

## Staff on the Board

By Marilyn Scholl

### SHOULD STAFF BE ELIGIBLE TO SERVE ON THE BOARD OF A CONSUMER CO-OP?

Many of today's food co-ops started as small buying clubs. No one was paid, everyone pitched in. As the co-ops grew, incorporated, opened store fronts and hired staff, little attention was paid to role clarity and accountability. Paid staff and member workers often served as the board of directors. Now that our food co-ops have matured as member owned businesses, it's important to re-examine organizational structure and culture to meet the needs of the co-ops today including accountability and role clarity. In our opinion, staff have too great of a conflict of interest and should be restricted from serving on the board of a consumer co-op. Here's why:

- In a consumer co-op, directors represent and are accountable to consumer owners. Directors should be elected because of their ability to make decisions on behalf of the owners as a whole, not any constituent group.
- Boards should avoid the potential for significant conflicts of interest and the problems it can cause. Staff persons have significant personal and financial interests in the actions and affairs of a co-op that can be in conflict with the interests of consumers and of the cooperative as a whole.
- Significant problems have occurred when a manager takes action by warning, placing on probation or firing an employee who is also a director. Similar problems can occur when an employee resigns a job at the co-op but remains on the board. Worse yet are job performance problems that go unaddressed because an employee is also a director and the manager fears retaliation. This can lead to accountability problems throughout the organization.
- Some argue that staff directors have more frequent interactions with members than other directors. While this is true, having staff on the board is not an acceptable substitute for an effective board strategy and plan for engaging, communicating and hearing members' perspectives.
- Having staff on the board is a poor substitute for an effective system for communicating and monitoring the board's values about staff treatment. By carefully setting criteria and rigorously monitoring against those criteria with data, the board has a more reliable system than relying on a few staff directors for information or oversight of staff treatment and workplace conditions.
- Creating eligibility standards (like disallowing employee directors) does not create two classes of membership any more than not hiring some job applicants. Restrictions are criteria to protect the co-op from bias and conflicts. A consumer co-op typically has hundreds if not thousands of

members and should be able to find plenty of qualified people without conflicts of interest to nominate for board service.

- While a few people are able to separate their staff and board roles, this requires a high level of discipline and self-awareness. Even without intending to, staff directors bring the board an operational, day-to-day perspective that can cause confusion about the board's work. Intentionally or unintentionally, directors who are also employed by the co-op can undermine the direct board-GM relationship.

One way to restrict staff from serving on a board is through the bylaws. Many co-op bylaws restrict staff, their partners and immediate family members and, in some cases, former staff from eligibility for board service.

If the bylaws allow staff, careful screening of potential candidates by an empowered nominating committee is another mechanism for identifying people with significant conflicts of interest, narrow agendas, retaliation goals, or a desire to meddle in areas where authority has been delegated to management. A nominating committee should screen all applicants for nomination including staff and former staff (if eligible) and use reasonable criteria to only nominate (and/or endorse) candidates who do not have problematic conflicts of interest. (See below for more information and a link to resources on Perpetuating a Strong Board.)

Directors who apply for employment at the co-op should first resign from the board.

Conflicts of interest may emerge after election and inappropriate conduct can occur with any director. A board must be able to deal effectively with problems with any director if they arise. Even with good screening, boards need high levels of discipline and role clarity.

If after consideration of these values, staff members are permitted to serve on the board there should be some restrictions and guidelines to prevent/minimize problems.

1. Board members who are on staff should not be included in the decisions on GM compensation or bonus. They may be able to participate in developing criteria for a GM compensation proposal.
2. Staff members who serve on the board should be automatically terminated from board services (or required to resign) when their staff service ends for any reason. If the person desired to run for election as a non-staff or if the board would like to consider appointing that person to fill the vacant seat, the nominations committee would determine eligibility by using its screening criteria.
3. Staff members who serve on the board should be required to take a leave of absence from the board if they are on probation for any reason.
4. Staff members who serve on boards should not serve in the office of President, Vice President or Treasurer.
5. Any staff members who serve on the board must understand and agree that they are bound by the same legal duties as any other director including
  - a. Understand that they represent the owners, not the staff.
  - b. Understand that they are obligated to put the interests of the co-op as a whole above any individual or staff interest
  - c. Maintaining confidentiality

- d. Understand the role of the board, lack of individual authority, etc
- e. Understand that the board does not deal with workplace issues

## QUESTIONS FOR DISCUSSION

- Do staff members of consumer co-ops have a conflict of interest great enough to restrict them from serving on the board of directors?
- Do staff directors bring value that cannot be obtained in other ways?
- Under what conditions should staff or former staff be excluded?
- If staff members are allowed to serve what conditions should exist to prevent potential problems?

## RESOURCES:

1. The Food Co-op Initiative Legal Primer recommends sample bylaws that restrict staff from board service. From Section 3.01 “Co-op employees and their spouses or significant others are not eligible to serve as directors.” <http://www.foodcoopinitiative.coop/sites/default/files/LegalPrimer.pdf>
2. “[Should Co-op Staff Serve As Directors? Some Questions and Considerations.](#)” by Karen Zimbelman, from Cooperative Grocer #44, January-February 1993
3. [Perpetuating a strong board: recruiting and orienting new directors](#), CBLD Online Recorded Workshop and resource materials

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