



Board and Management relationship

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Introduction

- Smooth and Balance relationship between the board and management is an essential factor for the growth and sustainability of the Credit Union.
- Even well established Credit Unions were destroyed or progress hindered as a result of strained relationship between Board and Management
- Thus, There should be clear understanding and respect for each others' roles and responsibilities



Governance

- Refers to oversight and decision-making related to strategic direction, financial planning, and [bylaws](#)- the set of core policies that outline the organization's purpose, values, and structure.
- Governance decisions should provide guidelines for management.
- In most cooperatives, all members are empowered to run for and elect the governing body (often called the Board of Directors) and / or vote on certain governance decisions, such as changes to the [bylaws](#).



Management

- refers to the routine decisions and administrative work related to the daily operations of the organization.
- Management decisions should support or implement goals and values defined by governing bodies (such as the Board of Directors) and documents (such as the [bylaws](#)).
- In some cooperatives, all members participate in the management.
- Organizations in which all members can become equal co-managers are called [collecitves](#).
- In other cooperatives, one or more specialized managers make operational decisions.
- These managers are often elected by members or hired and supervised by the governing body (which is elected of and by the members).



Board and Management Relationship

- Board Must Focus on **What Needs** to Be Done to Address the Members Needs and the Requirements of the External Environment.
- Board Must Focus on **“WHAT”** they Want to Accomplish.
- Board should leave the Details of the **“HOW TO”** Accomplish these Results to the Management Team.



Board and Management Relationship

Board Members Must not:

- Participate directly in any managerial activities or operations of the Credit Union, its role is to provide guidance.
- Judge the operations and decisions taken by the Management on their personal interest or malice
- Create antagonism between the Board and Management





Board and Management Relationship

- The Board is expected to provide direction and focus on the big picture and the long term
- Management is expected to deal with operations, the specifics and details
- The Management has the expertise and time to run the union and the Board has the overall authority





HIGH-LEVEL POLICY DECISIONS

- Boards should make the high-level policy decisions and leave the low-level managing policy decisions to the management.
- It also means addressing legal matters and board conduct, as well as addressing conflicts of interest, community benefit, executive compensation, and CEO evaluation.
- Management should bring all relevant information to the board so they can make informed decisions about major issues.
- Management should include well-documented analyses and recommendations.



BIG DECISIONS

- Boards should take a stronger role on big matters.
- This means matters that may have a negative impact on the organization or with regard to matters that have strong financial stakes.



FUTURE IMPACT

- Boards should focus on the long-term vision.
- They do this by forecasting how the organization will look up to five years in the future.
- Boards should limit their involvement to quality, growth, finances, and people.



SUPPORTING THE CEO

- When boards and management having a strong and open working [relationship](#) with each other, the organization benefits in notable ways.
- Boards should support the CEO in implementing board decisions, such as awarding or ending contracts.
- At times, the CEO may need to ask the board for intervention or support. CEO's may need the board to intervene with management in ways that help him raise performance.
- Boards may also support CEO's by using their networks within the community to support the work of the organization.



LEGAL AND MEDIA MATTERS

- Management has a responsibility to inform boards about major issues, particularly if they have been contacted by Congress, the IRS, the state attorney general or the media.
- Boards should make sure that the organization has a public communications strategy.
- The board should oversee appropriate administration of public and media communications, especially when major or public issues arise.



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Issues in Credit Unions

1. Misplaced expectation!!!!!!

- Lack of Clarity between the roles of the Manager and the Board
- Directors have **opposing** agendas and cannot agree on what actions or direction to take.



Results in Confusion Between Board and Management



Issues in Credit Unions

2. Poor Structure of Board

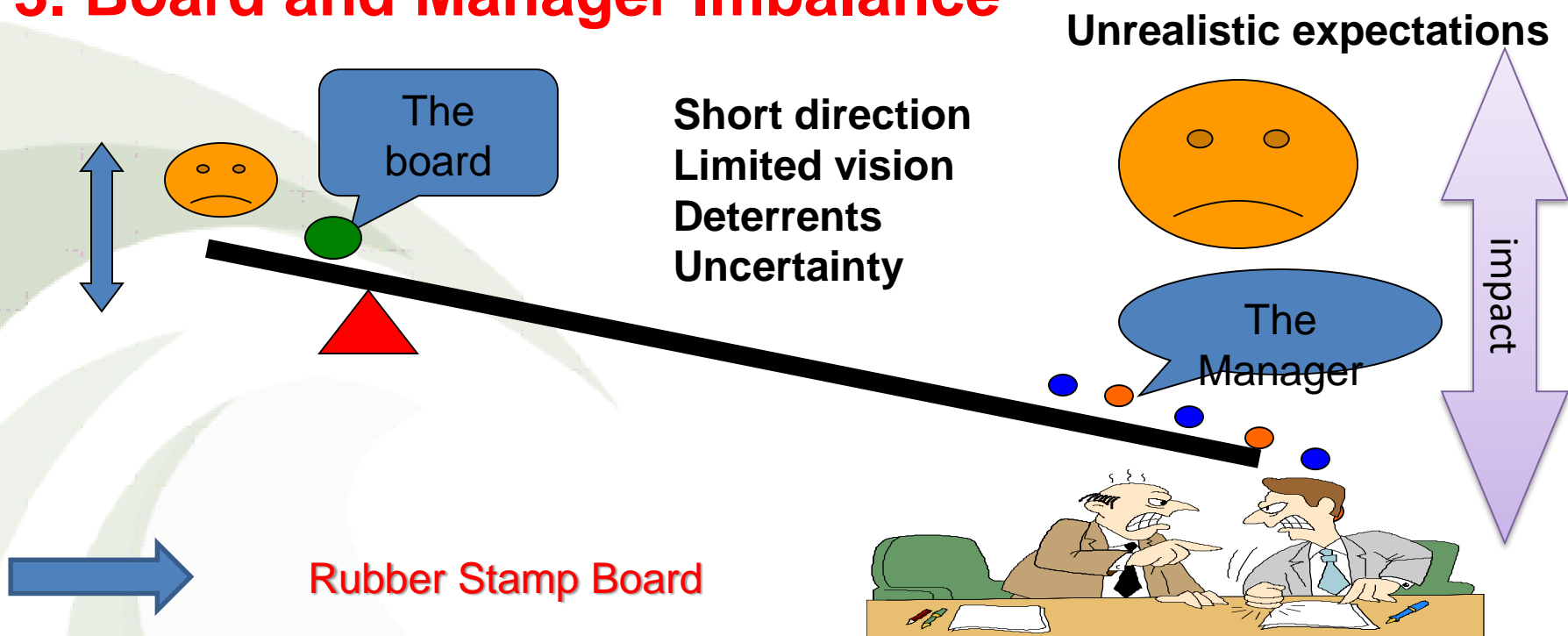
- Excessive size and fragmentation of the Board
Ideal size 5 – 9
- The absence of important skills
- Gender imbalance





Issues in Credit Unions

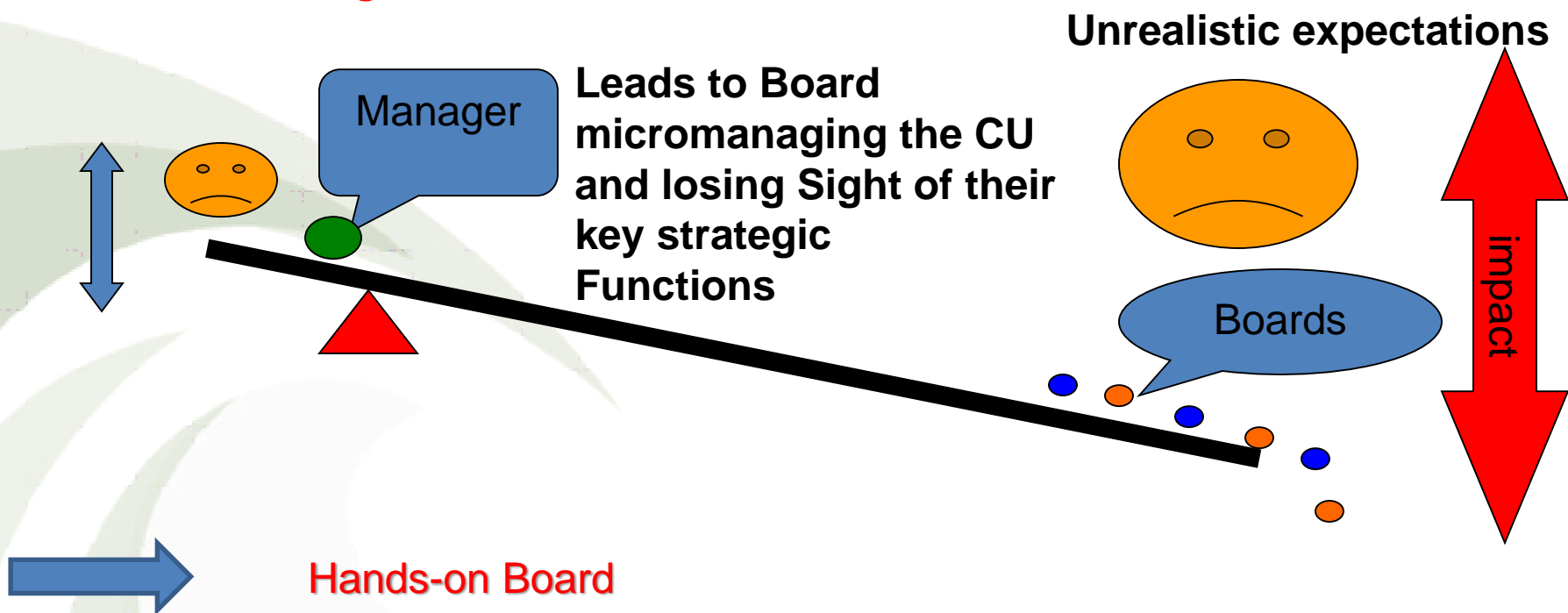
3. Board and Manager Imbalance





Issues in Credit Unions

Board And Manager Imbalance Cont'd





Issues in Credit Unions

- Conflict of interest among board members leading to Leadership wrangles and endless litigations thus loss of focus in terms of the sound development of the Credit Union;
- Lack of adequate controls leading to Corruption and mismanagement of funds by elected Board members;
- Board members taking involving in management issues and taking management roles



Common Areas of Friction

- Interference on business operations
- Recruitment of personnel
- Matters pertaining to personnel
- Assertion of authority
- Seeking special favors/treatment
- Transgressing or encroachment into each other authority
- **Identify other areas!!!**



Conditions for Smooth and Balance Relationship

1. Individual Board Members

- Do not interfere in the day to day administration of the Credit Union
- Accept the competence of the Manager and let him manage the operations
- No individual board member has any special authority. The authority if the Board is with the Group as whole
- Seek for clarification in the board meeting or through the chairman
- Do not give direction or orders to any of the staff but you may suggest to the Manager
- Do not extend or promise your support to any employee of the Credit Union



Conditions for Smooth and Balance Relationship

2. Board of Directors

- Always consult your Manager before making decision
- Treat you Manager as an adviser and consultant to the Board. He is paid because of his skills.
- Make decisions that will empower your Manager but holding him accountable
- Have regular Board meetings and carefully examine operation and financial reports
- Do not transgress in the area of authority of the Manager
- Conduct objective evaluation of the performance of the Manager annually
- Trust the integrity and intentions of your Manager



Conditions for Smooth and Balance Relationship

3. Manager

- Show due respect to the elected representatives and spokesmen of the membership
- Always remember that you are an employee of the Credit Union
- Accept without any mental reservation the righteousness of the Credit Union system and the significance of democratic management
- Note that you have a right to be heard but the final decision is with the Board of Directors and once a decision is made it must be implemented sincerely
- Must accept full responsibility of the entire operations of the Credit Union



RESPONSIBILITIES

GOVERNANCE

- Set norms , strategic vision and direction and formulate high-level goals and policies
- Oversee management and organisational performance to ensure conformity with mission
- Direct and oversee management to ensure SACCO is achieving the desired outcomes acting prudently, ethically and legally

MANAGEMENT

- Run the SACCO in line with Board's goals and direction
- Implement the decisions with the context of the mission and strategic vision
- Make operational decision and policies
- Keep the governance body informed and educated
- Be responsive to requests for additional information