the members, and promote understanding and acceptance of the cooperative's objectives, goals, policies, plans, and programs.

- Conduct well-planned and timely membership meetings as provided in the cooperative's bylaws.

¹ *Random House Webster's Dictionary*, 4th edition, (New York: Ballantine Books, 2001).

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It is up to the Board to establish policies and procedures to provide necessary resources. The Board should also monitor the availability of resources on a regular basis.

- Stay informed about changing member needs and how the cooperative might meet these needs on a viable financial basis.
- Inform members about cooperative operations through newsletters and other publications, annual reports, and membership/representative meetings.
- Be familiar with and comply with Board policies and the bylaws of the cooperative.
- Stay informed. Develop skills and understanding to enhance performance as a Board member and arrange for regular training programs to keep Board knowledge and abilities growing.
- Assist new Board members to develop a greater understanding of their responsibilities and authority.
- Participate in outside activities as deemed advantageous to enhance the understanding of the cooperative by members, the community, and national leaders, as well as to strengthen cooperative operations.
- Ensure that continuous programs for member, public, and governmental relations are carried out to develop understanding and support for the cooperative.
- Keep members informed of problems faced by the cooperative that require their support, and of the need for changes that may affect them.
- Protect the assets of the cooperative and assure the provision of adequate insurance coverages.
- Protect the assets of the cooperative by fully complying with policies, regulations, and mortgages requirements.
- Select and appoint qualified independent financial auditors annually.
- Select banks for cooperative funds and authorize individuals to sign bank documents, including checks, on behalf of the cooperative.
- Plan and conduct effective Board meetings, with enough frequency to keep Directors well-informed, to provide needed policies, facilities and financing, and to assure desired results.
- Establish policies governing the payment of travel, out-of-pocket, and other expenses of Directors and employees.
- Approve the appointment of principal consultants to the cooperative, including contracts and agreements for services.
- Assure that basic policies are developed for competitive bidding of large material and supply purchases, and major purchases of equipment, vehicles, and land, etc.

Board Responsibilities – Resources

An organization cannot exist without resources. In this context, “resources” means personnel, funding, wholesale power, and revenue. It is up to the Board to establish policies and procedures to provide necessary resources. The Board should also monitor the availability of resources on a regular basis.

The Board must assure the availability of four types of basic resources according to the size, needs, and purposes of the cooperative:

1. *Personnel:* Authorize employee positions and numbers of employees, hire a qualified General Manager, delegate authority with clearly spelled out responsibilities, and provide adequate and safe working conditions.
2. *Funding:* Establish policies to assure proper financial operations, secure loan sources, and clearly define when prospective consumers must contribute towards the cost of new

construction and how those contributions will be calculated.

3. *Wholesale power*: Secure long-term sources of wholesale power at reasonable rates, either through purchased power or generated power.
4. *Revenue*: Establish rates and fees to cover all costs and provide for margins consistent with good business practices.

Board Responsibilities – Controlling

The Board must establish proper controls to evaluate whether the organization is achieving its goals and objectives. The Board cannot simply assume that all policies are being adhered to and that goals will be achieved. It is essential to monitor and evaluate cooperative operations to assure compliance with Board policy, budgets, loan covenants, contractual requirements, and long-range planning.

The Board establishes controls and monitors effectiveness of Cooperative operations through the following seven methods:

1. *Board policy*: Establish the cooperative's policies and monitor compliance with those policies.
2. *Budgets*: Establish long-range financial plans and annual budgets and monitor compliance.
3. *Member relations*: Promote a workplace environment where Cooperative members are the organizational focus, and monitor member satisfaction.
4. *Loan covenants*: Understand the general concepts of major loan agreements. Assure that funds are correctly used and that loans are paid on time.
5. *Contractual compliance*: Monitor performance of major contracts frequently.

6. *Long-range planning*: Establish long-range construction and financing plans, update when needed, and compare actual performance with the plan projections.

7. *Outside assistance*: Engage auditors, legal counsel, and other professionals to assist in the Board's control functions.

INDIVIDUAL BOARD MEMBER'S DUTIES AND RIGHTS

Directors have both duties and rights. Duties are responsibilities that Directors have while serving on the Board; rights are those items each Director is entitled to in order to properly carry out his or her duties.

Director Duties

A cooperative Director has several duties. Primary duties include:

- Loyalty
- Obedience
- Due care

A Director must be loyal to the cooperative. This means not engaging in personal activities that can be construed as conflicts of interest, maintaining information confidentiality, and not bringing harm to the cooperative as a result of personal action. For example, a Director publicly expressing strong personal opinions in opposition to an official Board action contradicts loyalty to the cooperative.

Occasionally, a Director cannot avoid a particular conflict of interest. For instance, a Director may have a financial interest in a contract under consideration by the Board. In this situation, the Director should disclose the conflict of interest to the Board of Directors at a legally constituted meeting, and that Director should refrain from voting on the issue.

The Board must establish proper controls to evaluate whether the organization is achieving its goals and objectives.

Such actions are contrary to the Director's own feelings or inclinations. An action by a Board at a legally convened Board meeting is an action by the entire Cooperative. All Directors should support such action. The duty of loyalty fails to apply only if a Board action is clearly illegal, as stated by proper legal counsel. In the rare occasion of an illegal Board action, the concerned Director should state his legal concerns on the record at the Board meeting, vote against the issue, and seek legal counsel following the meeting.

The duty of obedience requires a Director to perform his or her duties in accordance with applicable laws, including national and regional laws and ordinances, cooperative bylaws, contracts, loan agreements, policies, and safety requirements.

The duty of care requires a Director to perform his or her duties in good faith, in a manner he or she reasonably believes to be in the best interests of the cooperative, and with such care as a prudent person in a similar position would use under similar circumstances. The duty of care also involves due diligence. In considering issues, a Director should attempt to get all relevant information and should be cautious and prudent in decision making.

Other duties of Board members include:

- Attend Board meetings regularly.
- Become knowledgeable.
- Come to meetings prepared.
- Contribute to meetings by expressing views.
- Consider the points of view of others.
- Make decisions – do not procrastinate.
- Represent the cooperative professionally.
- Assume Board leadership when asked.

- Keep the General Manager informed.
- Respect the relationship between the Board and the General Manager.

Director Rights

Directors also have rights. These include unrestricted and free access to management through the General Manager, and to cooperative files and records. Directors have the right to access financial and accounting records, long and short-range plans, Board minutes, policies, procedures, and legal opinions. A Director has the right to ask questions of appropriate management staff and to review operational and financial records.

However, three areas of caution must be observed with respect to such access. First, the Director's access should be for official, not personal, purposes. Second, the proper chain of command should be followed. This means the Director should address questions or requests to the General Manager. The General Manager, in turn, then can either authorize the Director to contact other staff, or the General Manager can have other staff provide the information desired via the General Manager's office. Third, some information (e.g. employee personnel and salary records) is considered sensitive and may not be available to individual Directors. Directors must observe the confidentiality of all information.

If a Director feels he or she has been denied access to information without proper cause, that Director should address his or her concerns to the Board President or bring it up at a Board meeting.

Directors' rights include the right to receive timely notice of all upcoming meetings, access to minutes of Board and committee meetings, access to external advice (legal, auditors, engineering, etc.), and access to the prudent judgment of others, such as the right to hear opinions of staff and of other cooperative members. If external advice is fee based, Board

approval may be required in order to incur the expense. In addition, opinions of staff should be obtained through the proper chain of command or during a legally constituted Board or committee meeting.

BOARD MEMBER CODE OF ETHICS

Serving on a Board of Directors carries several responsibilities, as described in previous sections. Each Director must also conduct himself or herself in a professional manner, properly reflecting the cooperative. The code of ethics for cooperative Board members includes the following points:

- Represent the interests of all – no special interests.
- Do not use the cooperative for personal gain.
- Respect confidential information; keep it confidential.
- Respect and support the majority decision of the Board.
- Approach all Board issues with an open mind.
- Be prepared to make constructive decisions.
- Do nothing to violate the trust of those who elected you.
- Focus your efforts on the mission of the organization, not on personal goals.
- Support Board decisions.
- Do not overstep your authority and responsibility.
- Consider yourself truly as a “trustee.”

RELATIONSHIP BETWEEN THE GENERAL MANAGER AND THE BOARD

This section compares major duties of the Board and with those of the General Manager. As stated previously, the Board has three functions distinct from those of the General Manager, while they share planning and controlling responsibilities with the Board. It is important to understand how the Board carries out its five basic responsibilities without overstepping its role, in such a way as to strengthen the ability of the General Manager and staff to carry out their responsibilities.

“Leadership is a delicate balancing act among personalities. The relationship between a Board and General Manager is represented by lines on an organization chart. If that were the way it played out, everything would be in balance. When you include the people, suddenly it is less a science than an art. Each and every Board member has a personality, and a successful Board member and General Manager must understand how they mix and the contribution they make.”

– Anonymous

In carrying out their respective responsibilities, it is critical that the General Manager and Board members understand and respect the fact that each has a personality.

Table 1 illustrates the duties of the Board and the General Manager (and staff) in concrete terms.

The following is a general statement that is often included in cooperative policies and that appropriately conveys the differing duties of each party.

A. The Board of Directors shall:

1. Establish Board directives including policies, plans and programs; exercise sound financial control in attaining cooperative goals and objectives.

Each Board member must conduct himself or herself in a professional manner, properly reflecting the cooperative.

Table 1. Responsibilities of the Board and General Manager

| BOARD | GENERAL MANAGER |
|-------------------------|---|
| Establish policy | Carry out policy Develop procedures Report policy violations to Board Recommend policy changes |
| Long-range planning | Help Board identify needs Transform policy into work plans, budgets and implementation plans Keep Board informed |
| Monitor finances | Responsible for revenue and expenses Prepare monthly reports Advise Board of problems and opportunities |
| Approve annual budgets | Develop budgets Compare budget and actual expenses Operate within approved budget Obtain Board approval for items "out of budget" |
| Monitor operations | Have day-to-day responsibility for operations Advise Board Chairman immediately of major concerns Obtain Board approval for significant unanticipated situations Report monthly to Board |
| Approve major contracts | Negotiate as appropriate Make recommendations to Board Manage approved contracts |
| Listen and respond | Resolve problems Respond to opportunities Manage member/owner, lender, and public relations |

2. Conduct cooperative business in unison as a Board and not as individual members. Individual Board members shall not commit the Board without being specifically granted such authority by the Board.
 3. Individual Directors shall refrain from directing and discussing management and day-to-day problems with cooperative employees, and recognize that the flow of management and day-to-day operations shall be through the General Manager.
3. Report to the Board at Board meetings regarding cooperative activities, progress on Board directives, problems in meeting Board directives, and recommendations on Board directives as applicable.
- Between Board meetings, meet with the Chairman of the Board to advise and to receive consultation as needed.

PROPER MEETING CONDUCT OF DIRECTORS

B. The General Manager shall:

1. Perform functions and duties as directed in the General Manager position description.
2. Carry out the policies, plans and programs instructed by the Board.

Board members will spend a significant amount of time in Board and committee meetings. The following points are important for Directors to remember:

- Prepare for the meeting.

- Attend meetings – do not find excuses for absence.
- Take part in discussions.
- Keep discussions focused on the issues.
- Understand the basics of parliamentary procedures.
- Be flexible and polite.
- Golden rule: compromise.
- Learn to listen.
- Work toward consensus on issues.
- Focus on the organization’s mission.

COMMON MISTAKES AND HANDICAPS

Several common mistakes and errors in judgment can handicap Board effectiveness. The following is a brief synopsis of situations to be avoided.

Common Mistakes

Attempting to be a Spokesperson

Occasionally, individual Directors may feel overly confident and act as a spokesperson for the Board without Board approval. This might include giving interviews to the local newspaper or radio station about a Board action or speaking at a public event. The official spokesperson for the Board is its Chairman. Individual Board members are not Board spokespersons. Board members other than the Chairman should refrain from making public statements concerning the cooperative. Exceptions to this are private discussions and a Board member making public statements solely within his or her voting district.

Expressing Personal Opinions on Board Action

Refrain from expressing personal opinions on Board actions. Once the Board makes a decision, each Board member should support that decision. Dissenting opinions should be kept private. If Board action is felt to have been illegal, the concerned Board member should vote his or her opposition at the Board meeting and request the “no” vote be noted in the Board minutes, and discuss the concern with the cooperative’s attorney.

Bypassing the Chain of Command

A successful organization requires a proper chain of command. In a cooperative, Board members should direct all questions to either the Board Chairman or General Manager. Board members should not direct questions to staff members. The General Manager may authorize individual Board members to contact staff members directly on particular issues, but direct staff contact should be limited.

Friendship with General Manager and/or Staff Members

When possible, Board members should refrain from becoming friends with the General Manager and/or staff. Professional discourse is perfectly acceptable, but friendship often clouds professional relationships. Sometimes friendships cannot be avoided. In those instances, the Board member should try to refrain from discussing cooperative issues and base the friendship on a non-business foundation.

Failure to Establish Comprehensive Goals and Objectives

The Board may fail to establish complete and definitive objectives and goals for cooperative operations. This can happen if the General Manager has not provided the Board with timely and necessary information. However, it can

A Board member's duty is to focus on the big picture and let the General Manager and staff manage the details.

also happen through Board procrastination. For example, a Board may approve an annual budget without asking questions about how estimated revenue was calculated, or what the relationship is between kilowatt-hour sales and purchases, or how operating expenses were determined, and so on.

Procrastination

Board meetings are often two to four hours in length, once a month. During that time, reports must be reviewed, policies set, major purchases approved, and actions taken to correct problems and/or take advantages of opportunities. This activity must then be repeated at the next meeting. There is no time to procrastinate! Boards should take action on a timely basis. Sometimes all the information desired is not available when it is time to make decisions. In such instances, Directors must be ready to make decisions with the best available information. When timely decisions are not made, problems compound and subsequent meetings become overloaded. When meetings become overloaded, the quality of Board decisions often suffers.

Micromanaging

Boards can be tempted to assist management with overly detailed directions, in lieu of establishing broad guiding policies that allow management to make most operating decisions independently. Remember, the Board sets the policies and monitors implementation, while management carries out the policies and reports to the Board.

Focus on Details

A Director's duty is to focus on the big picture and let the General Manager and staff manage the details. However, Boards sometimes focus on statistics and minute details instead of results, losing sight of the larger implications for the cooperative.

Employee Morale

To evaluate the cooperative's performance, Directors typically focus on written and verbal reports from the General Manager, consultants, and/or key staff. It is also important, however, to evaluate employee morale. Employee relations can have a huge impact on the success and efficiency of the cooperative. Directors should foster the idea that they sincerely care about employees and encourage activities that result in boosting morale.

Short-range vs. Long-range Focus

It is often easy to become preoccupied with present events and neglect the future. Directors may become consumed with short-range plans to the detriment of creating long-range goals. Focusing on today, this month, or this year obscures thinking and planning for three-, five-, and ten-year goals. Likewise, too much attention may be given to reviewing past events, and too little attention to determining long-range policies and plans, and providing needed resources on a timely basis. A Board that neglects planning for the cooperative's future is not fulfilling its basic function.

Handicaps to Board Effectiveness

The following attitudes or actions by individual Directors can handicap efficient Board operation:

- Directors may oversimplify, maintaining that nothing should be excessively complex. It is important to clarify and try to minimize problems as much as possible, but refusing to acknowledge a complex problem and failing to solve it often makes matters worse.
- Directors may fail to understand that multiple solutions may exist to a dilemma, and that each one can be modified or adapted, rather than wholly accepted or rejected. The Board must attempt to find the right alternative among many.

- Directors may be unwilling to attempt new approaches, or to discard old methods that cripple progress. The fact that something has never been done before is no reason for not doing it. On the contrary, refusing to try a new method or system simply because it is different from the old system entrenches current inefficiencies and costly operations.
- A Director who continues to talk after making a point merely wastes the Board's time and adds nothing to the discussion. This is equally true of the Director who says nothing until sensing that a decision has already been made. Agreeing with it if it proves successful and criticizing if it is not successful is just as harmful to the Board.
- Some Directors may have preconceived attitudes or prejudices toward ideas presented. They have stock answers for everything – often negative ones. Where there is a real problem, they refuse to exert the mental effort required to solve the problem, preferring a quick fix.
- A “restricted interests” Director pays no attention unless the matter under discussion is in his or her area of interest. This may be customer activities, or legal actions, or insurance. When those matters are before the Board, this Director is vocal and cooperative, but when other matters are before the Board, the Director stays silent.
- The geographically restricted Director sees all situations only in relation to the effect on a particular constituency and lacks a big picture view. This Director will support something only if it is 100 percent satisfactory to his or her group.

- Perfection seeking Directors are not willing to support efforts that present risks in any form or fashion. They rarely experiment. They must know that the results are certain and that procedures will be perfectly executed.

WHAT IT TAKES TO BE A GOOD BOARD MEMBER

This module has outlined the role, duties, and responsibilities of an electric cooperative's Board of Directors. The graphic depiction of the I-Beam form of management in Figure 1 identifies the major shared and independent responsibilities of the Board and General Manager. The discussion included the relationship between Directors and the General Manager, with special emphasis on delineation of duties. The module concluded with a summary of common mistakes made by Board members.

In summary, what does it take to be a good Board member?

- Desire to do what is right for the entire cooperative
- Willingness to learn
- Timely decision making
- Active participation in Board and committee meetings
- Honesty and impartiality
- Compromise and acceptance of Board decisions
- Communication on the level of listeners
- Consideration of personalities in reviewing results and making decisions

A Director who continues to talk after making a point merely wastes the Board's time and adds nothing to the discussion.

