

NEBRASKA COOPERATIVES

Board Participation in Nebraska Agricultural Cooperative CEO Succession

By Gregory McKee

June 2020

Several Nebraska agricultural cooperatives hired CEOs in the past five years. Boards of directors exert significant effort to gather and process information about internal and external candidates. Recent interviews with Nebraska cooperative directors described what made their efforts successful.

Boards encountered at least three challenges during CEO succession events. First, boards defined required capabilities of the next CEO. Second, boards assessed applicant qualifications. Third, boards worked to achieve consensus about applicant suitability.

CEO skill requirements

Boards consulted multiple resources when defining required CEO skills. Many boards engaged human resource professionals. One board mentioned these professionals provided a template of ideal candidate characteristics. Boards interacted with directors in other cooperatives, and with relevant stakeholders (banks, insurance companies, customers, trade associations), to learn how others assess managerial quality. Boards also reflected on their own experience with the cooperative and with predecessor CEOs.

Assessing applications

The ability to attract applications from candidates residing in and outside Nebraska was mentioned by all boards. In most cases, boards hired human resource professionals whose network of contacts would enhance the board's ability to attract applications. In some cases, boards believed their existing networks of professional contacts would yield a sufficient application pool.

Director experience evaluating applications varied based on whether directors had recently participated in a merger resulting in a CEO change or based on director tenure. Boards evaluated applications in committees or as a board. Committees either referred all applications, or recommended a subset of applications, to the full board. Committees then regularly reported opinions about applicant qualifications to the entire board. All directors were eligible to review all applications as desired, but committees provided explanations to the full board regarding the omission of any application.

Some boards asked human resource professionals to also make an initial assessment and recommend a pool of applications for evaluation. Professionals compared application materials with desired characteristics and experience.

NEBRASKA COOPERATIVES

Achieving consensus on candidate fit

Cooperative boards established regular procedures for the interviews. Interview itineraries and question scripts were standardized. Boards hiring human resource professionals consulted with them to formulate standard questions posed to each applicant; other boards generated their own questions/procedures through consensus. Interviews took place in formal settings between the directors and the applicant. Interviews also contained an informal social occasion with directors and applicant spouses present. Confidentiality regarding formal interviews and assessment were expected among directors.

Boards evaluated internal and external applicants based on their ability to implement a vision. This involved assessing the interviewee's management background and the applicant's view of implementing, or modifying, existing strategic goals; prior employment in cooperatives was not a requirement. The interviewee's leadership (communication and organizational culture) and corporate organization abilities were common themes described by boards for forming opinions concerning the applicant. Boards strove to equitably evaluate internal applicants, considering observed, measurable, contributions to the cooperative's performance. Boards interviewing internal candidates reported the interview process led to enhanced awareness of internal applicant capabilities and learning interesting things about them in the process.

Considering the future

Cooperative boards looked for ways to develop processes by which the board and new CEO could discuss expectations as well as perceived performance. Boards generally had plans to conduct near-term CEO evaluations. Overlapping tenure between the incumbent and successor CEO was viewed positively for enhancing successor ability to understand and meet management expectations.

The CEO succession event caused some cooperative boards to consider succession planning policies. Policy development is an outcome of board experience with conditions internal and external to the cooperative that affect CEO applicant quality. As such, succession policy outcomes are unique to each cooperative. These policies, which transcend the day-to-day human resource affairs of the cooperative, could be used to intentionally develop the quality of internal candidates. One board adopted systematic efforts to develop employees as future CEO candidates and receives regular reports on the progress of these efforts. Another considered requesting modifications to the cooperative's corporate structure to enhance employee skills. Nebraska cooperatives will benefit from succession plans when internal candidates can maintain a desirable corporate culture and operational status quo.

Summary

Cooperative boards of directors have navigated recent CEO turnover among Nebraska agricultural cooperatives. Boards assessed candidate skill requirements and whether

NEBRASKA COOPERATIVES

candidates met these. Boards desired consensus about candidate fit to facilitate maximum support from the board of CEO decision making. Cooperative boards also anticipate developing strong relationships with new CEOs and enhancing efforts to develop future, internal, CEO candidates.