

## Cooperative Directors: Asking Necessary Questions

**Cindy Houlden**

Cooperative Development Specialist, Nebraska Cooperative Development Center  
Department of Agricultural Economics, University of Nebraska-Lincoln

**May 17, 2022**

*CAP Series 22-0502*

The cooperative has been successfully organized, capitalized, staffed, opened, and is operating successfully. Alternatively, we should ask, “Is the cooperative operating successfully?”

Many times, cooperative directors, especially those with limited business experience, find themselves struggling to identify the basic questions they need to answer to ensure that the cooperative is successful.

One key step in the successful operation of a cooperative is Evaluating Cooperative operations and leadership.

During this evaluation, the cooperative members should focus on two areas: the board of directors, and the cooperative planning process.

### **Board of Directors**

Within the ongoing evaluation of the board of directors, the cooperative should look at what is expected of board members, the preferred and actual qualifications of members, the term of service, and if there is a process for removal of a board member if necessary.

As discussed previously, Cooperative Boards operate in one of five manners:

**A Passive board** functions at the manager’s discretion. Participation in cooperative operations is limited and the board members have limited accountability for cooperative decisions. The board ratifies the manager’s decisions.

**A certifying board** certifies to membership that the manager is doing what is expected. The board evaluates for manager based upon cooperative performance. They stay informed of current performance with regular reviews of performance measures. Additionally, the board establishes an orderly succession process.

**An Engaged board** collaborates with manager to provide insight and advice; recognizing its responsibility to oversee the manager and company performance. Clear boundaries of board-manager responsibility are set and regularly reviewed.

**An Intervening Board** is the usual board mode during crisis. The Board is intensely involved in key decisions and in decision-making. There are frequent, intense board meetings

**An Operating Board** makes most key decisions; manager implements board decisions. Board acts to fill gaps in manager management skills. In the absence of a manager, the board acts as the manager.

Initially the cooperative board of direction may operate as an engaged, intervening or operating board. As the cooperative matures, they board may become more of a certifying or passive board; allowing the management team to take on most of the responsibility of operating the cooperative.

It is good practice to review a minimum, yearly, how the board is operating, determining it that is the best model for the cooperative. The board should also look at current members and determine what if any gaps in desired skills is present. Nominations for future board members can target those skill gaps. As needed, the board must review member behaviors to ensure each board member is meeting their fiduciary responsibility. If members are not, the board may need to look at removal.

### Cooperative Planning Process

Planning, an integral part of the cooperative formation process. During the planning phase, the steering team created a business and marketing plan. Now that the cooperative is operating, the board of directors will be asked to review vision of the cooperative and develop a strategic and operational plan for the future of the cooperative.

The cooperative planning process should be a two-way conversation with board and management.

The goals that are a part of the planning process should be SMART.



**Strategic plans** - guide responses to and decisions in changing environments to ensure the mutual goals and visions are achieved. Provides for navigation through uncertainty.

The cooperative board formulates, implements, evaluates the strategic plan.

A “good strategy” has the following characteristics:

1. **Formulation: Diagnosis** – defines and explains the challenge(s) facing the business and identify the critical factors
2. **Formulation: Guiding Policy** – an overall approach to cope with the obstacles identified in the diagnosis.
3. **Implementation and Evaluation: Coherent Action Plan** – coordinated steps in sequence to support accomplishment of the guiding policy

A “bad strategy” has the following characteristics:

1. **Formulation: Failure to face the true problem** – have you identified the problem or the symptoms? Are you being honest with yourself?
2. **Formulation and Implementation: Mistaking goals for strategy** – they are not the same

3. **Evaluation: Bad objectives** – are they fluff? Do they provide any guidance or clear picture of the organization's values?

**Operational plans** - are roadmaps that outline the activities and resources needed; they are tactical and assume the short-run is known.

The cooperative management team usually formulates implements, evaluates, and provides ongoing reporting regarding the Operational plan. The board of directors provide monitoring and suggested adjustments to the plan.

Once the plan is created, the cooperative board and management team will determine who is responsible for implementing the plan and the timeline for the plan. Evaluate the plan.

- Weekly
- Monthly
- Quarterly
- Annually
- Adjust the plan as necessary.

Ongoing evaluation of cooperative operations, develop of strategic and operational plans is essential to the ongoing success of the cooperative. After all “If you don't know where you are going, every road will get you nowhere” – *Henry Kissinger*

The topics above are covered in detail through the NCDC Cooperative Board of Directors Training. Contact the Cindy Houlden with the Nebraska Cooperative Development Center at [choulden2@unl.edu](mailto:choulden2@unl.edu) for more information.

*Dedicated to assisting people prosper in rural Nebraska through all stages of cooperative business development, the Nebraska Cooperative Development Center (NCDC) is located in the Department of Agricultural Economics at the University of Nebraska–Lincoln. NCDC programs abide with the nondiscrimination policies of the University of Nebraska–Lincoln and the United States Department of Agriculture. NCDC is funded in part by the USDA RCDG Grant Program.*

Cite this work:

Houlden C. “Cooperative Directors: Asking Necessary Questions.” *CAP Series 22-0502*, Center for Agricultural Profitability, University of Nebraska-Lincoln, May 17, 2022.