

IOWA STATE UNIVERSITY

Extension and Outreach / Department of Economics

Governance Basics and Leadership Roles

Board Training

Western Iowa Dairy Alliance

Sheldon, Iowa

April 5, 2017

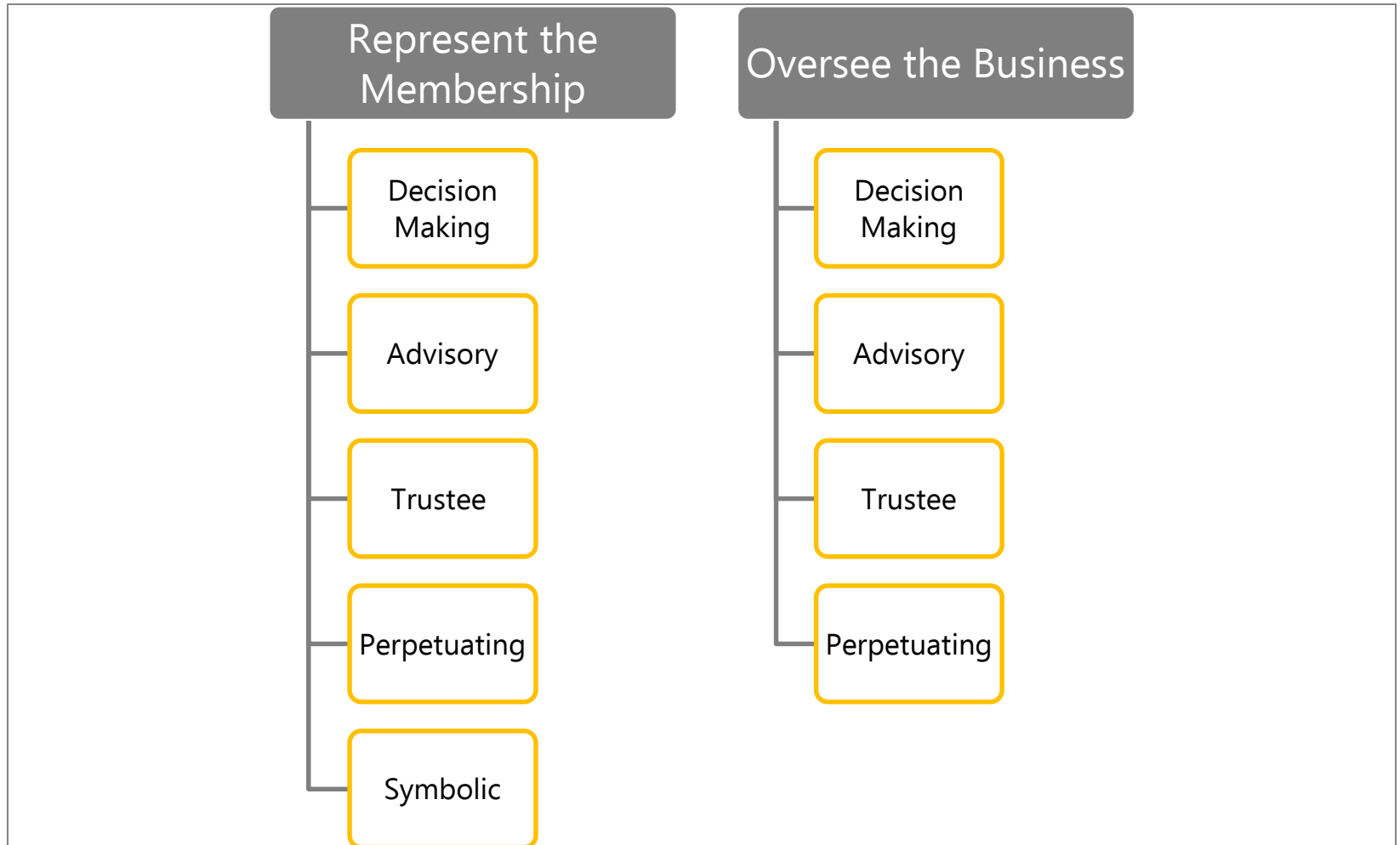
Keri L. Jacobs, Asst. Professor and Extension Economist

Iowa Institute for Cooperatives Endowed Economics Professor

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



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:



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

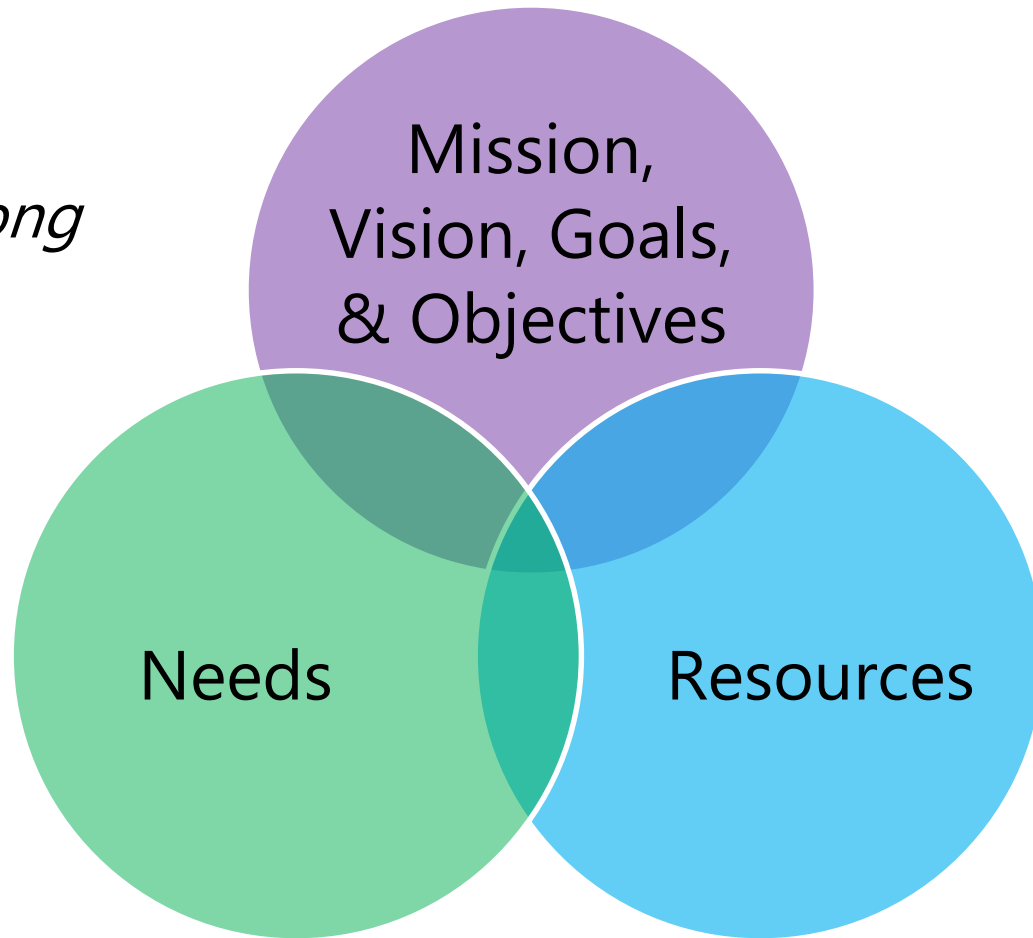
A “bad strategy” has the following characteristics:

- 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 vs. Vision

Mission

- Why?
- Statement
- Short
- Informs
- Doing
- Head
- First
- Clarifies

- **Answers**
- **Definition**
- **Length**
- **Purpose**
- **Activity**
- **Source**
- **Order**
- **Effect**

Vision

- What?
- Snapshot
- Long
- Inspires
- Seeing
- Heart
- Second
- Challenges

Goals vs. Objectives

Goals

- Broad
- General intent
- Intangible
- Abstract
- Difficult to measure

Scope
Intentions
Materiality
Concept
Measure

Objectives

- Narrow
- Precise
- Tangible
- Concrete
- Measurable

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...

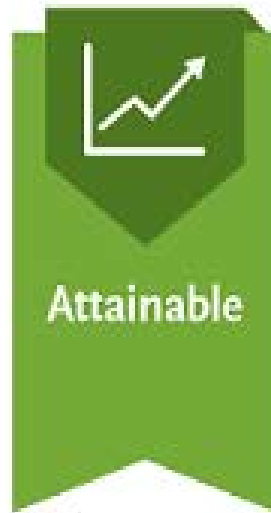
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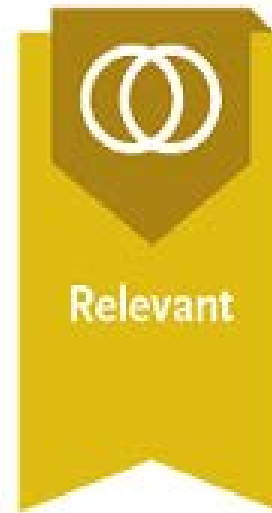
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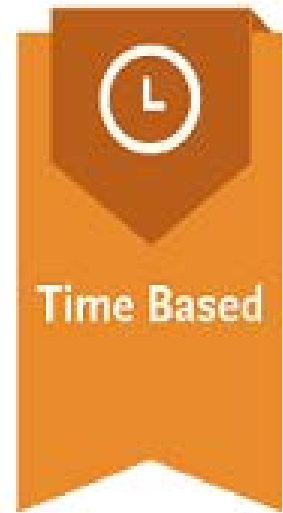
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Purposeful Strategic Planning

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

	Opportunities (external, positive)	Threats (external, negative)
Strengths (internal, positive)	Strength-Opportunity strategies Which of the company's strengths can be used to maximize the opportunities you identified?	Strength-Threats strategies How can you use the company's strengths to minimize the threats you identified?
Weaknesses (internal, negative)	Weakness-Opportunity strategies What action(s) can you take to minimize the company's weaknesses using the opportunities you identified?	Weakness-Threats strategies How can you minimize the company's weaknesses to avoid the threats you identified?

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



“THE MOST IMPORTANT SINGLE INGREDIENT IN
THE FORMULA OF SUCCESS IS KNOWING HOW
TO GET ALONG WITH PEOPLE.”

THEODORE ROOSEVELT

© Lifehack Quotes

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?



E: kljacobs@iastate.edu

P: 515-294-6780

Twitter: @keriljacobs