

al training on strategy and strategy development are important topics for successful governance.

Finance

Boards often struggle with finance and numbers because, like many people, they are uncomfortable working with numbers. But understanding finance is critical to the success of the business. This includes understanding and interpreting “financial statements” (<http://www.extension.iastate.edu/agdm/wdfinancial.html>) like net worth statements, income statements, cash flow statement, statements of change in financial position, etc.

Financial ratios are important for the board to review and discuss. The board doesn't need to know how the ratios are calculated. But it needs to know what the ratios mean, how to interpret them in the context of their business and how they have trended over time. Knowing how to benchmark their performance against themselves as well as others like them is important. Also the board needs to understand items like loan covenants with their lender, why they are important and the consequences of being in violation.

The board needs to understand the context within which the financials are derived. So when a value-added agricultural business has a year or several years of low production (e.g. poor crops), the financial performance of the business may fall below standard guidelines. Yet the directors need to know that the CEO may be managing the company to the best of his/her ability.

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