

Board Members as CEO Candidates

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Last week I discussed the circles of responsibility in a cooperative (member, board member, employee and CEO) and pondered the issues of an employee or ex-employee running for a board seat. Another interesting possibility is the concept of a board member becoming an employee, or more specifically a CEO. That practice is not unheard of in Fortune 500 companies. Many of those firms have outside directors selected on the basis of financial or technical expertise. Some outside directors are ex-CEOs of other firms which makes the possibility of an outside director as a CEO candidate somewhat less surprising. In agricultural cooperatives directors are farmer members with immense insights as producers but generally have less experience into operational issues at a cooperative.. While the path from the board room to the front office is by no means typical in agricultural cooperatives, there have been cases of former board members that later became successful CEOs. The policy and bylaw issue to consider is whether there should be a restriction on current or recent board members applying for employment with the cooperative.

A board member CEO candidate obviously complicates the selection process. Even if they reclude themselves from the discussion, the remainder of the board might find it difficult to fairly compare the candidates. Members might view a board member candidate as an indication that the board has not been fully engaged in succession planning and building internal management talent. Selecting or even considering a board member for CEO also runs the risk of disillusioning internal candidates and make outside candidates more reluctant to apply.

Most cooperative bylaws and policies are silent as to the issue of whether a current or recent board member could become an employee. Many boards are happy to address the issue if and when it comes up. Other cooperative have provisions specifying a time period (example 6 months or one year) between being a board member and being eligible for employment.

The circles of responsibility in a cooperative rarely overlap. When they do, some interesting issues emerge!