Governance Basics and Leadership Roles

**Board Training**
Western Iowa Dairy Alliance
Sheldon, Iowa
April 5, 2017

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YOU are the control function

1. Represent the interest of members
2. Oversee the business

- Duty of Care (diligence) – act in good faith
- Duty of Loyalty – deserve trust, avoid COIs
- Duty of Obedience – act within your authority
Board Functions

Represent the Membership
- Decision Making
- Advisory
- Trustee
- Perpetuating
- Symbolic

Oversee the Business
- Decision Making
- Advisory
- Trustee
- Perpetuating
What does controlling mean?

1. Make decisions
   - Establish objectives
   - Formulate policies
   - Approve programs and plans
   - Select general manager

2. Serve in an advisory capacity
   - Go to membership with changes that require their approval
   - Consult with general manager
   - Respond to members’ needs (eyes and ears of the association)
What does controlling mean?

3. Serve as trustee
   • To members, creditors, and public
   • Stewards of assets
   • Seek experts for audits, legal

4. Ensure perpetuation of the business
   • Recruit and retain successful managers
   • Develop new directors
   • Plan

5. Serve as a symbol and of the association
   • Represent the association to the members and community
   • Communicate with management and members
   • Be a respected leader
Board duties & responsibilities

- Know the articles of incorporation and by-laws
- Employ, evaluate the manager
- Create policies
- Attend board meetings prepared
- Act in good faith
- Hire an attorney and auditor
- Review budgets & financial statements
- Committee assignments
Board duties and responsibilities

- Understand contracts the association enters into
- Review insurance coverage
- Due diligence
- Plan annual meetings
- Education
- Member relations, community involvement
- Act as a united board to the members and public
Committees

• Develop expertise to provide greater context and information to board discussions
• “Divide and conquer”
• Committee work is not done in the board meeting
• The board as a whole does not revise committee work
Common Board Mistakes

• Failing to establish business objectives & strategic plans that are informed and meaningful
• Neglecting the non-financial aspects of your job
• Making decisions too slow or too fast
• Conducting inefficient and ineffective board meetings
• Sabotaging cohesiveness and trust
• Not respecting the best-practice boundary between boards and managers – micromanaging
BOARD AND MANAGEMENT BOUNDARIES
Boards and Managers

• Joint leadership
• Must be aware of and respect the others’ roles
• Expectations should be clearly stated
  • What do boards expect from managers?
  • What do managers expect from boards?
• Communication is key

Boards provide strategic direction, and give the management team a clear vision to develop their operational plans.
Where IS “the line”?

All decisions boil down to two questions:

Can we?

Should we?
As a board, ask yourself

Does knowing the information or getting involved help us in fulfilling our responsibility to...

- **represent** the membership?
- **protect** the health of the association?

Does getting involved *really* help you be a better board member and fulfill your duties?
Potential Gray Areas

• Employee compensation and evaluation
• Member relations
• Employee complaints
• Identifying new business partners
What are the dangers of crossing “the line”?

• Manager perceives s/he is not trusted or valued
• Board is ‘in the weeds’ and is unable to perform at higher level
• Inefficiency
• Ineffectiveness
• And more...
PLANNING
Leadership & Planning

“Strategic planning is a disciplined effort to produce fundamental decisions and actions that shape and guide what your association is, what it does, and why it does it, with a focus on the future.”
Planning for your association

It is a process that addresses two fundamental questions:

1. What do you want to happen?
2. How will you ensure that it does?
   - Wait for lucky breaks
   - Adopt a careful and continual planning process
Strategic vs. Operational

**Strategic plans** guide responses to and decisions in changing environments to ensure the mutual goals and visions are achieved. **Provides for navigation through uncertainty.**

**Operational plans** are roadmaps that **outline the activities and resources needed**; they are tactical and assume the short-run is known.
Who Is Responsible?

- Strategic planning is the responsibility of the board – YOU.

- Operational planning is the responsibility of the manager (and the board is responsible for making sure it happens).
Good planning is...

• **Actionable**: “We can try to avoid choices by doing nothing, but even that is a decision.” – Gary Collins

• **Pre-meditated**: “It’s hard to remember that your objective is to drain the swamp when you are up to your ass in alligators.” – Anonymous

• **Forward-looking**: “Skate to where the puck is going to be, not where it is.” – Wayne Gretzky

• **Dynamic**: “Even if you’re on the right track, you’ll still get run over if you just sit there.” – Will Rogers
Good Strategy

A “good strategy” has the following characteristics:

1. **Diagnosis** – defines and explains the challenge(s) facing the business and identify the critical factors

2. **Guiding Policy** – an overall approach to cope with the obstacles identified in the diagnosis.

3. **Coherent Action Plan** – coordinated steps in sequence to support accomplishment of the guiding policy

*Advice from Rumelt, “Good Strategy, Bad Strategy: The Difference and Why it matters,” 2011*
Bad Strategy

A “bad strategy” has the following characteristics:

1. **Failure to face the true problem** – have you identified the problem or the symptoms? Are you being honest with yourself?

2. **Mistaking goals for strategy** – they are not the same

3. **Bad objectives** – are they fluff? Do they provide any guidance or clear picture of the organizations values?

*Advice from Rumelt, “Good Strategy, Bad Strategy: The Difference and Why it matters,” 2011*
Elements of Strategy

There must be **consensus** among participants on these things.

- **Mission, Vision, Goals, & Objectives**
- **Needs**
- **Resources**
## Mission vs. Vision

### Mission
- **Why?**
- **Statement**
- **Short**
- **Informs**
- **Doing**
- **Head**
- **First**
- **Clarifies**

### Vision
- **What?**
- **Snapshot**
- **Long**
- **Inspires**
- **Seeing**
- **Heart**
- **Second**
- **Challenges**

### Answers
- **Definition**
- **Length**
- **Purpose**
- **Activity**
- **Source**
- **Order**
- **Effect**
## Goals vs. Objectives

<table>
<thead>
<tr>
<th>Goals</th>
<th>Objectives</th>
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</thead>
<tbody>
<tr>
<td>• Broad</td>
<td>• Narrow</td>
</tr>
<tr>
<td>• General intent</td>
<td>• Precise</td>
</tr>
<tr>
<td>• Intangible</td>
<td>• Tangible</td>
</tr>
<tr>
<td>• Abstract</td>
<td>• Concrete</td>
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<tr>
<td>• Difficult to measure</td>
<td>• Measurable</td>
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**Scope**

- Intentions
- Materiality
- Concept
- Measure
Goals versus Objectives

Goal

*We want to build a “no-problem” balance sheet for our company.*

Objectives

- Implement the ‘margin management’ plan in each department by y/e
- Increase retained equity to member equity by 1 percentage point each year for next 5 years.
Objectives Are...

- Specific
- Measurable
- Attainable
- Relevant
- Time Based
Purposeful Strategic Planning

1. Agree to develop a plan, and describe the process

2. Gather the Facts
   - “Visioning”
   - Mission statement
   - External environment
   - Internal environment

3. Evaluate
   - SWOT/TOWS analysis
   - Strategic options
SWOT Analysis

Strengths, Weaknesses, Opportunities, Threats

<table>
<thead>
<tr>
<th></th>
<th>Opportunities (external, positive)</th>
<th>Threats (external, negative)</th>
</tr>
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<tbody>
<tr>
<td><strong>Strengths</strong></td>
<td>Strength-Opportunity strategies</td>
<td>Strength-Threats strategies</td>
</tr>
<tr>
<td>(internal, positive)</td>
<td>Which of the company’s strengths</td>
<td>How can you use the company’s</td>
</tr>
<tr>
<td></td>
<td>can be used to maximize the</td>
<td>strengths to minimize the</td>
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<tr>
<td></td>
<td>opportunities you identified?</td>
<td>threats you identified?</td>
</tr>
<tr>
<td><strong>Weaknesses</strong></td>
<td>Weakness-Opportunity strategies</td>
<td>Weakness-Threats strategies</td>
</tr>
<tr>
<td>(internal, negative)</td>
<td>What action(s) can you take to</td>
<td>How can you minimize the</td>
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<td>minimize the company’s weaknesses</td>
<td>company’s weaknesses to avoid</td>
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<td>using the opportunities you</td>
<td>the threats you identified?</td>
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When Can SWOT Be Used?

- When exploring new opportunities or solutions to problems
- When a need for change is identified, your company is at a turning point
- To refine and adjust plans
Purposeful Strategic Planning

4. Define the Plan
   – **Write down** the goals, objectives, and direction
   – Detail the actions and resources needed

5. Implement

6. Evaluate
   – How often?
   – How will you know if its working?
THE REST IS NOISE
How To Mess Things Up

• Believing everything will be great
• Ignoring details
• Basing decisions on the leader’s opinion
• Poor planning
• Data blindness – your survival depends on reliable, useful information
• Failure to adapt to members
• Failure to educate members
• Mistaking branding for ‘a brand’

*John Graham, Feedstuffs, October 3, 2016*
How Do You Avoid This?

• Careful approach to planning and evaluation
  • Have conversations and be honest
  • Adopt useful policies
  • Seek feedback
Bottom Line

Your job is to protect the company and represent the members’ interest. Even if something is not your direct responsibility to do, *it IS your responsibility to make sure it is being done.*

At the end of the day, is your board and the GM on the same page about your respective roles, responsibilities, and boundaries?