The Board's Role in Cooperative Culture

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Each cooperative, like all other firms, has its own unique culture. A cooperative's culture both creates and preserves its ability to create value for the membership. The board has an important role in determining the cooperative's culture. It goes without saying that the board helps set expectations for ethical behavior, transparency and integrity. The board also establishes the cooperative's risk culture. The board defines the cooperative's risk appetite. They should also consider how they reward encourage appropriate risk taking behaviors and discourage both excessive risk taking and excessive risk avoidance.

The board also sets the culture for due diligence and engagement. No board or CEO every purposely takes on a bad project or enterprise. However the best decisions can turn out badly. Each board establishes its culture as to the extent to which the board wants to be engaged in the evaluation of alternatives. In some cooperatives the culture is for the board to only consider the strategic fit and rely on the CEOs assessment of what will work and not work. Other boards have more of a culture of being a devil's advocate and want to be engaged in the metrics used in project evaluation. As in many aspects of governance the right balance is unique to the cooperative. The board should consciously establish and re-evaluate their culture of due diligence and not simply let it evolve by default.

The board impacts almost every dimension of the cooperative culture, but one more area worth mentioning relates to human resources. Culture trickles down through the organization. The motivation, accountability and engagement of the lower level of employees reflect the culture that the board and CEO have created. The board helps sets the culture as to the extent of a career path within the cooperative and the emphasis on building talent and promoting from within. Finally, the board sets the culture for "speaking up" and "whistle blowing". When there are problems in an organization you often hear the comment "we all knew what was going on but the culture was not to mention it". Through appropriate policies, the board can help establish a culture where employees are not afraid to voice concerns. They must also ensure that there is an effective system of response. Ideally the culture should ensure that employees are comfortable questioning behavior but also understand that the opportunity is not to be taken lightly.

In my next newsletter I'll share some thought as to how the CEO influences cooperative culture.

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