

Is Your Board Doing Things Right?

Phil Kenkel

Bill Fitzwater Cooperative Chair

One somewhat circular definition of an effective board of directors is that a good board does things right. That statement becomes more useful when we try to categorize the areas that the board needs to get right. I'm going to suggest eight areas that your board needs to get right.

A good board also needs the right structures. Those structures are unique to each cooperative but includes components such as the right number of board members, the right number of board committees, the right structure of an associate board (if used) and the right structure of term limits that creates a healthy amount of turnover. Structure is one of the easier things to get right. However, the "right" structure is not static but needs to be tweaked with the life cycle of the cooperative, technology changes and board composition.

The next thing a good board needs is to have the right people. The raw material for a good board is created through an on-going process of educating and building a pool of potential board members and the recruitment, nomination and election processes. Orientation and integration of new board members into the team is also critically important. Boards need both diversity and complementarity. The best boards have a mix of people with different personalities, skills and backgrounds. All directors need a threshold level of knowledge of accounting, finance, law, cooperative principles and the industries they operate in. It's even better when a board member has a particularly strong area where they can be the "go to" resource person.

A good board also needs the right information. Effective decision making requires informed directors. As the complexity of cooperatives increase it becomes more challenging for directors to effectively monitor performance, assess opportunities and understand their business environment. The right information starts with the board meeting packet (which is increasingly stored in the cloud and delivered electronically) but also includes financial dashboards, reports from staff and outside experts and feedback from key customers. The management team needs to provide information in a format that board members understand. However board members have the ultimate responsibility to demand that they have the information they need to make the best possible decisions. Information is more than data. One way to recognize relevant information is that pertains to the key decisions facing the organization.

There are there of the eight things that a good board needs to get right. I will expand on the list in my next newsletter. As the road side signs say: Get right and stay right!