

2008 Leaders Forum

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# Observations on Best Practices for Cooperative Governance

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# PLAN FOR SESSION

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- I Will Offer Brief Introductory Comments
  - Followed by Two Experienced Directors & Chairmen
  - Engage in a Panel Discussion
  - Leave Time for Questions
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# Panelists

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- ❑ Fortunate to Have Two Experienced Directors and Board Chairmen
  - ❑ Roy Orton, Retired Chairman of CoBANK
  - ❑ Dan Wolf, Chairman of Niagara-Upstate Farms Cooperative
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# MY EXPERIENCE

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- ❑ Served on Boards of Directors
  - ❑ Have Reported to Boards as a Manager
  - ❑ Invited into a Number of Board Rooms as an Educator
  - ❑ Conduct Applied Research on Cooperative Decision Making
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# Good Governance

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- Both an Art and a Science
  - Growing Literature on Governance Practices
  - Will Present Results from Our Work at Cornell on Board Performance
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# Applied Research on Decision Making in Cooperatives

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- Acknowledge the Contributions of Dr. Bruce Anderson
  - I Interviewed CEO's and Board Chairs of 14 U.S. Ag. Cooperatives
  - We Conducted Board Performance Evaluations for Over 20 Cooperatives
  - More Recently, Designed a Process to Assess Board Information and Knowledge Needs
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# STAKES ARE HIGHER

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- ❑ Growing Scale and Scope of BOTH Cooperative and Member Operations.
  - ❑ Greater Impact of Cooperative on Members, Employees, and Communities
  - ❑ Increasing Strategic Value to Members.
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# LESS MARGIN OF ERROR

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- ❑ Windows of Opportunity Can Shut Quickly
  - ❑ Operating in An Industry with Limited Growth and Razor Thin Margins
  - ❑ Increased Competition
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# Critical Areas for Cooperative Board Success

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1. Assure Best Qualified Directors, Officers and Managers
  2. Develop Relevant Performance Measures
  3. Maintain Mindset for Continuous Learning
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# Quality Directors & Officers

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- ❑ Build an Effective Director Nominating System
  - ❑ Help Candidates Understand What Is Expected
  - ❑ Perhaps At-Large Directors
  - ❑ Consider Non-member Directors
  - ❑ Minimize Politics When Electing Both Directors and Officers
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# Attracting and Retaining Talented Management

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- Know What Management Skills Are Needed for the Current Situation
  - Effectively Communicate What Is Expected
  - Develop Agreed Upon Performance measures
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# Measuring & Monitoring Performance

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- Role of Board to Assure a Plan is in Place with Measurable Goals (both Short-Term & Long Term)
  - Understand What Management Can Control (or Not)
  - Utilize Innovative Approaches to Evaluating Performance
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# Challenges in Measuring Cooperative Performance

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- At the Cooperative Firm Level
    - Growth
    - Earnings (can decrease member service or price)
    - Financial Strength
      - Balance sheet measures
  - At the Member Level
    - Prices
    - Services
    - Market access
    - Risk management
    - Return on Equity (not the primary goal)
    - Equity redemption
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# Continuous Learning

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- ❑ Create a Culture on the Board that Supports Director Development
  - ❑ Understand the Ongoing Need for New Knowledge and Information
  - ❑ Identify Gaps in Board Knowledge & Fill
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# SUMMARY

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- There Are Factors Common to Successful Board Performance.
  - We Have Identified Some of These Factors
  - Let's Hear From the Panel Members and the Audience
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