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**SACCO BOARD MANAGEMENT RELATIONSHIP – A LOOK
AT GLOBAL BEST COOPERATIVES MANAGEMENT
PRACTICES**



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The Dialogue Outline:

“The People and their responsibilities in a Co-operative

“Role and responsibilities of the Board of Directors

“Style of Governance: Strategic vs. Operational

“The Manager’s responsibilities

“Positive relations between the Board and Manager



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GOVERNANCE SNIPPETS

**Mr. Warren Buffet the World's second richest man,
his advice on business success**

- ✓ Assign the right people to the right jobs
- ✓ Always think how you can accomplish things economically
- ✓ Set goals and make people focus on them



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Cooperative Role

The purpose of a co-operative financial institution is to provide services for the benefit of all members while generating sufficient profit to cover expenses and to create financial stability for the co-operative



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The People and Their Responsibilities in a Co-operative

Four main groups:

- 1. Membership**
- 2. Board of Directors**
- 3. Staff**
- 4. General Manager**



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People and Responsibilities

1. Membership responsibilities include:

- ” using the services of the credit union
- ” participating in discussion
- ” electing the Board of Directors
- ” serving on Board and Committees when asked, elected
- ” staying informed
- ” attending meetings and voting
- ” encouraging non-members to **join**



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2. Board of Directors Responsibilities include:

- ” setting objectives and policy
- ” approving business plan and budget
- ” oversee delivery of service to members
- ” hiring and evaluating General Manager
- ” protecting assets including image of credit union
- ” oversee finances and risks of the co-operative
- ” linking the credit union with the community
- ” representing the collective interests of members



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3. Staff Responsibilities include:

- “ maintain member relations
- “ provide quality service
- “ know credit union objectives
- “ sell credit union services
- “ maintain confidentiality
- “ protect the credit union assets including its image
- “ fulfill business plan and budget
- “ participate in personal development and evaluation



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4. General Manager Responsibilities include:

- “ Develop business plan and budget
- “ Lead staff in fulfilling business plan and budget
- “ manage and direct staff
- “ manage the financial resources of the credit union
- “ link the credit union with the community
- “ support personal development and evaluation for self, staff and board
- “ Keep Board of Directors informed and support its decision making



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Looking closer at the responsibilities of the Board and of the Manager



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ROLE OF BOARDS

- “ Credit Union **Goals** are set by the Board
- “ Boards have **ultimate** control and **accountability**
- “ Boards are more than a “group of people” – it is a team with responsibility
- “ **Authority lies with the Board**, not any individual Board member
- “ **Teamwork and Communication** with management are crucial to organizational success



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Contd:

- “ Members elect the Board of Directors to represent their collective interests when overseeing operations and deciding the future for the credit co-operative
- “ The Board needs to operate as a team
- “ Important characteristics make a Board effective – it includes respect for each Board member and respect for the general manager
- “ Boards have 7 key responsibilities (What are they?)



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RESPONSIBILITIES OF THE BOARD

1. Represent collective of members
2. Establish direction for future
3. Monitor, assess performance
4. Provide access to resources
5. Guide the manager
6. Promote credit union
7. Ensure effectiveness of Board



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BOARD ROLES IN DETAIL

1. Represent the collective of members

- . understand their needs
- . present their views
- . communicate



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2. Establish the direction for the future

- . Set future goals to be achieved
- . Set vision for the credit co-operative – what will it be or look like in 3 years? 5 years?
- . Focus on sustainability of the credit co-operative so it is here for the next generations



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3. Monitor, assess performance

- . Determine if legal requirements are met
- . Monitor that credit co-operative's objectives are fulfilled
- . Determine if members' needs are considered
- . Determine if the risks of doing business are understood by Board and Manager and that the risks are being appropriately managed



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4. Provide access to resources to get the job done

- . Establish policies to guide the operations
- . Monitor financial soundness and take action to maintain
- . Help to access funding when required
- . Ensure co-operative is accountable to funders
- . Monitor safety and use of funds



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5. Guide the Manager

- . Hire, guide and support the manager
- . Consider the Board/Management relationship as a 'partnership'
- . Establish performance expectations
- . Establish accountability
- . Provide policy guidelines



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6. Promote credit co-operative

- . Help to build awareness of the credit co-operative in the community
- . Help develop relationships with other community businesses
- . Uphold business ethics of organization
- . Manage image of credit co-operative



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7. Ensure the Board of Directors is effective in its job

- Assess the Board each year

Indicators that the Board is effective:

- . The credit co-operative is financially sound and assets are secure and used appropriately
- . The credit co-operative meets needs of members
- . Legal requirements are being met
- . There is a clear vision for the future
- . There is positive relation between Board and Manager
- . The Board evaluates itself on how it gets its job done



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Responsibilities of the director

-A Director is part of the team

Responsibilities are:

“Prepare for Board meetings

“Contribute positively during Board meetings

“Promote the co-operative to others and encourage them to join

“Increase knowledge on how to govern the co-operative



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Style of Governance



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Strategic Boards THINKERS

Compared to

Operational Boards

DOERS



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STRATEGIC BOARDS

- “STRATEGIC Boards are focused on thinking about what the co-operative can be doing to better serve its members, how to grow into new markets
- “These Boards are thinking consciously about what the credit co-operative will be offering in 5 years
- “These Boards know the importance of ensuring that policies and bylaws are being followed
- “These Boards respect the distinct role of the General Manager



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- “ A Strategic Board will set direction and expectations and leave it to the Manager to identify how to achieve the direction
- “ A Strategic Board will oversee operations but will not DO operations
- “ Board Policies will be general statements of expectations and reporting requirements



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OPERATIONAL BOARD

- “ OPERATIONAL Boards tend to focus on what is going on in the co-operative on a day to day basis
- “ These Boards get involved in all decisions being made in the credit co-operative and tend to focus on making sure that mistakes are not being made and that everyone is doing their job
- “ These Boards may do some duties which otherwise would be duties of the Manager
- “ Sometimes called a Compliance Board



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- “ Operational Boards tend to tell the Manager how to get things done
- “ Operational Boards do a lot of checking to see if the Manager did as they were directed to do
- “A Board approved policy will be detailed



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The Manager's Responsibilities



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The Manager's Role

- “ While Boards set direction and oversee the Manager, the Manager needs to focus on the day to day operations of the co-operative
- “ The Manager has nine main responsibilities



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The Manager's Responsibilities

1. Policy development and implementation
2. Legal compliance
3. Financial soundness
4. Planning and programs
5. Personnel
6. Operations
7. Risk Management
8. Public Relations
9. Governance support



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The Manager's Responsibilities in detail

1. Policy Development and Implementation

- . Develop policies for the Board to consider, and approve in areas such as finance, personnel, legal
- . Implement approved policies
- . Ensure all staff understand the policies
- . Provide reports and information to the Board to enable them to know if policies are complied with and if changes are needed to policies



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2. Legal compliance

- . Stay informed of relevant legislation
- . Keep Board informed of business transactions
- . Develop processes for Credit Union operations to satisfy legal requirements
- . Advise Board if illegal or unethical issues might occur
- . Provide recommendations for managing legal issues that arise



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3. Finance soundness

- . Prepare and implement budgets
- . Compile financial reports for Board
- . Compile financial reports for Government or other regulators
- . Ensure assets are properly safeguarded and used appropriately for co-operative's operations
- . Keep Board informed of significant business transactions
- . Prepare action plans to achieve financial budget



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4. Planning and Programs

- . Work with the Board to review the future vision for the credit co-operative
- . Develop new programs to meet the goals and objectives
- . Create annual business plan and implement
- . Monitor progress on plan
- . Report progress on plan to Board



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5. Personnel

- . Hire and supervise all personnel
- . Prepare personnel policies for Board consideration
- . Advise the Board of personnel related issues and make recommendations for managing
- . Ensure staff have the skills for today and are developing skills for future needs
- . Provide feedback to staff on their performance
- . Recognize and show appreciation for the staff's contribution



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6. Operations

- . Day to day management of the credit cooperative
- . Maintenance of records and documentation
- . Management of cash required to fulfill member requests
- . Management of revenues and expenses compared to budget
- . Monitor loan performance and implement recovery procedures for delinquencies



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7. Risk Management

- . Create and maintain a 'risk inventory' -- this should be a living list of risks both tangible and intangible
- . Identify and implement ways to manage the risks
- . Keep the Board of Directors informed of the risk inventory and inform them on how the risks are being managed



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8. Public Relations

- . Help to build awareness of the credit co-operative in the community
- . Be prepared to act as an ‘ambassador’
- . Help to develop relationships with other community businesses



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9. Governance Support

- “ The General Manager assists in organizing Board meetings - developing agenda, dates and times (handout)
- “ Assists in arranging training sessions for Board
- “ Attends as ex-officio to be resource to the Board
- “ Often is responsible for minutes of the meeting
- “ Manager is a guest at a Board meeting but generally has a standing invitation to be there unless specifically excused by the Board



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Respectful Relations between Board and Manager



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Respectful Relationship between Board and Manager

- “ Appreciating each other’s roles
- “ Behaviours
- “ Trust and respect



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Appreciate the Roles

Boards

- “ Represent members’ interests, needs
- “ Oversee operations
- “ Protect the organization and its assets
- “ Create vision for the organization
- “ Create a trustworthy organization

Manager

- “ Know the members’ interests, needs
- “ Expert in how to operate the co-operative
- “ Ensure resources used only for co-operative
- “ Create plans to achieve vision
- “ Create trust worthy processes and staff



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Behaviours - Board

- “ Boards need to conduct responsibilities in a trustworthy manner
- “ Each Director to utilize the services of the cooperative
- “ But no special treatment for Directors
- “ Conflict of interests to be handled carefully - Directors need to remove themselves from such situations
- “ Act in best interest of credit union
- “ Understand that Board’s responsibility is to the credit union (not to the Board itself or the other Directors)



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- “ Information treated confidentially
- “ Interaction with Manager is respectful
- “ Demonstrate respect for role of the Manager
- “ Board upholds good standards of business conduct
- “ Board does not overstep role and responsibilities
- “ Each Director conducts self in a manner consistent with good ethics
- “ Each Director does not overstep role and responsibilities



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Behaviours - Manager

- “ Show respect for role of the Board
- “ Show respect for role of each Director
- “ Provide fulsome information to the Board
- “ Appreciate that the Manager can enable or disable the Board through the information provided
- “ Handle information in confidential manner
- “ Conduct self in a manner consistent with good business ethics



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- “ Manager’s job is to inform the Board in its decision making **not** to make the Board’s decision
- “ Support the Board in setting a positive direction for the co-operative and work to support that direction
- “ Communicate with Board in a manner they can understand – don’t intimidate the Board
- “ Be a support to the Board in organizing its work
- “ Inform Board when actions it might take are not consistent with needs of credit union or role of Board



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Boards Need to Demonstrate Leadership

- “ Boards need to understand their job and fulfill that job without crossing into management
- “ Adhere to good business ethics
- “ Commitment to fulfill individual and collective responsibilities
- “ Being a positive representative for credit union
- “ Willingness to being held accountable for actions
- “ Actions are to be in the best interest of co-operative



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Good Governance

- “ Requires a Board Chair who is a facilitator
- “ Expectations, practices evolve with the organization
- “ Importance of team work is evident - within the Board, between the Board and CEO
- “ Roles are recognized and respected
- “ Board thinks strategically while also being an effective steward for the long term of the organization (not just a custodian of what there is today)
- “ Means doing the right job right - requires learning how to be a good governors



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Summary

- “ Good governance takes work
- “ Directors are made, not born
- “ Good governance is empowering for the organization and management
- “ Good governance permits operational effectiveness



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*Thank you for letting me be part of this
session*

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