



# Columinate

Catalysts for Common Good

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## Discussion and Process Guide for Board Compensation

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Co-op boards periodically need to address questions about board compensation: Should we or shouldn't we? How much is reasonable? How do we communicate these decisions to our member-owners or include them in the conversation?

### Allow enough time for the work

Before beginning this process, carefully consider how this work will or won't fit with your other board priorities. Once the board has agreed that this should be part of the board's work plan, allow enough time over enough meetings for directors to adequately understand each other's perspectives. Reasonable people can have very divergent ideas and opinions about money, compensation, and board service; this conversation can often take longer than expected because it raises questions about important values.

### Guide the conversation toward a successful outcome

Your board, like any group of people trying to make a decision about complex topics, can benefit from following a step-by-step approach...

Begin with *objective information* to ensure that everyone is talking about the same body of data. How are your co-op's directors and board officers currently compensated? What does your current compensation system (whether discounts or stipends or something else) actually cost the co-op? How do other similar organizations currently compensate their directors? During the board's review of the data, focus primarily on ensuring that everyone understands the information. What do you see here? What stands out?

In the board's second conversation, focus on *personal reflections*. Encourage each director to explain how they feel about the board's current compensation system, about the information you reviewed earlier, or about board compensation generally. Within the data, what surprises, excites, or worries you? What confuses you or affirms your beliefs? What do you believe the role of compensation is? How do you feel about the relationship to your own commitment of time and energy to your compensation for board work?

Following this reflective conversation, focus on *making meaning* out of what you've heard so far. What might be the implications for your co-op? How does what you've learned so far relate to your co-op's need for an excellent board? How might different approaches to board compensation relate to your strategy for recruiting and retaining board members? What is the significance of board compensation within the context of your goals for equity and inclusion?

Finally, what is your *decision*? Focus here on what you believe is best for your co-op rather than what you believe is best for you personally, or even best for the current set of directors. Your board may

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decide to gather more information before making a final decision about compensation. If you are ready to decide how your co-op should compensate board members, then also consider the related decisions about how to implement the decision and how to communicate it to your member-owners.

### **Communicate**

The board is ultimately accountable to the co-op's member-owners, and the board should have a clear way to include those member-owners in this work. In some states, the board may not increase its compensation; only members may do that. Or, some co-ops' bylaws may dictate that only members can decide board compensation. In those situations, the board will need to plan a timeline that culminates in a member vote and includes mechanisms along the way to make the case, to explain to members why the co-op needs their "yes" vote. If a state's laws and the bylaws are silent on this matter, then the board has the authority to make the decision. In this situation, the board should still be ready to keep the members informed about the board's thinking, to invite and include their perspectives, and ultimately to explain the board's decision. None of this needs to be presented as something controversial; it's just another in the long line of important decisions that the board makes for the good of the co-op.

### **Some guiding strategic questions:**

- What role does reasonable compensation play in attracting and retaining committed and qualified directors?
- What might be different about serving on the board of a business like a co-op, or on a non-profit organization?
- How do we disentangle the "what's good for me" and the "what's good for the co-op" aspects of this conversation?
- How do other similar co-ops compensate directors? Does what we're doing, or what we're considering, seem reasonable in light of peer practices?

### **Related resource:**

- [CBLD Board Compensation field guide](#)