

## **Board Operations versus Cooperative Profitability**

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In my last newsletter I discussed a recent research article analyzing the impact of board of director characteristics and operations to cooperative profitability and success. The more profitable cooperatives had a slightly smaller board size, participated in more director education activities and had more active board members. The study also investigated other areas such as the tenure of the board chair and CEO, the frequency of board meetings and the use of executive sessions.

Investigating the impact of governance on a cooperative often leads to the related question as to how we measure the success of a cooperative. The research study I mentioned looked at both financial measures such as return on assets and return on equity and a subjective ranking where the board chairs ranked the cooperative in terms of profitability, strategic vision, member satisfaction, competitive position in the industry and overall performance.

That broader measure of cooperative success did highlight some impacts of tenure and meeting structure. On average the CEOs of the most successful cooperatives had been in their positions four years longer than the other firms. The tenure of the board chairs of the most successful quartile was also more than a year longer relative to the remaining respondents. On average the most successful cooperatives had 13 board meetings per year, about one meeting less than other boards. The number of executive sessions (around 3 per year) or the number of meetings between the CEOs and board chairs (around 20 per year) was not significantly different between the more and less successful cooperatives.

It would be nice if we could identify a simple one to one relationship between board practices and cooperative success. The reality is that we have too few data points and too many questions. It does appear that the most profitable and successful cooperatives have smaller but more active boards who are more active in educational programs and are led by a more experienced board chair and CEO team. And if you feel like you have one too many annual board meetings you might just be right!