



Board behaviours in co-operatives

Co-operatives UK
Guidance Note

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Guidance: Board behaviours in co-operatives

1. Introduction

An effective board depends on several key areas: having the right skills and experience in the board's composition to deliver the strategy and objectives of the co-operative; developing recruitment processes and succession planning to secure those skills; having a clear role and remit; and regularly evaluating the performance of members.

However, the dynamics and behaviours within the board have a central role in each of these areas and can have a significant impact on the ability of the board to perform its role effectively. Gaining a shared understanding of good board behaviours and their key role in board effectiveness is a fundamental aspect of good governance for any co-operative. Appropriate behaviours also support board membership of a co-operative being a fulfilling and rewarding experience.

Co-operatives UK has drafted a model Code of Conduct for Directors¹ as part of the Consumer Code and this includes a short section setting out expectations on standards of behaviour. This guidance note builds on that document to provide practical tips and guidance to support good board behaviours.

2. Who is this guidance for?

This guidance is designed to be used by any type or size of co-operatively run business.

3. The co-operative model

Co-operatives are established on the basis of collaborative control and oversight and this underpins the board's accountability to membership. Co-operation drives the ethos, values and principles of ethical, fair and respectful behaviours. This means that co-operatives benefit from their basic purpose and constitution.

4. The basics

The behaviours for each individual co-operative cannot be prescribed. It is for members to decide on the right tone, standards and approach for their organisation. But, it is useful for a co-operative to have a statement of their expectations for board behaviours. This will provide a unifying baseline from which individual board members and the board as a collective should work and, from which members can hold the board to account. Such statements can be included in a Code of Conduct, or as a standalone document and typically include the following:

- Board members should undertake their role with regard to the values, principles, beliefs and ethics of the co-operative. They must always act with honesty and integrity and in the best interests of the co-operative and must not bring it into disrupt or prejudice its reputation and good standing.
- Board members should have a clear understanding of the terms of reference for the board and their role and remit within this.
- Board members should be committed to working collaboratively to deliver the common purpose and vision for the co-operative.
- Board members should demonstrate and exercise the knowledge, skills and experience they bring to the board.
- Board members should establish rapport with, give and command the respect of fellow board members, members, and other stakeholders and partners of the co-operative.
- Board members should treat each other, members, and other stakeholders and partners of the co-operative politely, fairly and with integrity.
- Board members should have the ability to exercise independent judgement using appropriate scrutiny and oversight.
- Decisions of the board must be made in a culture of openness and accountability.
- Board members should provide appropriate, constructive and proportionate challenge.

To ensure that baseline behaviours are embedded in the co-operative, we recommend that these expectations should be openly available in an accessible format which is used as part of the application and recruitment process for board membership, for induction and in any board review process.

5. How can you build good board behaviours?

Always go back to your purpose: It's a simple and possibly self-evident statement, but it is useful as a member of the board to regularly remind oneself of the purpose of your co-operative. Day to day operations and a focus on for example, performance or product can sometimes divert behaviours away from those which will have a positive impact on the reason the organisation has been established.

Simon Sinek, in his Ted Talk, "Start with why – how great leaders inspire action"² describes this as "communicating from the inside out". Basing one's decision making in the "why"; that is, the purpose, cause, values or beliefs of the co-operative rather than the "how (your methods and process) and the "what" (your products or outcomes) is central to driving constructive behaviours in the board.

For example, if discussion or debate within the board becomes too operational and board members are caught up in managing the business, rather than directing, or decisions are being deferred or lack clarity, then it is useful for the board to take a moment to reflect on the "why". This can be a useful grounding technique for the chair of the meeting to use to refocus discussion.

Know the benefits of good board behaviour: Effective governance has a clear link with growth, whether that be sales, scope of activity or reputation. Simon Sinek states that "people don't buy what you do, they buy why you do it"³. Working with real collaboration, challenge and respect can strengthen decision making processes and alongside this makes best use of governance resources, building a sound culture, overall effectiveness, efficiency and credibility of the co-operative.

Collective working: The board should seek to develop a cohesive, collegiate approach to working together. There should be a shared understanding that all members take collective responsibility for discharging the role of the board. This is not only important to all board members, but also to the rest of the co-operative. The board provides a model of leadership for the rest of the organisation and on its behaviour, it sets the tone for wider co-operative working. Members should be prepared for meetings, aim for full attendance and be able to participate in discussion in an open, respectful manner. Members should not avoid difficult matters, abstain or be passive in that process. Equally, members should avoid aggression, reopening old decisions or reiteration of "favourite" topics. Good collective working means active co-production in a culture of trust and professionalism. It can be useful for the board to set aside time each year for a full discussion about the effectiveness with which it is conducting its collective business and how behaviours contribute to this.

Individual members: Board members should routinely take time to reflect upon their own performance and contribution. Gaining a robust but proportionate self-awareness of individual strengths and weaknesses in skills and knowledge and the tone and manner of engagement with the collective board can be challenging. Members who are passive, dominant or lack the capacity for self-development can hinder effective governance. However, a member who invites feedback, actively listens to and considers other's views, is emotionally intelligent and is responsive to change is more likely to work effectively as a member of the board and sets a good tone for the wider co-operative culture.

Learning from mistakes: All organisations experience mistakes, disappointments or simply things that in hindsight they would rather have done differently. The test of an effective board is how it behaves in relation to failure. Boards should seek to identify solutions and learning rather than attribute blame or judgement. It can be useful to take a backward look to identify any issues which can be avoided in the future, but board member behaviours should then focus on what can be done to address any gaps, improve performance, manage (rather than avoid) risk and strengthen the co-operative. This can include taking some external advice and support to open the board to different perspectives and opinions.

6. Dealing with poor or destructive behaviours

It is usually the responsibility of the chair to deal with any individual instances of poor behaviour within meetings and to move the meeting forward in line with agreed standards. This means chairs should have the right skills, attitude and approach to be able to tackle poor behaviour, deal with conflict and bring all members along without further disruption. Examples of such behaviours can range from continued absence, late arrival to or early departure from meetings through to members with a “hobby horse” topic, a reluctance to accept collective decisions, aggressive or inappropriate use of language.

Where there is continued poor or destructive behaviours, this can be challenging and unproductive. It can upset the dynamic of the board; hijack routine board business and decision making and take up time and resources. For these reasons, difficulties at board level can also have an adverse impact on the wider membership. Dealing with this in a co-operative context can be difficult. A board can choose to live with the issue, perhaps waiting for re-election or end of tenure, but this can have a negative impact on the rest of the board and in turn breed broader issues of poor behaviour.

The role of the chair and deputy chair are fundamental to resolving these issues. Depending on the specific nature of the issue, they should work collaboratively to actively deal with such matters in a timely manner. They should be delegated to do this without the board’s express permission, but in line with a process agreed by the board. This would usually provide an initial opportunity for the board member to proactively change their behaviours, for example through training or mentoring. However, the process should also address more serious responses such as gaining external advice, suspension and investigation, seeking resignation or removal of board membership, (which must be in line with the co-operative’s constitution). The board should therefore ensure that proper arrangements are made to deal with any referral and determination of cases of continued poor behaviours, or issues of conflicts, ethics or probity. This should be a transparent and fair process.

7. Five top tips

- 1... Set out your baseline expectations of board behaviours in a user friendly, accessible format.**
- 2... Be mindful of the co-operative’s purpose – and don’t be afraid to use this to focus board debate and decision making.**
- 3... Encourage individual board members and the collective board to reflect on their own behaviours and performance through regular review and feedback.**
- 4... Learn from mistakes but avoid blame and judgement. Take external advice where appropriate.**
- 5... Have a clear and fair process in place to deal with poor conduct and behaviours.**

8. Useful documentation

This guidance should be read alongside the good practice developed by Co-operatives UK's, Co-operative Governance Expert Panel:

- The 'Elements of Governance' Wheel: This wheel aims to depict all the areas of governance that should be in place within a thriving co-operative business. ([Download here](#))
- A statement on the Role of the Board: This provides a clear, authoritative and concise statement about the Board's role in a co-operative. ([Download here](#))

Other relevant documents include:

- Financial Reporting Council, Corporate Culture and the Role of Boards Report, July 2016
- Grant Thornton, Board Effectiveness Report, 2017
- Institute of Chartered Secretaries and Administrators, Boardroom Behaviours, June 2009
- Institute of Directors, Competency Framework Guide, 2016
- Russell Reynolds Insights, Global Boardroom Culture Survey, 2016

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References:

¹ Co-operatives UK, Model Code of Conduct for Directors, November 2013

² Simon Sinek, "Start with why – how great leaders inspire action", TedXPugetSound, September 2009

³ Simon Sinek, "Start with why – how great leaders inspire action", TedXPugetSound, September 2009