

---

# Recruiting, Selecting and Developing Board Members and Managers

---

Finding people in rural communities to serve on boards of directors is becoming increasingly difficult. Most rural communities have a variety of organizations with board of directors. For example, there are boards for USDA programs, community activities and a variety of other purposes. So the competition for board candidates can be intense. In spite of this, you want to get the most qualified people possible to serve on your board. You can improve your odds of getting good board candidates by creating a culture where individuals aspire to serve on your board of directors. Below are some ways of improving board culture.

**Compensation** – Most directors are not compensated in proportion to their contribution to the business. If you examine the importance and range of topics on which the board needs to make decisions, the compensation usually does not reflect those decisions. Many value-added businesses are increasing their board member compensation. If the owners don't want to increase the cash compensation, they may choose other options like paying the health insurance premium for the directors or provide other types of non-cash compensation. Most individuals do not serve on the board because of compensation. However, good boards recognize the value of a director's time and want to send a signal that they are looking for the very best for their board. Appropriate compensation is one way to send this signal.

**Director Development and Leadership** – It's important for boards of directors to participate in "director development and leadership" programs. Many value-added businesses require their board to attend at least one education program each year.

**Job Descriptions and Evaluation** – You may want to create a job description for board members. This is similar to the process of creating a job description for your CEO or general manager. This shows potential candidates what you are looking for in terms of board qualifications and that you are serious about selecting qualified candidates.

In addition to using job descriptions for board members, you may want to consider annual job evaluations for board members. You can do this by asking the board to evaluate itself. Doing a whole board evaluation as a board activity is a good practice. Learn more in Information File C5-73, [Board of Director Evaluations](http://www.extension.iastate.edu/agdm/wholefarm/pdf/c5-73.pdf), [www.extension.iastate.edu/agdm/wholefarm/pdf/c5-73.pdf](http://www.extension.iastate.edu/agdm/wholefarm/pdf/c5-73.pdf).

**Confidentiality** – There is an old saying that "loose lips sink ships." Another way of putting it is that "what is said in the board room, stays in the board room." You can't expect to talk at the coffee shop or expect to talk with friends after church about topics that were discussed in the board room. Everything that is discussed in the board room is confidential.

**Term Limits** – Some boards have term limits for directors – others don't. It is mainly an individual preference of the value-added business. Each business has its own culture with respect to term limits. In general, most boards do not have term limits. It is a good board practice to ensure that talented people are recruited and available to serve on the board so that board elections are competitive among a pool of qualified individuals.

The items presented above are ways that boards can communicate to their membership that this board is a professional board and takes its roles seriously. That it wants to attract the best director candidates possible. Creating this type of culture can improve your recruitment efforts to attract the best qualified people for your board of directors.

## Developing Board and Managerial Candidate Skills

Developing board candidates with the proper skills required to lead the business forward has become an important activity for value-added businesses. This may also apply to the CEO and other managers. Essentially, you are developing the future leaders of the organization.

This development of people can occur internally, within the business, rather than with individuals outside of the business. Internal leader development is effective and efficient from a business cultural perspective. Research shows this is the best strategy for developing talent. So the board should be exposed to several individuals within the business who might be candidates as future leaders of the organization.

After these individuals have been identified, the board members need to meet them. They may be selected to give monthly reports at board meetings. They may participate and interact with board members at business retreats. This process allows a relationship to develop between the individuals and the board members that helps the board to make the best selection of future leaders.

If we examine the supply and demand of qualified workers in rural areas, we find that fewer people are graduating from rural high schools that typically went into these positions. At the same time there are larger numbers of pending retirements. So there is a gap between the supply and demand of talent in rural areas. Finding capable leaders and employees for value-added agricultural businesses is becoming increasingly difficult.

Some value-added businesses are moving their headquarters to locations where it is easier to recruit managers and directors. These are usually cities with an existing pool of potential candidates. You don't want your employees driving long distances to work because of high fuel prices and the time constraint it puts on people with families.

Ideally you want the headquarters located in an area where there's a large supply of people suitable for leadership positions and other jobs in your business.

This can be part of the succession planning process discussed below. Identifying key positions within the organization and determining how you will develop capable candidates for these positions is an important process. This is increasingly important as your business begins to expand.

## Succession Planning

Succession planning for business leaders is an important function of boards of directors. Many boards are grappling with succession planning and how to develop a succession plan for the future leaders of the business. There have been several studies documenting the pending retirements of many agricultural leaders, organization leaders and agricultural business employees.

Another aspect of succession planning is how to raise the question of succession planning with the CEO without giving the impression that the board is dissatisfied with the CEO. When you have a long-time manager in the organization, the board often feels uncomfortable raising the issue of succession planning. Conversely, the managers may wonder why the board is bringing up this topic.

A good board practice is to discuss succession planning as part of the manager's annual evaluation process. It can be introduced by asking the question, "what happens if the manager is hit by a car on the way to a board meeting?" or "what happens if the plane goes down with the manager on board?" In other words, how will the organization function if the manager is no longer available due to some unexpected happening? Even though these types of events are rare, it provides a way of introducing the topic without making the current leaders uncomfortable.

---

Another question is how to go about succession planning at the organizational level, as value-added companies get more and more complex (we find some with 200-250 employees). With this size and scale, you've always got jobs open. It's important to have an on-going education program to prepare future employees in this job environment.

### Related Ag Decision Maker Files

File C5-70, [Introduction to Governance](http://www.extension.iastate.edu/agdm/wholefarm/pdf/c5-70.pdf), [www.extension.iastate.edu/agdm/wholefarm/pdf/c5-70.pdf](http://www.extension.iastate.edu/agdm/wholefarm/pdf/c5-70.pdf)

File C5-71, [The Role of the Board of Directors](http://www.extension.iastate.edu/agdm/wholefarm/pdf/c5-71.pdf), [www.extension.iastate.edu/agdm/wholefarm/pdf/c5-71.pdf](http://www.extension.iastate.edu/agdm/wholefarm/pdf/c5-71.pdf)

File C5-72, [Recruiting, Selecting and Developing Board Members and Managers](http://www.extension.iastate.edu/agdm/wholefarm/pdf/c5-72.pdf), [www.extension.iastate.edu/agdm/wholefarm/pdf/c5-72.pdf](http://www.extension.iastate.edu/agdm/wholefarm/pdf/c5-72.pdf)

File C5-73, [Board of Director Evaluations](http://www.extension.iastate.edu/agdm/wholefarm/pdf/c5-73.pdf), [www.extension.iastate.edu/agdm/wholefarm/pdf/c5-73.pdf](http://www.extension.iastate.edu/agdm/wholefarm/pdf/c5-73.pdf)

File C5-74, [Business Strategy and the Board of Directors](http://www.extension.iastate.edu/agdm/wholefarm/pdf/c5-74.pdf), [www.extension.iastate.edu/agdm/wholefarm/pdf/c5-74.pdf](http://www.extension.iastate.edu/agdm/wholefarm/pdf/c5-74.pdf)

File C5-75, [Governance Issues Unique to Start-up Businesses](http://www.extension.iastate.edu/agdm/wholefarm/pdf/c5-75.pdf), [www.extension.iastate.edu/agdm/wholefarm/pdf/c5-75.pdf](http://www.extension.iastate.edu/agdm/wholefarm/pdf/c5-75.pdf)

File C5-76, [Board of Director Educational Needs](http://www.extension.iastate.edu/agdm/wholefarm/pdf/c5-76.pdf), [www.extension.iastate.edu/agdm/wholefarm/pdf/c5-76.pdf](http://www.extension.iastate.edu/agdm/wholefarm/pdf/c5-76.pdf)

---

This institution is an equal opportunity provider. For the full non-discrimination statement or accommodation inquiries, go to [www.extension.iastate.edu/diversity/ext](http://www.extension.iastate.edu/diversity/ext).

By Mike Boland, director,  
The Food Industry Center, University of Minnesota  
[boland@umn.edu](mailto:boland@umn.edu)  
Don Hofstrand, retired extension value added  
agriculture specialist, [agdm@iastate.edu](mailto:agdm@iastate.edu)

[www.extension.iastate.edu/agdm](http://www.extension.iastate.edu/agdm)

---