



Cooperative Leadership for Tomorrow: Success Starts in the Boardroom

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A cooperative is...



“...a business owned and **democratically controlled** by the people who use its services and whose benefits are derived and distributed equitably on the basis of use.”

USDA, 1997

“...a user-owned and **user-controlled** business that distributes benefits on the basis of use.”

Barton, D., 1968 in Cooperatives in Agriculture, p. 1

Rochdale Principles (1844)

- ✓ Open and voluntary membership (equality of sexes)
- ✓ Democratic control
- ✓ Economic participation by members
 - limited interest on invested capital
 - limitation on number of shares
- ✓ Net savings distributed according to patronage
- ✓ Goods sold at regular retail price (market pricing)
- ✓ Member education
- ✓ Political & religious neutrality
- ✓ No undue assumption of risk
- ✓ Concern for community
- ✓ Cooperation with other co-ops

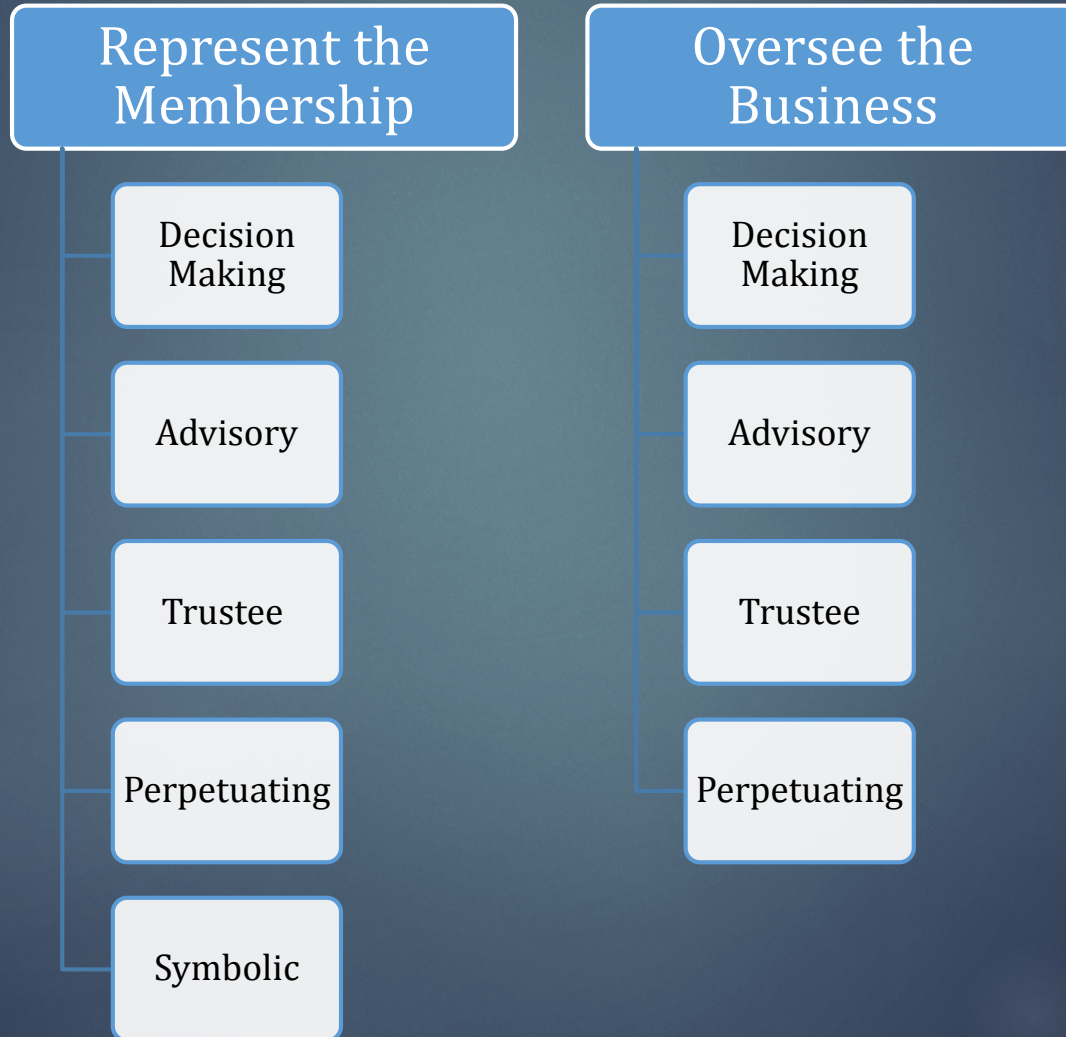


YOU are the control function



1. Represent the membership
2. Oversee the business

Board member functions



What does controlling mean?



1. Make **decisions**
 - Establish objectives
 - Formulate policies
 - Approve programs and plans
 - Select general manager
2. Serve in an **advisory capacity**
 - Go to membership with changes that require their approval
 - Consult with general manager
3. Serve as **trustee**
 - To members, creditors, and public
 - Stewards of assets
 - Seek experts for audits, legal

What does controlling mean?

4. Ensure **perpetuation** of the business
 - Recruit and retain successful managers
 - Develop new directors
 - Review the co-ops products and services (planning)

5. Serve as a **symbol** of the co-op
 - Represent the co-op to the members and community
 - Communicate with management and members
 - Be a respected leader

Board Responsibilities



- Know the co-op's articles of incorporation and by-laws
- Employ a manager
- Maintain policies
- Attend board meetings
- Act in good faith
- Hire an attorney and auditor
- Review budgets & financial statements

Board Responsibilities




- Understand contracts the co-op enters into
- Review insurance coverage
- Engage in due diligence
- Plan annual meetings
- Seek continual education of board
- Educate the members and community
- Manage member relations
- Be a united board to the members, patrons, & public

Common Board Mistakes



- Failing to establish business objectives & strategic plans that are informed and meaningful
- Neglecting the non-financial aspects of your job
- Making decisions too slow or too fast
- Conducting inefficient and ineffective board meetings
- Sabotaging cohesiveness and trust
- **Not respecting the best-practice boundary between boards and managers – micromanaging**

Where IS “the line”?



All decisions boil down to two questions:

Can we?

Should we?

As a board, ask yourself...

Does knowing the information help us in fulfilling our responsibility to

- **represent** the membership?
- **protect** the health of the company?



Example: **Company vehicles**

1. What 'size' of fleet do we need?
2. What type of trucks are being bought?
3. What features/capabilities do they have?
4. Who gets the newest vehicles?
5. What insurance coverage do we have?

Example: **Employees**



1. How much do they earn?
2. What is their compensation package worth?
3. Why did s/he get fired?
4. Why did s/he get promoted?
5. How is s/he performing?
6. How did s/he get hurt?

What are the dangers of crossing “the line”?

- Manager perceives s/he is not trusted or valued
- Board is ‘in the weeds’ and is unable to perform at higher-level
- Inefficiency and ineffectiveness
- And more...



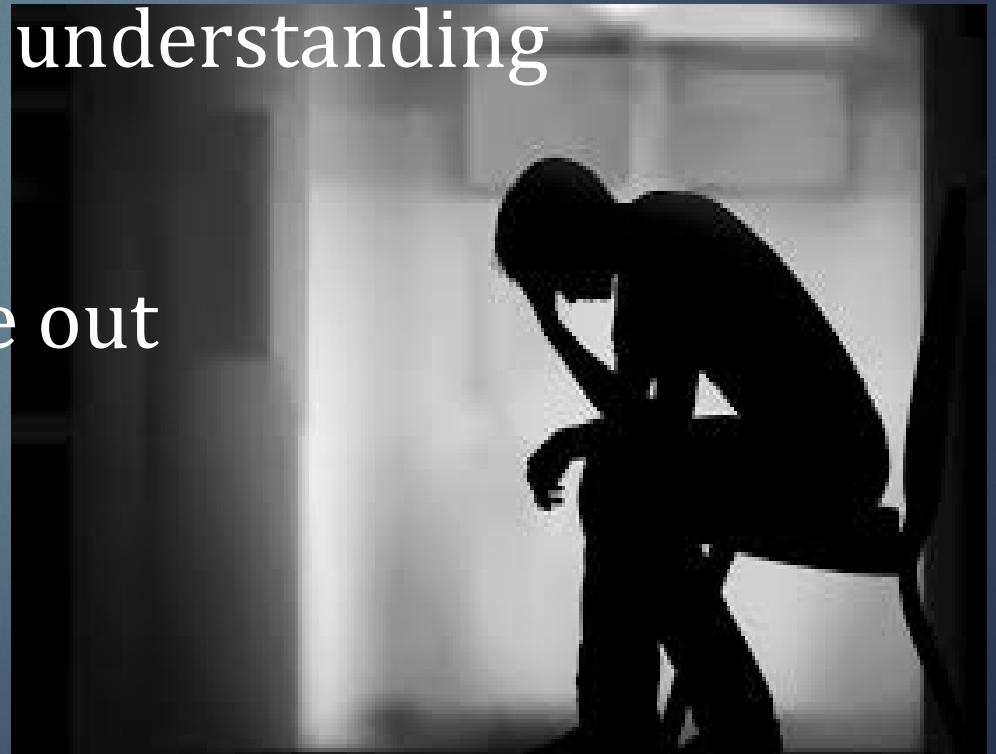
How Do You Avoid This?

- Careful orchestration of planning and evaluation
- Have a conversation and be honest
- Ask your manager
- Adopt policies



What Keeps Boards Up At Night?

- Expanding demographics – where did the average customer go?
- Gap in generational understanding
- Counterparty risks
- Getting the message out





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