

## **Board of Director Compensation**

*Phil Kenkel*

**Bill Fitzwater Cooperative Chair**

A board member has one of the most difficult and important jobs at an agricultural cooperative. The board is charged with safeguarding the cooperative's assets, planning for long run viability of the cooperative and both monitoring and partnering with the CEO. In many cooperatives board members receive a fairly trivial compensation for their time and effort. In the corporate world, where board compensation in the five and even six figure level is not unusual, there is concern over whether the board is aligned with shareholder interests. Some question whether highly compensated board members become more interested in not rocking the boat and maintaining their position, than in actively questioning operations and strategy. At the other end of the spectrum, when a board member is asked to basically volunteer their time, many quality candidates will be unable or unwilling to serve.

Many cooperative members see the board members as volunteers. It is true that the biggest return to serving on the board is the sense of pride and accomplishment in helping to preserve and guide the cooperative. However, even directors who are committed to the goals and principles of the cooperative appreciate compensation, in addition to other acknowledgments of contribution.

Compensation for board members (above and beyond simply reimbursing expenses) has both symbolic and economic value. It communicates the message "you are a valuable asset to the cooperative and deserve compensation for your time, effort and skills". Compensation also makes it easier to insist on high standards for board involvement and performance. Skipping meetings, being unprepared or wasting time during the meetings becomes less acceptable in boards with more adequate compensation.

The topic of director compensation is the "third rail" in many cooperatives. Directors are hesitant to present the issue to the membership in fear of appearing self-serving. Director compensation is seldom on the radar screen of the typical member. Cooperative directors will never be compensated at a level reflecting their value. However, in most cooperatives director compensation clearly appears to be insulting low. The question is how do we nudge the pendulum?