Cooperative Leadership and Governance: Who Is Responsible?

IAEC Iowa Directors’ Update
February 2, 2017
West Des Moines, Iowa

Keri L. Jacobs, Asst. Professor, Extension Economist
Iowa Institute for Cooperatives Economics Endowed Professor
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
- 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

Represent the Membership
- Decision Making
- Advisory
- Trustee
- Perpetuating
- Symbolic

Oversee the Business
- Decision Making
- Advisory
- Trustee
- Perpetuating
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
What does controlling mean?

3. Serve as trustee
   • To members, creditors, and public
   • Stewards of assets
   • Seek experts for audits, legal

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
   o Represent the co-op to the members and community
   o Communicate with management and members
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 or getting involved 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  
- 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
Keri L. Jacobs
e: kljacobs@iastate.edu
www.econ.iastate.edu/people/keri-jacobs